



STATE OF THE REGION: THE AMERICAS

JULY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
United States	2.3	2.3	2.6	2.8
Brazil	1.0	1.4	2.1	1.2
Mexico	2.3	1.7	1.6	2.3
Canada	3.0	3.1	3.0	2.3
Argentina	2.9	3.8	3.9	3.6
Colombia	1.8	3.0	1.4	2.8
Chile	1.6	2.9	3.3	5.1
Peru	2.5	2.7	2.2	3.2
World*	3.2	3.2	3.3	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Apr-18	May-18	Jun-18
US\$ broad index	120.0	118.2	121.5	123.4
Brazilian real (BRL)	3.31	3.49	3.73	3.86
Mexican peso (MXN)	19.66	18.75	19.96	19.74
Argentine peso (ARS)	18.62	20.54	24.97	28.93
Colombian peso (COP)	2985	2803	2890	2932
Chilean peso (CLP)	615	614	632	654

Source: Datastream, XE

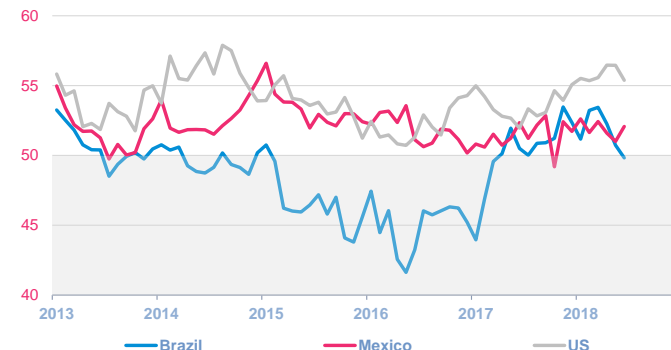
World oil and jet fuel price

US\$/barrel (period ave.)	2017	Apr-18	May-18	Jun-18
Crude oil (Brent)	54.2	72.1	77.0	74.4
Jet fuel	65.6	84.6	90.5	87.8

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence dropped sharply in Brazil, reflecting the impact of the truckers' strike while fears of a possible trade war weighed upon US businesses (although the level of confidence remains elevated). Improved demand in Mexico saw a modest gain in sentiment this month.
- On a trade-weighted basis, the US\$ rose by 1.6% in June, a second consecutive solid monthly gain. Apart from the MXN (up 1%), the main regional currencies all fell vs the US\$, the ARS by >15% again this month.
- Brent crude oil & jet fuel prices both fell in June, by 3-3.5%, but only partly unwound the sizeable increase in May. Oil & jet fuel prices are still ~60% higher than their level of a year ago.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
N America	4.2	6.5	3.7	5.2
Latin America	6.7	8.7	5.6	6.1
World	7.6	9.8	6.0	6.1
Routes (segment basis)				
US domestic	3.7	4.9	5.3	5.5
Brazil domestic	3.5	2.0	6.2	4.1
Nth America-Europe	4.1	7.8	-1.8	4.2
Nth America-Asia	4.9	10.5	5.3	4.2
Nth-Sth America	0.9	9.5	4.3	7.1
Sth America-Europe	6.1	10.4	8.7	11.2
Within Sth America	10.5	7.5	5.7	0.2

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

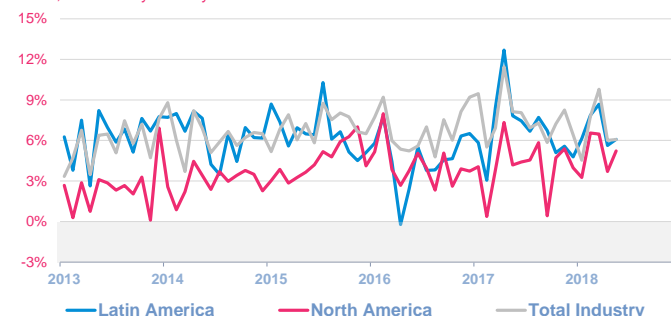
- Annual growth in industry-wide RPKs was broadly unchanged in May, at a solid 6.1%. While yoy growth remains above its long-run average rate, this year to date has seen a moderate slowing compared with the same period a year ago (6.3% vs 8.3% last year).
- The region's airlines reported a more pronounced lift in growth this month with a 1.5pp rise to 5.2%yoy for the NthAm carriers & a more modest 0.5pp gain to 6.1%yoy

for Lat.Am carriers, in line with the overall industry pace.

