



STATE OF THE REGION: THE AMERICAS

DECEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
United States	1.5	2.0	2.2	2.3
Brazil	-3.5	0.0	0.4	1.4
Mexico	2.7	2.8	3.1	1.6
Canada	1.4	2.3	3.6	3.0
Argentina	-2.2	0.4	2.7	--
Colombia	2.0	1.3	1.2	2.0
Chile	1.5	0.2	1.4	2.2
Peru	4.0	2.2	2.4	2.5
World*	2.3	2.6	2.8	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Sep-17	Oct-17	Nov-17
US\$ broad index	127.7	117.9	120.0	120.3
Brazilian real (BRL)	3.26	3.17	3.28	3.27
Mexican peso (MXN)	20.63	18.17	19.16	18.61
Argentine peso (ARS)	15.73	17.32	17.65	17.31
Colombian peso (COP)	2997	2938	3042	3016
Chilean peso (CLP)	668	639	635	649

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Sep-17	Oct-17	Nov-17
Crude oil (Brent)	52.4	56.2	57.5	62.7
Jet fuel	64.0	75.6	69.7	73.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

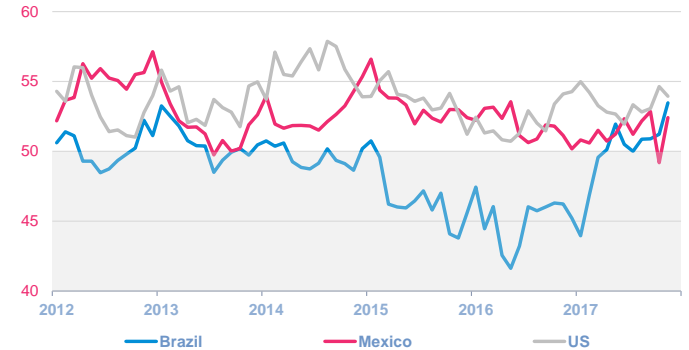
%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
N America	4.1	5.8	0.5	4.8
Latin America	4.6	7.8	8.7	6.7
World	6.7	7.3	6.0	7.2
Routes (segment basis)				
US domestic	3.4	5.8	-1.0	5.3
Brazil domestic	-5.5	5.5	6.6	7.7
Nth America-Europe	2.5	4.7	3.3	1.6
Nth America-Asia	9.6	4.6	1.5	4.2
Nth-Sth America	-1.0	1.0	-1.1	1.0
Sth America-Europe	3.5	-0.8	4.7	3.4
Within Sth America	8.0	7.4	7.4	2.9

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Oct, rebounding, as expected, from the hurricane-disrupted outcome in Sep. Overall, 2017 remains on track to be another year of above-trend passenger growth.
- At the regional level, the hurricane effect is particularly prominent in the Nth America figures, where RPK growth returned to ~5%yoy, from just 0.5% in Sep. Similarly, pax volumes for the US domestic market jumped to

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

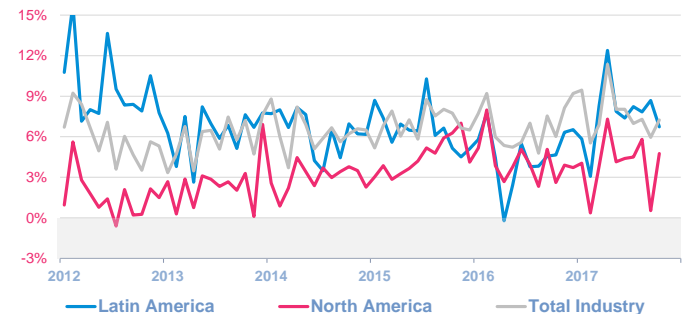
- Improved economic conditions in Brazil drove a solid gain in business confidence this month, to its highest level since early-2011. In Mexico, confidence rebounded following the earthquake-related fall last month.
- On a trade-weighted basis, the US\$ gained a modest 0.2% in Nov. Even so, apart from the CLP (down 2%), the main regional currencies rose vs the US\$ this month; of note, the ARS & MXN were up 2% & 3%, respectively.
- Brent crude oil prices averaged \$62.70/bbl in Nov, up 5% for the month & reaching a 17-month high along the way. Jet fuel prices rose by around 4%, to \$74. The agreement between OPEC members & Russia to extend production cuts supported prices this month.

5.3%yoy, after a fall of 1% last month. For Lat.Am, growth eased moderately in Oct, to (a still healthy) 6.7%, following an upwardly revised 8.7%yoy outcome in Sep.

