



STATE OF THE REGION: THE AMERICAS

JUNE 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*	3.1	3.2	3.2	3.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Mar-18	Apr-18	May-18
US\$ broad index	120.0	118.1	118.2	121.5
Brazilian real (BRL)	3.31	3.31	3.49	3.73
Mexican peso (MXN)	19.66	18.23	18.75	19.96
Argentine peso (ARS)	18.62	20.14	20.54	24.97
Colombian peso (COP)	2985	2794	2803	2890
Chilean peso (CLP)	615	605	614	632

Source: Datastream, XE

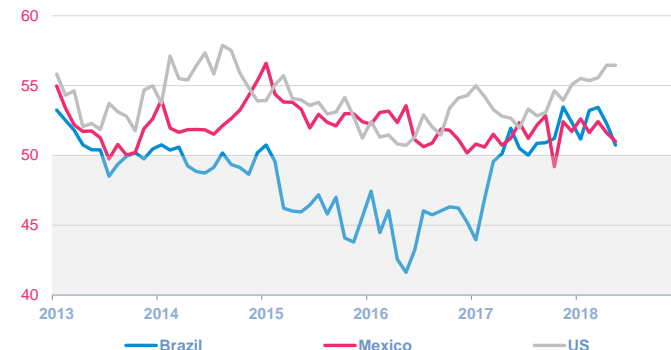
World oil and jet fuel price

US\$/barrel (period ave.)	2017	Mar-18	Apr-18	May-18
Crude oil (Brent)	54.2	66.0	72.1	77.0
Jet fuel	65.6	78.0	84.6	90.5

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence remained elevated in the US this month, on robust economic data & domestic policy developments. Sentiment eased further in both Brazil & Mexico, on indications of softer demand conditions & political uncertainty.
- On a trade-weighted basis, the US\$ rose by ~3% in May, benefitting from safe-haven inflows. The main regional currencies all fell vs the US\$, the COP & CLP by ~3%, the BRL & MXN 6.5-7% & the ARS by >20%.
- Brent crude oil & jet fuel prices both rose further in May, by US\$5-6/bbl. Geopolitical concerns & supply tightening were key factors again this month. Prices are now more than 50% higher compared with a year ago.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
N America	4.2	6.6	6.3	3.7
Latin America	6.7	7.9	8.7	5.5
World	7.6	7.8	9.7	6.2
Routes (segment basis)				
US domestic	3.7	6.2	4.8	5.3
Brazil domestic	3.5	5.6	2.0	6.7
Nth America-Europe	4.1	1.4	7.8	-1.8
Nth America-Asia	4.9	7.8	10.5	5.3
Nth-Sth America	0.9	8.8	9.5	4.3
Sth America-Europe	6.1	9.8	10.4	8.7
Within Sth America	10.5	4.3	7.5	5.7

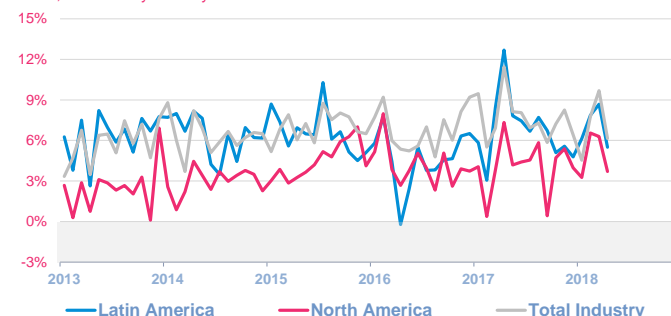
Source: IATA Statistics Note: historical data may be subject to revision

- Annual growth in industry-wide RPKs slowed to 6.2% in April, from a 12-month high of 9.7% in Mar. The slowdown largely reflects developments a year ago – incl. the late timing of Easter in 2017. Even so, the rate of growth remains above its long-run average pace.
- A similar pattern was evident at the regional level, with yoy RPK growth easing to 3.7% for the NthAm airlines & 5.5% for the Lat.Am carriers.

- In contrast, the annual pace of growth in passenger volumes lifted moderately in the region's two main domestic markets, to 5.3% in the US & a robust 6.7% in Brazil (up from a modest 2.0%yoy last month).
- With the exception of NthAm-Europe, the picture is generally healthy for the region's key international routes. The two smaller markets of Sth America-Europe & Within SthAm are the strongest performers this month, with RPK growth of 8.7% & 5.7%yoy respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Nth America	8.1	7.4	4.1	3.2
Latin America	5.6	8.3	15.5	10.6
World	9.1	6.8	1.8	4.1
Routes (segment basis)				
Nth America-Asia	8.7	7.3	1.8	5.6
Nth America-Europe	9.9	6.9	6.8	6.4
Nth-Sth America	0.6	11.7	19.0	15.1
Sth America-Europe	6.9	15.8	17.0	13.9
Within Sth America	3.2	4.0	15.3	44.4

