

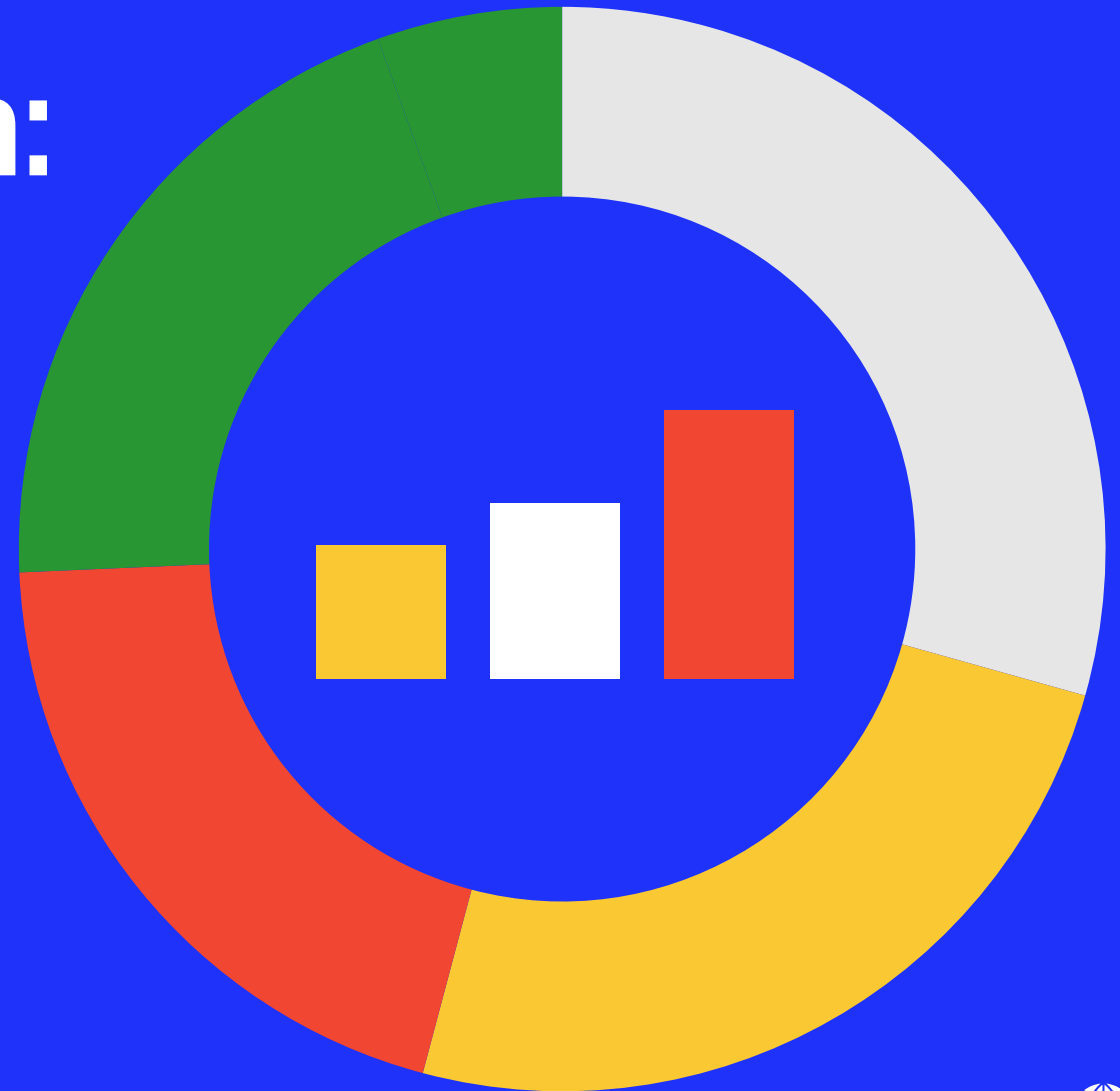
State of the Region:

The Americas

IATA Economics

November 2021

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GDP growth, exchange rates, oil & jet fuel price

- US GDP is estimated to grow by 4.9% in Q3 2021 vs. Q3 2020 – weaker than expected result reflecting a negative impact of the Delta variant spike in Aug-Sept period, supply chain issues and rising inflation.
- Amongst the key regional currencies, the BRL was the main mover in October, losing 3.5% against the US\$ amidst political tensions in the country and rising inflationary pressures. Year-to-date, the ARS has been the weakest currency, depreciating by nearly 19%.
- Jet fuel and Brent Crude oil prices continued to rise in October as economic activity restarts around the world and supply remains tight. As of late-October, jet fuel price was 69% higher vs. the start of the year.

