



STATE OF THE REGION: THE AMERICAS

AUGUST 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
United States	2.2	2.5	2.6	2.9
Brazil	1.0	2.1	1.2	--
Mexico	2.3	1.6	2.3	1.6
Canada	3.0	3.0	2.3	--
Argentina	2.9	3.9	3.6	--
Colombia	1.8	1.6	2.6	2.5
Chile	1.6	3.3	5.1	5.0
Peru	2.5	2.3	3.1	5.4
World*	3.2	3.2	3.2	3.1

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	May-18	Jun-18	Jul-18
US\$ broad index	120.0	121.5	123.4	124.1
Brazilian real (BRL)	3.31	3.73	3.86	3.75
Mexican peso (MXN)	19.66	19.96	19.74	18.63
Argentine peso (ARS)	18.62	24.97	28.93	27.34
Colombian peso (COP)	2985	2890	2932	2884
Chilean peso (CLP)	615	632	654	639

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	May-18	Jun-18	Jul-18
Crude oil (Brent)	54.2	77.0	74.4	74.3
Jet fuel	65.6	90.5	87.8	88.1

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

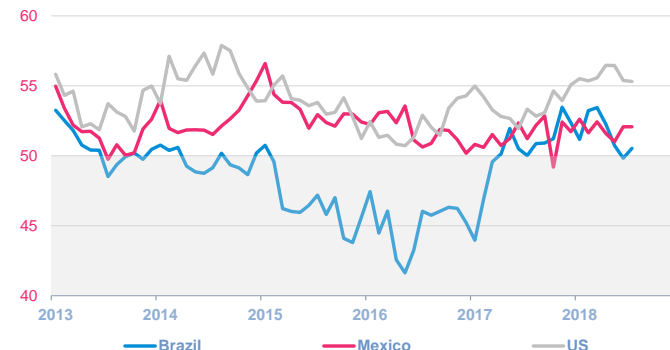
%change on a yr ago	2017	Apr-18	May-18	Jun-18
Region (registration basis)				
N America	4.2	3.7	5.3	5.5
Latin America	6.7	5.7	6.3	5.3
World	7.6	6.0	6.0	7.8
Routes (segment basis)				
US domestic	3.7	5.3	5.5	5.3
Brazil domestic	3.5	6.2	3.8	5.3
Nth America-Europe	4.1	-1.8	4.1	4.9
Nth America-Asia	4.9	5.3	4.2	4.0
Nth-Sth America	0.9	4.3	7.1	4.2
Sth America-Europe	6.1	8.7	11.2	10.9
Within Sth America	10.5	5.7	0.2	-4.0

Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide RPKs stepped up to a brisk 7.8% year-on-year pace in June, from an even 6.0% in both April and May. The first 6mths of the year produced RPK growth of 7.0% – a robust, above-trend performance, but down somewhat on the 8.3% pace of the same period in 2017.
- Growth at the regional level broadly converged this month, at a pace solidly below that of the overall industry: passenger volumes are up 5.5%yoy for the Nth

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

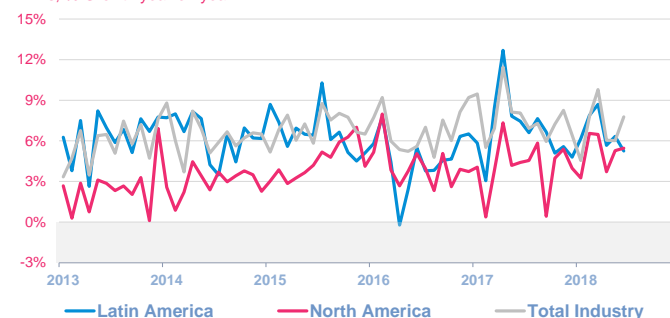
- Business confidence drifted sideways this month in both the US and Mexico and showed a modest uptick in Brazil. A strong quarterly GDP outturn in the US supported sentiment despite ongoing international trade tensions.
- On a trade-weighted basis, the US\$ rose by a modest 0.5% in June, its 6th consecutive monthly increase. Even so, the main regional currencies all increased against the US\$, most notably the MXN & ARS which both gained more than 5.5% in the month.
- Brent crude oil & jet fuel prices were largely unchanged across July, consolidating their moderate June decline. Oil & jet fuel prices are ~50% higher than a year ago.

American carriers and 5.3%yoy for the Lat.Am airlines.

- It was a similar story for the region's two main domestic markets, the US and Brazil, with both recording a solid 5.3% increase in RPKs compared with a year ago.
- Of the key international markets, SthAm–Europe leads the way, with double-digit RPK growth of 10.9%yoy. Growth across the 3 largest markets is tightly clustered between 4-5%. Passenger volumes are currently 4% lower than a year ago in the Within SthAm market.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Apr-18	May-18	Jun-18
Region (registration basis)				
Nth America	8.2	3.9	6.2	3.8
Latin America	5.5	10.8	11.3	5.9
World	9.1	4.5	3.8	2.7
Routes (segment basis)				
Nth America-Asia	8.7	6.1	4.8	2.0
Nth America-Europe	9.9	6.0	3.4	5.4
Nth-Sth America	0.6	15.0	15.8	7.5
Sth America-Europe	6.9	13.9	9.9	8.1
Within Sth America	3.2	44.4	24.7	21.7

