



STATE OF THE REGION: THE AMERICAS

MARCH 2016

Economy

GDP growth, selected countries

%change on a yr ago	2014	2015Q2	2015Q3	2015Q4
United States	2.4	2.7	2.1	1.9
Brazil	0.1	-3.0	-4.5	-5.9
Mexico	2.1	2.4	2.7	2.5
Canada	2.4	1.0	1.1	0.5
Argentina	0.5	2.3	--	--
Colombia	4.6	3.1	3.2	3.3
Chile	1.8	2.2	2.3	--
Peru	2.4	3.1	3.2	4.7
World*	2.7	2.6	2.5	2.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2014	Dec-15	Jan-16	Feb-16
US\$ broad index	111.3	122.4	125.2	124.0
Brazilian real (BRL)	2.66	3.96	4.03	3.98
Mexican peso (MXN)	14.75	17.20	18.22	18.07
Argentine peso (ARS)	8.46	12.95	13.93	15.62
Colombian peso (COP)	2387	3174	3305	3323
Chilean peso (CLP)	607	709	714	696

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2014	Dec-15	Jan-16	Feb-16
Crude oil (Brent)	99.0	44.3	38.0	30.7
Jet fuel	113.3	55.7	45.4	39.1

Source: Platts, EIA

Market

Revenue passenger kilometers (RPKs)

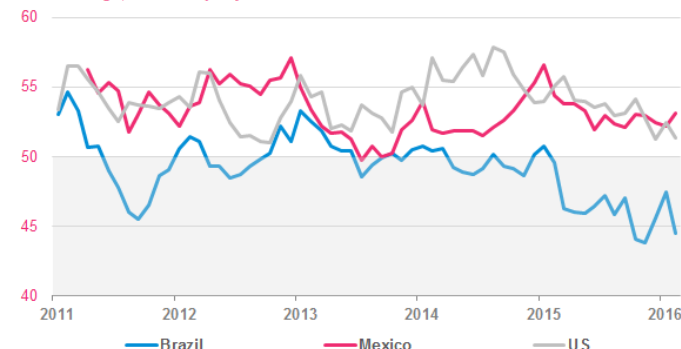
%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
Region (registration basis)				
N America	2.7	6.5	3.8	4.3
Latin America	6.3	4.6	5.5	5.1
World	5.7	6.0	5.7	7.1
Routes (segment basis)				
US domestic	2.4	8.9	4.9	5.5
Brazil domestic	6.9	-8.0	-4.4	-4.1
Nth America-Europe	2.7	4.2	3.4	4.3
Nth America-Asia	4.9	8.3	5.6	9.1
Nth-Sth America	6.0	5.3	7.4	4.5
Sth America-Europe	3.0	1.0	-0.1	0.1
Within Sth America	3.4	4.2	4.6	4.3

Source: IATA Statistics

- Industry-wide RPKs have grown by a brisk 7.1% over the year to Jan, a rate which outstrips the regional equivalent figures of 5.1% for Lat.Am & a more modest 4.3% in NthAm.
- At the segment level, US domestic RPK growth appears to have settled back to a 5-5.5%yoy pace in recent months, after showing a clear acceleration in the initial stages of 2H15.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



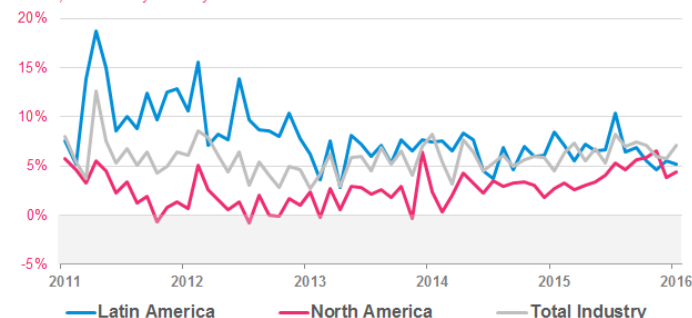
Source: Markit

- Last month's surge in business confidence in Brazil proved to be short-lived, with the index giving up most of those gains in the latest data. Uncertainty around the election is not helping sentiment in the US.
- The US\$ eased a little in Feb, down ~1% overall. The ARS fell 12% against the US\$ in Feb, while most other regional currencies showed slight gains, led by the CLP which gained 2.5% in the month.
- World oil & jet fuel prices ended Feb down 6-7%, having dipped below the US\$30 & US\$40 benchmarks respectively. Prices have rebounded somewhat over recent weeks on expectations of tighter supply, but it remains to be seen whether the gains can be sustained.

