



STATE OF THE REGION: THE AMERICAS

AUGUST 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
United States	2.6	1.9	1.6	1.2
Brazil	-3.8	-5.9	-5.4	--
Mexico	2.5	2.4	2.8	--
Canada	1.2	0.3	1.1	--
Argentina	2.4	2.2	0.5	--
Colombia	3.1	3.4	2.5	--
Chile	2.1	1.4	1.7	--
Peru	3.3	4.7	4.4	--
World*	2.5	2.3	2.2	2.1

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	May-16	Jun-16	Jul-16
US\$ broad index	122.4	120.8	121.2	121.9
Brazilian real (BRL)	3.96	3.61	3.20	3.24
Mexican peso (MXN)	17.20	18.41	18.49	18.76
Argentine peso (ARS)	12.95	14.04	14.94	15.06
Colombian peso (COP)	3174	3090	2923	3069
Chilean peso (CLP)	709	691	658	654

Source: Datastream, XE

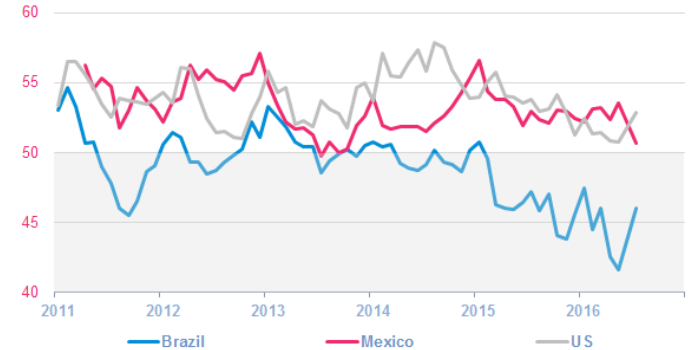
World oil and jet fuel price

US\$/barrel	2015	May-16	Jun-16	Jul-16
Crude oil (Brent)	52.4	46.7	48.3	45.0
Jet fuel	64.0	54.6	58.0	53.4

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Mexico slipped further this month but rose in the US, despite election uncertainty & modest Q2 GDP data. The surge in confidence in Brazil this month may be more to do with the Olympics than any improvement in the broader business environment.
- The (trade-weighted) US\$ ticked up a little again in Jul, gaining 0.6%. Amongst the main regional bilateral rates, the BRL & MXN fell 1.2-1.5% vs the US\$ in the month & the COP fell an outsized 5%.
- The world price of oil & jet fuel fell in Jul – the first month since Jan when oil prices reached a 12-year low. Prices fell 7-8% in the month on the back of rising inventories, to US\$45 & US\$53 for oil & jet respectively.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
Region (registration basis)				
N America	4.3	1.7	3.0	4.3
Latin America	6.8	-0.5	1.7	4.6
World	6.5	4.8	4.8	5.2
Routes (segment basis)				
US domestic	4.9	2.0	4.4	4.5
Brazil domestic	0.9	-12.3	-7.7	-6.5
Nth America-Europe	3.8	1.5	0.8	1.9
Nth America-Asia	5.8	5.7	3.5	7.5
Nth-Sth America	6.6	2.0	0.2	0.2
Sth America-Europe	2.0	2.7	2.0	1.7
Within Sth America	4.9	3.7	5.6	10.1

Source: IATA Statistics

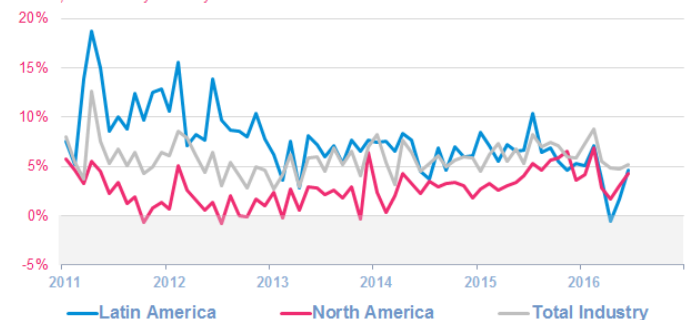
- RPK growth rates moved above 4%yoy for both Nth & Latin American-registered carriers in Jun (to 4.3% & 4.6%, respectively), but remain below the industry-wide growth rate which lifted to a solid 5.2%yoy.
- The gradual improvement in the Brazil domestic market continued in Jun, although pax volumes remain a hefty 6.5% lower than their level of a year ago. Airlines have, in part, responded to weaker demand by reducing both

the number and frequency of domestic air connections.

- In the US domestic market, growth was steady at a healthy 4.5%yoy pace, supported by the generally favourable economic backdrop.
- Across the main international routes, Within Sth America RPK growth has moved into double figures (10.1%yoy), notwithstanding developments in Brazil. NthAm-Asia also stepped up in Jun, to a strong 7.5% rate. But Nth-Sth Am traffic remained lackluster, up just 0.2%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
Region (registration basis)				
Nth America	-0.1	-0.4	1.5	4.3
Latin America	-5.9	-6.0	-9.7	-9.8
World	2.2	2.7	1.5	4.3
Routes (segment basis)				
Nth America-Asia	5.1	-6.3	-2.7	2.5
Nth America-Europe	-2.1	-0.8	-1.3	1.5
Nth-Sth America	-4.6	-11.5	-10.3	-11.1
Sth America-Europe	-2.9	5.8	3.6	-2.3
Within Sth America	-12.1	-18.6	-23.9	-24.3

Source: IATA Statistics

→ Industry-wide air freight growth accelerated in Jun to 4.3%yoy – its fastest pace in more than a year. Latin America, where FTKs remain down almost 10%yoy, was the only region that did not register a positive annual rate of growth in the month. For NthAm carriers, growth lifted in line with the global figure, to 4.3%yoy.

