



# STATE OF THE REGION: THE AMERICAS

MAY 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q2	2015Q3	2015Q4
United States	2.4	2.7	2.1	2.0
Brazil	-3.8	-3.0	-4.5	-5.9
Mexico	2.5	2.4	2.7	2.5
Canada	1.2	1.0	1.1	0.5
Argentina	1.2 <sup>†</sup>	2.3	--	--
Colombia	3.1	3.1	3.2	3.3
Chile	2.1	2.3	2.4	1.4
Peru	3.3	3.1	3.2	4.7
<b>World*</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.3</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2015	Feb-16	Mar-16	Apr-16
US\$ broad index	122.4	124.0	121.5	119.5
Brazilian real (BRL)	3.96	3.98	3.55	3.46
Mexican peso (MXN)	17.20	18.07	17.22	17.19
Argentine peso (ARS)	12.95	15.62	14.60	14.26
Colombian peso (COP)	3174	3323	3010	2852
Chilean peso (CLP)	709	696	667	659

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Feb-16	Mar-16	Apr-16
Crude oil (Brent)	52.4	32.2	38.2	41.6
Jet fuel	64.0	40.9	44.9	48.2

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

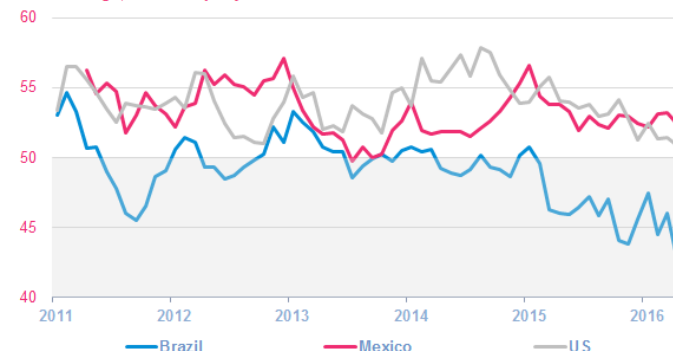
%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
<b>Region (registration basis)</b>				
N America	4.3	4.2	7.2	3.0
Latin America	6.8	5.1	7.2	3.8
World	6.5	7.2	8.6	5.3
<b>Routes (segment basis)</b>				
US domestic	4.9	5.5	8.9	4.1
Brazil domestic	0.9	-4.1	-3.1	-8.3
Nth America-Europe	3.8	4.3	5.3	4.7
Nth America-Asia	5.8	9.1	9.3	1.5
Nth-Sth America	6.6	4.5	4.5	2.8
Sth America-Europe	2.0	0.1	6.2	2.5
Within Sth America	4.9	4.3	8.7	4.3

Source: IATA Statistics

- ➔ RPK growth moderated substantially for both Nth & Latin America carriers in Mar, to 3.0% & 3.8%yoy, respectively. At the global level, RPK growth eased to 5.3%yoy in Mar – the slowest rate since June 2015.
- ➔ The contrasting fortunes in the region's two largest domestic markets remains stark: despite some recent slowing, RPK growth in the US domestic market is up a robust 4%yoy, but RPKs in Brazil domestic are now just

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

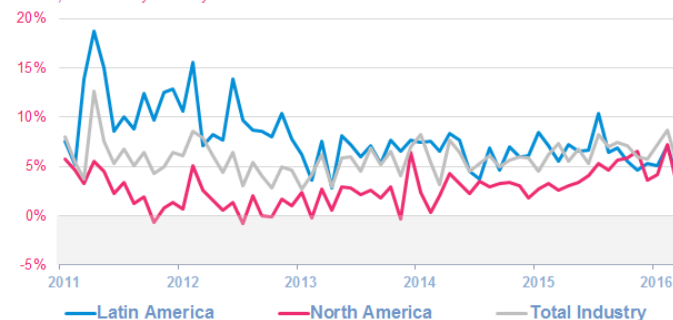
- ➔ Business confidence in Brazil fell sharply this month, now well below its GFC low. US confidence also drifted lower, with election uncertainty weighing on businesses.
- ➔ The US\$ eased further in April, down another 1½% on a trade-weighted basis. Amongst the key regional bilateral rates, the COP rose 5.2% vs the US\$ & the ARS & BRL both gained 2.3-2.6% in the month.
- ➔ World oil & jet fuel prices continued their upwards movement in April, with the monthly average price of both rising by a little over US\$3/bbl. Analysts pointed to the decline in the US\$ & speculation that the glut of oil supply will ease as contributing factors.

over 8% lower than at the same time a year ago – the biggest contraction in more than 12 years.

- ➔ RPK growth is generally in good shape amongst the key inter-regional routes. Nth America-Europe & Within Sth America lead the way with yoy growth above 4%. The latter comes despite the challenging operating environment in the key economies of Brazil & Argentina.
- ➔ Notwithstanding the disruptions usually observed in the early part of the year, the sharp slowing in RPKs for Nth America-Asia bears watching in coming months.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
<b>Region (registration basis)</b>				
Nth America	-0.1	-3.7	-6.2	-1.8
Latin America	-5.9	0.2	2.7	-5.9
World	2.2	1.7	-6.0	-2.0
<b>Routes (segment basis)</b>				
Nth America-Asia	5.1	-8.5	-20.5	-11.8
Nth America-Europe	-2.1	0.4	-2.0	-6.1
Nth-Sth America	-4.6	-3.7	-1.7	-4.2
Sth America-Europe	-2.9	-5.2	-5.5	-13.3
Within Sth America	-12.1	-19.7	-14.6	-16.9

Source: IATA Statistics

- In yoy terms, industry-wide air freight growth declined for the 2<sup>nd</sup> consecutive month in March, down 2.0%. FTKs for the region's carriers are also lower than a year ago, down 1.8% & 5.9% for NthAm & Lat.Am respectively.
- On key inter-regional routes, freight volumes have all declined in yoy terms; including double-digit declines in a number of cases, most notably Within Sth America (down ~17%yoy).

