


COVID-19 Pandemic: Impact on ASKs

North America
Latin America

December 2020



A satellite view of Earth, showing the Americas and parts of Europe and Africa. The image is oriented vertically, with North America at the top and South America at the bottom. The landmasses are green and brown, while the oceans are dark blue. Clouds are visible over the continents.

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North America's low cost airlines are capturing market share

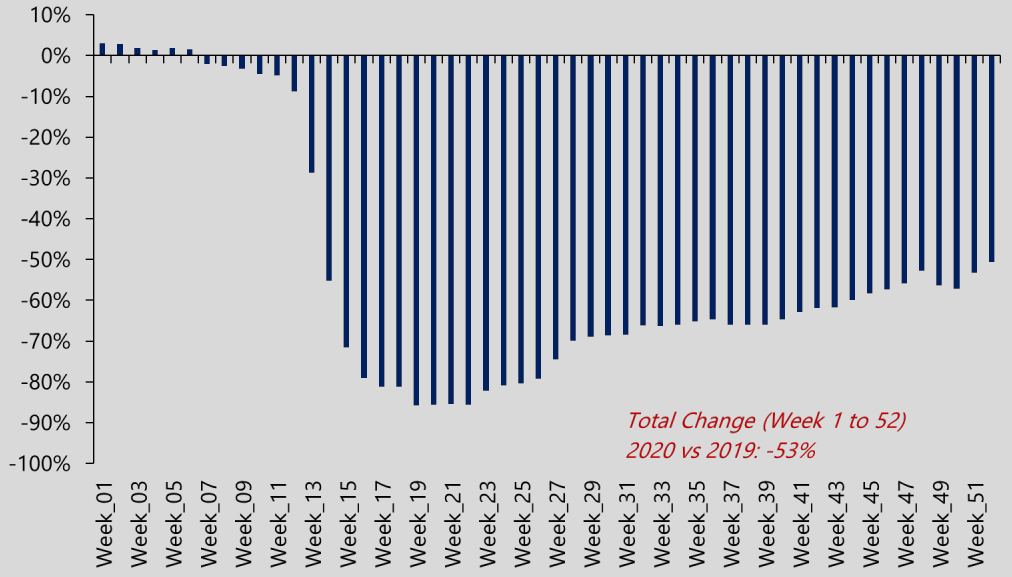
Recovery in the USA is stronger than in Canada

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Summer season and Thanksgiving showed some recovery in ASK capacity

2021 – recovery expected to accelerate once the US travel ban is lifted and vaccine availability grows

Chart 1: North America-Originating ASKs Change 2020 vs 2019

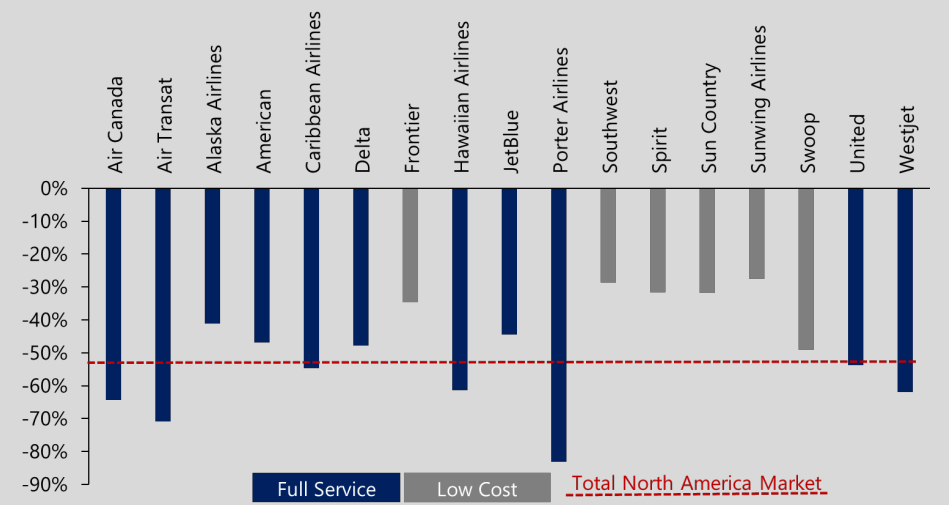


- The impact of the pandemic in North America began gradually in mid-February 2020, before accelerating in March to -86% ASKs YoY.
- From June, capacity slowly started to recover over the Summer season.
- Thanksgiving and Christmas week also showed improved capacity.
- December 2020 capacity is -51% to -53% down vs. 2019.
- Overall, annual 2020 capacity declined -52% YoY.

