

State of the region: The Americas

June 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	0.1	-0.3	-2.1
World*	2.5	2.5	2.4	-1.7

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Mar-20	Apr-20	May-20
US\$ broad index	114.7	122.8	122.7	121.3
Brazilian real (BRL)	4.02	5.19	5.41	5.43
Mexican peso (MXN)	18.88	23.46	23.81	22.13
Argentine peso (ARS)	59.87	64.39	66.77	68.48
Colombian peso (COP)	3282	4060	3920	3713
Chilean peso (CLP)	752	852	836	805

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Mar-20	Apr-20	May-20
Crude oil (Brent)	64.2	33.9	26.8	32.4
Jet fuel	79.6	40.1	23.1	29.6

Source: Platts, Datastream (monthly average data)

Market

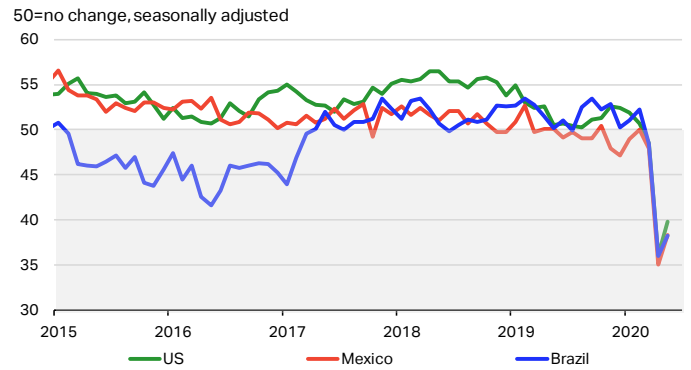
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
N America	3.9	3.5	-52.1	-96.6
Latin America	4.2	3.9	-40.2	-96.0
World	4.2	-14.9	-55.4	-94.3
Routes (segment basis)				
US domestic	4.3	7.8	-51.1	-95.7
Brazil domestic	0.4	3.8	-32.2	-93.1
Nth America-Europe	4.3	8.4	-55.9	-98.8
Nth America-Asia	2.0	-32.6	-72.8	-97.1
Nth-Sth America	-2.7	0.6	-48.1	-98.3
Sth America-Europe	8.0	5.1	-43.5	-97.6
Within Sth America	-2.9	-10.2	-50.2	-99.2

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

- Industry-wide revenue passenger kilometres (RPKs) fell by 94.3% year-on-year in April, the largest contraction in recent history amidst widespread border closures and lockdowns linked to COVID-19. A modest improvement is expected in coming months as countries start to lift their restrictions.

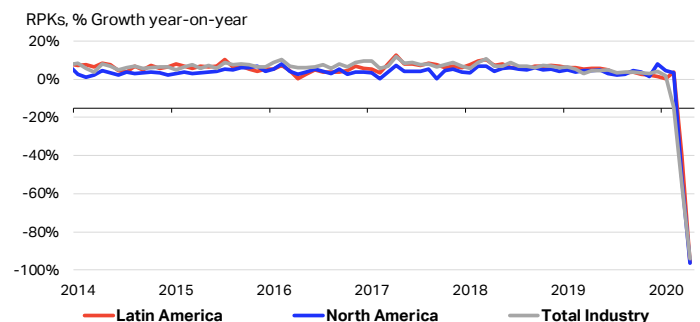
Business confidence - manufacturing PMIs



- Despite the modest improvement this month, operating conditions in the Americas region remained under significant pressure amidst the COVID-19 crisis. Looking ahead, sentiment is expected to move higher as countries ease their lockdowns.
- The trade weighted US dollar index fell by 1.1% in May. Of the key regional currencies, the MXN and the COP were the main movers last month, gaining 7.1% & 5.3%, respectively, against the US\$.
- The crude oil price rose in May on OPEC+ supply cuts and slower growth in US shale oil production. The jet fuel price also picked up as some restrictions began to be lifted and fuel demand started to recover.

- For carriers based in North America and Latin America, the industry effectively shut down in April, with passenger volumes contracting by 96-97%yoy.
- The declines close to 100% were relatively uniform across the region's key domestic and international routes. The only exception was Brazil domestic market where passenger volumes contracted by ~93% over the year to April.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a y ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Nth America	-1.1	-2.0	-6.2	-11.5
Latin America	-0.2	1.8	-18.8	-43.7
World	-3.2	-1.6	-14.7	-27.7
Routes (segment basis)				
Nth America-Asia	-3.7	-1.7	-5.7	-7.3
Nth America-Europe	-2.5	5.3	-20.5	-44.6
Nth-Sth America	-6.7	-8.7	-22.7	-32.1
Sth America-Europe	-3.1	2.2	-19.7	-52.8
Within Sth America	-8.6	0.1	-13.0	-43.8

