



STATE OF THE REGION: THE AMERICAS

JANUARY 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	Oct-15	Nov-15	Dec-15
US\$ broad index	111.3	119.3	121.1	122.4
Brazilian real (BRL)	2.66	3.84	3.90	3.96
Mexican peso (MXN)	14.75	16.53	16.60	17.20
Argentine peso (ARS)	8.46	9.51	9.68	12.95
Colombian peso (COP)	2387	2888	3145	3174
Chilean peso (CLP)	607	691	711	709

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2014	Oct-15	Nov-15	Dec-15
Crude oil (Brent)	99.0	48.4	44.3	38.0
Jet fuel	113.3	58.4	55.7	45.4

Source: Platts, EIA

Market

Revenue passenger kilometers (RPKs)

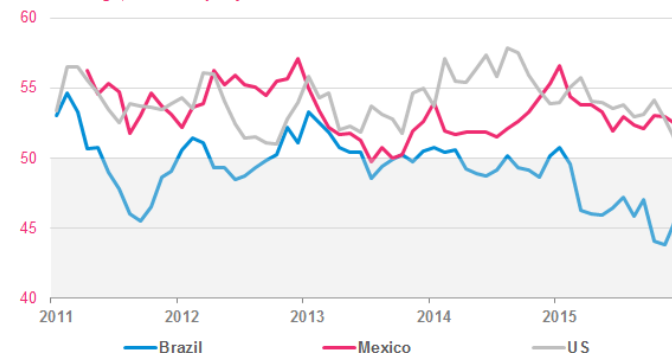
%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
Region (registration basis)				
N America	2.7	5.7	6.0	6.7
Latin America	6.3	6.9	5.5	4.5
World	5.7	7.4	7.1	5.9
Routes (segment basis)				
US domestic	2.4	6.8	6.9	9.1
Brazil domestic	6.9	-0.7	-5.7	-7.9
Nth America-Europe	2.7	5.7	6.4	4.2
Nth America-Asia	4.9	5.4	8.2	8.3
Nth-Sth America	6.0	8.0	9.4	5.3
Sth America-Europe	3.0	0.8	2.0	1.0
Within Sth America	3.4	4.4	5.2	4.2

Source: IATA Statistics

- Industry-wide RPK growth eased back to a (still robust) 5.9%yoy in Nov, down from a 7+% pace of recent months. The global rate is now straddled by the regional performance, with NthAm stepping up to a brisk 6.7%yoy & Lat.Am running at a solid 4.5%.
- US domestic RPK growth accelerated in Nov, after taking a pause last month, & is now 9% higher than the level of a year ago.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



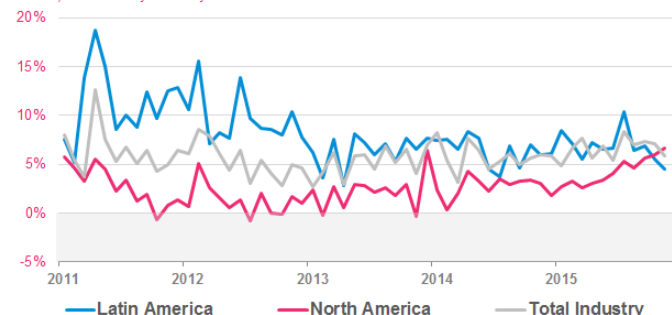
Source: Markit

- The US Federal Reserve raised interest rates in Dec, the first change in ~7 years. The modest 25bp increase contributed to a further slide in US business confidence.
- The US\$ rose 1.1% in Dec, finishing the year up an even 10%yoy. The devaluation of the ARS left it 33% lower in the month & down 53%yoy. The BRL & COP ended the year down 49% & 33% respectively vs the US\$.
- World oil & jet fuel prices fell sharply in Dec, down 14-18% in the month & ~40%yoy. Concerns of softer demand & oversupply both contributed to the monthly decline which left crude & jet fuel prices below their crisis-related lows of 2008/09.

- In contrast, against the backdrop of a troubled economy & outlook, Brazil domestic RPKs fell further in Nov, & are now down ~8%yoy. Indicators suggest that operating conditions are likely to remain difficult for some time.
- On a segment basis, Nov data point to a slowing in yoy RPK growth on most of the key routes; NthAm-Asia is the exception, where growth was steady at 8.3%.
- Routes between Nth America & both Sth America & Europe, along with Within Sth America routes are showing solid growth of 4-5%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
Region (registration basis)				
Nth America	4.5	-0.7	-3.5	-3.2
Latin America	2.1	-5.7	-7.4	-6.4
World	5.5	1.9	0.4	-1.2
Routes (segment basis)				
US domestic	1.7	2.4	-1.6	-0.4
Nth America-Asia	9.9	-0.2	-1.8	-3.6
Nth America-Europe	2.5	-3.3	-2.4	-4.5
Nth-Sth America	2.9	-1.7	-3.4	-1.3
Sth America-Europe	0.6	1.5	-11.4	-12.3
Within Sth America	6.0	-21.8	-22.2	-25.3

