



# STATE OF THE REGION: THE AMERICAS

DECEMBER 2018

## Economy

### GDP growth, selected countries

%change on a yr ago	2017	2018Q1	2018Q2	2018Q3
United States	2.2	2.6	2.9	3.0
Brazil	1.1	1.2	0.9	1.3
Mexico	2.3	2.1	1.6	2.6
Canada	3.0	2.3	1.9	2.1
Argentina	2.9	3.9	-4.2	--
Colombia	1.8	2.6	2.5	2.6
Chile	1.6	5.2	5.1	2.8
Peru	2.5	3.2	5.5	2.3
<b>World*</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.0</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	Sep-18	Oct-18	Nov-18
US\$ broad index	120.0	126.0	126.9	128.3
Brazilian real (BRL)	3.31	4.02	3.72	3.86
Mexican peso (MXN)	19.66	18.73	20.28	20.35
Argentine peso (ARS)	18.62	40.85	36.17	37.70
Colombian peso (COP)	2985	2967	3225	3235
Chilean peso (CLP)	615	659	700	671

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel (period ave.)	2017	Sep-18	Oct-18	Nov-18
Crude oil (Brent)	54.2	78.9	81.0	64.8
Jet fuel	65.6	91.9	94.4	81.7

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

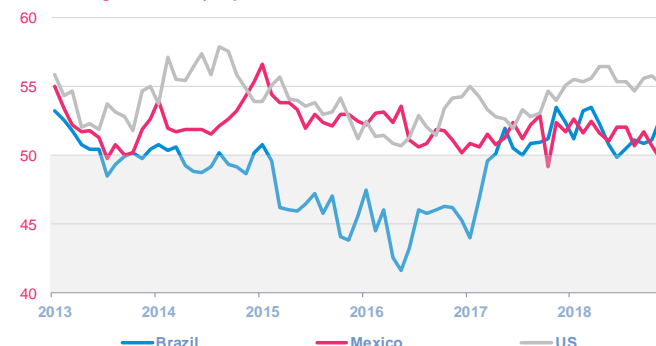
%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
<b>Region (registration basis)</b>				
N America	4.0	4.7	5.6	4.6
Latin America	7.3	4.4	5.8	6.5
World	8.0	6.3	5.5	6.3
<b>Routes (segment basis)</b>				
US domestic	3.7	5.5	6.3	4.3
Brazil domestic	2.3	4.4	3.1	3.4
Nth America-Europe	7.1	3.9	4.5	8.1
Nth America-Asia	7.2	2.5	2.0	1.7
Nth-Sth America	0.8	3.1	5.9	0.6
Sth America-Europe	7.0	10.4	7.6	6.9
Within Sth America	13.2	-2.6	-2.3	-1.5

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

- ➔ Annual growth in industry-wide RPKs recovered to 6.3% in Oct, up from an eight-month low of 5.5% in Sep. That said, the upward passenger demand trend has softened a little over the past six months.
- ➔ At the regional level, annual RPK growth ticked down for NthAm carries, to 4.6%yoy. By contrast, LatAm airlines recorded robust year-on-year RPK growth of 6.5%, moving broadly in line with the overall industry pace.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



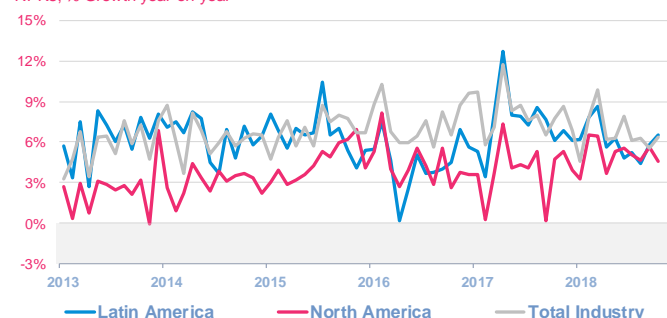
Source: Markit

- ➔ Mexico's business confidence eased this month due to ongoing uncertainty about the economic outlook. Sentiment also ticked down in the US, although it stayed well above its long-term average. In Brazil, confidence increased this month, supported by rising demand.
- ➔ On a trade-weighted basis, the US\$ rose by 1.1% in Nov, & is up 9% since Jan. Of the main regional currencies, the ARS & BRL were the notable underperformers, both falling by ~4% in the month vs the US\$. By contrast, the CLP ended the month up 4.0% against the US\$.
- ➔ Brent crude oil & jet fuel prices both fell sharply in November, by ~20% and 13.5%, respectively, following increased concerns of oversupply.

