



# STATE OF THE REGION: THE AMERICAS

JUNE 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
United States	2.4	2.1	2.0	2.0
Brazil	-3.8	-4.5	-5.9	-5.4
Mexico	2.5	2.6	2.4	2.8
Canada	1.2	1.0	0.3	1.1
Argentina	1.2 <sup>†</sup>	--	--	--
Colombia	3.1	3.1	3.4	2.5
Chile	2.1	2.5	1.4	1.7
Peru	3.3	3.2	4.7	4.4
<b>World*</b>	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.2</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2015	Mar-16	Apr-16	May-16
US\$ broad index	122.4	121.5	119.5	120.8
Brazilian real (BRL)	3.96	3.55	3.46	3.61
Mexican peso (MXN)	17.20	17.22	17.19	18.41
Argentine peso (ARS)	12.95	14.60	14.26	14.04
Colombian peso (COP)	3174	3010	2852	3090
Chilean peso (CLP)	709	667	659	691

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Mar-16	Apr-16	May-16
Crude oil (Brent)	52.4	38.2	41.6	46.9
Jet fuel	64.0	44.9	48.2	54.6

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

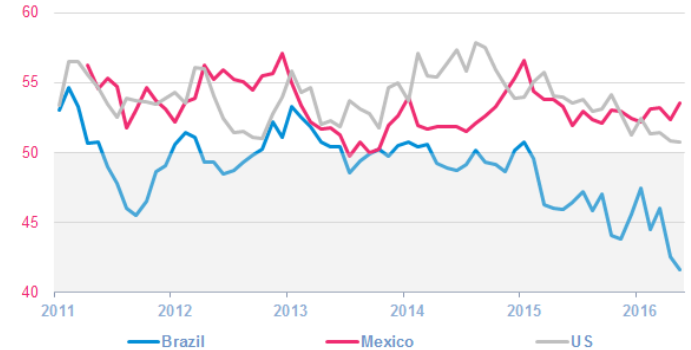
%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
<b>Region (registration basis)</b>				
N America	4.3	6.9	3.0	1.9
Latin America	6.8	7.2	3.8	-1.2
World	6.5	8.6	5.3	4.6
<b>Routes (segment basis)</b>				
US domestic	4.9	8.6	4.0	2.4
Brazil domestic	0.9	-3.1	-7.4	-12.1
Nth America-Europe	3.8	5.3	4.7	1.5
Nth America-Asia	5.8	9.3	1.5	5.7
Nth-Sth America	6.6	4.5	2.8	-0.3
Sth America-Europe	2.0	6.2	2.5	2.7
Within Sth America	4.9	8.7	4.3	3.7

Source: IATA Statistics

- YoY RPK growth slowed further for both Nth & Latin American-registered carriers in April. RPKs are a modest 1.9% higher yoy in Nth America, but are 1.2% lower than their level of a year ago in Lat.Am. Both are well below the industry average rate of 4.6%yoy.
- The slowing in RPK growth in the region's two largest domestic markets contributed to the overall outcomes, although – particularly for Lat.Am – we have also seen a slowing in international RPK growth over recent months.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



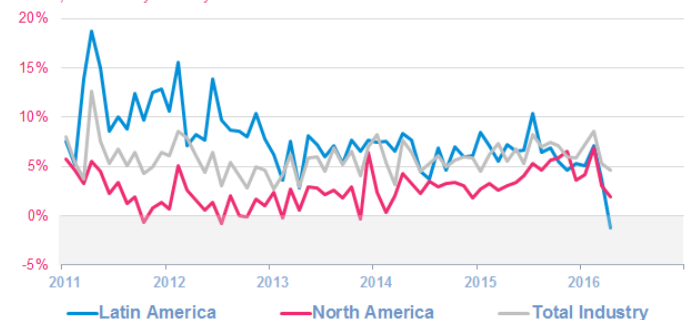
Source: Markit

- Q1 GDP data for Brazil offered little good news, with the economy contracting by more than 5% over the past year. Business confidence in Mexico continues to drift higher on solid macro fundamentals while political uncertainty weighs upon sentiment in the US.
- The US\$ recovered some of its April decline, rising an even 1.0% on a trade-weighted basis. Amongst the key regional bilateral rates, the MXN & COP fell by 7-8% vs the US\$ while the BRL & COP both fell by ~4.5%mom.
- The world price of oil & jet fuel continued its recent resurgence in May. The monthly average price (for both) rose by 12-13% (US\$5-6/bbl).

