



STATE OF THE REGION: THE AMERICAS

OCTOBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
United States	1.5	1.8	2.0	2.2
Brazil	-3.6	-2.5	-0.4	0.3
Mexico	2.0	2.3	2.6	3.0
Canada	1.5	2.0	2.3	3.7
Argentina	-2.2	-1.9	0.4	2.7
Colombia	2.0	1.6	1.2	1.3
Chile	1.5	0.8	0.2	1.3
Peru	4.0	3.0	2.1	2.4
World*	2.3	2.6	2.6	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Jul-17	Aug-17	Sep-17
US\$ broad index	127.7	120.7	119.3	118.1
Brazilian real (BRL)	3.26	3.13	3.15	3.17
Mexican peso (MXN)	20.63	17.83	17.81	18.17
Argentine peso (ARS)	15.73	17.64	17.34	17.32
Colombian peso (COP)	2997	2986	2946	2938
Chilean peso (CLP)	668	651	627	639

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Jul-17	Aug-17	Sep-17
Crude oil (Brent)	52.4	48.5	51.7	56.2
Jet fuel	64.0	59.5	65.6	75.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

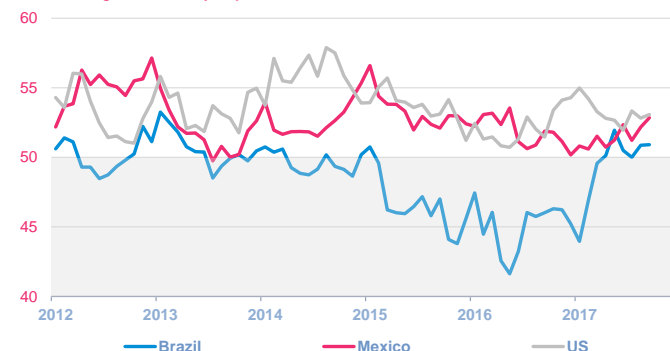
%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
Region (registration basis)				
N America	3.6	4.4	4.7	6.0
Latin America	4.2	7.4	8.2	7.5
World	6.5	8.0	7.0	7.2
Routes (segment basis)				
US domestic	3.4	4.0	5.2	6.4
Brazil domestic	-5.5	1.9	3.8	5.5
Nth America-Europe	2.5	5.3	2.7	4.5
Nth America-Asia	9.6	5.3	3.8	4.6
Nth-Sth America	-1.0	2.7	6.3	1.0
Sth America-Europe	3.5	8.4	3.7	-0.7
Within Sth America	8.0	7.7	12.6	7.5

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Aug, up slightly from July, & completing a solid performance during the peak northern-hemisphere summer period.
- At the regional level, performance was more mixed, with annual growth lifting for the NthAm carriers (to 6.0%yoy, but still below the industry-wide pace) & easing for the LatAm airlines (to 7.5%yoy but still above the industry rate of growth).

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



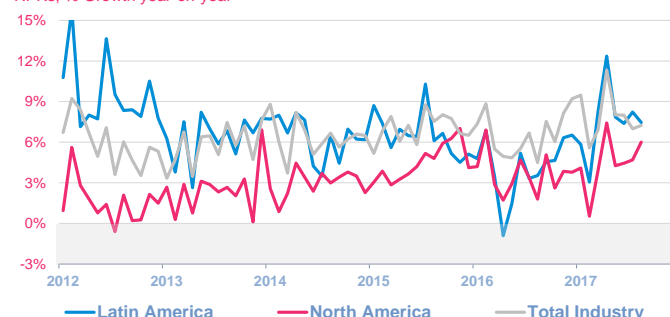
Source: Markit

- Business confidence in Mexico & the US ticked higher this month, the latter unwinding most of last month's decline. The steady upwards trend in sentiment in Mexico since the end of 2016 is notable. Business confidence in Brazil was unchanged on this occasion.
- On a trade-weighted basis, the US\$ eased by another 1% in Sep, continuing its recent downtrend. Of the main regional currencies, the CLP & MXN both fell by 2% vs the US\$ in the month & the BRL was down 0.6%.
- Brent crude oil & jet fuel prices surged in Sep, the former up 9% (reaching a 26mth high in the process), the latter up 15% & leading to a sharp widening in the crack spread. Supply-side issues again drove the movements.

- RPK growth for the two key domestic markets, the US & Brazil, accelerated again in Aug, to a robust 6.4% (despite Hurricane Harvey) & 5.5%yoy, respectively.
- Amongst the main international markets, RPKs are generally showing solid, if unspectacular growth. Nth-Sth America & SthAm-Europe are the two main exceptions, where pax volumes are up just 1.0% & down 0.7%, respectively, compared with a year ago. Despite easing somewhat this month, the strongest performer continues to be Within SthAm, with RPKs currently up 7.5%yoy

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
Region (registration basis)				
Nth America	2.1	9.7	10.0	11.7
Latin America	-4.1	9.7	6.1	8.5
World	3.8	10.8	10.9	12.1
Routes (segment basis)				
Nth America-Asia	0.2	10.2	10.1	10.6
Nth America-Europe	2.5	12.9	12.9	14.6
Nth-Sth America	-3.9	4.7	13.0	1.3
Sth America-Europe	1.2	6.7	4.1	5.7
Within Sth America	-18.6	1.1	0.6	17.2

