



STATE OF THE REGION: THE AMERICAS

OCTOBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
United States	2.2	2.5	2.6	2.9
Brazil	1.0	2.1	1.2	1.0
Mexico	2.3	1.6	2.3	1.6
Canada	3.0	3.0	2.3	1.9
Argentina	2.9	3.9	3.9	-4.2
Colombia	1.8	1.6	2.6	2.5
Chile	1.6	3.3	5.1	5.0
Peru	2.5	2.3	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	Jul-18	Aug-18	Sep-18
US\$ broad index	120.0	124.1	125.3	126.0
Brazilian real (BRL)	3.31	3.75	4.12	4.02
Mexican peso (MXN)	19.66	18.63	19.15	18.73
Argentine peso (ARS)	18.62	27.34	36.93	40.85
Colombian peso (COP)	2985	2884	3066	2967
Chilean peso (CLP)	615	639	680	659

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jul-18	Aug-18	Sep-18
Crude oil (Brent)	54.2	74.3	72.5	78.9
Jet fuel	65.6	88.1	89.0	91.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

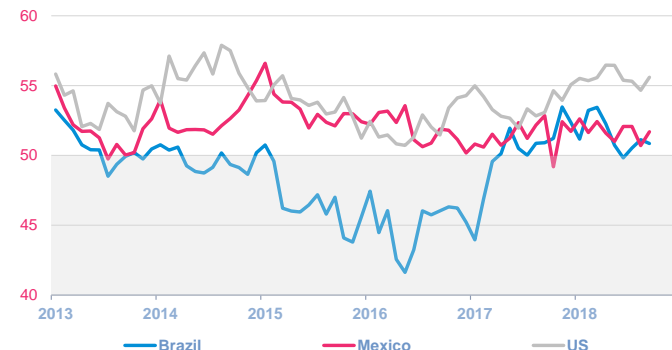
%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Region (registration basis)				
N America	4.2	5.5	5.0	4.6
Latin America	6.7	4.8	5.2	4.4
World	7.6	7.9	6.1	6.4
Routes (segment basis)				
US domestic	3.7	5.4	5.5	5.2
Brazil domestic	2.3	5.0	9.0	3.8
Nth America-Europe	4.1	4.3	4.1	3.9
Nth America-Asia	4.9	4.2	3.1	2.5
Nth-Sth America	0.9	4.2	0.1	3.1
Sth America-Europe	6.1	10.9	8.7	10.4
Within Sth America	10.5	-4.0	-3.7	-2.6

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

- ➔ Annual growth in industry-wide RPKs increased to 6.4%yoy in Aug, up from 6.1% in July. The latest data provide further evidence of solid RPK growth in the peak period of passenger demand.
- ➔ At the regional level, RPK growth ticked down for both the Nth & Latin American carriers, to 4.6% & 4.4% yoy, respectively. Only African airlines are showing softer yoy growth in passenger volumes at present.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



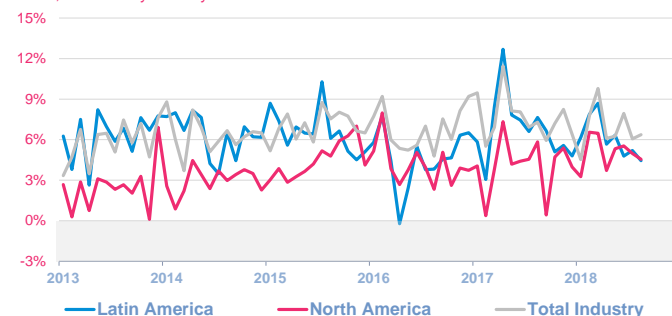
Source: Markit

- ➔ Against a fragile economic backdrop & ahead of the (recent) election, businesses confidence remained subdued in Brazil. Sentiment ticked higher in both the US & Mexico on stronger production & new orders.
- ➔ On a trade-weighted basis, the US\$ rose by 0.6% in Sep, up 5% since the start of the year. Again, the ARS was the main mover amongst the regional currencies, falling a further 10% vs the US\$ this month. The COP & CLP both gained ~3%mom.
- ➔ The Brent crude oil price surged in Sep, up ~9% to its highest level since 2014 on OPEC comments that it will not increase supply. The jet fuel price moved through the US\$90/bbl level to average US\$92 for the month.

- ➔ Growth also eased in the region's two main domestic markets: modestly in the case of the US (to 5.2%yoy & 1pp above the 5yr average pace) & more sharply in Brazil (to 3.8%yoy). The latter, however, is due mainly to the spike in traffic a year ago than any recent reversal of the broad recovery from the early-2016 low.
- ➔ Of the key international markets, Sth America-Europe remains the standout, returning to a double-digit yoy pace this month. RPKs are still 2.6% lower than 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	Jun-18	Jul-18	Aug-18
Region (registration basis)				
Nth America	8.2	3.1	2.9	2.8
Latin America	5.5	5.9	2.6	1.6
World	9.1	2.4	2.3	2.3
Routes (segment basis)				
Nth America-Asia	8.7	1.4	0.2	1.1
Nth America-Europe	9.9	4.8	-1.2	1.6
Nth-Sth America	0.6	6.8	0.7	1.7
Sth America-Europe	6.9	8.1	6.8	12.1
Within Sth America	3.2	21.7	15.6	16.1

