State of the region: The Americas

April 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q2 2019	Q3 2019	Q4 2019
United States	2.3	2.3	2.1	2.3
Brazil	1.1	1.1	1.2	1.7
Mexico	-0.1	0.1	-0.2	-0.4
Canada	1.6	2.0	1.6	1.5
Argentina	-2.2	0.0	-1.8	-1.1
Colombia	3.3	3.3	3.5	3.4
Chile	1.0	1.8	2.8	-2.4
Peru	2.2	1.2	3.2	1.8
Latin America†	-0.3	-0.2	0.1	-0.2
World*	**2.6**	**2.6**	**2.5**	**2.5**

Source: Datastream * Market exchange rate basis † Forecast since Q1 2019

Exchange rates

end of period, # per US$	2019	Jan-20	Feb-20	Mar-20
US$ broad index	114.7	115.8	117.8	122.8
Brazilian real (BRL)	4.02	4.27	4.51	5.19
Mexican peso (MXN)	18.88	18.92	19.80	23.46
Argentine peso (ARS)	59.87	60.33	62.21	64.39
Colombian peso (COP)	3282	3425	3547	4060
Chilean peso (CLP)	752	801	820	852

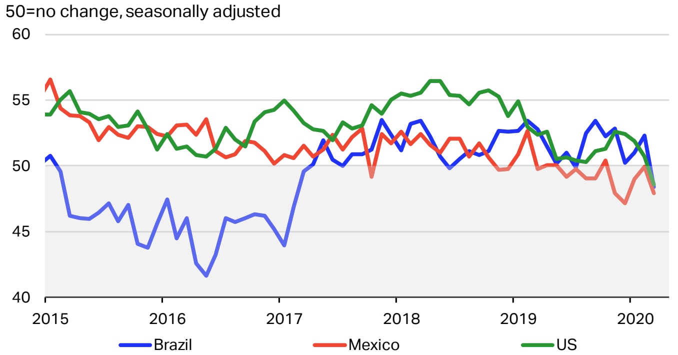
Source: Datastream

World oil and jet fuel price

US$/barrel (period ave.)	2019	Jan-20	Feb-20	Mar-20
Crude oil (Brent)	64.2	63.9	55.7	33.9
Jet fuel	79.6	76.2	65.1	40.1

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs



Source: Markit

- Operating conditions deteriorated across the three economies that we regularly track amidst measures taken to limit the COVID-19 spread. A common denominator of the decline was a sharp fall in new orders and production. In the US, unemployment reached its highest level since 2009.
- The COVID-19 outbreak also impacted March's FX movements. The US$ strengthened by a significant 4.3%, reflecting high demand for dollar liquidity. All of the key regional currencies fell against the US$, most notably the MXN (down 18.5%).
- The monthly average jet fuel and crude oil price plunged by ~40% in March amidst the negative impact of COVID-19 on global demand along with the oil price war between Saudi Arabia and Russia.

Market

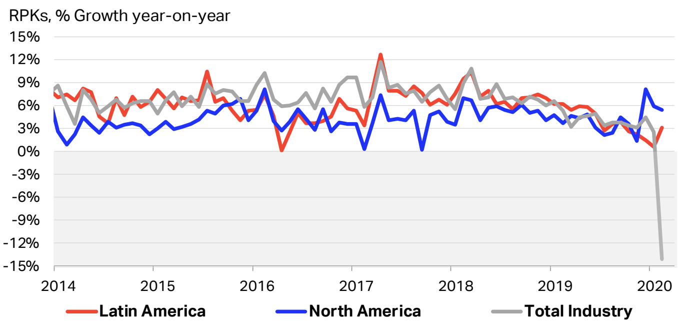
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
N America	3.9	8.1	6.0	5.5
Latin America	4.2	1.5	0.6	3.1
World	4.2	4.5	2.5	-14.1
Routes (segment basis)				
US domestic	4.3	9.8	8.0	10.1
Brazil domestic	0.4	1.6	2.1	3.8
Nth America-Europe	4.3	8.0	6.3	8.6
Nth America-Asia	2.0	6.0	3.0	-30.4
Nth-Sth America	-2.7	-1.9	-3.2	1.1
Sth America-Europe	8.0	3.3	3.2	5.1
Within Sth America	-2.9	-10.7	-11.4	-10.2

Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide revenue passenger kilometres (RPKs) contracted by 14.1%yoy in February as the COVID-19 outbreak weighed significantly on the China and Asia-Pacific markets in particular.
- RPKs flown by Nth.Am carriers expanded by a still solid 5.5% year-on-year in February. That said, the outcome was largely driven by the outperformance and the size of the domestic markets (US domestic rose by a robust 10%yoy this month).
- RPK developments were mixed across the region's key international routes. Growth picked up to a robust 8.6% on the larger Nth.Am-Eur routes. The Nth.-Sth.Am & Sth.Am-Eur markets also posted a faster growth rate. In contrast, RPKs fell sharply, down 30%yoy, on the Nth.Am-Asia routes, reflecting the COVID-19 impact.
- The situation will deteriorate further in March amid heightened travel restrictions, incl. the US-Europe ban.

