

State of the region: The Americas

August 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
United States	2.9	2.5	2.7	2.3
Brazil	1.1	1.1	0.5	--
Mexico	2.0	1.6	0.1	--
Canada	1.9	1.6	1.3	--
Argentina	-2.5	-6.1	-5.8	--
Colombia	2.6	2.7	3.1	3.0
Chile	4.0	3.3	1.9	--
Peru	4.0	4.7	2.3	--
World*	3.2	2.8	2.7	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	May-19	Jun-19	Jul-19
US\$ broad index	128.5	128.7	128.3	127.8
Brazilian real (BRL)	3.88	3.91	3.83	3.76
Mexican peso (MXN)	19.69	19.61	19.21	18.98
Argentine peso (ARS)	37.66	44.83	42.38	43.82
Colombian peso (COP)	3248	3370	3207	3293
Chilean peso (CLP)	694	707	679	701

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	May-19	Jun-19	Jul-19
Crude oil (Brent)	71.7	70.4	63.2	64.3
Jet fuel	86.4	84.4	76.5	80.4

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

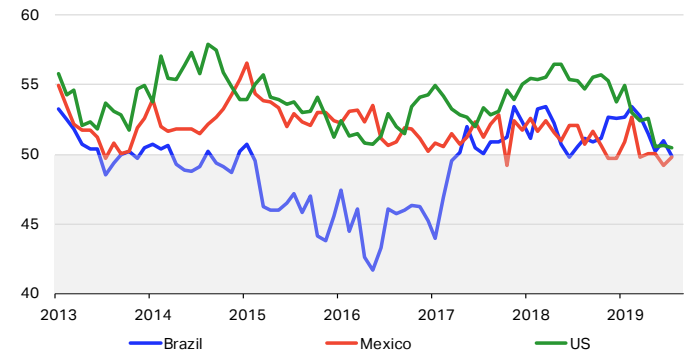
% change on a yr ago	2018	Apr-19	May-19	Jun-19
Region (registration basis)				
N America	5.0	4.3	4.6	3.1
Latin America	7.7	5.6	5.7	4.9
World	6.9	4.3	4.7	5.0
Routes (segment basis)				
US domestic	5.1	3.8	4.7	3.1
Brazil domestic	4.8	0.6	-2.7	-5.7
Nth America-Europe	4.4	7.5	6.9	6.5
Nth America-Asia	3.9	3.2	5.2	2.1
Nth-Sth America	4.6	-2.1	-2.1	-2.9
Sth America-Europe	8.5	7.6	7.2	5.8
Within Sth America	0.6	-1.8	1.7	7.9

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

- Industry-wide revenue passenger kilometres (RPKs) increased by an even 5.0% over the 12 months to June, the best outcome since February. That said, the pace remained a little slower than the 20-year average growth rate of around 5.5%.
- Year-on-year RPK growth fell to 3.1% in North America, the lowest level since October 2017. Growth has been trending downwards for Latin America carriers for eight months or so, reflecting weakening economic

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

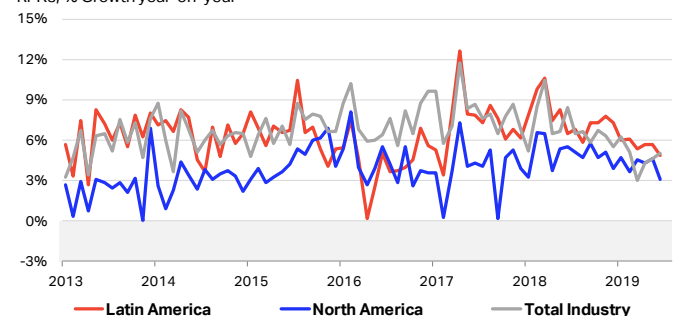
- Despite a rise in consumer spending, US economic growth eased in Q2 amid ongoing US-China trade tensions; business confidence remained at historically low levels. For Mexico and Brazil, the index hovered just below the key 50-mark, indicating challenging operating conditions in both countries.
- On a trade-weighted basis, the US\$ eased by 0.3%, a consecutive monthly fall. Of the main regional currencies, the ARS was the main mover, losing 3.4% against the US\$ amidst mounting political uncertainty.
- Jet fuel and crude oil prices continued to be volatile following signs of weakening in the global economy and tensions in the Middle East.

conditions in a number of key region's economies

- Following a short-lived rise in May, US domestic RPK growth eased to ~3% y-o-y in June, the weakest outcome since January 2018. Volumes were almost 6% lower vs a year ago in Brazil, following the demise of Avianca Brasil, the country's 4th largest airline.
- The weaker regional performance translated into softer growth outcomes on most of the key international routes in the region. The only exception was the smallest Within SthAm with RPKs up by ~6pp vs May.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Apr-19	May-19	Jun-19
Region (registration basis)				
Nth America	6.8	0.8	-1.9	-4.6
Latin America	7.9	1.9	-0.5	-1.0
World	3.6	-5.6	-3.5	-4.8
Routes (segment basis)				
Nth America-Asia	3.7	-7.8	-5.2	-4.3
Nth America-Europe	3.3	-7.0	-2.9	-5.1
Nth-Sth America	8.7	-1.4	-5.0	-3.4
Sth America-Europe	9.1	-2.8	2.3	-5.5
Within Sth America	17.2	-16.3	-6.5	-19.3

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

- Additional tariff increases in the ongoing US-China trade dispute that came into effect on June 1st are likely to have contributed to further fall in annual FTK growth rate in June (volumes down 4.8% y-o-y).
- Although FTK growth performance deteriorated further for both North America and Latin America carriers this month, the decline has not been as severe as in other regions such as Asia Pacific and the Middle East.