- US airlines are less impacted by the pandemic than Canadian airlines
- Full service airlines were more impacted than low cost airlines

2021 – recovery likely to be driven by low cost airlines

Chart 2: North America-Originating ASKs Change by Main N. America-based Airlines 2020 vs 2019



- North American low cost airlines were less badly impacted than full service airlines.
- Full service Canadian airlines were more impacted than full service USA airlines.
- Sunwing Airlines (-28% ASKs) is the best performing airline in the region.
- Porter Airlines (-83% ASKs) is the most impacted airline.
- United Airlines (-54% ASKs) was more impacted than its rivals American Airlines (-47%) and Delta (-48%).

North America's low-cost airlines are capturing market share

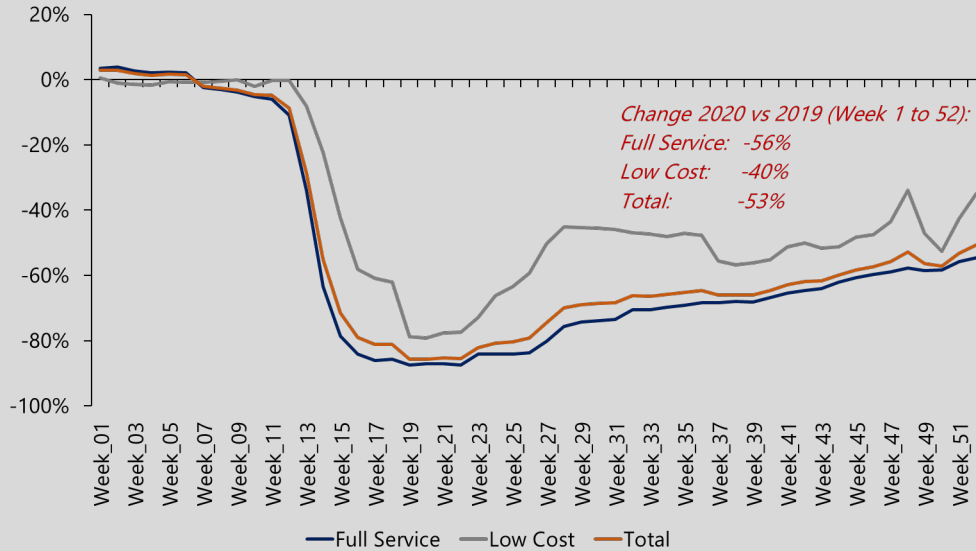
Domestic traffic is recovering better than international traffic

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Low cost airlines in North America showed strong recovery during peak travel seasons in 2020

2021 – the capacity gap between full service and low cost airlines is expected to shrink in 2021

