

State of the region: The Americas

March 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
United States	-3.5	-9.0	-2.8	-2.4
Brazil	-4.1	-10.9	-3.9	-1.1
Mexico	-8.5	-18.6	-8.5	-4.5
Canada	-5.4	-12.7	-5.3	-3.2
Argentina	-9.9	-19.0	-10.1	-4.3
Colombia	-6.8	-15.8	-8.5	-3.6
Chile	-6.0	-13.7	-10.2	-0.1
Peru	-11.1	-30.0	-9.0	-1.7
Latin America	-7.2	-16.0	-7.4	-3.1
World*	-3.7	-8.9	-2.7	-1.5

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Dec-20	Jan-21	Feb-21
US\$ broad index	112.1	112.1	111.8	112.3
Brazilian real (BRL)	5.19	5.19	5.46	5.57
Mexican peso (MXN)	19.93	19.93	20.22	20.91
Argentine peso (ARS)	84.07	84.07	87.26	89.83
Colombian peso (COP)	3421	3421	3560	3616
Chilean peso (CLP)	711	711	732	723

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

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Dec-20	Jan-21	Feb-21
Crude oil (Brent)	43.4	50.4	55.2	62.4
Jet fuel	46.3	55.4	59.6	66.9

Source: Platts, Eikon Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

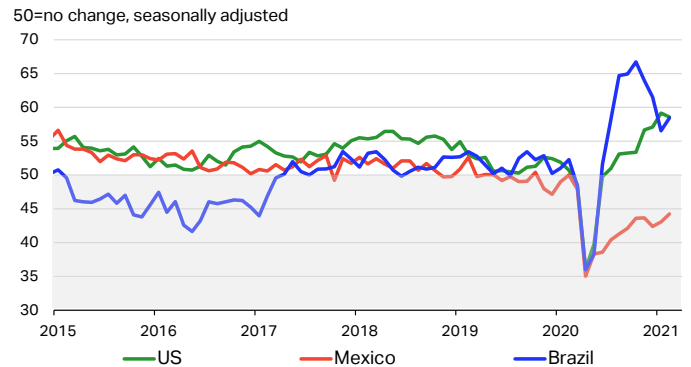
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
Region (registration basis)				
N America	-65.3	-67.5	-68.9	-67.5
Latin America	-62.1	-60.2	-57.3	-58.0
World	-65.9	-70.4	-69.7	-72.0
Routes (segment basis)				
US domestic	-59.7	-59.8	-63.4	-60.3
Brazil domestic	-49.0	-34.5	-33.0	-31.4
Nth America-Europe	-80.4	-90.3	-86.9	-85.4
Nth America-Asia	-80.1	-92.5	-92.2	-92.3
Nth-Sth America	-68.8	-74.3	-69.1	-71.9
Sth America-Europe	-71.4	-85.8	-75.8	-80.1
Within Sth America	-76.2	-91.9	-85.0	-87.1

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

- After several months without any clear improvement, industry-wide revenue passenger-kilometres (RPKs) deteriorated in Jan 2021. They were 72% lower vs. Jan 2019, which represents a more accurate comparison due to the large moves in traffic in early-2020.
- Airlines based in Latin America reported the most resilient RPK performance of all regions in January

Business confidence - manufacturing PMIs



Source: Markit

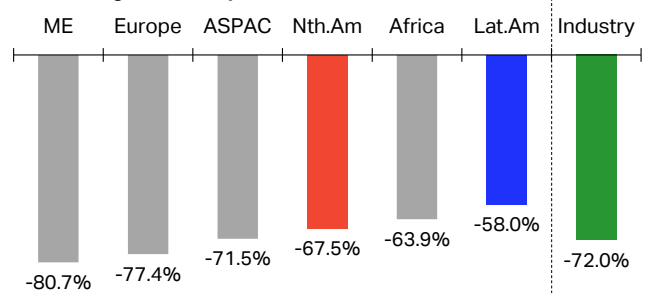
- Economic conditions have been improving in the Americas region. Q4 GDP contraction eased across the key markets that we regularly track. Moreover, the latest PMI results for February point to a robust expansion of the manufacturing sector in the US and Brazil and also slower decline in Mexico.
- The trade-weighted US dollar index rose by 0.5% in Feb, partly reflecting optimism about the US economic recovery. Of the key currencies, the MXN was the main mover, ending the month down 3.4% vs. the US\$.
- Brent Crude oil and jet fuel price picked up for another month due to improving global economic outlook and OPEC+ supply cuts.

(-58% vs. Jan 2019). Their traffic has been supported by developments in Brazil's domestic market (-31.4% vs. Jan 2019), where travel restrictions were relatively loose despite a strong increase in virus cases.

- North American carriers reported RPKs 67.5% lower compared to pre-crisis values (Jan 2019) – a modestly better outcome than the industry average. The US domestic market had been recovering only slowly (-60.3% vs. Jan 2019) due to a sharp rise in COVID-19 cases following the year-end holiday season.

