



STATE OF THE REGION: THE AMERICAS

MARCH 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	Dec-16	Jan-17	Feb-17
US\$ broad index	127.7	127.7	127.6	125.8
Brazilian real (BRL)	3.26	3.26	3.15	3.11
Mexican peso (MXN)	20.63	20.63	20.84	20.00
Argentine peso (ARS)	15.73	15.73	15.90	15.48
Colombian peso (COP)	2997	2997	2922	2925
Chilean peso (CLP)	668	668	648	650

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Dec-16	Jan-17	Feb-17
Crude oil (Brent)	52.4	53.3	54.6	54.9
Jet fuel	64.0	62.6	63.6	65.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

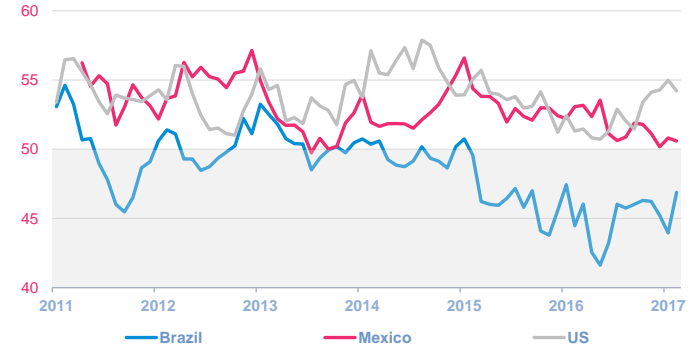
%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
Region (registration basis)				
N America	3.2	3.2	3.1	3.4
Latin America	3.6	4.8	4.9	4.9
World	6.3	7.7	8.7	9.6
Routes (segment basis)				
US domestic	3.4	4.1	2.4	3.5
Brazil domestic	-5.5	-1.6	-2.3	-2.0
Nth America-Europe	2.6	0.9	3.2	1.2
Nth America-Asia	6.4	7.0	8.2	7.2
Nth-Sth America	-0.5	-2.8	-2.7	-3.4
Sth America-Europe	3.5	4.1	4.6	3.5
Within Sth America	8.0	11.1	10.1	11.5

Source: IATA Statistics

- Industry-wide traffic volumes began the year strongly, with RPK growth lifting to 9.6%yoy in Jan, the strongest start to a year since 2005. As usual at this time, we note that Chinese New Year can impact the data; potentially adding ½pp to annual growth on this occasion.
- At the regional level, performance remains more subdued. RPKs for NthAm airlines ticked up to 3.4%yoy while Lat.Am carrier growth was unchanged at 4.9%yoy.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



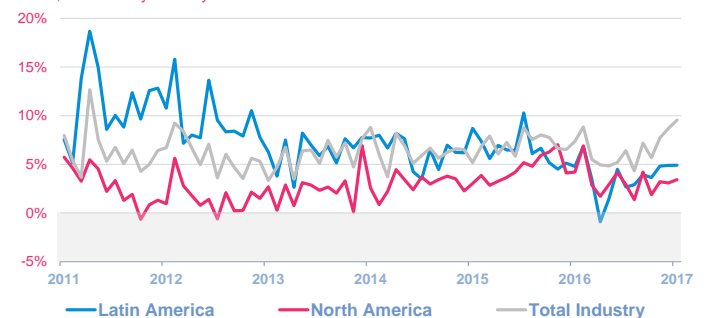
Source: Markit

- Brazil's economy shrank for the 8th consecutive quarter but business sentiment rebounded on a brighter outlook. In Mexico, the central bank downgraded its forecasts & confidence remains subdued. The US measure gave up some of its recent gains, but businesses remain upbeat.
- The US\$ eased a little in Feb, down ~1.5% on a trade-weighted basis. For regional bilateral exchange rates, the MXN bounced back after recent falls - gaining a solid 4.0% vs the US\$ in the month - & the ARS gained 2.7%.
- Until recently, Brent crude oil prices have been relatively stable in the months following their Dec surge, rising just 0.5% in Feb to US\$55/bbl. Jet fuel prices increased by 2.2% in the month, to US\$65/bbl.

- US domestic RPKs are now growing in line with the NthAm aggregate, at 3.5%yoy. Brazil domestic RPKs are 2.0% lower than their level of a year ago, but with tentative indications that the market is stabilizing & may return to positive growth in coming months.
- Notwithstanding the plight of Brazil, the Within SthAm market continues its double-digit growth, highlighting the differences in individual country performance within the region. In contrast, RPKs on routes between Nth-Sth America remain weak & are now down a solid 3.4%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
Region (registration basis)				
Nth America	2.1	8.0	3.9	6.1
Latin America	-4.2	-1.3	-1.0	-4.1
World	3.8	7.3	10.0	6.9
Routes (segment basis)				
Nth America-Asia	-1.2	6.7	8.6	5.7
Nth America-Europe	2.6	7.6	9.1	8.6
Nth-Sth America	-5.1	-3.6	-0.5	3.2
Sth America-Europe	1.2	2.9	6.5	1.6
Within Sth America	-18.6	-4.0	-1.5	-20.1

