

State of the region: The Americas

July 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q3 2018	Q4 2018	Q1 2019
United States	2.9	3.0	3.0	3.2
Brazil	1.1	1.3	1.1	0.5
Mexico	2.0	2.5	1.6	0.1
Canada	1.9	2.0	1.6	1.3
Argentina	-2.5	-3.7	-6.1	-5.8
Colombia	2.6	2.6	2.7	2.3
Chile	4.0	2.8	3.3	1.9
Peru	4.0	2.5	4.7	2.3
World*	3.2	3.1	2.9	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Apr-19	May-19	Jun-19
US\$ broad index	128.5	127.4	128.7	128.3
Brazilian real (BRL)	3.88	3.95	3.91	3.83
Mexican peso (MXN)	19.69	19.02	19.61	19.21
Argentine peso (ARS)	37.66	44.03	44.83	42.38
Colombian peso (COP)	3248	3236	3370	3207
Chilean peso (CLP)	694	680	707	679

Source: Datastream

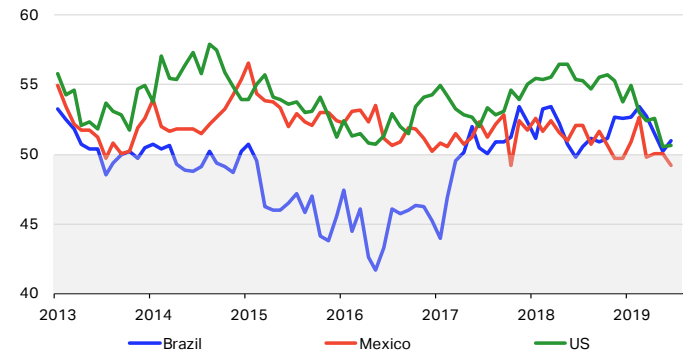
World oil and jet fuel price

US\$/barrel (period ave.)	2018	Apr-19	May-19	Jun-19
Crude oil (Brent)	71.7	71.5	70.4	63.2
Jet fuel	86.4	84.2	84.4	76.5

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Despite the modest uptick in June, US business confidence remained at low levels amidst a weaker performance of larger companies and ongoing trade tensions. Political uncertainty contributed to a fall in sentiment in Mexico while an increase in domestic demand supported operating conditions in Brazil.
- On a trade-weighted basis, the US\$ fell by a modest 0.4% in June, after 4 consecutive monthly increases. All of the main regional currencies gained vs the US\$, most notably the ARS and the COP (up 4.5-5.5%).
- The average crude oil and jet fuel price for June hides high data volatility; while prices eased early in the month on economic growth uncertainty, they recovered later amid concerns about tighter oil supply.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Region (registration basis)				
N America	5.0	4.5	4.4	4.5
Latin America	6.2	5.3	5.6	6.5
World	6.5	3.1	4.4	4.5
Routes (segment basis)				
US domestic	5.1	5.5	4.1	4.6
Brazil domestic	4.8	3.2	0.6	1.3
Nth America-Europe	4.4	3.3	7.5	6.9
Nth America-Asia	3.9	-0.4	3.2	5.2
Nth-Sth America	4.6	0.7	-2.1	-2.1
Sth America-Europe	8.5	7.5	7.6	7.2
Within Sth America	0.6	2.1	-1.8	1.7

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

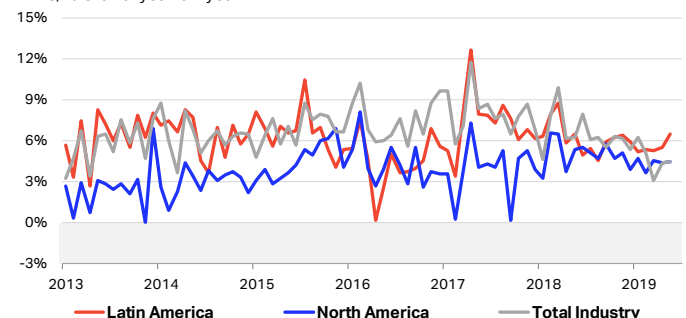
- Industry-wide revenue passenger kilometres (RPKs) ticked marginally higher in May, up 4.5% in year-on-year terms. Although this represents a solid outcome – following a short-lived dip in activity in March – RPK growth remained below the long-term average (5.5%).
- At the regional level, the pace of growth remained solid for NthAm carriers, moving broadly in line with the 12-month average. In Latin America, airlines posted the strongest performance of all regions (6.5%y-o-y)

despite a challenging economic backdrop in number of countries in the region.

