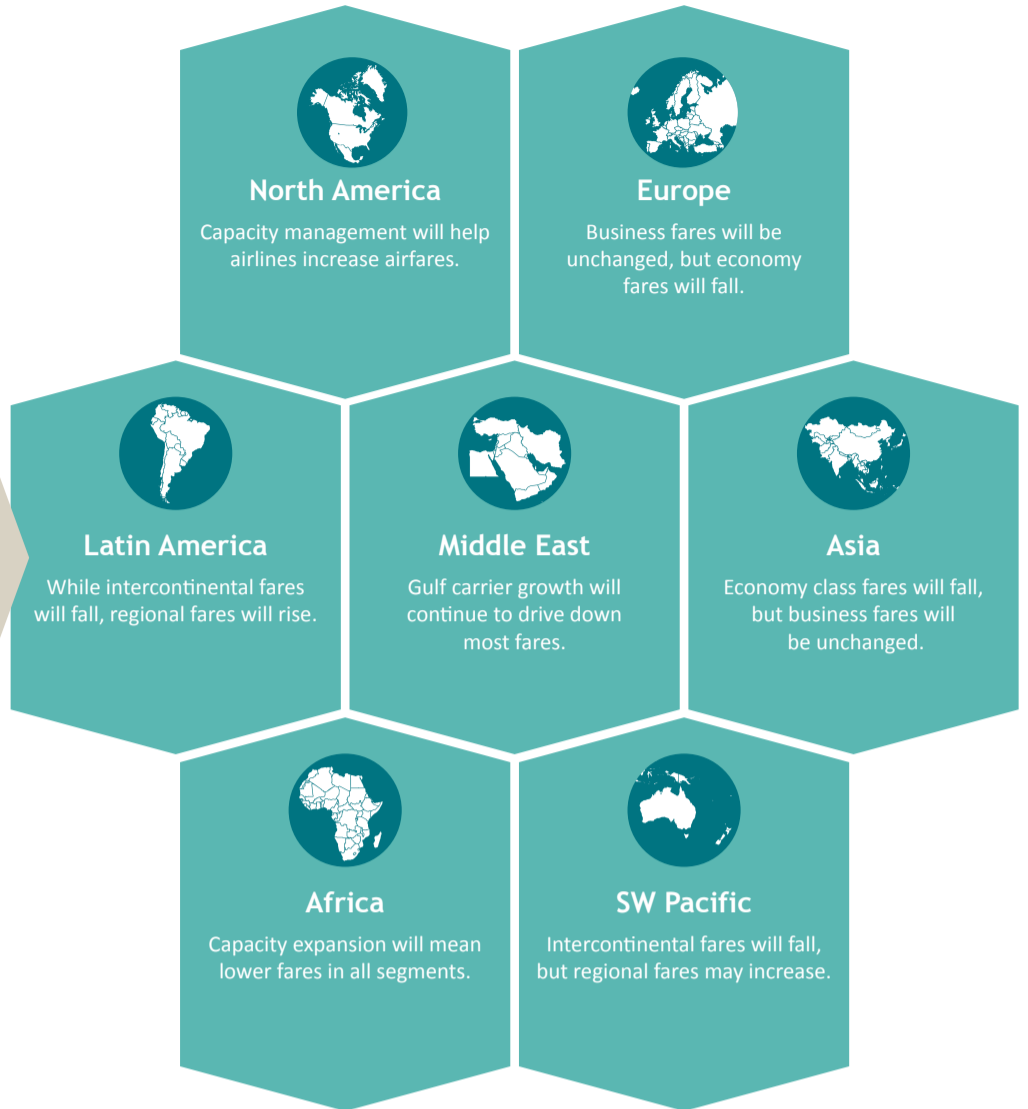




Air



Airlines continue to enjoy the benefits of cheaper oil. Lower costs are driving increased profits and giving the airlines the confidence to expand capacity. This supply increase will keep fares from rising in most markets, and will lower them in regions where competition is most intense. The pricing environment could change very quickly, if there's a material movement in oil prices.



While global fares will be essentially flat in 2016, there will be some regional variation. Business fares will be stable in North America, Europe and Asia, but they'll fall by 2% to 3% for intercontinental travel in the rest of the world. They'll also rise for regional trips in Latin America and Southwest Pacific. Economy fares will fall in almost every market, with the biggest decreases likely in Africa and the Middle East. We only expect economy fares to increase in North America and Latin America, in response to strong demand for regional travel.

	Intercontinental		Regional	
	Business	Economy	Business	Economy
North America	1%	-1%	0%	2%
Europe	0%	-1%	0%	-2%
Asia	0%	-2%	0%	-2%
Latin America	-2%	-1%	3%	1%
Middle East	-3%	-5%	0%	-1%
Africa	-2%	-5%	-2%	-5%
Southwest Pacific	-3%	-1%	2%	0%
Global	0%	-2%	0%	0%

Economic growth assumptions

World economic GDP growth

2015 → 2016
2.5% → 3.0%

We expect 2016 to be a positive year for the world economy. Fueled by stronger growth in Latin America, momentum will return to emerging markets. Thanks to a rebound in the fortunes of the U.S. economy and steady recuperation of the Eurozone, advanced economies will make a stronger contribution too.

	2014	2015	2016
North America	2.4%	2.0%	2.8%
Europe	1.4%	1.9%	2.1%
Asia	4.4%	4.6%	4.7%
Latin America	1.0%	0.2%	1.8%
Middle East	2.8%	2.9%	3.3%
Africa	3.9%	3.8%	4.3%
Southwest Pacific	2.8%	2.8%	2.8%
World	2.6%	2.5%	3.0%

Source: Oxford Economics, June 2015



Although oil stocks continue to build, signs of improving demand have helped stabilize prices. The U.S. Energy Information Administration (EIA) believes more limited supply will support a modest 10% rise in oil prices in 2016 to US\$67 per barrel (bbl). But with the prospect of new supply from Iran and uncertainty about Eurozone demand, we assume oil prices will be \$60/bbl, in line with the average for 2015.

Oil price assumption

US\$
60
per barrel