

State of the region: The Americas

February 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
United States	2.2	2.9	3.0	--
Brazil	1.1	0.9	1.3	--
Mexico	2.3	1.6	2.6	1.7
Canada	3.0	1.9	2.1	--
Argentina	2.9	-4.0	-3.5	--
Colombia	1.8	2.5	2.6	--
Chile	1.6	5.1	2.8	--
Peru	2.5	5.5	2.4	4.8
World*	3.1	3.2	2.9	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Nov-18	Dec-18	Jan-19
US\$ broad index	128.5	128.3	128.5	126.7
Brazilian real (BRL)	3.88	3.87	3.88	3.64
Mexican peso (MXN)	19.69	20.35	19.69	19.03
Argentine peso (ARS)	37.66	37.74	37.66	37.02
Colombian peso (COP)	3248	3238	3248	3106
Chilean peso (CLP)	694	673	694	653

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Nov-18	Dec-18	Jan-19
Crude oil (Brent)	71.1	64.8	57.4	59.4
Jet fuel	84.7	81.7	71.2	74.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

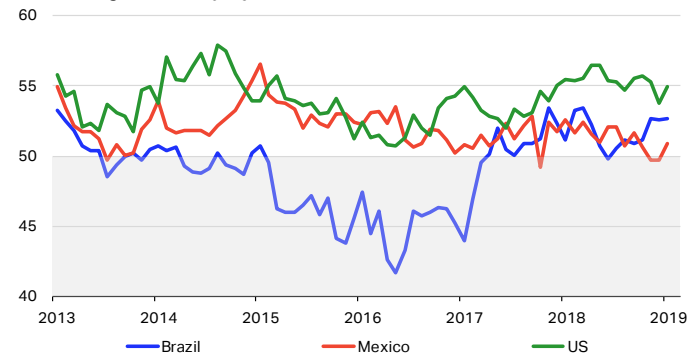
% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Region (registration basis)				
N America	4.0	4.6	5.1	3.6
Latin America	7.3	6.3	6.5	6.0
World	8.0	6.3	6.1	5.3
Routes (segment basis)				
US domestic	3.7	4.3	4.9	3.8
Brazil domestic	2.3	3.4	5.3	3.4
Nth America-Europe	7.1	8.1	8.5	5.9
Nth America-Asia	7.2	1.7	3.4	2.2
Nth-Sth America	0.8	0.6	4.7	2.2
Sth America-Europe	7.0	6.9	7.2	10.8
Within Sth America	13.2	-1.5	-0.3	-1.6

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

- The upward trend in industry-wide revenue passenger kilometres (RPKs) has softened over the past 6 months alongside signs of slowing global economic expansion. This translated into passenger growth moderating to 5.3%yoy in Dec, the slowest pace since early-2018.
- At the regional level, RPK growth eased for the NthAm carriers to a moderate 3.6%yoy. The outcome for the Lat.Am carriers was more upbeat, with RPK growth continuing to run at the 6.0%yoy pace.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

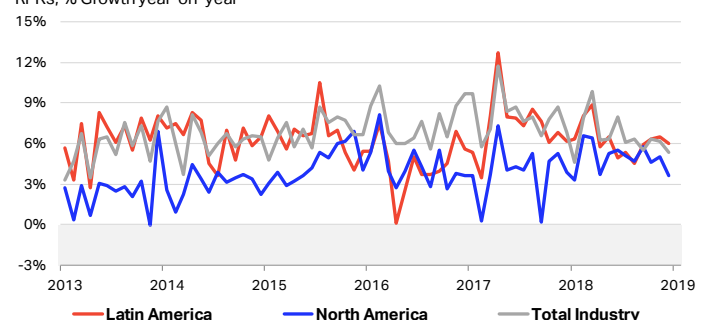


- Business confidence ticked up in both the US and Mexico in Jan, driven by an increase in new orders. In Brazil, sentiment remained largely unchanged at levels last seen in the first half of 2018, underpinned by growth in manufacturing production and sales.
- On a trade-weighted basis, the US\$ ticked down by 1.4%, falling for the first time since early-2018. All of the main regional currencies ended Jan up with the BRL & CLP surging most strongly, by ~6% against the US\$, followed by the COP (4.3%) and MXN (3.4%).
- Brent crude and jet fuel prices have been volatile in recent months; after the sharp fall in Q4 2018, they picked up again in January, reacting to supply cuts from OPEC countries.