GDP growth

<i>% change on a yr ago</i>	2020	Q1 2021	Q2 2021	Q3 2021
United States	-3.4	0.5	12.2	4.9
Brazil	-4.1	1.0	12.4	--
Mexico	-8.5	-2.7	19.5	--
Canada	-5.3	0.3	12.7	--
Argentina	-9.9	2.9	17.9	--
Colombia	-6.8	1.0	17.6	13.2
Chile	-6.0	1.3	17.2	--
Peru	-11.0	4.5	41.9	--
Latin America	-7.2	0.3	16.6	6.8
World*	-3.5	2.8	11.6	4.6

Exchange rates

<i>end of period, # per US\$</i>	%YTD 2021	Aug-21	Sep-21	Oct-21
US\$ broad index	2%	113.7	113.8	114.4
Brazilian real (BRL)	-8.5%	5.12	5.45	5.64
Mexican peso (MXN)	-3.1%	20.04	20.54	20.54
Argentine peso (ARS)	-18.6%	97.76	98.75	99.72
Colombian peso (COP)	-10.9%	3763	3812	3795
Chilean peso (CLP)	-14.2%	775	812	811

Oil and fuel price

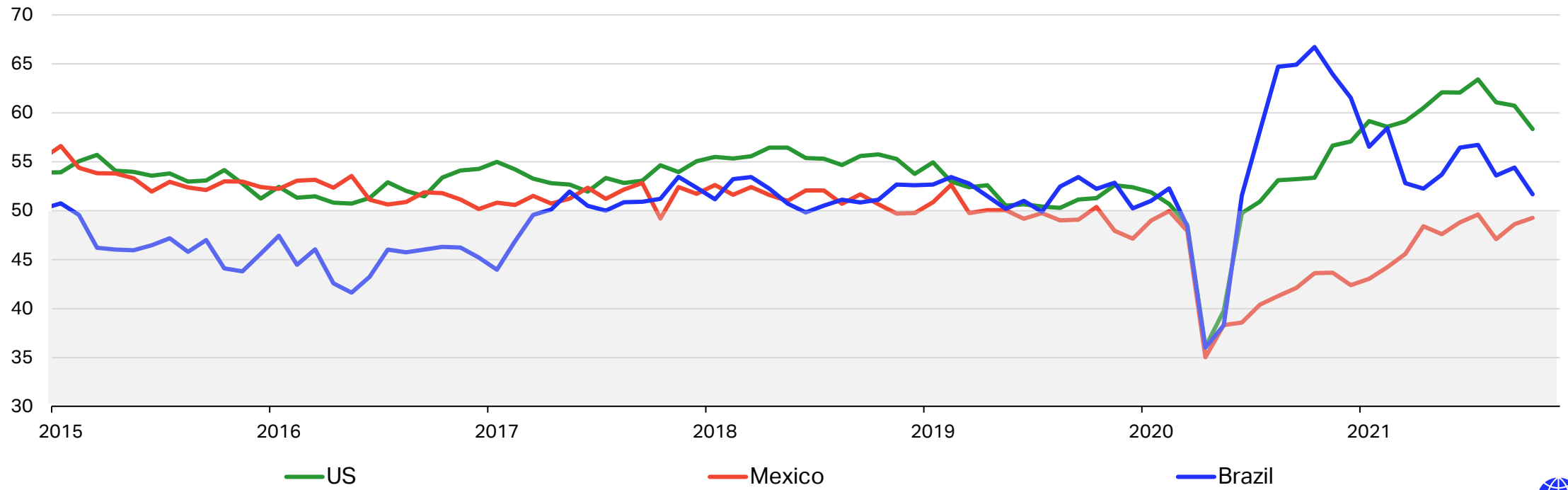
<i>US\$/barrel (period ave.)</i>	2020	Aug-21	Sep-21	Oct-21
Crude oil (Brent)	43.4	70.6	74.7	83.9
Jet fuel	46.3	76.9	82.9	95.6

