



STATE OF THE REGION: THE AMERICAS

SEPTEMBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
United States	2.6	1.9	1.6	1.2
Brazil	-3.8	-5.9	-5.4	--
Mexico	2.5	2.4	2.8	--
Canada	1.2	0.3	1.2	0.9
Argentina	2.4	2.2	0.5	--
Colombia	3.1	3.4	2.5	--
Chile	2.1	1.4	1.7	--
Peru	3.3	4.7	4.4	--
World*	2.5	2.3	2.2	2.1

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Jun-16	Jul-16	Aug-16
US\$ broad index	122.4	121.2	121.9	120.8
Brazilian real (BRL)	3.96	3.20	3.24	3.25
Mexican peso (MXN)	17.20	18.49	18.76	18.85
Argentine peso (ARS)	12.95	14.94	15.06	14.89
Colombian peso (COP)	3174	2923	3069	2956
Chilean peso (CLP)	709	658	654	679

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Jun-16	Jul-16	Aug-16
Crude oil (Brent)	52.4	48.3	45.0	45.8
Jet fuel	64.0	58.0	53.4	54.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

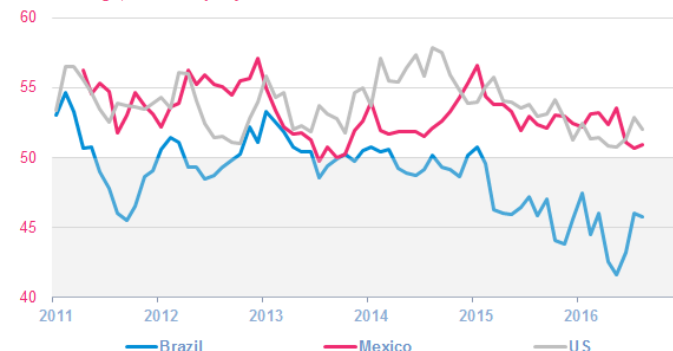
%change on a yr ago	2015	May-16	Jun-16	Jul-16
Region (registration basis)				
N America	4.3	2.9	4.3	2.8
Latin America	6.8	1.7	4.8	2.9
World	6.5	4.8	5.2	5.9
Routes (segment basis)				
US domestic	4.9	4.1	4.6	1.6
Brazil domestic	0.9	-7.7	-6.1	-6.8
Nth America-Europe	3.8	0.8	1.9	3.8
Nth America-Asia	5.8	3.5	7.5	7.4
Nth-Sth America	6.6	0.2	0.3	-3.1
Sth America-Europe	2.0	2.0	1.7	5.7
Within Sth America	4.9	5.6	10.1	10.1

Source: IATA Statistics

- ➔ After a surge in June, yoy RPK growth rates for both Nth & Latin American-registered carriers slipped back in July. At 2.8% & 2.9%yoy respectively, the region's carriers have increased RPKs at less than half the rate of the industry overall, which rose to 5.9%yoy in July.
- ➔ This month saw a large step-down in the growth rate for the significant US domestic market. Growth is now 1.6%yoy, down 3-3.5pp from the rate of recent months.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



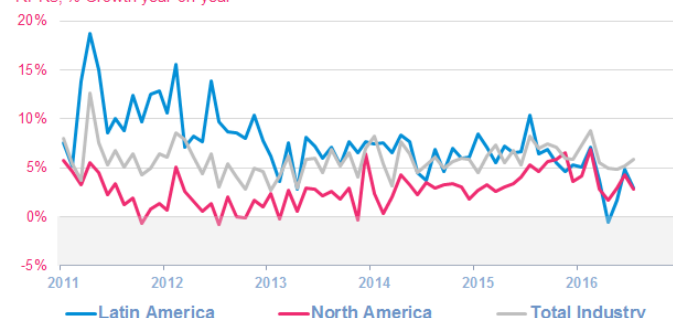
Source: Markit

- ➔ Overall, business confidence was little changed this month. Both Brazil & the US consolidated last month's improvement, although the former remains at very low levels.
- ➔ The US\$ continued its broadly sideways trend seen over the course of the year, easing 1% & giving back its July gain. For key regional currencies, the COP bounced back strongly, up 3.7%mom, while the CLP fell by 3.8%.
- ➔ The world price of oil & jet fuel ticked higher in Aug, both up ~2% in the month. In terms of key price drivers, the prospect of OPEC nations agreeing to production cuts was broadly offset by lingering concerns of oversupply & few signs of an improved demand outlook.

- ➔ Traffic on the Brazil domestic market has contracted by almost 7% over the past year, unsurprising given the very challenging operating environment faced by carriers in that country.
- ➔ RPKs in the Within Sth America market (up 10.1%) & on NthAm-Asia (up 7.4%) remain the strongest performing of the main international routes. In contrast, traffic on routes between Nth-SthAm is now lower than the level of a year ago (down 3.1%yoy).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	May-16	Jun-16	Jul-16
Region (registration basis)				
Nth America	-0.1	1.5	5.0	4.1
Latin America	-5.8	-9.7	-9.8	-5.6
World	2.2	1.5	4.5	5.0
Routes (segment basis)				
Nth America-Asia	5.1	-2.7	2.2	1.8
Nth America-Europe	-2.1	-1.3	0.1	3.4
Nth-Sth America	-4.6	-10.2	-8.9	-2.2
Sth America-Europe	-2.9	3.6	-2.3	1.6
Within Sth America	-12.1	-23.9	-24.3	-24.7

Source: IATA Statistics

- Industry-wide air freight growth moved higher again in July, to a solid 5%yoy. Growth for NthAm carriers eased somewhat, back to 4.1%yoy this month while a sizeable improvement for Lat.Am carriers (up more than 4pp) still leaves FTKs 5.6% lower than their year-ago level.
- Looking at the region's main freight markets, the overall trend is one of improvement in recent months,

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	May-16	Jun-16	Jul-16
Passenger					
Nth America	ASK	3.8	3.1	4.4	3.8
	PLF	83.8	83.9	86.2	86.7
Latin America	ASK	6.5	1.3	1.9	0.5
	PLF	79.9	79.4	80.9	85.1
World	ASK	5.6	5.6	5.6	6.0
	PLF	80.2	78.8	80.7	83.7
Freight					
Nth America	AFTK	3.8	2.5	4.2	3.4
	FLF	34.4	32.6	32.6	31.7
Latin America	AFTK	4.4	-7.0	-2.6	10.1
	FLF	37.4	35.3	34.4	30.0
World	AFTK	6.3	4.4	5.0	5.2
	FLF	44.1	42.4	43.2	41.3

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

- Pax capacity is up just 0.5% for Lat.Am carriers over the past year & up a modest 3.8% for NthAm, both well below the robust 6.0% industry-wide figure.
- For freight, AFTKs are up 3.4%yoy for NthAm & surged to +10%yoy for Lat.Am carriers this month, straddling the industry rate of 5.2%yoy.
- For the region's carriers, pax loads are high & above the industry average (of 83.7% in Jul) but for freight, are both well below (~10pp) the industry overall.

Airline EBIT margins*

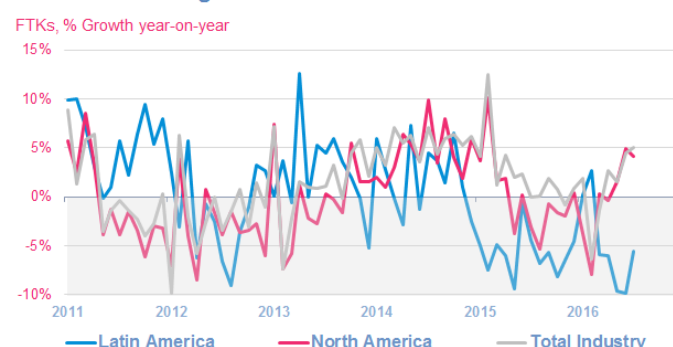
%revenues	2014	2015	2015Q2	2016Q2
Nth America	11.1	14.7	16.6	17.1
Latin America	2.1	1.9	0.3	0.9
Industry	4.7	8.3	9.7	9.9

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

particularly for the largest markets including NthAm to both Asia & Europe. Despite the improvement in Nth-SthAm, FTKs are still 2% down on a year ago.

Significant weakness is still evident on the Within SthAm market where freight volumes are ~25% lower over the past year, with no clear sign of near-term improvement.

Growth in air freight volumes



Source: IATA Statistics

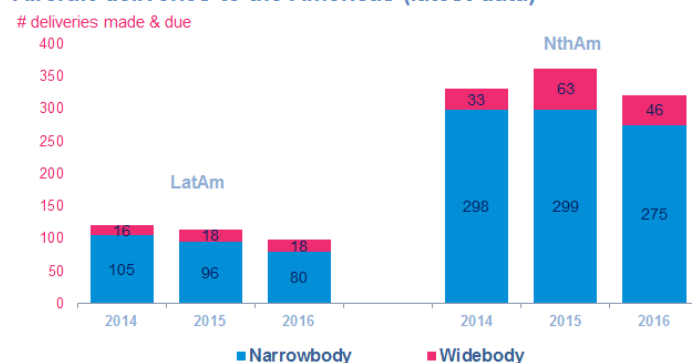
- The latest Q2 financial data show continued strong performance from the NthAm carriers, with an operating margin of 17%, only slightly up on that of a year ago but well above the industry figure of ~10%.
- For Lat.Am airlines, the margin is wafer-thin at ~1%, also up a little on a year ago but stark evidence of the challenging operating environment in the region.
- Passenger yields remain under considerable pressure, with many in, or close to, double-digit decline, compared with a year ago. US domestic is the main exception.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	May-16	Jun-16	Jul-16
US domestic	-7.5	-4.2	-5.9	-2.5
Nth America-Europe	-7.9	-5.4	-7.4	-9.1
Nth America-Asia	-15.1	-9.4	-8.4	-7.9
Nth-Sth America	-11.5	-19.4	-23.3	-21.9
Sth America-Europe	-19.9	-18.9	-18.8	-19.1
Sth America-Asia	-18.0	-12.7	-13.4	-11.2
Within Sth America	-13.1	-18.2	-24.2	-20.6

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend