



STATE OF THE REGION: THE AMERICAS

FEBRUARY 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
United States	2.6	1.3	1.7	1.9
Brazil	-3.8	-3.6	-2.9	-2.5
Mexico	2.6	1.6	2.0	2.4
Canada	0.9	1.1	1.4	1.9
Argentina	2.6	-3.7	-3.8	--
Colombia	3.1	2.4	1.2	1.6
Chile	2.3	1.4	1.5	--
Peru	3.3	3.7	4.5	3.0
World*	2.3	2.1	2.2	2.4

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Nov-16	Dec-16	Jan-17
US\$ broad index	127.7	125.8	127.7	127.6
Brazilian real (BRL)	3.26	3.39	3.26	3.15
Mexican peso (MXN)	20.63	20.46	20.63	20.84
Argentine peso (ARS)	15.73	15.91	15.73	15.90
Colombian peso (COP)	2997	3072	2997	2922
Chilean peso (CLP)	668	674	668	648

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Nov-16	Dec-16	Jan-17
Crude oil (Brent)	52.4	44.7	53.3	54.6
Jet fuel	64.0	57.0	62.6	63.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

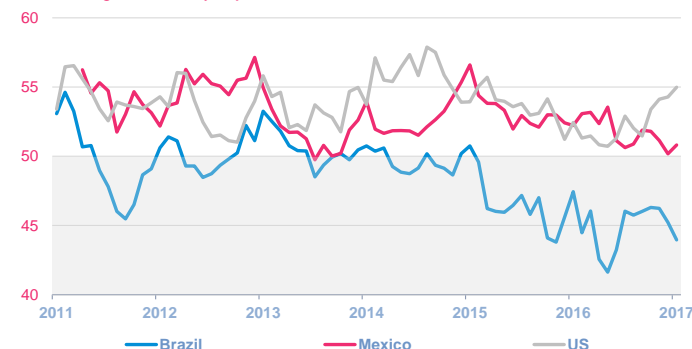
%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
Region (registration basis)				
N America	3.2	1.9	3.1	3.1
Latin America	3.6	3.6	4.8	5.0
World	6.3	5.8	7.8	8.8
Routes (segment basis)				
US domestic	3.4	1.4	3.9	2.4
Brazil domestic	-5.5	-5.3	-1.6	-1.9
Nth America-Europe	2.6	0.6	0.9	3.2
Nth America-Asia	6.4	6.0	7.0	8.2
Nth-Sth America	-0.5	-3.4	-2.8	-2.7
Sth America-Europe	3.5	2.4	4.1	4.6
Within Sth America	8.0	10.3	11.1	10.1

Source: IATA Statistics

- Industry-wide traffic volumes increased to a 10-month high of 8.8%yoy in Dec, up from 7.8%yoy in Nov. For 2016 as a whole, volumes increased by 6.3%, well ahead of its long-run average growth rate, even allowing for the additional trading day from the leap year.
- At the regional level, performance was more subdued. RPKs for NthAm airlines increased by 3.1%yoy to Dec & 3.2% for 2016 compared with 2015. For the LatAm

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

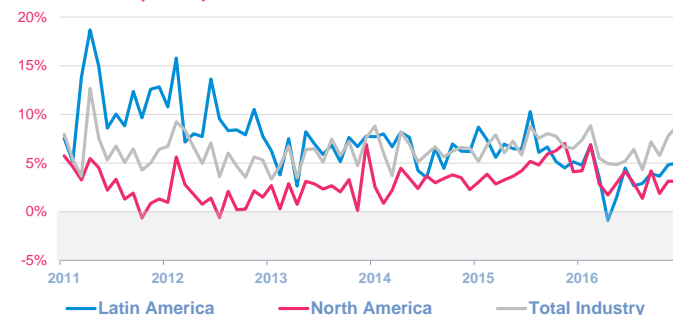
- Business confidence ticked higher in the US & Mexico this month – the latter reversing the downwards trend of recent months. In Brazil, a 2nd successive cut in official interest rates & signs of gradual economic recovery was unable to prevent further decline in business confidence.
- The US\$ was broadly unchanged on a trade-weighted basis in Jan. Amongst the main regional currencies, the BRL, CLP & COP all gained 2.5-3.5% vs the USD in the month, while the MXN & ARS both eased by ~1%.
- Oil & jet fuel prices edged higher in Jan, consolidating the outsized gain observed in Dec. The price of Brent crude rose 2.4% in Jan to average US\$54.60 & jet rose 1.5% to US\$63.60.

carriers, pax volumes were up 5.0%yoy & 3.6% in 2016.

