



# STATE OF THE REGION: THE AMERICAS

JANUARY 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
United States	2.6	1.6	1.3	1.7
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	2.6	0.6	-3.7	-3.8
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
<b>World*</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>	<b>2.2</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2015	Oct-16	Nov-16	Dec-16
US\$ broad index	122.4	122.9	125.8	127.7
Brazilian real (BRL)	3.96	3.17	3.39	3.26
Mexican peso (MXN)	17.20	18.79	20.46	20.63
Argentine peso (ARS)	12.95	15.18	15.91	15.73
Colombian peso (COP)	3174	2998	3072	2997
Chilean peso (CLP)	709	653	674	668

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Oct-16	Nov-16	Dec-16
Crude oil (Brent)	52.4	49.5	44.7	53.3
Jet fuel	64.0	61.2	57.0	62.6

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

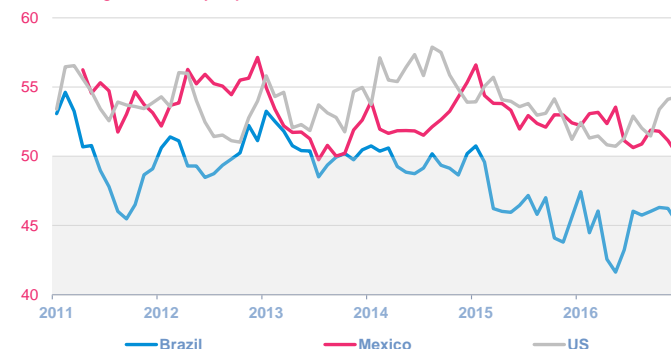
%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
<b>Region (registration basis)</b>				
N America	4.5	4.2	1.9	3.1
Latin America	6.6	3.9	3.6	4.8
World	7.1	7.2	5.8	7.6
<b>Routes (segment basis)</b>				
US domestic	4.9	4.4	1.4	3.9
Brazil domestic	0.9	-4.6	-5.3	-1.6
Nth America-Europe	3.8	2.6	0.6	0.9
Nth America-Asia	5.8	7.6	6.0	7.0
Nth-Sth America	6.6	-3.5	-3.4	-2.8
Sth America-Europe	2.0	4.8	2.4	4.1
Within Sth America	4.9	9.6	10.3	11.1

Source: IATA Statistics

- Following a modest easing in yoy growth in Oct, RPKs rebounded in Nov, with the global measure reaching a 9mth-high of 7.6%yoy. Gains were also observed at the regional level, with Nth America lifting to 3.1%yoy & Lat.Am increasing to a robust 4.8%yoy.
- Despite the rise this month, the NthAm growth rate is currently the slowest of all IATA regions. The domestic US market is outperforming its international counterpart

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

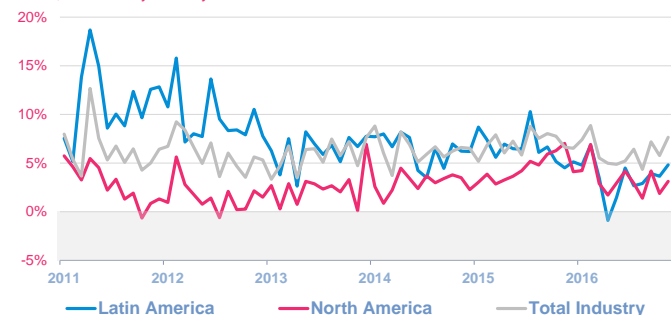
- US business confidence held its recent gains this month, while sentiment in Mexico eased further, partly related to the US election outcome. In Brazil, confidence also slipped back despite a recent cut in official interest rates.
- The US\$ gained a further 1.5% in Dec, to end the year up 4.5% on a trade-weighted basis. Of the main regional currencies, the BRL recovered some of last month's fall & is up ~18% vs the US\$ for the year. In contrast, the MXN & ARS are both down ~20% in yoy terms.
- Oil & jet fuel prices surged in Dec, on the back of the commitment by the major oil producers to limit production. Despite the strong monthly gain, prices ended year broadly similar to their levels of a year ago.

with growth expanding by 3.9%yoy in Nov. The (seasonally-adj) trend rate has improved since Sep, in line with consumer & business confidence surveys.

- Domestic RPKs are down 1.6%yoy in Brazil. However, with sizeable reductions in capacity, the load factor has risen by 3pp over the past year, to above 80% in Nov.
- Of the main regional markets, NthAm-Asia & Within SthAm are the strongest performers, but RPKs on routes between Nth-Sth America have fallen over the past year.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
<b>Region (registration basis)</b>				
Nth America	1.4	5.0	3.3	5.6
Latin America	-3.0	-4.3	-0.2	-1.3
World	2.7	6.7	8.4	6.8
<b>Routes (segment basis)</b>				
Nth America-Asia	5.1	5.0	6.9	6.2
Nth America-Europe	-2.1	10.0	8.9	7.6
Nth-Sth America	-4.6	-4.7	-1.5	-3.6
Sth America-Europe	-2.9	4.5	13.6	2.9
Within Sth America	-12.1	-14.1	-19.2	-4.0

