



STATE OF THE REGION: THE AMERICAS

SEPTEMBER 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	Jun-17	Jul-17	Aug-17
US\$ broad index	127.7	122.3	120.7	119.3
Brazilian real (BRL)	3.26	3.31	3.13	3.15
Mexican peso (MXN)	20.63	18.07	17.83	17.81
Argentine peso (ARS)	15.73	16.63	17.64	17.34
Colombian peso (COP)	2997	3046	2986	2946
Chilean peso (CLP)	668	664	651	627

Source: Datastream, XE

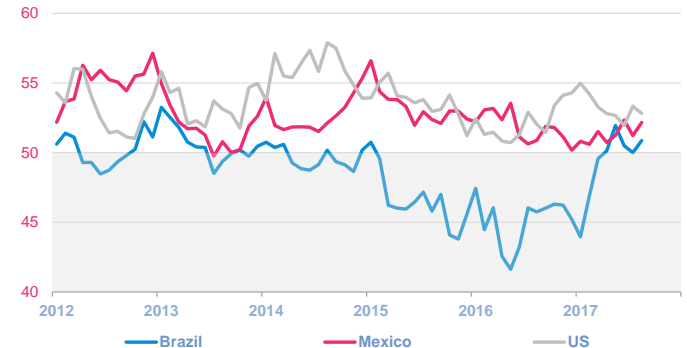
World oil and jet fuel price

US\$/barrel	2016	Jun-17	Jul-17	Aug-17
Crude oil (Brent)	52.4	46.4	48.5	51.7
Jet fuel	64.0	54.4	59.5	65.6

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil & Mexico ticked higher this month on generally positive data & developments. The US index retraced some of its recent gains.
- On a trade-weighted basis, the US\$ eased further in Aug, down 1.1% in the month & continuing its recent downtrend. Of the main regional currencies, the CLP gained almost 4% vs the USD this month, & the ARS was up 1.7%, recovering some of its recent decline. The BRL went against the flow, dipping 0.7% vs the US\$.
- Brent crude oil & jet fuel prices rose again in Aug, stepping up by 7-10%; the former moving back above US\$50/bbl & the latter above US\$65/bbl. The crack spread also widened further this month.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
N America	3.4	3.9	4.0	4.5
Latin America	3.9	7.1	6.7	7.7
World	6.4	7.6	7.7	6.8
Routes (segment basis)				
US domestic	3.4	3.4	3.7	5.1
Brazil domestic	-5.5	2.5	1.9	3.9
Nth America-Europe	2.5	4.7	5.3	2.7
Nth America-Asia	6.4	5.8	5.3	3.8
Nth-Sth America	-1.0	1.2	2.7	6.3
Sth America-Europe	3.5	7.5	8.4	3.7
Within Sth America	8.0	11.1	7.7	12.6

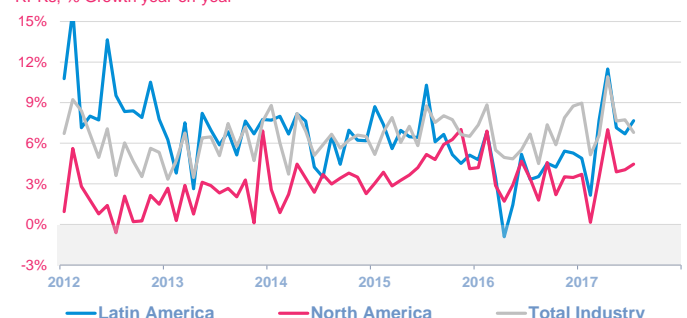
Source: IATA Statistics Note: historical data may be subject to revision

- Global RPKs grew by a robust 6.8%yoy in Jul, easing from 7.7% in Jun. At the regional level, growth went against the global trend, with annual growth lifting for both the Lat.Am carriers (to 7.7%yoy) & the NthAm carriers (to 4.5%yoy).
- The region's two key domestic markets – the US & Brazil – also saw a modest acceleration in pax volume growth in Jul, to 5.1% & 3.9%, respectively.

- For the main international markets, Within Sth America returned to a very robust double-digit pace of 12.6%yoy in Jul, topping the growth charts this month.
- Traffic between Nth & Sth America also stepped up in Jul, to a healthy 6.3%yoy.
- However, RPK growth to/from the European market softened for both Nth & Sth American traffic this month. For Nth America, growth dipped to 2.7%yoy in Jul & for Sth America, to 3.7%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
Nth America	2.2	14.5	11.5	11.9
Latin America	-4.1	6.7	9.7	5.8
World	3.9	12.9	11.2	11.4
Routes (segment basis)				
Nth America-Asia	-0.6	12.4	11.0	10.8
Nth America-Europe	2.5	13.1	12.9	12.9
Nth-Sth America	-5.1	11.8	15.9	26.0
Sth America-Europe	1.2	0.5	6.7	4.1
Within Sth America	-18.6	10.0	1.1	0.6