Chart 3: North America Full Service vs Low Cost ASKs Change 2020 vs 2019

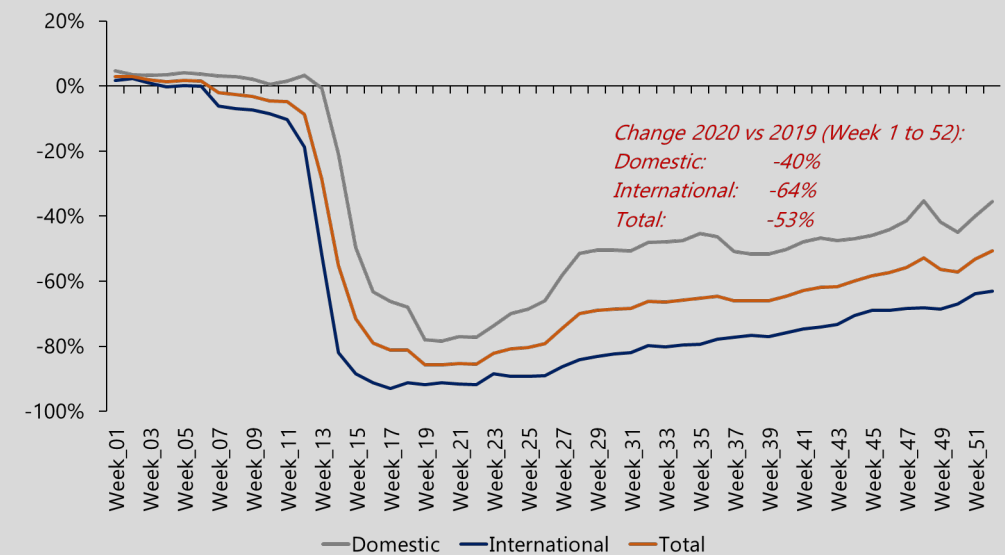


- Low cost carriers experienced improved capacity during Summer season 2020, Thanksgiving and Christmas week.
- Full service carriers experienced a slower and more gradual capacity recovery, with no significant increases in capacity during peak seasons.
- In 2020, North American low cost airlines were the least impacted compared to other world regions, with -40% ASK decline vs. -45% average for all world regions.

- North America domestic capacity was more impacted than other region's domestic markets

2021 – International capacity in North America is expected to remain subdued until travel restrictions are eased

Chart 4: North America Domestic vs International ASKs Change 2020 vs 2019



- North America domestic traffic saw a significant increase during Summer 2020, as well as during the week of Thanksgiving and Christmas.
- North America international traffic remains subdued (-63%) for week 52 due to the international travel restrictions in the region, in particular the US travel ban.
- Domestic capacity is -35% in the last week of 2020, much worse than the worldwide average of -19%.

North America: Decline in ASKs by Country

Canada is more impacted by the pandemic than USA

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

Table 1: North America Decline in ASKs by Country

Country	ASKs (m) - 2019	ASKs (m) - 2020	% Change
USA, domestic	437,857	265,695	-39%
USA, international	504,286	181,563	-64%
USA, total	942,144	447,258	-53%
Canada, domestic	23,264	10,341	-56%
Canada, international	105,518	37,100	-65%
Canada, total	128,783	47,441	-63%
Traffic between USA and Canada	20,333	5,888	-71%

North America: State Support for Airlines

USA implemented an extensive support scheme (CARES Act)

Source: Ishka September 3rd 2020; Analysis by AviaSolutions

UNITED STATES

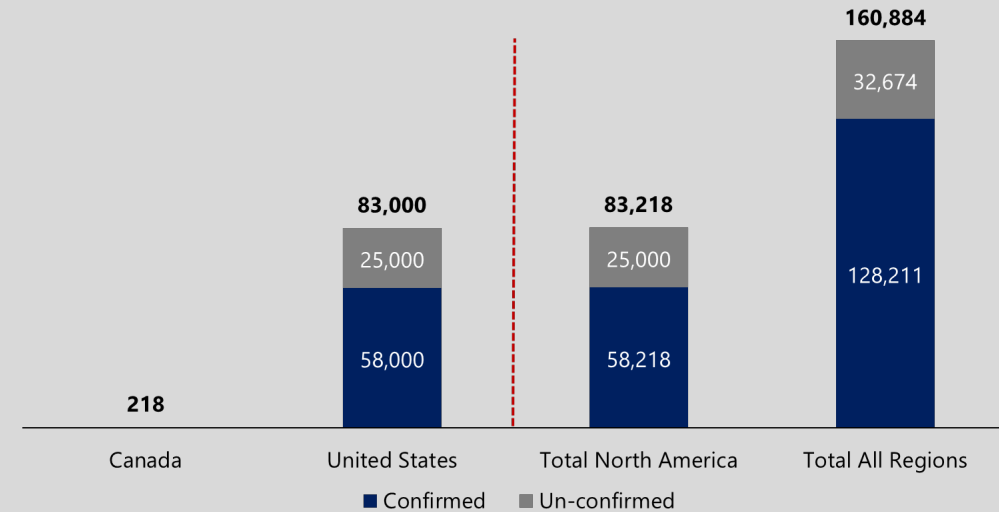
- US airlines received more than \$58B in confirmed grants and loans under the CARES Act. The scheme ran until October 1st 2020.
- US Federal COVID-19 relief legislation has stalled since October and new stimulus packages are yet to be announced. The delay is partly attributable to uncertainty during the presidential election.
- A new stimulus package would likely include a second version of the CARES Act (payroll support programme (PSP) for US airlines).
- The US government has expressed its commitment to support the US airline industry; this is likely to continue under the Biden administration.

