

# State of the region: The Americas

October 2020

## Economy

### GDP growth, selected countries

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
United States	2.2	2.3	0.3	-9.0
Brazil	1.1	1.7	-0.3	-11.4
Mexico	-0.3	-0.8	-2.1	-18.7
Canada	1.7	1.5	-0.9	-13.0
Argentina	-2.1	-1.1	-5.2	-19.1
Colombia	3.3	3.5	1.4	-15.7
Chile	1.0	-2.4	0.4	-13.7
Peru	2.2	1.8	-3.5	-30.2
Latin America	-0.3	-0.2	-2.3	-16.3
<b>World*</b>	<b>2.5</b>	<b>2.4</b>	<b>-1.7</b>	<b>-9.0</b>

Source: Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2019	Jul-20	Aug-20	Sep-20
US\$ broad index	114.7	117.6	116.1	117.3
Brazilian real (BRL)	4.02	5.21	5.49	5.64
Mexican peso (MXN)	18.88	22.19	21.89	22.08
Argentine peso (ARS)	59.87	72.25	74.18	76.17
Colombian peso (COP)	3282	3728	3750	3854
Chilean peso (CLP)	752	757	776	788

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jul-20	Aug-20	Sep-20
Crude oil (Brent)	64.2	43.3	45.1	41.9
Jet fuel	79.6	45.5	45.4	41.1

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

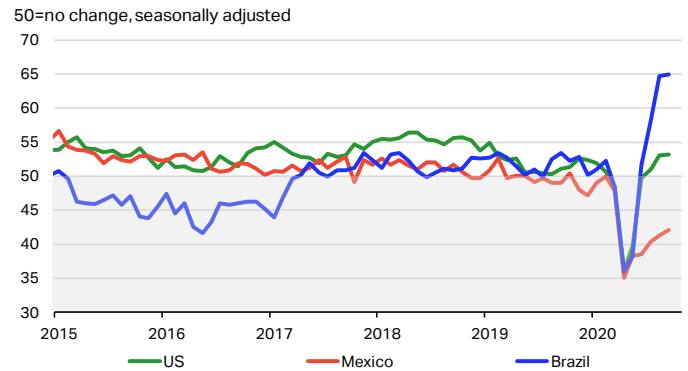
% change on a yr ago	2019	Jun-20	Jul-20	Aug-20
<b>Region (registration basis)</b>				
N America	4.0	-85.9	-79.9	-77.8
Latin America	4.2	-91.6	-87.5	-82.8
World	4.1	-86.3	-79.5	-75.3
<b>Routes (segment basis)</b>				
US domestic	4.3	-79.4	-71.5	-69.3
Brazil domestic	0.4	-84.9	-77.7	-67.0
Nth America-Europe	4.3	-97.2	-94.8	-92.9
Nth America-Asia	2.4	-95.7	-94.4	-93.5
Nth-Sth America	-2.7	-97.3	-95.4	-92.4
Sth America-Europe	8.0	-95.0	-94.4	-91.1
Within Sth America	-2.9	-99.0	-99.5	-99.5

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 75.3% year-on-year in August, compared with a 79.5% decline in July. Domestic markets continued to drive the industry rebound.
- Passenger volumes flown by North American airlines declined by 77.8%yoy in August – a small improvement on a 79.9% fall in July. Latin American airlines showed

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

### Business confidence - manufacturing PMIs



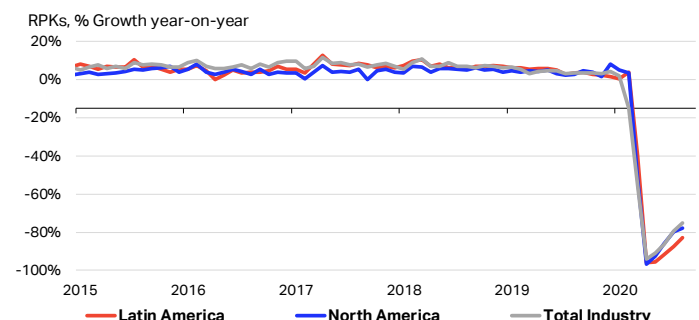
Source: Markit

- Brazil's business confidence reached a record-high level as COVID restrictions were lifted and business activity restarted. Sentiment was robust also in the US, but the Q4 outlook is cautious amidst the US elections & virus developments. In Mexico, operating conditions deteriorated, albeit at a slower pace than in August.
- The resurgence of COVID-19 and concerns about its impact on the global economy contributed to the rise in the trade-weighted US dollar (+1%) in Sept. Of the key regional currencies, the ARS, BRL and COP lost ~3% against the US\$.
- The average jet and crude oil price fell in September as the second waves of COVID-19 led to pessimism amongst investors about future demand recovery.

slightly faster recovery (+5ppts vs. July) but their volumes were still almost 83% lower vs. a year ago.

- In the US, domestic rebound slowed amidst the high number of COVID-19 cases (RPKs down 69.3%yoy). In contrast, domestic Brazil demand continued in gradual improvement (-67%yoy).
- Traffic in the region's international markets remained subdued due to quarantine requirements and other COVID-19 related restrictions.

