



STATE OF THE REGION: THE AMERICAS

MAY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
United States	2.3	2.3	2.6	2.9
Brazil	1.0	1.4	2.1	--
Mexico	2.3	1.7	1.5	--
Canada	3.0	3.0	2.9	--
Argentina	2.9	3.8	3.9	--
Colombia	1.8	2.2	1.7	1.4
Chile	1.6	2.9	3.3	--
Peru	2.5	2.9	2.2	--
World*	3.1	3.2	3.2	3.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Feb-18	Mar-18	Apr-18
US\$ broad index	120.0	117.6	118.1	118.2
Brazilian real (BRL)	3.31	3.24	3.31	3.49
Mexican peso (MXN)	19.66	18.82	18.23	18.75
Argentine peso (ARS)	18.62	20.12	20.14	20.54
Colombian peso (COP)	2985	2864	2794	2803
Chilean peso (CLP)	615	594	605	614

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Feb-18	Mar-18	Apr-18
Crude oil (Brent)	54.2	65.3	66.0	72.1
Jet fuel	65.6	77.7	78.0	84.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

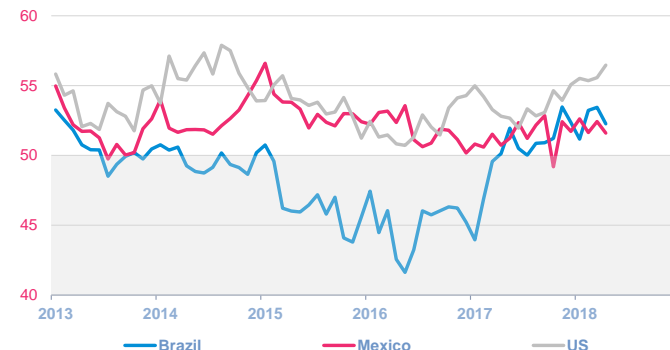
%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
N America	4.2	3.3	6.5	6.3
Latin America	7.1	5.5	8.1	8.5
World	7.6	4.5	7.7	9.5
Routes (segment basis)				
US domestic	3.7	3.0	6.1	4.7
Brazil domestic	3.5	2.9	5.9	2.3
Nth America-Europe	4.1	0.2	1.4	8.2
Nth America-Asia	4.9	0.8	7.8	10.5
Nth-Sth America	0.9	5.1	8.8	9.5
Sth America-Europe	6.1	8.7	9.8	10.4
Within Sth America	10.5	6.1	4.3	7.5

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

- Industry-wide RPK growth lifted again this month, building on last month's healthy rebound. Passenger volumes are 9.5% higher in March compared with their level of a year ago – the fastest rate of growth in a year & well above the 5-year average pace.
- At the regional level, yoy RPK growth was little changed this month, up slightly for the Lat.Am carriers to 8.5%yoy & down marginally for the NthAm carriers, at 6.3%yoy.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



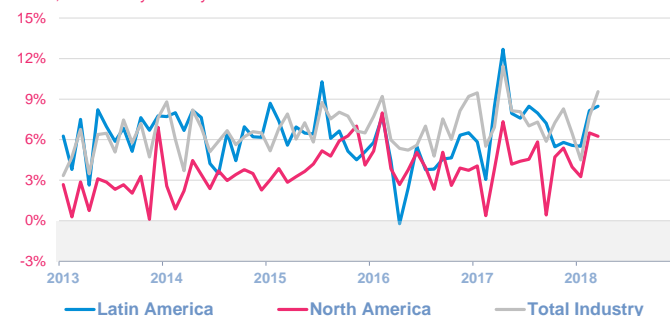
Source: Markit

- Business confidence lifted in the US this month, on robust economic data & domestic policy developments. In Brazil & Mexico, indications of softening demand conditions weighed upon business sentiment & prompted a modest dip in both indices this month.
- On a trade-weighted basis, the US\$ was essentially unchanged in Apr. Amongst key regional currencies, the BRL & MXN fell sharply, down 5.2% & 3.0%, vs the US\$. In contrast, the CLP & ARS gained 1.5-2.0% this month.
- Brent crude oil & jet fuel prices both surged in April, gaining more than US\$6/bbl & moving to their highest levels since 2014. Heightened geopolitical risks, along with supply tightening, were the key drivers this month.

- The annual pace of growth eased moderately in each of the region's two main domestic markets. In the US growth eased to 4.7%yoy, after posting a 2-year high last month, & in Brazil growth slipped back to a modest 2.3%yoy pace.
- The picture is more positive for the region's key international routes, where annual growth accelerated in March. Nth America-Asia & Sth America-Europe are the two standouts this month, with double digit growth of ~10.5%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Nth America	8.1	7.3	7.7	3.9
Latin America	5.6	8.2	8.3	15.5
World	9.1	8.5	6.7	1.7
Routes (segment basis)				
Nth America-Asia	8.7	7.7	7.5	2.5
Nth America-Europe	9.9	6.3	6.9	7.3
Nth-Sth America	0.6	7.6	13.9	19.2
Sth America-Europe	6.9	16.6	15.8	17.0
Within Sth America	3.2	17.3	4.0	15.3

