



STATE OF THE REGION: THE AMERICAS

JANUARY 2018

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	Oct-17	Nov-17	Dec-17
US\$ broad index	127.7	120.0	120.3	120.0
Brazilian real (BRL)	3.26	3.28	3.27	3.31
Mexican peso (MXN)	20.63	19.16	18.61	19.66
Argentine peso (ARS)	15.73	17.65	17.31	18.62
Colombian peso (COP)	2997	3042	3016	2985
Chilean peso (CLP)	668	635	649	615

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Oct-17	Nov-17	Dec-17
Crude oil (Brent)	52.4	57.5	62.7	64.4
Jet fuel	64.0	69.7	73.9	76.3

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

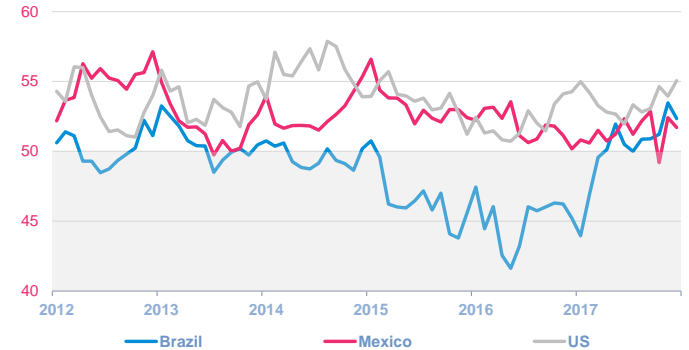
%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Region (registration basis)				
N America	4.1	0.4	4.7	5.4
Latin America	4.6	7.1	5.2	5.8
World	6.7	5.9	7.3	8.0
Routes (segment basis)				
US domestic	3.4	-1.2	5.2	4.9
Brazil domestic	-5.5	6.6	8.0	6.2
Nth America-Europe	2.5	3.3	1.6	2.7
Nth America-Asia	9.6	1.5	4.2	5.4
Nth-Sth America	-1.0	-1.1	1.0	3.2
Sth America-Europe	3.5	4.7	3.4	9.2
Within Sth America	8.0	7.4	2.9	3.9

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

- Industry-wide RPKs grew by 8.0%yoy in Nov – the fastest pace in 5 months & up from 7.3% in Nov. Pax volumes are carrying solid momentum into the year-end & look set to deliver another year of above-trend growth.
- At the regional level, RPK growth also lifted moderately this month, although remaining below the pace of the industry overall. RPKs are up 5.4%yoy for the Nth American carriers & 5.8% for those in Lat. Am.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



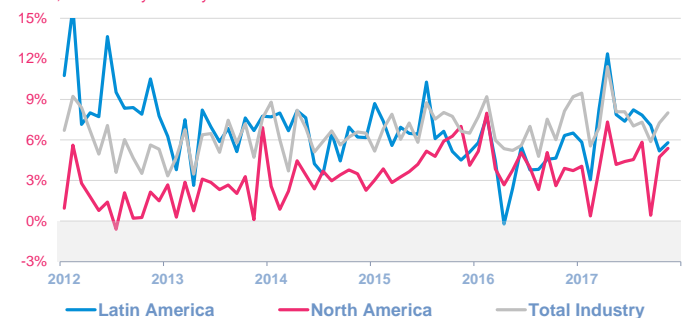
Source: Markit

- The strong November rise in business confidence in Brazil & Mexico was partly unwound this month, but the level remains robust. Confidence lifted in the US, supported by the passing of the new tax package.
- On a trade-weighted basis, the US\$ pared last month's gains, returning to its Oct level. The US\$ index is down 6%yoy. In Dec, the MXN & ARS fell sharply, down more than 5% vs the US\$, while the CLP rose by a similar amount. For the year, the ARS is down 18%, the CLP is up 8% & the MXN is up almost 5%.
- Oil & jet fuel prices trended higher in Dec, ending 2017 with a 3%mom gain to US\$64 & US\$76 respectively. Both prices are up more than 20% in yoy terms.

- Growth for the region's two key domestic markets, the US & Brazil, eased a little in Nov, to 4.9% & 6.2%, respectively. Even so, the underlying (seasonally-adjusted) trend for both remains healthy, supported by a sound (US) or improving (Brazil) economic backdrop.
- Of the key international markets for the region, SthAm-Europe has overtaken NthAm-Asia as the strongest performer currently, with RPKs up a sizeable 9.2%yoy, (jumping up from 3.4% last month) compared with a solid 5.4%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Region (registration basis)				
Nth America	2.2	7.5	8.0	9.6
Latin America	-3.7	9.5	7.3	9.4
World	3.7	9.3	5.8	8.8
Routes (segment basis)				
Nth America-Asia	0.2	8.8	4.5	8.3
Nth America-Europe	2.5	8.0	6.8	8.7
Nth-Sth America	-3.9	-0.9	5.1	8.5
Sth America-Europe	1.2	12.0	5.1	9.9
Within Sth America	-18.6	8.1	-4.0	-9.1