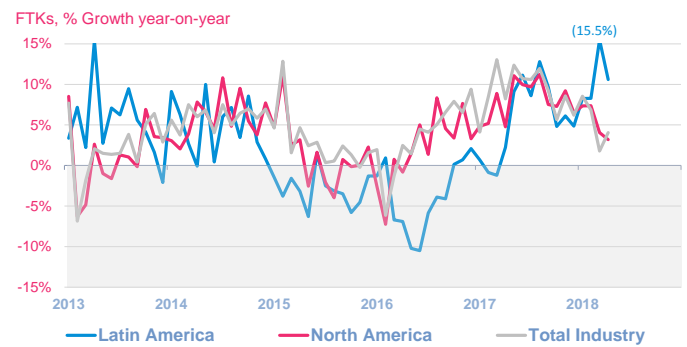
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ After falling to a 23-month low in Mar, annual growth in industry-wide FTKs recovered to a solid 4.1% in Apr. In seasonally-adjusted terms, FTK volumes have been trending broadly sideways since August last year.
- ➔ At the regional level, FTK growth went against the global trend, easing again in April in both NthAm (to 3.2%) & LatAm (to 10.6%). Despite the slowing, LatAm is the fastest growing region for FTKs & the only region to

deliver a double-digit yoy growth rate this month.

- ➔ Amongst the main international markets, growth rebounded in NthAm-Asia (the largest market), to 5.6%yoy & dipped only slightly for NthAm-Europe (the #2 ranked market), to 6.4%.
- ➔ The remaining markets, while smaller, all recorded double-digit yoy growth in Apr. The standout was Within SthAm, where growth surged to more than 44%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		2017	Feb-18	Mar-18	Apr-18
Passenger					
Nth America	ASK	4.0	5.0	4.2	4.8
	PLF	83.7	80.7	85.3	83.3
Latin America	ASK	5.3	5.9	6.9	5.8
	PLF	81.7	82.1	81.3	81.1
World	ASK	6.3	6.4	6.5	5.9
	PLF	81.5	80.5	82.5	82.3
Freight					
Nth America	AFTK	1.8	5.6	3.7	3.4
	FLF	36.5	36.2	37.3	35.8
Latin America	AFTK	2.9	2.4	-2.1	-4.6
	FLF	34.2	35.2	39.1	38.9
World	AFTK	3.0	6.7	4.8	5.1
	FLF	45.5	43.9	46.3	44.8

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

- ➔ Over the past year, the NthAm carriers have increased both pax & freight capacity more slowly than the overall industry. The LatAm airlines have grown ASKs in line with the industry, but have *reduced* AFTKs by a solid 4.6%yoy.
- ➔ The PLF for both regions is above 80%, straddling the current industry figure of 82.3%. The FLFs for both lag, by some margin, the industry outcome of 44.8%.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Nth America	13.7	11.1	7.9	7.7
Latin America	5.6	6.9	6.9	8.9
Industry	8.5	7.5	4.7	5.7

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

- ➔ The latest financials for Q1 show a 1pp gain in the industry EBIT margin vs a year ago, to 5.7% currently. The regional outcomes remain stronger, with the margin for NthAm carriers broadly steady at 7.7% & that of the LatAm carriers up a solid 2pp yoy to 8.9% currently.

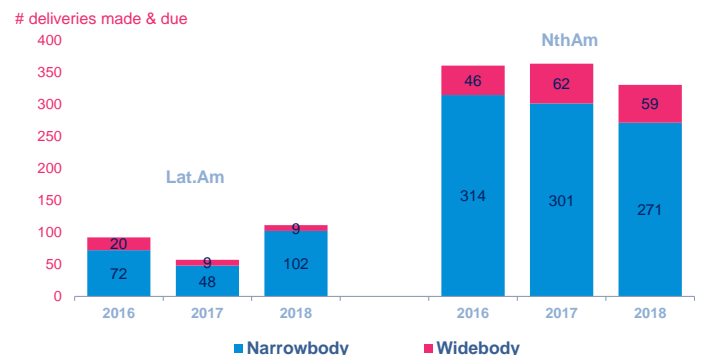
- ➔ Passenger yields amongst the region's key markets are mixed. The Europe market is performing strongly, for both Nth & Sth America routes, with double-digit yoy yield growth. In contrast, pax yields have *fallen* by 2.3% on routes between Nth-Sth America & are just 0.8% higher yoy for the Within Sth America market.

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

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Nth America-Europe	-1.8	12.1	9.5	19.7
Nth America-Asia	-3.2	-1.2	-0.3	1.8
Nth-Sth America	0.2	7.5	1.5	-2.3
Sth America-Europe	7.9	12.5	11.9	10.4
Sth America-Asia	-4.2	0.9	5.8	5.5
Within Sth America	1.8	3.1	3.3	0.8

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

Aircraft deliveries to the Americas



Source: Ascend