STATE OF THE REGION: THE AMERICAS

DECEMBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
United States	2.6	1.6	1.3	1.6
Brazil	-3.8	-5.4	-3.6	-2.9
Mexico	2.6	2.3	1.5	2.0
Canada	0.9	1.3	1.1	1.3
Argentina	2.5	0.4	-3.4	--
Colombia	3.1	2.5	2.0	1.2
Chile	2.3	1.9	1.4	1.5
Peru	3.3	4.5	3.7	4.4
World*	**2.3**	**2.2**	**2.1**	**2.2**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2015	Sep-16	Oct-16	Nov-16
US$ broad index	122.4	121.8	122.9	125.8
Brazilian real (BRL)	3.96	3.24	3.17	3.39
Mexican peso (MXN)	17.20	19.34	18.79	20.46
Argentine peso (ARS)	12.95	15.39	15.18	15.91
Colombian peso (COP)	3174	2864	2998	3072
Chilean peso (CLP)	709	658	653	674

Source: Datastream, XE

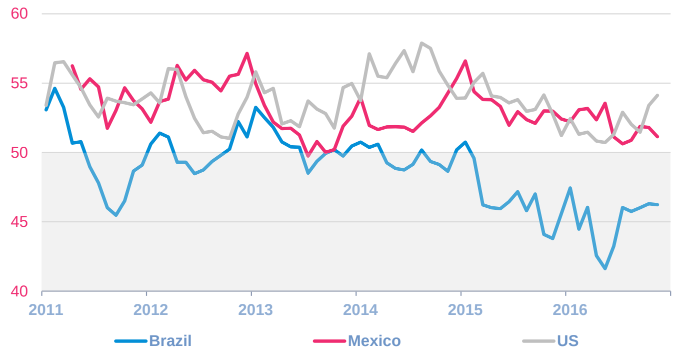
World oil and jet fuel price

US$/barrel	2015	Sep-16	Oct-16	Nov-16
Crude oil (Brent)	52.4	46.6	49.5	44.7
Jet fuel	64.0	55.4	61.2	57.0

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- The election removed a key source of US uncertainty & business confidence rose accordingly this month. The opposite impact was felt in Mexico. Sentiment in Brazil has consolidated recent gains, but remains at low levels.
- The US$ surged in Nov, rising a sizeable 2.4% on a trade-weighted basis. Of the main regional currencies, the MXN fell sharply, down 9% vs the US$ in the month. The BRL & ARS were down ~7% & ~5%, respectively.
- Oil prices were unsettled in Nov ahead of the OPEC meeting, ending the mth down ~US$5/bbl. The fall was short-lived, however; prices swiftly moved back above US$50 following the OPEC agreement on production.

Market

Revenue passenger kilometers (RPKs)

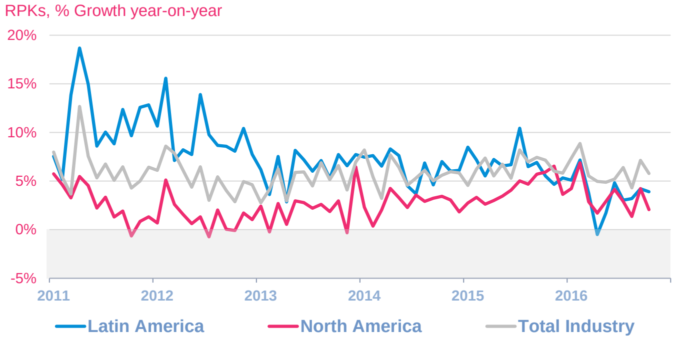
%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
N America	4.2	1.3	4.2	2.1
Latin America	6.8	3.2	4.2	3.9
World	6.5	4.3	7.1	5.8
Routes (segment basis)				
US domestic	4.9	0.9	4.6	1.7
Brazil domestic	0.9	-5.7	-4.6	-5.5
Nth America-Europe	3.8	2.4	2.6	0.6
Nth America-Asia	5.8	4.3	7.6	5.9
Nth-Sth America	6.6	-4.5	-3.5	-3.4
Sth America-Europe	2.0	5.8	4.8	2.4
Within Sth America	4.9	8.5	9.6	10.3

Source: IATA Statistics

- Annual growth in industry-wide RPKs eased back to 5.8%yoy in October, from above 7% in Sep. For Nth American carriers, the pace of growth halved, slipping to 2.1%yoy, the slowest rate across all IATA regions this month. Pax volume growth also slowed in Latin America, albeit more modestly, down 0.3pp to 3.9%yoy.
- In part, the slowdown in the Nth America total reflected developments in the US domestic market, where RPK growth eased from 4.6% to 1.7%yoy.
- Despite signs of improvement in the Brazilian economy, domestic RPKs in that country fell by a hefty 5.5% in Oct, compared with the level of a year ago.
- Amongst the main regional markets, double-digit growth (10.3%) in the Within Sth America market makes it the strongest performer, notwithstanding the various challenges facing a number of countries. In contrast, RPKs have fallen by 3.4% over the past year on routes between Nth & Sth America & have grown by just 0.6% in the key Nth America-Europe market.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