Industry

Capacity growth and load factors

ASK/AFTK: % ch on a yr ago, LF: % of ASK/AFTK		2018	Apr-19	May-19	Jun-19
Passenger					
Nth America	ASK	4.7	2.3	2.7	1.4
	PLF	83.8	84.7	85.6	88.7
Latin America	ASK	8.0	4.7	1.9	1.2
	PLF	81.6	82.1	83.3	83.2
World	ASK	6.5	3.3	2.7	3.3
	PLF	81.9	83.0	81.6	84.4
Freight					
Nth America	AFTK	6.6	1.6	1.8	1.9
	FLF	41.2	41.1	39.5	38.2
Latin America	AFTK	4.9	15.3	3.4	4.6
	FLF	34.1	32.6	35.4	33.7
World	AFTK	4.9	1.7	1.4	2.6
	FLF	49.3	46.3	46.8	45.4

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

- The industry saw a record-high passenger load factor (PLF) for the month of June as the pace of capacity growth continued to be slower than that of demand. The story was less positive on the freight side with the FLF well below that of June 2018 (48.9%).
- Record high June PLFs were also set for NthAm and Lat.Am at 88.7% and 83.2%, respectively. For freight, the FLF remained relatively close to its historical high (40.8%) for NthAm airlines but underperformed for Lat.Am, at 33.7% on this occasion.

Airline operating (EBIT) margins*

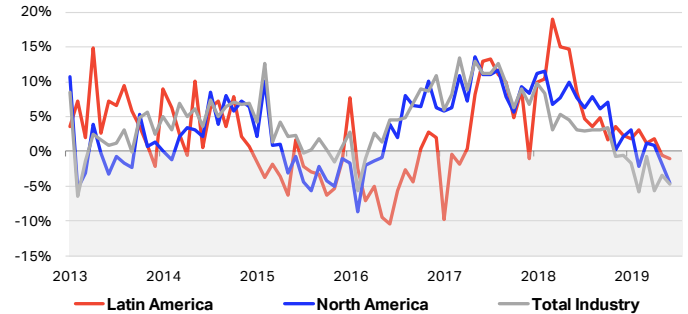
% revenues	2017	2018	2018Q2	2019Q2
Nth America	11.2	9.1	12.0	13.4
Latin America	6.2	2.7	6.0	5.8
Industry	7.5	5.8	10.3	10.9

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

- FTKs were lower compared to a year ago on all of the key international routes in the region. That said, the speed of decline has been slowing over the past two months for the largest NthAm-Asia market.
- The Within South America market has been showing outsized volatility in recent months, not a surprising outcome given the relatively small size of the market.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

- The initial Q2 2019 airline financial data point to an improvement in industry-wide profitability vs a year ago. The result was driven by solid outcome for NthAm airlines with an EBIT margin ~1.5ppt higher vs Q2 2018. Profitability varied across Lat.Am airlines with the aggregated figure remaining generally unchanged.
- Following short-lived improvement in May, pressure on pax yields intensified again in the largest NthAm-Europe and NthAm-Asia markets. SthAm-Europe & SthAm-Asia continued to be the key underperformers in June. Note that yields are denominated in US\$ and exchange rate fluctuations may affect outcomes.

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

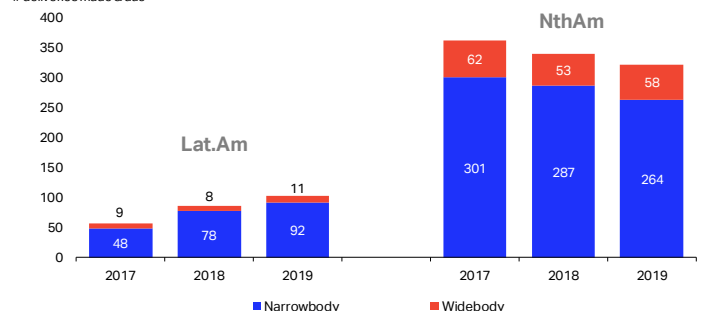
% change on a yr ago	2018	Apr-19	May-19	Jun-19
Nth America-Europe	4.6	-8.0	2.6	-3.3
Nth America-Asia	-0.3	-7.2	1.3	-3.1
Nth-Sth America	-38.6	-9.6	-4.0	-3.1
Sth America-Europe	-1.3	-20.2	-18.2	-21.7
Sth America-Asia	-0.3	-12.7	-10.1	-13.0
Within Sth America	-26.3	-1.3	0.2	9.5

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data indicate a rise in jet aircraft deliveries for the Lat.Am airlines and modest decrease in deliveries for NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (as of August 2019)

deliveries made & due



Source: Ascend