



# STATE OF THE REGION: THE AMERICAS

JULY 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2016Q3	2016Q4	2017Q1
United States	1.6	1.7	2.0	2.1
Brazil	-3.6	-2.9	-2.5	-0.4
Mexico	2.0	2.0	2.3	2.6
Canada	1.5	1.5	2.0	2.3
Argentina	-2.2	-3.7	-1.9	0.3
Colombia	2.0	1.1	1.6	1.1
Chile	1.5	1.7	0.8	0.3
Peru	3.9	4.5	3.0	2.1
<b>World*</b>	<b>2.3</b>	<b>2.3</b>	<b>2.6</b>	<b>2.6</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Apr-17	May-17	Jun-17
US\$ broad index	127.7	124.3	123.8	122.3
Brazilian real (BRL)	3.26	3.19	3.24	3.31
Mexican peso (MXN)	20.63	18.94	18.69	18.07
Argentine peso (ARS)	15.73	15.43	16.10	16.63
Colombian peso (COP)	2997	2951	2916	3046
Chilean peso (CLP)	668	666	673	664

Source: Datastream, XE

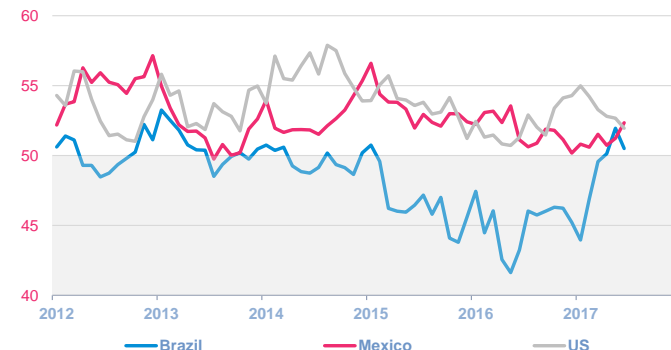
### World oil and jet fuel price

US\$/barrel	2016	Apr-17	May-17	Jun-17
Crude oil (Brent)	52.4	52.3	50.3	46.4
Jet fuel	64.0	63.4	59.3	54.4

Source: Platts, EIA Monthly average data

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence data in the US & Mexico continue their divergent trends; down in the former, up in the latter. Sentiment in Brazil unwound some of its recent strong gains this month on renewed political concerns.
- On a trade-weighted basis, the US\$ slipped further in June, ending the month 1.3% lower. The MXN was the strongest performer in June, gaining 3.3% against the US\$. The ARS fell by a similar amount & the COP was down a sizable 4.4% in the month.
- Brent crude oil & jet fuel prices fell by 4-5% in June, with the former returning to below US\$50/bbl. Once again this month, supply-side considerations were the primary price drivers.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Mar-17	Apr-17	May-17
<b>Region (registration basis)</b>				
N America	3.4	3.6	7.0	3.9
Latin America	3.9	7.7	11.5	7.3
World	6.4	6.7	10.9	7.7
<b>Routes (segment basis)</b>				
US domestic	3.4	3.9	5.1	3.4
Brazil domestic	-5.5	6.0	3.3	2.6
Nth America-Europe	2.5	-0.7	12.3	4.8
Nth America-Asia	6.4	5.3	8.6	5.8
Nth-Sth America	-0.5	1.3	4.6	1.2
Sth America-Europe	3.5	8.9	11.7	7.5
Within Sth America	8.0	14.9	16.2	11.1

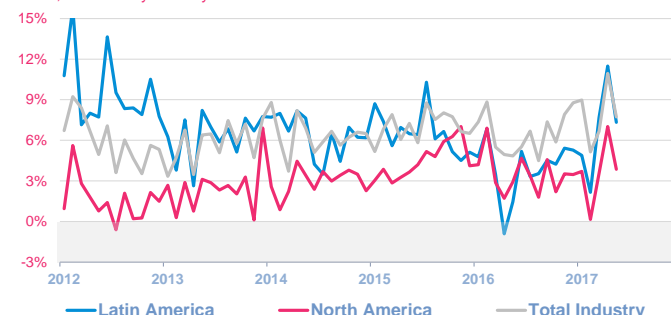
Source: IATA Statistics Note: historical data may be subject to revision

- After reaching a six-year high of 10.9% in April, growth in global RPKs slowed to (a still robust) 7.7%yoy pace in May. A similar pattern is evident in the regional data, where growth moderated to 3.9% for the NthAm carriers & 7.3% for the Lat.Am airlines.
- US domestic RPKs settled back to a moderate 3.4% pace in May, after an upwards revision to the April data (now 5.1%yoy).