- Brazil domestic RPKs ended the year down 1.9%yoy & down a substantial 5.5% for the year overall, highlighting the impact of the extended economic recession in that country. The US domestic market showed moderate growth of 3.4% for the year overall.
- Of the main regional markets, NthAm-Asia & Within Sth America were the stand-outs in 2016, contrasting with Nth-Sth America where pax volumes contracted.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
Region (registration basis)				
Nth America	2.0	3.3	7.5	3.7
Latin America	-4.2	-0.2	-1.3	-1.0
World	3.8	8.4	7.2	9.8
Routes (segment basis)				
Nth America-Asia	-1.2	6.9	6.3	9.1
Nth America-Europe	2.6	8.9	7.6	9.3
Nth-Sth America	-5.2	-1.5	-3.6	-1.6
Sth America-Europe	1.2	13.6	2.9	6.5
Within Sth America	-18.6	-19.2	-4.0	-1.5

Source: IATA Statistics

- ➔ Growth in global FTKs increased to 9.8%yoy in Dec, following a strong second half performance. The soft start to the year, however, weighed upon the annual average growth rate of 3.8%. Even so, the latter is almost double its five-year average pace of 2.0%.
- ➔ At the regional level, performance was mixed. NthAm FTKs increased by 2.0% in 2016 while Lat.Am freight volumes contracted by a hefty 4.2%.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Oct-16	Nov-16	Dec-16
Passenger					
Nth America	ASK	3.7	3.3	2.3	3.0
	PLF	83.5	83.7	83.0	83.0
Latin America	ASK	1.9	0.7	1.1	2.8
	PLF	80.8	81.5	81.8	81.2
World	ASK	6.2	6.2	6.5	6.6
	PLF	80.5	80.1	79.1	80.6
Freight					
Nth America	AFTK	3.4	-0.3	4.1	-1.4
	FLF	34.3	36.9	38.1	36.3
Latin America	AFTK	-2.0	-1.2	-1.6	-7.9
	FLF	33.3	36.4	36.9	36.5
World	AFTK	5.3	3.8	4.7	3.2
	FLF	43.0	46.2	47.2	46.1

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

- ➔ Both Nth & Lat.Am carriers increased pax capacity by ~3% over the 12 months to Dec, less than half the rate of the industry overall (6.6%). For freight, AFTKs ended 2016 lower than their level of Dec 2015 in both Nth & Lat.Am (the latter down ~8%yoy), compared with a moderate 3.2% increase in global freight capacity over the same period.
- ➔ Pax load factors ended the year strongly, at 83.0% for NthAm airlines and 81.2% for Lat.Am, both above the

Airline operating (EBIT) margins*

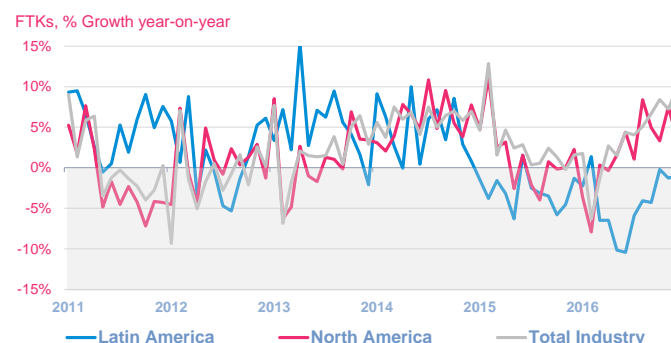
%revenues	2014	2015	2015Q4	2016Q4
Nth America	11.1	14.7	16.4	9.8
Latin America	2.1	1.9	--	--
Industry	4.7	8.3	14.7	9.7

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

IATA Economics: www.iata.org/economics

- ➔ Although FTK growth in the sizeable NthAm-Asia market ended the year on a strong note, up 9.1%yoy, volumes for the year overall were lower in 2016 than in 2015. Contraction was also evident for Nth-SthAmerica (which had been soft throughout the year) & Within SthAmerica. (where annual volumes are down almost 20% in 2016).
- ➔ Routes between Europe & both Nth & Sth America showed modest growth of 2.6% & 1.2% for the year.

Growth in air freight volumes



Source: IATA Statistics

80.6% average for the industry. The story is quite different for freight where the region's FLF (at ~36.5%) is some 10pp below the industry-wide average.

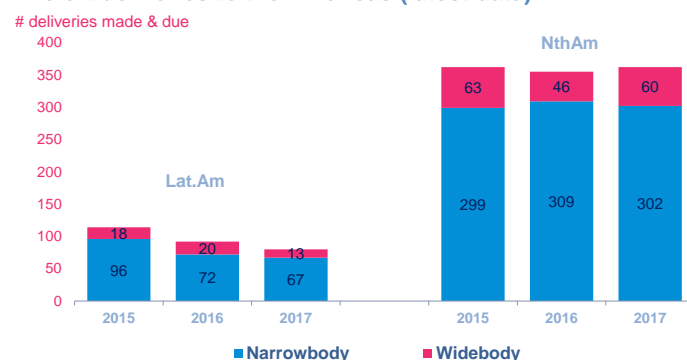
- ➔ The initial Q4 financials show the EBIT margin for NthAm airlines broadly in line with the industry figure of 9.7%. Both are down on a year ago. No data were available for Lat.Am carriers at the time of writing.
- ➔ Pax yields remain lower than their level of a year ago, despite upward trends in oil & jet fuel prices over 2016 & labour cost pressures in a number of key markets.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
US domestic	-4.5	-4.0	-3.7	-5.3
Nth America-Europe	-8.3	-12.0	-11.9	-9.8
Nth America-Asia	-7.2	-4.7	-4.4	-4.3
Nth-Sth America	-17.4	-21.3	-19.2	-12.4
Sth America-Europe	-17.3	-14.5	-9.8	-8.8
Sth America-Asia	-9.1	-11.6	-5.9	-10.3
Within Sth America	-13.8	-7.8	-6.6	-5.7

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend

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