



# STATE OF THE REGION: THE AMERICAS

SEPTEMBER 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
<b>World*</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	Jun-18	Jul-18	Aug-18
US\$ broad index	120.0	123.4	124.1	125.3
Brazilian real (BRL)	3.31	3.86	3.75	4.12
Mexican peso (MXN)	19.66	19.74	18.63	19.15
Argentine peso (ARS)	18.62	28.93	27.34	36.93
Colombian peso (COP)	2985	2932	2884	3066
Chilean peso (CLP)	615	654	639	680

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jun-18	Jul-18	Aug-18
Crude oil (Brent)	54.2	74.4	74.3	72.5
Jet fuel	65.6	87.8	88.1	89.0

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

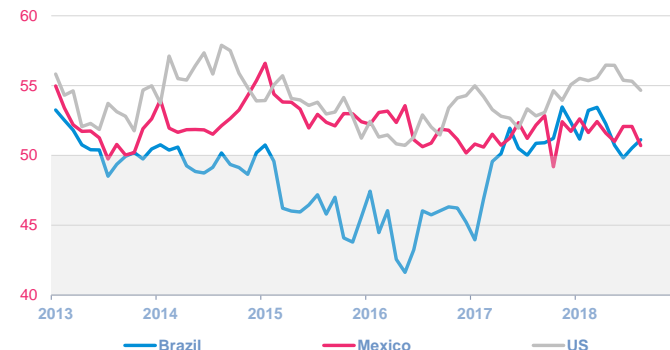
%change on a yr ago	2017	May-18	Jun-18	Jul-18
<b>Region (registration basis)</b>				
N America	4.2	5.3	5.5	5.0
Latin America	6.7	6.3	5.0	5.3
World	7.6	6.3	8.1	6.2
<b>Routes (segment basis)</b>				
US domestic	3.7	5.5	5.3	5.6
Brazil domestic	3.5	3.8	5.0	8.4
Nth America-Europe	4.1	4.1	4.9	4.6
Nth America-Asia	4.9	4.2	4.0	3.3
Nth-Sth America	0.9	7.1	4.2	-1.1
Sth America-Europe	6.1	11.2	10.9	8.7
Within Sth America	10.5	0.2	-4.0	-3.7

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

- Annual growth in industry-wide RPKs eased a little in July, to 6.2%yoy – down from 8.1% last month & returning to around the pace of growth in May. The July outcome marked a solid start to this year's peak passenger demand season.
- At the regional level, RPK growth ticked *down* slightly for the NthAm carriers, to 5.0%yoy but ticked *up* by a similar margin for the Lat.Am airlines, to 5.3%yoy.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



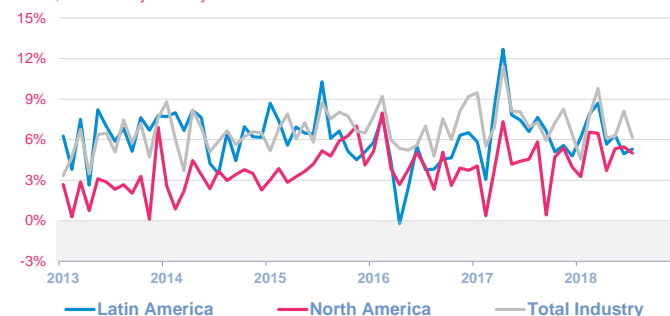
Source: Markit

- Argentina's Q2 GDP data showed a sharp contraction with growth down 4.2%yoy, highlighting the magnitude of the economic turmoil in that country. Business confidence remains elevated in the US, but dipped in Mexico on softer demand & production.
- On a trade-weighted basis, the US\$ rose by 1.0% in Aug. to a level last seen in early 2017. Unsurprisingly, the ARS was the major mover amongst regional currencies, falling ~35% in the month vs the US\$. The BRL lost ~10% & the CLP & COP were both down ~6%.
- Brent crude oil prices fell by 2.3% in Aug while the price of jet fuel rose by 1%, on a widening in the crack spread. Crude averaged US\$72.5/bbl for the month & jet US\$89.

- The region's two main domestic markets saw a lift in their annual RPK growth performance this month. In Brazil, passenger volumes are now a robust 8.4% above their level of a year ago. For the US, RPK growth rose more modestly, to a 5.6%yoy pace.
- Of the key international markets, in terms of annual growth Europe leads the way on routes to/from both Nth & Sth America. Passenger volumes are currently 3.7% lower than a year ago in the Within SthAm market & 1.1% lower for traffic between Nth-Sth America.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
<b>Region (registration basis)</b>				
Nth America	8.2	6.2	3.1	2.6
Latin America	5.5	11.3	5.9	3.0
World	9.1	3.8	2.5	2.1
<b>Routes (segment basis)</b>				
Nth America-Asia	8.7	4.7	1.5	0.1
Nth America-Europe	9.9	3.3	5.3	-0.5
Nth-Sth America	0.6	18.4	7.5	1.6
Sth America-Europe	6.9	9.9	8.1	6.8
Within Sth America	3.2	24.7	21.7	15.6

