

# State of the region: the Americas

January 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2017	Q1 2018	Q2 2018	Q3 2018
United States	2.2	2.6	2.9	3.0
Brazil	1.1	1.2	0.9	1.3
Mexico	2.3	2.1	1.6	2.6
Canada	3.0	2.3	1.9	2.1
Argentina	2.9	3.9	-4.0	-3.5
Colombia	1.8	2.6	2.5	2.6
Chile	1.6	5.2	5.1	2.8
Peru	2.5	3.2	5.5	2.3
<b>World*</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>2.9</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	Oct-18	Nov-18	Dec-18
US\$ broad index	120.0	126.9	128.3	128.5
Brazilian real (BRL)	3.32	3.71	3.87	3.88
Mexican peso (MXN)	19.57	20.25	20.35	19.69
Argentine peso (ARS)	18.83	36.15	37.74	37.66
Colombian peso (COP)	2985	3221	3238	3248
Chilean peso (CLP)	615	696	673	694

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel (period ave.)	2017	Oct-18	Nov-18	Dec-18
Crude oil (Brent)	54.2	81.0	64.8	57.4
Jet fuel	65.6	94.4	81.7	71.2

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

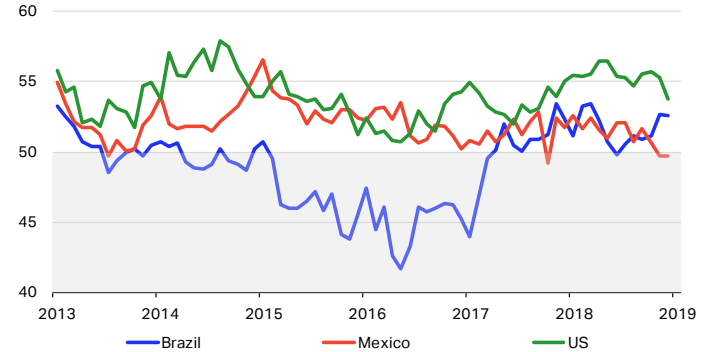
% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
<b>Region (registration basis)</b>				
N America	4.0	5.7	4.6	5.1
Latin America	7.3	5.8	6.2	6.2
World	8.0	5.5	6.3	6.2
<b>Routes (segment basis)</b>				
US domestic	3.7	6.2	4.3	4.9
Brazil domestic	2.3	3.1	3.4	5.3
Nth America-Europe	7.1	4.5	8.1	8.5
Nth America-Asia	7.2	2.0	1.7	3.4
Nth-Sth America	0.8	5.9	0.6	4.7
Sth America-Europe	7.0	7.6	6.9	7.2
Within Sth America	13.2	-2.3	-1.5	-0.3

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

- Industry-wide revenue passenger kilometers (RPK) grew by 6.2% year-on-year in Nov, a slight deceleration from 6.3% in the previous month. While the result remains above the 10-year average RPK growth rate (6.0%), some slowing is evident in recent months.
- At the regional level, annual RPK growth remained unchanged from Oct for Lat.Am at 6.2%, moving in line with the overall industry pace. By contrast, NthAm carriers reported a lift in growth this month, to 5.1%yoy.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



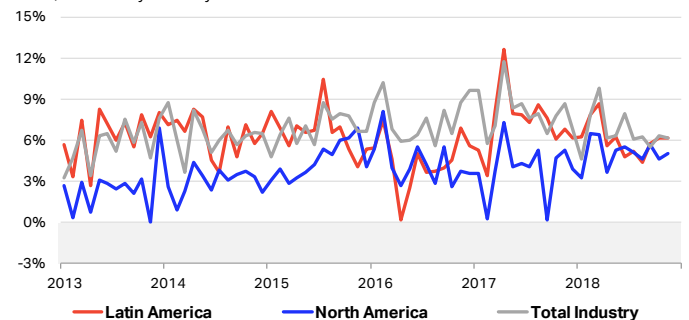
Source: Markit

- Business confidence remained broadly unchanged from November in both Mexico and Brazil. The US saw a further loss in sentiment, reflecting some softness in demand indicators.
- The US\$ rose by 0.2% in Dec, up ~7% over the course of the year. Amongst the main regional currencies, the MXN surged by 3.2% against the US\$, while the CLP ended the month down by 3.1%. Other FX movements were relatively muted.
- Brent crude oil & jet fuel prices plunged in Q4 as market concerns moved to oversupply, but have recovered partially since then amid signs of new supply cuts.

- The region's two main domestic markets saw an increase in their annual RPK growth performance in Nov. In Brazil, passenger volumes are 5.3% higher compared to their level a year ago. For the US, RPK growth rose more modestly, to a 4.9%yoy pace.
- Of the key international markets, NthAm-Europe was again the strongest, with 8.5%yoy RPK growth. SthAm-Europe followed with 7.2%yoy. Passenger volumes are currently 3.4% and 4.7% higher vs a year ago in NthAm-Asia & NthAm-SthAm, respectively.
- Within SthAm remains the only market with negative growth compared to a year ago (-0.3%yoy).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
<b>Region (registration basis)</b>				
Nth America	9.1	5.6	7.0	3.1
Latin America	4.5	3.0	0.4	3.1
World	9.7	3.0	3.2	0.0
<b>Routes (segment basis)</b>				
Nth America-Asia	10.1	3.2	4.8	-1.2
Nth America-Europe	10.4	4.5	1.7	1.5
Nth-Sth America	2.6	11.6	2.9	5.4
Sth America-Europe	7.3	0.3	-1.0	-0.9
Within Sth America	-5.9	21.9	17.4	9.9