Business confidence

- Manufacturing PMIs continued to trend downwards in the US and Brazil in October due to material shortages. That said, they remained in the territory associated with expansion of the manufacturing sector. Supply-side constraints weighed also on Mexican manufacturing sector, which has been contracting since Q4 2019.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- Air travel picked up in September, after a slight deterioration in the previous month but remained well below pre-crisis levels. Industry-wide revenue passenger-kilometres (RPKs) fell by 53.4% compared with September 2019, vs. a 56.1% contraction in August.
- At the regional level, North American and Latin American airlines continued to lead the industry's recovery, benefitting from rising passenger volumes in their key domestic markets (the US & Brazil). The former group reported RPKs down 30.5% in September, while the latter down 39.4% (both vs. September 2019).

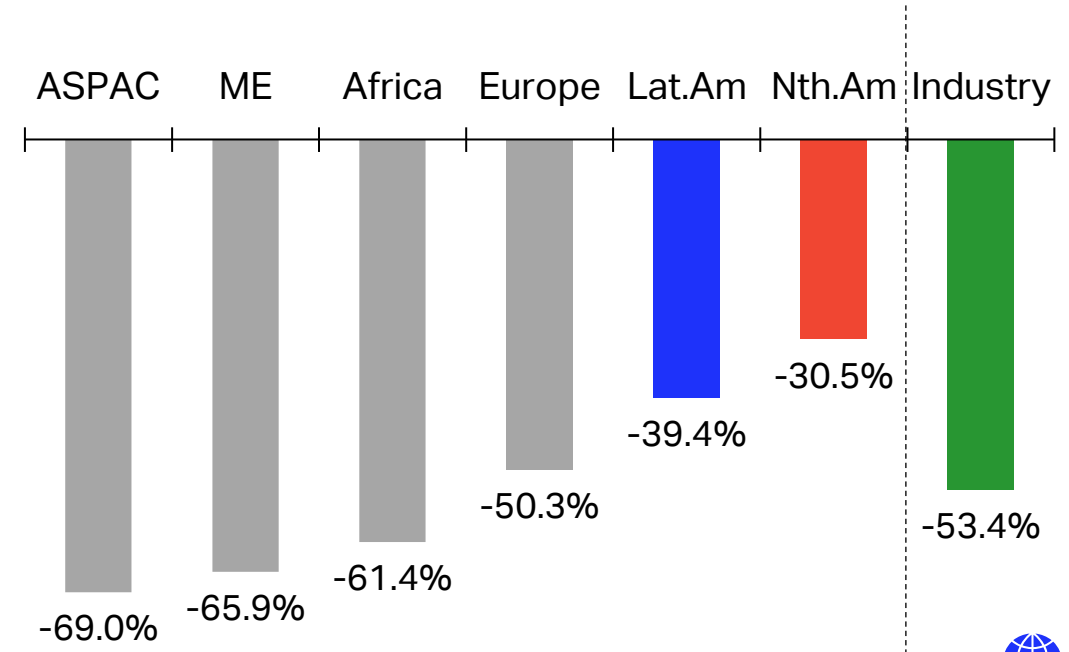
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
N America	-65.2	-29.1	-31.0	-30.5
Latin America	-62.1	-44.3	-42.0	-39.4
World	-65.9	-53.1	-56.1	-53.4
Routes (segment basis)				
US domestic	-59.5	-8.6	-14.1	-12.8
Brazil domestic	-49.0	-19.6	-20.7	-17.3
Nth America-Europe	-80.4	-70.4	-64.6	-65.2
Nth America-Asia	-80.1	-89.5	-86.2	-88.4
Nth-Sth America	-68.8	-45.6	-45.3	-47.7
Sth America-Europe	-71.8	-80.6	-74.0	-69.9
Within Sth America	-76.2	-95.0	-92.1	-89.7

Growth in passenger volumes, by region

RPKs, % change vs. Sep 2019



Air cargo market

- The period of stability at elevated air cargo volumes continued in September, with industry-wide cargo tonne-kilometres (CTKs) growing by 9.1% compared to September 2019.
- North American airlines reported a robust 22.6% increase in their CTKs in September vs. the same period in 2019 – a 5.5ppts improvement on August. Long supplier delivery times combined with low inventories provide incentives for firms to use air freight. In contrast, the contraction in Latin American CTKs accelerated from -13.6% in August, to -15.7% in September (vs. 2019). Lengthy restructuring process of airlines in the region continues to hinder faster Latin American air cargo recovery.