## Industry

### Capacity growth and load factors

%change on a yr ago, LF: %of ASK/AFTK		2015	Jan-16	Feb-16	Mar-16
<b>Passenger</b>					
Nth America	ASK	3.8	2.7	9.2	3.5
	PLF	83.8	80.7	79.1	83.6
Latin America	ASK	6.5	4.5	7.3	2.8
	PLF	79.9	82.8	79.5	78.3
World	ASK	5.6	5.6	9.8	5.9
	PLF	80.2	78.9	77.6	79.6
<b>Freight</b>					
Nth America	AFTK	3.8	4.1	7.0	7.1
	FLF	34.4	33.3	33.6	34.2
Latin America	AFTK	4.4	6.9	8.4	2.3
	FLF	37.4	33.3	34.6	36.9
World	AFTK	6.2	5.9	7.4	6.9
	FLF	44.2	41.3	40.8	43.5

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

- Pax capacity growth for the region's carriers is a subdued 3.5% & 2.8% for NthAm & Lat.Am, respectively, both lower than the global industry figure of a solid 5.9%. At 83.6% in March, the NthAm carriers currently have the highest pax load factor of all regions.
- AFTK growth for NthAm carriers is a strong 7.1%yoy, slightly above the industry rate of 6.9%. Both are well above the 2.3% rate of Lat.Am carriers. At ~35%, the

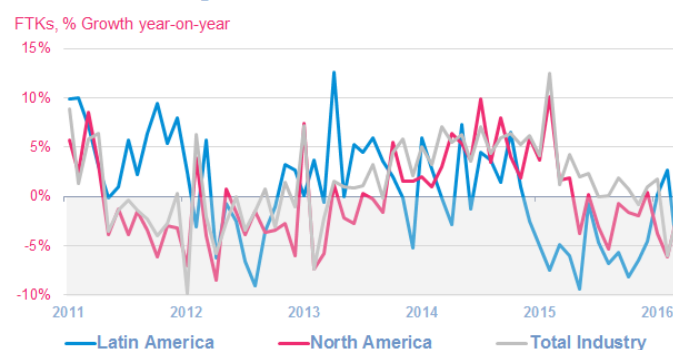
### Airline EBIT margins\*

%revenues	2013	2014	2015Q1	2016Q1
Nth America	6.6	9.4	12.3	15.5
Latin America	7.4	6.2	5.3	7.3
Industry	4.1	5.2	6.8	9.9

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

- Global & NthAm carrier growth should pick up in the coming months as the effect of the US west coast port disruption from early 2015 drops out of the calculations. This will also boost NthAm-Asia growth, in particular.
- Even so, with a soft demand backdrop & global trade volumes remaining subdued, wholesale improvement in the air freight market appears unlikely anytime soon.

### Growth in air freight volumes



Source: IATA Statistics

regional FLFs, however, are substantially below the industry average rate of 43.5%.

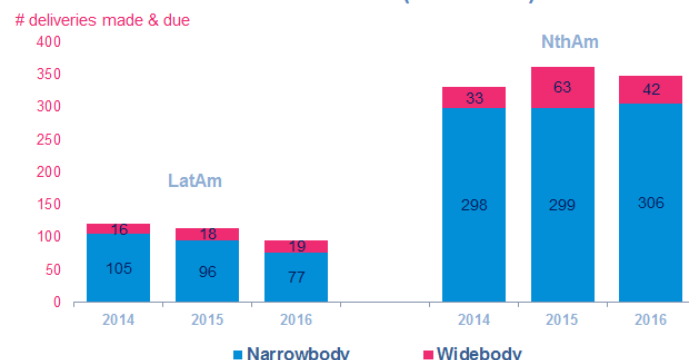
- The initial Q1 EBIT margin for NthAm carriers is a strong 15.5%, up on a year ago & above the industry average of 9.9%. For Lat.Am, the 7.3% margin is a solid gain on a year ago but is below the average industry result.
- Despite some recent reversal in fuel prices & the US\$, key pax yields all remain lower than their level of a year ago, mostly in the order of ~10%.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
US domestic	-7.5	-6.8	-6.3	-5.9
Nth America-Europe	-7.9	-5.7	-6.7	-8.8
Nth America-Asia	-15.1	-11.0	-11.2	-9.8
Nth-Sth America	-11.5	-13.2	-12.8	-11.1
Sth America-Europe	-19.9	-23.1	-23.2	-23.4
Sth America-Asia	-18.0	-12.4	-10.4	-10.6
Within Sth America	-13.1	-13.3	-13.5	-16.3

Source: IATA PaxIS

### Aircraft deliveries to the Americas (latest data)



Source: Ascend