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

- Global FTK growth stepped up again in Aug, rising to 12.1%yoy, the 5th month of double-digit annual growth in the past 6 months.
- At the regional level, annual FTK growth also lifted in Aug, to 11.7% & 8.5% for NthAm & Lat.Am airlines, respectively – both remaining below the industry-wide performance.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Jun-17	Jul-17	Aug-17
Passenger					
Nth America	ASK	4.0	4.5	4.7	4.7
	PLF	83.5	86.3	86.6	86.1
Latin America	ASK	2.6	5.7	8.1	6.9
	PLF	80.8	81.7	84.6	81.7
World	ASK	6.5	6.8	6.4	6.3
	PLF	80.5	81.8	84.6	84.5
Freight					
Nth America	AFTK	3.4	2.1	0.7	3.7
	FLF	34.4	35.5	34.4	34.8
Latin America	AFTK	-1.8	3.6	4.2	9.3
	FLF	33.3	33.3	30.8	32.5
World	AFTK	5.4	4.9	3.5	4.7
	FLF	42.9	45.0	43.5	43.3

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

- The industry-wide load factors were relatively stable this month; the PLF held its ground at 84.5% & the FLF dipped only slightly, to 43.3%.
- The PLF for NthAm carriers (86.1%) remains above the industry figure but a 3pp dip in the Lat.Am outcome (to a still strong 81.7%) sees it slip below the industry figure this month. The FLF outcomes for the region continue to lag – by a considerable margin – that of the industry overall.

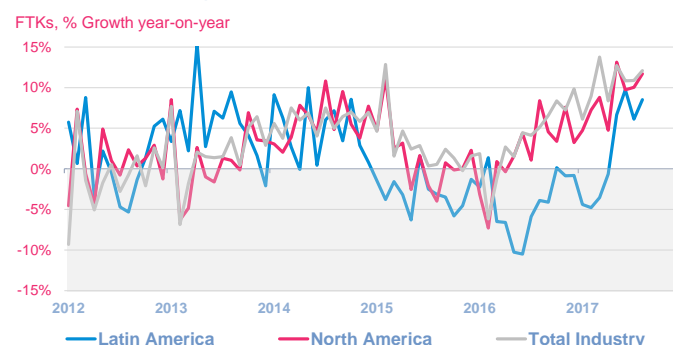
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q2	2017Q2
Nth America	14.8	13.2	15.5	14.5
Latin America	1.5	4.2	0.7	4.3
Industry	8.5	8.8	9.8	9.0

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

- The top 2 main markets for the region, NthAm to each of Asia & Europe maintained their double-digit growth in freight volumes in Aug, at a healthy 10.6% & 14.6%yoy.
- The smaller Within SthAm market is growing the fastest currently, with FTKs up 17.2%yoy. A surge in Nth-SthAm last month was short-lived, with growth falling back to just 1.3%yoy, the lowest amongst the key markets.

Growth in air freight volumes



Source: IATA Statistics

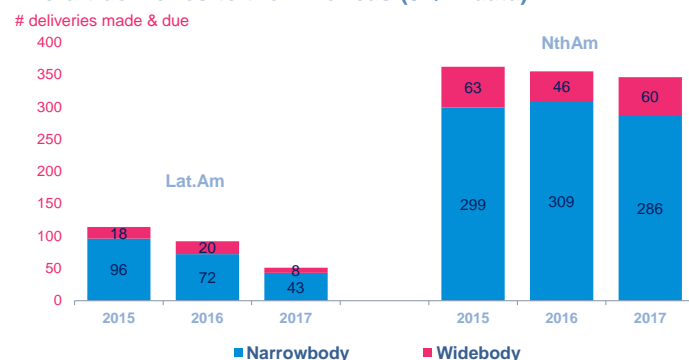
- Q2 data show a modest decline in the EBIT margin for both NthAm carriers & the industry overall, vs a year ago. Industry-wide, the margin is now 9.0%, down from 9.8% in 2Q16; for NthAm airlines, the margin has eased from 15.5% to 14.5% – still easily the highest across all regions. For Lat.Am airlines, the margin has improved over the past year; currently 4.3%, up from 0.7%.
- Global pax yields (in US\$ terms) have continued to trend modestly upwards in recent months. However, yield developments at the regional level are showing more mixed outcomes vs their level of a year ago.

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

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
US domestic	-6.1	3.7	4.0	-1.1
Nth America-Europe	-8.3	-1.2	-1.9	-1.7
Nth America-Asia	-7.2	-1.8	-3.8	-4.3
Nth-Sth America	-17.4	9.7	8.3	8.2
Sth America-Europe	-17.3	10.6	13.3	12.5
Sth America-Asia	-9.1	-1.3	4.7	-15.4
Within Sth America	-13.8	6.5	4.5	2.0

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

Aircraft deliveries to the Americas (3Q17 data)



Source: Ascend