

State of the region: The Americas

November 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
United States	2.9	2.7	2.3	2.0
Brazil	1.1	0.5	1.0	--
Mexico	2.0	0.1	0.3	--
Canada	1.9	1.4	1.6	--
Argentina	-2.5	-5.8	0.6	--
Colombia	2.6	3.2	3.0	3.3
Chile	4.0	1.9	2.0	2.8
Peru	4.0	2.4	1.2	3.0
World*	3.2	2.8	2.6	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Aug-19	Sep-19	Oct-19
US\$ broad index	128.5	130.4	130.8	130.2
Brazilian real (BRL)	3.88	4.13	4.17	4.01
Mexican peso (MXN)	19.69	20.07	19.74	19.17
Argentine peso (ARS)	37.66	59.12	57.59	59.78
Colombian peso (COP)	3248	3425	3478	3378
Chilean peso (CLP)	694	720	728	741

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Aug-19	Sep-19	Oct-19
Crude oil (Brent)	71.7	59.6	62.4	59.6
Jet fuel	86.4	76.1	79.8	78.7

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

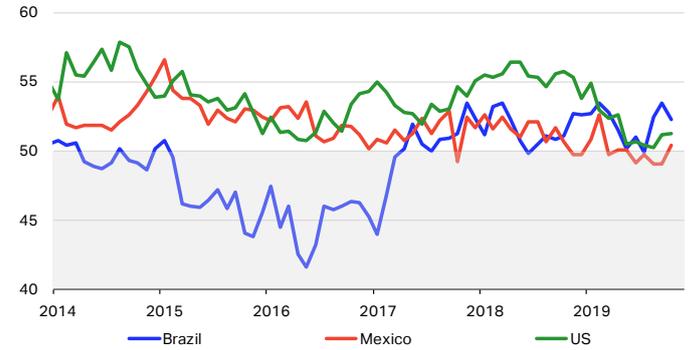
% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
N America	5.3	2.2	3.3	5.1
Latin America	7.4	2.6	3.4	3.3
World	7.3	3.3	3.9	3.8
Routes (segment basis)				
US domestic	5.4	2.7	3.9	6.0
Brazil domestic	4.7	-6.1	-1.4	1.7
Nth America-Europe	4.4	4.2	4.7	5.2
Nth America-Asia	3.9	0.4	0.3	0.8
Nth-Sth America	4.6	-4.5	-2.4	-0.8
Sth America-Europe	8.5	9.0	8.9	8.2
Within Sth America	0.6	3.5	2.9	-0.1

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 3.8% over the year to September, a broadly unchanged pace from August. The moderate upward trend in underlying demand remains firmly in place.
- At the regional level, RPK growth stabilized for carriers based in Lat.Am at 3.3%yoy but remained well below 2018 rates amidst weaker economic and business confidence outcomes and currency exposure to the strengthening US\$. For NthAm carriers, RPK growth

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

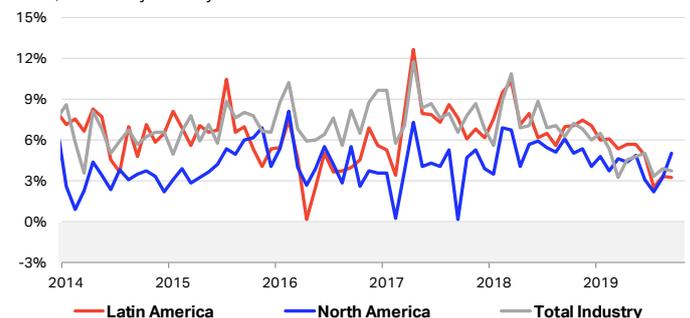
- US economic growth for Q3 2019 surpassed analyst's expectations amidst robust consumer spending but was softer than Q2. Although still elevated, October business confidence eased modestly in Brazil partly due to weaker exports. Mexico's manufacturing PMI showed signs of recovery, which was supported by improving economic outcomes.
- The trade weighted US\$ index eased slightly in October, down 0.5%. Of the main regional currencies, the ARS lost 3.8% against the US\$ while the BRL gained a similar amount.
- The average monthly jet and crude oil price eased in October on the back of robust global oil supply and softening demand.

recovered to 5.1%yoy, following a trough in July.

- Year-on-year growth in US domestic RPKs accelerated to 6%, although this was impacted by a weaker outturn in Sept 2018. Pax volumes also picked up vs a year ago in the Brazil domestic (1.7%) – a sign that the market is recovering from the disruption caused by the demise of Avianca Brazil earlier in the year.
- RPK growth improved on NthAm-Europe and NthAm-Asia routes to 5.2% and 0.8%yoy, respectively. By contrast, demand contracted again in the Nth-SthAm market, albeit at a softer pace vs August (-0.8%yoy).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