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

- Global FTK growth ticked up slightly in Jul, to 11.4%yoy – recording a double-digit annual growth rate for the 4th time in 5 months.
- At the regional level, developments were mixed again this month. Annual FTK growth for the NthAm carriers lifted a little, to 11.9%yoy, but eased solidly for the Lat.Am airlines, to 5.8% & unwinding last month's gain.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	May-17	Jun-17	Jul-17
Passenger					
Nth America	ASK	3.9	3.7	4.1	4.5
	PLF	83.5	84.0	86.3	86.6
Latin America	ASK	2.2	5.4	4.9	7.3
	PLF	80.8	80.4	81.8	84.8
World	ASK	6.4	6.2	6.4	6.1
	PLF	80.5	80.0	81.9	84.7
Freight					
Nth America	AFTK	3.5	3.6	2.2	1.1
	FLF	34.4	36.8	36.1	34.9
Latin America	AFTK	-1.8	7.1	3.6	4.7
	FLF	33.3	33.7	33.3	30.6
World	AFTK	5.4	4.9	4.8	3.7
	FLF	43.0	45.4	45.2	43.7

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

- The industry-wide pax load factor increased to a strong 84.7% in Jul. But even so, the PLF for both Nth (in particular) & Latin American carriers still outperformed at 86.6% & 84.8%, respectively.
- The performance of the region's carriers is less robust on the freight side, where the FLF continues to lag – by a considerable margin – that of the industry overall; 43.7% vs 34.9% for NthAm & 30.6% for Lat.Am carriers.

- The latest Q2 financial data further suggest that the

Airline operating (EBIT) margins*

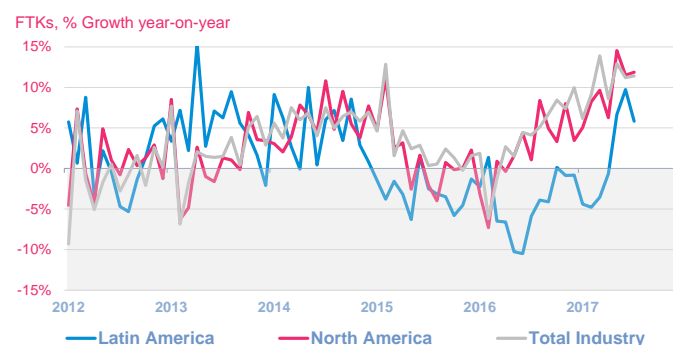
%revenues	2015	2016	2016Q2	2017Q2
Nth America	14.8	13.2	17.1	16.3
Latin America	1.5	4.2	0.7	4.3
Industry	8.5	8.8	10.2	9.5

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

- The top 3 main markets for the region continue to record double-digit growth in freight volumes. Traffic between Nth & Sth America accelerated to an even 26.0%yoy in Jul, twice the pace of the next best performing market of Nth America-Europe.

- Growth in the smaller Within SthAm market remains lacklustre, with FTKs currently up just 0.6% in yoy terms.

Growth in air freight volumes



Source: IATA Statistics

squeeze on margins has eased somewhat from Q1. At the industry level, the EBIT margin is currently 9.5%, down from 10.2% in 2Q16. A moderation is also evident for NthAm carriers, but at 16.3% (vs 17.1 a year ago) the margin is the highest across all regions. For the Lat.Am carriers, the margin performance has improved over the past year; currently 4.3%, up from 0.7%.

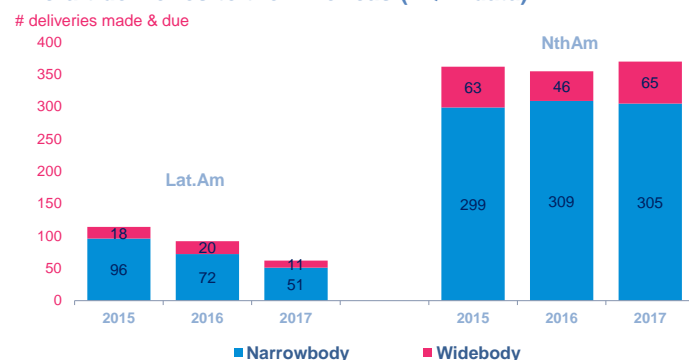
- Global pax yields (in US\$ terms) have continued to trend modestly upwards in recent months. This trend is reflected at the regional level, with only NthAm-Europe & NthAm-Asia still lower in yoy terms.

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

%change on a yr ago	2016	May-17	Jun-17	Jul-17
US domestic	-6.1	2.6	3.7	4.0
Nth America-Europe	-8.3	-2.7	-1.2	-1.9
Nth America-Asia	-7.2	-2.7	-1.8	-3.8
Nth-Sth America	-17.4	-1.3	9.7	8.3
Sth America-Europe	-17.3	5.2	10.6	13.3
Sth America-Asia	-9.1	-1.6	-1.3	4.7
Within Sth America	-13.8	6.1	6.5	4.5

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

Aircraft deliveries to the Americas (2Q17 data)



Source: Ascend