

# State of the region: The Americas

August 2021

## Economy

### GDP growth, selected countries

% change on a yr ago	2020	Q4 2020	Q1 2021	Q2 2021
United States	-3.4	-2.3	0.5	12.2
Brazil	-4.1	-1.1	1.0	--
Mexico	-8.5	-4.6	-2.8	--
Canada	-5.3	-3.1	0.3	--
Argentina	-9.9	-4.3	2.5	--
Colombia	-6.8	-3.6	1.1	17.6
Chile	-6.0	-0.1	1.3	17.2
Peru	-11.1	-1.7	3.8	--
Latin America	-7.2	-3.1	0.3	16.6
<b>World*</b>	<b>-3.5</b>	<b>-1.2</b>	<b>2.6</b>	<b>11.4</b>

Source: Eikon Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2020	May-21	Jun-21	Jul-21
US\$ broad index	112.1	111.5	111.9	113.3
Brazilian real (BRL)	5.19	5.25	5.02	5.15
Mexican peso (MXN)	19.93	19.91	19.91	19.86
Argentine peso (ARS)	84.07	94.68	95.73	96.69
Colombian peso (COP)	3421	3708	3734	3865
Chilean peso (CLP)	711	722	728	759

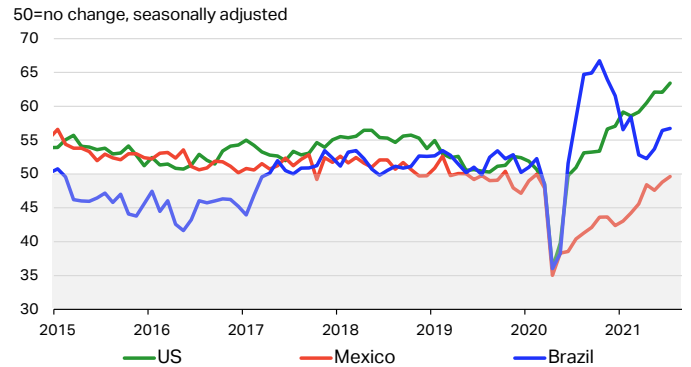
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2020	May-21	Jun-21	Jul-21
Crude oil (Brent)	43.4	68.4	73.5	74.4
Jet fuel	46.3	73.4	77.6	79.5

Source: Platts, Eikon Datastream (monthly average data)

### Business confidence - manufacturing PMIs



Source: Markit

- Economic activity in the US surpassed its pre-crisis levels in Q2, but supply chain constraints hinder faster GDP growth. The latest PMI results show that the manufacturing sector continued to recover from the pandemic effects in Brazil and started to stabilize in Mexico.
- The trade-weighted US dollar index picked up by 1.3% in July. Of the key regional currencies, the CLP was the main mover, losing 4.2% vs. the US\$ amidst falling copper prices – country's main export product.
- Oil and jet fuel prices continued to trend upwards in July, putting extra pressure on airlines' financials. The increase was driven by recovering global economic activity and uncertainty about Opec+ output deal.

## Market

### Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Apr-21	May-21	Jun-21
<b>Region (registration basis)</b>				
N America	-65.2	-49.7	-43.5	-36.2
Latin America	-62.1	-64.5	-57.3	-50.2
World	-65.9	-65.2	-62.9	-60.1
<b>Routes (segment basis)</b>				
US domestic	-59.5	-33.7	-25.4	-14.9
Brazil domestic	-49.0	-60.9	-44.0	-31.1
Nth America-Europe	-80.4	-89.8	-88.0	-81.2
Nth America-Asia	-80.1	-93.0	-93.0	-91.5
Nth-Sth America	-68.8	-63.7	-53.0	-45.9
Sth America-Europe	-71.8	-89.0	-89.4	-87.1
Within Sth America	-76.2	-96.5	-96.9	-95.6

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

- Slow air travel recovery continued for another month amidst modest improvements in both domestic and international travel. Industry-wide revenue passenger-kilometres (RPKs) fell by 60.1% (vs. June 2019) compared with a 62.9% decline in the previous month.
- North American airlines remained the best performers amongst regions, reporting a 36.2% RPK contraction in

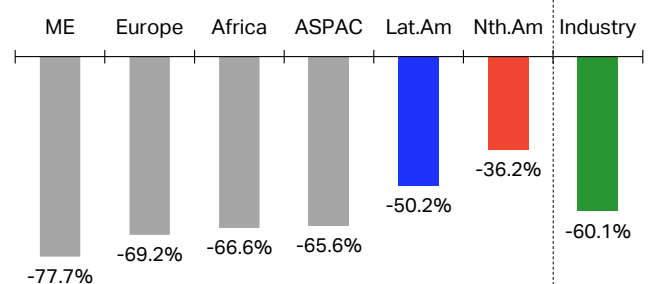
June. US domestic passenger volumes reached 85% of the pre-crisis levels as life returns quickly back to normal with successful COVID vaccine rollout.

Amongst the key international segment-based routes Nth-Sth America had been showing fastest recovery.

- Latin American airlines also performed better than the average, reporting RPKs at ~50% of pre-pandemic levels in June. In Brazil, the pandemic is far from over, but vaccine rollout has supported uptick in air travel demand.

### Growth in passenger volumes, by region

RPKs, % change vs. Jun 2019



Source: IATA Economics

## Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Apr-21	May-21	Jun-21
<b>Region (registration basis)</b>				
Nth America	4.5	24.4	21.4	24.0
Latin America	-21.2	-30.7	-16.2	-19.9
World	-8.7	11.5	8.5	9.9
<b>Routes (segment basis)</b>				
Nth America-Asia	7.6	32.1	31.6	30.3
Nth America-Europe	-17.6	5.3	3.4	3.4
Nth-Sth America	-10.6	-1.4	6.7	3.2
Sth America-Europe	-23.4	-14.5	-3.7	-2.8
Within Sth America	-32.8	-50.8	-53.1	-43.8

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

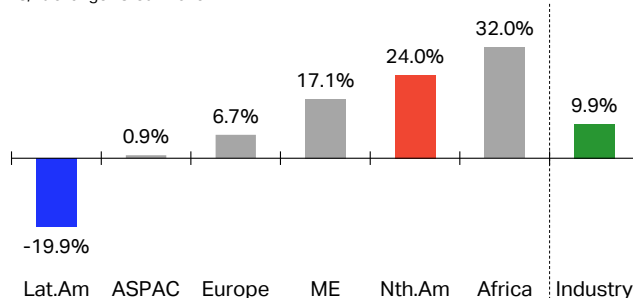
- June 2021 was another month of strong air cargo performance. Industry-wide cargo tonne-kilometres (CTKs) grew by 9.9% compared to June 2019, and air cargo drivers point to further growth ahead.
- CTK growth performance of North American airlines improved slightly to 24.0% vs the pre-pandemic levels. Demand drivers in the region remain supportive; manufacturing PMIs are elevated, and goods

inventories are exceptionally low. Amongst the key regional international markets, North America – Asia continued to post the strongest CTK growth at ~30% vs. June 2019.

- The performance of Latin American airlines remained the weakest amongst regions (see the chart below). Their CTKs contracted by 19.9% vs. June 2019 – a slight deterioration from the previous month.

### Growth in cargo volumes, by region

CTKs, % change vs. Jun 2019



Source: IATA Economics

## Industry

### Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: % ch vs. the same period in 2019, LF: % of ASK/ACTK	2020	Apr-21	May-21	Jun-21
<b>Passenger</b>				
Nth America ASK	-50.2	-37.7	-34.3	-29.6
Nth America PLF	59.2	68.5	74.1	80.6
Latin America ASK	-58.3	-59.8	-53.6	-47.1
Latin America PLF	75.1	72.4	76.6	78.4
World ASK	-56.7	-54.7	-54.1	-51.6
World PLF	65.1	63.9	66.1	69.6
<b>Cargo</b>				
Nth America ACTK	-11.6	4.6	1.1	3.7
Nth America CLF	46.7	48.1	47.2	45.8
Latin America ACTK	-34.7	-47.0	-24.5	-23.0
Latin America CLF	42.3	45.7	42.0	38.1
World ACTK	-21.1	-10.6	-11.2	-10.8
World CLF	54.2	58.1	57.7	56.5

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

- Although passenger load factors (PLF) recovered from the last year's record lows, they remained well below the pre-crisis levels in most regions. The industry-wide metric was at 69.6% – ~15ppts lower vs June 2019. The average PLFs of North and Latin American airlines outperformed, at 80.6% & 78.4%, respectively.
- Cargo load factors (CLF) remained exceptionally high in June. The industry-wide metric was at 56.5%, 10.7 ppts above June 2019 levels. At the regional level, Latin American airlines posted the lowest CLF amongst regions at 38.1%. North American carriers followed with CLF at 45.8%.
- Q1 financial results showed that the start of the year was very weak due to stalling air travel recovery in most regions. However, initial Q2 results reported by North American airlines were encouraging.

### Airline operating (EBIT) margins\*

% revenues	2019	2020	2020Q4	2021Q1
Nth America	9.6	-30	-30	-39
Latin America	2.9	-33	-44	-41
Industry	5.2	-28	-35	-41

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

- Despite weak passenger demand and rising fuel prices, the rate of cash outflow slowed in Q1 2021 vs Q4 2020. The industry-wide improvement was largely driven by North American airlines due to the rise in passenger bookings for future travel in March.

### Airline cash flow\*

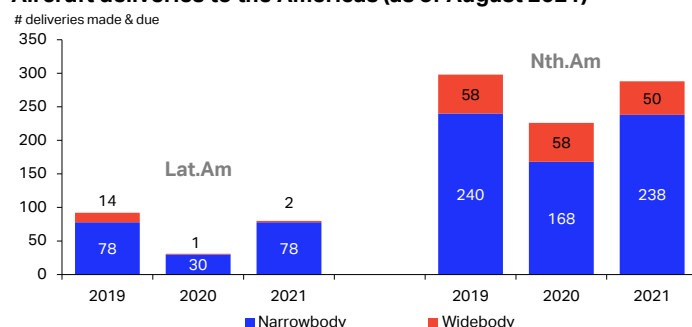
% revenues	Q4 2020		Q1 2021	
	Net cash flow <sup>1</sup>	Free cash flow	Net cash flow <sup>1</sup>	Free cash flow
North America	-49.1	-65.2	11.9	-3.8
Latin America	-22.2	-27.1	-34.8	-40.5
Industry	-42.7	-56.1	-10.2	-25.5

<sup>1</sup>From operating activities

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

- As of August 2021, aircraft deliveries scheduled for 2021 by airlines based in the Latin and North American region are expected to be 13% and 3% below 2019 levels, respectively.

### Aircraft deliveries to the Americas (as of August 2021)



Source: Cirium Fleet Analyzer