

State of the region: The Americas

December 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
United States	2.9	2.7	2.3	2.1
Brazil	1.3	0.6	1.1	1.2
Mexico	2.1	0.0	0.1	-0.2
Canada	2.0	1.5	1.9	1.7
Argentina	-2.5	-5.8	0.6	--
Colombia	2.6	3.2	3.0	3.3
Chile	4.0	1.9	2.0	2.8
Peru	4.0	2.4	1.2	3.0
World*	3.2	2.7	2.5	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Sep-19	Oct-19	Nov-19
US\$ broad index	128.5	130.8	130.2	129.9
Brazilian real (BRL)	3.88	4.17	4.01	4.23
Mexican peso (MXN)	19.69	19.74	19.17	19.51
Argentine peso (ARS)	37.66	57.59	59.78	59.92
Colombian peso (COP)	3248	3478	3378	3524
Chilean peso (CLP)	694	728	741	807

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Sep-19	Oct-19	Nov-19
Crude oil (Brent)	71.7	62.4	59.6	62.7
Jet fuel	86.4	79.8	78.7	78.2

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

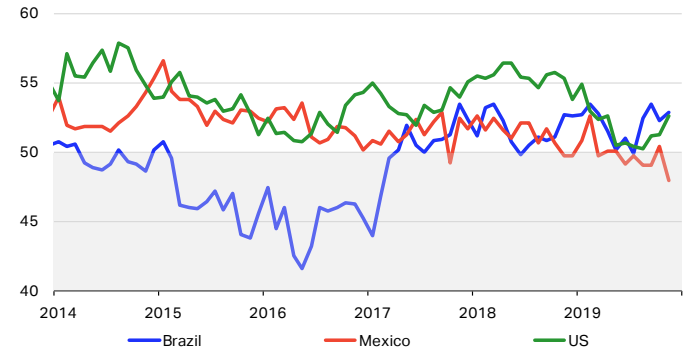
% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Region (registration basis)				
N America	5.3	2.5	5.0	3.9
Latin America	7.4	3.4	3.6	2.7
World	7.3	3.8	3.9	3.4
Routes (segment basis)				
US domestic	5.4	2.8	5.9	4.1
Brazil domestic	4.7	-1.4	1.7	3.9
Nth America-Europe	4.5	4.8	5.2	6.2
Nth America-Asia	3.9	0.3	0.8	-0.1
Nth-Sth America	4.6	-2.4	-0.8	0.7
Sth America-Europe	8.5	8.9	8.2	7.3
Within Sth America	0.6	2.9	-0.1	-5.9

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

- Industry-wide revenue passenger kilometres (RPKs) grew by 3.4% year-on-year in October – down from 3.9% in September on a weaker performance from domestic markets.
- RPK growth eased to 3.9%yoy for NthAm carriers but remained solid on the back of robust consumer spending and improving business confidence. RPK growth also eased for Lat.Am carriers (2.7%yoy) – and stayed well below 2018 levels – partly due to rising political and social unrest and a softer economic

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

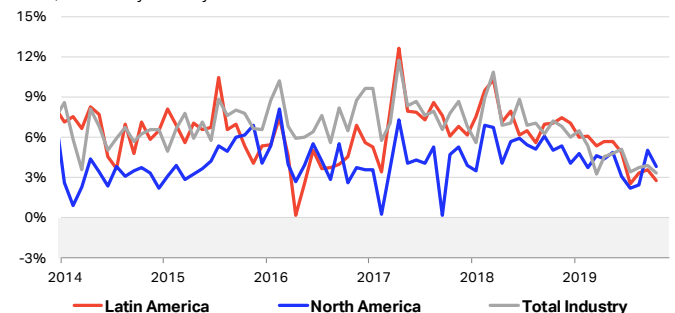
- Brazil's business confidence ticked up in November on the back of robust domestic demand. Sentiment lifted also in the US, although firms continued to flag concerns about the possible effect of the trade wars. By contrast, business confidence fell in Mexico given the less supportive economic backdrop.
- The trade weighted US\$ index eased for the second consecutive month, down 0.2%. Of the main regional currencies, the CLP was the main mover, losing almost 9% against the US\$ amidst social unrest in the country.
- While the average monthly jet fuel price stabilized in November, the crude oil price picked up a little, ahead of the recent OPEC meeting.

backdrop in some countries.

- Following a surge in September (impacted by a weaker outturn a year ago), annual growth in US domestic RPKs eased to 4.1% this month – a pace broadly in line with the 2019 average. Domestic Brazil RPK growth returned to rates observed in early-2019 (prior to the Avianca Brasil demise), underpinned by improving business confidence and slightly better GDP figures.
- Of the key international markets for the region, NthAm-Eur posted another month of robust RPK growth (6.2%yoy) while RPKs contracted substantially in the Within Sth America market (-5.6%yoy).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Region (registration basis)				
Nth America	7.0	-3.4	-3.5	-2.4
Latin America	7.4	0.2	-0.1	-2.6
World	3.7	-4.3	-4.4	-3.5
Routes (segment basis)				
Nth America-Asia	3.7	-2.5	-4.0	-6.5
Nth America-Europe	3.3	-3.9	-5.5	-2.4
Nth-Sth America	8.7	-3.7	2.2	-15.9
Sth America-Europe	9.1	-6.0	-1.7	-4.7
Within Sth America	17.2	-10.5	-19.2	-5.3

