STATE OF THE REGION: THE AMERICAS

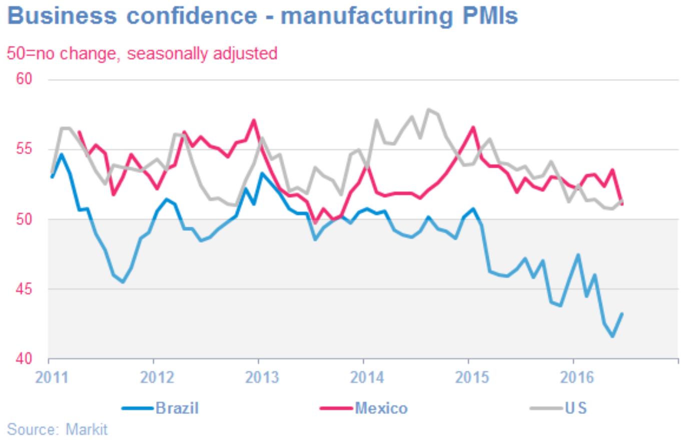
JULY 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
United States	2.4	2.1	2.0	2.1
Brazil	-3.8	-4.5	-5.9	-5.4
Mexico	2.5	2.6	2.4	2.8
Canada	1.2	1.0	0.3	1.1
Argentina	2.4	3.5	2.2	0.5
Colombia	3.1	3.1	3.4	2.5
Chile	2.1	2.5	1.4	1.7
Peru	3.3	3.2	4.7	4.4
World*	**2.5**	**2.6**	**2.3**	**2.3**

Source: Datastream * Market exchange rate basis [†] Estimate



- Business sentiment fell in Mexico this month, buffeted by fallout from developments elsewhere, incl. the Brexit vote. Confidence ticked-up in both Brazil & the US, but it is too early to call an end to the down-trend in either.

Exchange rates

end of period, # per US$	2015	Apr-16	May-16	Jun-16
US$ broad index	122.4	119.5	120.8	121.2
Brazilian real (BRL)	3.96	3.46	3.61	3.20
Mexican peso (MXN)	17.20	17.19	18.41	18.49
Argentine peso (ARS)	12.95	14.26	14.04	14.94
Colombian peso (COP)	3174	2852	3090	2923
Chilean peso (CLP)	709	659	691	658

Source: Datastream, XE

- The (trade-weighted) US$ edged up in June, by 0.3%. Apart from the ARS (down 6.5%), 'rebound' was the theme amongst the key regional bilateral rates; the COP & CLP both recovered ~5% & the BRL a hefty 11%.

World oil and jet fuel price

US$/barrel	2015	Apr-16	May-16	Jun-16
Crude oil (Brent)	52.4	41.6	46.7	48.3
Jet fuel	64.0	48.2	54.6	58.0

Source: Platts, EIA Monthly average data

- The world price of oil & jet fuel moved higher again in June, up 1.5% & 3.5%, respectively, to US$48.30 & US$58 on concerns of supply outages. Even so, daily oil prices ended the month slightly below their starting level.

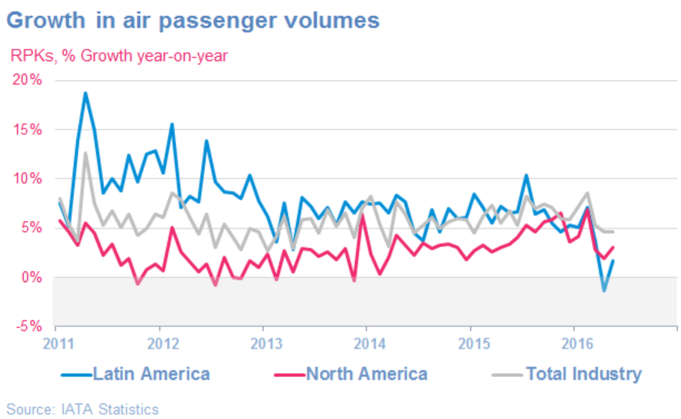
Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
Region (registration basis)				
N America	4.3	2.9	1.9	3.0
Latin America	6.8	3.8	-1.3	1.7
World	6.5	5.3	4.6	4.6
Routes (segment basis)				
US domestic	4.9	3.8	2.4	4.4
Brazil domestic	0.9	-7.4	-12.3	-7.7
Nth America-Europe	3.8	4.7	1.5	0.8
Nth America-Asia	5.8	1.5	5.7	3.5
Nth-Sth America	6.6	2.8	-0.3	0.2
Sth America-Europe	2.0	2.5	2.7	2.0
Within Sth America	4.9	4.3	3.7	5.6

Source: IATA Statistics

- RPK growth rates picked up again for both Nth & Latin American-registered carriers in May. For the latter, a 3pp improvement returned the yoy rate back to positive territory, albeit at a modest pace of 1.7%. RPKs are 3% higher than their level of a year ago for NthAm carriers.
- Industry-wide RPK growth was unchanged at 4.6%yoy. While this is a robust performance, in line with the 10yr average rate, it is still the slowest pace since Jan 2015.
- RPKs in the two largest domestic markets improved (yoy) in May, although for Brazil, they remain a significant 7.7% lower than a year ago – impacted by the deep economic recession in that country. For US domestic, following a period of softness, in line with falls in consumer confidence, RPKs appear to have resumed their upward trend with growth rising to a solid 4.4%yoy.
- A mixed performance is evident on international routes, with Within SthAm & NthAm-Asia the best performers, with growth of 5.6% & 3.5%yoy respectively.

