



STATE OF THE REGION: THE AMERICAS

FEBRUARY 2016

Economy

GDP growth, selected countries

%change on a yr ago	2014	2015Q1	2015Q2	2015Q3
United States	2.4	2.9	2.7	2.1
Brazil	0.1	-2.0	-3.0	-4.5
Mexico	2.1	2.5	2.4	2.6
Canada	2.4	2.1	1.1	1.2
Argentina	0.5	2.1	2.3	--
Colombia	4.6	2.8	3.0	3.2
Chile	1.8	2.1	2.2	2.3
Peru	2.4	1.8	3.0	2.9
World*	2.7	2.6	2.7	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2014	Nov-15	Dec-15	Jan-16
US\$ broad index	111.3	121.1	122.4	125.2
Brazilian real (BRL)	2.66	3.90	3.96	4.03
Mexican peso (MXN)	14.75	16.60	17.20	18.22
Argentine peso (ARS)	8.46	9.68	12.95	13.93
Colombian peso (COP)	2387	3145	3174	3305
Chilean peso (CLP)	607	711	709	714

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Nov-15	Dec-15	Jan-16
Crude oil (Brent)	52.4	44.3	38.0	30.7
Jet fuel	64.0	55.7	45.4	39.1

Source: Platts, EIA

Market

Revenue passenger kilometers (RPKs)

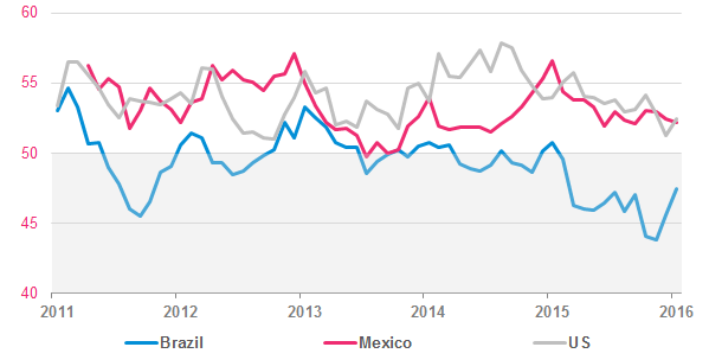
%change on a yr ago	2014	Oct-15	Nov-15	Dec-15
Region (registration basis)				
N America	2.7	5.9	6.7	3.8
Latin America	6.3	5.5	4.6	4.7
World	5.7	7.1	6.0	5.4
Routes (segment basis)				
US domestic	2.4	6.7	9.1	4.9
Brazil domestic	6.9	-5.7	-8.0	-5.4
Nth America-Europe	2.7	6.4	4.2	3.4
Nth America-Asia	4.9	8.2	8.3	5.9
Nth-Sth America	6.0	9.4	5.3	7.4
Sth America-Europe	3.0	2.0	1.0	-0.1
Within Sth America	3.4	5.2	4.2	4.6

Source: IATA Statistics

- Industry-wide RPK growth slipped back to 5.4%yoy in Dec – broadly in line with its long-run average growth rate. Despite the moderation in growth, the industry figure remains above the outcomes for the carriers of both Lat.Am (4.7%) & NthAm (3.8%).
- US domestic RPK growth more than retraced its sizeable Nov gain, with yoy growth down-shifting to 5% in Dec, from 9% last month.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



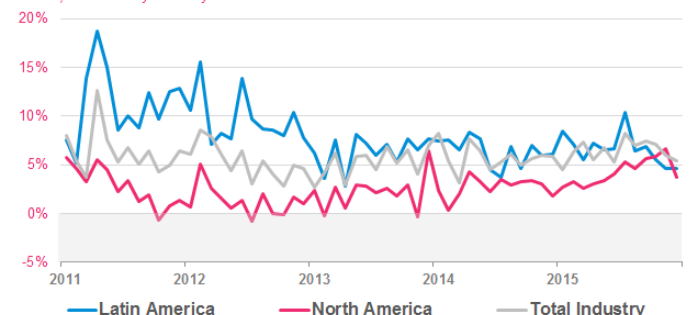
Source: Markit

- Business confidence in Brazil moved sharply higher this month, although it is difficult to see this being sustained given the depth of the recession in that country.
- The US\$ began 2016 where it left off, rising 2.3% in Jan. Amongst the key regional currencies, the ARS fell a further 7½% against the US\$ in the month, & the COP & MXN were down 4% & 6%, respectively.
- World oil & jet fuel prices maintained their downwards trajectory in Jan. Brent crude prices were down ~19% (US\$7.30) & jet prices fell 14% (US\$6.40) in the month. Compared with levels of a year ago, prices are down ~50-55%, respectively.