Growth in air passenger volumes



Source: IATA Statistics

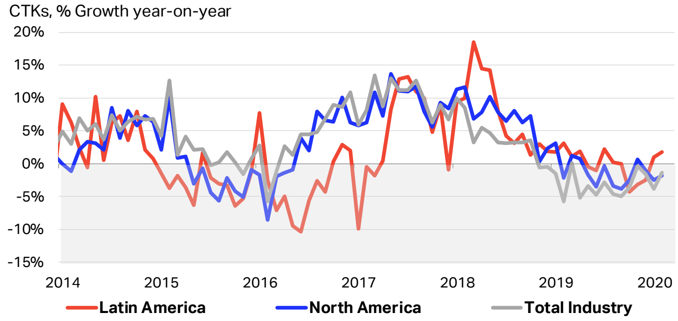
Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
Nth America	-1.1	-1.1	-2.5	-1.8
Latin America	-0.2	-2.5	1.0	1.8
World	-3.2	-1.6	-3.9	-1.4
Routes (segment basis)				
Nth America-Asia	-3.7	-2.3	-3.0	-2.4
Nth America-Europe	-2.5	-4.4	-1.6	5.8
Nth-Sth America	-6.7	-8.8	-4.6	-5.1
Sth America-Europe	-3.1	-7.0	-1.9	2.5
Within Sth America	-8.6	-6.7	5.7	0.1

Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide cargo tonne kilometres were 1.4% lower than their level of February 2019. However, this relatively moderate decline largely reflects the weak outcome observed a year ago. Indeed, in month-on-month terms, CTKs fell by 9.1% amid the virus crisis.
- CTKs of North American airlines dipped by 1.8%yoy – a modest improvement from the 2.5% fall in January. Cargo volumes on Asia-Nth.Am trade lanes decreased by 2.4%yoy, partly reflecting the initial impact of the factory closures and bottlenecks at warehouses and airports in Asia.
- Carriers based in Latin America were relatively unaffected by the COVID-19 outbreak, posting a 1.8%yoy CTK increase in February (up 0.8ppts vs the previous month). Of the key markets, Sth.Am-Europe expanded by a solid 2.5%yoy while volumes stabilized on Within Sth.Am routes (0.1%yoy).

Growth in air cargo volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago, LF: % of ASK/ACTK		2019	Dec-19	Jan-20	Feb-20
Passenger					
Nth America	ASK	2.9	4.5	3.5	4.7
	PLF	*84.8*	*85.4*	*81.5*	*81.1*
Latin America	ASK	3.0	0.9	0.1	3.5
	PLF	*82.6*	*82.4*	*82.7*	*81.2*
World	ASK	3.4	2.2	1.7	-8.7
	PLF	*82.6*	*82.2*	*80.4*	*75.9*
Cargo					
Nth America	ACTK	2.1	5.7	3.2	4.1
	CLF	*39.5*	*39.1*	*42.0*	*37.2*
Latin America	ACTK	4.8	-2.2	2.2	-2.6
	CLF	*35.0*	*30.6*	*31.1*	*34.2*
World	ACTK	2.3	4.2	0.8	-4.4
	CLF	*46.7*	*46.6*	*44.7*	*46.4*

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

- With RPKs falling at almost twice the rate of capacity, the industry-wide passenger load factor (PLF) dropped by 4.8ppts vs a year ago, to 75.9%. However, both Nth.Am and Sth.Am airlines posted a PLF around the historical maximum for the month.
- The cancellation of passenger flights due to COVID-19 removed considerable bellyhold capacity from the cargo market. With ACTKs falling faster than CTKs, the industry-wide CLF increased by 1.5ppts vs a year ago.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2018Q4	2019Q4
Nth America	9.1	9.6	9.5	10.0
Latin America	2.7	3.6	6.1	11.3
Industry	5.7	5.1	5.9	7.0

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

At the regional level, the CLF for Lat.Am airlines rose 1.5ppts in Feb but declined by 2.2ppts for the Nth.Am carriers.

- The Q4 2019 financial data show a slightly higher industry-wide profit result ahead of the COVID-19 outbreak. At the regional level, the EBIT margin rose by 0.5ppts for Nth.Am carriers & 5ppts for Lat.Am airlines.
- Developments in yields were mixed across the key markets in the region. Yields declined further (now down 2.6%yoy) on the larger Nth.Am-Eur routes while growth returned to positive territory in Nth.Am-Asia.

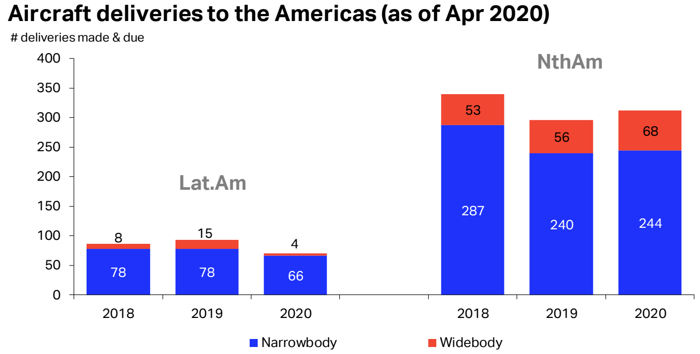
Passenger yields (US$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Nth America-Europe	-3.4	-0.2	-0.5	-2.6
Nth America-Asia	-2.8	-0.8	-0.3	2.3
Nth-Sth America	-5.0	6.2	4.7	4.5
Sth America-Europe	-14.8	-6.0	-3.6	-2.2
Sth America-Asia	-7.6	-6.6	-4.9	-9.6
Within Sth America	-4.0	0.9	0.4	-1.6

Source: DDS Note: historical data may be subject to revision

- A modest fall in jet aircraft deliveries is scheduled for carriers based in Latin America and a slight increase for North American airlines in 2020 versus 2019.

Aircraft deliveries to the Americas (as of Apr 2020)



Source: Cirium