



STATE OF THE REGION: THE AMERICAS

APRIL 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q2	2015Q3	2015Q4
United States	2.4	2.7	2.1	2.0
Brazil	-3.8	-3.0	-4.5	-5.9
Mexico	2.5	2.4	2.7	2.5
Canada	1.2	1.0	1.1	0.5
Argentina	1.2 [†]	2.3	--	--
Colombia	3.1	3.1	3.2	3.3
Chile	2.1	2.3	2.4	1.4
Peru	3.3	3.1	3.2	4.7
World*	2.4	2.5	2.5	2.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Jan-16	Feb-16	Mar-16
US\$ broad index	122.4	125.2	124.0	121.5
Brazilian real (BRL)	3.96	4.03	3.98	3.55
Mexican peso (MXN)	17.20	18.22	18.07	17.22
Argentine peso (ARS)	12.95	13.93	15.62	14.60
Colombian peso (COP)	3174	3305	3323	3010
Chilean peso (CLP)	709	714	696	667

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Jan-16	Feb-16	Mar-16
Crude oil (Brent)	52.4	30.7	32.2	38.2
Jet fuel	64.0	39.1	40.9	44.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
Region (registration basis)				
N America	4.3	3.6	4.4	7.1
Latin America	6.8	5.3	5.1	7.2
World	6.5	5.7	7.1	8.6
Routes (segment basis)				
US domestic	4.9	4.6	5.8	8.9
Brazil domestic	0.9	-5.0	-4.1	-3.1
Nth America-Europe	3.8	3.4	4.3	5.3
Nth America-Asia	5.8	5.6	9.1	9.3
Nth-Sth America	6.6	7.4	4.5	4.5
Sth America-Europe	2.0	-0.1	0.1	6.2
Within Sth America	4.9	4.6	4.3	8.7

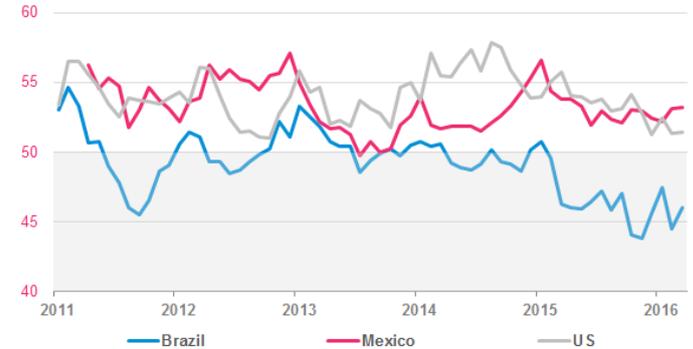
Source: IATA Statistics

→ RPK growth stepped up in Feb, to just above 7%yoy for both Nth & Latin America carriers & to 8.6%yoy for the global industry. Note that the Feb outcomes are all positively impacted by the additional trading day associated with the leap year.

→ The two main regional domestic markets continue to show contrasting performance. In the US, domestic RPK growth accelerated again in Feb, rising to almost 9%yoy. But in Brazil, & notwithstanding another slight trend

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

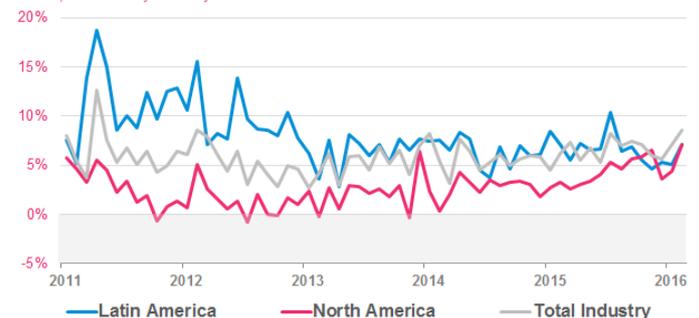
- Business confidence in Brazil remains very weak, unsurprising given developments in both the economic & political upheaval in that country.
- The US\$ fell by just over 2% in March, dipping below the level at which it ended 2015. The BRL gained almost 11% & the COP 9.5% against the US\$ in the month. The other main currencies all rose between 4-6.5%.
- World oil & jet fuel prices surged in March, the former rising almost 20% (US\$6) to US\$38/bbl & the latter up 10% (US\$4) to US\$45/bbl. The upwards move was buoyed by speculation that agreement on production cuts may be reached amongst key oil producers.

improvement, domestic RPKs are still 3.1% lower than at the same time a year ago.

