



# STATE OF THE REGION: THE AMERICAS

OCTOBER 2015

## Economy

### GDP growth, selected countries

% change on a yr ago	2014	2014Q4	2015Q1	2015Q2
United States	2.4	2.5	2.9	2.7
Brazil	0.1	-0.2	-1.6	-2.6
Mexico	2.1	2.6	2.5	2.2
Canada	2.4	2.5	2.0	1.0
Argentina	0.5	0.5	2.1	2.3
Colombia	4.6	3.4	2.8	3.0
Chile	1.8	1.9	2.2	2.2
Peru	2.4	1.0	1.8	3.0
<b>World*</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2014	Jul-15	Aug-15	Sep-15
US\$ broad index	111.3	118.0	120.0	120.8
Brazilian real (BRL)	2.66	3.41	3.62	3.96
Mexican peso (MXN)	14.75	16.06	16.74	16.90
Argentine peso (ARS)	8.46	9.19	9.29	9.42
Colombian peso (COP)	2387	2861	3061	3079
Chilean peso (CLP)	607	673	692	697

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2014	Jul-15	Aug-15	Sep-15
Crude oil (Brent)	99.0	56.6	46.5	47.6
Jet fuel	113.3	65.1	58.3	58.6

Source: Platts, EIA

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2014	Jun-15	Jul-15	Aug-15
<b>Region (registration basis)</b>				
N America	2.7	4.0	5.6	4.7
Latin America	7.0	5.9	9.4	5.5
World	5.8	5.5	8.3	7.1
<b>Routes (segment basis)</b>				
US domestic	2.4	4.9	6.0	5.1
Brazil domestic	6.9	2.1	8.2	-0.9
Nth America-Europe	2.7	3.5	6.6	4.6
Nth America-Asia	4.9	3.7	4.3	4.6
Nth-Sth America	5.9	3.0	7.5	7.0
Sth America-Europe	3.0	1.7	-0.6	2.4
Within Sth America	3.4	-1.2	4.3	3.3

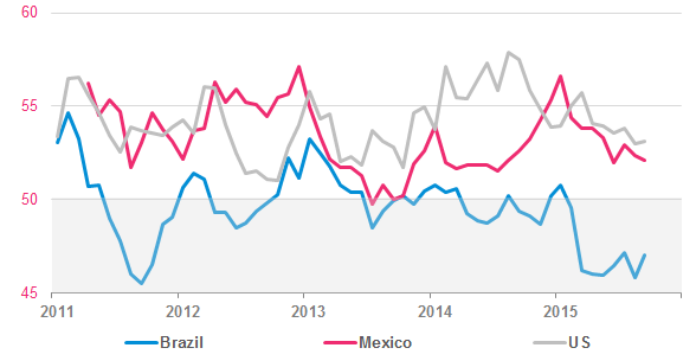
Source: IATA

→ RPK growth eased back in Aug, to 4.7% & 5.5%yoy for Nth & Latin American carriers respectively. Growth in pax volumes also eased at the global industry level, but remains a brisk 7.1% higher yoy.

→ US domestic RPK growth moderated to 5%yoy in Aug, snapping the acceleration of recent months. Even so, at this (healthy) pace, RPKs are growing at double the rate observed in 2014.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

→ With Brazil officially mired in a serious recession, the good news is that business confidence appears to have stabilized, albeit at a very low level. With economic outcomes remaining robust, US Fed officials continue to lay the foundation for an interest rate rise this year.

→ The US\$ drifted a little higher in Sept, rising 0.7%. The BRL slumped by more than 9%mom vs the USD & is down almost 50% over the year to date. The ARS eased by 1.4% in the month.

→ World oil & jet fuel prices were essentially unchanged in Sept; the average Brent crude price rose US\$1/bbl (to US\$47.60) & jet was up just 30 cents/bbl (to US\$58.60).

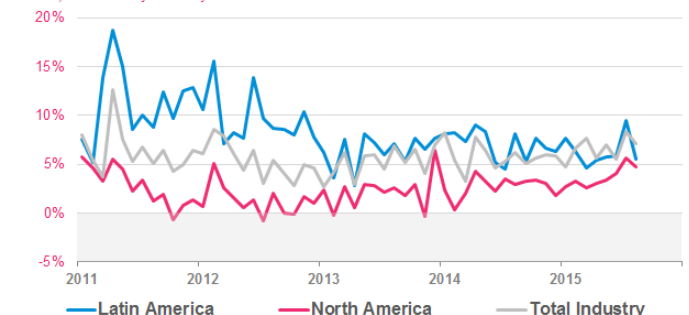
→ Brazil domestic RPKs are now showing a yoy decline, down 0.9%yoy. However, the volatility of recent months prompts us to interpret such outcomes with caution.

→ On a segment basis, routes between Nth & Sth America are showing the strongest rate of RPK growth, up 7%yoy, despite the economic headwinds in some of the larger SthAm economies.