Source: IATA Statistics

- The 6.9% annual increase in global FTKs in Jan marked an easing from the double-digit pace of Dec, but was still well ahead of the 5yr average rate (3.0%). The impact of Chinese New Year is again a relevant consideration in Jan & Feb data.
- At the regional level, NthAm FTKs bounced back to 6.1%yoy, following a dip to end the year. However, for Lat.Am, freight volumes have *contracted* by 4.1%yoy.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Nov-16	Dec-16	Jan-17
Passenger					
Nth America	ASK	3.7	2.4	3.0	4.1
	PLF	83.5	83.0	83.0	80.0
Latin America	ASK	1.9	1.1	2.8	3.7
	PLF	80.8	81.8	81.1	83.2
World	ASK	6.3	6.5	6.7	8.0
	PLF	80.5	79.0	80.5	80.2
Freight					
Nth America	AFTK	3.4	4.2	-1.5	0.6
	FLF	34.4	38.2	36.4	35.3
Latin America	AFTK	-1.7	-1.6	-4.0	-1.4
	FLF	33.2	36.9	35.0	28.5
World	AFTK	5.3	4.8	3.3	3.5
	FLF	43.0	47.3	46.2	42.1

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

- Nth & Lat.Am carriers have been very cautious in increasing capacity over the past year, particularly for freight. The rate of increase in both pax & freight capacity by the region's carriers is well below that of the industry overall – indeed AFTKs for Lat.Am carriers have fallen over the past year.
- At 80.0%, the NthAm pax load factor for Jan sits just below the industry-wide 80.2%; both are below the solid 83.2% outcome for Lat.Am carriers. The FLF outcomes,

Airline operating (EBIT) margins*

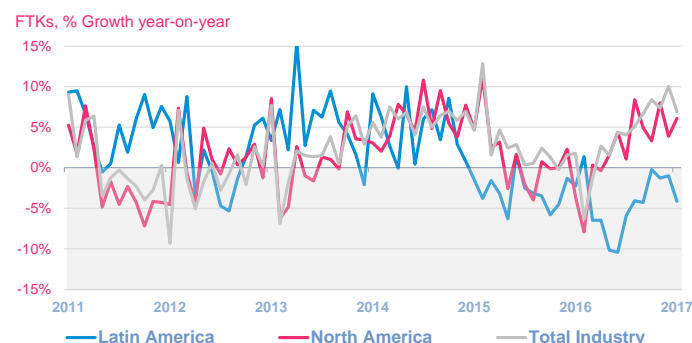
%revenues	2014	2015	2015Q4	2016Q4
Nth America	11.1	14.7	14.6	11.4
Latin America	2.1	1.9	5.6	8.3
Industry	4.7	8.3	12.3	10.2

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

IATA Economics: www.iata.org/economics

- FTK growth eased in the two main NthAm markets (Asia & Europe) but remain robust, at 5.7% & 8.6%yoy, respectively. Growth for Nth-Sth America returned to positive territory this month, up 3.2%yoy, following 17 consecutive months of yoy declines.
- After a short-lived respite (of just two months), freight volume growth for the Within SthAm market fell sharply in Jan, returning to the -20%yoy rates of late 2015-16.

Growth in air freight volumes



Source: IATA Statistics

however, both lag the industry average of 42.1%. In Jan, the FLF for the Lat.Am carriers fell below 30%.

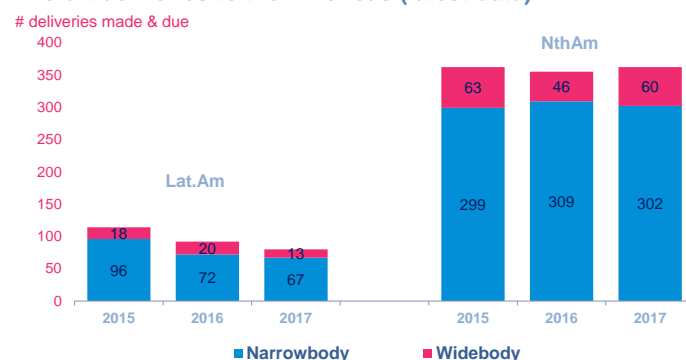
- The latest Q4 financials show the EBIT margin for the region's carriers straddling the industry-wide outcome of 10.2%. At 11.4% currently, the margin for NthAm airlines is down ~3pp on a year ago. The Lat.Am margin has increased by a similar magnitude, to 8.3% at present.
- Pax yields are still well down on a year ago. However, in constant exchange rate terms, there are emerging signs that industry-wide yields may have bottomed.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
US domestic	-4.5	-3.7	-5.3	-4.4
Nth America-Europe	-8.3	-11.9	-9.8	-10.8
Nth America-Asia	-7.2	-4.4	-4.3	-5.3
Nth-Sth America	-17.4	-19.2	-12.4	-17.3
Sth America-Europe	-17.3	-9.8	-8.8	-6.9
Sth America-Asia	-9.1	-5.9	-10.3	-10.7
Within Sth America	-13.8	-6.6	-5.7	-7.2

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend

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