- Growth in the Brazil domestic market eased a little further in May, to 2.6%yoy. The fragile economic & political backdrop continues to present a challenging operating environment for air transport.
- Amongst the key international markets for the region's carriers, the (smaller) Within SthAm market recorded another month of double-digit RPK growth, at 11.1%yoy. Of the larger markets, traffic between NthAm & both Asia & Europe is growing solidly, with RPKs up 5.8% & 4.8%yoy, respectively.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Mar-17	Apr-17	May-17
<b>Region (registration basis)</b>				
Nth America	2.2	9.6	6.8	13.9
Latin America	-4.1	-3.6	-0.6	6.7
World	3.9	13.8	8.7	12.7
<b>Routes (segment basis)</b>				
Nth America-Asia	-1.2	12.9	9.3	13.1
Nth America-Europe	2.5	12.4	8.7	12.8
Nth-Sth America	-5.1	-1.0	2.7	11.8
Sth America-Europe	1.2	8.2	6.7	3.7
Within Sth America	-18.6	-9.7	-0.5	10.0

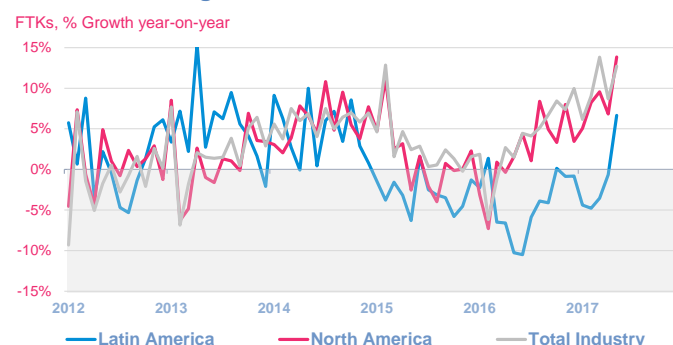
Source: IATA Statistics Note: historical data may be subject to revision

- Global FTKs bounced-back in May, returning to a brisk double-digit pace of growth, at 12.7%yoy; more than three times the 5-year average growth rate.
- Again, developments in the global aggregate were mirrored in the regional results; the growth rate doubled for NthAm carriers, to a very strong 13.9%yoy pace & returned to positive territory for the Lat.Am airlines, at a

healthy 6.7%yoy.

- For the key international markets, SthAm-Europe is the only one not currently registering double-digit growth; indeed growth moderated further in May, to 3.7%yoy.
- As was the case for the pax segment, routes between NthAm & both Europe & Asia are performing strongly, with growth of ~13%yoy at present.

## 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	Mar-17	Apr-17	May-17
<b>Passenger</b>					
Nth America	ASK	3.9	3.7	4.6	3.6
	PLF	83.5	83.5	84.2	84.0
Latin America	ASK	2.2	5.0	6.1	5.5
	PLF	80.8	80.3	81.8	80.5
World	ASK	6.4	6.3	7.2	6.1
	PLF	80.5	80.2	82.1	80.1
<b>Freight</b>					
Nth America	AFTK	3.5	1.7	1.9	4.1
	FLF	34.4	37.3	36.0	36.4
Latin America	AFTK	-1.8	-3.1	0.4	7.1
	FLF	33.3	32.6	33.5	33.7
World	AFTK	5.4	3.9	4.0	5.2
	FLF	43.0	47.4	45.1	45.2

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

- At the industry level, robust demand conditions combined with moderate capacity increases have resulted in a strong performance for both pax & freight load factors over the course of the year so far.
- The region's airlines continue to increase pax capacity more slowly than the overall industry, contributing to the current outperformance on the load factor metric. For freight, the FLF for both Nth & Lat.Am is ~10pp below the industry figure, with a mixed performance in terms of

### Airline operating (EBIT) margins\*

%revenues	2015	2016	2016Q1	2017Q1
Nth America	14.8	13.2	14.0	7.9
Latin America	1.5	4.2	9.7	6.3
Industry	8.5	8.8	8.7	4.5

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

yoy capacity growth vs the industry figure.

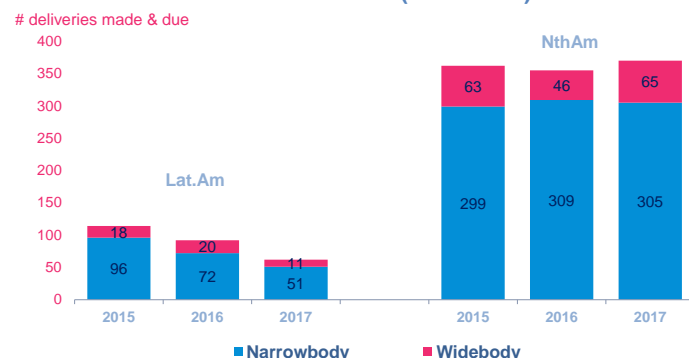
- The latest Q1 data confirm softer EBIT margin outcomes, with both the NthAm & Lat.Am carriers currently outperforming the industry average (at 7.9% & 6.3%, respectively vs 4.5%).
- Global pax yields are ~4.5% lower than a year ago, but are showing signs of having possibly bottomed. At the regional level, yoy yields have shown a general narrowing & have now *risen* for the US domestic, Europe-SthAm & Within SthAm markets.

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

%change on a yr ago	2016	Mar-17	Apr-17	May-17
US domestic	-6.1	-0.2	-1.1	2.6
Nth America-Europe	-8.3	-0.5	-14.0	-2.7
Nth America-Asia	-7.2	-0.6	-2.2	-2.7
Nth-Sth America	-17.4	-9.7	-13.1	-1.3
Sth America-Europe	-17.3	-1.4	-0.4	5.2
Sth America-Asia	-9.1	-5.9	-1.8	-1.6
Within Sth America	-13.8	-1.8	2.3	6.1

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

## Aircraft deliveries to the Americas (latest data)



Source: Ascend