STATE OF THE REGION: THE AMERICAS

OCTOBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
United States	2.2	1.9	1.6	1.3
Brazil	-4.7	-5.9	-5.4	-3.8
Mexico	2.5	2.4	2.5	1.5
Canada	1.2	0.3	1.2	0.9
Argentina	2.5	2.3	0.4	-3.4
Colombia	3.0	3.4	2.5	2.0
Chile	2.2	1.8	1.9	1.3
Peru	3.9	4.7	4.5	3.7
World*	**2.3**	**2.4**	**2.2**	**2.2**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

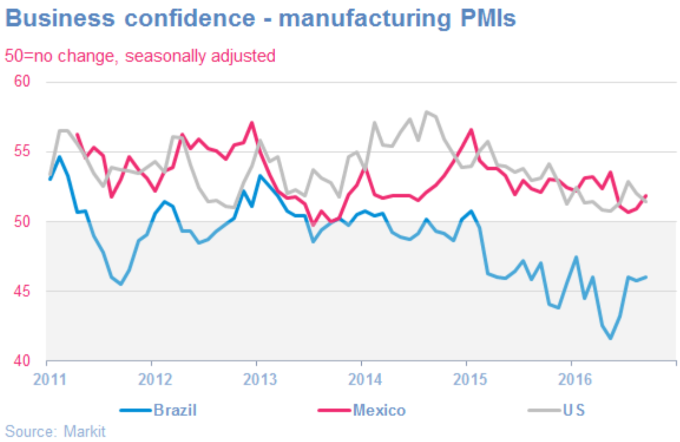
end of period, # per US$	2015	Jul-16	Aug-16	Sep-16
US$ broad index	122.4	122.0	120.8	121.8
Brazilian real (BRL)	3.96	3.24	3.25	3.24
Mexican peso (MXN)	17.20	18.76	18.85	19.34
Argentine peso (ARS)	12.95	15.06	14.89	15.39
Colombian peso (COP)	3174	3069	2956	2864
Chilean peso (CLP)	709	654	679	658

Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2015	Jul-16	Aug-16	Sep-16
Crude oil (Brent)	52.4	45.0	45.8	46.6
Jet fuel	64.0	53.4	54.4	55.4

Source: Platts, EIA Monthly average data



- There were no significant changes in regional business confidence this month. The US election remains a source of uncertainty – for both the US & Mexico – while tentative economic recovery in Brazil contributed to the first cut in official interest rates in four years.
- The US$ drifted slightly higher in Sep, rising 0.8% on a trade-weighted basis. The COP & CLP both gained ~3% vs the US$, while the ARS fell by a similar amount. The MXN eased by a further 2½% in the month.
- The world price of oil & jet fuel both rose by another 1½-2% in Sep. Markets remain cautious, sensitive to issues of global oversupply as well as discussions taking place within OPEC & elsewhere to limit production.

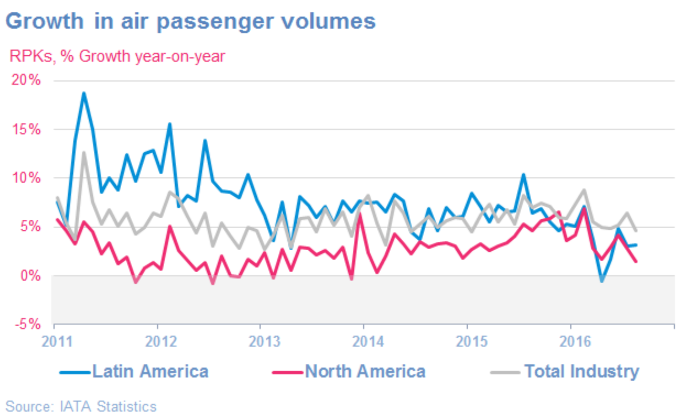
Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
N America	4.3	4.1	2.8	1.5
Latin America	6.8	4.8	3.0	3.2
World	6.5	5.2	6.4	4.6
Routes (segment basis)				
US domestic	4.9	4.3	1.5	1.0
Brazil domestic	0.9	-6.1	-6.5	-6.3
Nth America-Europe	3.8	2.0	4.3	2.4
Nth America-Asia	5.8	7.5	7.4	4.3
Nth-Sth America	6.6	0.3	-3.1	-4.5
Sth America-Europe	2.0	1.7	5.7	5.8
Within Sth America	4.9	10.1	10.1	8.5

Source: IATA Statistics

- Industry-wide RPK growth moderated in Aug, to a solid 4.6%yoy pace. A similar slowing was followed by the Nth American carriers, where RPKs are now just 1.5% higher than a year ago. Lat.Am carriers bucked the trend, with pax volumes ticking up slightly, to 3.2%yoy.
- RPKs in the domestic US market – the world's largest – grew by just 1.0%yoy to Aug. Pax traffic for this market (seasonally-adjusted) has trended sideways since late-2015 & risks lapsing into negative territory in the coming months.
- Brazil domestic traffic has shown some stability in recent months, but nonetheless is still down more than 6%yoy & with no imminent sign of improvement.
- Nth-Sth America RPKs have also contracted over the past year, currently down 4.5%. Of the larger markets, Nth America-Asia is the best performer, with pax volumes up a solid 4.3%yoy in Aug.