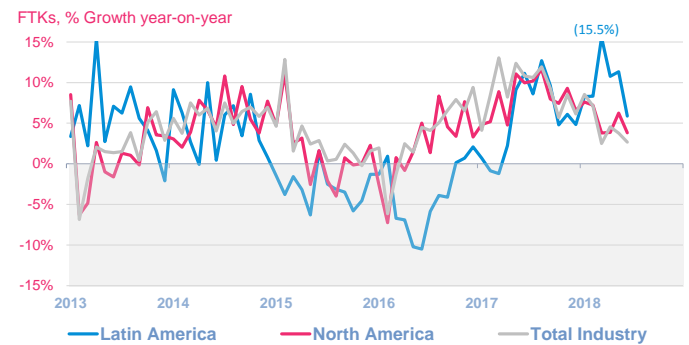
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Annual growth in industry-wide FTKs slowed further in June, to 2.7% from 3.8% in May, and are only around half the 5yr-year average rate. The loss of momentum in air freight demand is consistent with the broad moderation in export orders since the start of the year.
- ➔ At the regional level, FTK growth also slowed this month, most notably for the Lat.Am airlines (to 5.9%yoy from 11.3% in May). For NthAm airlines, growth in freight

volumes returned to around that of April, at 3.8%yoy.

- ➔ FTK growth for the main NthAm-Asia market eased again this month, to a modest 2.0%yoy, with trade tensions likely playing a part in this outcome.
- ➔ The smaller Within SthAm market remains overall the fastest growing, with FTKs ~22% higher than a year ago. SthAm-Europe is also showing robust growth, at 8.1%yoy currently.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2017	Apr-18	May-18	Jun-18
Passenger				
Nth America ASK	4.0	4.9	4.9	4.3
Nth America PLF	83.7	83.2	84.4	87.2
Latin America ASK	5.3	5.9	6.2	6.5
Latin America PLF	81.7	81.2	80.0	80.3
World ASK	6.3	6.0	5.9	6.5
World PLF	81.5	82.2	80.0	82.8
Freight				
Nth America AFTK	2.0	3.5	5.5	3.4
Nth America FLF	36.5	36.0	36.4	35.8
Latin America AFTK	4.7	-7.0	-5.2	-5.7
Latin America FLF	33.6	39.9	39.9	37.2
World AFTK	3.6	4.7	5.0	4.1
World FLF	45.2	45.2	44.9	44.3

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers

- ➔ The industry-wide passenger load factor (PLF) is 1pp higher than its year ago level, at 82.8%. However, the freight load factor (FLF) has eased moderately, down 0.6pp vs a year ago, to 44.3% currently.
- ➔ The region recorded a PLF above 80% this month, with the 87.2% outcome for NthAm the highest of all regions. The region's FLF remained around 36-37% this month, lagging, by a solid margin, the industry-wide outcome.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Nth America	13.7	11.1	16.6	12.1
Latin America	5.6	6.9	6.6	0.1
Industry	8.5	7.5	11.6	9.2

Source: Airline Analyst * constant sample basis, not seasonally adjusted

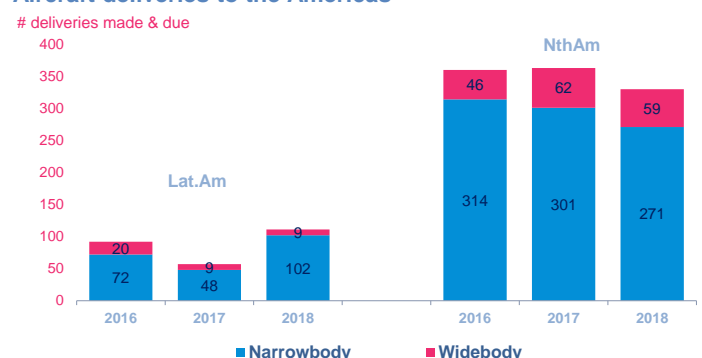
- ➔ The latest financial data for Q2 show a modest easing in the industry EBIT margin outcome compared with that of a year ago; 9.2% currently vs 11.6% in 2Q17. At the regional level, the decline is more significant, down 4.5pp for NthAm carriers, to 12.1% currently, & down 6.5pp for the Lat.Am carriers to just 0.1%.
- ➔ Passenger yield developments amongst the region's key markets remain mixed. Compared with a year ago, the NthAm-Europe market is performing strongly, with yields up 11.8%. However, yields are lower in yoy terms for both the Nth-SthAm & Within SthAm markets.

Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2017	Apr-18	May-18	Jun-18
Nth America-Europe	-1.8	19.8	9.1	11.8
Nth America-Asia	-3.2	2.4	2.8	4.3
Nth-Sth America	0.2	-1.8	-4.5	-5.3
Sth America-Europe	7.9	10.9	7.2	5.2
Sth America-Asia	-4.2	5.5	3.2	5.1
Within Sth America	1.8	0.9	-1.0	-3.4

Source: IATA PaxIS Note: historical data may be subject to revision

Aircraft deliveries to the Americas



Source: Ascend