### Growth in air passenger volumes



Source: IATA Economics

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## Cargo tonne kilometers (CTKs)

<i>% change on a y ago</i>	2019	Jun-20	Jul-20	Aug-20
<b>Region (registration basis)</b>				
Nth America	-1.0	1.7	3.2	1.7
Latin America	-0.2	-32.8	-33.1	-27.3
World	-3.2	-16.1	-14.4	-12.6
<b>Routes (segment basis)</b>				
Nth America-Asia	-3.7	0.4	3.2	3.5
Nth America-Europe	-2.5	-35.6	-30.3	-26.6
Nth-Sth America	-6.7	-18.8	-19.0	-17.8
Sth America-Europe	-3.1	-38.3	-38.0	-31.9
Within Sth America	-8.6	-43.3	-35.5	-48.7

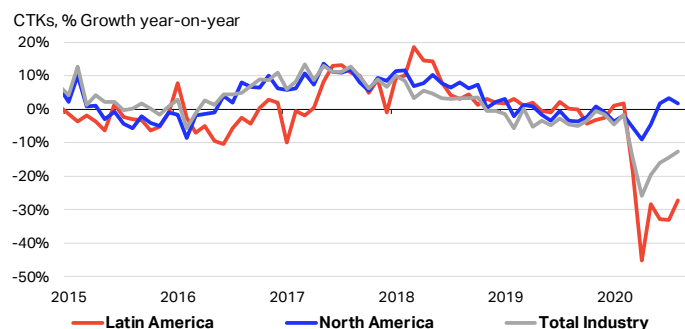
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 12.6% year-on-year in August. The recovery in cargo volumes has been slower than rebound in leading economic indicators partly due to insufficient cargo capacity on some routes.
- Carriers based in North America posted a 1.7%yoy increase in CTKs in August. The solid performance relative to the other regions continues to be driven by

robust domestic demand. That said, international CTKs have been also recovering solidly, underpinned by expansion on the larger Nth.Am-Asia routes.

- Airlines based in Latin America experienced a 27.3% annual fall in cargo volumes in August. Air trade between Latin America and Nth America – in particular to/from Central America – has compensated for weakness in other trade lanes.

### Growth in air cargo volumes



Source: IATA Economics

## Industry

### Capacity growth and load factors

<i>ASK/ACTK: % ch on a yr ago</i>		2019	Jun-20	Jul-20	Aug-20
<i>LF: % of ASK/ACTK</i>					
<b>Passenger</b>					
Nth America	ASK	2.9	-76.6	-63.2	-59.4
	PLF	84.8	53.7	48.3	47.7
Latin America	ASK	3.0	-89.0	-83.0	-77.5
	PLF	82.6	63.9	62.7	63.9
World	ASK	3.3	-80.2	-69.8	-63.8
	PLF	82.6	58.2	58.2	58.5
<b>Cargo</b>					
Nth America	ACTK	2.1	-24.8	-24.2	-23.3
	CLF	39.5	51.8	50.6	48.9
Latin America	ACTK	4.7	-52.7	-50.2	-43.5
	CLF	35.1	51.9	47.4	47.8
World	ACTK	2.1	-32.6	-31.8	-29.4
	CLF	46.8	57.1	56.4	54.8

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

- Industry-wide capacity (ASKs) recovered faster than RPKs. As a result, the global passenger load factor reached an all-time low for August, at 58.5%. At the regional level, the PLF of Nth.Am and Lat.Am airlines fell by 39.5ppts & 19.3ppts vs. August 2019, respectively.
- In contrast, the industry-wide cargo load factor reached a new maximum this month (54.8%), amidst the ongoing lack of belly cargo capacity. Nth.Am carriers posted the CLF up 12ppts while Lat.Am airlines registered 10.6ppts CLF uptick vs. a year ago.

### Airline operating (EBIT) margins\*

<i>% revenues</i>	2018	2019	2019Q2	2020Q2
Nth America	9.1	9.6	12.2	-77
Latin America	2.7	2.9	4.2	-229
Industry	5.7	5.2	9.7	-71

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

- The final sample of Q2 2020 financial results confirmed the severe impact of the pandemic on airlines' businesses as passenger demand collapsed. On a slightly positive note, some Nth.Am carriers benefitted from solid cargo yields (and revenues).
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

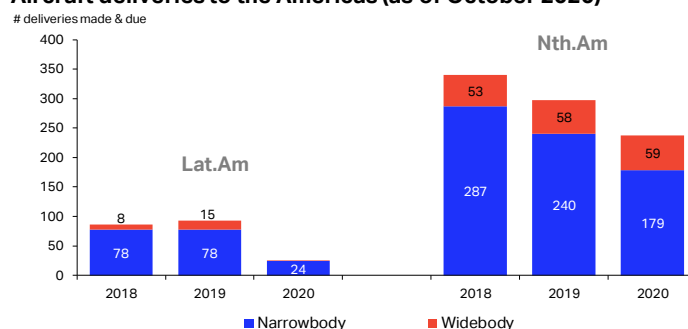
### Passenger yields (US\$, excl. surcharges & ancillaries)

<i>% change on a y ago</i>	2019	Jun-20	Jul-20	Aug-20
Nth America-Europe	-3.4	-14.2	-15.1	-12.6
Nth America-Asia	-2.8	47.3	67.6	41.8
Nth-Sth America	-5.0	-7.1	-18.8	-26.5
Sth America-Europe	-14.8	-12.8	-11.2	-12.0
Sth America-Asia	-7.6	27.9	42.9	39.9
Within Sth America	-4.0	-26.1	-32.5	-31.3

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. This fall is expected to be driven by orders of narrow-body aircraft.

### Aircraft deliveries to the Americas (as of October 2020)



Source: Ascend