

State of the region: The Americas

August 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
United States	2.2	2.3	0.3	-9.1
Brazil	1.1	1.7	-0.3	--
Mexico	-0.3	-0.8	-2.1	-18.7
Canada	1.7	1.5	-0.9	-13.0
Argentina	-2.1	-1.1	-5.4	--
Colombia	3.3	3.5	1.4	-15.7
Chile	1.0	-2.4	0.4	-13.7
Peru	2.2	1.8	-3.5	-30.2
Latin America	-0.3	-0.2	-2.0	-17.0
World*	2.5	2.4	-1.7	-9.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	May-20	Jun-20	Jul-20
US\$ broad index	114.7	121.3	120.9	117.6
Brazilian real (BRL)	4.02	5.43	5.49	5.21
Mexican peso (MXN)	18.88	22.13	23.11	22.19
Argentine peso (ARS)	59.87	68.48	70.45	72.25
Colombian peso (COP)	3282	3713	3739	3728
Chilean peso (CLP)	752	805	821	757

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	May-20	Jun-20	Jul-20
Crude oil (Brent)	64.2	32.4	40.9	43.3
Jet fuel	79.6	29.6	41.8	45.5

Source: Platts, Datastream (monthly average data)

Market

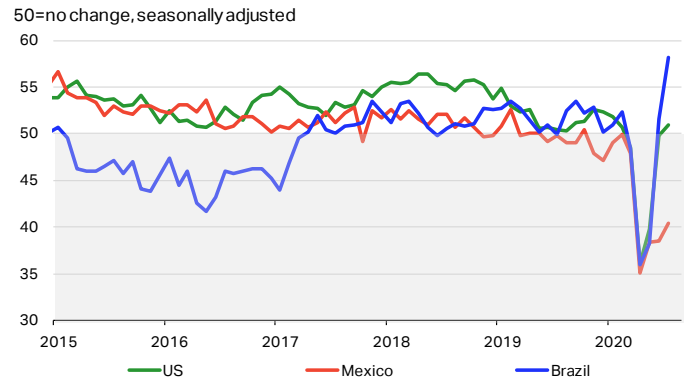
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Region (registration basis)				
N America	4.0	-96.7	-92.8	-86.3
Latin America	4.2	-95.9	-95.4	-91.2
World	4.1	-94.1	-91.0	-86.5
Routes (segment basis)				
US domestic	4.3	-95.9	-89.8	-80.1
Brazil domestic	0.4	-93.1	-91.1	-84.7
Nth America-Europe	4.3	-98.8	-98.5	-97.2
Nth America-Asia	2.4	-96.9	-97.1	-95.8
Nth-Sth America	-2.7	-98.3	-98.1	-97.6
Sth America-Europe	8.0	-97.2	-96.1	-95.1
Within Sth America	-2.9	-99.2	-99.0	-98.8

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with a 91.0% contraction in May. The rebound continued to be dominated by rising demand in domestic markets.
- At the regional level, the pressure on passenger volumes also slightly eased. North American airlines registered an 86.3% annual RPK fall compared with 92.8% decline in May while in Latin America the RPK

Business confidence - manufacturing PMIs



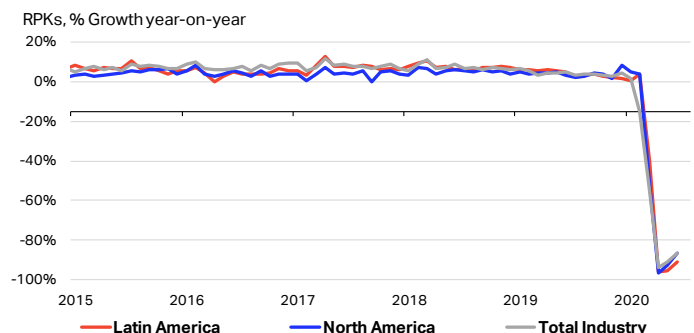
Source: Markit

- Despite a high number of COVID-19 cases, business confidence picked up in the US and Brazil (to a record-high level for the latter), reflecting signs of recovery in demand and production. In contrast, operating conditions remained weak in Mexico due to factory shutdowns and other adverse impacts of the virus.
- The trade-weighted US dollar index eased for the fourth consecutive month, down 2.7%. The COP was the main mover amongst the key regional currencies, gaining 7.8% vs. the USD, followed by the BRL (+5.2%).
- Oil and jet fuel price continued to recover in June. However, oil demand outlook remains downbeat amid uncertainty about when the pandemic subsides.

contraction eased by ~4ppts to -91.2%yoy.