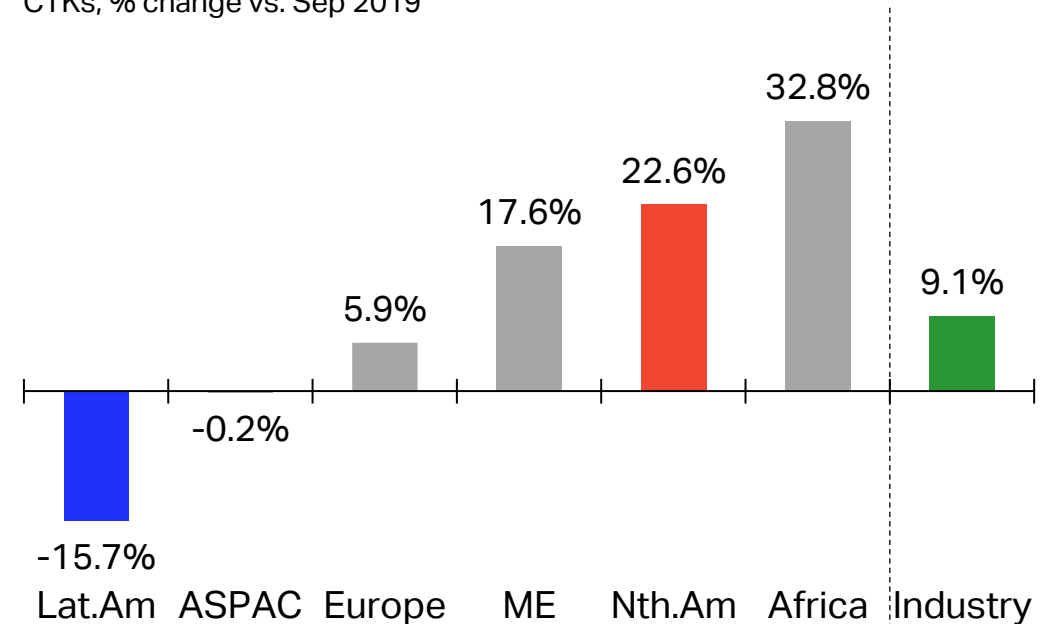
Cargo tonne kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
Nth America	4.4	19.6	17.1	22.6
Latin America	-21.2	-9.4	-13.6	-15.7
World	-8.7	9.0	7.5	9.1
Routes (segment basis)				
Nth America-Asia	7.5	28.8	26.8	26.6
Nth America-Europe	-17.7	8.3	3.0	6.9
Nth-Sth America	-11.1	13.9	6.8	9.4
Sth America-Europe	-23.6	-0.2	-6.8	-5.4
Within Sth America	-33.2	-28.0	-33.9	-35.2

Growth in cargo volumes, by region

CTKs, % change vs. Sep 2019



Capacity growth & load factors

- Same as for RPKs, global seat capacity recovered from the temporary weakness in August. Industry-wide seat-kilometres (ASKs) fell by 43.6% in September 2021 vs. September 2019. At the regional level, North American and Latin American airlines reported ASKs down 20.8% & 35.7%, respectively.
- Cargo capacity also improved in September – industry-wide ACTKs fell by 8.9% vs. September 2019. North American airlines reported cargo capacity up 4% - the second-best outcome amongst regions after Africa while Latin American carriers continued to underperform with ACTKs down 15%.