CANADA

- Export Development Canada (EDC) is providing Porter Airlines with \$100M in commercial financing secured by a portion of its fleet.
- Chorus Aviation also executed a letter of offer with EDC in April 2020 to provide an unsecured \$100M revolving credit facility.
- The government of the northern territory of Nunavut has provided almost \$18M to support Canadian North and Calm Air.
- The Canadian government is currently considering introducing a federal-wide support package to the airline industry.
- Airlines have laid off many employees and have been lobbying strongly for stronger government support – similar to the CARES act in the US.
- As the pandemic continues, it is likely that such support will be approved.

Chart 5: North America State Support for Airlines as of September 3rd 2020

Source: Ishka, US\$M



Government / authority	Stage	(USD millions)			Measures
		Confirmed	Un-confirmed	Total	
Canada	Some relief measures or state aid introduced, further aid under negotiation	218	0	218	Large business state loan financing State bank loans State budget subsidy / not specified
United States	Some relief measures or state aid introduced, further aid under negotiation	58,000	25,000	83,000	State loans Airline-specific payroll support

North America Traffic – 2020 Summary and 2021 Outlook

Analysis by AviaSolutions

Summary 2020	Outlook 2021
<p>Overall, North America was marginally more impacted by the pandemic versus other world regions in 2020, with -53% ASKs compared to the worldwide average of -51% ASKs.</p> <p>Generally, Canadian airline capacity (-63% ASKs) is more impacted than US airline capacity (-53% ASKs) in 2020.</p> <p>Summer season 2020, as well as the week of Thanksgiving and Christmas experienced some recovery in capacity, mostly driven by low cost domestic travel.</p>	<p>International traffic recovery is expected to accelerate in 2021 once the US travel ban is lifted and vaccine availability grows.</p> <p>ASK capacity is expected to be -55% in Q1 2021 and -40% in Q2 2021*.</p>
<p>Throughout 2020, North American low cost airlines were more resilient to capacity reductions than full service carriers, and were the least impacted of all world regions.</p>	<p>Based on capacity data from 2020, low cost airlines in North America are recovering faster than full service carriers, hence we are expecting low cost carriers to capture some traffic share from the full service carriers in 2021.</p>
<p>Domestic traffic in North America in 2020 was impacted less than international traffic due to travel restrictions on international services, however, North American domestic capacity declined greater than the worldwide average domestic capacity (-40% vs -30%).</p>	<p>Domestic traffic in North America is expected to continue its recovery, reaching -30% decline in Q1 2021 and -20% decline in Q2 2021*.</p>
<p>USA implemented an effective state support scheme for airlines (CARES Act).</p> <p>Canada offered modest government subsidies to its aviation sector.</p>	<p>The US CARES Act is likely to be continued under the Biden administration in 2021.</p> <p>In 2021, Canada is likely to follow a scheme similar to the US CARES Act.</p>

Latin America shows the strongest recovery among all regions

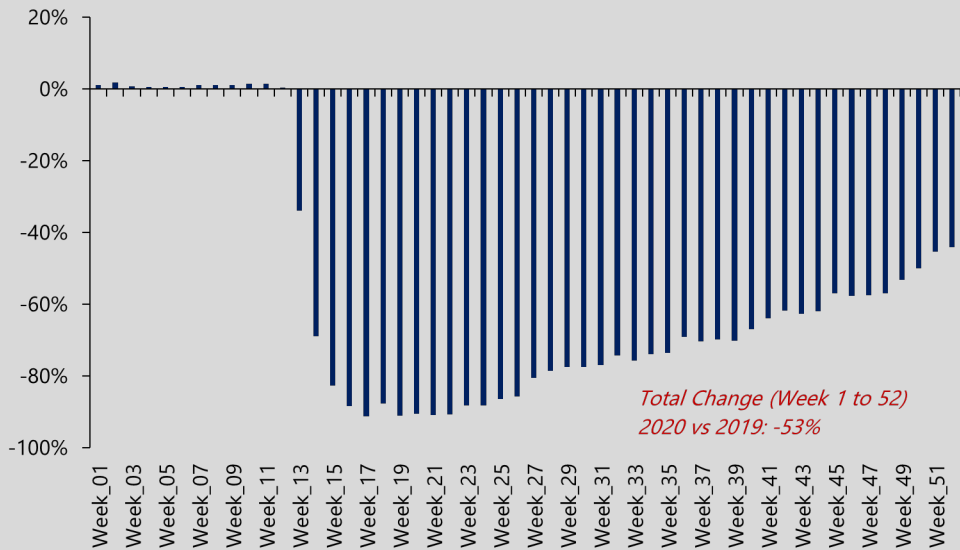
Capacity increased 7x between Apr and Dec 2020