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

- Industry-wide FTKs were unchanged in annual terms in Nov, marking the slowest growth rate since early 2016. All told, freight volumes rose by 3.9% year-on-year between Jan and Nov, compared to 10% over the same period a year ago.
- Growth at the regional level broadly converged this month, at a pace solidly above that of the overall industry; freight volumes are currently 3.1% higher versus a year ago for both NthAm and Lat.Am carriers.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Sep-18	Oct-18	Nov-18
<b>Passenger</b>					
Nth America	ASK	3.9	7.1	4.7	5.0
	PLF	83.5	80.8	83.3	83.6
Latin America	ASK	5.4	8.3	9.1	6.0
	PLF	81.8	80.2	80.6	82.0
World	ASK	6.6	5.9	6.3	6.8
	PLF	81.5	81.4	81.0	80.0
<b>Freight</b>					
Nth America	AFTK	3.1	8.7	8.0	6.3
	FLF	41.1	40.9	42.3	43.2
Latin America	AFTK	5.9	5.9	4.9	2.0
	FLF	33.1	34.0	35.2	37.9
World	AFTK	5.0	4.6	5.5	4.3
	FLF	49.9	49.5	50.4	51.5

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

- The industry-wide passenger load factor eased to 80% in Nov as capacity continues to trend upwards at a faster pace than demand. In contrast, the freight load factor lifted by 1pp to 51.5% this month.
- Both NthAm and Lat.Am maintained a PLF above 80% in Nov, at 83.6% & 82.0%, respectively. The region's FLF, however, still remains well below the industry-wide outcome, at 43.2% & 37.9%, respectively.

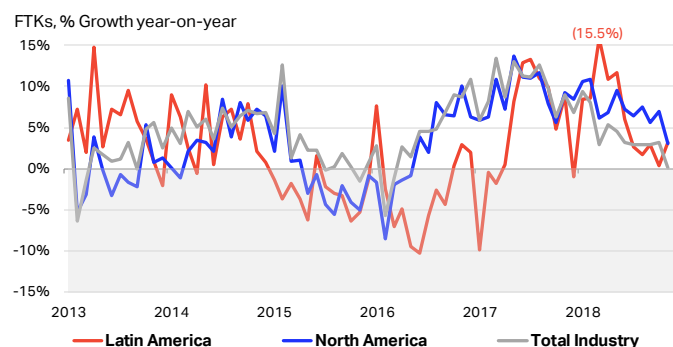
### Airline operating (EBIT) margins\*

% revenues	2016	2017	2017Q3	2018Q3
Nth America	13.7	11.1	12.8	9.9
Latin America	5.6	6.9	9.9	3.8
Industry	8.5	7.5	14.2	10.7

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

- FTK growth for NthAm-Asia, the region's largest international market, became negative for the first time since May 2016. The pace also eased modestly for the key NthAm-Europe market, to 1.5%yoy. In contrast, Nth-SthAm FTK growth recovered from a slowdown in Oct to a solid 5.4%yoy.
- The smaller Within SthAm remains overall the fastest growing market, with freight volumes ~10% higher than a year ago.

### Growth in air freight volumes



Source: IATA Statistics

- The final Q3 financial data confirm the squeeze on industry financial performance, with an EBIT margin of 10.7% vs 14.2% a year ago. At the regional level the margin for NthAm fell to 9.9% (from 12.8% in Q3 2017) & for Lat.Am to 3.8% (from 9.9%).
- The pax yield performance remains mixed vs a year ago. Yields on routes between SthAm and both NthAm & Europe are ~10-15% lower vs a year ago, while in NthAm-Europe & NthAm-Asia they are ~3-4% higher than in Nov 2017.

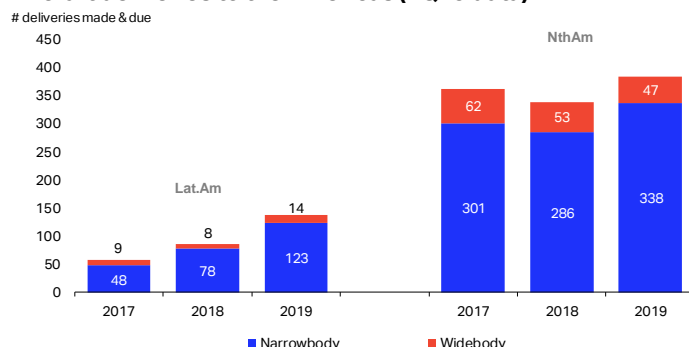
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Nth America-Europe	-1.8	5.6	3.9	2.8
Nth America-Asia	-3.2	4.1	4.4	3.9
Nth-Sth America	0.2	-6.7	-10.7	-15.4
Sth America-Europe	7.9	-6.7	-8.7	-10.1
Sth America-Asia	-4.2	-3.0	-3.0	-2.1
Within Sth America	1.8	-8.0	-6.1	-5.2

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

- The latest data indicate a rise in jet aircraft deliveries for the Lat.Am and NthAm carriers in 2019 vs 2018.

### Aircraft deliveries to the Americas (1Q19 data)



Source: Ascend