- US domestic RPKs fell by 80.1%yoy vs. the 89.8% decline in May. The market's recovery was relatively moderate throughout the month due to the resurgence of COVID-19 cases in a number of states.
- In Brazil, domestic RPKs contracted by 84.7% over the year to June. As was the case for the US domestic routes, the high infection rate has been hindering a faster rebound of the market so far.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Region (registration basis)				
Nth America	-1.1	-9.3	-5.9	-0.4
Latin America	-0.2	-45.1	-28.4	-33.2
World	-3.2	-26.1	-20.1	-17.6
Routes (segment basis)				
Nth America-Asia	-3.7	-4.8	0.8	-0.7
Nth America-Europe	-2.5	-43.8	-38.4	-35.7
Nth-Sth America	-6.7	-26.9	-19.8	-22.3
Sth America-Europe	-3.1	-52.7	-46.3	-38.7
Within Sth America	-8.6	-43.8	-40.6	-44.0

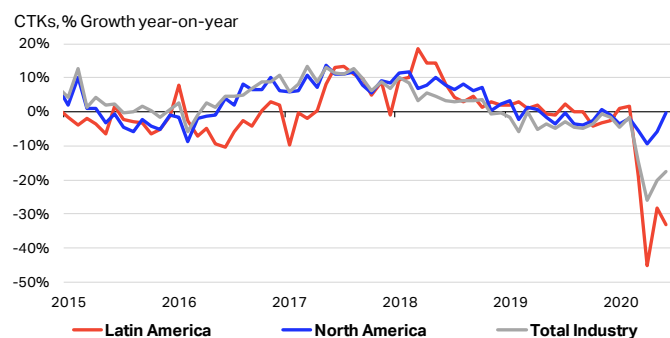
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) declined by 17.6%yoy in June, after falling 20.1% in May. Air cargo has been losing market share of total world trade in recent months, as buyers are turning to cheaper but slower means of transport.
- Carriers based in North America saw CTKs falling by 0.4% annually in June compared with a 5.9% decline in May. The region has been one of the leading

contributors to the global recovery on the back of robust performance in domestic CTKs.

- Cargo volumes flown by Latin America airlines fell by 33.2%yoy, a deterioration from the 28.4% decline in May, and the worst outcome amongst the regions that we regularly track. The weak performance was partly driven by Within Sth America routes (down 44%yoy).

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	Apr-20	May-20	Jun-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	-80.7	-83.4	-76.9
	PLF	84.8	14.4	37.3	52.4
Latin America	ASK	3.0	-93.9	-93.8	-89.0
	PLF	82.6	55.1	61.9	66.6
World	ASK	3.3	-86.7	-85.7	-80.1
	PLF	82.6	37.1	51.2	57.6
Cargo					
Nth America	ACTK	2.1	-28.1	-29.8	-26.9
	CLF	39.5	51.1	52.7	52.1
Latin America	ACTK	4.7	-65.9	-52.7	-52.3
	CLF	35.1	56.2	57.4	51.2
World	ACTK	2.0	-41.8	-34.8	-34.1
	CLF	46.8	59.2	57.8	57.3

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

- RPKs continued to fall faster than the industry-wide capacity (ASKs). As a result, the global passenger load factor reached an all-time low for the month of June, at 57.6%. At the regional level, the PLF of Nth.Am and Lat.Am airlines fell by 52.4ppts & 66.6ppts compared with June 2019, respectively.
- In contrast, the industry-wide air cargo load factor remained close to record high levels for another month amidst ongoing capacity crunch. Nth.Am and Lat.Am airlines registered CLF up 14-15ppts vs. a year ago.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Nth America	9.1	9.6	13.7	-198
Latin America	2.7	2.9	4.9	-300
Industry	5.7	5.2	9.2	-130

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

- Q2 2020 financial results show the extension of the severe negative impact of the pandemic on airline financials for another quarter. Profitability deteriorated sharply as all regions were affected by groundings and travel restrictions for the entire quarter.
- Note that the yield data during the lockdown period should be interpreted with caution due to the dramatic fall in tickets being sold.

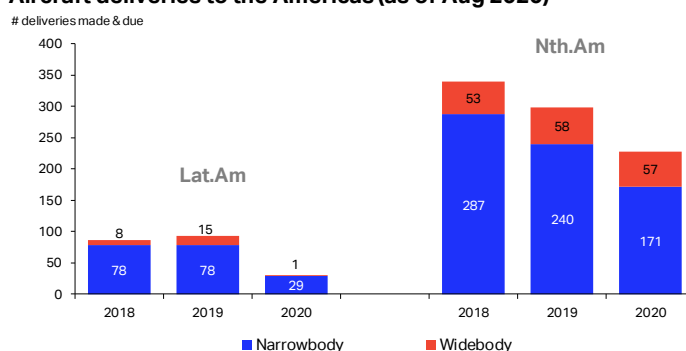
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Nth America-Europe	-3.4	-19.0	-12.3	-16.9
Nth America-Asia	-2.8	57.0	40.0	45.8
Nth-Sth America	-5.0	-17.8	-21.9	-21.3
Sth America-Europe	-14.8	-11.7	-9.7	-13.1
Sth America-Asia	-7.6	72.1	37.3	29.1
Within Sth America	-4.0	-11.6	-22.5	-26.9

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

- A sharp fall in jet aircraft deliveries is scheduled for carriers based in Latin America and North America in 2020 versus 2019.

Aircraft deliveries to the Americas (as of Aug 2020)



Source: Ascend