

State of the region: The Americas

May 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	--
Mexico	2.0	2.5	1.6	0.1
Canada	1.8	1.9	1.6	--
Argentina	-2.5	-3.7	-6.2	--
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
World*	3.2	3.1	2.9	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Feb-19	Mar-19	Apr-19
US\$ broad index	128.5	126.8	127.2	127.4
Brazilian real (BRL)	3.88	3.75	3.89	3.95
Mexican peso (MXN)	19.69	19.27	19.40	19.02
Argentine peso (ARS)	37.66	39.02	43.41	44.03
Colombian peso (COP)	3248	3079	3185	3236
Chilean peso (CLP)	694	655	680	680

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Feb-19	Mar-19	Apr-19
Crude oil (Brent)	71.7	64.4	66.9	71.5
Jet fuel	86.4	80.1	81.1	84.2

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

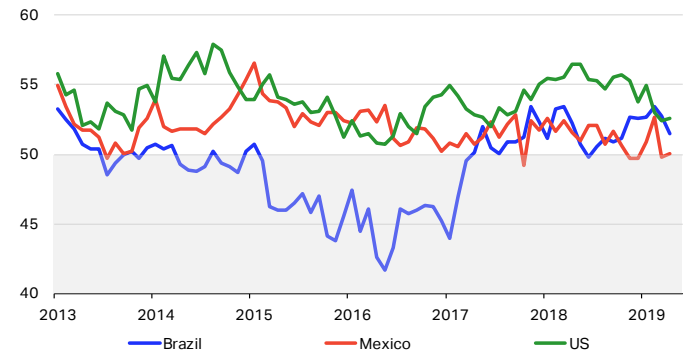
% change on a yr ago	2018	Jan-19	Feb-19	Mar-19
Region (registration basis)				
N America	5.0	4.7	4.2	4.9
Latin America	6.2	5.2	5.3	5.6
World	6.5	6.2	5.1	3.1
Routes (segment basis)				
US domestic	5.1	4.7	4.5	6.3
Brazil domestic	4.8	2.6	5.8	3.2
Nth America-Europe	4.4	6.0	9.4	3.3
Nth America-Asia	3.9	6.3	-0.5	-0.6
Nth-Sth America	4.6	-0.4	-0.6	0.7
Sth America-Europe	9.3	6.9	5.2	6.7
Within Sth America	0.6	0.8	2.5	0.9

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) eased to 3.1%; the weakest annual outcome since early-2010. That said, this month's result was affected by the earlier timing of the 2018 Easter holiday, which boosted demand in March last year; a rebound is likely next month.
- At the regional level, both NthAm and Lat.Am carriers posted year-on-year growth that was broadly in line with their 12-month average.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



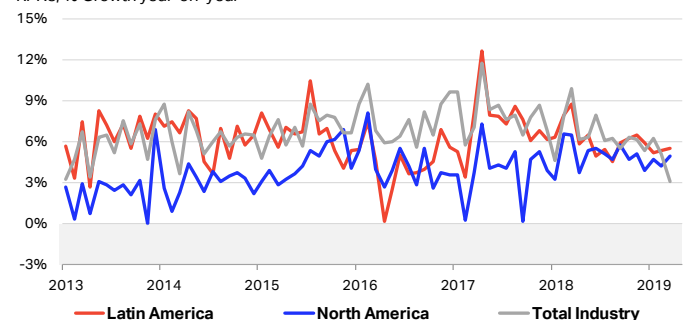
Source: Markit

- While business confidence fell to a 6-month low in Brazil, it ticked up in the US on robust economic growth and improved operating conditions. Sentiment lifted modestly also in Mexico but remained well below levels seen last year amidst economic uncertainty, including the 'new NAFTA' trade agreement.
- On a trade-weighted basis, the US\$ rose by 0.1% in April, marking the 3rd consecutive month of modest growth. Of the key regional currencies, the MXN gained 1.9% against the US\$, while the BRL, COP & ARS all lost around 1.5%.
- Oil and jet fuel prices remain under upward pressure amidst fears of supply disruption augmented by heightened tensions in the Middle East.

- In the US, the largest of the main domestic markets that we regularly track (14.1% of the total), RPK growth lifted to 6.3% amidst a strong labor market and solid consumer spending. For Brazil, demand growth eased to 3.2%yoy, unwinding a strong performance observed in the previous month (5.8%yoy).
- Of the key international markets in the region, RPK growth in NthAm-Europe fell to a moderate 3.3%yoy pace and remained slightly negative for NthAm-Asia, reaffirming the downward growth trend for this market which began in early-2017.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jan-19	Feb-19	Mar-19
Region (registration basis)				
Nth America	6.7	3.2	-0.9	0.4
Latin America	5.9	0.3	2.8	3.6
World	3.8	-1.6	-4.9	0.1
Routes (segment basis)				
Nth America-Asia	3.7	-3.7	-7.5	-1.1
Nth America-Europe	3.2	1.2	-0.1	-0.3
Nth-Sth America	8.7	1.1	-5.3	-6.5
Sth America-Europe	7.7	-2.3	-0.2	1.6
Within Sth America	17.2	-4.0	10.4	10.0