- The Brazil domestic market continues to recover, with growth lifting further this month, to a robust 7.7%yoy, supported by the improvement in economic conditions.
- Of the key markets for the region, NthAm-Asia is the strongest performer currently, with RPKs up a solid 4.2%yoy, followed by SthAm-Europe at 3.4%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Nth America	2.2	11.1	7.4	6.6
Latin America	-3.7	13.1	9.4	7.2
World	3.6	11.8	9.2	5.9
Routes (segment basis)				
Nth America-Asia	0.2	10.2	8.5	4.2
Nth America-Europe	2.5	14.6	8.0	6.8
Nth-Sth America	-3.9	2.7	-0.1	3.3
Sth America-Europe	1.2	5.8	12.0	4.6
Within Sth America	-18.6	20.0	8.1	-8.4

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

- Global FTK growth eased further in Oct, to 5.9%yoy, but remains well above its five & ten year average rates. Indeed, freight volumes look set to record their strongest year of growth since the post-GFC rebound in 2010.
- At the regional level, annual FTK growth also eased further in Sep, to 7.2% for the Lat.Am carriers & 6.6%yoy for the NthAm airlines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2016	Aug-17	Sep-17	Oct-17
Passenger				
Nth America ASK	4.5	4.6	2.1	5.3
PLF	83.5	86.2	82.0	83.3
Latin America ASK	3.1	6.9	7.1	4.9
PLF	80.8	81.8	82.0	82.5
World ASK	6.7	6.4	5.4	6.2
PLF	80.5	84.6	81.7	80.8
Freight				
Nth America AFTK	3.4	3.6	1.7	3.8
FLF	34.4	34.7	37.4	37.9
Latin America AFTK	-1.5	7.5	9.1	4.4
FLF	33.3	34.4	34.7	37.5
World AFTK	5.4	4.4	4.3	3.7
FLF	42.9	43.2	45.4	46.9

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

- The Nth & Lat.Am airlines increased both pax & freight capacity more slowly than the industry overall in the past year. ASKs are up 4.9% in Lat.Am & 5.3% for NthAm vs 6.2% industry-wide & AFTKs are up 4.4% & 3.8% in Lat.Am & NthAm, respectively, vs 3.7% industry-wide.
- For the Oct load factors, it is again a mixed performance from the region's carriers. On the passenger side, the PLFs are both higher, but the FLFs remain well below the overall industry-wide outcome.

Airline operating (EBIT) margins*

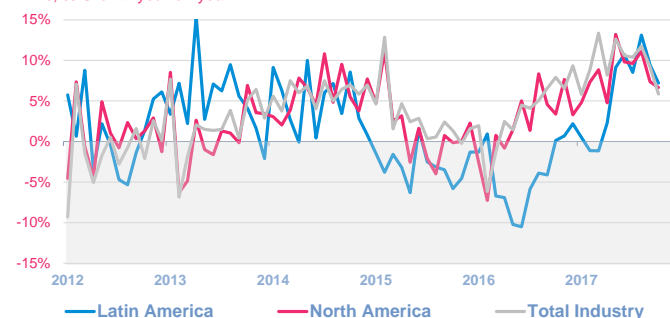
%revenues	2015	2016	2016Q3	2017Q3
Nth America	14.8	13.2	17.2	14.7
Latin America	1.5	4.2	7.5	10.4
Industry	8.5	8.8	15.9	15.7

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

- Across the main markets, growth in freight volumes slowed this month, with the exception of Nth-SthAm, which rebounded to a solid 3.3%yoy pace.
- NthAm-Europe is the current standout, with growth of 6.8%yoy. After a strong performance over the course of the year, the recent slowing in growth for the largest NthAm-Asia market bears watching in coming months.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

- The latest Q3 financials are also mixed; the EBIT margin for the Lat.Am carriers is currently 3pp higher than a year ago (at 10.4%), while the margin for the NthAm carriers has slipped by a similar magnitude (to 14.7%). Both are now below the industry-wide figure of 15.7%. Recall that these data are not seasonally adjusted.
- The upward trend in global pax yields (in US\$ terms) has paused in in the past few months, with a stronger US\$ & weather-related disruption both impacting recent outcomes. For key regional markets, the yield performance over the past year is generally positive, particularly for SthAmerica-Europe & routes between Nth & Sth America, with both showing a double-digit yoy rise.

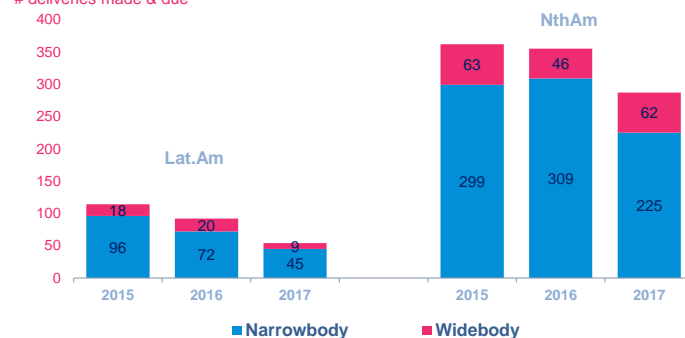
Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Nth America-Europe	-8.3	13.6	1.1	6.3
Nth America-Asia	-7.2	-0.7	-5.7	-3.4
Nth-Sth America	-17.4	18.1	7.0	10.4
Sth America-Europe	-17.3	22.4	15.8	16.3
Sth America-Asia	-9.1	-8.7	-2.0	-0.3
Within Sth America	-13.8	1.4	1.7	1.2

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

Aircraft deliveries to the Americas (4Q17 data)

deliveries made & due



Source: Ascend