- The Brazil domestic growth rate pared some of last month's surge, to be 4.1% higher yoy in May. In the US, domestic RPK growth ticked slightly higher to 5.5%yoy.
- The key NthAm-Europe market returned to positive growth after a short-lived fall last month. The SthAm-Europe market is currently the strongest performer with pax volumes up 11.2%yoy, while RPKs for the Within SthAm market are effectively unchanged in yoy terms.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
Nth America	8.1	4.2	4.6	5.9
Latin America	5.6	15.5	10.8	11.4
World	9.1	2.5	5.2	4.2
Routes (segment basis)				
Nth America-Asia	8.7	2.6	7.0	5.3
Nth America-Europe	9.9	6.8	6.4	3.5
Nth-Sth America	0.6	20.5	14.2	16.4
Sth America-Europe	6.9	17.0	13.9	9.9
Within Sth America	3.2	15.3	44.4	24.7

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

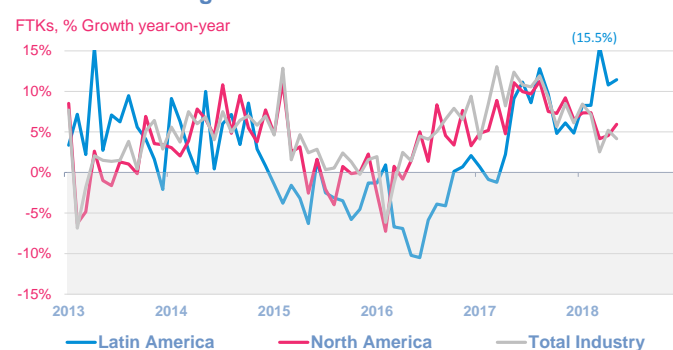
→ Annual growth in industry-wide FTKs slowed to 4.2% in May, from 5.2% in Apr. Against a weaker world trade backdrop, demand momentum has also softened; FTKs have risen at an annualized pace of ~4% over the past 6mths or so, around ½ the pace of mid-2017.

→ At the regional level, FTK growth went against the global trend, picking up this month in both NthAm (to 5.9%) & Lat.Am (to 11.4%). Lat.Am remains the fastest growing

region for FTKs & the only double-digit yoy growth rate.

- Growth in freight volumes eased amongst the region's main international markets, with the exception of Nth-SthAm which lifted to a brisk 16.4% pace.
- The smaller Within SthAm market remains overall the fastest growing, with FTKs currently ~25% higher than their level of a year ago, supported by an improved economic backdrop in key countries, including Brazil.

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	Mar-18	Apr-18	May-18
Passenger					
Nth America	ASK	4.0	4.5	4.8	4.9
	PLF	83.7	85.2	83.3	84.4
Latin America	ASK	5.3	6.9	5.8	6.2
	PLF	81.7	81.3	81.2	79.8
World	ASK	6.3	6.6	5.9	5.9
	PLF	81.5	82.5	82.2	80.1
Freight					
Nth America	AFTK	1.8	3.6	4.3	5.4
	FLF	36.5	37.4	35.9	36.3
Latin America	AFTK	3.7	3.0	-0.2	1.5
	FLF	34.0	37.2	37.2	37.3
World	AFTK	3.5	5.4	6.1	6.2
	FLF	45.2	46.3	44.9	44.6

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

→ The latest industry-wide PLF marked the first time on record that the 80% level was exceeded in a May month. The 84.4% PLF outcome for NthAm carriers was the highest of all regions this month while the PLF for the Lat.Am carriers eased slightly in May, to 79.8%.

→ The FLF for both regions remained around 36-37% this month, lagging, by some margin, the industry-wide outcome of 44.6%.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Nth America	13.7	11.1	7.7	7.3
Latin America	5.6	6.9	6.3	7.7
Industry	8.5	7.5	4.9	5.6

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

→ The latest financials for Q1 confirm an improved EBIT margin vs a year ago for the Lat.Am airlines & at the industry level (up 1.4pp & 0.7pp, respectively, to 7.7% & 5.6%), but a slight moderation for the NthAm carriers, down 0.4pp to 7.3%.

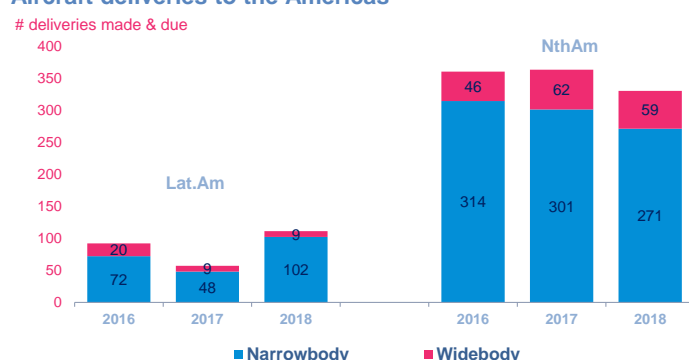
→ Passenger yields amongst the region's key markets remain mixed. Compared with a year ago, the NthAm-Europe market is performing strongly, with yields up just over 9%. SthAm-Europe is not far behind, with a yield improvement of 7.2%. However, yields are lower in yoy terms for both the Nth-SthAm & Within SthAm markets.

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

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Nth America-Europe	-1.8	9.8	19.8	9.1
Nth America-Asia	-3.2	-0.5	2.4	2.8
Nth-Sth America	0.2	1.3	-1.8	-4.5
Sth America-Europe	7.9	12.6	10.9	7.2
Sth America-Asia	-4.2	5.6	5.5	3.2
Within Sth America	1.8	3.2	0.9	-1.0

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

Aircraft deliveries to the Americas



Source: Ascend