

# State of the region: The Americas

June 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
<b>World*</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>2.9</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Mar-19	Apr-19	May-19
US\$ broad index	128.5	127.2	127.4	128.7
Brazilian real (BRL)	3.88	3.89	3.95	3.91
Mexican peso (MXN)	19.69	19.40	19.02	19.61
Argentine peso (ARS)	37.66	43.41	44.03	44.83
Colombian peso (COP)	3248	3185	3236	3370
Chilean peso (CLP)	694	680	680	707

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Mar-19	Apr-19	May-19
Crude oil (Brent)	71.7	66.9	71.5	70.4
Jet fuel	86.4	81.1	84.2	84.4

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

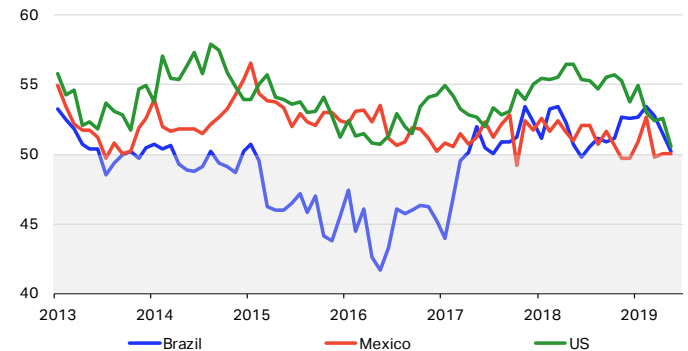
% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
<b>Region (registration basis)</b>				
N America	5.0	3.7	5.0	4.4
Latin America	6.2	5.3	5.3	5.7
World	6.5	5.1	3.1	4.3
<b>Routes (segment basis)</b>				
US domestic	5.1	3.6	6.3	4.1
Brazil domestic	4.8	5.8	3.2	0.6
Nth America-Europe	4.4	9.4	3.3	7.4
Nth America-Asia	3.9	-0.5	-0.6	3.1
Nth-Sth America	4.6	-0.6	0.7	-2.1
Sth America-Europe	9.3	5.2	6.7	6.8
Within Sth America	0.6	2.5	2.1	-1.8

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

- Annual growth in industry-wide revenue passenger kilometres (RPKs) recovered to 4.3% in April, up from 3.1% in the previous month. The pace of demand growth remains steady but is well below the long-run average of around 5%.
- Year-on-year RPK growth eased to 4.4% for North American carriers in April but remains broadly in line with its 5-year average pace. With passenger volumes up 5.7% vs last year, Lat.Am sustained a generally

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

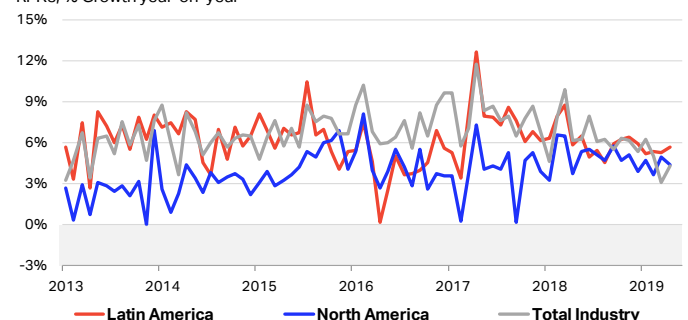
- Political uncertainty and a slowing economy weighed upon business confidence in Brazil, while escalating US-China trade tensions contributed to the fall in sentiment in the US. In Mexico, the manufacturing PMI remained generally unchanged from April.
- On a trade-weighted basis, the US\$ rose by 1.1%, in May, its 4<sup>th</sup> consecutive monthly increase. Most of the key regional currencies lost against the US\$ with the exception of the BRL which gained a modest 0.9% after a sharp fall in the middle of the month.
- Brent crude oil and jet fuel prices lost their strong upward momentum at the end of May as escalating US-China trade tensions reinforced concerns over a slowdown in global oil demand.

robust trend in the year-on-year growth rate.

- Growth in RPKs eased to 4.1% in the US domestic market but remains underpinned by solid economic backdrop and household spending. For Brazil, annual growth slipped to just 0.6% this month, partly reflecting the country's weaker economic conditions.
- Of the region's larger international markets, RPK growth picked-up sharply in NthAm-Europe (7.4%yoy) and returned to positive territory for NthAm-Asia.
- The story is less positive for the smaller markets, with volumes down by ~2% vs last year for Nth-SthAm & Within SthAm.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
<b>Region (registration basis)</b>				
Nth America	6.7	-1.7	-0.1	0.1
Latin America	5.9	2.8	3.9	5.0
World	3.5	-5.1	-0.5	-4.7
<b>Routes (segment basis)</b>				
Nth America-Asia	3.7	-7.5	-1.1	-7.9
Nth America-Europe	3.2	-0.1	-0.3	-7.3
Nth-Sth America	8.7	-2.4	-6.5	-2.2
Sth America-Europe	7.7	-0.2	1.6	-1.5
Within Sth America	17.2	10.4	10.1	-16.3

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

- Industry-wide FTK growth declined again in April, remaining in negative territory for the sixth consecutive month. Air freight volumes are currently 4.7% lower than their year-ago level.
- FTK growth for NthAm carriers remained close to zero for the second consecutive month despite the solid economic performance in the US. More headwinds to freight demand are likely to appear if the recent escalation in the US-China trade war continues.