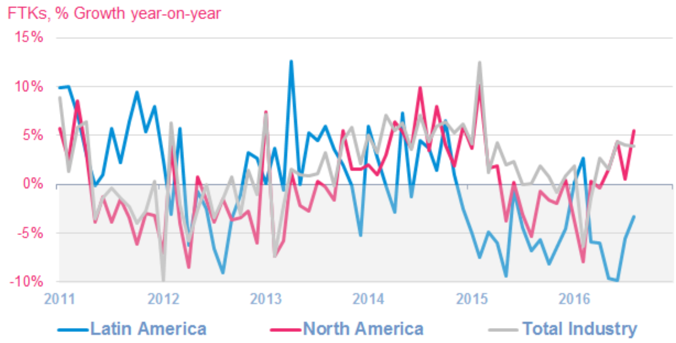
Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
Nth America	-0.1	4.3	0.6	5.5
Latin America	-5.8	-9.8	-5.6	-3.3
World	2.2	4.4	4.0	3.9
Routes (segment basis)				
Nth America-Asia	5.1	1.8	2.4	4.7
Nth America-Europe	-2.1	0.2	4.1	2.9
Nth-Sth America	-4.6	-8.8	-2.0	-3.5
Sth America-Europe	-2.9	-2.3	1.6	1.7
Within Sth America	-12.1	-24.3	-24.7	-14.0

Source: IATA Statistics

- Industry-wide air freight growth was steady in Aug, with FTKs up a solid 3.9%yoy. Developments were more positive regionally, particularly for Nth American carriers where growth lifted to a robust 5.5%. The growth rate also improved for Lat.Am carriers, however freight volumes were still down 3.3% compared with a year ago.
- At the regional level, RPK growth on the largest Nth America-Asia market rose further in Aug to 4.7%. Partly offsetting this gain, Nth America-Europe RPK growth eased somewhat, to ~3%yoy.
- Amongst the main Lat.Am markets, freight volumes on Within Sth America routes are down a hefty 14%yoy & on routes between Nth & Sth America are down 3.5%.

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		2015	Jun-16	Jul-16	Aug-16
Passenger					
Nth America	ASK	3.8	4.1	3.8	3.7
	PLF	*83.8*	*86.3*	*86.7*	*85.2*
Latin America	ASK	6.5	1.9	0.6	1.7
	PLF	*79.9*	*80.9*	*85.2*	*81.7*
World	ASK	5.6	5.5	6.0	5.8
	PLF	*80.2*	*80.8*	*84.1*	*83.8*
Freight					
Nth America	AFTK	3.8	4.3	1.8	3.7
	FLF	*34.4*	*32.4*	*31.1*	*31.2*
Latin America	AFTK	4.4	-2.6	0.6	-0.2
	FLF	*37.4*	*34.4*	*32.8*	*33.4*
World	AFTK	6.3	5.0	4.4	4.1
	FLF	*44.1*	*43.1*	*41.3*	*40.8*

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

- The region's carriers have been relatively restrained in bringing capacity to the market over the past year.
- NthAm carriers have increased both pax & freight capacity by a moderate 3.7%yoy. Lat.Am capacity growth is even more subdued, up just 1.7% for ASKs & *down* 0.2% for AFTKs. The respective industry growth rates are 5.8% & 4.1%, respectively.
- Load factor outcomes are mixed. For pax, loads exceed 80% for both NthAm & Lat.Am, straddling the industry-wide 83.8% in Aug. For freight, the loads for the region's carriers (31-33%) sit well below the industry-wide 40.8%.

Airline EBIT margins*

%revenues	2014	2015	2015Q2	2016Q2
Nth America	11.1	14.7	15.1	15.4
Latin America	2.1	1.9	0.3	0.9
Industry	4.7	8.3	10.7	10.8

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

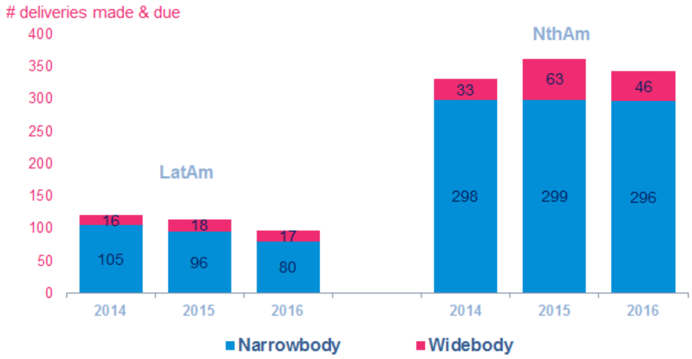
- The latest Q2 EBIT margin data show continued strong performance from the NthAm carriers, at 15.4% & largely unchanged from a year ago. The Lat.Am margin is up slightly on a year ago but remains marginal at 0.9%. The overall industry-wide margin is slightly below 11%.
- Passenger yields remain under considerable pressure, with many in, or close to, double-digit decline, compared with a year ago. SthAm-Asia is the exception with yields up 5.1%yoy, partly reflecting recent exchange rate shifts.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
US domestic	-7.5	-5.9	-2.5	-3.0
Nth America-Europe	-7.9	-7.4	-9.1	-10.5
Nth America-Asia	-15.1	-8.4	-7.9	-4.7
Nth-Sth America	-11.5	-23.3	-21.9	-21.7
Sth America-Europe	-19.9	-18.8	-19.1	-13.2
Sth America-Asia	-18.0	-13.4	-11.2	5.1
Within Sth America	-13.1	-24.2	-20.6	-14.2

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend

Contact: Andrew Matters – mattersa@iata.org