

# State of the region: The Americas

October 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
United States	2.9	2.5	2.7	2.3
Brazil	1.1	1.1	0.5	1.0
Mexico	2.0	1.6	0.1	0.3
Canada	1.9	1.6	1.4	1.6
Argentina	-2.5	-6.1	-5.8	0.6
Colombia	2.6	2.7	3.1	3.0
Chile	4.0	3.3	2.0	2.0
Peru	4.0	4.7	2.4	1.2
<b>World*</b>	<b>3.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Jul-19	Aug-19	Sep-19
US\$ broad index	128.5	127.8	130.4	130.8
Brazilian real (BRL)	3.88	3.76	4.13	4.17
Mexican peso (MXN)	19.69	18.98	20.07	19.74
Argentine peso (ARS)	37.66	43.82	59.12	57.59
Colombian peso (COP)	3248	3293	3425	3478
Chilean peso (CLP)	694	701	720	728

Source: Datastream

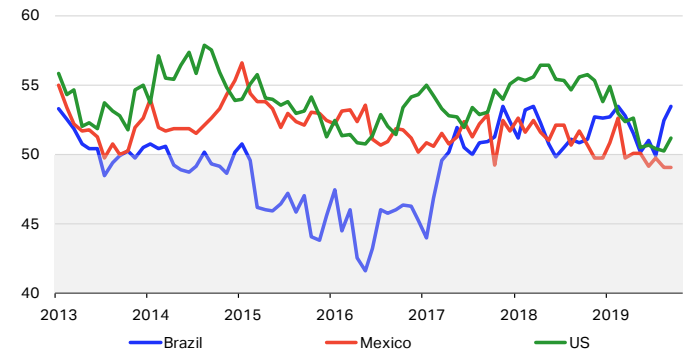
### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jul-19	Aug-19	Sep-19
Crude oil (Brent)	71.7	64.3	59.6	62.4
Jet fuel	86.4	80.4	76.1	79.8

Source: Platts, Datastream (monthly average data)

## Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence rose sharply in Brazil, a sign that the manufacturing sector continues to recover from the trough in July. Sentiment also picked up in the US, but it is unclear if the uptick represents a change in the downward trend seen throughout 2019 or just a pause. In Mexico, operating conditions remain under pressure.
- The trade weighted US\$ index rose slightly in September, up 0.3%. Of the main regional currencies, while the ARS gained 2.6% against the US\$ this month, it is still the weakest regional performer (-53% YTD).
- The average monthly jet and crude oil price ticked up in September as attacks on oil fields in Saudi Arabia temporarily halted about 5% of global oil supply.

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
<b>Region (registration basis)</b>				
N America	5.3	3.1	2.7	3.1
Latin America	7.4	4.8	2.7	3.4
World	7.3	5.1	3.5	3.8
<b>Routes (segment basis)</b>				
US domestic	5.4	3.2	3.7	3.9
Brazil domestic	4.7	-5.7	-6.1	-1.4
Nth America-Europe	4.4	6.5	4.2	4.7
Nth America-Asia	3.9	2.1	0.4	0.3
Nth-Sth America	4.6	-2.9	-4.5	-2.4
Sth America-Europe	8.5	5.8	9.0	8.9
Within Sth America	0.6	7.9	3.5	2.9

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

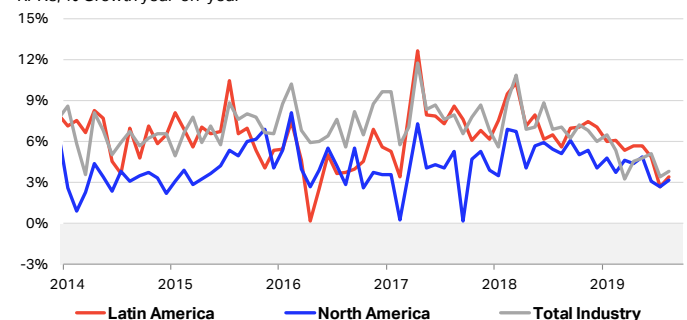
- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) edged up to 3.8% in August. Despite difficult economic conditions in several key markets, the moderate upward trend in passenger traffic remains in place.
- At the regional level, RPK growth picked up for both North and Latin America to 3.1% and 3.4%yoy, respectively. That said, the regions' current pace of expansion remains well-below the levels seen in 2018 amidst a weaker global economic backdrop and

uncertainty around the US-China trade war.

- Annual growth in US domestic RPKs ticked up to 3.9% in August, underpinned by robust consumer spending. Meanwhile, the Brazil domestic market continues to shrink (-1.4%) amidst soft economic conditions and disruption related to the demise of Avianca Brasil.
- RPK growth has stabilized across most of the key international routes in the region with the exception of the Nth-SthAm market where volumes continue to decline, albeit at a more modest pace.

## Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
<b>Region (registration basis)</b>				
Nth America	7.0	-3.5	0.1	-2.4
Latin America	7.4	-1.1	3.0	0.1
World	3.7	-4.6	-2.4	-3.9
<b>Routes (segment basis)</b>				
Nth America-Asia	3.7	-4.3	-3.0	-2.5
Nth America-Europe	3.3	-5.1	-3.0	-3.9
Nth-Sth America	8.7	-1.4	-7.6	-3.7
Sth America-Europe	9.1	-5.5	-3.6	-6.0
Within Sth America	17.2	-19.3	-14.3	-10.5

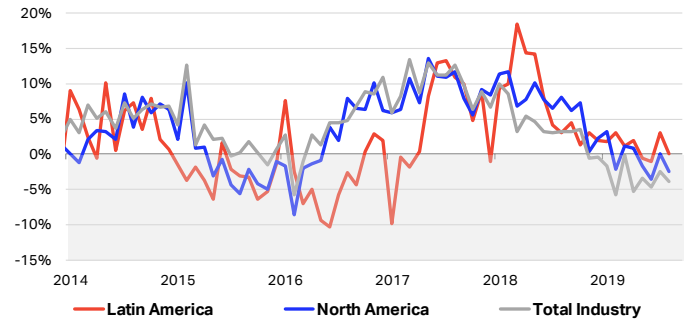
Source: IATA Statistics Note: historical data may be subject to revision

- The industry-wide air freight tonne kilometres (FTKs) declined further in August (-3.9%yoy), facing headwinds from weakening global trade and softness in a number of key economic indicators.
- After a short-lived improvement in July, FTK growth returned to negative territory (-2.4%) for carriers based in North America. Latin American airlines followed a similar trajectory, with growth slowing from 3%yoy in July to just above zero in August.

- As was the case in previous months, the trade war between the US and China along with weakness in manufacturing sector continue to weigh on the air freight outcomes in the region.
- All of the key international air freight markets contracted in year-on-year terms in August. That said, the speed of decline eased further on the largest NthAm-Asia routes (from -3% to -2.5%yoy).

### Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: % ch on a yr ago, LF: % of ASK/AFTK		2018	Jun-19	Jul-19	Aug-19
<b>Passenger</b>					
Nth America	ASK	4.9	1.3	1.6	2.3
	PLF	83.9	88.9	88.7	87.5
Latin America	ASK	7.8	1.2	1.8	0.8
	PLF	81.6	83.3	85.2	83.3
World	ASK	6.8	3.4	3.2	3.5
	PLF	82.0	84.4	85.6	85.7
<b>Freight</b>					
Nth America	AFTK	7.8	2.1	3.0	1.3
	FLF	40.8	38.1	37.7	37.7
Latin America	AFTK	1.4	2.7	2.8	-2.9
	FLF	36.8	36.6	35.4	37.2
World	AFTK	5.2	2.0	3.2	2.0
	FLF	49.3	45.8	45.1	44.6

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 all-time high for the month of August as passenger demand continues to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.7ppt vs a year ago to 44.6%.
- NthAm and Lat.Am carriers also posted a record high PLF for the month of August. By contrast, the region's FLFs were below the historical maximum for the month (~10ppt for Lat.Am) and also underperformed the industry-wide outcome.

### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q2	2019Q2
Nth America	11.2	9.1	10.8	11.9
Latin America	6.2	2.7	2.4	3.2
Industry	7.5	5.8	7.6	7.6

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

- The final Q2 2019 airline financial data showed that industry-wide profitability was steady compared to the same quarter a year ago. At the regional level, both North American and Latin American airlines posted higher Q2 EBIT margins vs a year ago, 11.9% and 3.2%, respectively.
- The downward pressure on passenger yields eased in August across all of the key international routes; the speed of contraction slowed (albeit modestly) on the largest NthAm-Eur and NthAm-Asia routes while yields stopped contracting on the NthAm-SthAm routes.

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

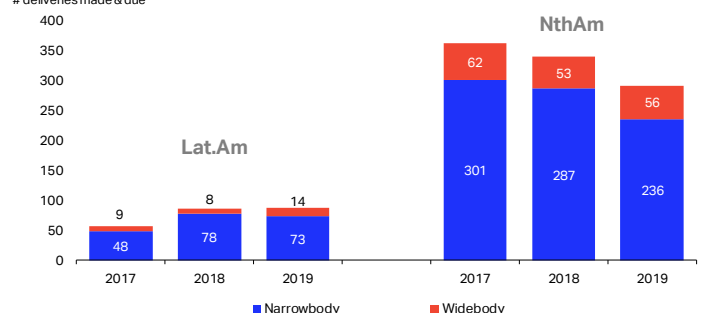
% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
Nth America-Europe	4.6	-3.3	-5.6	-5.4
Nth America-Asia	-0.4	-3.2	-4.5	-3.7
Nth-Sth America	-38.7	-3.2	-6.3	0.1
Sth America-Europe	-1.0	-21.8	-18.8	-14.6
Sth America-Asia	-0.4	-12.9	-7.0	-2.3
Within Sth America	-26.4	9.7	9.5	6.3

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

- The latest data show 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 Oct 2019)

# deliveries made & due



Source: Ascend