- ➔ In the US, the larger of the region's two main domestic markets, annual RPK growth eased to 4.3%, the lowest rate since Jan 2018. Passenger demand growth in Brazil ticked slightly higher vs last month to 3.4%yoy.
- ➔ Across the key international markets, NthAm-Europe became the strongest performer this month, almost doubling its growth rate to 8.1%yoy, followed by SthAm-Europe at 6.9%yoy. One of the weaker performers in the region was Nth-SthAm where RPK growth slowed close to zero (0.6%), down from a solid 5.9%yoy in Sep.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
<b>Region (registration basis)</b>				
Nth America	9.1	7.4	4.7	6.6
Latin America	4.5	1.7	2.9	0.3
World	9.7	2.8	2.5	3.1
<b>Routes (segment basis)</b>				
Nth America-Asia	10.1	3.2	3.2	4.8
Nth America-Europe	10.4	1.7	4.5	1.7
Nth-Sth America	2.6	7.1	4.0	1.3
Sth America-Europe	7.3	12.1	0.3	-1.0
Within Sth America	-5.9	16.1	21.9	17.4

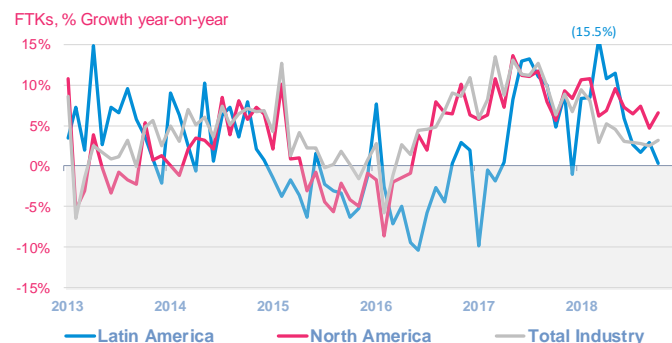
Source: IATA Statistics Note: historical data may be subject to revision

- Annual industry-wide growth in FTKs recovered to 3.1% in Oct, reflecting traditionally stronger demand for air freight in Q4. That said, the growth rate remains markedly slower vs last year, which is consistent with the typical pattern seen after inventory restocking cycles.
- At the regional level, FTK growth slowed to just 0.3%yoy for Latin America carriers this month. In contrast, NthAm

became the fastest growing region for FTKs, with 6.6%yoy growth in Oct.

- Growth in freight volumes softened across the key international markets, with the exception of the NthAm-Asia which increased to a solid 4.8%yoy pace.
- The smaller Within SthAm market remains the fastest growing market with a strong 17.4%yoy growth in Oct.

## 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	Aug-18	Sep-18	Oct-18
<b>Passenger</b>					
Nth America	ASK	3.9	4.1	7.2	4.8
	PLF	83.5	86.6	80.7	83.2
Latin America	ASK	5.4	5.8	8.3	9.1
	PLF	81.8	81.2	80.2	80.9
World	ASK	6.6	5.4	5.9	6.3
	PLF	81.5	85.3	81.4	81.1
<b>Freight</b>					
Nth America	AFTK	3.1	6.6	8.0	8.2
	FLF	41.1	39.5	40.8	42.0
Latin America	AFTK	5.9	6.9	4.2	3.3
	FLF	33.1	32.3	34.6	35.7
World	AFTK	5.0	5.4	4.1	5.4
	FLF	49.9	46.9	49.5	50.4

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

- The industry-wide PLF eased to 81.1% in Oct, the lowest level since May 2018. In contrast, the FLF rose for the second month in a row to 50.4%, up from 49.5% in Sep.
- The PLF in both NthAm and Lat.Am increased vs last month, to 83.2% & 80.9%, respectively. Similarly, the FLF also lifted modestly in both regions to 42% for NthAm and 35.7% for Lat.Am although both remain well below the industry-wide outcome.

### Airline operating (EBIT) margins\*

%revenues	2016	2017	2017Q3	2018Q3
Nth America	13.7	11.1	14.8	11.6
Latin America	5.6	6.9	10.5	4.6
Industry	8.5	7.5	15.1	11.5

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

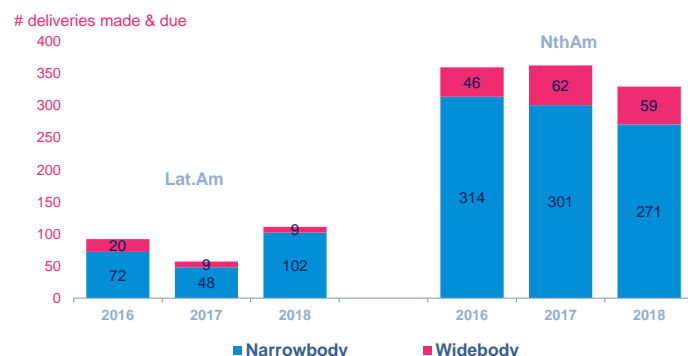
- The latest Q3 financial data confirm a decline in both industry & regional performance vs a year ago. The industry-wide EBIT margin dropped to 11.5% in Q3 from 15.1% last year while at the regional level the margin was 11.6% for NthAm (from 14.8% in 2017Q3) and 4.6% for Lat.Am (from a solid 10.5%).
- With the exception of the two largest international markets (NthAm to Europe & Asia), passenger yields remained lower vs last year. Nth-SthAm became the key underperformer with yields down by ~11%. The only market, where annual growth increased this month was NthAm-Asia, up 0.3pp to 4.4%.

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

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Nth America-Europe	-1.8	9.4	5.6	3.9
Nth America-Asia	-3.2	3.9	4.1	4.4
Nth-Sth America	0.2	-6.4	-6.7	-10.7
Sth America-Europe	7.9	-2.2	-6.7	-8.7
Sth America-Asia	-4.2	-0.6	-3.0	-3.0
Within Sth America	1.8	-7.6	-8.0	-6.1

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

### Aircraft deliveries to the Americas



Source: Ascend