STATE OF THE REGION: THE AMERICAS

NOVEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
United States	1.5	2.0	2.2	2.3
Brazil	-3.6	-0.4	0.3	--
Mexico	2.0	2.6	3.0	--
Canada	1.5	2.3	3.7	--
Argentina	-2.2	0.4	2.7	--
Colombia	2.0	1.3	1.2	2.0
Chile	1.5	0.2	1.3	--
Peru	4.0	2.1	2.4	--
World*	**2.3**	**2.6**	**2.8**	**2.8**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2016	Aug-17	Sep-17	Oct-17
US$ broad index	127.7	119.3	118.1	120.2
Brazilian real (BRL)	3.26	3.15	3.17	3.28
Mexican peso (MXN)	20.63	17.81	18.17	19.16
Argentine peso (ARS)	15.73	17.34	17.32	17.65
Colombian peso (COP)	2997	2946	2938	3042
Chilean peso (CLP)	668	627	639	635

Source: Datastream, XE

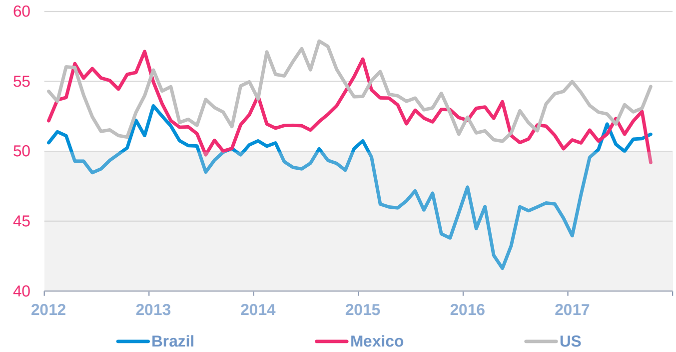
World oil and jet fuel price

US$/barrel	2016	Aug-17	Sep-17	Oct-17
Crude oil (Brent)	52.4	51.7	56.2	57.3
Jet fuel	64.0	65.6	75.6	69.6

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence fell abruptly in Mexico this month in the aftermath of the earthquakes. The US index moved solidly higher on broadly favorable economic data while sentiment in Brazil also ticked up a little.
- On a trade-weighted basis, the US$ reversed some of its recent decline in Oct, rising by 1.8%. Falls vs the US$ were widespread across the region, with the MXN down 5.4% & the BRL & COP both down 3.5% in the month.
- Brent crude oil prices moved above US$60/bbl in Oct to average $57.30 for the month. Jet fuel retraced some of its Sep surge, falling $6 to average $69.60 & narrowing the crack spread substantially. Tensions between Saudi Arabia & Iran continue to weigh on the market.

Market

Revenue passenger kilometers (RPKs)

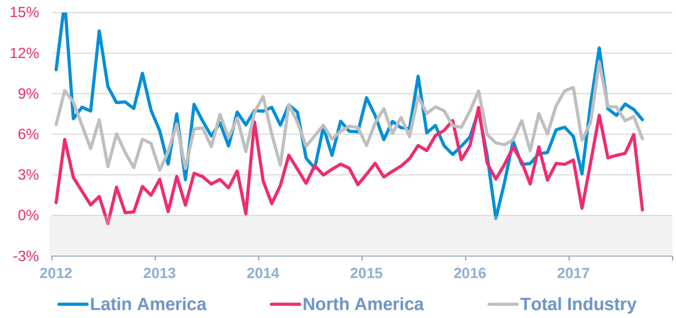
%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
Region (registration basis)				
N America	4.1	4.6	6.0	0.4
Latin America	4.6	8.2	7.8	7.1
World	6.7	7.0	7.3	5.7
Routes (segment basis)				
US domestic	3.4	4.9	6.3	-1.2
Brazil domestic	-5.5	3.8	5.5	6.5
Nth America-Europe	2.5	3.2	4.7	3.3
Nth America-Asia	9.6	3.8	4.6	1.5
Nth-Sth America	-1.0	6.3	1.0	-1.1
Sth America-Europe	3.5	3.8	-0.8	4.7
Within Sth America	8.0	12.6	7.5	7.5

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

- Industry-wide RPKs grew by a solid 5.7%yoy in Sep, easing somewhat from the pace of recent months but impacted by hurricane-related disruption in a number of markets, notably the US.
- At the regional level, the effect of Hurricanes Irma & Maria is more pronounced, particularly in NthAm where pax traffic growth fell to just 0.4%yoy & US domestic RPKs are now 1.2% *lower* than in Sep16. RPK growth for Lat.Am also eased a little this month, to 7.1%yoy & traffic on routes between Nth-SthAm is down 1.1%yoy.
- With the major US airports recovering quickly from the hurricane disruption, a rebound in next month's data would not be a surprise. Although the adverse impact is more enduring elsewhere (eg a number of Caribbean islands), their share of regional traffic is much smaller.
- The Brazil domestic market continues to recover, with growth lifting to a robust 6.5%yoy in Sep.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