Source: IATA Statistics

- Global FTKs grew by a robust 6.8%yoy in Nov, easing from 8.4% in Oct. but still well above the average pace over the past decade. At the regional level, however, performance was mixed.
- For NthAm carriers, the pace of growth recovered to a brisk 5.6% pace, while for Lat.Am carriers, growth slipped back a little in Nov, with FTKs now 1.3% lower than their level of a year ago.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Sep-16	Oct-16	Nov-16
<b>Passenger</b>					
Nth America	ASK	4.1	4.0	3.4	2.3
	PLF	83.7	83.3	83.7	83.0
Latin America	ASK	6.5	0.9	0.7	1.1
	PLF	79.4	81.3	81.5	81.8
World	ASK	6.2	6.7	6.2	6.5
	PLF	80.3	81.3	80.1	78.9
<b>Freight</b>					
Nth America	AFTK	7.4	1.1	-0.6	2.6
	FLF	34.9	35.5	37.0	37.9
Latin America	AFTK	10.8	-4.8	-1.2	-1.6
	FLF	34.1	34.5	36.4	36.9
World	AFTK	7.7	4.6	3.7	4.4
	FLF	43.7	43.6	46.2	47.2

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

- Nth American carriers have increased pax & freight capacity by a modest 2.3% & 2.6% respectively over the past year, well below the overall industry growth rates of 6.5% & 4.4%. Lat.Am carrier capacity has risen even more moderately, with ASKs up just 1.1%yoy & AFTKs down 1.6% on their year-ago level.
- Load factor outcomes for the region's carriers are mixed in Nov. On the pax side, both Nth and Lat.Am carriers generated a PLF above 80%, 3-4pp above the industry

### Airline operating (EBIT) margins\*

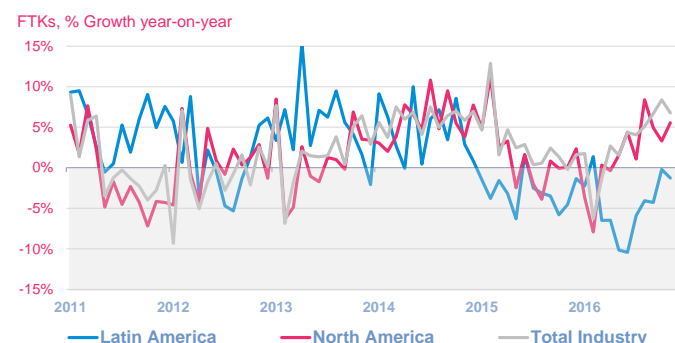
%revenues	2014	2015	2015Q3	2016Q3
Nth America	11.1	14.7	17.6	15.3
Latin America	2.1	1.9	6.3	7.4
Industry	4.7	8.3	15.3	14.8

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- FTK growth in the two largest markets (those between NthAm & both Asia & Europe) remains firm, up 6.2%yoy & 7.6% respectively, supported by solid economic activity in the US.
- Freight volumes for the Within SthAm market improved sharply in Nov, but remain down 4.0%yoy. FTKs on routes between Nth & Sth America are similarly lower, down 3.6%yoy

### Growth in air freight volumes



Source: IATA Statistics

average. However, the converse holds for freight where the FLF for the region's carriers is around 37-38%, a hefty 10pp below the industry average.

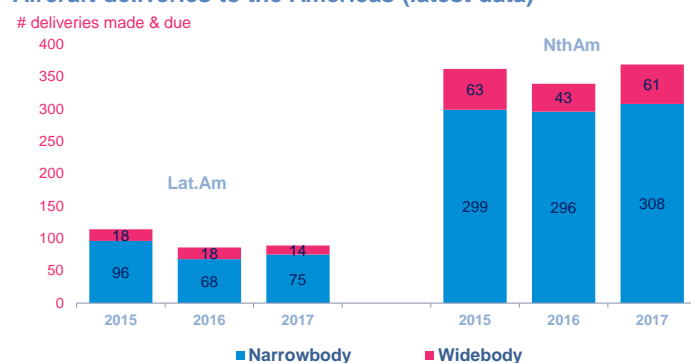
- The latest Q3 financial data show an industry operating (EBIT) margin of 14.8%, ½pp below that of a year ago. For NthAm carriers, the EBIT margin is down 2pp at (a still robust) 15.3%, while. Lat.Am carriers have improved their performance on this metric, up 1pp to 7.4%.
- Key passenger yields remain negative in yoy-terms, with NthAm-Eur & Nth-SthAm in double digit decline.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
US domestic	-7.5	-1.6	-4.0	-3.7
Nth America-Europe	-7.9	-8.7	-12.0	-11.9
Nth America-Asia	-15.1	-1.8	-4.7	-4.4
Nth-Sth America	-11.5	-24.9	-21.3	-19.2
Sth America-Europe	-19.9	-13.2	-14.5	-9.8
Sth America-Asia	-18.0	-4.9	-11.6	-5.9
Within Sth America	-13.1	-10.3	-7.8	-6.6

Source: IATA PaxIS

### Aircraft deliveries to the Americas (latest data)



Source: Ascend

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