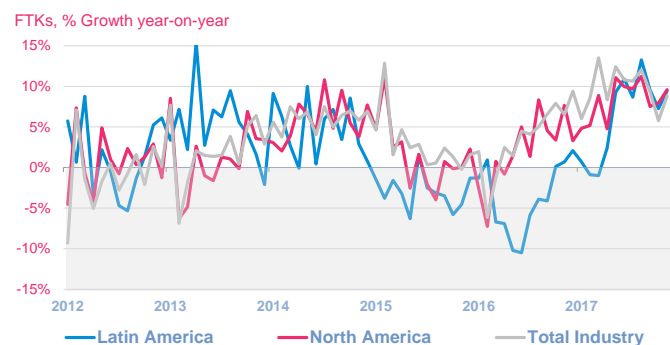
Source: IATA Statistics Note: historical data may be subject to revision

- Global FTK growth accelerated to 8.8%yoy in Nov, up from 5.8% in Oct. Freight volumes remain on track to record their strongest year of growth since the post-GFC rebound in 2010.
- At the regional level, annual FTK growth also lifted this month, remaining ahead of the industry aggregate. Growth is currently 9.6%yoy for the NthAm airlines &

9.4% for the Lat.Am carriers.

- As with pax, the SthAm-Europe cargo market is the current standout, with volumes up ~10%yoy. In contrast, Within SthAm volumes are *down* 9.1% vs a year ago.
- The 3 largest markets (between NthAm & each of Asia, Europe & SthAm) are all performing strongly, with growth tightly clustered, between 8.3%-8.7%yoy.

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	2016	Sep-17	Oct-17	Nov-17
Passenger				
Nth America ASK	4.5	2.1	5.3	4.6
PLF	83.5	82.0	83.3	83.5
Latin America ASK	3.1	5.6	3.4	4.7
PLF	80.8	81.9	82.5	82.4
World ASK	6.7	5.4	6.1	6.3
PLF	80.5	81.6	80.9	80.2
Freight				
Nth America AFTK	3.4	0.9	3.7	3.9
FLF	34.4	37.8	38.4	40.3
Latin America AFTK	-1.8	7.9	3.1	11.1
FLF	33.4	35.1	37.9	36.6
World AFTK	5.4	3.4	2.8	4.0
FLF	42.9	45.8	47.2	49.1

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

- NthAm airlines have increased both pax & freight capacity by a moderate 4-4.5% over the past year, compared with the industry wide 6.0% for ASKs & 4.0% for AFTKs. Lat.Am carriers have grown ASKs by 4.7% but AFTKs by a hefty 11%yoy.
- The region's carriers have again outperformed the industry average load factor on the pax side, by a sizeable 2-3pp, but underperformed by a wide margin (10-15pp) on the freight side.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q3	2017Q3
Nth America	14.8	13.2	15.2	12.8
Latin America	1.5	4.2	7.3	10.2
Industry	8.5	8.8	15.0	14.7

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

- The final Q3 data confirms an easing in financial performance for the NthAm carriers, but improvement for the Lat.Am airlines compared with a year ago. The latest EBIT margin is 12.8% for NthAm & 10.2% for Lat.Am, both a little lower than the industry average 14.7%.
- The pax yield performance remains mixed vs a year ago. Yields on routes between Nth-SthAm & SthAm-Europe are up 12-14%yoy, but SthAm-Asia yields are still 4% lower than in Nov16.

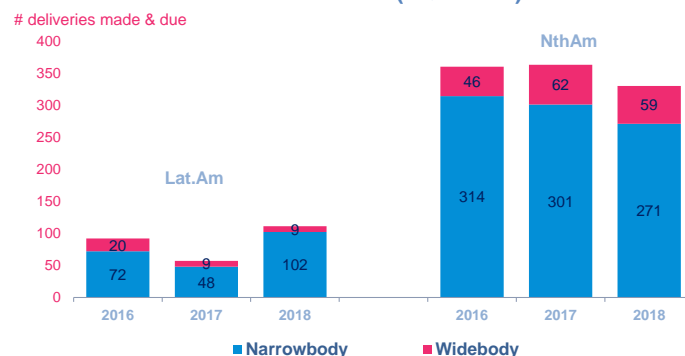
Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Nth America-Europe	-8.3	1.1	6.3	5.6
Nth America-Asia	-7.2	-5.7	-3.4	-2.9
Nth-Sth America	-17.4	7.0	10.4	12.2
Sth America-Europe	-17.3	15.8	16.3	14.0
Sth America-Asia	-9.1	-2.0	-0.3	-4.0
Within Sth America	-13.8	1.7	1.2	2.7

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

- The latest data suggest a recovery in the number of jet aircraft deliveries for the Lat.Am carriers, but a moderate decline for NthAm airlines, in 2018 vs 2017.

Aircraft deliveries to the Americas (1Q18 data)



Source: Ascend