

State of the region: The Americas

March 2020

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q2 2019	Q3 2019	Q4 2019
United States	2.9	2.3	2.1	2.3
Brazil	1.3	1.1	1.2	1.7
Mexico	2.1	0.1	-0.2	-0.4
Canada	2.0	2.0	1.6	1.5
Argentina	-2.5	0.0	-1.7	--
Colombia	2.5	3.3	3.5	3.4
Chile	4.0	1.8	2.8	-2.4
Peru	4.0	1.2	3.2	1.8
Latin America†	0.8	-0.3	0.0	-0.2
World*	3.2	2.6	2.5	2.5

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

Exchange rates

end of period, # per US\$	2019	Dec-19	Jan-20	Feb-20
US\$ broad index	114.7	114.7	115.8	117.8
Brazilian real (BRL)	4.02	4.02	4.27	4.51
Mexican peso (MXN)	18.88	18.88	18.92	19.80
Argentine peso (ARS)	59.87	59.87	60.33	62.21
Colombian peso (COP)	3282	3282	3425	3547
Chilean peso (CLP)	752	752	801	820

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Dec-19	Jan-20	Feb-20
Crude oil (Brent)	64.2	65.3	63.9	55.7
Jet fuel	79.6	80.1	76.2	65.1

Source: Platts, Datastream (monthly average data)

Market

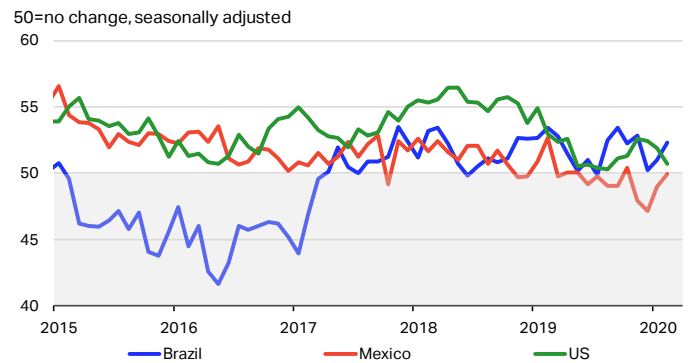
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
N America	3.9	1.4	8.3	5.7
Latin America	4.2	2.2	1.5	0.4
World	4.2	3.2	4.6	2.4
Routes (segment basis)				
US domestic	4.3	0.8	10.1	7.5
Brazil domestic	0.4	1.4	1.6	2.1
Nth America-Europe	4.3	4.1	8.0	6.3
Nth America-Asia	2.0	0.9	6.0	3.0
Nth-Sth America	-2.7	-4.8	-1.9	-3.2
Sth America-Europe	8.0	6.7	3.3	3.2
Within Sth America	-2.9	-10.9	-10.7	-11.4

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 2.4% year-on-year in Jan. This is the slowest growth outturn since Apr 2010 when European airspace was partly closed due to volcanic ash clouds.
- Nth.Am carriers posted a 5.7%yoy expansion in RPKs in Jan. Although this was a slowdown from 8.3% growth in Dec, the pace was still about 2ppts stronger than

Business confidence - manufacturing PMIs



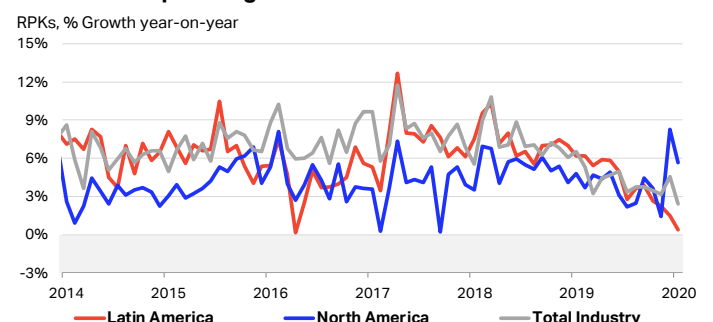
Source: Markit

- Despite the weak economic backdrop, business confidence ticked higher in Mexico as manufacturers benefitted from lower input costs. Sentiment also improved in Brazil on the back of solid demand. In contrast, the PMI eased in the US due to falling exports and disrupted supply chains, both effects of COVID-19.
- The US\$ rose again this month, up ~1.7% overall. All of the key regional currencies lost ground against the US\$ in February, most notably the BRL and the MXN (with both down ~5%mom).
- The monthly average jet fuel and crude oil price collapsed following the COVID-19 outbreak in China. The jet fuel crack spread also narrowed as fuel demand from aviation was hit particularly hard by the crisis.

the 2019 average, amid robust demand in the North Atlantic market. There were no significant flight cancellations to Asia in Jan.

- RPK growth recorded by Lat.Am carriers eased to 0.4%yoy driven by a weaker performance from some of the key international markets. In Jan, the region was not noticeably impacted by the COVID-19 outbreak.
- The US domestic market posted a robust 7.5%yoy growth rate this month, supported by a solid economy. Brazilian carriers saw RPKs up 2.1%yoy – a gain vs the previous month but still well below rates seen prior to the collapse of Avianca Brasil in Q2 2019.

