

State of the region: The Americas

September 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
World*	3.2	2.8	2.8	2.6

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Jun-19	Jul-19	Aug-19
US\$ broad index	128.5	128.3	127.8	130.4
Brazilian real (BRL)	3.88	3.83	3.76	4.13
Mexican peso (MXN)	19.69	19.21	18.98	20.07
Argentine peso (ARS)	37.66	42.38	43.82	59.12
Colombian peso (COP)	3248	3207	3293	3425
Chilean peso (CLP)	694	679	701	720

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jun-19	Jul-19	Aug-19
Crude oil (Brent)	71.7	63.2	64.3	59.6
Jet fuel	86.4	76.5	80.4	76.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

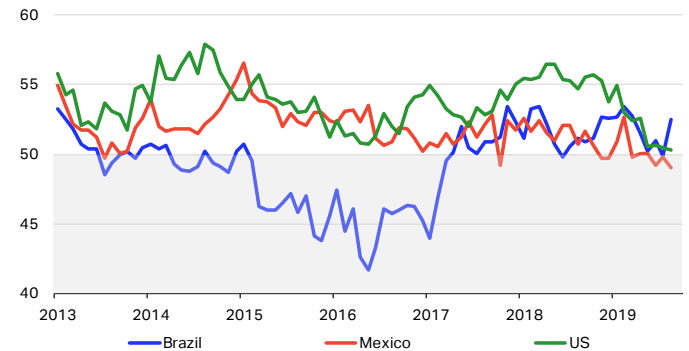
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
N America	5.3	4.9	3.4	2.7
Latin America	7.4	5.7	4.8	2.8
World	7.3	4.8	5.1	3.6
Routes (segment basis)				
US domestic	5.4	5.1	3.6	3.8
Brazil domestic	4.7	-2.7	-5.7	-6.1
Nth America-Europe	4.4	6.9	6.5	4.2
Nth America-Asia	3.9	5.2	2.1	0.4
Nth-Sth America	4.6	-2.1	-2.9	-4.5
Sth America-Europe	8.5	7.2	5.8	9.0
Within Sth America	0.6	1.7	7.9	3.5

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) slowed to 3.6% in July, down from the 5.1% growth observed in June. The outcome marks a continuation of the weaker growth trend observed in recent months.
- At the regional level, RPK growth eased to a little below 3% year-on-year for both North and Latin America. Developments in the key domestic markets contributed to these regional outcomes.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



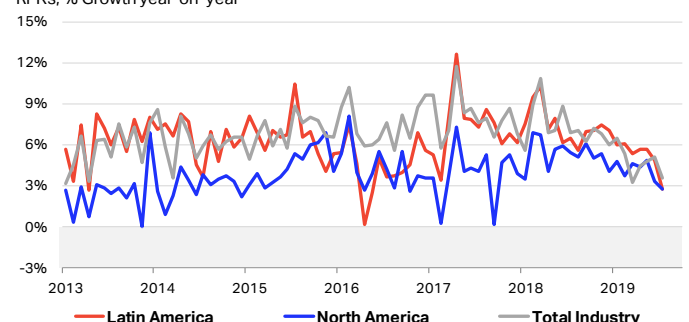
Source: Markit

- Brazil's business sentiment rose sharply in August as manufacturers adapted their supply chains to the BRL depreciation. Meanwhile, the US manufacturing PMI fell to its lowest level since 2009, dragged down by weaker exports due to the tariff war with China.
- The trade weighted US\$ index rose by 2% in August, marking the fastest m-o-m growth this year. The ARS was the key mover this month, falling by 35% vs the US\$ following the country's primary elections. The BRL also depreciated significantly, down 10%.
- Average monthly jet and crude oil prices fell in August on concerns regarding the global economic outlook, partly due to the (latest) US-China trade war escalation.

- US domestic grew 3.8% year-on-year in July – a slower pace compared to that of most of 2018 and 2019, but still more than 1ppt above its long-term average. Domestic passenger volumes continued to decline in Brazil (down 6.1%y-o-y), partly reflecting the market disruption from the demise of Avianca Brasil.
- The slowdown seen at the regional level was reflected in the weaker performance on all of the key larger international routes. Growth eased vs June in NthAm-Europe (4.2% y-o-y) and NthAm-Asia (0.4% y-o-y), while volumes declined further in Nth-SthAm market.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

