

# State of the region: The Americas

January 2020

## 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	0.0	-1.7
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
Latin America†	0.8	-0.9	-0.3	0.0
<b>World*</b>	<b>3.2</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>

Source: Datastream \* Market exchange rate basis † Forecast since Q1 2019

### Exchange rates

end of period, # per US\$	2018	Oct-19	Nov-19	Dec-19
US\$ broad index	128.5	130.2	129.9	129.4
Brazilian real (BRL)	3.88	4.01	4.23	4.02
Mexican peso (MXN)	19.69	19.17	19.51	18.88
Argentine peso (ARS)	37.66	59.78	59.92	59.87
Colombian peso (COP)	3248	3378	3524	3282
Chilean peso (CLP)	694	741	807	752

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Oct-19	Nov-19	Dec-19
Crude oil (Brent)	71.7	59.6	62.7	65.3
Jet fuel	86.4	78.7	78.2	80.1

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

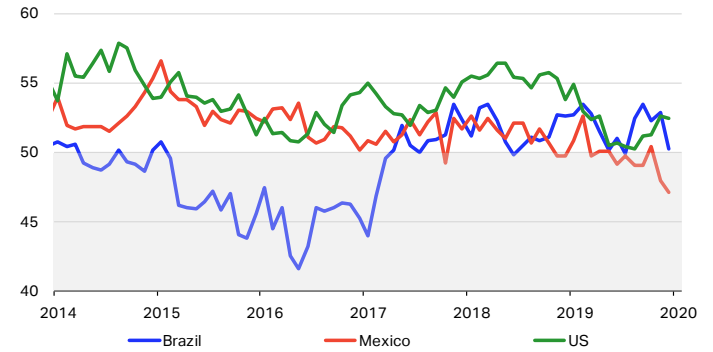
% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
<b>Region (registration basis)</b>				
N America	5.3	4.4	3.6	2.3
Latin America	7.4	3.8	2.6	2.0
World	7.3	3.6	3.3	3.3
<b>Routes (segment basis)</b>				
US domestic	5.4	5.2	4.0	2.4
Brazil domestic	4.7	1.7	3.9	1.4
Nth America-Europe	4.9	2.7	3.4	4.1
Nth America-Asia	3.9	0.8	-0.1	0.9
Nth-Sth America	5.8	-2.6	-0.8	-4.8
Sth America-Europe	8.9	7.5	6.3	5.5
Within Sth America	3.1	-6.5	-10.6	-10.9

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

- Industry-wide RPKs increased by 3.3% year-on-year in November. This latest outcome signals another month of only moderate performance for passenger demand.
- Growth in RPKs recorded by airlines based in Latin America and North America softened to ~2% year-on-year this month amidst softer outcomes in both international and key domestic markets.
- US domestic RPKs were 2.4% higher vs a year ago – the weakest result for the market this year. Demand

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

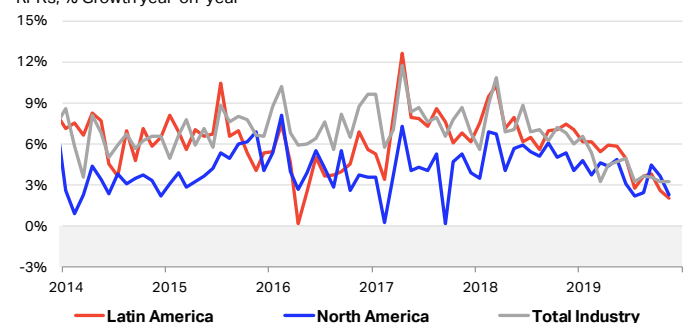
- A weaker economic & trade backdrop continues to weigh on business confidence in Mexico while weaker sales impacted sentiment in Brazil. In the US, business confidence continues to recover from the trough in Q2 but remain lower than a year ago.
- Although the trade weighted US\$ index eased for the third consecutive month in Dec, it was still 0.7% higher vs a year ago. Of the key regional currencies, the ARS was the main mover in 2019, ending the year down around 60% against the US\$.
- Average oil and jet fuel prices ticked higher in December amidst OPEC production cuts and optimism around the US-China trade deal progress.

also eased in the Brazil domestic market (1.4%yoy) but a lift in Q4 consumer spending bodes well.

