



STATE OF THE REGION: THE AMERICAS

MARCH 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
United States	1.5	2.2	2.3	2.5
Brazil	-3.5	0.4	1.4	2.1
Mexico	2.7	3.1	1.7	1.5
Canada	1.4	3.7	3.0	2.9
Argentina	-2.2	2.9	4.2	--
Colombia	2.0	1.7	2.3	1.6
Chile	1.5	1.4	2.2	--
Peru	4.0	2.6	2.9	2.2
World*	2.4	2.9	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Dec-17	Jan-18	Feb-18
US\$ broad index	120.0	120.0	117.2	117.6
Brazilian real (BRL)	3.31	3.31	3.18	3.24
Mexican peso (MXN)	19.66	19.66	18.62	18.82
Argentine peso (ARS)	18.62	18.62	19.64	20.12
Colombian peso (COP)	2985	2985	2831	2864
Chilean peso (CLP)	615	615	601	594

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Dec-17	Jan-18	Feb-18
Crude oil (Brent)	54.2	64.4	69.1	65.3
Jet fuel	65.6	76.3	82.0	77.7

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

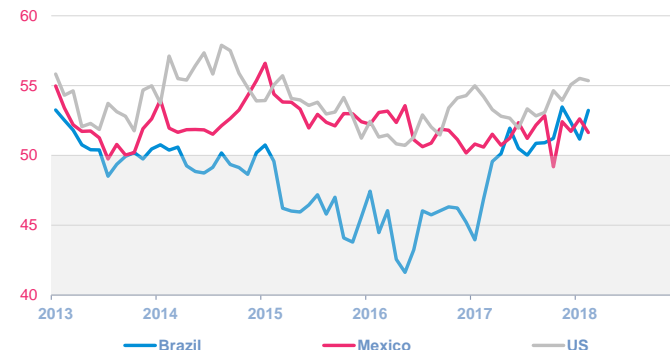
%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
N America	4.2	5.5	4.0	3.5
Latin America	7.0	5.7	5.5	5.0
World	7.6	8.3	6.4	4.6
Routes (segment basis)				
US domestic	3.8	4.9	3.9	3.4
Brazil domestic	3.5	5.8	5.7	2.9
Nth America-Europe	4.1	2.7	0.4	0.4
Nth America-Asia	4.9	5.4	3.3	0.3
Nth-Sth America	0.9	2.9	1.7	5.1
Sth America-Europe	6.1	8.1	8.7	8.7
Within Sth America	10.5	4.9	8.8	8.1

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

- Industry-wide RPKs grew by 4.6%yoy in Jan, down almost 2pp from Dec & its slowest pace in nearly four years. However, the later timing of Lunar New Year (LNY) appears to account for a good part of this result & a rebound could reasonably be expected next month.
- At the regional level, RPK growth dipped by ½pp for both the NthAm & LatAm carriers, to 3.5% & 5.0%yoy, respectively, straddling the industry-wide outcome.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



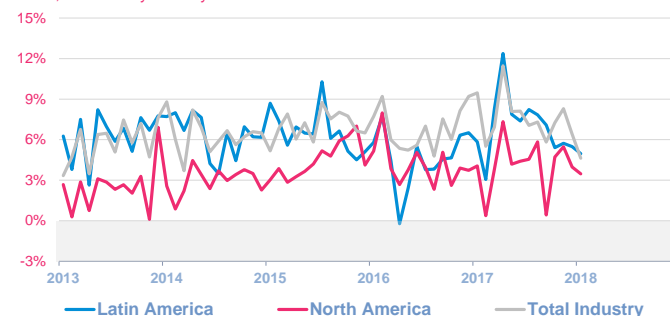
Source: Markit

- Business confidence in Brazil rebounded strongly this month, supported by a further lift in economic activity & the fastest jobs growth in ~7yrs. Sentiment in Mexico eased on slower demand, while the US measure was broadly unchanged this month, at an elevated level.
- On a trade-weighted basis, the US\$ rose a modest 0.3% in Feb, after consecutive monthly declines. The ARS & BRL fell by 2-2.5% vs the US\$ this month while the CLP went against the trend, gaining 1.2%.
- Brent crude oil & jet fuel prices retraced some of their recent gains in Feb, easing by close to 5.5% in the month. However, the broader picture is that both are currently ~20% higher than their level of a year ago.

- The region's two main domestic markets – Brazil & the US – are showing modest growth in pax volumes, with RPKs for both currently up 3-3½%yoy.
- Outcomes are mixed across the key international markets for the region. The two largest markets (NthAm to both Europe & Asia) are showing subdued RPK growth of just 0.3-0.4%yoy. In contrast, the main markets for the SthAm carriers are growing more strongly; the Within SthAm & Sth-Am-Europe markets both have RPK growth of above 8%yoy in Jan.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
Nth America	8.0	8.8	6.1	7.5
Latin America	5.7	6.4	4.9	8.0
World	9.0	8.5	5.8	8.0
Routes (segment basis)				
Nth America-Asia	8.8	8.0	6.4	7.5
Nth America-Europe	9.9	9.2	2.8	6.1
Nth-Sth America	0.6	3.7	2.5	9.9
Sth America-Europe	6.9	11.6	11.7	15.6
Within Sth America	3.2	0.2	-1.1	17.3