- The region's main domestic markets saw moderation in their annual RPK growth in Dec; in the US, passenger volumes are now 3.8% above their level a year ago, for Brazil, growth slowed more sharply, to 3.4%yoy.
- RPK growth eased also across region's key international markets, with the exception of the SthAm-Europe market that led the way this month (10.8%yoy). The smaller Within SthAm remains the only market with volumes down vs a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Region (registration basis)				
Nth America	9.1	7.0	2.6	2.9
Latin America	4.5	0.4	3.1	-0.1
World	9.7	3.3	-0.3	-0.5
Routes (segment basis)				
Nth America-Asia	10.1	4.8	-1.2	-1.0
Nth America-Europe	10.4	1.7	1.5	5.3
Nth-Sth America	2.6	1.0	3.2	1.5
Sth America-Europe	7.3	-1.0	-0.9	0.2
Within Sth America	-5.9	17.4	9.9	3.7

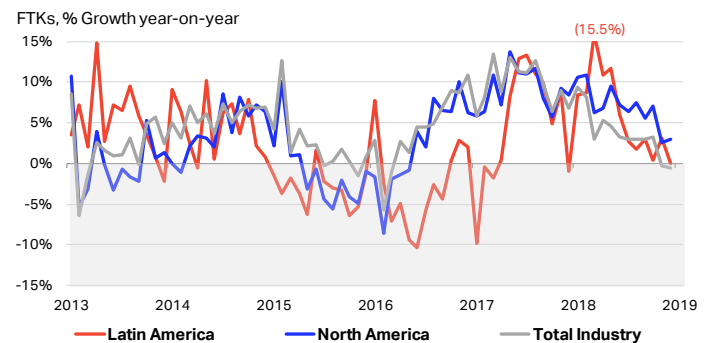
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) ended 2018 on a soft note, with year-on-year volumes down 0.5% compared to their level of Dec 2017. The moderation appears to reflect the end of the global restocking cycle as well as signs of weakness in key demand drivers.
- Although FTK growth for the NthAm carriers was the strongest of all regions in Dec, at 2.9%yoy, it remained well below the rates seen earlier in the year. For Lat.Am

carriers, growth in freight volumes fell to zero, after a short-lived improvement in the previous month.

- The FTK growth performance remained mixed across the region's larger international markets. While NthAm-Asia underperformed again (-1.0%yoy), NthAm-Europe recorded the fastest growth pace since March 2018 (5.3%yoy).
- Yoy growth continues to moderate in Within SthAm market, after consistently strong performance over the first three quarters of the year.

Growth in air freight volumes



Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Oct-18	Nov-18	Dec-18
Passenger					
Nth America	ASK	3.9	4.7	5.0	4.0
	PLF	83.5	83.3	83.6	82.5
Latin America	ASK	5.4	9.2	6.1	5.4
	PLF	81.8	80.6	82.1	81.8
World	ASK	6.6	6.4	6.7	6.1
	PLF	81.5	81.0	80.0	80.4
Freight					
Nth America	AFTK	3.1	8.0	5.8	4.5
	FLF	41.1	42.3	43.2	41.4
Latin America	AFTK	5.9	4.9	2.0	6.0
	FLF	33.1	35.2	37.9	29.1
World	AFTK	5.0	5.6	4.4	3.8
	FLF	49.9	50.4	51.3	48.8

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

- While the industry-wide passenger load factor (PLF) ticked up to 80.4% this month, a modest improvement vs Nov, the freight load factor (FLF) eased to 48.8%.
- Both the NthAm and Lat.Am airlines maintained a PLF above the industry-wide average in Dec, at 82.5% & 81.8%, respectively. By contrast, the region's FLFs still remain well below the industry outcome, especially for Lat.Am, where the difference is almost ~20pp.

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Nth America	13.7	11.1	10.1	9.3
Latin America	5.6	6.9	--	--
Industry	8.5	7.5	9.4	8.2

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

- First releases of financial data from the final quarter of 2018 indicate that the industry-wide EBIT margin fell modestly compared to Q4 2017, to a still robust 8.2%. NthAm airlines showed a slowdown in the profit squeeze, with a 0.8pp fall in EBIT margin in Q4 2018 (vs ~3pp in Q3). (No data is available for Lat.Am.)
- The region's pax yield performance remains largely unchanged from Nov, with an exception of the NthAm-Europe market, where yields growth fell from a solid 2.8%yoy into a negative territory and the NthAm-Asia where, by contrast, it lifted to a healthy 5.1%yoy.

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

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Nth America-Europe	-1.8	3.9	2.8	-0.4
Nth America-Asia	-3.2	4.4	3.9	5.1
Nth-Sth America	0.2	-10.7	-15.4	-16.2
Sth America-Europe	7.9	-8.7	-10.1	-10.5
Sth America-Asia	-4.2	-3.0	-2.1	-2.4
Within Sth America	1.8	-6.1	-5.2	-6.4

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

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

Aircraft deliveries to the Americas (1Q19 data)

