

State of the region: The Americas

July 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
United States	2.3	2.1	2.3	0.3
Brazil	1.1	1.2	1.7	-0.3
Mexico	-0.3	-0.5	-0.8	-2.2
Canada	1.7	1.6	1.5	-0.9
Argentina	-2.1	-1.8	-1.1	-5.4
Colombia	3.3	3.5	3.5	1.1
Chile	1.0	2.8	-2.4	0.5
Peru	2.2	3.2	1.8	-3.4
Latin America	-0.3	0.1	-0.2	-2.0
World*	2.5	2.5	2.4	-1.7

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Apr-20	May-20	Jun-20
US\$ broad index	114.7	122.7	121.3	120.9
Brazilian real (BRL)	4.02	5.41	5.43	5.49
Mexican peso (MXN)	18.88	23.81	22.13	23.11
Argentine peso (ARS)	59.87	66.77	68.48	70.45
Colombian peso (COP)	3282	3920	3713	3739
Chilean peso (CLP)	752	836	805	821

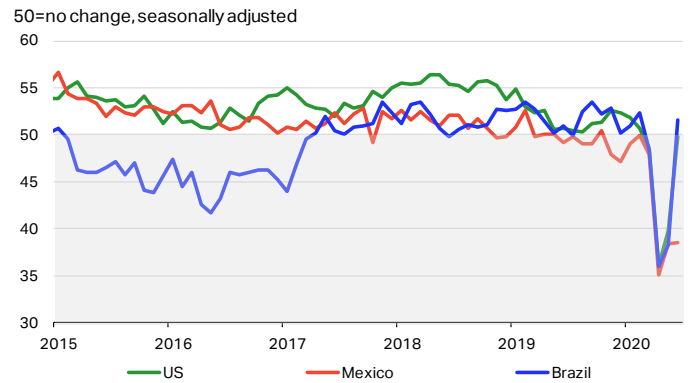
Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Apr-20	May-20	Jun-20
Crude oil (Brent)	64.2	26.8	32.4	40.9
Jet fuel	79.6	23.1	29.6	41.8

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs



- Business sentiment rebounded sharply in the US and Brazil as some COVID-19 restrictions began to be lifted and economic activity started to recover. In contrast, business confidence in Mexico remained subdued, reflecting weakness in demand and production.
- The trade-weighted US dollar index eased slightly in June, down 0.3%. Among the key regional currencies, the MXN ended the month down 4.4% against the US\$ while the COP lost 2.9%.
- Oil and jet fuel prices rose further in June amidst expectations about demand recovery with the reopening of markets. Sharp output cuts from OPEC and Russia also provided support to the price increase.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
Region (registration basis)				
N America	3.9	-52.0	-96.5	-92.5
Latin America	4.2	-40.2	-95.9	-95.4
World	4.1	-55.5	-94.0	-91.3
Routes (segment basis)				
US domestic	4.3	-50.2	-95.6	-89.5
Brazil domestic	0.4	-32.2	-93.1	-91.1
Nth America-Europe	4.3	-55.9	-98.8	-98.5
Nth America-Asia	2.0	-72.8	-96.9	-97.0
Nth-Sth America	-2.7	-48.1	-98.3	-98.1
Sth America-Europe	8.0	-43.5	-97.2	-96.1
Within Sth America	-2.9	-50.2	-99.2	-99.0

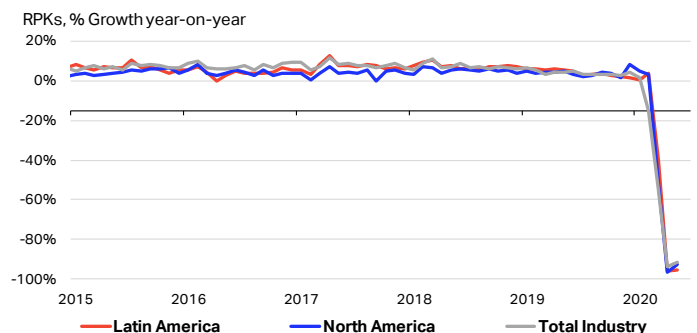
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 91% year-on-year in May, compared to the 94% annual decline observed in April. The modest improvement this month was driven by developments in domestic markets.
- The regional outcomes also showed little improvement from April. Carriers based in North America recorded a 92.5% annual RPK decline while Latin America airlines

registered passenger volumes down 95.4%yoy.