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

- ➔ Although mindful of the potential LNY distortions for annual air freight outcomes also at year-start, industry-wide FTKs stepped up in Jan, increasing to a robust 8.0%yoy, from 5.8% in Dec.
- ➔ At the regional level, FTK growth also increased this month, with the carriers of both Nth & Latin America currently growing broadly in line with the overall industry pace, at 7.5% & 8.0%, respectively.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	Nov-17	Dec-17	Jan-18
Passenger					
Nth America	ASK	4.1	4.7	4.2	4.2
	PLF	83.6	83.5	82.7	79.3
Latin America	ASK	5.5	4.6	5.0	5.0
	PLF	81.8	82.3	81.6	83.2
World	ASK	6.4	6.4	5.8	5.3
	PLF	81.5	80.4	80.8	79.6
Freight					
Nth America	AFTK	1.6	3.7	2.5	4.2
	FLF	36.5	40.1	37.2	36.3
Latin America	AFTK	3.1	4.6	11.6	5.4
	FLF	34.2	37.8	34.8	30.5
World	AFTK	3.0	4.4	3.6	4.2
	FLF	45.5	48.8	46.7	43.3

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

- ➔ Industry-wide, annual pax capacity grew faster than demand for the first time in 15 months in Jan. The industry-wide PLF slipped below 80%, to 79.6%, broadly aligned with that of NthAm carriers (79.3%). LatAm airlines *increased* their PLF, to 83.2% this month.
- ➔ The overall industry FLF also eased somewhat in Jan, to 43.3%, but even so, still easily outdoes the region's performance of 36.3% (NthAm) & 30.5% (LatAm).

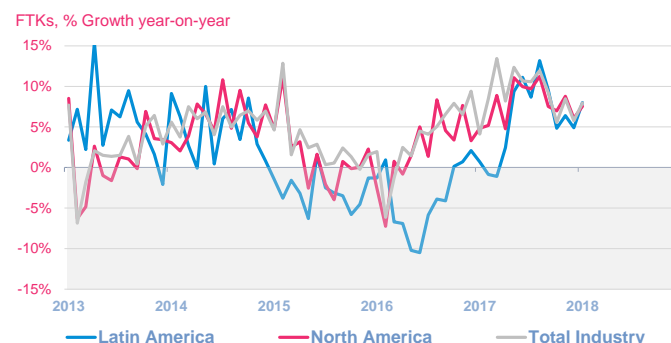
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Nth America	14.8	13.2	10.7	10.3
Latin America	1.5	4.2	8.5	10.1
Industry	8.5	8.8	8.9	8.6

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

- ➔ Of the main international markets for the region, Within Sth America & SthAm-Europe are performing strongest, with double-digit yoy FTK growth. Nth-Sth America isn't far off, at 9.9%yoy. The sharp increase in the growth rate for Within SthAm primarily reflects events of a year ago.
- ➔ The two largest markets, NthAm to each of Asia & Europe are showing robust growth in freight volumes, at 7.5% & 6.1%yoy respectively.

Growth in air freight volumes



Source: IATA Statistics

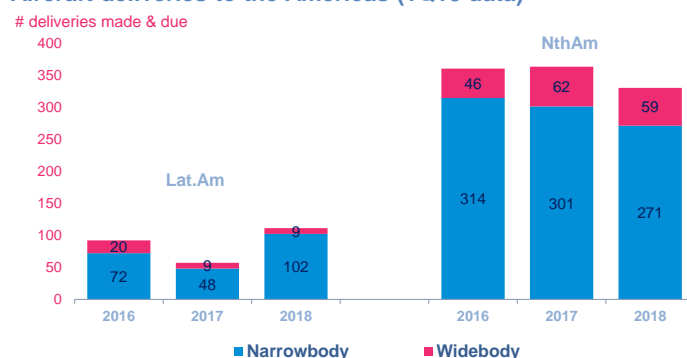
- ➔ The latest financial data for Q4 show a slight moderation in the EBIT margin for the NthAm airlines vs a year ago (down 0.4pp to 10.3%) but an increase for the LatAm carriers (up 1.6pp to 10.1%). Both sit above the current 8.6% result for the industry as a whole.
- ➔ Industry-wide passenger yields continue to broadly trend sideways as they have done for more than 12 months now. For the region's key markets, however, all yields are now higher than their level of a year ago, albeit only just in the case of NthAm-Asia (+0.7%).

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

%change on a yr ago	2016	Nov-17	Dec-17	Jan-18
Nth America-Europe	-8.5	5.6	6.2	8.2
Nth America-Asia	-7.3	-2.9	-3.6	0.7
Nth-Sth America	-17.5	12.2	9.3	8.3
Sth America-Europe	-17.2	14.0	14.8	15.6
Sth America-Asia	-9.2	-4.0	3.7	2.8
Within Sth America	-13.4	2.7	3.4	2.1

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

Aircraft deliveries to the Americas (1Q18 data)



Source: Ascend