

State of the region: The Americas

September 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	-9.1
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	-5.4	--
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	-2.4	-16.3
World*	2.5	2.4	-1.7	-9.3

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Jun-20	Jul-20	Aug-20
US\$ broad index	114.7	120.9	117.6	116.1
Brazilian real (BRL)	4.02	5.49	5.21	5.49
Mexican peso (MXN)	18.88	23.11	22.19	21.89
Argentine peso (ARS)	59.87	70.45	72.25	74.18
Colombian peso (COP)	3282	3739	3728	3750
Chilean peso (CLP)	752	821	757	776

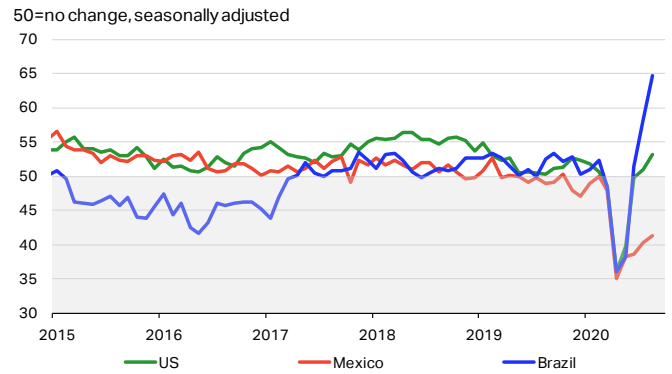
Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jun-20	Jul-20	Aug-20
Crude oil (Brent)	64.2	40.9	43.3	45.1
Jet fuel	79.6	41.8	45.5	45.4

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs



Source: Markit

- Brazil's business sentiment soared further, with several economic indicators reaching record-high levels. Business confidence also picked up in the US amidst improving foreign demand. In Mexico, operating conditions remain weak, reflecting the COVID-19 crisis.
- The trade-weighted US dollar depreciated further in August, down 1.2%. Of the key regional currencies, the BRL lost 5.4% against the US\$ while the CLP and ARS ended the month down ~2.5%.
- Oil and jet fuel prices were stable in August, averaging ~45US\$/bbl. The average jet fuel crack spread narrowed as the second wave of COVID-19 in several regions raised concerns about the air travel outlook.

Market

Revenue passenger kilometers (RPKs)

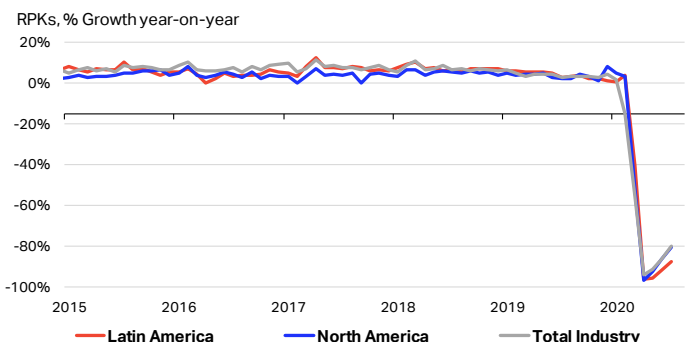
% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
N America	4.0	-92.5	-86.3	-80.6
Latin America	4.2	-95.6	-91.6	-87.5
World	4.1	-91.0	-86.6	-79.8
Routes (segment basis)				
US domestic	4.3	-89.4	-80.0	-72.6
Brazil domestic	0.4	-91.1	-84.9	-77.7
Nth America-Europe	4.3	-98.5	-97.2	-94.8
Nth America-Asia	2.4	-97.1	-95.7	-94.4
Nth-Sth America	-2.7	-98.1	-97.3	-95.4
Sth America-Europe	8.0	-96.1	-95.0	-94.4
Within Sth America	-2.9	-99.0	-99.0	-99.5

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 79.8% year-on-year in July vs. an 86.6% fall in June. The gradual rise in demand continued to be largely driven by domestic markets.
- RPKs flown by North American airlines fell by 80.6%yoy in July, up 6ppts vs. June. Carriers in Latin America saw passenger volumes down 87.5%yoy (an improvement of 4ppts vs. June).