- All of the region's key markets contracted by c. 90% year-on-year. However the downward pressure on volumes eased modestly in the US domestic market compared to April (89.5% vs. 95.6%).
- Looking forward, improvement in demand is expected in the region as countries started to ease their lockdowns and airlines have been restoring some of their seat capacity.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
Region (registration basis)				
Nth America	-1.1	-5.6	-7.4	-3.6
Latin America	-0.2	-18.8	-45.1	-28.3
World	-3.2	-14.6	-25.6	-20.3
Routes (segment basis)				
Nth America-Asia	-3.7	-5.7	-5.7	-0.4
Nth America-Europe	-2.5	-20.5	-43.2	-38.0
Nth-Sth America	-6.7	-19.7	-19.6	-13.4
Sth America-Europe	-3.1	-19.7	-52.7	-46.3
Within Sth America	-8.6	-13.0	-43.8	-40.6

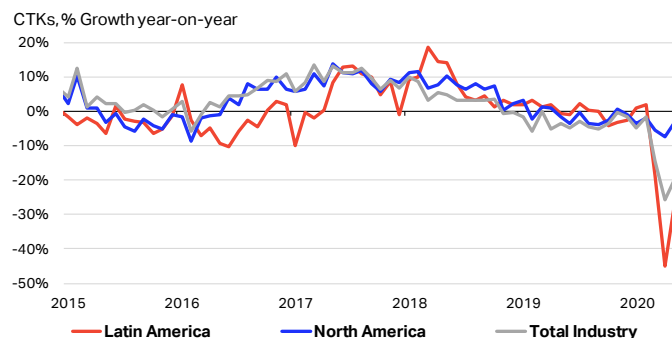
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 20.3% year-on-year in May, a slight improvement from the 25.6% decline seen in April. This initial recovery partly comes on the back of stabilizing manufacturing output and new export orders.
- CTKs of North American airlines fell by 3.6%yoy in May – the most resilient outcome amongst all regions. Various factors have contributed to this performance, including shorter and less stringent lockdowns in parts

of the region, the large freighter fleets of some of the region's carriers as well as a continuous solid trade performance with Asia (-0.4%yoy).

- Airlines registered in Latin America recorded a 28.3% annual CTK fall in May, a significant improvement from the 45.1% decline in April. The routes to and from North America have shown the most resilient result this month (-13.4%yoy).

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	Mar-20	Apr-20	May-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	-22.7	-80.4	-83.1
	PLF	84.8	53.1	15.1	38.1
Latin America	ASK	3.0	-28.2	-93.8	-93.8
	PLF	82.6	68.0	54.6	62.3
World	ASK	3.3	-38.6	-86.6	-86.6
	PLF	82.6	59.4	37.2	50.7
Cargo					
Nth America	ACTK	2.1	-8.2	-27.5	-27.9
	CLF	39.5	43.0	51.7	52.6
Latin America	ACTK	4.8	-32.0	-65.9	-51.6
	CLF	35.0	41.4	56.2	56.1
World	ACTK	2.2	-20.8	-41.6	-34.7
	CLF	46.7	53.6	59.4	57.6

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

- In May, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor dropped by 31ppts year-on-year to 50.7%. The PLF of Nth.Am and Lat.Am airlines fell by 48ppts & 21ppts, respectively.
- Cargo belly capacity increased in May, hinting that the recent capacity crunch might start to unwind soon. The industry-wide cargo LF was 10.4ppts higher vs a year ago. At the regional level, the CLF was up 13ppts for Nth.Am airlines and +18ppts for Lat.Am carriers.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q1	2020Q1
Nth America	9.1	9.6	6.6	-6.0
Latin America	2.7	2.9	5.7	3.9
Industry	5.7	5.2	4.6	-10.8

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

- Q1 2020 airline financial results show the start of the severe negative impact of the pandemic on airline profitability. The industry-wide EBIT margin was -10.8% of revenues, down from 4.6% in Q1 2019. For Nth.Am airlines, the EBIT margin turned negative at -6.0% while in Lat.Am it softened by 2ppts vs. a year ago, to 3.9%.
- Note that the yield data during the lockdown period should be interpreted with caution as the number of tickets being sold declined dramatically and part of the sales were arising from repatriation flights.

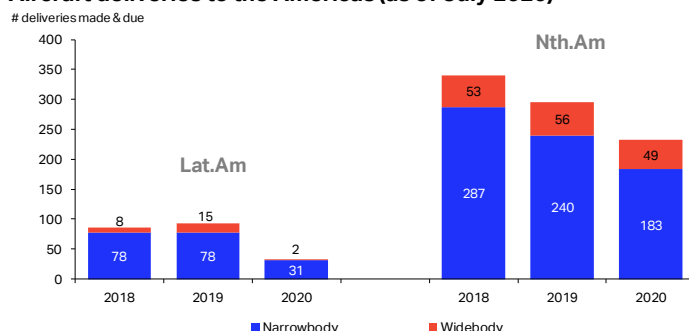
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
Nth America-Europe	-3.4	-19.1	-18.1	-12.5
Nth America-Asia	-2.8	7.2	56.7	35.1
Nth-Sth America	-5.0	-4.2	14.4	-15.6
Sth America-Europe	-14.8	-3.6	-1.8	-1.1
Sth America-Asia	-7.6	1.1	70.0	72.3
Within Sth America	-4.0	-12.0	-10.0	-19.6

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 July 2020)



Source: Ascend