

State of the region: The Americas

July 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
United States	-3.5	-2.8	-2.4	0.4
Brazil	-4.1	-3.9	-1.1	1.0
Mexico	-8.5	-8.6	-4.6	-2.8
Canada	-5.3	-5.1	-3.1	0.3
Argentina	-9.9	-10.2	-4.3	2.5
Colombia	-6.8	-8.4	-3.6	1.1
Chile	-6.0	-9.8	-0.1	1.2
Peru	-11.1	-9.0	-1.7	3.8
Latin America	-7.2	-7.3	-3.1	0.4
World*	-3.6	-2.6	-1.3	2.6

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Apr-21	May-21	Jun-21
US\$ broad index	112.1	112.9	111.5	111.9
Brazilian real (BRL)	5.19	5.43	5.25	5.02
Mexican peso (MXN)	19.93	20.17	19.91	19.91
Argentine peso (ARS)	84.07	93.56	94.68	95.73
Colombian peso (COP)	3421	3741	3708	3734
Chilean peso (CLP)	711	714	722	728

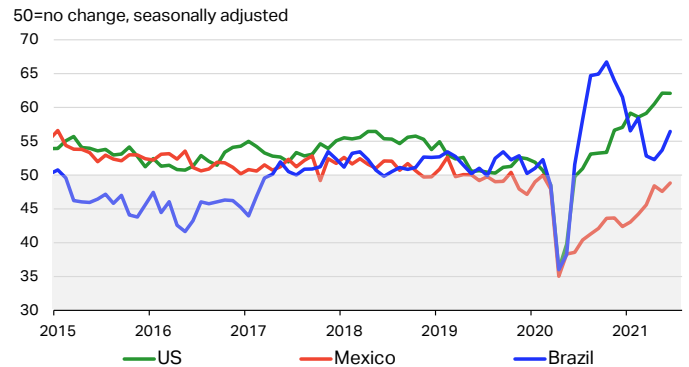
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Apr-21	May-21	Jun-21
Crude oil (Brent)	43.4	65.5	68.4	73.5
Jet fuel	46.3	69.1	73.4	77.6

Source: Platts, Eikon Datastream (monthly average data)

Business confidence - manufacturing PMIs



- The manufacturing sector in the US and Brazil continues to expand but distorted supply chains have been putting upward pressure on input costs. Operating conditions in Mexico remain subdued amidst the pandemic effects although the rate of deterioration has been slowing.
- The trade-weighted US dollar index rose by 0.3% in June. Amongst the key regional currencies, the BRL was the main mover, gaining 4.4% against the US\$.
- Oil and jet fuel prices trended upwards in June amidst improving economic fundamentals. Looking ahead, the rising fuel bill might shadow the expected summer rebound in travel demand in some markets.

Market

Revenue passenger-kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
Region (registration basis)				
N America	-65.2	-56.9	-50.3	-44.0
Latin America	-62.1	-63.5	-64.5	-57.4
World	-65.9	-66.8	-65.2	-62.7
Routes (segment basis)				
US domestic	-59.5	-43.6	-34.5	-26.2
Brazil domestic	-49.0	-54.0	-60.9	-44.0
Nth America-Europe	-80.4	-90.0	-89.8	-88.0
Nth America-Asia	-80.1	-93.3	-93.0	-92.9
Nth-Sth America	-68.8	-70.5	-63.7	-53.0
Sth America-Europe	-71.8	-88.6	-89.0	-89.4
Within Sth America	-76.2	-90.4	-96.5	-96.9

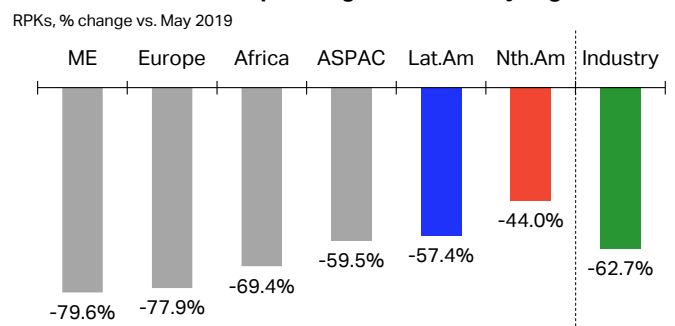
Source: IATA Economics Note: historical data may be subject to revision

- Air passenger demand continued to slowly recover in May. Industry-wide revenue passenger-kilometers (RPKs) fell by 62.7% compared with May 2019 – a modest improvement on the 65.2% contraction in the previous month.
- North American airlines posted the smallest RPK decline amongst all regions (-44% vs. May 2019),

benefitting from the swift recovery in the US domestic market. International travel remains weak due to strict travel restrictions that are in place despite successful vaccine progress and falling COVID cases.

- Latin American RPKs were 57.4% lower in May compared with the same month two years ago. The recovery in the region continues to be driven by Brazil domestic travel, where the passenger load factors returned to pre-crisis levels in May (at 82.1%).

