



JULY 2018

AMERICAS FOCUS

YOUR SOURCE FOR IATA'S LATEST REGIONAL NEWS



Dear Industry Colleagues,

While the summer is in full swing and the busiest operational time of the year for our airlines, some recent geo-political developments are worrisome and potentially threatening the growth of our industry. After decades of globalization and the opening of borders, recent trade policy developments – most notably to date between the US and China – have begun to unwind this position. IATA released a [research note](#) looking at the impacts of an escalation in tariffs on the air transport industry, summarized in the below graphs. Our overall conclusion is that, at this stage, the impact of the current trade skirmish on the air transport industry is likely to be relatively moderate. However, further escalation could result in a much more material impact on both cargo & passenger demand. While a full-blown global trade war does not form part of our central outlook, it represents an important risk.

Besides the fear of trade wars, we continue to see both negative and positive regulatory developments in the region. In Brazil, the senate approved a bill to prohibit airlines from charging for seat assignments which goes against global best practices and the proven concept of letting airlines offer a cheaper fare to those who do not wish to pay for their preferred seating. We are working closely with ABEAR and the industry to lobby against this initiative. On a positive note, Argentina removed the minimum fare requirement for domestic tickets as of

September 1 so that airlines can offer lower prices to compete with other modes of transportation. In addition and also effective on September 1, Argentina's National Airports System Regulatory Body ORSNA announced that airport concessionaire AA2000 will be banned to impose a 10% fee on all contractors and suppliers working for airlines at the airport which is another step in the right direction by the Argentine government.

With these challenges and opportunities on the horizon, our work of advocating the economic and social benefits of aviation to governments remains crucial, especially in countries that held recent elections. I am therefore pleased to share that we will hold Aviation Days in San Jose for [Central America](#) on September 19, in Bogota for [Colombia](#) on October 4, and in Mexico at the end of February 2019.

As usual, please find the summary of IATA's key activities across the Americas in July below and please let me know if you have any questions or would like us to take further action.

With kind regards,

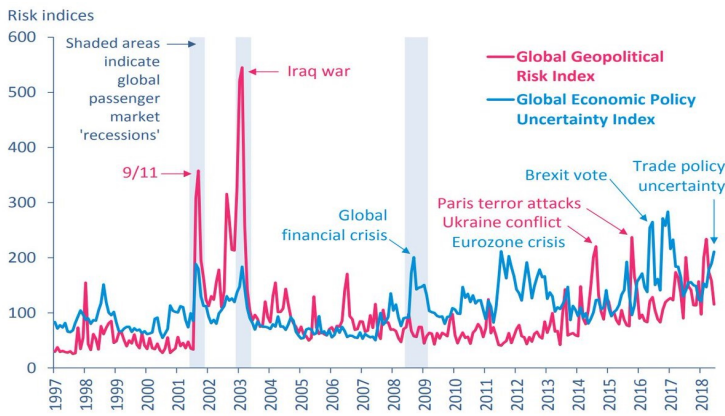
Peter Cerda, IATA's Regional Vice President, The Americas



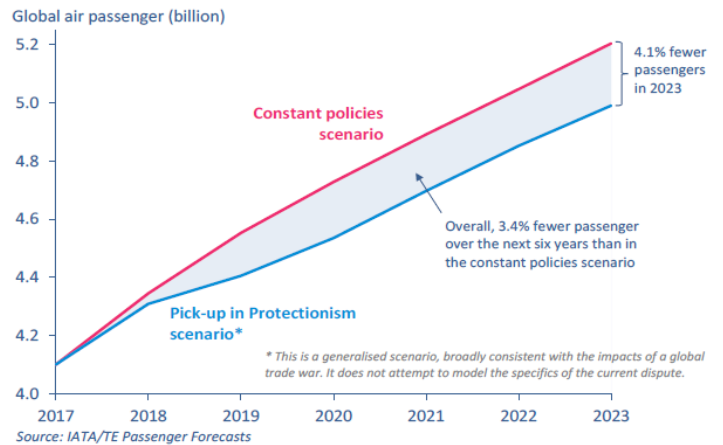
TRADE RESTRICTIONS WEIGH ON THE OUTLOOK FOR AIR TRANSPORT

AIR PASSENGER AND FREIGHT BOTH AT RISK FROM AN ESCALATION IN TARIFFS

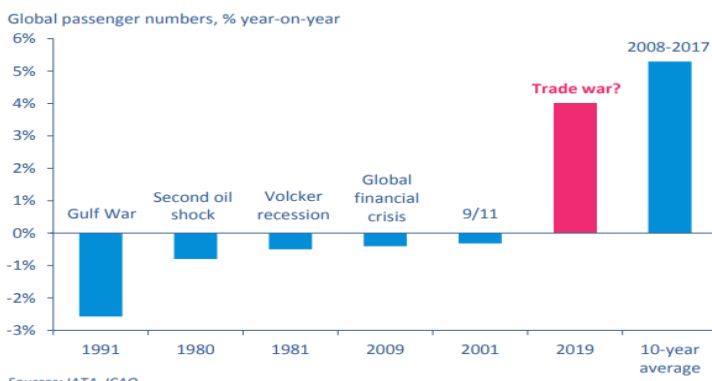
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX AT HIGHEST LEVEL IN 16 MONTHS.