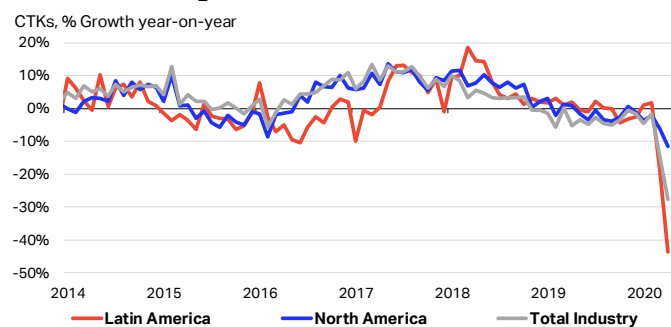
Source: IATA Economics Note: historical data may be subject to revision

- The decline in industry-wide cargo tonne kilometres (CTKs) accelerated to 27.7% year-on-year in April amidst subdued demand compounded by the disruption in global manufacturing activity from the COVID-19 shock.
- North American airlines posted the smallest year-on-year CTK contraction of all regions in April, down

11.5%. Carriers based in Latin America recorded the largest fall (-44%yoy) amidst strict containment measures and lack of cargo capacity.

- Cargo volumes were most resilient on the NthAm-Asia routes (-7.3%yoy) amidst a tentative recovery in China's manufacturing sector and the important role of the Asia region in the production of personal protective equipment (PPE).

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago		2019	Feb-20	Mar-20	Apr-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	4.3	-22.5	-80.5
	PLF	84.8	79.9	52.9	15.0
Latin America	ASK	3.0	4.0	-28.2	-94.0
	PLF	82.6	81.5	68.0	55.0
World	ASK	3.4	-9.4	-38.2	-87.0
	PLF	82.6	75.8	59.2	36.6
Cargo					
Nth America	ACTK	2.1	7.3	-5.6	-26.4
	CLF	39.5	36.0	41.5	48.7
Latin America	ACTK	4.8	-2.4	-32.0	-64.5
	CLF	35.0	34.1	41.4	55.4
World	ACTK	2.2	-3.8	-20.1	-42.0
	CLF	46.7	45.9	53.1	58.0

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

- Although airlines placed around half of their fleet into storage in April, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor declined by 47ppts year-on-year. Nth.Am and Lat.Am airlines saw PLF down by 70ppts & 27ppts, respectively.
- In contrast, cargo capacity fell significantly faster than demand, and the cargo load factor rose by a record 11.5ppts annually. At the regional level, the CLF rose by 8ppts for Nth.Am carriers and 20.5ppts for Lat.Am airlines – the largest increase of all regions.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Nth America	9.1	9.6	6.9	-8.6
Latin America	2.7	2.9	6.8	4.7
Industry	5.7	5.2	5.1	-12.3

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

- Q1 2020 results confirm the severity of COVID-19 for airline financials, as the outbreak became global. The industry-wide EBIT margin was -12.3% of revenues, down from 5.1% in Q1 2019. For Nth.Am airlines, the EBIT margin turned negative at -8.6% while in Lat.Am it eased by 2ppts vs. a year ago, to 4.7%.
- April passenger yield data (in US\$) provided a less representative estimate than we would typically expect due to a dramatically smaller number of tickets being sold. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

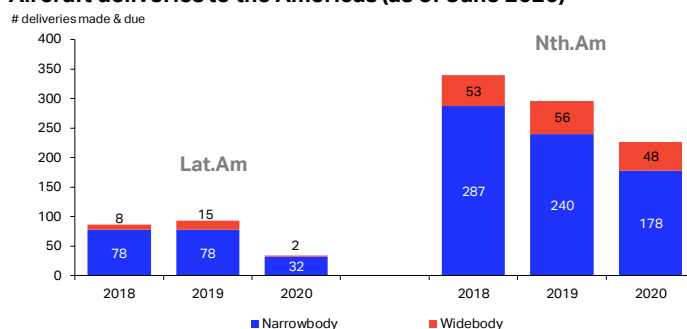
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Nth America-Europe	-3.4	-3.1	-19.1	-17.2
Nth America-Asia	-2.8	2.1	7.5	55.9
Nth-Sth America	-5.0	4.6	-3.9	14.4
Sth America-Europe	-14.8	-2.2	-3.7	-1.0
Sth America-Asia	-7.6	-10.1	1.1	65.9
Within Sth America	-4.0	-1.6	-12.0	-10.0

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 June 2020)



Source: Ascend