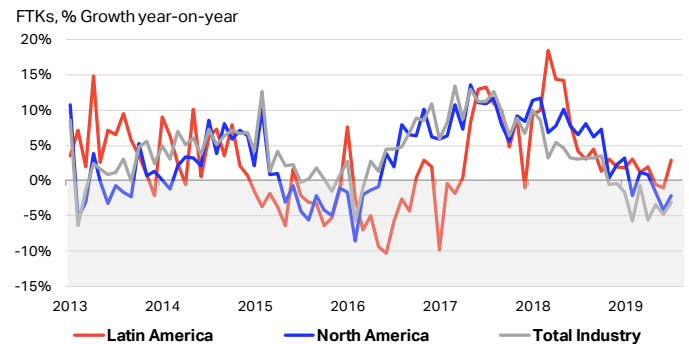
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
Nth America	7.0	-1.7	-4.3	-2.1
Latin America	7.4	-0.5	-1.1	3.0
World	3.7	-3.4	-4.8	-3.2
Routes (segment basis)				
Nth America-Asia	3.7	-5.2	-4.3	-3.0
Nth America-Europe	3.3	-2.8	-5.1	-3.0
Nth-Sth America	8.7	-3.9	-4.5	-11.2
Sth America-Europe	9.1	2.3	-5.5	-3.6
Within Sth America	17.2	-6.5	-19.3	-14.3

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

- Industry-wide freight tonne kilometres (FTKs) declined by 3.2% year-on-year in July, reflecting the widespread softness in world trade and a number of broader global economic indicators.
- Although annual FTK growth remained negative for airlines based in North America, the pressure on volumes eased compared to June. In Latin America, FTK growth picked up sharply, supported by solid manufacturing PMI outcomes in some of the region's key economies, notably Brazil.

- FTKs were lower compared to a year ago on all of the key international routes in the region. While the rate of decline slowed for the largest NthAm-Asia and NthAm-Europe markets, Nth-SthAm recorded the most significant FTK contraction since late-2011 (-11.2%).
- The US-China trade dispute continues to weigh heavily on freight volumes. With a new round of tariffs taking effect from September 1st, the downward pressure on volumes is unlikely to ease in the near-term.

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		2018	May-19	Jun-19	Jul-19
Passenger					
Nth America	ASK	4.9	2.5	1.6	1.6
	PLF	83.9	86.1	88.9	88.8
Latin America	ASK	7.8	1.9	1.2	1.8
	PLF	81.6	83.4	83.3	85.3
World	ASK	6.8	2.7	3.4	3.2
	PLF	82.0	81.8	84.4	85.7
Freight					
Nth America	AFTK	7.8	1.4	1.2	1.6
	FLF	40.8	39.3	38.1	37.3
Latin America	AFTK	1.4	4.7	2.7	2.7
	FLF	36.8	37.9	36.6	35.4
World	AFTK	5.2	1.0	1.8	2.6
	FLF	49.3	47.1	45.8	45.0

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

- The industry-wide passenger load factor reached a new all-time high of 85.7% in July. The story is less positive on the freight side with the load factor almost 3ppt below the level seen in July 2018.
- NthAm and Lat.Am carriers also posted a record high PLF for the month of July. By contrast, the FLF fell in NthAm and remained unchanged for Lat.Am airlines compared with a year ago.

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q2	2019Q2
Nth America	11.2	9.1	11.6	13.6
Latin America	6.2	2.7	2.8	3.1
Industry	7.5	5.8	8.0	8.3

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

- The latest Q2 financial results point to a modest improvement in industry-wide profitability. At the regional level, both North America and Latin America airlines posted on average higher Q2 EBIT margins vs a year ago, albeit by only modest 0.3ppt for the latter.
- Passenger yields excluding ancillaries and surcharges continue to decline in annual terms on the majority of the key international routes. The main exception continues to be the smaller Within SthAm market that posted an 8.4% year-on-year increase in yields in July.

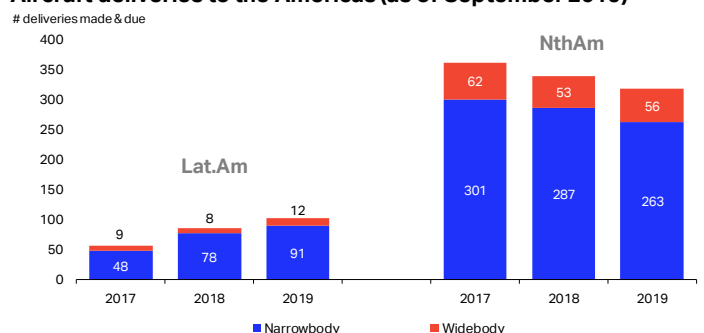
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	May-19	Jun-19	Jul-19
Nth America-Europe	4.6	2.7	-3.2	-5.5
Nth America-Asia	-0.3	1.2	-3.1	-4.5
Nth-Sth America	-38.6	-5.2	-3.9	-6.9
Sth America-Europe	-1.3	-18.7	-22.2	-19.1
Sth America-Asia	-0.3	-10.1	-13.0	-7.2
Within Sth America	-26.3	-0.8	8.2	8.4

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

- The September 2019 data confirm a rise in jet aircraft deliveries for the Lat.Am airlines and modest decrease in deliveries for NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (as of September 2019)



Source: Ascend