



STATE OF THE REGION: THE AMERICAS

NOVEMBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
United States	2.2	1.6	1.3	1.5
Brazil	-4.7	-5.4	-3.8	--
Mexico	2.5	2.5	1.5	--
Canada	1.2	1.2	0.9	--
Argentina	2.5	0.4	-3.4	--
Colombia	3.0	2.5	2.0	--
Chile	2.2	1.9	1.3	--
Peru	3.9	4.5	3.7	--
World*	2.3	2.2	2.1	2.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Aug-16	Sep-16	Oct-16
US\$ broad index	122.4	120.8	121.8	122.9
Brazilian real (BRL)	3.96	3.25	3.24	3.17
Mexican peso (MXN)	17.20	18.85	19.34	18.79
Argentine peso (ARS)	12.95	14.89	15.39	15.18
Colombian peso (COP)	3174	2956	2864	2998
Chilean peso (CLP)	709	679	658	653

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Aug-16	Sep-16	Oct-16
Crude oil (Brent)	52.4	45.8	46.6	49.5
Jet fuel	64.0	54.4	55.4	61.2

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Jul-16	Aug-16	Sep-16
Region (registration basis)				
N America	4.2	2.9	1.4	4.2
Latin America	6.8	3.0	3.2	4.3
World	6.5	6.4	4.3	7.0
Routes (segment basis)				
US domestic	4.9	1.8	1.0	4.6
Brazil domestic	0.9	-6.5	-5.7	-4.2
Nth America-Europe	3.8	4.3	2.4	2.6
Nth America-Asia	5.8	7.4	4.3	7.6
Nth-Sth America	6.6	-3.1	-4.5	-3.5
Sth America-Europe	2.0	5.7	5.8	4.8
Within Sth America	4.9	10.1	8.5	9.6

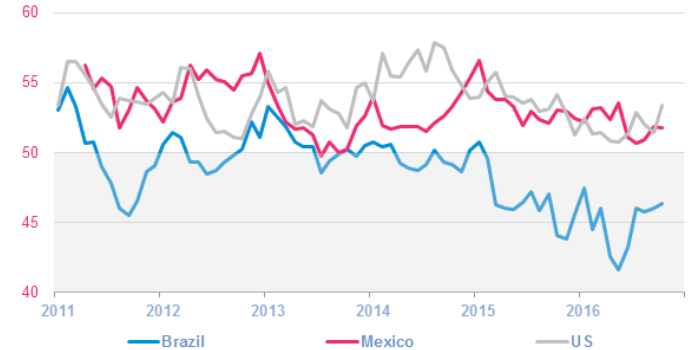
Source: IATA Statistics

- After a moderation last month, industry-wide RPKs stepped up in Sep, growing by a strong 7.0%yoy – its fastest pace in 7mths. A similar pattern of activity was observed in the region with growth in pax volumes picking up to a solid 4¼%yoy pace for both Nth & Latin American carriers.

- Contrasting fortunes remain in the domestic markets of the US (up a robust 4.6%yoy) & Brazil (down 4.2%), not

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

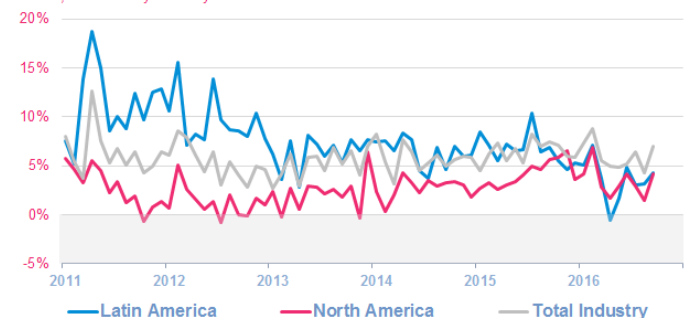
- Ahead of the election, US business confidence lifted in anticipation of the removal of a key uncertainty but businesses in Mexico were more wary. Confidence in Brazil was supported by encouraging economic news.
- The US\$ moved a little higher in Oct, rising 0.9% on a trade-weighted basis. Of the main regional currencies, the COP fell an outsized 4.7% vs the US\$ in the month, more than unwinding last month's gain, while the BRL & MXN both gained 2½-3%.
- The world price of oil & jet fuel both rose substantially in Oct, up 6% & 10% respectively (or \$3 & \$6/bbl). Prices were lifted by declining US oil inventories & discussions to bring forward market rebalancing.

surprising given the very different economic & industry backdrops. For Brazil, domestic RPKs are almost 10% lower than the (seasonally adjusted) peak in early 2015.

