

State of the region: The Americas

February 2020

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q2 2019	Q3 2019	Q4 2019
United States	2.9	2.3	2.1	2.3
Brazil	1.3	1.1	1.2	--
Mexico	2.1	0.1	-0.2	-0.4
Canada	2.0	1.9	1.7	--
Argentina	-2.5	0.0	-1.7	--
Colombia	2.5	3.3	3.5	3.4
Chile	4.0	2.0	2.8	--
Peru	4.0	1.2	3.2	1.8
Latin America†	0.8	-0.3	-0.2	-0.2
World*	3.2	2.6	2.5	2.5

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

Exchange rates

end of period, # per US\$	2019	Nov-19	Dec-19	Jan-20
US\$ broad index	114.7	117.1	114.7	115.8
Brazilian real (BRL)	4.02	4.23	4.02	4.27
Mexican peso (MXN)	18.88	19.51	18.88	18.92
Argentine peso (ARS)	59.87	59.92	59.87	60.33
Colombian peso (COP)	3282	3524	3282	3425
Chilean peso (CLP)	752	807	752	801

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Nov-19	Dec-19	Jan-20
Crude oil (Brent)	64.2	62.7	65.3	63.9
Jet fuel	79.6	78.2	80.1	76.2

Source: Platts, Datastream (monthly average data)

Market

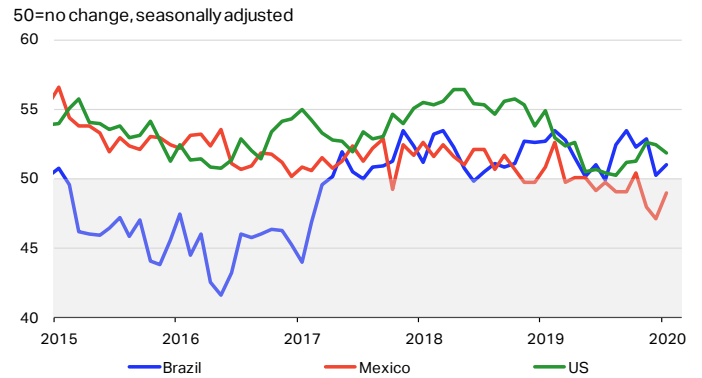
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
Region (registration basis)				
N America	4.1	3.6	2.6	8.6
Latin America	4.2	2.6	2.2	1.5
World	4.2	3.4	3.3	4.5
Routes (segment basis)				
US domestic	4.5	3.8	2.7	10.5
Brazil domestic	0.4	3.9	1.4	1.6
Nth America-Europe	4.3	3.4	4.1	8.0
Nth America-Asia	2.0	-0.1	0.9	6.0
Nth-Sth America	-2.7	-0.8	-4.8	-1.9
Sth America-Europe	8.0	7.4	6.7	3.3
Within Sth America	-2.9	-10.6	-10.9	-10.7

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

- Industry-wide revenue passenger kilometres (RPKs) expanded by 4.2% in 2019 as a whole, down from 7.3% in the previous year amidst slower economic growth and weaker international trade.
- NthAm carriers saw sharp acceleration in RPK growth in Dec due to the later timing of Thanksgiving holidays. Despite that, their RPK growth for 2019 as a whole slowed to 4.1%, reflecting weaker business confidence and softer economic activity in the region.

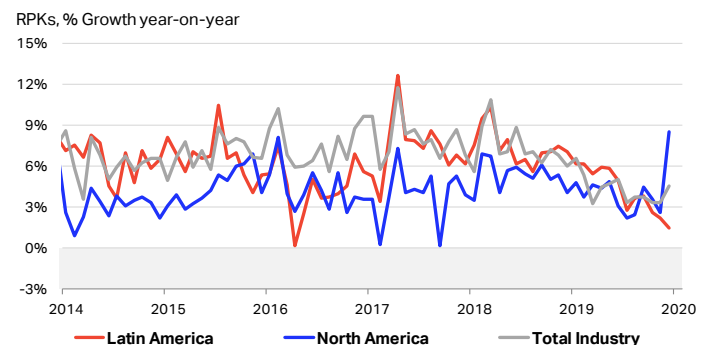
Business confidence - manufacturing PMIs



- Mexico's business confidence recovered from the trough in Dec but remained below 50-mark due to declines in sales and output. Business sentiment ticked up also in Brazil, supported by creation of new jobs. By contrast, the PMI eased in the US amid weaker exports.
- The US\$ broad index ended the month up ~1%. All of the key regional currencies lost against the US\$ in Jan, most notably the CLP and the BRL (down ~6%).
- Following the uptick in December, the jet fuel and crude oil price declined again last month due to the concerns about the impact of the coronavirus outbreak on global oil demand.

- Lat.Am airlines also recorded softer growth last year (4.2% vs 7.4% in 2018) amidst social unrest and economic difficulties in a number of countries.
- Hit by the collapse of Avianca Brasil, Brazil domestic market was the second-weakest 2019 performer of the key domestic markets that we regularly track (RPKs up modest 0.4% vs 4.7% in 2018).
- RPK growth eased also across the other key regional markets in 2019. The larger NthAm-Europe and NthAm-Asia saw pace down by 0.6ppt and 1.9ppt, respectively.

Growth in air passenger volumes



Freight tonne kilometers (FTKs)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
Region (registration basis)				
Nth America	-1.5	-2.5	-1.3	-3.4
Latin America	-0.4	-4.3	-3.2	-5.3
World	-3.3	-3.7	-1.1	-2.7
Routes (segment basis)				
Nth America-Asia	-3.7	-2.6	-1.0	-2.3
Nth America-Europe	-3.1	-2.4	-1.0	-6.2
Nth-Sth America	-6.9	-16.2	-12.6	-10.0
Sth America-Europe	-3.1	-4.6	-6.2	-7.0
Within Sth America	-8.6	-5.3	-12.3	-6.7

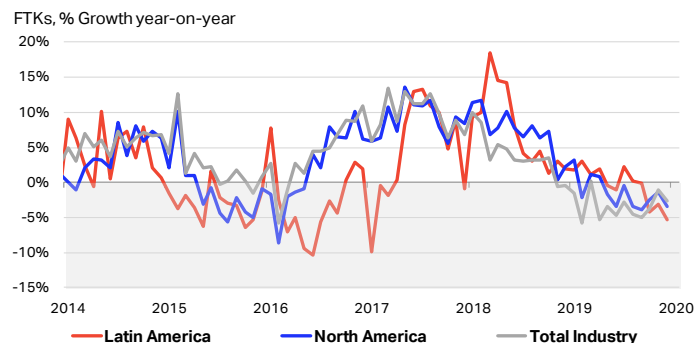
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) contracted by 3.3% in 2019. This represents the worst performance since the Global Financial Crisis and could be largely attributed to global weakness in trade.
- FTKs declined by 1.5% for NthAm airlines and 0.4% for Lat.Am carriers in 2019. North American air cargo was hit by trade tensions while in Lat.Am it reflected – same as on the passenger side – the negative impact of

social unrest and economic difficulties in several key countries.

- All of the key international markets posted contraction in air freight in 2019. The decline was most notable on the routes in the smaller Within Sth America market (includes also domestic routes) with FTKs down 8.6% in 2019 vs 2018 and NthAm-SthAm market (down 7%).

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: % ch on a yr ago,		2019	Oct-19	Nov-19	Dec-19
LF: % of ASK/AFTK					
Passenger					
Nth America	ASK	2.8	3.0	3.6	4.4
	PLF	84.9	83.8	82.9	85.9
Latin America	ASK	2.9	1.6	2.1	0.8
	PLF	82.6	81.6	82.3	82.5
World	ASK	3.4	2.2	1.8	2.1
	PLF	82.6	82.0	81.1	82.3
Freight					
Nth America	AFTK	1.6	3.3	2.4	2.1
	FLF	39.6	39.2	41.5	39.5
Latin America	AFTK	4.7	5.9	2.0	-3.1
	FLF	35.0	34.6	38.7	30.0
World	AFTK	2.1	2.4	2.6	2.8
	FLF	46.7	47.5	49.8	46.7

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

- Industry-wide seat capacity (ASKs) expanded by 3.4% in 2019 – about 1ppt slower pace than that of RPKs. As a result, the industry passenger load factor (PLF) reached a record-high 82.6% last year.
- For freight, capacity (AFTKs) expanded by 2.1% against contracting demand. This has driven 2019 FLF down by 2.6ppt compared to the previous year.
- NthAm and Lat.Am carriers recorded their highest annual PLF in the history of our time series. However, the FLFs performed less strongly, down 1.2ppt and 1.8ppt vs a year ago, respectively.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2018Q4	2019Q4
Nth America	9.1	9.6	9.4	10.0
Latin America	2.7	3.6	3.1	6.2
Industry	5.7	5.1	8.3	9.0

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

- The initial financial data for Q4 2019 point to a higher industry-wide operating profit margin compared to the same period a year ago. NthAm airlines continued to be the strongest performers on average, posting double-digit margin amidst lower fuel costs and solid passenger demand.
- Base passenger yields (excluding surcharges and ancillaries, denominated in US\$) declined across all key markets in the region in 2019. SthAm-Europe market posted the sharpest contraction (yields down 15%) driven by fall in base revenues.

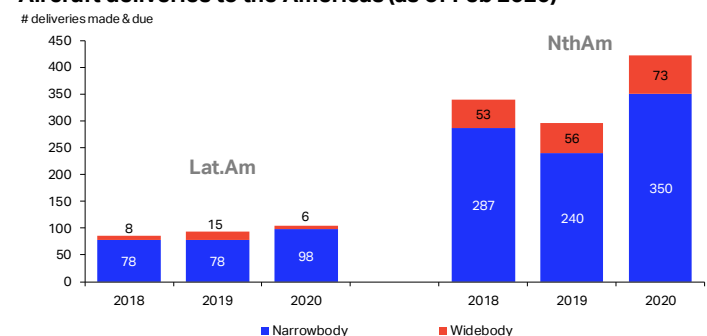
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
Nth America-Europe	-3.4	-5.0	-3.3	-0.3
Nth America-Asia	-2.8	-6.0	-2.7	-0.9
Nth-Sth America	-5.0	-0.8	1.5	5.8
Sth America-Europe	-14.8	-9.8	-7.4	-6.1
Sth America-Asia	-7.6	-7.1	-2.9	-6.6
Within Sth America	-4.0	8.1	2.6	-0.5

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

- A modest uptick in jet aircraft deliveries is scheduled for Lat.Am carriers and a sharp increase (mostly narrow body) for NthAm airlines in 2020 vs 2019.

Aircraft deliveries to the Americas (as of Feb 2020)



Source: Ascend