Growth in passenger volumes, by region

RPKs, % change vs. January 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	Nov-20	Dec-20	Jan-21
Region (registration basis)				
Nth America	1.1	5.0	10.1	11.7
Latin America	-21.3	-18.5	-16.6	-14.2
World	-10.6	-6.1	-0.8	1.1
Routes (segment basis)				
Nth America-Asia	2.1	7.8	12.5	20.2
Nth America-Europe	-21.0	-16.5	-15.7	-12.9
Nth-Sth America	-12.3	-3.4	-4.0	-6.7
Sth America-Europe	-23.8	-18.9	-13.7	-16.2
Within Sth America	-32.8	-32.2	-34.9	-38.1

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

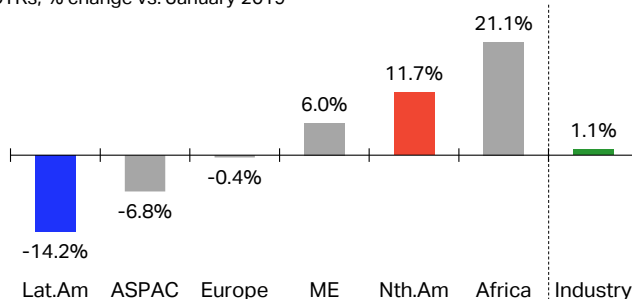
- Air cargo volumes rose sharply for another month and reached levels last seen before the pandemic started. Industry-wide cargo tonne-kilometres (CTKs) increased by 1.1% vs. the pre-crisis levels (Jan 2019).
- North American airlines reported another month of robust air cargo expansion. They flew almost 12% more CTKs compared with the pre-crisis level (Jan 2019). The US economic activity continues to recover,

and its manufacturing PMI hovered around record-high levels in Jan and Feb, pointing to a supportive business environment for air cargo in the near-term.

- Latin American airlines' CTKs fell by 14.2% vs. the pre-crisis period. Drivers of air cargo demand in the region – including economic activity and new export orders – have been relatively less supportive than in the other markets, which partly explains the slower recovery.

Growth in cargo volumes, by region

CTKs, % change vs. January 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	Nov-20	Dec-20	Jan-21
Passenger					
Nth America	ASK	-50.1	-48.3	-48.4	-46.5
	PLF	59.0	51.5	51.5	48.4
Latin America	ASK	-58.3	-55.7	-51.8	-49.5
	PLF	74.9	73.9	73.0	68.5
World	ASK	-56.7	-58.8	-57.1	-58.7
	PLF	65.0	58.1	58.0	54.1
Cargo					
Nth America	ACTK	-15.8	-11.0	-10.1	-6.8
	CLF	47.5	49.0	48.1	53.2
Latin America	ACTK	-35.0	-28.9	-29.7	-30.7
	CLF	42.5	44.3	36.7	39.0
World	ACTK	-23.2	-19.1	-17.8	-19.5
	CLF	54.4	57.8	57.2	58.9

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

- New lockdowns stopped recovery in seat capacity over the past two months. Industry-wide available seat-kilometres (ASKs) fell by 4.6% mom and were 58.7% lower vs. Jan 2019. Nth.Am and Lat.Am airlines reported ASKs down 46.5% & 49.5% vs. the pre-crisis period, respectively.
- Since demand fell faster than supply, the global passenger load factor deteriorated again. It fell by ~26 ppts vs. Jan 2019 to 54.1%, a new all-time low for the month. Nth.Am airlines saw the PLF at 48.4% & Lat.Am carriers at 68.5% - the highest amongst regions.
- The fall in passenger capacity resulted in renewed pressure on belly cargo capacity. The industry-wide available cargo tonne-kilometres (ACTKs) fell by 5% mom this Jan and were down 19.5% vs. Jan 2019. Nth.Am & Lat.Am airlines flew 6.8% & 30.7% fewer

ACTKs vs. the pre-crisis period, respectively.

- The global CLF reached 58.9%, a record high outcome for any month of January in our time series. Nth.Am carriers reported the CLF at 53.2% while Lat.Am airlines at 39% – both below the industry average.

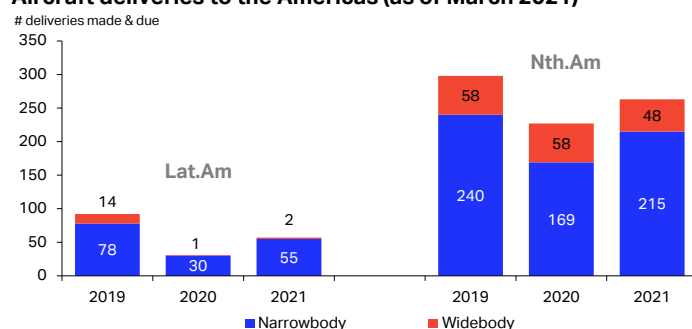
Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q4	2020Q4
Nth America	9.1	9.6	9.9	-58
Latin America	2.7	2.9	9.7	-59
Industry	5.7	5.2	7.6	-50

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

- The latest financial results confirm that airlines continued to experience deep losses in Q4 due to stalling passenger recovery. Profitability declines were broad-based across all regions, notably in North and Latin America.
- As of March 2021, aircraft deliveries scheduled by airlines based in the Latin and North America region are expected to increase compared with 2020 levels as the pandemic gets under better control in some countries. However, they will most likely not reach 2019 levels when the number of deliveries was adversely impacted by groundings of Max 737.

Aircraft deliveries to the Americas (as of March 2021)



Source: Ascend