Growth in air passenger volumes



Source: IATA Statistics

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Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
Nth America	-1.0	0.7	-0.3	-1.3
Latin America	-0.2	-3.2	-2.5	1.4
World	-3.2	-0.6	-1.4	-3.3
Routes (segment basis)				
Nth America-Asia	-3.7	-1.0	-2.3	-3.0
Nth America-Europe	-3.1	-1.0	-6.2	-3.0
Nth-Sth America	-6.8	-11.6	-10.0	-3.4
Sth America-Europe	-3.1	-6.2	-7.0	-1.9
Within Sth America	-8.6	-12.3	-6.7	5.7

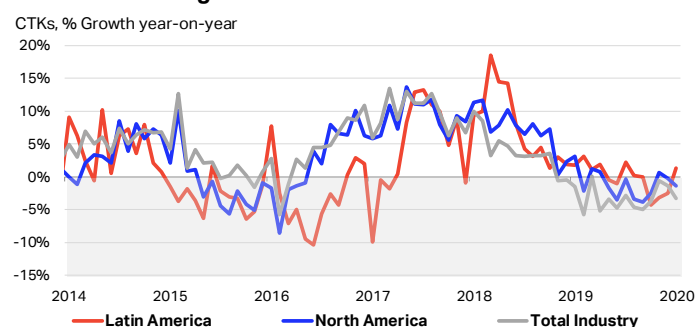
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide air cargo tonne kilometres (CTKs) contracted by 3.3%yoy in Jan. Since disruptions from COVID-19 partly coincided with Chinese New Year holiday when factories in China are typically closed, the initial impact of the virus on air cargo was muted.
- Nth.Am carriers began the year on a soft note, posting a 1ppt faster pace of CTK contraction compared to Dec. The majority of the region's key international

markets contracted, although pressure on volumes eased somewhat on the larger Nth.Am-Europe trade lanes, as well as for the Nth-Sth America market.

- Carriers based in Latin America saw CTKs up 1.4% vs a year ago – the best growth outcome since Jul 2019, underpinned by new route connections. However, a softer economic backdrop exacerbated by supply chain disruptions from COVID-19 represent a downside risk to demand in the near-term.

Growth in air cargo volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	Nov-19	Dec-19	Jan-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	3.7	4.4	3.6
	PLF	84.8	81.9	85.7	81.2
Latin America	ASK	3.0	2.1	0.9	0.0
	PLF	82.6	82.3	82.4	82.6
World	ASK	3.4	1.9	2.2	1.7
	PLF	82.6	80.9	82.2	80.3
Cargo					
Nth America	ACTK	2.0	4.5	4.4	3.4
	CLF	39.6	41.5	39.9	42.4
Latin America	ACTK	4.8	2.0	-2.2	2.4
	CLF	35.0	38.7	30.6	31.1
World	ACTK	2.2	3.2	3.8	0.9
	CLF	46.7	49.7	46.9	45.0

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

- Growth in industry-wide seat and cargo-tonne capacity (ASK/ACTK) slowed significantly in Jan amidst volatility around the Chinese New Year holiday and some preliminary COVID-19 related disruptions.
- With demand outpacing capacity, the passenger load factor (PLF) reached a record-high outcome for the month of Jan. On the cargo side, the industry-wide LF eased by 1.9ppts vs a year ago.
- Regional LF developments were similar to that of the industry; Nth.Am and Lat.Am carriers posted higher

Airline operating (EBIT) margins*

% revenues	2018	2019E	2018Q4	2019Q4
Nth America	9.1	9.6	9.5	10.0
Latin America	2.7	3.6	6.1	11.3
Industry	5.7	5.1	7.0	8.4

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

PLFs vs a year ago (a record high for the former), while CLFs were lower compared to Jan 2018.

- Airline financial data for Q4 2019 point to a moderate improvement in industry-wide profitability (up 1.4ppts vs Q4 2018) ahead of global disruptions from COVID-19. At the regional level, the EBIT margin rose by 0.5ppt for Nth.Am carriers & a solid 5ppts for Lat.Am airlines.
- In Jan, base passenger yields continued to decline in annual terms across the key markets with the ongoing exception of Nth.Am-Sth.Am where yields increased by a solid 4.3%yoy.

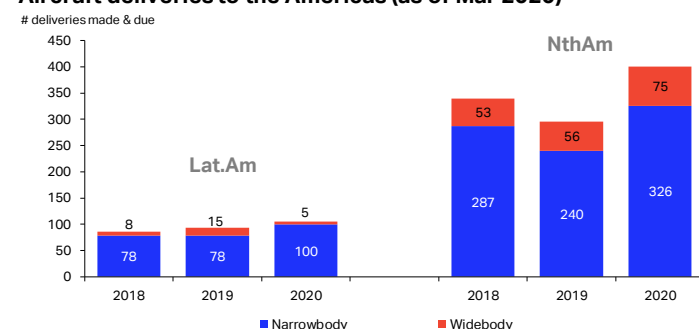
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Nth America-Europe	-3.5	-3.8	-0.7	-0.8
Nth America-Asia	-2.8	-2.7	-0.9	-1.9
Nth-Sth America	-5.0	1.5	5.8	4.3
Sth America-Europe	-14.8	-7.4	-6.1	-3.6
Sth America-Asia	-7.6	-2.9	-6.6	-4.9
Within Sth America	-4.0	2.6	-0.5	-0.7

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

- A modest uptick in jet aircraft deliveries is scheduled for Lat.Am carriers and a sharp increase (mostly narrow-body) for Nth.Am airlines in 2020 vs 2019.

Aircraft deliveries to the Americas (as of Mar 2020)



Source: Ascend