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Latin America capacity collapsed -90% in April 2020, with a significant recovery between July and December

2021 – recovery is likely to continue due to the absence of travel restrictions in many Latin American nations

Chart 6: Latin America-Originating ASKs Change 2020 vs 2019

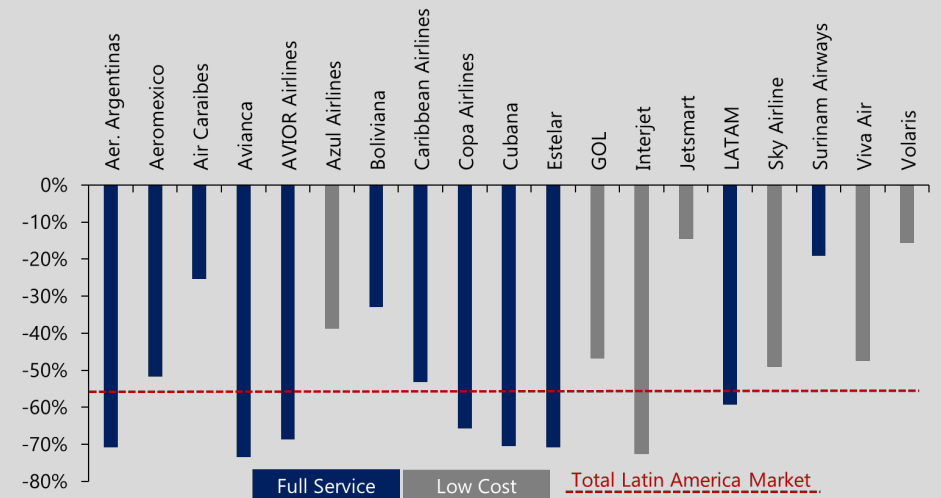


- Latin America capacity declines were lowest in April 2020 at -91%.
- Since April, a significant and consistent recovery occurred and capacity increased 7x between April and December (with no Summer season peak).
- As of December 2020, Latin America has shown the strongest traffic recovery of any world region.

- Low cost airlines Volaris and Jetsmart have fared better than other airlines

2021 – low cost airlines are expected to drive recovery in 2021

Chart 7: Latin America-Originating ASKs Change by Main L. America-based Airlines 2020 vs 2019



- Volaris (-16% ASKs) was amongst the least impacted airline in the region, reporting strong increases in traffic since August 2020.
- Interjet (-73% ASKs) was amongst the most impacted airline in the region, grounding all flights twice in November 2020.
- Brazilian low cost airlines GOL and Azul fared better than LATAM.
- Mexican low cost airlines Volaris and Viva Air fared better than AeroMexico.
- With the exception of Interjet, low cost airlines were less impacted than full service airlines in 2020.

Latin America shows the strongest recovery among all regions

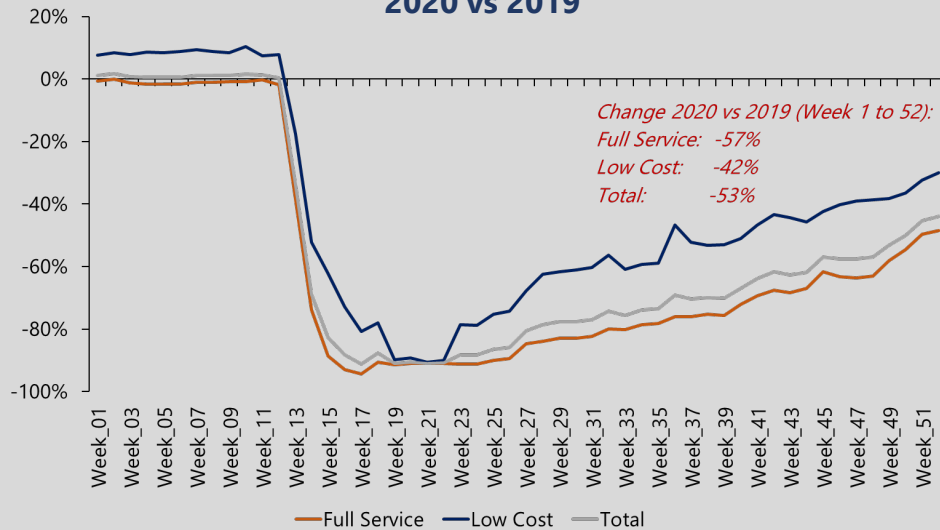
Domestic traffic is performing better than international traffic