- Amongst the main inter-regional routes, NthAm-Asia continues to outperform, with RPKs up a strong 9.3%yoy.
- RPKs for Within SthAm routes are also showing strong growth, now up 8.7%yoy, despite the prevailing challenges in some of the key economies, including Brazil & Argentina. On the other main routes, RPKs all grew by a robust 4.5%-6.2%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
Region (registration basis)				
Nth America	-0.1	0.4	-1.2	-4.0
Latin America	-5.9	-4.5	0.2	2.7
World	2.2	1.0	2.3	-5.6
Routes (segment basis)				
Nth America-Asia	5.1	-4.4	-8.5	-19.8
Nth America-Europe	-2.1	-1.8	0.1	-2.7
Nth-Sth America	-4.6	-5.9	-3.7	0.0
Sth America-Europe	-2.9	-13.2	-2.3	1.4
Within Sth America	-12.1	-12.2	-19.7	-14.6

Source: IATA Statistics

- Lat.Am FTK growth rose to a moderate 2.7%yoy in Feb. However, freight volumes for the larger NthAm region & the industry-wide figure have both fallen over the past year, down a sizeable 4.0% & 5.6%, respectively.
- We caution that freight volumes are significantly impacted at this time of the year by the Lunar New Year. On this occasion, the data are also affected by the one-off boost to air freight volumes a year ago following the disruption at sea ports on the US west coast.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Dec-15	Jan-16	Feb-16
Passenger					
Nth America	ASK	3.8	3.3	2.9	9.0
	PLF	83.8	83.0	80.7	79.1
Latin America	ASK	6.5	4.9	4.5	7.3
	PLF	79.9	80.2	82.8	79.5
World	ASK	5.6	5.3	5.6	9.6
	PLF	80.2	78.9	78.9	77.8
Freight					
Nth America	AFTK	3.8	7.1	5.1	8.0
	FLF	34.4	33.6	33.9	34.0
Latin America	AFTK	4.4	6.3	6.9	8.4
	FLF	37.4	37.1	33.3	34.6
World	AFTK	6.2	6.8	6.2	7.5
	FLF	44.2	43.8	41.5	41.0

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

- Capacity growth for the region's carriers, both pax & freight, stepped up in Feb compared with recent outcomes, but remains below the global industry rate.
- Pax loads for both regions in Feb are above 79%, outperforming the global rate of 77.8%. The converse holds for freight loads, with the regional rates both below 35% & chn on the overall industry figure of 41%.

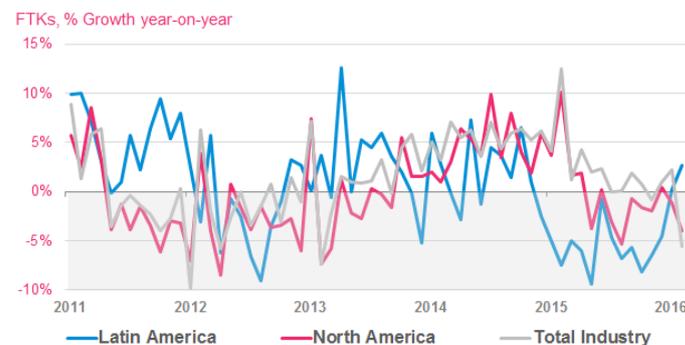
Airline EBIT margins*

%revenues	2013	2014	2014Q4	2015Q4
Nth America	6.6	9.4	10.8	15.2
Latin America	7.4	6.2	7.5	6.0
Industry	4.1	5.2	6.3	9.7

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

- These effects are most noticeable in the 10+pp deterioration in the NthAm-Asia growth rate for Feb.
- Such disruptions make it difficult to draw many firm conclusions about the underlying state of the regional freight market. That said, it remains the case that the fundamental demand drivers for the global air freight industry remain relatively subdued, pointing to challenging conditions continuing for some time.

Growth in air freight volumes



Source: IATA Statistics

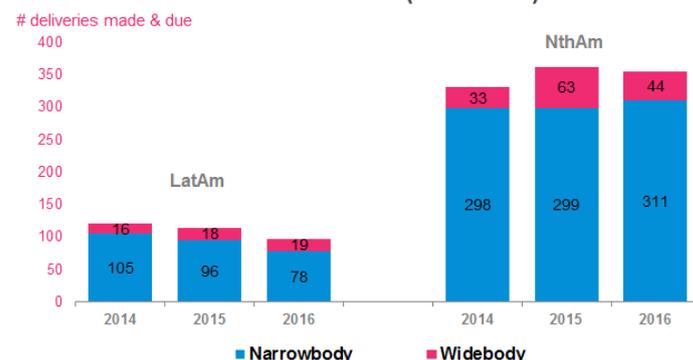
- The latest Q4 EBIT margin for NthAm carriers is a strong 15.2%, up on a year ago & above the industry average of 9.7%. For Lat.Am, the operating margin, at 6.0%, is both down on a year ago & below the industry figure.
- Key pax yields all remain lower than their level of a year ago. For many, the decline is a double-digit one, most notably the 23% decline for SthAm-Europe. These outcomes partly reflect developments in oil prices & the US\$ over the period.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
US domestic	-4.7	-8.6	-10.1	-9.4
Nth America-Europe	-7.9	-5.8	-6.6	-7.2
Nth America-Asia	-15.1	-11.0	-11.0	-11.1
Nth-Sth America	-11.5	-15.3	-13.3	-13.0
Sth America-Europe	-19.9	-25.0	-23.5	-23.4
Sth America-Asia	-18.0	-13.5	-12.8	-11.0
Within Sth America	-13.1	-10.3	-12.9	-14.9

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend