STATE OF THE REGION: THE AMERICAS

MAY 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q3	2016Q4	2017Q1
United States	2.6	1.7	2.0	1.9
Brazil	-3.8	-2.9	-2.5	--
Mexico	2.6	2.0	2.4	--
Canada	0.9	1.4	1.9	--
Argentina	2.6	-3.7	-2.1	--
Colombia	3.1	1.2	1.6	--
Chile	2.2	1.7	0.8	0.3
Peru	3.3	4.5	3.0	2.1
World*	**2.4**	**2.2**	**2.5**	**2.6**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2016	Feb-17	Mar-17	Apr-17
US$ broad index	127.7	125.8	125.3	124.3
Brazilian real (BRL)	3.26	3.11	3.16	3.19
Mexican peso (MXN)	20.63	20.00	18.83	18.94
Argentine peso (ARS)	15.73	15.48	15.38	15.43
Colombian peso (COP)	2997	2925	2884	2951
Chilean peso (CLP)	668	650	662	666

Source: Datastream, XE

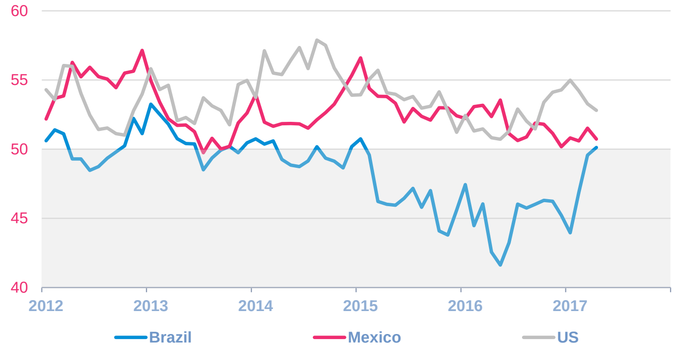
World oil and jet fuel price

US$/barrel	2016	Feb-17	Mar-17	Apr-17
Crude oil (Brent)	52.4	54.9	51.6	52.3
Jet fuel	64.0	65.0	60.7	63.4

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil moved above 50 for the first time since Jan 2015. Renewed political turmoil may mean this gain is short-lived. Confidence dipped modestly in both Mexico & the US this month.
- The US$ eased further on a trade-weighted basis in April, down 0.7%. Even so, all of the region's main currencies fell relative to the US$ this month. The largest declines were in the COP & BRL bilateral rates, which were down 2.4% & 0.8% respectively.
- Brent crude oil & jet fuel prices ended the month higher (the latter up a sizeable 4.5%), buoyed by statements of support from Russia & Saudi Arabia to extend the production cuts.

Market

Revenue passenger kilometers (RPKs)

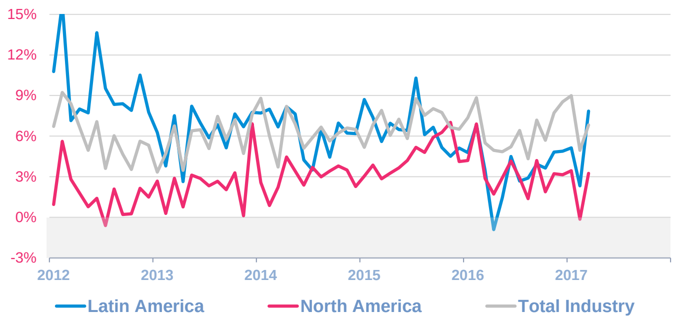
%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
N America	3.2	3.4	-0.2	3.2
Latin America	3.6	5.1	2.3	7.8
World	6.3	9.0	4.9	6.8
Routes (segment basis)				
US domestic	3.4	3.7	-0.5	3.4
Brazil domestic	-5.5	-1.4	-4.9	5.9
Nth America-Europe	2.5	1.2	-0.2	-0.1
Nth America-Asia	6.4	7.5	2.2	5.7
Nth-Sth America	-0.5	-3.4	-3.7	1.3
Sth America-Europe	3.5	3.5	1.2	7.3
Within Sth America	8.0	11.5	10.4	14.5

Source: IATA Statistics Note: historical data may be subject to revision

- Growth in global RPKs retraced some of last month's fall, recovering to be 6.8% higher yoy in Mar. This completes a robust first quarter – industry-wide RPKs were 7.0% higher than in the same period a year ago, well ahead of the long-run average rate of ~5.5%.
- At the regional level, the pace of RPK growth also recovered, to a brisk 7.8%yoy for Lat.Am carriers & a more modest 3.2% for those in NthAm.
- RPK growth in the domestic Brazil market returned to positive territory (+5.9%yoy) in Mar – the first time since July 2015.
- Amongst the key markets for the region's carriers, growth recovered on all routes except NthAm-Europe which was broadly unchanged, with RPKs down 0.1%yoy. Within SthAm remains the standout performer, with very strong growth of 14.5%yoy. SthAm-Europe follows, with RPKs up 7.3% on a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

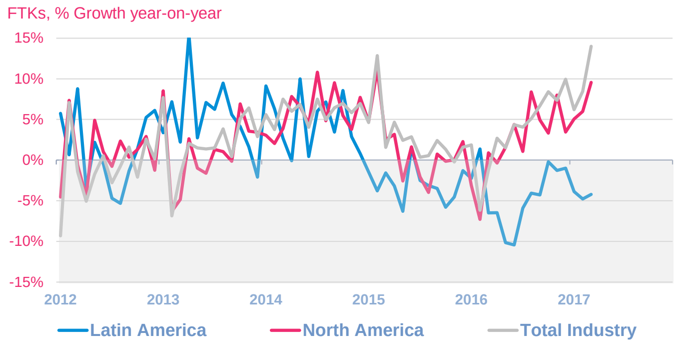
Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
Nth America	2.2	5.0	6.0	9.5
Latin America	-4.2	-3.9	-4.8	-4.2
World	3.8	6.2	8.4	14.0
Routes (segment basis)				
Nth America-Asia	-1.2	6.3	8.4	12.3
Nth America-Europe	2.5	8.4	7.1	12.2
Nth-Sth America	-5.1	1.5	-2.7	-0.2
Sth America-Europe	1.2	1.6	1.5	6.7
Within Sth America	-18.6	-20.1	-16.9	-9.8

Source: IATA Statistics Note: historical data may be subject to revision

- Global FTKs grew by 14.0%yoy in Mar – the fastest pace since October 2010. For Q1 overall, freight volumes rose almost 10% on the same period last year.
- At the regional level, performance remains mixed. NthAm FTKs strengthened further, to a hefty 9.5%yoy pace this month but freight volumes for Lat.Am carriers are down 4.2% on a year ago, despite a small (yoy) improvement in Mar.
- FTK growth on the two main NthAm markets (those of Asia & Europe) lifted – into double-digit territory – this month, with both up just over 12%yoy.
- The robust 6.7%yoy growth rate on the SthAm-Europe market contrasts with weakness elsewhere for the Lat.Am carriers; Nth-SthAm FTKs are down 0.2% while traffic within SthAm, despite recent improvement, is still down almost 10%yoy.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Jan-17	Feb-17	Mar-17
Passenger					
Nth America	ASK	3.7	4.0	-0.6	3.3
	PLF	*83.5*	*80.1*	*79.4*	*83.6*
Latin America	ASK	1.9	3.8	0.5	5.3
	PLF	*80.8*	*83.3*	*80.7*	*80.2*
World	ASK	6.3	7.3	2.8	6.1
	PLF	*80.5*	*80.3*	*79.5*	*80.4*
Freight					
Nth America	AFTK	3.5	0.5	-1.6	2.8
	FLF	*34.4*	*35.1*	*35.6*	*36.9*
Latin America	AFTK	-1.7	0.6	-5.1	-1.9
	FLF	*33.2*	*28.0*	*31.7*	*31.9*
World	AFTK	5.3	3.3	0.1	4.2
	FLF	*43.0*	*41.9*	*43.4*	*47.4*

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

- At the global level, airlines have increased capacity solidly over the past year; ASKs are up 6.1% & AFTKs up 4.2%. NthAm carriers have increased pax & freight capacity only modestly over the past year; by ~3% for both ASKs & AFTKs. Lat.Am carriers have increased ASKs by a solid 5.3%yoy, but *reduced* AFTKs by ~2%.
- Pax loads returned to above 80% in Mar, with NthAm outperforming all regions at 83.6%. Freight loads for the region's carriers are relatively soft, however, with only African carriers returning a lower FLF (at just 29.8%).

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q1	2017Q1
Nth America	14.8	13.2	15.4	8.0
Latin America	1.5	4.2	9.2	-1.5
Industry	8.5	8.8	9.6	4.8

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

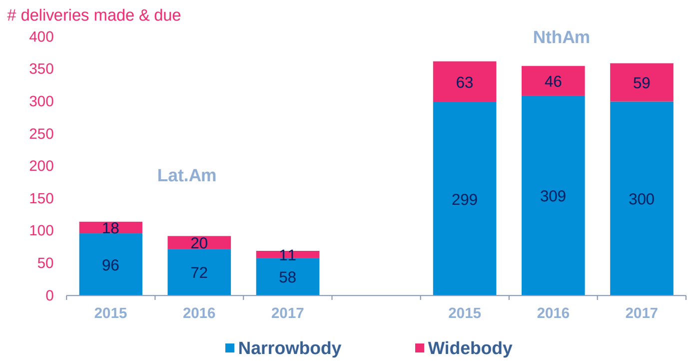
- The initial Q1 data show softer EBIT margin outcomes at both the region & industry level. NthAm (now 8.0%, down from 15.4% a year previous) still outperforms the industry average (4.8% from 9.6%) while the Lat.Am margin is now negative (-1.5% currently vs 9.2%).
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, yoy yields have clearly narrowed & have now *risen* for the Within SthAm market.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
US domestic	-4.5	-4.4	-2.8	-2.4
Nth America-Europe	-8.3	-10.8	-10.3	-0.6
Nth America-Asia	-7.2	-5.3	-2.3	-0.7
Nth-Sth America	-17.4	-17.3	-13.3	-9.8
Sth America-Europe	-17.3	-6.9	-2.7	-1.4
Sth America-Asia	-9.1	-10.7	-8.8	-6.4
Within Sth America	-13.8	-7.2	-3.3	1.7

Source: IATA PaxIS Note: historical data may be subject to revision

Aircraft deliveries to the Americas (latest data)



Source: Ascend

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