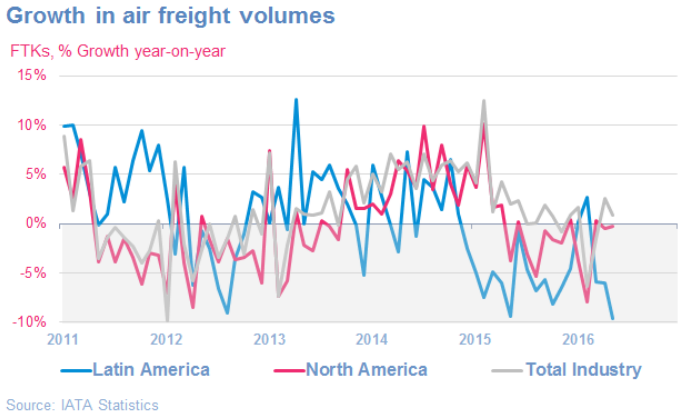


Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
Region (registration basis)				
Nth America	-0.1	0.3	-0.5	-0.2
Latin America	-5.9	-5.9	-6.0	-9.7
World	2.2	-1.5	2.6	0.9
Routes (segment basis)				
Nth America-Asia	5.1	-11.7	-4.7	-3.2
Nth America-Europe	-2.1	-5.1	1.1	-1.7
Nth-Sth America	-4.6	-6.8	-6.8	-11.2
Sth America-Europe	-2.9	-13.3	5.8	3.6
Within Sth America	-12.1	-16.9	-18.6	-23.9

Source: IATA Statistics

- Air freight growth remains subdued, with the annual growth in industry-wide FTKs slipping to just 0.9%yoy in May. For regional carriers, cargo volumes are both lower than at the same time a year ago – especially for Lat.Am airlines where FTKs are almost 10% lower yoy.
- As we have noted previously, the headwinds to the cargo performance include the broadly sideways trend in world trade growth & a very patchy global economic performance. Business surveys continue to offer little encouragement of immediate turnaround.
- On key inter-regional routes, – with the exception of routes between SthAm-Europe – volumes are all lower than a year ago. The declines are most apparent for Nth-SthAm (down 11.2%yoy) & the smaller Within SthAm market (down almost 25%yoy).



Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2015	Mar-16	Apr-16	May-16
Passenger					
Nth America	ASK	3.8	3.3	2.4	3.4
	PLF	*83.8*	*83.6*	*82.3*	*83.8*
Latin America	ASK	6.5	2.4	-0.7	1.3
	PLF	*79.9*	*78.6*	*78.2*	*79.4*
World	ASK	5.6	5.7	4.9	5.5
	PLF	*80.2*	*79.8*	*79.2*	*78.7*
Freight					
Nth America	AFTK	3.8	8.1	6.4	3.2
	FLF	*34.4*	*34.6*	*33.5*	*31.8*
Latin America	AFTK	4.4	2.3	-0.7	-7.0
	FLF	*37.4*	*36.9*	*36.6*	*35.3*
World	AFTK	6.3	6.9	6.1	4.9
	FLF	*44.1*	*43.7*	*43.4*	*41.9*

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

- Pax capacity growth by the region's carriers over the past year sits below the overall industry average, contributing to higher passenger load factors. At 83.8% in May, the PLF for NthAm carriers is the highest of all the IATA regions.
- On the freight side, capacity growth is similarly below the industry rate (indeed, Lat.Am carriers have reduced AFTKs by a significant 7%yoy), but even so, the regional freight loads remain well below the industry average.

Airline EBIT margins*

%revenues	2014	2015	2015Q1	2016Q1
Nth America	11.1	14.7	11.1	13.7
Latin America	2.1	1.9	7.4	8.5
Industry	4.7	8.3	5.8	8.0

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

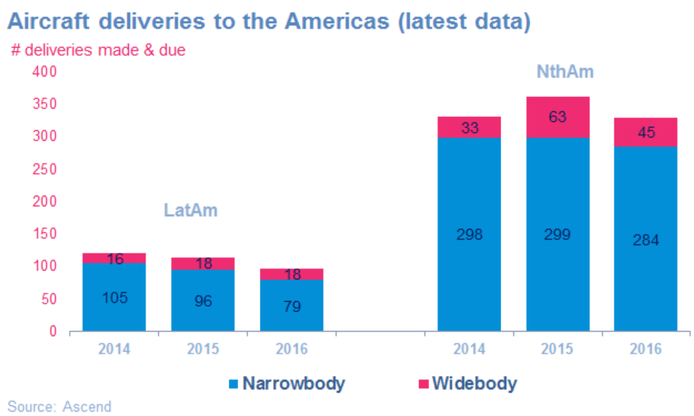
- Q1 operating margins for NthAm carriers remain the industry leader, at 13.7%, up 2½pp on a year ago. The EBIT margin for Lat.Am carriers is modestly up on a year ago, at 8.5% currently. For the industry overall, the margin is currently 8.0%.
- Despite recent oil price & exchange rate movements, passenger yields are all lower than their year-ago levels.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Mar-16	Apr-16	May-16
US domestic	-7.5	-5.7	-4.5	-3.9
Nth America-Europe	-7.9	-9.0	-1.6	-5.2
Nth America-Asia	-15.1	-9.7	-10.0	-9.4
Nth-Sth America	-11.5	-11.1	-9.2	-19.4
Sth America-Europe	-19.9	-23.6	-18.6	-19.1
Sth America-Asia	-18.0	-10.9	-14.0	-13.4
Within Sth America	-13.1	-16.2	-15.1	-18.3

Source: IATA PaxIS

- The latest data continue to point to moderately lower jet aircraft deliveries to the region this year vs 2015.



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