- The rebound of the key domestic markets in the Americas region had been slowed by a high number of COVID-19 infections in recent months. RPKs in the US and Brazil were down 72.6% and 77.7%yoy, respectively. To put this into context, China where the pandemic was largely contained, posted a 28.4% contraction.
- Demand on international routes remained weak amidst ongoing travel restrictions and quarantine requirements.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Nth America	-1.1	-5.1	0.0	2.9
Latin America	-0.2	-28.4	-32.8	-33.2
World	-3.2	-19.8	-16.6	-13.5
Routes (segment basis)				
Nth America-Asia	-3.7	0.8	0.4	3.7
Nth America-Europe	-2.5	-38.1	-35.6	-30.3
Nth-Sth America	-6.7	-20.0	-21.5	-19.6
Sth America-Europe	-3.1	-46.3	-38.3	-38.0
Within Sth America	-8.6	-40.6	-43.3	-35.5

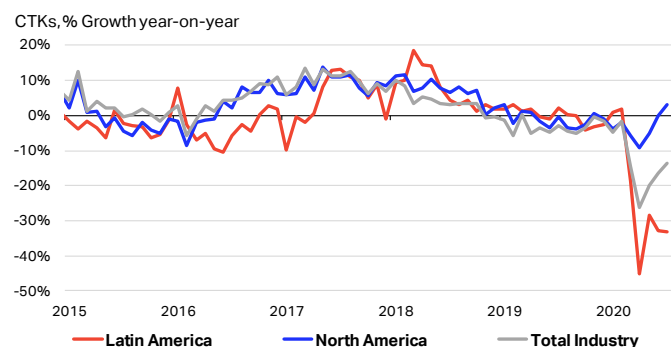
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 13.5% year-on-year in July 2020, the slowest rate of annual decline since February 2020.
- Nth.Am airlines recorded a 2.9%yoy increase in cargo volumes in July – the strongest outcome amongst all regions. The outperformance has been underpinned by resilient demand in both the US and Canada domestic markets.
- Nth.Am – Asia routes also performed robustly this

month (+3.7yoy), benefitting from Nth.Am e-commerce demand and a smaller capacity crunch compared with the other routes.

- Latin American airlines recorded the sharpest contraction of all regions in July with CTKs down 33.2%yoy. A weak economic backdrop and ongoing virus outbreaks in several key economies has contributed significantly to the slow recovery.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	May-20	Jun-20	Jul-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	-82.8	-77.0	-63.9
	PLF	84.8	37.7	53.0	47.6
Latin America	ASK	3.0	-93.8	-89.0	-83.2
	PLF	82.6	59.3	63.9	63.1
World	ASK	3.3	-85.9	-80.3	-70.1
	PLF	82.6	52.0	57.7	57.9
Cargo					
Nth America	ACTK	2.1	-28.7	-26.7	-24.4
	CLF	39.5	52.4	52.3	50.6
Latin America	ACTK	4.7	-52.7	-52.7	-49.2
	CLF	35.1	57.4	51.9	46.4
World	ACTK	2.0	-33.8	-33.4	-31.2
	CLF	46.8	57.2	57.5	56.4

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

- Since recovery in demand (RPKs) remained slower than the rebound in capacity (ASKs), passenger load factors stayed at or close to record lows at the industry level (57.9%) as well as for both Lat.Am (63.1%) and Nth.Am airlines (47.6%).
- In contrast, the industry-wide air cargo load factor reached a new record high for July, as available capacity in the market remained limited. Nth.Am and Lat.Am airlines posted a CLF up 13.4ppts and 11.1ppts vs. a year ago, respectively.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Nth America	9.1	9.6	13.7	-198
Latin America	2.7	2.9	4.2	-229
Industry	5.7	5.2	10.0	-97

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

- The latest financial results from the second quarter of 2020 confirmed the severe impact of the pandemic on the airline industry. Losses were widespread across regions despite the implementation of stringent cost-cutting programs.
- Note that the passenger yield data during the lockdown period should be interpreted with caution due to the dramatic fall in the number of tickets being sold.

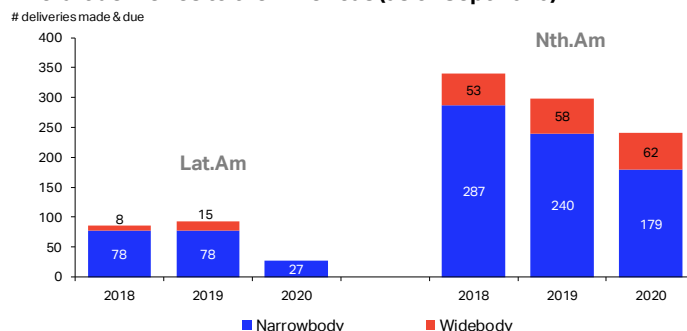
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Nth America-Europe	-3.4	-11.9	-17.1	-17.0
Nth America-Asia	-2.8	39.8	45.9	67.5
Nth-Sth America	-5.0	-21.2	-21.6	-22.2
Sth America-Europe	-14.8	-10.4	-13.4	-9.1
Sth America-Asia	-7.6	37.2	28.0	41.7
Within Sth America	-4.0	-23.8	-27.0	-32.3

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.

Aircraft deliveries to the Americas (as of Sept 2020)



Source: Ascend