- RPKs are a modest 2.4% higher yoy in the US domestic market, while pax volumes softened even further in the Brazil domestic market which is now down just over 12%yoy – the biggest contraction since July 2003.
- RPKs for routes between NthAm & Asia recovered in April, to be a robust 5.7% higher yoy.
- Notwithstanding developments in Brazil, &, to a lesser extent Argentina, Within SthAm RPKs are up a solid 3.7% on a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
<b>Region (registration basis)</b>				
Nth America	-0.1	-8.0	-0.8	4.0
Latin America	-5.9	2.7	-5.9	-5.9
World	2.3	-6.3	-1.7	3.2
<b>Routes (segment basis)</b>				
Nth America-Asia	5.1	-20.5	-12.0	-6.0
Nth America-Europe	-2.1	-2.0	-5.1	-0.7
Nth-Sth America	-4.6	-1.7	-6.8	-6.8
Sth America-Europe	-2.9	-5.5	-13.3	5.8
Within Sth America	-12.1	-14.6	-16.9	-18.6

Source: IATA Statistics

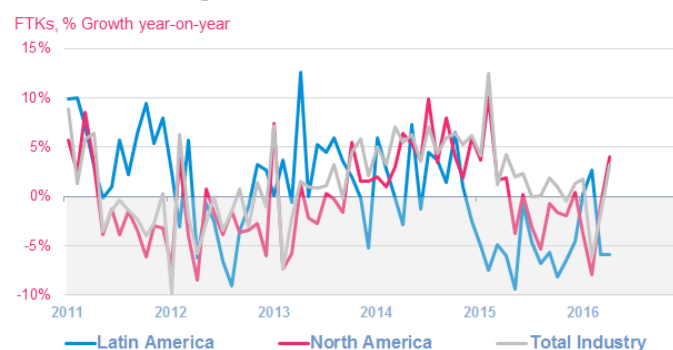
→ Air freight growth rebounded firmly for both Nth American carriers and for the industry globally after two months of yoy FTK contractions. The recent declines were primarily a result of the US west coast seaport disruption in early 2015 dropping out of the calculation &, as such, the rebound comes as no surprise.

→ FTKs are up 4.0% for NthAm carriers & 3.2% on a global (industry-wide) basis.

→ The good news, however, was not shared by LatAm carriers with FTKs holding steady, down a sizeable ~6% compared with a year ago.

→ On a number of key inter-regional routes, freight volumes recovered somewhat in April, but – with the exception of SthAm.-Europe – remain subdued & lower than their level of a year ago.

## 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	Feb-16	Mar-16	Apr-16
<b>Passenger</b>					
Nth America	ASK	3.8	8.9	3.4	2.4
	PLF	83.8	79.0	83.7	82.3
Latin America	ASK	6.5	7.3	2.4	-0.7
	PLF	79.9	79.5	78.6	78.3
World	ASK	5.6	9.7	5.8	4.9
	PLF	80.2	77.7	79.8	79.1
<b>Freight</b>					
Nth America	AFTK	3.8	7.5	8.0	9.2
	FLF	34.4	32.8	34.2	34.1
Latin America	AFTK	4.4	8.4	2.3	-0.7
	FLF	37.4	34.6	36.9	36.7
World	AFTK	6.2	7.5	6.8	6.6
	FLF	44.2	40.6	43.7	43.5

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

→ At 2.4%yoy, pax capacity growth for NthAm carriers is half the rate of the industry overall (4.9%). ASKs are 0.7%yoy lower in LatAm. Load factors eased a little in Apr, with the regional figures 82.3% (NthAm) & 78.3% (LatAm) sandwiching the industry-wide 79.1%.

→ AFTK growth for NthAm lifted to above 9%yoy in Apr, ~2.5pp above the global figure. As with ASKs, LatAm AFTKs are down 0.7%yoy. The regional FLFs remain

### Airline EBIT margins\*

%revenues	2013	2014	2015Q1	2016Q1
Nth America	6.6	9.4	12.3	15.1
Latin America	7.4	6.2	8.0	9.2
Industry	4.1	5.2	5.9	8.1

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

well below the industry average rate of 43.5%.

→ The latest Q1 EBIT margin data shows the (seasonally unadjusted) performance of the region's carriers exceeds that of the industry as a whole. NthAm carriers remain the standout, with an operating margin currently just above 15%.

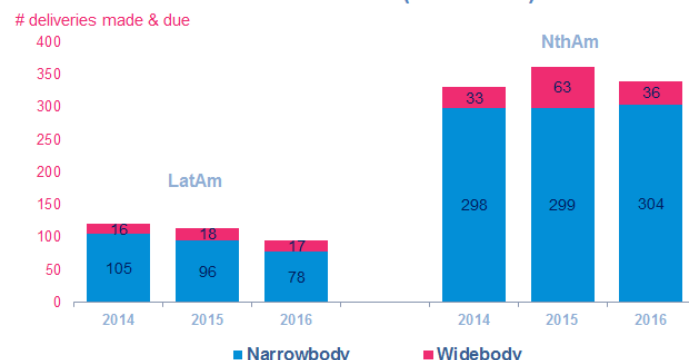
→ Mixed results in terms of yield developments this month, but all remain lower than their level of a year ago, despite recent oil price & exchange rate movements.

## Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
US domestic	-7.5	-6.3	-5.7	-4.5
Nth America-Europe	-7.9	-6.5	-9.0	-1.6
Nth America-Asia	-15.1	-11.1	-9.7	-10.0
Nth-Sth America	-11.5	-12.7	-11.1	-9.1
Sth America-Europe	-19.9	-23.4	-23.6	-18.6
Sth America-Asia	-18.0	-11.0	-10.9	-14.0
Within Sth America	-13.1	-13.5	-16.2	-15.2

Source: IATA PaxIS

## Aircraft deliveries to the Americas (latest data)



Source: Ascend