- Amongst the key markets, NthAm-Asia & Within SthAm are the two standouts, with growth well above the long-run average RPK growth rate. The latter highlights the dynamism of the region & the differences across countries, with strong overall growth coming despite the challenges in some of the leading regional economies.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jul-16	Aug-16	Sep-16
Region (registration basis)				
Nth America	-0.1	1.0	7.3	4.5
Latin America	-5.8	-6.2	-4.3	-4.5
World	2.2	4.1	4.5	6.1
Routes (segment basis)				
Nth America-Asia	5.1	2.4	4.7	4.8
Nth America-Europe	-2.1	3.9	2.8	10.2
Nth-Sth America	-4.6	-2.2	-3.9	-4.7
Sth America-Europe	-2.9	1.6	1.7	4.5
Within Sth America	-12.1	-27.8	-17.1	-14.1

Source: IATA Statistics

- As with its pax counterpart, growth in industry-wide freight volumes moved higher in Sep, up 1½pp to 6.1%yoy. However, this trend was not shared at the regional level.
- For NthAm carriers, the pace of growth eased back to 4.5%yoy after a short-lived surge last month, while volumes have *contracted* by a similar amount for Lat.Am carriers over the past year.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2015	Jul-16	Aug-16	Sep-16
Passenger					
Nth America	ASK	3.8	3.9	3.7	4.1
	PLF	83.8	86.7	85.2	83.5
Latin America	ASK	6.5	0.6	1.3	1.0
	PLF	79.9	85.2	82.1	82.2
World	ASK	5.6	6.0	5.6	6.6
	PLF	80.2	84.1	83.7	81.1
Freight					
Nth America	AFTK	4.0	2.9	6.1	2.6
	FLF	34.3	30.9	31.1	33.9
Latin America	AFTK	4.4	0.6	-5.0	-4.7
	FLF	37.4	32.6	34.7	37.9
World	AFTK	6.4	5.0	4.9	4.7
	FLF	44.1	41.1	40.7	43.7

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

- Capacity increases for both pax & freight for the region's carriers are currently below that of the industry overall.
- For pax, NthAm carrier ASKs are up 4.1%yoy, compared with 6.6% for the industry & just 1.0% for Lat.Am airlines. For freight, the corresponding rates are 2.6% & 4.7% for NthAm & industry-wide, with Lat.Am carriers having *reduced* capacity by 4.7% over the past year.

- The Sep load factor data reaffirms the recent trends,

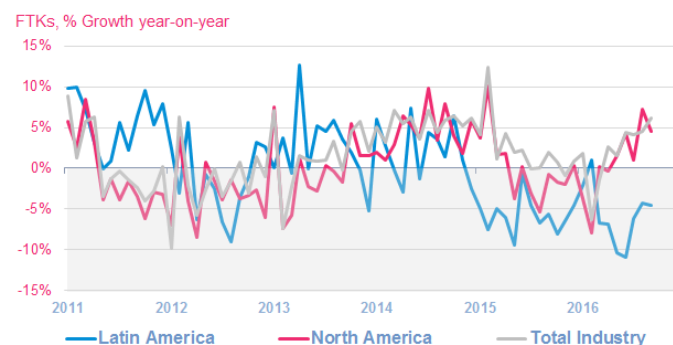
Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q3	2016Q3
Nth America	11.1	14.7	19.6	17.1
Latin America	2.1	1.9	--	--
Industry	4.7	8.3	16.0	15.2

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

- At the regional level, FTK growth on routes between NthAm & Europe jumped up to a double-digit pace in Sep, consistent with a sustained rise in the 'new export orders' component of the German PMI in recent months.
- Amongst the main SthAm markets, stronger growth with Europe (4.5%yoy) was not enough to offset a weaker performance with NthAm (now down 4.7%yoy) & the continued weakness in the Within SthAm market.

Growth in air freight volumes



Source: IATA Statistics

with the region's carriers outperforming the industry average on the pax side (where all PLFs exceed 80%) but underperforming on the freight side (by ~10pp in the case of the NthAm carriers).

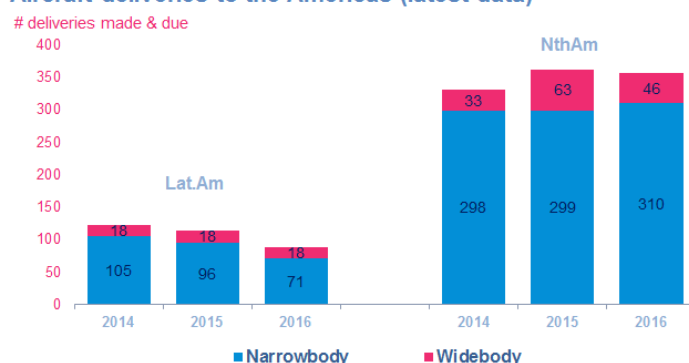
- The initial Q3 financials point to a lower EBIT margin for NthAm carriers & the industry overall (no data are currently available for Lat.Am carriers). This is consistent with signs that financial performance may be peaking.
- Key passenger yields remain negative in yoy-terms, but not significantly so for US domestic & NthAm-Asia.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jul-16	Aug-16	Sep-16
US domestic	-7.5	-2.5	-3.0	-1.6
Nth America-Europe	-7.9	-9.1	-10.5	-8.7
Nth America-Asia	-15.1	-7.9	-4.7	-1.8
Nth-Sth America	-11.5	-21.9	-21.7	-24.9
Sth America-Europe	-19.9	-19.1	-13.2	-13.2
Sth America-Asia	-18.0	-11.2	5.1	-4.9
Within Sth America	-13.1	-20.6	-14.2	-10.3

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend