

State of the region: The Americas

January 2021

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
United States	2.2	0.3	-9.0	-2.8
Brazil	1.4	-0.3	-10.9	-3.9
Mexico	0.0	-2.2	-18.7	-8.6
Canada	1.9	-0.3	-12.5	-5.2
Argentina	-2.1	-5.2	-19.0	-10.2
Colombia	3.3	1.2	-15.8	-9.0
Chile	1.0	0.4	-14.0	-10.3
Peru	2.2	-3.5	-29.8	-9.4
Latin America	-0.1	-2.3	-16.0	-7.5
World*	2.5	-1.6	-9.0	-2.9

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Oct-20	Nov-20	Dec-20
US\$ broad index	114.7	116.5	113.6	111.7
Brazilian real (BRL)	4.02	5.77	5.39	5.19
Mexican peso (MXN)	18.88	21.28	20.16	19.93
Argentine peso (ARS)	59.87	78.34	81.30	84.07
Colombian peso (COP)	3282	3855	3586	3421
Chilean peso (CLP)	752	774	767	711

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Oct-20	Nov-20	Dec-20
Crude oil (Brent)	64.2	41.6	44.1	50.4
Jet fuel	79.6	43.5	47.7	55.4

Source: Platts, Datastream (monthly average data)

Market

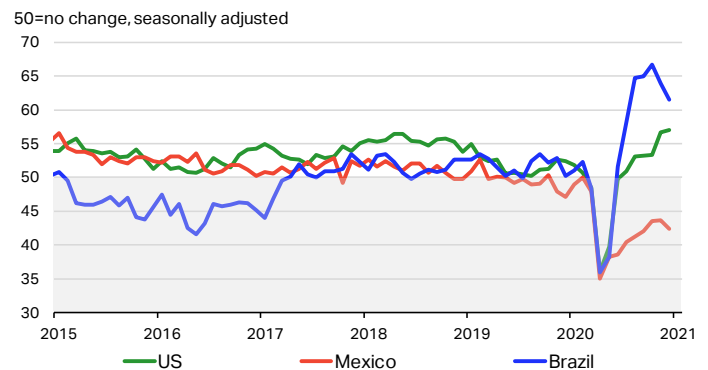
Revenue passenger-kilometers (RPKs)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
N America	4.0	-74.4	-70.5	-67.6
Latin America	4.2	-76.2	-68.0	-59.8
World	4.1	-72.2	-70.6	-70.3
Routes (segment basis)				
US domestic	4.3	-65.0	-61.5	-59.9
Brazil domestic	0.4	-55.3	-44.5	-34.5
Nth America-Europe	4.3	-92.5	-92.0	-90.3
Nth America-Asia	2.4	-93.7	-93.7	-92.5
Nth-Sth America	-2.7	-89.0	-82.6	-74.3
Sth America-Europe	8.0	-90.0	-87.8	-85.8
Within Sth America	-2.9	-99.2	-96.4	-91.9

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

- The recovery in air travel has stalled amidst elevated COVID-19 cases and the re-introduction of travel restrictions in some regions. Industry wide-revenue passenger-kilometres fell by 70.3%yoy in November – a broadly unchanged decline from October.
- Lat.Am airlines showed the fastest improvement of all regions in November (+8.1ppts, at -59.8%yoy). Routes

Business confidence - manufacturing PMIs

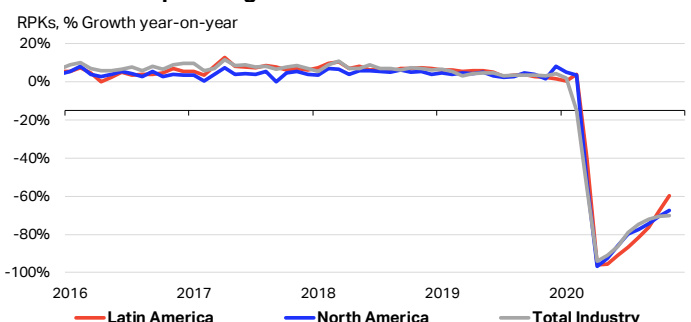


- The resurgence of COVID-19 in December weighed on the manufacturing sector in Mexico. Virus cases were elevated also in the US and Brazil, but operating conditions remained largely unimpacted.
- The trade-weighted US dollar index eased further in December (down 1.7%) as the global economy continued to recover from the crisis. Amongst the key regional currencies, the CLP was the main mover in December, gaining more than 7% against the US\$.
- Brent Crude oil and jet fuel price strengthened in December, reflecting positive news about vaccines, stronger oil demand from Asia, and looser restrictions in some European countries before the holiday season.

to/from Central America were the most resilient due to less strict travel requirements in some countries. Passenger demand continued to recover swiftly in Brazil domestic market (RPKs down -34.5%) amid lower fares and starting summer season.

- RPKs flown by Nth.Am airlines fell by 67.6%yoy vs. 70.5% annual contraction in the previous month. Same as for the Lat.Am carriers, the recovery has been positively impacted by improving demand on the routes to/from Central America. US carriers posted slow recovery with domestic RPKs down 59.9%yoy.

Growth in air passenger volumes



Cargo tonne-kilometers (CTKs)

% change on a y ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
Nth America	-1.0	8.2	5.6	5.0
Latin America	-0.2	-22.8	-12.7	-19.2
World	-3.2	-7.6	-6.2	-6.6
Routes (segment basis)				
Nth America-Asia	-3.7	3.8	5.4	9.3
Nth America-Europe	-2.5	-18.4	-16.9	-16.6
Nth-Sth America	-6.7	-11.5	4.3	-3.0
Sth America-Europe	-3.1	-24.4	-15.7	-18.9
Within Sth America	-8.6	-48.2	-50.9	-32.2

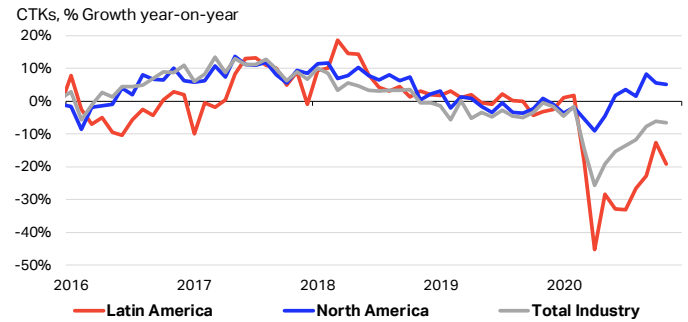
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.6% year-on-year in November vs. a 6.2% fall in October. The softer growth outcome this month can be however entirely attributed to a strong month of November 2019.
- Notwithstanding the impact of a new wave of COVID cases in the US, North America was the only region where CTKs grew in annual terms in November (+5%).

The resilient outcome was driven by booming e-commerce in the US domestic market as well as by strong traffic on the larger Asia-Nth.America routes (+9.3%yoy).

- CTKs flown by Lat.Am airlines declined by 19.2%yoy – a deterioration from -12.7%yoy outcome in October. The robust traffic recovery of the past few months has reverted in November due to new COVID outbreaks.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago, LF: % of ASK/ACTK		2019	Sep-20	Oct-20	Nov-20
Passenger					
Nth America	ASK	2.9	-59.7	-55.4	-48.7
	PLF	84.8	52.4	55.4	51.8
Latin America	ASK	3.0	-72.4	-63.5	-55.3
	PLF	82.6	70.5	71.6	74.0
World	ASK	3.4	-62.3	-59.8	-58.6
	PLF	82.6	60.4	60.1	58.0
Cargo					
Nth America	ACTK	2.1	-16.2	-16.8	-12.8
	CLF	39.5	48.9	49.6	50.0
Latin America	ACTK	4.7	-36.4	-32.0	-28.4
	CLF	35.1	45.4	44.4	43.6
World	ACTK	2.1	-25.3	-22.4	-20.0
	CLF	46.8	57.1	57.5	58.2

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

- The passenger load factor (PLF) remained at record lows across most regions and at the industry-wide level (58%) in Nov. Lat.Am carriers were the only outlier with the PLF at a relatively strong 74%. Nth.Am airlines posted the PLF at 51.8%, down ~30ppts vs. a year ago.
- On the freight side, demand continued to outpace supply, which resulted in a new record-high industry-wide load factor (CLF) for any month of November in our series. Nth.Am & Lat.Am carriers recorded the CLF up 8.5ppts and 5ppts, respectively.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Nth America	9.1	9.6	11.7	-43
Latin America	2.7	2.9	11.2	-94
Industry	5.7	5.2	12.1	-45

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

- Our final Q3 financial results indicate that airlines continued to suffer from very weak travel demand and burnt cash, albeit at a slower rate compared to Q2 with the help of cost-cutting measures and robust cargo revenues.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

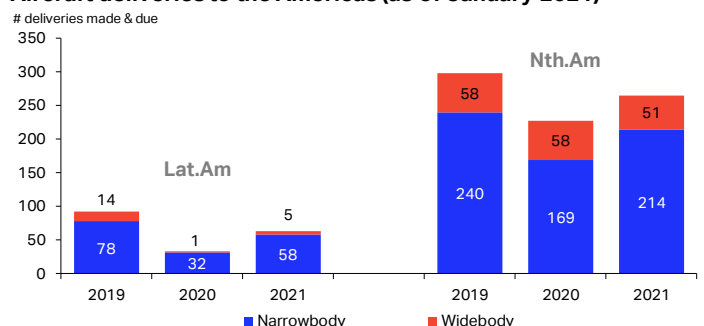
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a y ago	2019	Sep-20	Oct-20	Nov-20
Nth America-Europe	-3.4	-22.8	-21.2	-24.6
Nth America-Asia	-2.8	54.7	44.0	24.6
Nth-Sth America	-5.0	-26.2	-16.4	-24.8
Sth America-Europe	-14.8	-21.3	-19.3	-21.5
Sth America-Asia	-7.6	41.4	24.9	9.8
Within Sth America	-4.0	-22.0	-25.1	-27.9

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

- Carriers based in North and Latin America received 24% and 64% fewer aircraft deliveries in 2020 compared with a year ago, respectively. In 2021, the deliveries are expected to rise, but will most likely not reach 2019 levels.

Aircraft deliveries to the Americas (as of January 2021)



Source: Ascend