## Industry

### Capacity growth and load factors

ASK/AFTK: % ch on a yr ago, LF: % of ASK/AFTK		2018	Feb-19	Mar-19	Apr-19
<b>Passenger</b>					
Nth America	ASK	4.7	3.7	5.2	3.4
	PLF	83.8	80.4	84.9	83.9
Latin America	ASK	6.6	5.5	4.8	4.7
	PLF	81.5	81.5	81.6	82.2
World	ASK	6.1	5.2	4.2	3.6
	PLF	81.9	80.6	81.8	82.8
<b>Freight</b>					
Nth America	AFTK	6.5	0.9	2.0	2.5
	FLF	41.2	39.9	41.6	40.5
Latin America	AFTK	3.2	11.7	17.2	18.7
	FLF	34.0	30.3	32.3	32.5
World	AFTK	5.1	2.7	2.9	2.6
	FLF	49.1	44.5	49.4	46.3

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

- Industry-wide passenger load factor (PLF) picked-up to 82.8%, a record high outcome for the month of April. By contrast, the freight load factor (FLF) eased to 46.3%, following a strong performance in March (49.4%).
- Both NthAm and Lat.Am carriers posted a record high PLF for April (based on data since 1990). By contrast, FLFs are currently lower compared to last year for both regions, most notably in the Lat.Am case (down 4.3ppt).

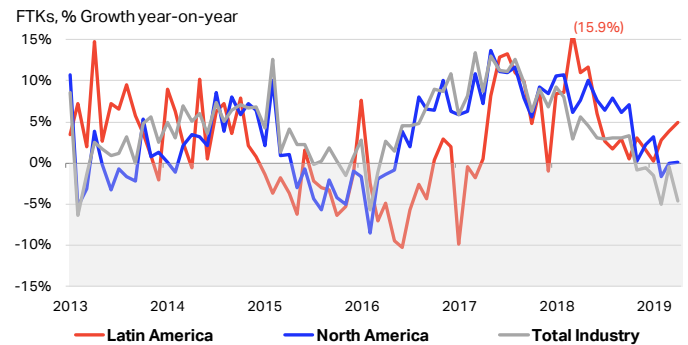
### Airline operating (EBIT) margins\*

% revenues	2016	2017	2018Q1	2019Q1
Nth America	13.7	11.2	6.4	6.5
Latin America	5.6	6.2	4.9	0.7
Industry	8.5	7.5	4.2	2.3

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

- Latin America was the best performing region in terms of freight demand in April, posting a ten-month high year-on-year growth rate of 5.0%.
- All of the key international markets recorded a fall in FTKs vs a year ago. The decline was most notable for the smaller Within SthAm market (-16%y-o-y) and the largest NthAm-Asia market (-8%y-o-y).

### Growth in air freight volumes



Source: IATA Statistics

- The latest financial data for Q1 2019 confirm a decline in industry profitability vs the same period a year ago; the EBIT margin fell to 2.3%, from 4.2% in Q1 2018. At the regional level, the EBIT margin remained generally unchanged for NthAm carriers at 6.5% of revenues and dipped sharply, by ~4ppt, for Lat.Am airlines.
- Growth in passenger yields remained under downward pressure on all of the main regional routes in April. SthAm-Europe was the key underperformer with yields down more than 20%, followed by SthAm-Asia (-12.6%) and NthAm-SthAm (-9.2%).

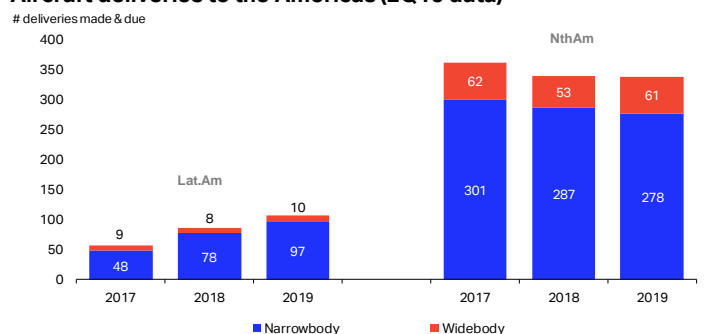
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
Nth America-Europe	4.5	-5.8	-5.3	-7.9
Nth America-Asia	-0.3	1.7	-0.6	-7.2
Nth-Sth America	-38.8	-14.9	-9.5	-9.2
Sth America-Europe	-1.2	-17.7	-18.4	-20.2
Sth America-Asia	-0.3	-5.0	-11.9	-12.6
Within Sth America	-26.9	-27.3	-9.9	-1.4

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 unchanged deliveries for NthAm carriers in 2019 vs 2018.

### Aircraft deliveries to the Americas (2Q19 data)



Source: Ascend