



# STATE OF THE REGION: THE AMERICAS

JUNE 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2016Q3	2016Q4	2017Q1
United States	1.6	1.7	2.0	2.0
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	-2.3	-3.7	-2.1	--
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	Mar-17	Apr-17	May-17
US\$ broad index	127.7	125.3	124.3	123.8
Brazilian real (BRL)	3.26	3.16	3.19	3.24
Mexican peso (MXN)	20.63	18.83	18.94	18.69
Argentine peso (ARS)	15.73	15.38	15.43	16.10
Colombian peso (COP)	2997	2884	2951	2916
Chilean peso (CLP)	668	662	666	673

Source: Datastream, XE

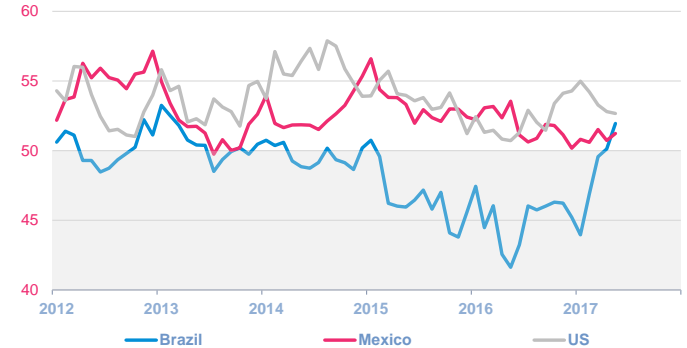
### World oil and jet fuel price

US\$/barrel	2016	Mar-17	Apr-17	May-17
Crude oil (Brent)	52.4	51.6	52.3	50.3
Jet fuel	64.0	60.7	63.4	59.3

Source: Platts, EIA Monthly average data

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil is currently at its highest level in more than four years, moving above the level in Mexico. Confidence softened slightly again this month in the US, the 4<sup>th</sup> consecutive decline.
- On a trade-weighted basis, the US\$ eased a little in May, down 0.4%, & is now 3% lower than the start of the year. The MXN & COP made moderate gains, up ~1.2% vs the US\$, but both the BRL & ARS fell solidly, down 1.7% & a hefty 4.4%, respectively.
- Brent crude oil & jet fuel prices fell by US\$2 & US\$4/bbl in May, reaching their lowest level in ~5mths & both more than unwinding the April gain. The moves were mainly driven by strong supply & inventories data.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
<b>Region (registration basis)</b>				
N America	3.2	-0.2	3.2	6.7
Latin America	3.6	2.3	7.9	11.7
World	6.3	5.1	6.5	10.7
<b>Routes (segment basis)</b>				
US domestic	3.4	-0.5	3.4	4.7
Brazil domestic	-5.5	-4.9	6.0	3.0
Nth America-Europe	2.5	-0.3	-0.7	12.3
Nth America-Asia	6.4	3.1	6.4	8.6
Nth-Sth America	-0.5	-3.7	1.3	4.6
Sth America-Europe	3.5	2.9	8.9	11.7
Within Sth America	8.0	10.4	14.9	16.2

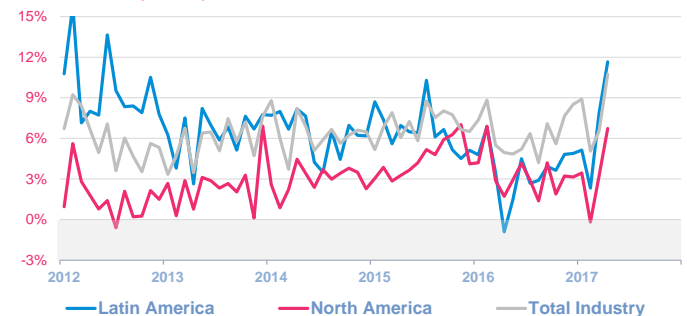
Source: IATA Statistics Note: historical data may be subject to revision

- Global RPKs stepped up in Apr, growing by a brisk 10.7%yoy – the fastest rate in six years. The pace of growth also accelerated at the regional level; RPKs are up 11.7%yoy for the Lat.Am carriers & 6.7% for NthAm. Putting this into context, the long-run average growth rate is around 5.5%yoy.
- US domestic RPKs lifted to a solid 4.7%yoy pace in Apr, up from 3.4% last month.

- Despite slowing this month, the Brazil domestic RPK growth rate remained in positive territory, up 3.0%yoy.
- Amongst the key international markets for the region's carriers, RPK growth returned to positive territory (with a 13pp turnaround this month) for NthAm-Europe, now up 12.3%yoy.
- The Within SthAm market is the strongest performer again this month, with RPKs up 16.2%yoy. SthAm-Europe is also now running at a double-digit pace.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
<b>Region (registration basis)</b>				
Nth America	2.2	8.2	9.7	7.3
Latin America	-4.3	-4.8	-4.2	-1.9
World	3.8	8.7	13.4	8.5
<b>Routes (segment basis)</b>				
Nth America-Asia	-1.2	11.8	13.0	10.2
Nth America-Europe	2.5	7.2	12.3	9.3
Nth-Sth America	-5.1	-2.9	-1.1	1.2
Sth America-Europe	1.2	2.7	8.2	0.0
Within Sth America	-18.6	-16.9	-9.7	1.0