Source: IATA Statistics

- Air freight remains a particularly challenging market globally, with industry volumes 1.2% lower in Nov than a year ago. For the region, yoy volumes are down 3.2% for NthAm carriers & a hefty 6.4% for Lat.Am airlines.
- On a segment basis, FTKs on key routes are, unsurprisingly, all lower than a year ago. Within SthAm & SthAm-Europe remain easily the weakest with double-digit yoy declines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2014	Sep-15	Oct-15	Nov-15
Passenger					
Nth America	ASK	2.5	4.3	3.3	3.5
	PLF	83.4	83.4	85.0	82.4
Latin America	ASK	4.1	6.6	6.0	5.7
	PLF	79.7	79.5	79.9	78.8
World	ASK	5.5	6.5	5.4	4.2
	PLF	79.6	80.9	80.4	78.0
Freight					
Nth America	AFTK	0.8	7.0	5.7	5.8
	FLF	35.6	33.3	34.5	35.1
Latin America	AFTK	3.1	0.8	3.7	1.9
	FLF	41.5	38.8	40.8	41.8
World	AFTK	4.4	7.0	6.3	4.5
	FLF	45.8	43.2	44.5	46.8

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

- ASKs for NthAm carriers are up 3.5%yoy, below the growth rate of both Lat.Am & the industry (5.7% & 4.2%yoy, respectively). At 82.4% in Nov, the PLF for NthAm airlines sits well above both the Lat.Am (78.8%) & industry (78.0%) rates.
- For freight, regional AFTK growth straddles the industry average of 4.5%yoy, with Nov FLFs both lower than the industry figure – by more than 10pp in NthAm.

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

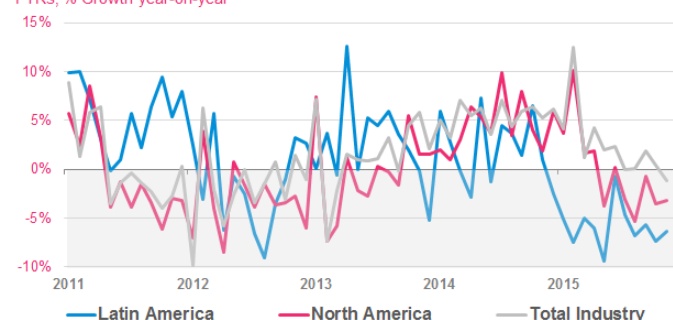
IATA Economics: www.iata.org/economics

- Traffic between Nth America & each of Asia, Europe & Sth America is down by between 1.5-4.5%yoy in Nov. The expected, albeit gradual, improvements in the US & European economies should help to support air freight flows in these key markets over 2016.

- FTKs in the US domestic market recovered a little in yoy terms in Nov. Nevertheless, for the second consecutive month, freight volumes remain lower than their level of a year ago, down a modest 0.4%yoy.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

- The (updated) Q3 EBIT margin for NthAm carriers is a strong 17.6%, solidly above the industry figure of 14.2%. Both represent a healthy improvement on a year ago. For Lat.Am carriers, margins are broadly in line with last year, at a more subdued 6.2% currently.

- Key pax yields are all solidly lower than a year ago, in part reflecting the rise of the US\$ over this period.

Passenger yields, excl. surcharges & ancillaries

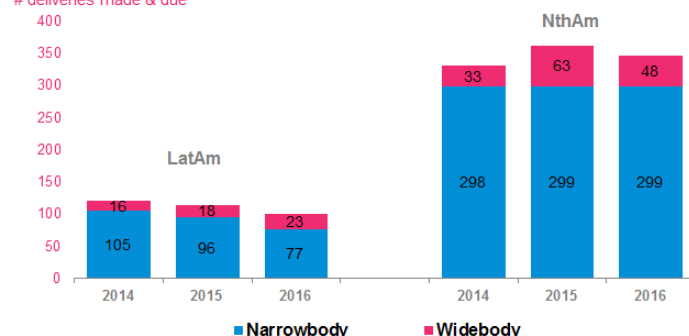
%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
US domestic	4.0	-5.1	n/a	n/a
Nth America-Europe	-2.8	-10.3	-11.4	-7.2
Nth America-Asia	-10.0	-17.8	-15.7	-13.0
Nth-Sth America	-0.9	-9.3	-13.1	-14.9
Sth America-Europe	-1.9	-20.8	-21.5	-24.0
Sth America-Asia	-7.2	-15.6	-15.6	-14.5
Within Sth America	-7.0	-17.2	-14.1	-12.0

Source: IATA PaxIS, A4A

- Aircraft deliveries for NthAm & Lat.Am are both expected to ease a little in 2016 compared with 2015.

Aircraft deliveries to the Americas (latest data)

deliveries made & due



Source: Ascend

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