- Solid employment and consumer spending supported this month's robust air passenger demand growth in the US domestic market. For Brazil, growth in domestic passenger volumes remained subdued, despite the modest uptick to 1.3% y-o-y this month.
- Of the main international markets in the region, the largest NthAm-Europe & NthAm-Asia performed strongly in May, both recording volumes more than 5% higher vs a year ago. By contrast, growth remained under pressure for the Nth-SthAm market (-2.1%y-o-y).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Region (registration basis)				
Nth America	6.7	1.2	0.7	-1.6
Latin America	5.9	3.9	4.9	2.7
World	3.5	-0.6	-5.6	-3.4
Routes (segment basis)				
Nth America-Asia	3.7	-0.8	-7.8	-5.2
Nth America-Europe	3.3	0.0	-7.1	-2.9
Nth-Sth America	8.7	-2.8	0.6	-1.7
Sth America-Europe	9.1	0.3	-2.8	2.3
Within Sth America	17.2	10.1	-16.3	-6.5

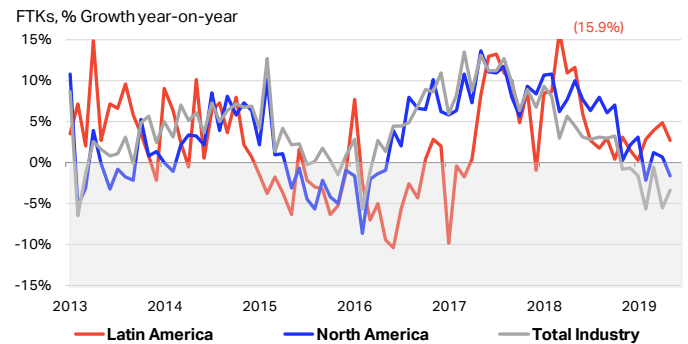
Source: IATA Statistics Note: historical data may be subject to revision

- Global trade tensions continued to weigh on air freight demand in May; annual growth in industry-wide FTKs remained in negative territory with Asia Pacific and the Middle East being the main contributors to the decline.
- Carriers based in North America saw FTKs decline by 1.6% y-o-y this month, a result consistent with the modest downward trend in seasonally adjusted freight volumes observed since Q4 2018. Growth eased also for Lat.Am airlines, partly driven by weaker

performance in some of the international markets, including the larger NthAm-SthAm.

- FTKs remained lower vs a year ago on the majority of the key international routes in the region. That said, for the second largest NthAm-Europe, the y-o-y volume decline was less severe than in April. SthAm-Europe was the only market that posted an FTK gain vs a year ago, albeit only modest at 2.3%.

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		2018	Mar-19	Apr-19	May-19
Passenger					
Nth America	ASK	4.7	4.0	3.2	3.2
	PLF	83.8	85.5	84.0	85.1
Latin America	ASK	6.6	4.8	4.7	2.8
	PLF	81.5	81.6	82.1	83.2
World	ASK	6.1	4.0	3.6	2.7
	PLF	81.9	81.9	82.9	81.5
Freight					
Nth America	AFTK	6.5	1.9	2.8	1.4
	FLF	41.2	42.2	40.6	39.8
Latin America	AFTK	3.2	17.2	18.7	6.6
	FLF	34.0	32.3	32.5	35.3
World	AFTK	5.2	2.5	2.0	1.3
	FLF	49.1	49.5	46.1	46.8

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

- The industry-wide passenger load factor (PLF) remained robust at 81.5% in May. The story was less positive for freight; despite the modest uptick this month, the LF has maintained its downward trend.
- At the regional level, both NthAm and Lat.Am carriers saw improvement in the PLF vs the previous month and posted a record high outcome for the month of May. The result is more mixed on the freight side; while the FLF picked up modestly for Lat.Am airlines, it continued to ease for the NthAm carriers.

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q1	2019Q1
Nth America	11.2	9.1	6.4	6.5
Latin America	6.2	2.7	7.9	4.1
Industry	7.5	5.8	4.6	2.9

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

- Our final data for Q1 2019 (sample of 81 airlines) confirm the industry-wide decline in profitability vs a year ago, with clear differences at the regional level. While the EBIT margin remained almost unchanged for NthAm carriers, it fell sharply for airlines based in Latin America.
- Downward pressure on passenger yields eased in some of the key international markets in the region; the largest NthAm-Europe saw yields increase by 2.6% vs a year ago, following 5 consecutive months of decline. Growth also returned to positive territory for the second largest NthAm-Asia (up 1.4% y-o-y).

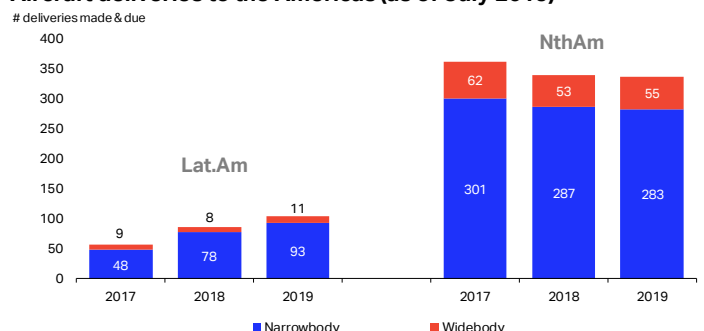
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Nth America-Europe	4.6	-5.3	-7.9	2.6
Nth America-Asia	-0.3	-0.6	-7.2	1.4
Nth-Sth America	-38.6	-9.5	-9.1	-3.7
Sth America-Europe	-1.3	-18.4	-20.2	-18.1
Sth America-Asia	-0.3	-11.9	-12.6	-9.9
Within Sth America	-26.3	-9.9	-1.3	0.2

Source: IATA Travel Intelligence Note: historical data may be subject to revision

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

Aircraft deliveries to the Americas (as of July 2019)



Source: Ascend