→ Continued improvement in the US economy has underpinned RPK growth with Europe & Asia, both of which are up a solid 4.6%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA

## Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Jun-15	Jul-15	Aug-15
<b>Region (registration basis)</b>				
Nth America	2.5	-1.8	-4.8	-3.3
Latin America	0.6	-1.6	-5.5	-7.3
World	4.7	1.7	-0.5	0.2
<b>Routes (segment basis)</b>				
US domestic	1.7	0.7	-0.9	0.1
Nth America-Asia	6.1	0.1	-1.1	-2.4
Nth America-Europe	2.5	-0.3	-4.4	-3.1
Nth-Sth America	1.4	-3.8	-4.1	0.3
Sth America-Europe	0.6	4.3	5.3	3.0
Within Sth America	4.4	-5.9	-10.8	-27.6

Source: IATA

- Global air freight volumes were broadly unchanged in Aug compared with a year ago, with FTKs up just 0.2%yoy. Regional FTKs have fallen over the past year, down 3.3% & 7.3%yoy for Nth & Latin American carriers.
- Globally, export orders appear to have stabilized but concerns around the outlook for key emerging markets, as well as developments in world trade, may continue to weigh upon the air freight market in the near-term.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2014	Jun-15	Jul-15	Aug-15
<b>Passenger</b>					
Nth America	ASK	2.5	4.0	4.6	4.8
	PLF	83.4	86.4	87.7	87.1
Latin America	ASK	4.8	6.1	8.0	5.6
	PLF	79.7	78.8	83.2	80.9
World	ASK	5.6	5.9	6.5	5.9
	PLF	79.6	81.0	83.7	84.7
<b>Freight</b>					
Nth America	AFTK	-0.2	4.8	4.2	4.4
	FLF	35.2	31.5	30.9	30.8
Latin America	AFTK	0.3	3.6	3.5	0.8
	FLF	42.1	37.8	35.8	35.3
World	AFTK	3.9	5.8	6.5	5.8
	FLF	45.6	43.2	41.3	40.9

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

- ASKs for NthAm carriers continue to creep higher in yoy terms, now up 4.8%, but lagging both the Lat.Am & global growth rate of 5.6% & 5.9%yoy, respectively.
- Pax loads dipped a little in Aug for the region's carriers, to 87% for NthAm & 81% for Lat.Am respectively. The overall industry PLF rose 1pp to 84.7% in the month.
- Freight capacity is up 4.4%yoy for NthAm carriers & just

### Airline EBIT margins\*

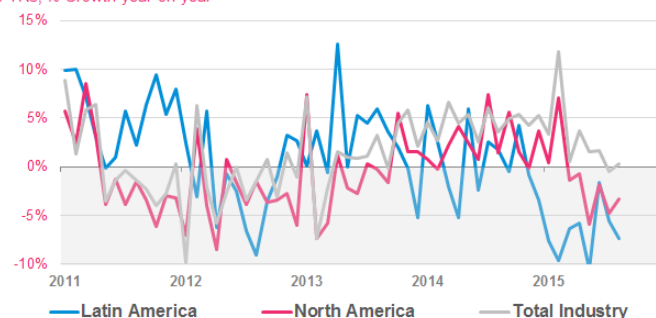
%revenues	2013	2014	2014Q2	2015Q2
Nth America	6.6	9.4	10.8	14.9
Latin America	7.4	6.2	3.0	0.5
Industry	4.1	5.2	6.3	10.0

Source: IATA, Airline Analyst \* constant sample basis, subject to revision

- Within Sth American freight volumes have fallen away sharply in recent months & are now down almost 30%yoy.
- More modest declines are also evident on major routes between NthAm & both Europe & Asia, down 3.1% & 2.4%, respectively.
- US domestic FTKs are essentially unchanged from the level of a year up, up just 0.1%yoy.

### Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA

0.8% for Lat.Am, both below the global average of 5.8%. Freight load factors range from 31% in NthAm to 35% in Lat.Am & 41% industry-wide.

- Operating margins for NthAm carriers & the industry are solidly higher than a year ago, at 15% & 10%, respectively in Q2. In Lat.Am, however, margins are both down on last year & wafer thin at just 0.5%.
- The US\$ appreciation continues to impact the key pax yields, which all remain solidly lower than a year ago.

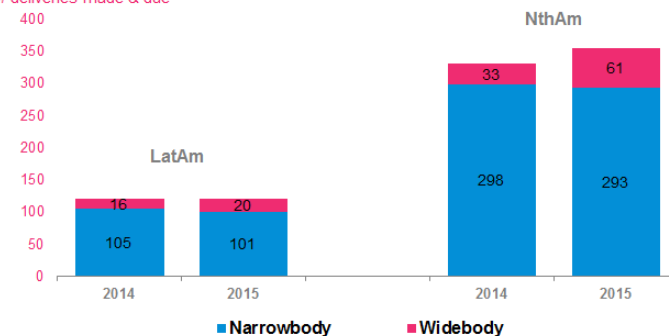
### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Jun-15	Jul-15	Aug-15
US domestic	4.0	-5.6	-3.3	-6.7
Nth America-Europe	-2.8	-8.1	-7.0	-10.1
Nth America-Asia	-10.0	-14.7	-14.3	-17.1
Nth-Sth America	-0.9	-17.4	-12.8	-9.1
Sth America-Europe	-1.9	-21.7	-19.5	-21.5
Sth America-Asia	-7.2	-17.3	-20.7	-18.9
Within Sth America	-7.0	-14.7	-16.9	-17.1

Source: PaxIS, A4A

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

# deliveries made & due



Source: Ascend