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

- ➔ Annual growth in industry-wide FTKs grew by 2.3%yoy in Aug, unchanged from the rate in July & less than half the 5yr average pace. Cargo volumes continue to trend modestly upward, despite mixed drivers.
- ➔ At the regional level, FTK growth was largely unchanged for the Nth American carriers this month, at 2.8%yoy, but slowed further for the Latin American airlines, to a subdued 1.6%yoy.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2017	Jun-18	Jul-18	Aug-18
Passenger				
Nth America ASK	4.0	4.3	4.0	4.2
PLF	83.7	87.3	87.5	86.5
Latin America ASK	5.3	6.5	5.9	5.8
PLF	81.7	79.9	84.1	80.5
World ASK	6.3	6.5	5.3	5.5
PLF	81.5	82.9	85.2	85.3
Freight				
Nth America AFTK	2.0	2.0	4.2	3.2
FLF	36.5	36.1	34.3	34.5
Latin America AFTK	4.7	-2.3	-3.1	5.3
FLF	33.6	35.9	32.4	32.9
World AFTK	3.6	3.8	3.9	4.5
FLF	45.2	44.3	42.8	42.2

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

- ➔ The industry-wide PLF reached a record high in Aug, at 85.3%, up 0.7pp on a year ago. In contrast, the FLF has fallen by 0.9pp, to 42.2% currently.
- ➔ Both NthAm & Lat.Am carriers maintained a PLF above 80% this month, although only just for the latter, at 86.5% & 80.5%, respectively. The region's FLF, however, remains some 8-9pp lower than the industry-wide outcome, at 34.5% & 32.9%, respectively.

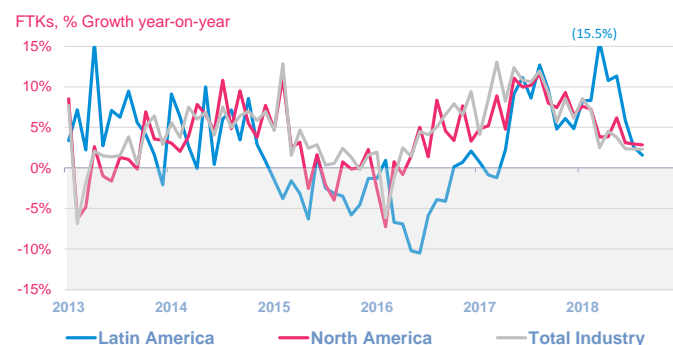
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Nth America	13.7	11.1	14.0	11.2
Latin America	5.6	6.9	4.4	-1.0
Industry	8.5	7.5	10.3	7.8

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

- ➔ FTK growth for the NthAm-Europe market returned to positive territory this month at 1.6%. Growth also lifted for the key NthAm-Asia market, but remains soft at just 1.1%yoy.
- ➔ Despite a slowing in the Lat.Am aggregate, the SthAm-Europe & Withinin SthAm markets are both showing double-digit yoy growth in freight volumes, easily the top-performing key markets at present.

Growth in air freight volumes



Source: IATA Statistics

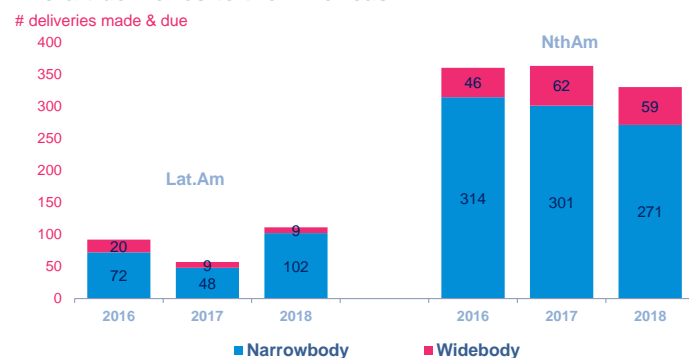
- ➔ The final Q2 financial data confirm a decline in industry & regional performance vs a year ago. The industry-wide EBIT margin has slipped to 7.8% from 10.3%. The margin for Nth American carriers is still region-leading, at 11.2%, while for Latin American airlines is currently -1.0%, down from 4.4% a year ago.
- ➔ Passenger yield developments amongst the region's key markets remain mixed. Yields are up 9.4% for the NthAm-Europe market compared with a year ago, but are lower for a number of markets, most notably Within Sth America & for routes between Nth-Sth America.

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

%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Nth America-Europe	-1.8	11.8	11.0	9.4
Nth America-Asia	-3.2	4.3	5.1	3.9
Nth-Sth America	0.2	-5.3	-4.8	-6.4
Sth America-Europe	7.9	5.2	2.2	-2.2
Sth America-Asia	-4.2	5.1	-2.8	-0.6
Within Sth America	1.8	-3.4	-7.7	-7.6

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

Aircraft deliveries to the Americas



Source: Ascend