Capacity growth and load factors

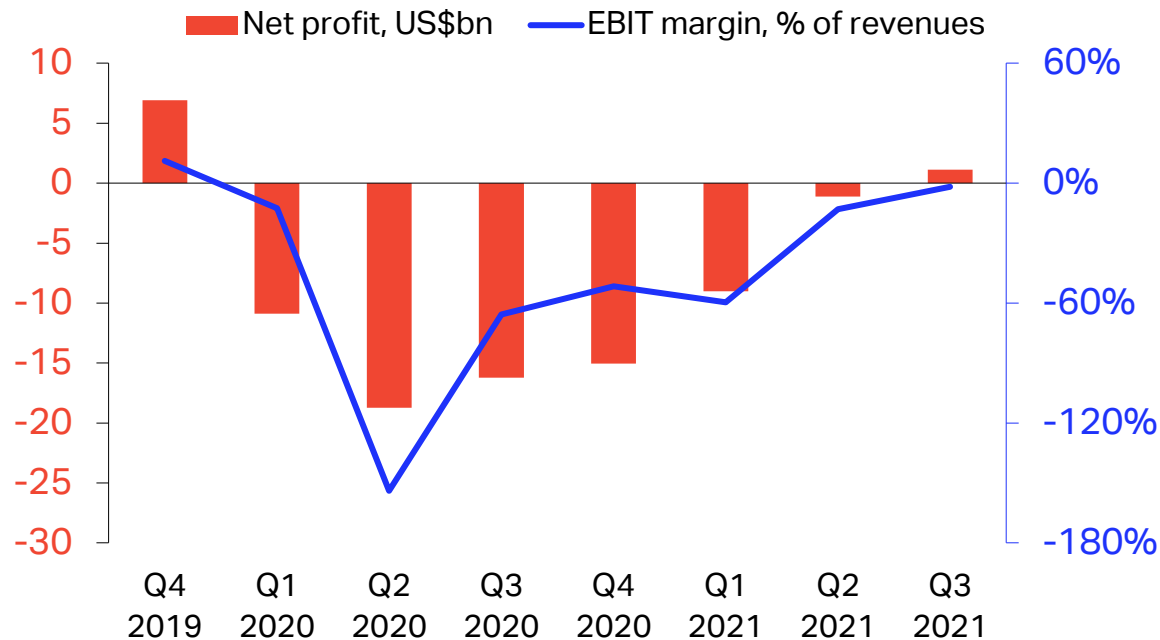
To aid understanding, we make % comparisons with pre-crisis 2019 period.

<i>ASK/ACTK: % ch vs. the same</i>		2020	Jul-21	Aug-21	Sep-21
<i>period in 2019, LF: % of ASK/ACTK</i>					
Passenger					
Nth America	ASK	-50.2	-25.1	-23.9	-20.8
	PLF	59.2	84.0	79.0	72.7
Latin America	ASK	-58.3	-40.6	-38.0	-35.7
	PLF	75.1	79.8	77.8	77.3
World	ASK	-56.7	-44.9	-46.5	-43.6
	PLF	65.1	72.8	70.3	67.6
Cargo					
Nth America	ACTK	-11.7	-0.1	-1.1	4.0
	CLF	46.7	44.5	43.7	44.7
Latin America	ACTK	-34.7	-15.7	-18.0	-15.0
	CLF	42.3	38.0	39.2	37.0
World	ACTK	-21.2	-10.7	-12.7	-8.9
	CLF	54.2	54.8	54.4	55.3

Airline EBIT margins & cash flow

- Initial Q3 financial results indicate that pressure on airlines' profitability eased further compared with Q2 across all regions. North American airlines were amongst the best performers, benefitting from the traffic in the US domestic market despite a negative impact from COVID outbreaks in Aug-Sept period. Their bottom line was also boosted by government payroll-support program in the US.
- In our initial small sample of airlines financials, cash flow generation improved in Q3 2021 vs. Q3 2020 due to reopening of some international markets, increase of domestic traffic and positive contribution of cargo revenues.

Sample Historical Profitability – global level



Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q3	2021Q3
Nth America	9.6	-32	-94	1
Latin America	2.9	-34	-76	14
Industry	5.2	-30	-68	-2

* constant sample basis, not seasonally adjusted

Airline cash flow*

% revenues	2020Q3		2021Q3	
	Net cash flow ¹	Free cash flow	Net cash flow ¹	Free cash flow
North America	-74	-94	-9	-16
Latin America	-	-	-	-
Industry	-68	-84	-4	-11

¹ from operating activities, * constant sample basis, not seasonally adjusted

Jet aircraft deliveries made & scheduled

- As of November, Latin American airlines are expected to receive 81 aircraft deliveries in 2022 (vs. 87 in 2021). In terms of aircraft type, most of the 2022 deliveries will be a narrow-body Max 737 (45% of the total).
- North American airlines are scheduled to obtain 403 aircraft deliveries in 2022, up 45% vs the previous year. Same as in Latin America, most of these deliveries will be the narrow-body 737 Max aircraft (43%).

Aircraft deliveries to the Americas (as of November 2021)

deliveries made & due