- Although RPK growth on NthAm to both Asia and Europe routes improved vs October, it was not enough to offset the softer result of the NthAm international market as a whole. Demand on the majority of Lat.Am routes remained weak due to social unrest and resulting economic uncertainty in the region. This is reflected by the ongoing sharp contraction in the Within SthAm market (-11%yoy).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
<b>Region (registration basis)</b>				
Nth America	7.0	-3.8	-3.6	-1.1
Latin America	7.4	-0.1	-4.3	-3.4
World	3.7	-4.8	-3.8	-1.1
<b>Routes (segment basis)</b>				
Nth America-Asia	3.7	-4.0	-6.5	-1.0
Nth America-Europe	3.3	-5.5	-2.4	-1.0
Nth-Sth America	9.9	-7.3	-17.7	-12.6
Sth America-Europe	9.1	-1.7	-4.7	-6.9
Within Sth America	17.2	-19.2	-5.3	-12.3

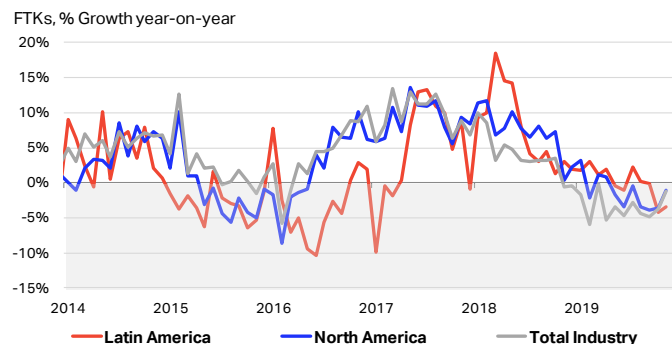
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) were 1.1% lower in November compared with their level of a year ago. The monthly data are, however, showing some modest improvement in freight volumes.
- Airlines based in North America posted a ~1% annual contraction in FTKs this month. While still weak, this nonetheless represents an improvement compared with recent outcomes.
- For the Lat.Am carriers, a challenging economic

backdrop in some key countries in the region has been an important contributor to the current 3.4%yoy decline in FTKs. The Within Sth America and Nth-SthAm markets are particularly weak, with cargo volumes down more than 12%yoy.

- Air freight declined across all of the region's main international markets in November, although there are welcome signs of improvement in the key Nth American markets of Asia and Europe, in particular.

### Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: % ch on a yr ago,		2018	Sep-19	Oct-19	Nov-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Nth America	ASK	4.9	2.2	2.8	3.4
	PLF	83.9	82.8	84.0	82.8
Latin America	ASK	7.8	1.7	1.6	2.0
	PLF	81.6	82.0	81.6	82.2
World	ASK	6.8	3.2	2.1	1.8
	PLF	82.0	81.9	82.1	81.1
<b>Freight</b>					
Nth America	AFTK	7.8	2.9	2.4	3.3
	FLF	40.8	37.8	39.1	41.3
Latin America	AFTK	1.4	-1.6	0.5	-2.3
	FLF	36.8	37.4	36.4	40.3
World	AFTK	5.2	2.4	2.2	2.9
	FLF	49.3	46.1	47.5	49.6

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

- As was the case in recent months, the industry-wide passenger load factor (PLF) achieved a record monthly high, at 81.1%. By contrast, the industry freight LF fell by a sizeable 2ppts vs a year ago as capacity continued to grow (2.9%yoy) against contracting FTKs.
- NthAm and Lat.Am carriers posted robust PLFs which were close to or at (for the latter) a record high for the month. By contrast, the region's FLFs underperformed, with results below those of a year ago.

### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q3	2019Q3
Nth America	11.2	9.1	10.1	11.5
Latin America	6.2	2.7	6.0	11.0
Industry	7.5	5.7	11.7	11.9

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

- The final airline financial data for Q3 confirmed that industry-wide operating profitability improved slightly vs a year ago. This was supported by a solid outcome for NthAm airlines (EBIT margin up 1.4ppts vs Q3 2018) as well as the Lat.Am carriers (margin up 5ppts).
- The squeeze on pax yields eased across all of region's key international markets, even though yields are mostly still lower than that of a year ago. Yield increases were recorded for the Within Sth America (4.0%yoy) and Nth-Sth America (1.7%yoy) markets.

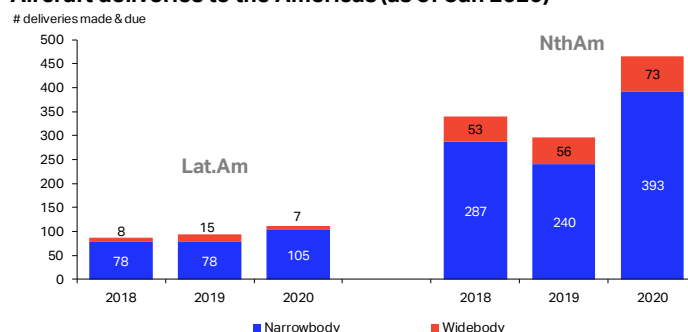
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Nth America-Europe	4.6	-1.7	-5.0	-3.3
Nth America-Asia	-0.4	-4.9	-6.0	-2.7
Nth-Sth America	-38.7	-0.2	-0.6	1.7
Sth America-Europe	-1.0	-9.7	-9.8	-7.4
Sth America-Asia	-0.4	-6.2	-7.1	-2.9
Within Sth America	-26.4	7.8	9.6	4.0

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 narrow-body) for NthAm in 2020 vs 2019.

### Aircraft deliveries to the Americas (as of Jan 2020)



Source: Ascend