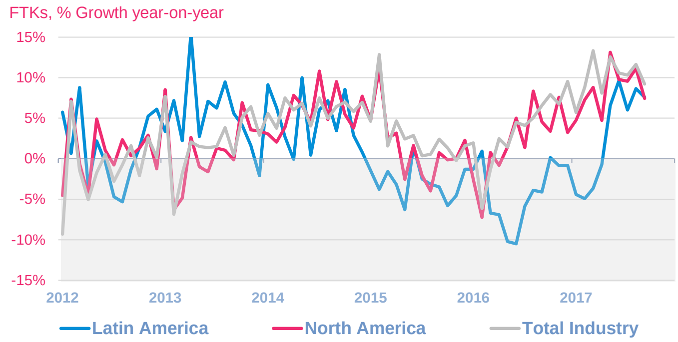
Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
Region (registration basis)				
Nth America	2.1	9.6	11.1	7.4
Latin America	-4.1	6.0	8.6	7.6
World	3.7	10.3	11.6	9.2
Routes (segment basis)				
Nth America-Asia	0.2	9.7	10.4	8.6
Nth America-Europe	2.5	12.9	14.6	8.1
Nth-Sth America	-3.9	13.3	1.3	-1.4
Sth America-Europe	1.2	4.1	5.7	11.9
Within Sth America	-18.6	0.6	17.2	5.6

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

- Global FTK growth slowed to a 5-month low of 9.2%yoy in Sep, but remains well above its 5 & 10-year average rates of growth. While weather may have also impacted freight outcomes, this comes amidst broader & ongoing signs that FTKs have passed the cyclical growth peak.
- At the regional level, annual FTK growth eased to ~7.5%yoy in Sep for both NthAm & Lat.Am airlines.
- Growth in freight volumes moderated across all of the main markets, with the exception of SthAm-Europe which jumped to ~12%. Despite the moderation, growth in the two largest markets of NthAm to each of Asia & Europe remains robust, at 8-8.5%yoy.
- In contrast, volumes for Nth-SthAm weakened further, & are now 1.4% lower than at the same time a year ago.

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		2016	Jul-17	Aug-17	Sep-17
Passenger					
Nth America	ASK	4.5	4.6	4.7	2.0
	PLF	*83.5*	*86.7*	*86.2*	*82.0*
Latin America	ASK	3.1	8.1	6.9	5.6
	PLF	*80.8*	*84.5*	*81.8*	*81.9*
World	ASK	6.7	6.4	6.4	5.3
	PLF	*80.5*	*84.7*	*84.6*	*81.6*
Freight					
Nth America	AFTK	3.4	-0.5	3.3	1.4
	FLF	*34.4*	*34.8*	*34.8*	*37.6*
Latin America	AFTK	-1.8	4.2	3.9	5.9
	FLF	*33.3*	*30.8*	*34.2*	*35.2*
World	AFTK	5.4	3.1	4.2	3.9
	FLF	*42.9*	*43.4*	*43.2*	*45.5*

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

- The PLF for the overall industry & the NthAm carriers fell by 3-4pp in Sep, to 81.6% & 82.0%, respectively. The PLF for Lat.Am carriers held its ground, ticking up marginally to 81.9%.
- For freight, the FLF moved higher across the board; with the industry-wide figure rising 2.3pp to 45.5%. Despite gains this month, at the regional level the FLF remains well down on the industry figure, at 37.6% for NthAm carriers and 35.2% for Lat.Am airlines, respectively.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q3	2017Q3
Nth America	14.8	13.2	17.5	14.8
Latin America	1.5	4.2	10.7	8.1
Industry	8.5	8.8	18.2	16.3

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

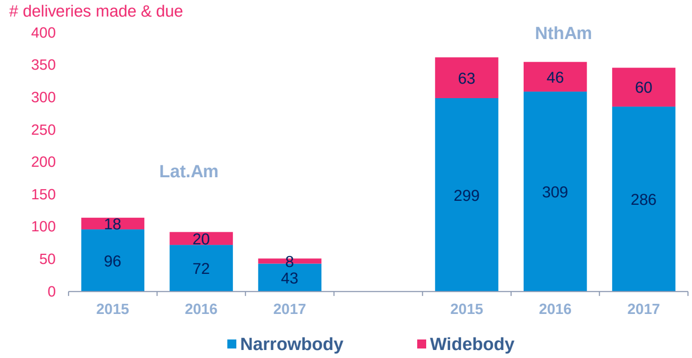
- The initial Q3 financials show the EBIT margin remaining healthy, albeit easing by 2-3pp vs a year ago. For NthAm airlines, the margin eased to 14.8%, well up on the 8.1% for Lat.Am carriers, but a little lower than the current industry average of 15.5%. Bear in mind that the initial sample is relatively small & should be interpreted with some caution.
- The upward trend in global pax yields (in US$ terms) paused in Sep, with mixed results across key regional markets. Sth America-Europe is the standout, with yields up almost 16% vs a year ago.

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

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
US domestic	-6.1	4.0	-1.1	--
Nth America-Europe	-8.3	-1.9	-1.7	1.1
Nth America-Asia	-7.2	-3.8	-4.3	-5.7
Nth-Sth America	-17.4	8.3	8.2	7.0
Sth America-Europe	-17.3	13.3	12.5	15.8
Sth America-Asia	-9.1	4.7	-15.4	-2.0
Within Sth America	-13.8	4.5	2.0	1.7

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

Aircraft deliveries to the Americas (3Q17 data)



Source: Ascend