



STATE OF THE REGION: THE AMERICAS

NOVEMBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2018Q1	2018Q2	2018Q3
United States	2.2	2.6	2.9	3.0
Brazil	1.0	1.2	1.0	--
Mexico	2.3	2.3	1.6	--
Canada	3.0	2.3	1.9	--
Argentina	2.9	3.9	-4.2	--
Colombia	1.8	2.6	2.5	2.6
Chile	1.6	5.2	5.1	2.8
Peru	2.5	3.1	5.4	--
World*	3.1	3.2	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Aug-18	Sep-18	Oct-18
US\$ broad index	120.0	125.3	126.0	126.9
Brazilian real (BRL)	3.31	4.12	4.02	3.72
Mexican peso (MXN)	19.66	19.15	18.73	20.28
Argentine peso (ARS)	18.62	36.93	40.85	36.17
Colombian peso (COP)	2985	3066	2967	3225
Chilean peso (CLP)	615	680	659	700

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Aug-18	Sep-18	Oct-18
Crude oil (Brent)	54.2	72.5	78.9	81.0
Jet fuel	65.6	89.0	91.9	94.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

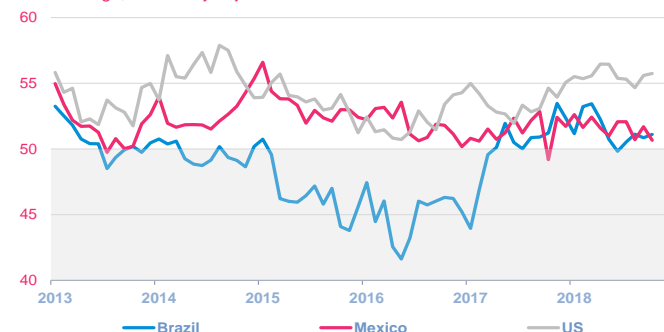
%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Region (registration basis)				
N America	4.2	5.1	4.5	5.6
Latin America	6.7	5.2	4.4	6.3
World	7.6	6.2	6.4	5.5
Routes (segment basis)				
US domestic	3.7	5.8	5.2	6.2
Brazil domestic	2.3	9.0	4.4	3.5
Nth America-Europe	4.1	4.1	3.9	4.5
Nth America-Asia	4.9	3.1	2.5	2.0
Nth-Sth America	0.9	0.1	3.1	5.9
Sth America-Europe	6.1	8.7	10.4	7.6
Within Sth America	10.5	-3.7	-2.6	-2.3

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

- ➔ Annual growth in industry-wide RPKs eased to 5.5% in Sept, the slowest rate in 8mths. The monthly outcome was impacted in part by adverse weather disruptions, although the upward traffic trend also slowed in Q3.
- ➔ At the regional level, RPK growth lifted from a moderate dip in Aug to a solid 5.6% & 6.3%yoy for Nth and Latin America, respectively. For the first time this year both regions are growing faster than the industry average.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



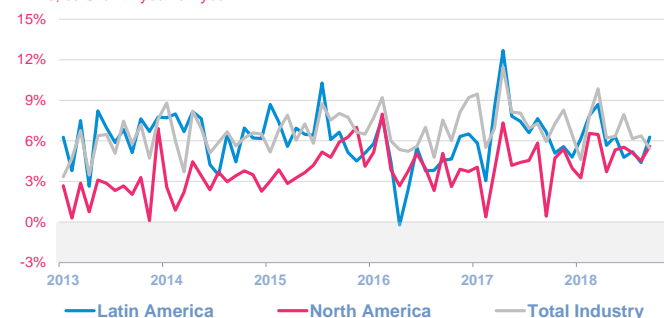
Source: Markit

- ➔ Mexico's business confidence ticked lower this month on uncertainty over future trade & economic conditions. The election in Brazil delivered a modest uptick in business sentiment in that country while the robust economic backdrop in the US has kept confidence elevated.
- ➔ On a trade-weighted basis, the US\$ rose by 0.7% in Oct, the 9th consecutive monthly gain. Amongst the main regional currencies, the ARS surged by 11.5% & the BRL 7.5% vs the US\$ this month. However, the MXN, & COP both ended the month down 8-9%.
- ➔ The monthly average Brent crude oil & jet fuel price rose further in Oct, mainly due to supply cut announcements from Saudi Arabia. In recent weeks, however, the oil & jet fuel price has corrected sharply lower.

- ➔ For the regions' largest domestic markets, US domestic RPK growth lifted from 5.2% in Aug to 6.2% in Sept, while the Brazilian domestic market softened further, for the 3rd consecutive month, to 3.5% yoy.
- ➔ For the main international markets, Sth America-Europe RPK growth is the standout, up 7.6%yoy. Traffic between Nth-Sth America follows, with RPKs up ~6%yoy, while the Nth Atlantic market has grown by 4.5%yoy. RPKs are currently 2.3% lower than their level of a year ago for the Within Sth America market.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Region (registration basis)				
Nth America	8.2	3.3	2.9	1.5
Latin America	5.5	2.6	1.6	2.9
World	9.1	2.2	1.9	2.0
Routes (segment basis)				
Nth America-Asia	8.7	0.2	1.3	2.9
Nth America-Europe	9.9	-1.2	1.9	4.2
Nth-Sth America	0.6	3.0	0.9	0.1
Sth America-Europe	6.9	6.8	12.1	0.3
Within Sth America	3.2	15.6	16.1	21.9