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

- After a robust start to the year, the industry-wide FTK growth rate slowed to just 1.7%yoy in March. For Q1 overall, freight volumes are up 5.4%yoy, but a softening in the seasonally adjusted trend has become more apparent in recent months.
- At the regional level, FTK growth halved for the NthAm carriers (to 3.9%yoy) but doubled for the Lat.Am airlines (to 15.5%). The improved economic conditions in Brazil

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Jan-18	Feb-18	Mar-18
Passenger					
Nth America	ASK	4.0	4.0	5.0	4.1
	PLF	83.7	79.3	80.6	85.3
Latin America	ASK	5.7	5.1	6.2	6.8
	PLF	81.7	83.6	82.1	81.3
World	ASK	6.3	5.2	6.3	6.4
	PLF	81.5	79.6	80.6	82.4
Freight					
Nth America	AFTK	1.8	5.2	5.0	3.3
	FLF	36.5	35.9	36.6	37.4
Latin America	AFTK	3.2	5.9	2.5	-2.1
	FLF	34.2	30.4	35.2	39.1
World	AFTK	3.0	5.4	6.3	4.4
	FLF	45.5	43.0	44.0	46.4

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

- For pax, the NthAm carriers have increased capacity more slowly than the industry overall (4.1% vs 6.4%) but are currently generating a higher load factor (85.3% vs 82.4%). The converse holds for the Lat.Am carriers; faster capacity growth & a lower pax load factor.
- For freight, notwithstanding slower capacity growth (indeed, Lat.Am AFTKs have *fallen* by 2% in yoy terms), the region's carriers are not matching the industry-wide load factor performance – by some margin.

Airline operating (EBIT) margins*

%revenues	2015	2016	2017Q1	2018Q1
Nth America	14.8	13.2	7.7	7.9
Latin America	1.5	4.2	-13.6	-12.8
Industry	8.5	8.8	6.5	6.8

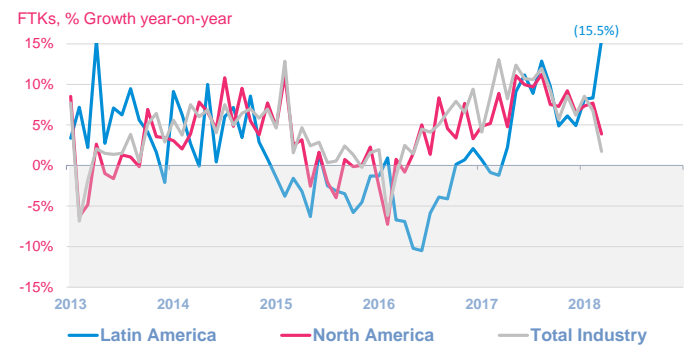
Source: Airline Analyst * constant sample basis, not seasonally adjusted

IATA Economics: www.iata.org/economics

have been a key contributor to the Lat.Am freight results.

- A softer outcome in the key Asia market (to 2.5%yoy) goes a long way to explaining the overall Nth America outcome, with FTK growth rates accelerating across the region's other main international markets.
- The Nth-Sth America market is the strongest performer currently, with freight volumes up 19.2%yoy, followed by the Sth America-Europe & Within Sth America markets.

Growth in air freight volumes



Source: IATA Statistics

- The initial data for Q1 point to a modest improvement in the EBIT margin, at both the regional and industry level compared with a year ago. The margin for the NthAm carriers is currently 7.9%, remaining above the industry-wide figure of 6.8%. The margin for Lat.Am airlines is -12.8%, up from -13.6% in Q1 2017. Recall that these data are not adjusted for seasonal variation

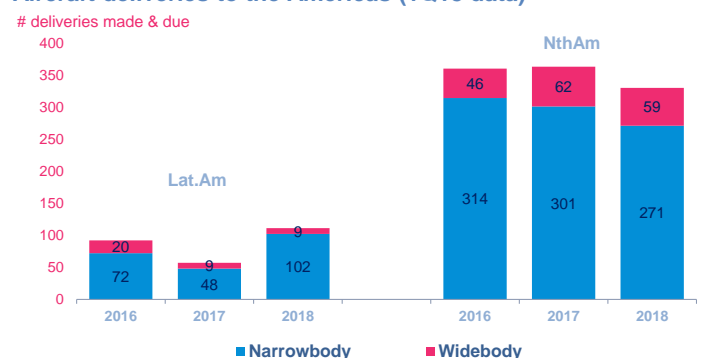
- Passenger yields amongst the region's key markets are mixed. The Europe market is performing strongly, for both Nth & Sth America routes, but pax yields are still lower in yoy terms for the NthAm-Asia market.

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

%change on a yr ago	2016	Jan-18	Feb-18	Mar-18
Nth America-Europe	-8.5	8.2	12.1	9.5
Nth America-Asia	-7.3	0.7	-1.2	-0.3
Nth-Sth America	-17.5	8.3	7.5	1.5
Sth America-Europe	-17.2	15.6	12.5	11.9
Sth America-Asia	-9.2	2.8	0.9	5.8
Within Sth America	-13.4	2.1	3.1	3.3

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

Aircraft deliveries to the Americas (1Q18 data)



Source: Ascend

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