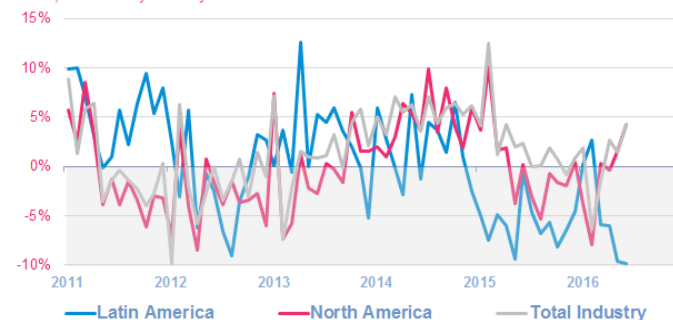
→ Despite this pick-up in growth, the outlook for air freight continues to face the now familiar headwinds including

ongoing sluggish economic growth & heightened risks in the aftermath of the Brexit vote, as well as broader weakness in world trade.

→ The two largest markets, NthAm to both Asia & Europe, returned to positive, albeit modest, growth in Jun, at 2.5% & 1.5%, respectively. The main air freight markets for SthAm have all seen volumes contract in yoy terms.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2015	Apr-16	May-16	Jun-16
Passenger					
Nth America	ASK	3.8	2.2	3.3	4.3
	PLF	83.8	82.3	83.8	86.3
Latin America	ASK	6.5	0.1	1.3	1.9
	PLF	79.9	78.2	79.4	80.8
World	ASK	5.6	5.1	5.6	5.6
	PLF	80.2	79.2	78.8	80.7
Freight					
Nth America	AFTK	3.8	4.8	2.4	4.0
	FLF	34.4	34.1	32.7	32.4
Latin America	AFTK	4.4	-0.7	-7.0	-2.6
	FLF	37.4	36.6	35.3	34.4
World	AFTK	6.3	5.7	4.5	4.9
	FLF	44.1	43.6	42.4	43.1

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

→ Pax capacity has increased by 4.3% for NthAm carriers & just 1.9% for Lat.Am carriers over the past year, both well below the industry-wide gain of 5.6%.

→ For freight, AFTKs are up 4.0%yoy for NthAm but down 2.6% in Lat.Am; globally, capacity is up 4.9%yoy.

→ The pax load factor for NthAm reached an impressive 86.3% in Jun, outstripping that of both Lat.Am (80.8%) & the industry overall (80.7%).

Airline EBIT margins*

%revenues	2014	2015	2015Q2	2016Q2
Nth America	11.1	14.7	16.8	17.3
Latin America	2.1	1.9	4.2	2.7
Industry	4.7	8.3	13.0	13.6

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

→ The regional freight load factors are subdued, between 30-35%; both are ~10pp below the industry-wide 43.1%.

→ Initial Q2 data shows an improved operating margin for NthAm carriers, now up to a significant 17.3%, but a deterioration, to just 2.7%, for Lat.Am airlines.

→ Passenger yields on all key routes remain well down on a year ago, many in, or close to, double-digit decline, despite the recent reversal of trends in both oil/jet fuel prices & the US\$.

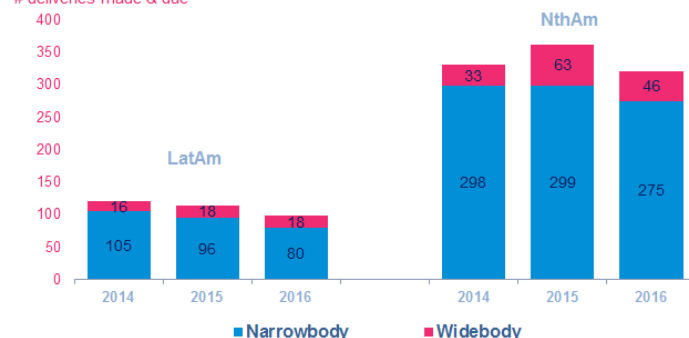
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Apr-16	May-16	Jun-16
US domestic	-7.5	-4.5	-3.9	-5.5
Nth America-Europe	-7.9	-1.6	-5.2	-7.2
Nth America-Asia	-15.1	-10.0	-9.4	-8.4
Nth-Sth America	-11.5	-9.2	-19.4	-23.8
Sth America-Europe	-19.9	-18.6	-19.1	-19.3
Sth America-Asia	-18.0	-14.0	-13.4	-13.4
Within Sth America	-13.1	-15.1	-18.3	-24.2

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)

deliveries made & due



Source: Ascend