- Brazil domestic RPKs recovered some of the ground lost in Nov, but nonetheless remain down a hefty 5.4%yoy, testament to the trouble economic, political & social backdrop in that country at present.
- On a segment basis, passenger volumes generally ended the year on a solid-to-strong note – the main exception being SthAm-Europe routes where RPKs are down 0.1% on a year ago.
- Nth-SthAm & NthAm-Asia are the best performers with growth of 7.4% & 5.9%yoy, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Oct-15	Nov-15	Dec-15
Region (registration basis)				
Nth America	4.5	-1.7	-1.9	1.4
Latin America	2.1	-8.1	-6.4	-6.2
World	5.5	0.7	-0.8	0.8
Routes (segment basis)				
US domestic	1.7	-1.5	-1.4	1.4
Nth America-Asia	9.9	-1.8	-4.1	-3.7
Nth America-Europe	2.5	-2.4	-5.1	-1.1
Nth-Sth America	2.9	-3.7	-2.2	-4.3
Sth America-Europe	0.6	-11.4	-12.3	-13.2
Within Sth America	6.0	-22.2	-25.3	-14.2

Source: IATA Statistics

- Global air freight volumes (just) struggled back into positive territory in Dec, up 0.8%yoy.
- An improvement in NthAm freight volumes made an important contribution to this outcome, also returning to positive – albeit modest – yoy growth, of 1.4%.
- The fortunes of Lat.Am carriers are less rosy, with freight volumes down 6.2% on their levels of a year ago.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2014	Oct-15	Nov-15	Dec-15
Passenger					
Nth America	ASK	2.5	3.2	3.4	3.6
	PLF	83.4	85.0	82.5	82.8
Latin America	ASK	4.1	6.0	5.7	4.4
	PLF	79.7	79.9	78.9	80.1
World	ASK	5.5	5.3	4.3	5.3
	PLF	79.6	80.4	78.0	78.8
Freight					
Nth America	AFTK	0.8	6.1	6.0	6.6
	FLF	35.6	35.1	35.5	34.1
Latin America	AFTK	3.1	3.9	2.2	-1.3
	FLF	41.5	40.4	41.6	39.2
World	AFTK	4.4	6.4	4.6	6.5
	FLF	45.8	44.6	47.0	43.9

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

- ASKs for NthAm carriers are up 3.6%yoy, below the growth rate of both Lat.Am & the industry (4.4% & 5.3%yoy, respectively).
- The PLF for both Nth & Lat.Am carriers ended the year above 80% (at 82.8% & 80.1%, respectively), solidly above the overall industry average of 78.8%.
- For freight, NthAm AFTKs are up 6.6%yoy, growing in line with the industry average. LatAm AFTKs are 1.3%

Airline EBIT margins*

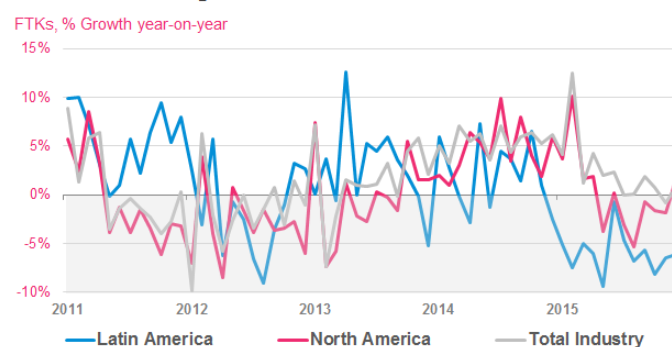
%revenues	2013	2014	2014Q3	2015Q3
Nth America	6.6	9.4	11.8	17.6
Latin America	7.4	6.2	6.0	6.2
Industry	4.1	5.2	10.5	14.2

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

IATA Economics: www.iata.org/economics

- On a segment basis, US domestic FTKs are the only positive growth story, up 1.4%yoy & bolstered by generally supportive economic developments.
- On inter-regional routes, freight volumes on SthAm-Europe & Within SthAm routes are both still in double-digit decline, down 13-14%yoy. Smaller declines are evident on the larger routes; the tentative signs of improvement in NthAm-Europe FTKs is a notable development this month.

Growth in air freight volumes



Source: IATA Statistics

lower than a year ago. The regional FLFs are both well below the industry average of 43.9% in Dec.

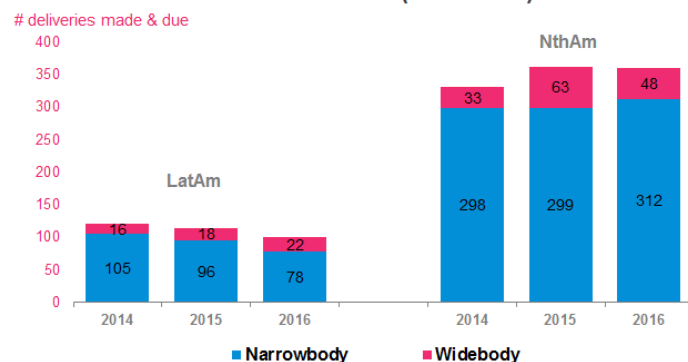
- The Q3 EBIT margin for NthAm carriers is a strong 17.6%, well up on a year ago & above the industry average of 14.2%. In contrast, the margin for Lat.Am carriers is a more subdued 6.2%, in line with a year ago.
- Key pax yields are all solidly lower than a year ago – many in double-digit decline. In part, this reflects exchange rate & oil price developments over this period.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Oct-15	Nov-15	Dec-15
US domestic	4.0	-8.9	-8.3	-8.2
Nth America-Europe	-3.2	-11.5	-7.0	-5.8
Nth America-Asia	-10.4	-15.9	-13.0	-11.0
Nth-Sth America	-0.8	-12.7	-14.8	-15.3
Sth America-Europe	-2.2	-21.7	-24.2	-25.0
Sth America-Asia	-7.5	-16.1	-15.4	-13.5
Within Sth America	-8.2	-14.1	-12.0	-10.3

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)



Source: Ascend

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