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Latin America capacity is continuing to recover strongly with no seasonal peaks apparent

2021 – Latin American low cost airlines are expected to return to pre-pandemic capacity in 2021

Chart 8: Latin America Full Service vs Low Cost ASKs Change 2020 vs 2019

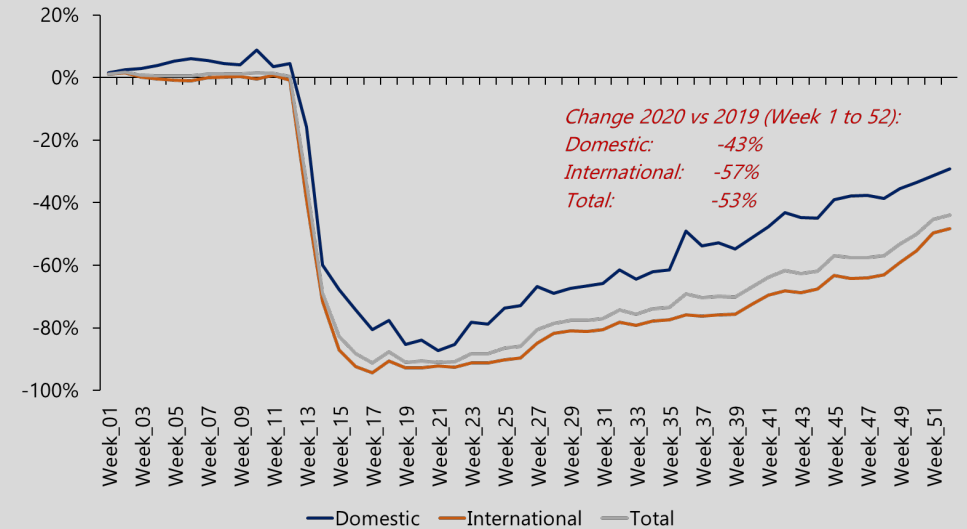


- Latin American low cost airlines showed high growth rates in the first two months of 2020 (8%-10% ASKs).
- Both low cost and full service airlines showed significant recovery in capacity from Summer 2020 to December 2020.
- Recovery in both low cost and full service airlines has been evenly distributed, without any significant increases in capacity for the summer travel season.
- Across all world regions, Latin American low cost airlines showed the smallest decline in ASKs (-30%) by week 52 of 2020, comparing to the worldwide low cost average of -42%.

- By the last week of 2020, International capacity in Latin America had recovered more than any other world region

2021 – Domestic traffic is expected to continue recovery through 2021

Chart 9: Latin America Domestic vs International ASKs Change 2020 vs 2019



- Both domestic and international capacity has recovered strongly since Summer.
- By week 52 of 2020, international capacity in Latin America was the least of all work regions at -48% compared to the worldwide average of -67%.
- In total, capacity originating from Latin America in week 52 of 2020 is -44%, compared to the worldwide average of -50%, making it the strongest performing region.

Latin America: Decline in ASKs by Country

Latin America showed the strongest recovery of all regions in 2020

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

Table 2: Latin America Decline in ASKs by Country

Country	ASKs (m) - 2019	ASKs (m) - 2020	% Change
Brazil	143,172	64,695	-55%
Mexico	124,055	69,643	-44%
Argentina	49,044	14,446	-71%
Chile	39,227	15,296	-61%
Colombia	36,831	13,115	-64%
Peru	34,063	10,576	-69%
Panama	26,121	9,116	-65%
Dominican Republic	25,872	12,466	-52%
Cuba	16,835	6,170	-63%
Puerto Rico	12,256	8,767	-28%
Costa Rica	10,206	4,470	-56%
Jamaica	9,564	4,699	-51%
Ecuador	9,260	4,590	-50%
El Salvador	6,911	2,481	-64%
Guadeloupe	6,261	4,295	-31%
Martinique	5,399	3,615	-33%
Barbados	5,031	2,381	-53%
Venezuela	4,911	1,869	-62%
Bolivia	4,473	2,342	-48%
Uruguay	3,979	1,452	-64%
Total Latin America			-53%

Latin America: State Support for Airlines

Limited support in 2020, brighter outlook for 2021

Source: Ishka September 3rd 2020; Analysis by AviaSolutions

- A total of \$415M of state support was allocated to Latin American airlines as of September 3rd 2020. This figure lags significantly behind that of North America.
- Avianca, LATAM and AeroMexico filed for Chapter 11 bankruptcy protection. Such a move was necessary for these operators to right size their operations during the pandemic.
- IATA expects other airlines in the region to file for Chapter 11.
- IATA has also expressed concerns about some political decisions that could slow the aviation industry recovery in the region – including the introduction of higher navigation and foreign currency taxes.
- Despite these headwinds, some countries are adopting a more proactive approach in terms of state aid for airlines.
- Brazil is understood to be negotiating \$1.1B aid in the form of private and state loans and tax waivers/deferrals.
- It is expected that other countries may follow and that the largest aviation players in the region will recover.

Table 3: Latin America State Support for Airlines as of September 3rd 2020

Source: Ishka, US\$M

Government / authority	Stage	(USD millions)			Measures
		Confirmed	Un-confirmed	Total	
Antigua and Barbuda	Some relief measures or state aid introduced, further aid under negotiation	1	19	20	State budget subsidy / not specified
Argentina	Government considering requests for state aid	0	0	0	Merger State budget subsidy / not specified
Bolivia	Confirmed state aid	29	0	29	Sovereign wealth fund contribution Airline-specific payroll support
Brazil	State financial aid under negotiation	0	1,149	1,149	Private bank loan State bank loans Tax waivers or deferrals
Colombia	Confirmed state aid	370	0	370	Large business state loan financing Tax waivers or deferrals
St Vincent and the Grenadines	Confirmed state aid	15	0	15	Operational fee waivers
<i>Total Latin America</i>		<i>415</i>	<i>1,168</i>	<i>1,583</i>	
<i>Total All Regions</i>		<i>128,211</i>	<i>32,674</i>	<i>160,884</i>	

Latin America Traffic – 2020 Summary and 2021 Outlook

Analysis by AviaSolutions

Summary 2020	Outlook 2021
<p>Overall, Latin America was marginally more impacted by the pandemic versus other world regions in 2020, with -53% ASKs compared to the worldwide average of -51% ASKs.</p>	<p>Travel restrictions have been eased in many Latin American nations, which has led to a strong recovery in capacity. We assume that the recovery will go continue at pace into 2021.</p>
<p>Despite the strong impact of the pandemic, Latin America recovered better than any other world region in the latter half of 2020.</p> <p>By week 52 of 2020, total ASKs in Latin America were -44% vs. the worldwide average of -50%.</p>	<p>Domestic capacity in Latin America is expected to continue its recovery, to -30% decline in Q1 2021 and -20% decline in Q2 2021*.</p> <p>International capacity in Latin America is expected to recover to -45% in Q1 2021 and -35% in Q2 2021*.</p>
<p>Capacity of low cost airlines in Latin America declined -30% vs. the worldwide average of -42%.</p> <p>Capacity of full service airlines in Latin America declined -49% vs. the worldwide average of -50%.</p> <p>Some airlines in the region have already returned to 2019 traffic levels. For example, Volaris has been reporting constant passenger traffic growth since August 2020.</p>	<p>We expect low cost airlines in Latin America to drive traffic recovery across the region in 2021.</p> <p>Operators such as Volaris, Viva Air, Jetsmart and Azul are likely to return to 2019 capacity levels in 2021.</p>
<p>State subsidies have been relatively low in the Latin American region in 2020. Some airlines filed for Chapter 11.</p>	<p>Despite low levels of government support in 2020, more subsidies are currently being negotiated for 2021 (Brazil). However, it is possible other airlines will file for Chapter 11 in 2021.</p>