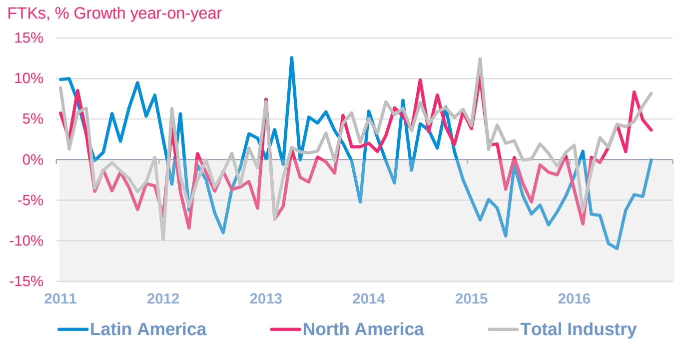
Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
Nth America	0.1	8.3	4.9	3.7
Latin America	-5.8	-4.3	-4.5	-0.1
World	2.2	4.7	6.6	8.2
Routes (segment basis)				
Nth America-Asia	5.1	5.6	4.9	6.8
Nth America-Europe	-2.1	2.7	10.0	9.0
Nth-Sth America	-4.6	-3.9	-4.7	-1.8
Sth America-Europe	-2.9	1.7	4.5	13.6
Within Sth America	-12.1	-17.1	-14.1	-19.2

Source: IATA Statistics

- At odds with passenger volumes, growth in industry-wide freight volumes moved higher in Oct, building on last month's gain. Global FTKs are now 8.2% higher than a year ago; the strongest rate in more than 18mths. At the regional level, however, performance was mixed.
- For NthAm carriers, the pace of growth eased further in Oct, to 3.7%yoy following a surge in Aug. For Lat.Am carriers, FTKs are essentially unchanged from their year-ago level; even so, this is an improvement on the yoy declines observed over much of this year.
- At the regional level, FTKs have fallen on routes between Nth-Sth America & Within Sth America, the latter is now down almost 20%yoy. The two largest markets (Nth America to both Asia & Europe) are showing robust growth of 6.8% & 9.0%yoy respectively.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Aug-16	Sep-16	Oct-16
Passenger					
Nth America	ASK	3.8	3.6	4.1	3.7
	PLF	*83.8*	*85.2*	*83.4*	*83.7*
Latin America	ASK	6.5	1.3	1.0	0.9
	PLF	*79.9*	*82.1*	*82.1*	*82.3*
World	ASK	5.6	5.6	6.6	6.3
	PLF	*80.2*	*83.7*	*81.2*	*80.1*
Freight					
Nth America	AFTK	7.2	4.8	1.2	0.1
	FLF	*33.3*	*30.8*	*33.5*	*35.3*
Latin America	AFTK	4.3	-6.6	-5.2	-1.8
	FLF	*37.8*	*35.4*	*38.5*	*41.2*
World	AFTK	7.0	4.6	4.4	3.6
	FLF	*43.8*	*40.6*	*43.7*	*46.2*

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

- Capacity increases for both pax & freight for the region's carriers remain below that of the industry overall.
- For pax, NthAm carrier ASKs are up 3.7%yoy, compared with 6.3% for the industry & just 0.9% for Lat.Am airlines. For freight, NthAm AFTKs are essentially unchanged over the past year & in Lat.Am have *fallen* by almost 2%. Both are well below the 3.6% industry-wide increase.
- Oct load factors show the region outperforming the industry average for pax, but underperforming on freight.

Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q3	2016Q3
Nth America	11.1	14.7	19.6	17.2
Latin America	2.1	1.9	6.3	7.4
Industry	4.7	8.3	16.1	15.9

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

- The latest Q3 financial data show an industry operating (EBIT) margin of ~16%, little changed from a year ago. Margins have narrowed somewhat (to a still very healthy 17.2%) for NthAm carriers, but improved (to 7.4%) for Lat.Am carriers.
- Key passenger yields remain negative in yoy-terms, with US dom. & NthAm-Asia performing best, down 4-5%.

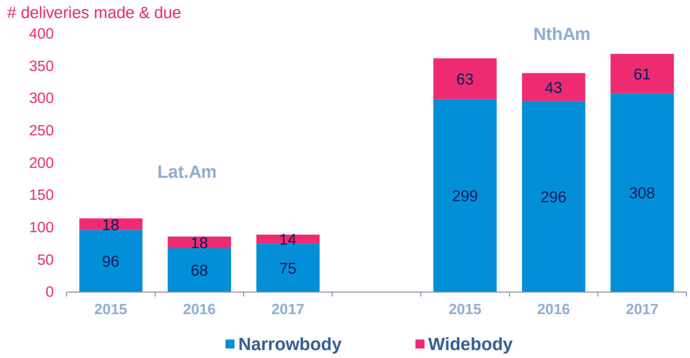
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
US domestic	-7.5	-3.0	-1.6	-4.0
Nth America-Europe	-7.9	-10.5	-8.7	-12.0
Nth America-Asia	-15.1	-4.7	-1.8	-4.7
Nth-Sth America	-11.5	-21.7	-24.9	-21.3
Sth America-Europe	-19.9	-13.2	-13.2	-14.5
Sth America-Asia	-18.0	5.1	-4.9	-11.6
Within Sth America	-13.1	-14.2	-10.3	-7.8

Source: IATA PaxIS

- Aircraft deliveries to the region are currently expected to be a little higher in 2017 than in 2016, indicating a modest degree of optimism for the industry outlook.

Aircraft deliveries to the Americas (latest data)



Source: Ascend

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