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

- ➔ Global FTKs grew by 8.5%yoy in Apr, dipping from the very strong 13.4% pace of last month. Despite the robust start to 2017, the upward trend in the seasonally adjusted data has slowed to a more modest 4% annualized pace since the end of last year.
- ➔ At the regional level, performance remains mixed; NthAm FTKs are up a healthy 7.3%yoy but freight vols for Lat.Am carriers are still down 2% on a year ago.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Feb-17	Mar-17	Apr-17
<b>Passenger</b>					
Nth America	ASK	3.7	-0.7	3.3	4.2
	PLF	83.5	79.5	83.6	84.2
Latin America	ASK	1.9	0.5	5.3	6.4
	PLF	80.8	80.7	80.2	81.7
World	ASK	6.2	2.8	6.2	7.1
	PLF	80.5	79.6	80.1	82.0
<b>Freight</b>					
Nth America	AFTK	3.5	-1.1	3.0	2.1
	FLF	34.4	36.1	36.9	36.1
Latin America	AFTK	-1.7	-6.8	-3.2	-0.2
	FLF	33.2	32.3	32.4	33.3
World	AFTK	5.3	0.2	4.1	3.9
	FLF	43.0	43.4	47.2	45.0

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

- ➔ Over the past year, the region's airlines have grown pax & freight capacity more slowly than the overall industry. Industry-wide ASKs are up a brisk 7.1%yoy vs 6.4% for Lat.Am & 4.2% for NthAm. Industry AFTKs are up 3.9%yoy vs 2.1% for NthAm & a fall of 0.2% for Lat.Am.
- ➔ NthAm pax loads continue to perform strongly, at 84.2% in Apr, vs 82.0% industry-wide & 81.7% for Lat.Am. The region's FLFs, however, lag the industry figure by a considerable margin; 36.1% for NthAm & 33.3% for

### Airline operating (EBIT) margins\*

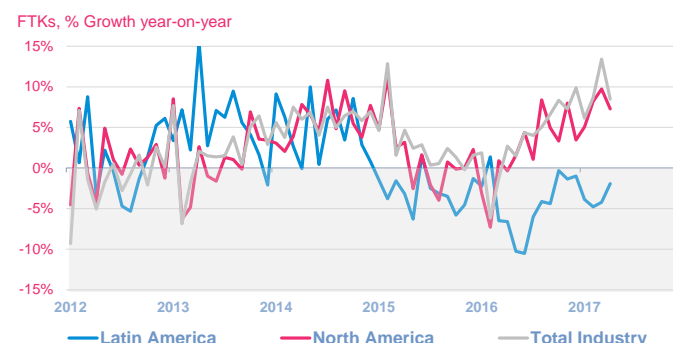
%revenues	2015	2016	2016Q1	2017Q1
Nth America	14.8	13.2	15.1	8.1
Latin America	1.5	4.2	9.7	6.3
Industry	8.5	8.8	8.3	4.0

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- ➔ Amongst the key international markets, the growth performance is similarly divergent. FTKs on the two main NthAm markets (those of Asia & Europe) continue to grow at around a double-digit yoy pace.
- ➔ In clear contrast, the main markets for the Lat.Am carriers are either stagnant (Europe) or growing at a much more subdued pace of around 1%yoy (both NthAm & Within SthAm).

### Growth in air freight volumes



Source: IATA Statistics

Lat.Am vs 45.0% industry-wide.

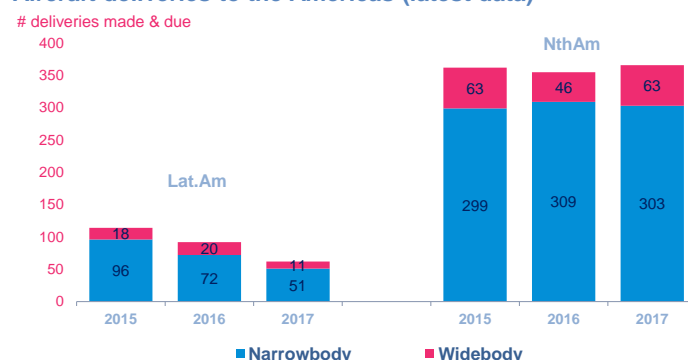
- ➔ The latest Q1 data confirm softer EBIT margin outcomes at both the region & industry level. That said, both NthAm (now 8.1%, vs 15.1% a year ago) & Lat.Am (6.3% now vs 9.7%) carriers are currently outperforming the industry average (4.0% from 8.3% in Q1 2016).
- ➔ Global pax yields are still down 3-5%yoy, but continue to show signs of having possibly bottomed. At the regional level, yoy yields have shown a general narrowing & have now risen by a solid 5.5% for the Within SthAm market.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
US domestic	-4.5	-2.8	-2.4	-3.0
Nth America-Europe	-8.3	-10.3	-0.6	-14.3
Nth America-Asia	-7.2	-2.3	-0.7	-2.4
Nth-Sth America	-17.4	-13.3	-9.8	-12.9
Sth America-Europe	-17.3	-2.7	-1.4	-0.4
Sth America-Asia	-9.1	-8.8	-6.4	-2.1
Within Sth America	-13.8	-3.3	1.7	5.5

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

### Aircraft deliveries to the Americas (latest data)



Source: Ascend

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