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

- ➔ Annual industry-wide FTKs increased by 2.0%yoy in Sept, more than 3pp below the five-year average pace. The moderation in annual growth is consistent with the typical pattern seen after inventory-led upturns (as we saw in 2017) in the past.
- ➔ FTK growth eased to a modest 1.5% for the Nth American carriers in Sept, half the rate seen in Aug. By contrast, growth lifted to 2.9%yoy for the Lat.Am airlines after a number of months of slowdown.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	Jul-18	Aug-18	Sep-18
Passenger					
Nth America	ASK	4.0	3.9	4.1	7.2
	PLF	83.7	87.7	86.5	80.7
Latin America	ASK	5.3	5.9	5.8	8.3
	PLF	81.7	84.1	80.5	80.3
World	ASK	6.3	5.3	5.5	5.8
	PLF	81.5	85.3	85.3	81.4
Freight					
Nth America	AFTK	2.0	4.4	3.2	4.9
	FLF	36.5	34.3	34.5	36.5
Latin America	AFTK	4.7	-3.1	5.3	4.3
	FLF	33.6	32.4	32.9	34.2
World	AFTK	3.6	4.0	4.5	3.2
	FLF	45.2	42.7	42.1	44.8

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

- ➔ The industry-wide PLF dropped to 81.4% in Sept, down from 85.3% in Aug. In contrast, the FLF lifted by almost 3pp this month to 44.8%.
- ➔ A similar pattern is evident at the regional level. The PLF for both NthAm & Lat.Am carriers declined in Sept to 80.7% & 80.3% respectively, while the FLF lifted to 36.5% for Nth America & 34.2% for Lat.Am.

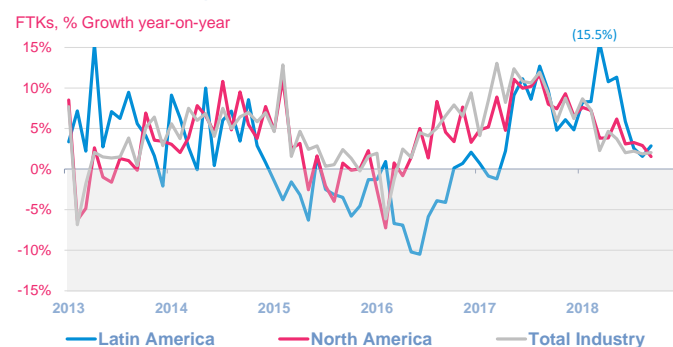
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q3	2018Q3
Nth America	13.7	11.1	14.7	11.6
Latin America	5.6	6.9	9.8	1.4
Industry	8.5	7.5	16.5	13.5

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

- ➔ FTK growth outcomes across the region's main international routes are mixed. The smaller Within SthAm market remains the strongest performer with freight volumes up ~22%yoy, against a more modest pace of growth on the two largest markets of NthAm-Asia and NthAm-Europe, at 2.9% and 4.2% respectively.
- ➔ In contrast, FTKs are little changed compared with a year ago for the Nth-Sth America & SthAm-Europe markets, with growth of just 0.1% & 0.3%yoy.

Growth in air freight volumes



Source: IATA Statistics

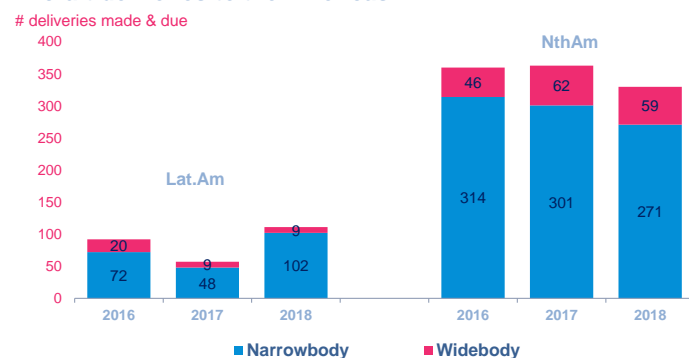
- ➔ The initial Q3 financial data confirm that the squeeze on airline profit margins has continued, both at the industry & regional level. The EBIT margin is currently 11.6% and 1.4% of revenues for NthAm and Lat.Am carriers respectively, both below the industry-wide outcome of 13.5%. The Lat.Am figure in particular, represents a significant slowing compared with a year ago (9.8%).
- ➔ With the exception of the two largest markets (NthAm to both Asia & Europe), yields on key markets remain soft, & lower than their level of a year ago.

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

%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Nth America-Europe	-1.8	11.0	9.4	5.6
Nth America-Asia	-3.2	5.1	3.9	4.1
Nth-Sth America	0.2	-4.8	-6.4	-6.7
Sth America-Europe	7.9	2.2	-2.2	-6.7
Sth America-Asia	-4.2	-2.8	-0.6	-3.0
Within Sth America	1.8	-7.7	-7.6	-8.0

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

Aircraft deliveries to the Americas



Source: Ascend