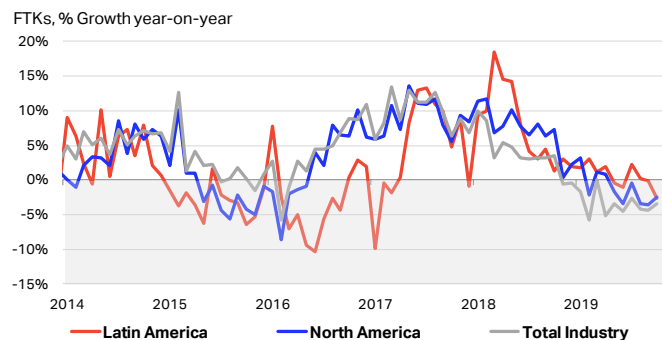
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) decreased by 3.5% in October 2019 compared to a year ago. This represents the 12th consecutive month of annual decline. That said, recent monthly outcomes show a stabilization in air freight volumes.
- Although NthAm carriers recorded a 2.4%yoy contraction in FTKs, the speed of decline eased a little compared to previous months. After a short-lived improvement in Q3, FTK growth dipped back into

negative territory (-2.6%yoy) for Lat.Am carriers, driven by underperformance on some of the key international routes. As with the passenger segment, the recent FTK contraction reflects increasing uncertainty in the socio-economic and political backdrop in some of the region's key economies.

- Freight volumes contracted on all key international trade lanes this month, most notably in the Nth-SthAm market (-16%yoy) where the outcome was, however, partly impacted by a stronger outturn last year.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: % ch on a yr ago,		2018	Aug-19	Sep-19	Oct-19
LF: % of ASK/AFTK					
Passenger					
Nth America	ASK	4.9	2.0	2.6	2.9
	PLF	83.9	87.2	82.9	84.1
Latin America	ASK	7.8	0.7	1.4	1.4
	PLF	81.6	83.3	82.0	81.9
World	ASK	6.8	3.5	3.4	2.2
	PLF	82.0	85.6	81.9	82.0
Freight					
Nth America	AFTK	7.8	2.5	3.4	3.1
	FLF	40.8	36.9	37.8	39.4
Latin America	AFTK	1.4	-2.8	-1.6	2.3
	FLF	36.8	37.2	37.4	36.4
World	AFTK	5.2	2.4	2.6	2.2
	FLF	49.3	44.2	46.3	47.7

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) reached a new all-time October high as RPKs continued to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.8ppt vs a year ago, to 47.7%.
- NthAm and Lat.Am carriers posted robust PLFs that were close to historical maximum for the month (and also higher than a year ago). By contrast, the region's FLFs were lower than in October 2018. In the case of Lat.Am, the outcome marked a new all-time Oct low.
- The Q3 2019 airline financial data point to a modest

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Nth America	11.2	9.1	11.8	13.5
Latin America	6.2	2.7	6.0	11.0
Industry	7.5	5.7	12.7	13.2

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

improvement in industry-wide financial performance, up 0.5ppt vs Q3 2018. At the regional level, both Nth and Latin American airlines posted a higher Q3 EBIT margins vs a year ago, 13.5% and 11.0%, respectively.

- The downward pressure on passenger yields (in US\$ terms) intensified in October across most of the key international routes in the region. The deterioration was most notable in the larger NthAm-Europe market, where yields contracted by more than 3ppt faster than in Sept. That said, the weaker EUR is likely to have contributed to this performance.

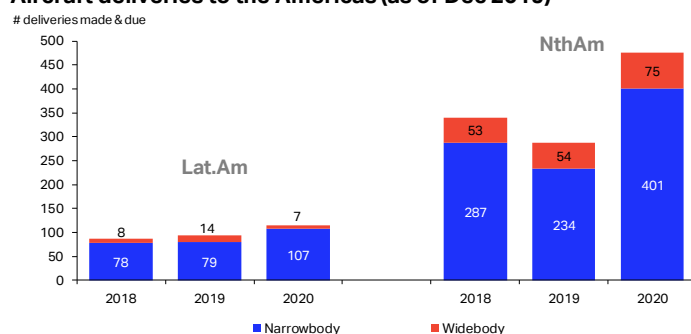
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Nth America-Europe	4.6	-4.5	-1.4	-4.6
Nth America-Asia	-0.4	-4.0	-5.6	-6.4
Nth-Sth America	-38.7	0.4	-0.2	-0.6
Sth America-Europe	-1.0	-14.5	-9.7	-9.8
Sth America-Asia	-0.4	-2.3	-6.2	-7.0
Within Sth America	-26.4	6.6	7.8	9.7

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

- An uptick in jet aircraft deliveries is scheduled for Lat.Am and a sharp increase (mostly narrowbody) for NthAm in 2020 vs 2019.

Aircraft deliveries to the Americas (as of Dec 2019)



Source: Ascend