Growth in passenger volumes, by region



Cargo tonne-kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
Region (registration basis)				
Nth America	4.5	19.4	24.6	21.6
Latin America	-21.2	-21.4	-30.7	-14.3
World	-8.7	4.6	11.3	9.4
Routes (segment basis)				
Nth America-Asia	7.6	25.4	28.2	26.5
Nth America-Europe	-17.6	-9.1	1.2	-1.3
Nth-Sth America	-10.6	6.3	-2.1	5.7
Sth America-Europe	-23.4	-14.7	-14.5	-3.7
Within Sth America	-32.8	-34.6	-50.8	-53.1

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

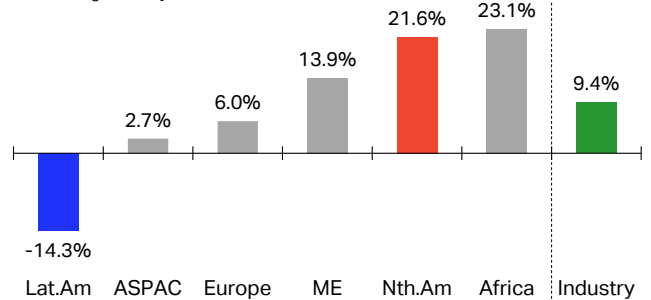
- Air cargo continued to perform well in May 2021, with industry-wide cargo tonne-kilometres (CTKs) rising by 9.4% compared to pre-crisis levels in May 2019. Supply-chain conditions and economic activity remain supportive for air cargo developments.
- North American airlines posted a 21.6% CTK expansion – a slightly weaker outcome than in April but still one of the fastest growths in the history of our time series

(since 1990). Demand drivers in the region such as manufacturing output remain supportive, despite risks from consumers shifting to the services sector as the pandemic is put under control.

- Latin American airlines were the weakest performers amongst regions but their CTK contraction more than halved compared with April, to -14.3% (vs. May 2019). The significant lack of cargo capacity remains an ongoing challenge for the region's faster recovery.

Growth in cargo volumes, by region

CTKs, % change vs. May 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	Mar-21	Apr-21	May-21
Passenger					
Nth America	ASK	-50.2	-41.4	-37.6	-33.8
	PLF	59.2	62.9	67.5	72.8
Latin America	ASK	-58.3	-58.1	-59.8	-53.8
	PLF	75.1	71.0	72.4	76.8
World	ASK	-56.7	-56.4	-54.6	-53.7
	PLF	65.1	62.3	63.7	65.8
Cargo					
Nth America	ACTK	-11.6	3.9	5.4	2.0
	CLF	46.7	48.0	47.8	46.9
Latin America	ACTK	-34.7	-39.8	-47.0	-23.3
	CLF	42.3	45.3	45.7	42.3
World	ACTK	-21.2	-11.5	-10.4	-9.7
	CLF	54.2	58.8	57.9	57.2

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

- Contraction in global seat capacity (ASKs) was broadly unchanged in May, at -53.7%. Passenger load factors (PLF) continued to improve with the strength in domestic demand. The industry-wide metric was at 65.8% in May. Latin American and North American airlines posted the highest PLFs amongst regions, at 76.8% and 72.8%, respectively.
- Cargo load factors remained well-above their pre-pandemic levels amidst ongoing shortage in cargo capacity. The industry-wide cargo load factor (CLF) was 10ppts above May 2019, at 57.2%. North American airlines reported the CLF at 46.9% while Latin American carriers at 42.3% (the lowest amongst regions).
- In Q1 2021, the industry-wide operating EBIT margin was at -58% of revenues – broadly unchanged outcome from Q4 2020 since passenger demand remained muted.

Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q1	2021Q1
Nth America	9.6	-30	-8.6	-73
Latin America	2.9	-33	2.4	-41
Industry	5.2	-28	-12.3	-58

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

- Airlines continued to burn cash in Q1 due to low air travel volumes but there was some regional variation. Operating cashflow turned positive in North America and some US carriers posted cash breakeven in March amidst a strong rebound in US domestic bookings. In contrast, Latin American airlines reported one of the most significant cash outflows amongst regions.

Airline cash flow*

% revenues	Q1 2020		Q1 2021	
	Net cash flow ¹	Free cash flow	Net cash flow ¹	Free cash flow
North America	1.3	-13.5	11.9	-3.8
Latin America	4.1	-1.6	-34.8	-40.5
Industry	-1.5	-17.3	-8.2	-22.1

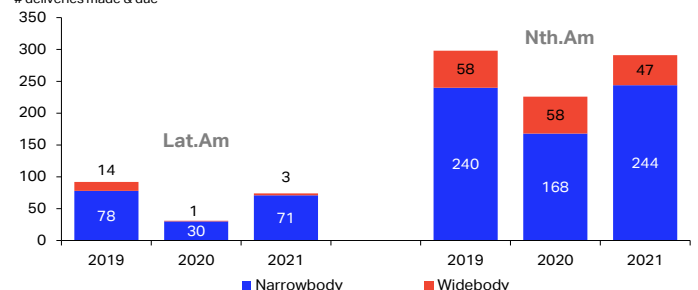
¹From operating activities

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

- As of July 2021, aircraft deliveries scheduled for 2021 by airlines based in the Latin and North American region are expected to be 20% and 2% below 2019 levels, respectively.

Aircraft deliveries to the Americas (as of July 2021)

deliveries made & due



Source: Cirium Fleet Analyzer