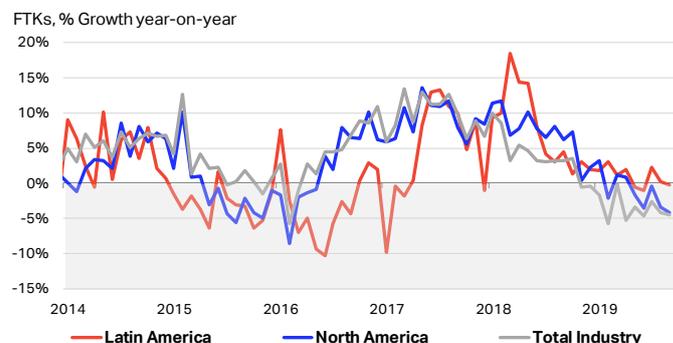
% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
Nth America	7.0	-0.4	-3.5	-4.2
Latin America	7.4	2.2	0.2	-0.2
World	3.7	-2.6	-4.2	-4.5
Routes (segment basis)				
Nth America-Asia	3.7	-3.0	-2.5	-4.0
Nth America-Europe	3.3	-3.0	-3.9	-5.5
Nth-Sth America	8.7	-9.3	-5.6	-6.1
Sth America-Europe	9.1	-3.6	-6.0	-1.7
Within Sth America	17.2	-14.3	-10.5	-19.2

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

- Growth in industry-wide air freight tonne kilometres (FTKs) remained weak in September, declining by 4.5% in annual terms. The contraction was widespread, with annual FTKs falling in all regions except Africa.
- Freight volumes contracted further (-4.2%yoy) for carriers based in NthAm amidst ongoing trade conflict and declining export orders. Demand also weakened modestly in Lat.Am to -0.2%yoy, driven by the underperformance of key international markets.

- All of the main international trade lanes contracted in year-on-year terms for another month. Pressure on FTKs intensified across the larger routes, most notably in the NthAm-Europe market (-5.5% vs -3.9%).
- The sharp annual contraction in FTKs for the smaller Within SthAm market has been a result of a strong demand in the same period last year rather than any outsized fall this month.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: % ch on a yr ago,		2018	Jul-19	Aug-19	Sep-19
LF: % of ASK/AFTK					
Passenger					
Nth America	ASK	4.9	1.2	2.4	2.7
	PLF	83.9	88.6	87.5	82.8
Latin America	ASK	7.8	1.7	0.7	1.3
	PLF	81.6	85.2	83.3	81.9
World	ASK	6.8	3.1	3.6	3.3
	PLF	82.0	85.6	85.7	81.9
Freight					
Nth America	AFTK	7.8	3.8	1.7	1.9
	FLF	40.8	37.2	37.2	38.1
Latin America	AFTK	1.4	2.2	-2.8	-2.9
	FLF	36.8	35.3	37.2	37.9
World	AFTK	5.2	3.3	2.2	2.1
	FLF	49.3	44.9	44.3	46.4

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

- The industry-wide passenger load factor (PLF) reached a new record high for the month of September as RPKs continued to grow faster than ASKs. The story was less positive on the freight side with the load factor (FLF) 3.2ppt below the level of a year ago.
- Carriers based in NthAm and Lat.Am posted a robust PLF which was close to historical maximum for the month. For freight, Lat.Am LF performed better than the last year (up 1ppt) while Nth.Am LF underperformed vs Sept 2018 (down 2.4ppt).

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Nth America	11.2	9.1	11.6	13.5
Latin America	6.2	2.7	5.9	10.7
Industry	7.5	5.8	13.1	13.7

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

- The initial releases of airline financial data for Q3 2019 indicate a moderate improvement in industry-wide profitability compared to Q3 2018 (up 0.6ppt). At the regional level, the EBIT margin rose for both NthAm and Lat.Am carriers to 13.5% and 10.7%, respectively.
- Developments in pax yields were mixed across the key regional routes. While speed of decline eased in the larger NthAm-Europe market (by ~3ppt to -1.8%yoy), yield growth returned to the negative territory in Nth-SthAm. The smaller Within SthAm market is the only one showing yield improvement (up 7.8%yoy).

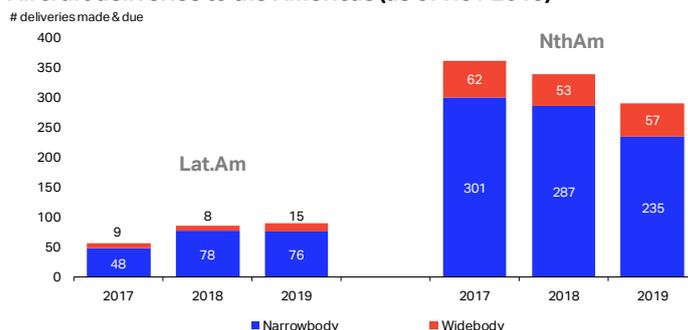
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Nth America-Europe	4.6	-5.3	-5.1	-1.8
Nth America-Asia	-0.4	-4.2	-3.5	-4.8
Nth-Sth America	-38.7	-6.0	0.3	-0.2
Sth America-Europe	-1.0	-18.8	-14.5	-9.7
Sth America-Asia	-0.4	-7.1	-2.4	-6.0
Within Sth America	-26.4	9.2	6.6	7.8

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

- The latest data show broadly unchanged jet aircraft deliveries for the Lat.Am airlines and decrease in deliveries for NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (as of Nov 2019)



Source: Ascend