

State of the region: The Americas

May 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	-2.2	-1.8	-1.1	--
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	0.2	-0.2	-1.4
World*	2.6	2.6	2.5	-1.7

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

Exchange rates

end of period, # per US\$	2019	Feb-20	Mar-20	Apr-20
US\$ broad index	114.7	117.8	122.8	122.7
Brazilian real (BRL)	4.02	4.51	5.19	5.41
Mexican peso (MXN)	18.88	19.80	23.46	23.81
Argentine peso (ARS)	59.87	62.21	64.39	66.77
Colombian peso (COP)	3282	3547	4060	3920
Chilean peso (CLP)	752	820	852	836

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Feb-20	Mar-20	Apr-20
Crude oil (Brent)	64.2	55.7	33.9	26.8
Jet fuel	79.6	65.1	40.1	23.1

Source: Platts, Datastream (monthly average data)

Market

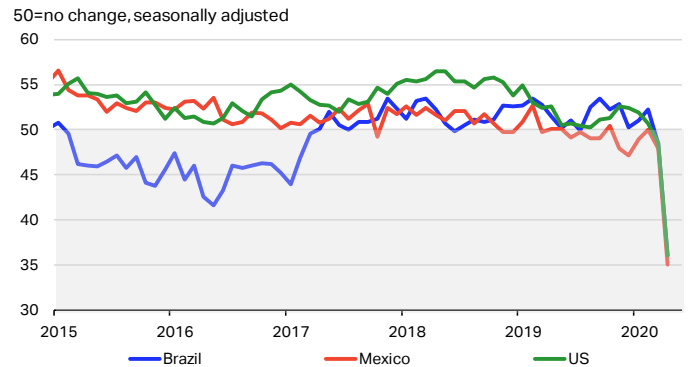
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
N America	3.9	4.8	5.0	-49.8
Latin America	4.2	0.5	3.9	-39.3
World	4.2	2.2	-14.4	-52.9
Routes (segment basis)				
US domestic	4.3	6.1	9.5	-48.1
Brazil domestic	0.4	2.1	3.8	-32.2
Nth America-Europe	4.3	6.3	8.5	-57.3
Nth America-Asia	2.0	2.9	-31.4	-71.5
Nth-Sth America	-2.7	-3.2	1.1	-48.5
Sth America-Europe	8.0	3.2	5.1	-43.5
Within Sth America	-2.9	-11.4	-10.2	-50.2

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

- Industry-wide revenue passenger kilometres (RPKs) fell by an unprecedented 52.9% year-on-year in March, as the spread of the virus and related containment measures accelerated in most parts of the world.
- RPKs flown by North American airlines contracted by 50% year-on-year – a rapid deterioration from +5%yoy growth in February. The Europe-US travel ban from

Business confidence - manufacturing PMIs

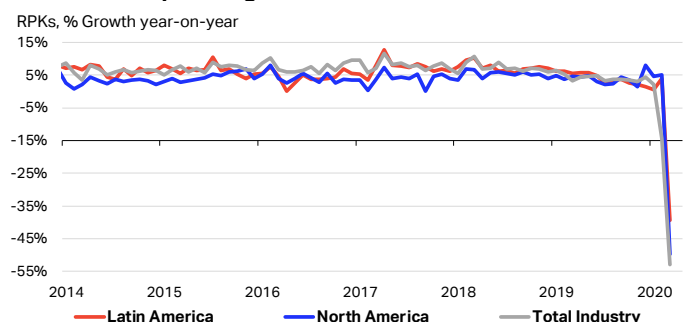


- Sharply falling business confidence along with deterioration in Q1 2020 GDP growth confirm that operating conditions in the Americas region are under a significant pressure amidst lockdowns and restrictive measures linked to the coronavirus outbreak.
- Trade weighted US\$ index moved sideways in April, after a 4.3% gain in the previous month. Of the key regional currencies, the BRL and the ARS lost ~4% vs. the US\$ while the COP ended the month up 3.5%.
- Jet and crude oil price continued to fall sharply in April amidst a decline in global fuel consumption and concerns about the global economic outlook.

mid-March led to a 57.3%yoy RPK fall on Europe-Nth.Am routes. The larger Asia-North America market was among the most heavily impacted, with passenger volumes down by 71.5%yoy.