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

- ➔ Annual growth in industry-wide FTKs eased to 2.1% in July, down from 2.5% in June, to its slowest pace since May 2016. In year-to-date terms, industry-wide FTKs have grown by a solid 4.3% in the first 7 months of the year vs the same period a year ago.
- ➔ At the regional level, FTK growth also slowed this month, to 2.6%yoy (from 3.1% in June) for the Nth American carriers, & to 3.0%yoy (from 5.9%) for the Latin American airlines.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	May-18	Jun-18	Jul-18
<b>Passenger</b>					
Nth America	ASK	4.0	5.2	4.3	4.0
	PLF	83.7	84.2	87.2	87.5
Latin America	ASK	5.3	6.1	6.5	5.9
	PLF	81.7	80.0	80.1	84.2
World	ASK	6.3	6.1	6.7	5.5
	PLF	81.5	80.0	82.9	85.2
<b>Freight</b>					
Nth America	AFTK	2.0	5.6	2.9	4.0
	FLF	36.5	36.3	35.8	34.3
Latin America	AFTK	4.7	-7.0	-7.4	-7.8
	FLF	33.6	40.6	37.9	34.2
World	AFTK	3.6	5.0	3.8	3.8
	FLF	45.2	44.9	44.3	42.7

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

- ➔ With annual growth in passenger demand outstripping capacity, the industry-wide PLF has increased by 0.6pp, to 85.2% currently. The converse holds for freight, with the FLF down 0.7pp over the past year, to 42.7%.
- ➔ Both NthAm & Lat.Am carriers recorded a PLF well above 80% this month, at 87.5% & 84.2%, respectively. The region's FLF, however, remained solidly below the industry-wide outcome, at a little above 34%.

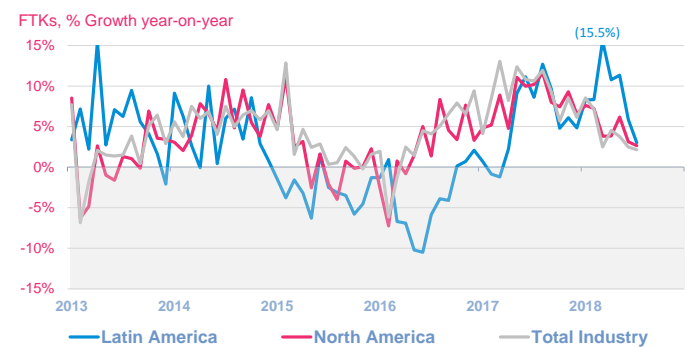
### Airline operating (EBIT) margins\*

%revenues	2016	2017	2017Q2	2018Q2
Nth America	13.7	11.1	16.6	12.1
Latin America	5.6	6.9	4.9	-0.7
Industry	8.5	7.5	10.6	7.5

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

- ➔ A slowing in FTK growth is evident across all of the main markets for the region's carriers. Growth has slowed almost to a standstill for the largest NthAm-Asia market, while freight volumes have fallen below their year-ago levels for NthAm-Europe.
- ➔ For South America markets, despite the slowdown in recent months, growth remains strong for both the Europe and Within Sth America markets, at 6.8% & 15.6%yoy, respectively.

### Growth in air freight volumes



Source: IATA Statistics

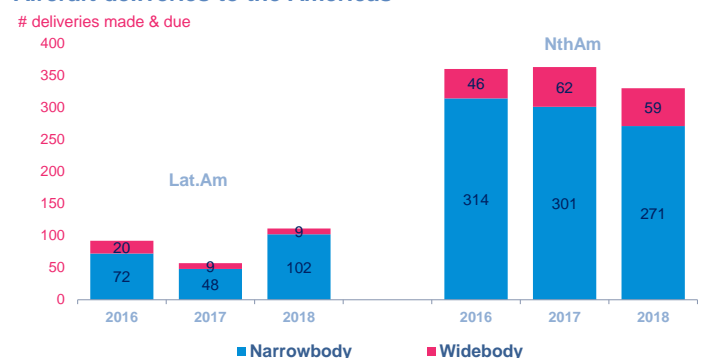
- ➔ The latest data for Q2 confirm a decline in industry financial performance vs a year ago, with the EBIT margin currently 7.5% vs 10.6% a year ago. At the regional level, the margin for NthAm is 12.1% (from 16.6% a year ago) & for Lat.Am is -0.7% (from 4.9%).
- ➔ Passenger yield developments amongst the region's key markets remain mixed. Yields are up 11.0% for the NthAm-Europe market compared with a year ago, but are lower for a number of markets including Within SthAm & for routes between Nth-Sth America.

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

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Nth America-Europe	-1.8	9.1	11.8	11.0
Nth America-Asia	-3.2	2.8	4.3	5.1
Nth-Sth America	0.2	-4.5	-5.3	-4.8
Sth America-Europe	7.9	7.2	5.2	2.2
Sth America-Asia	-4.2	3.2	5.1	-2.8
Within Sth America	1.8	-1.0	-3.4	-7.7

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

### Aircraft deliveries to the Americas



Source: Ascend