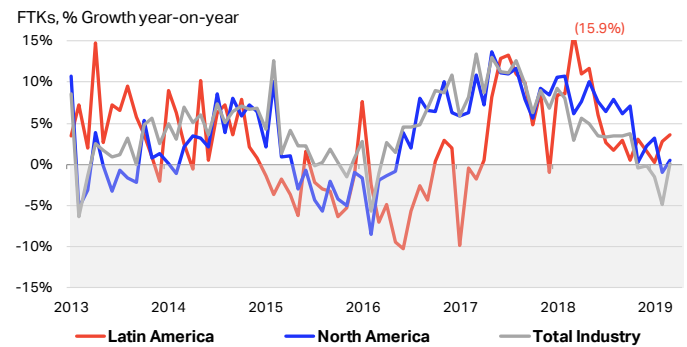
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide FTK growth returned to positive territory in March, albeit only just. FTKs were up 0.1% vs their level a year ago, following a fall of 4.9%yoy in Feb. Given the data volatility early in the year, and based on fundamentals, we suspect this gain may be shortlived.
- FTK growth for NthAm carriers improved to 0.4%yoy after a decline Feb. Recent developments in US-China trade tensions are likely to weigh on FTK growth going forward. Lat.Am was the only region to record a consecutive positive year-on-year growth rate this

month, with FTKs currently up a moderate 3.6%yoy.

- Cargo volumes remained lower vs their level a year ago on all of the larger international routes in the region. That said the percentage fall in FTKs for the largest NthAm-Asia market was much less significant than in the previous two months.
- The (smaller) Within SthAm market was the strongest performing market in March, with volumes up by 10% compared with March 2018.

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		2018	Jan-19	Feb-19	Mar-19
Passenger					
Nth America	ASK	4.7	4.1	3.9	5.0
	PLF	83.8	79.6	80.8	85.0
Latin America	ASK	6.6	6.0	6.0	5.1
	PLF	81.5	82.4	81.1	81.5
World	ASK	6.1	6.2	5.3	4.2
	PLF	81.9	79.6	80.5	81.7
Freight					
Nth America	AFTK	6.5	4.0	1.9	2.6
	FLF	41.2	40.4	39.8	41.6
Latin America	AFTK	3.2	1.2	11.7	16.9
	FLF	34.0	29.4	30.3	32.3
World	AFTK	5.3	3.7	2.9	3.1
	FLF	49.2	45.3	44.5	49.5

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

- At 81.7%, the industry-wide passenger load factor (PLF) was down 0.9ppt from its record high March 2018 but remained elevated in historical terms. For freight, the load factor (FLF) increased to 49.5%, slightly above its average for 2018 overall.
- At the regional level, both passenger and freight load factors improved vs Feb but only the NthAm PLF (85%) outperformed the industry-wide outcome this month.

Airline operating (EBIT) margins*

% revenues	2016	2017	2018Q1	2019Q1
Nth America	13.7	11.0	6.8	6.4
Latin America	5.6	6.9	-4.2	-4.2
Industry	8.5	7.7	4.1	3.6

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

- The initial financial data for Q1 2019 point to a moderate decline in industry profitability relative to the same period a year ago; the EBIT margin fell to 3.6%, from 4.1% in Q1 2018. At the regional level, the EBIT margin eased modestly for NthAm carriers (to a still robust 6.4%) and was unchanged for Lat.Am airlines.
- Growth in passenger yields remained under pressure on all of the main regional routes in March as airlines struggle to recover rising operating costs. SthAm-Europe was the key underperformer with yields down more than 18% vs their level a year ago.

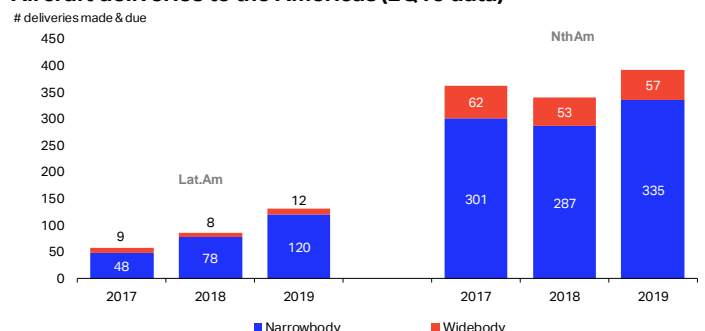
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jan-19	Feb-19	Mar-19
Nth America-Europe	4.5	-3.9	-5.6	-5.1
Nth America-Asia	-0.3	-1.1	1.7	-0.6
Nth-Sth America	-38.8	-15.1	-15.1	-9.6
Sth America-Europe	-1.2	-11.7	-17.6	-18.2
Sth America-Asia	-0.3	-6.3	-5.0	-11.9
Within Sth America	-26.9	-30.8	-28.0	-10.7

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data indicate a rise in jet aircraft deliveries for both the Lat.Am and NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (2Q19 data)



Source: Ascend