- Carriers based in Latin America posted about 10ppts less severe year-on-year RPK decline compared to North American airlines. The smaller Within South America and Nth.-Sth. America markets were the main movers this month, shrinking by 50.2% & 48.5%yoy, respectively.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a y ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
Nth America	-1.1	-3.7	-2.7	-8.5
Latin America	-0.2	1.0	1.8	-18.5
World	-3.2	-4.5	-1.7	-15.2
Routes (segment basis)				
Nth America-Asia	-3.7	-2.8	-1.6	-6.8
Nth America-Europe	-2.5	-1.6	5.6	-22.0
Nth-Sth America	-6.7	-4.0	-5.2	-17.0
Sth America-Europe	-3.1	-1.9	2.2	-19.7
Within Sth America	-8.6	5.7	0.1	-13.0

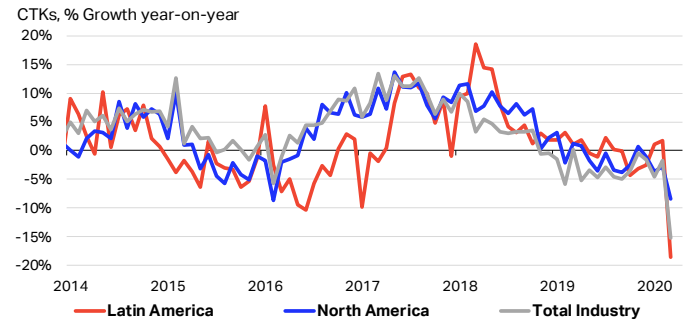
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide cargo tonne kilometres (CTKs) contracted by 15.2%yoy in March – the worst outcome since 2009. Air cargo was impacted to a lesser extent than the passenger side due to its crucial role in keeping global supply chains functioning.
- CTKs flown by North American airlines declined by 8.5% year-on-year. Amongst the key regional markets, the larger Nth.Am-Europe contracted the most rapidly,

down by 22%yoy, followed by Nth.Am-Sth.Am routes (-17%yoy).

- Latin America carriers posted a 18.5% year-on-year decline in their CTKs – a 3ppts faster pace of shrinkage than the industry average. As was the case for the North America region, the contractions were widespread, but most severe for the Sth.Am-Europe market, with volumes down by almost 20%yoy.

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	Jan-20	Feb-20	Mar-20
Passenger					
Nth America	ASK	2.9	3.9	4.7	-22.8
	PLF	84.8	80.3	80.8	55.7
Latin America	ASK	3.0	0.1	4.0	-27.2
	PLF	82.6	82.6	81.5	68.1
World	ASK	3.4	1.7	-9.0	-36.2
	PLF	82.6	80.1	75.9	60.6
Cargo					
Nth America	ACTK	2.1	2.1	2.1	-10.8
	CLF	39.5	41.9	37.6	42.9
Latin America	ACTK	4.8	2.2	-2.4	-31.2
	CLF	35.0	31.1	34.1	41.1
World	ACTK	2.2	0.5	-5.1	-22.7
	CLF	46.7	44.6	46.5	54.5

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

- Despite large-scale flight cancellations and aircraft groundings, RPKs continued to decline faster than ASKs. As a result, the industry-wide passenger load factor fell by 21.4ppts yoy. Nth.Am and Lat.Am airlines saw PLF down by 30ppts & 14ppts, resp.
- By contrast, air cargo load factor picked up both at the industry (+4.8ppts) and at the regional level (Nth.Am +1.1ppts & Lat.Am +6.4ppts) as cargo capacity continued to fall faster than demand amidst dramatic fall in bellyhold capacity.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Nth America	9.1	9.6	6.9	-8.6
Latin America	2.7	3.6	9.5	5.3
Industry	5.7	5.1	5.9	-10.5

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

- Despite strict mitigation measures and cost reductions to limit the impact of COVID-19, the industry-wide EBIT margin turned negative at -10.5% of revenues in Q1 2020. At the regional level, the margin eased to 5.3% for Lat.Am airlines and turned negative (-8.6%) for carriers based in North America.
- Base passenger yields (denominated in US\$) declined in annual terms across all of the key regional markets amidst collapsing air travel demand and falling load factors. The larger Nth.Am-Europe market recorded the sharpest contraction, -17%yoy.

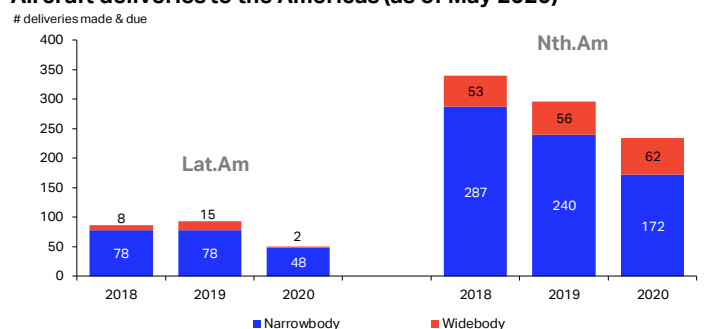
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Nth America-Europe	-3.4	-0.5	-2.6	-17.3
Nth America-Asia	-2.8	-0.8	2.3	6.4
Nth-Sth America	-5.0	4.7	4.5	-3.8
Sth America-Europe	-14.8	-4.1	-2.1	-3.7
Sth America-Asia	-7.6	-5.0	-9.6	-0.2
Within Sth America	-4.0	0.1	-1.6	-12.0

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

- A 46% fall in jet aircraft deliveries is scheduled for carriers based in Latin America and a 21% decline for North American airlines in 2020 versus 2019.

Aircraft deliveries to the Americas (as of May 2020)



Source: Cirium