- In contrast, Brazil domestic passenger volumes remain a substantial 4.1% lower than the same time a year ago – unsurprising given the broader economic developments & outlook. The pace of decline has moderated over recent months, which is some small consolation.
- The stand-out inter-regional performer is NthAm-Asia where RPKs are up 9%yoy. Routes between NthAm & both Europe & SthAm, as well as Within SthAm are showing healthy growth of around 4.5% over the past year. Volumes remain flat for SthAm-Europe.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
Region (registration basis)				
Nth America	4.5	-2.0	2.4	2.5
Latin America	2.1	-6.4	-4.5	-3.6
World	5.5	-0.9	1.4	2.7
Routes (segment basis)				
US domestic	1.7	-1.7	3.2	3.5
Nth America-Asia	9.9	-4.1	-4.4	-6.4
Nth America-Europe	2.5	-5.1	-1.8	-0.3
Nth-Sth America	2.9	-2.1	-5.9	-0.9
Sth America-Europe	0.6	-12.3	-13.2	-2.3
Within Sth America	6.0	-25.2	-12.2	-19.7

Source: IATA Statistics

- At the industry level, the modest recovery in air freight volumes over the second half of 2015 continued into Jan, with FTKs now up 2.7%yoy.
- Performance is mixed at the regional level with volumes up 2.5%yoy in NthAm but down 3.6% in Lat.Am.
- On a segment basis, FTKs on key routes are broadly soft. The exception is US domestic volumes which are up 2.5%yoy, supported by solid economic activity.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2014	Nov-15	Dec-15	Jan-16
Passenger					
Nth America	ASK	2.5	3.3	3.6	2.9
	PLF	83.4	82.5	82.8	80.7
Latin America	ASK	4.1	5.7	4.9	4.6
	PLF	79.7	78.9	80.4	82.8
World	ASK	5.5	4.3	5.4	5.6
	PLF	79.6	78.0	78.9	78.8
Freight					
Nth America	AFTK	0.8	5.4	7.3	6.7
	FLF	35.6	35.7	34.2	34.6
Latin America	AFTK	3.1	4.2	6.3	4.2
	FLF	41.5	40.8	37.1	32.9
World	AFTK	4.4	4.5	6.9	7.0
	FLF	45.8	47.0	44.0	41.3

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

- Capacity growth for the region's carriers, both pax & freight, sits below the industry average, with the difference more pronounced on the pax side.
- Partly reflecting this, the regional PLFs are both above 80% & the industry average of 78.8%. For freight, however, the regional load factors for Jan are below 35% & down on the industry figure of 41%.

Airline EBIT margins*

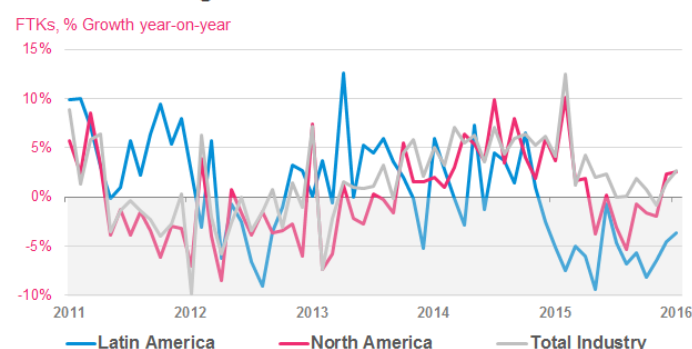
%revenues	2013	2014	2014Q4	2015Q4
Nth America	6.6	9.4	11.0	15.5
Latin America	7.4	6.2	9.1	7.6
Industry	4.1	5.2	7.1	10.9

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

- Within SthAmerica FTKs are down ~20%yoy, reflecting the difficult economic backdrop in a number of the larger countries, such as Brazil & Argentina. NthAm-Asia freight volumes are also noticeably lower, down a solid 6.4%yoy.

- US trade data suggests recent improvement in imports from Europe & this is evident in the improvement in FTKs for this key trade route. That said, volumes are still slightly lower than a year ago.

Growth in air freight volumes



Source: IATA Statistics

- The current Q4 EBIT margin for NthAm carriers is a strong 15.5%, up on a year ago & above the industry average of 11%. The challenges in Lat.Am are evidenced by the 7.6% margin.

- Key pax yields continue to show double-digit declines, partly reflecting developments in oil prices & the US\$.

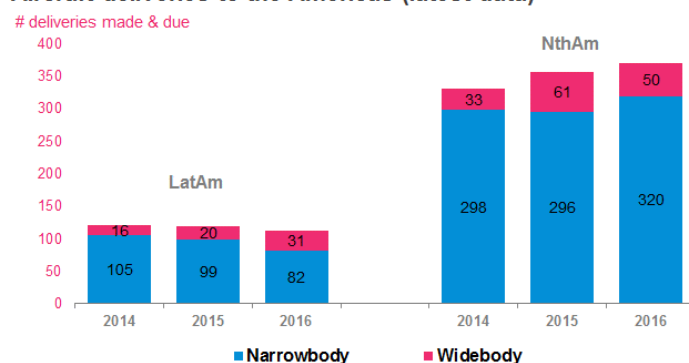
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
US domestic	4.0	-4.0	-8.6	-10.1
Nth America-Europe	-3.2	-7.0	-5.8	-6.6
Nth America-Asia	-10.4	-13.0	-11.0	-11.0
Nth-Sth America	-0.8	-14.8	-15.3	-13.3
Sth America-Europe	-2.2	-24.2	-25.0	-23.5
Sth America-Asia	-7.5	-15.4	-13.5	-12.8
Within Sth America	-8.2	-12.0	-10.3	-12.9

Source: IATA PaxIS

- Aircraft deliveries for NthAm & Lat.Am are both expected to remain robust in 2016.

Aircraft deliveries to the Americas (latest data)



Source: Ascend