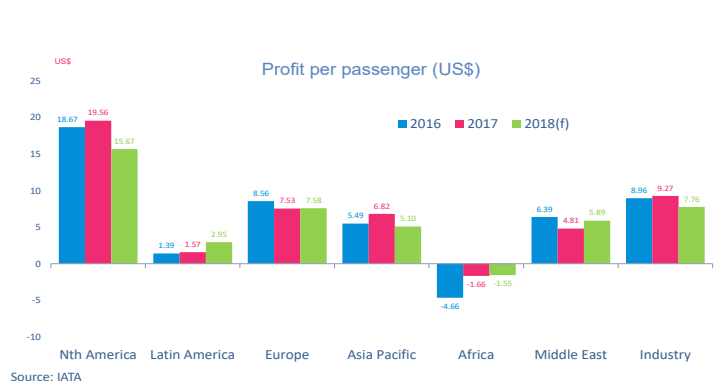
PICK UP IN PROTECTIONISM SCENARIO



SELECTED PASSENGER SHOCKS IN THE PAST



REGIONAL PROFIT PER PASSENGER FORECAST IN CONSTANT POLICIES SCENARIO



ARGENTINA: CONFIRMATION OF COST REDUCTIONS BY ANAC

On July 20, Argentina's National Civil Aviation Administration (ANAC) issued Resolution 530/2018, putting on hold the increase of overflight and landing support fees for international flights approved earlier this year of +1.5% and +2.3% respectively. This measure complements the previously announced tariff reduction of 3% for services provided to international airlines by ground handling service provider Intercargo, approved at the beginning of July. Both measures were first announced by Argentina's Minister of Transport Dietrich at IATA's Wings of Change conference in Chile in March and represent the commitment of Argentina's authorities to continue fostering industry development and to reduce the cost gap between Argentina and the rest of the region. For more information, please contact IATA's Country Manager for Argentina, [Maria Jose Taveira](#).

ARGENTINA: ELIMINATION OF DOMESTIC TICKET PRICE CAP

Argentina's Ministry of Transportation announced that the minimum fares for domestic flights will be eliminated with effective date of August 15 and will apply for all round-trip tickets sold within 30 or more days in advance, supporting a stronger deregulation of the market in Argentina. Price bands were first established in 2000 and the current administration removed the maximum fare in 2017. IATA supports this decision as it is a further sign of the intention to reduce State intervention within the airline industry and supports Argentina's government goal of doubling the number of passengers flying inside the country by 2019. For more information, please contact IATA's Country Manager for Argentina, [Maria Jose Taveira](#).

BRAZIL: ADOPTION OF IATA CARGO XML

IATA worked with Brazil's National Airport Authorities Commission (CONAERO) to adopt IATA Cargo-XML messaging as standard for air cargo processes in Brazil. The standardization of electronic communication between airlines and other air cargo stakeholders such as shippers, freight forwarders, ground-handling agents, regulators, as well as customs and security agencies, via IATA Cargo XML, will further modernize Brazil's air cargo business, enhancing efficiency, driving trade growth and maximizing safety and security across the country. For more information, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).

ECUADOR: PUBLIC PRIVATE WORKING GROUP TO ADDRESS INDUSTRY CONCERNS

An initiative between IATA, ALTA and the local BAR ARLAE, to create a public-private high level working group to address the most important topics in aviation in the country was well received by the government of Ecuador. The working group will be chaired by the Minister of Tourism and will include the Ministers of Finance, Commerce, and Transport, the Civil Aviation Director, as well as other authorities. It will address the four key priorities for our members in the country, which are 1) the elimination of the 5% currency repatriation tax, 2) the reduction of the aviation fuel tax, 3) the reduction of the tourism tax, and 4) bringing the country's API data sharing program to comply with international standards. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).

COST RICA: NEW TAX LAW TO INCREASE VAT ON AIRLINE TICKETS UNDER DISCUSSION

A tax reform is under discussion in the National Assembly of Costa Rica. The bill initially included the introduction of a 13% VAT on all tickets with origin/destination Costa Rica. After advocacy efforts of the industry, tickets were included under a tax classification with a reduced VAT rate. As a result, the airline industry will be subject to VAT but at a reduced rate of 0.4% of the total price of each international ticket. IATA will continue its advocacy efforts on behalf of the industry while the tax reform is still under discussion. For more details, please contact IATA's Area Manager for Central America, [David Hernandez](#).

PANAMA: 1ST COUNTRY IN LATIN AMERICA TO IMPLEMENT TRANSPARENCY IN PAYMENTS (TIP)

[Transparency in Payments \(TIP\)](#) is an IATA industry initiative focused on providing airlines with increased transparency and control in the collection of their sales through the travel agency channel. At the same time, it will enable travel agents to take advantage of new forms of payment for the remittance of customer funds. On July 1, Panama became the first country in Latin America to implement TIP. The roll-out of this initiative has progressed so far as per original [roadmap](#) and the countries to follow Panama are Honduras, Belize, Costa Rica, Guatemala, El Salvador and Mexico – all planned for the second half of 2018. In the mean time, IATA continues to engage with all airlines from the Americas region to ensure their readiness for [NewGen ISS](#) (including technical readiness for IATA EasyPay) and TIP. In parallel, IATA is delivering educational workshops for travel agents to clarify any questions and prepare them to take advantage of the benefits that NewGen ISS and TIP will offer, especially on new accreditation models and new methods of payments that will become available in all BSPs. For more details, please contact IATA's Director of Financial & Distribution Services for the Americas, [Alicia Lines](#).

VENEZUELA: NEW CURRENCY IMPLEMENTATION TO FIGHT HYPERINFLATION POSTPONED AGAIN

Venezuelan President Maduro announced on July 25 that the replacement of its currency, the Bolivar Fuerte (VEF), for the Bolivar Soberano (VES), will be postponed to August 20 instead of August 4. This is the second time the implementation is postponed, since it was originally slated to begin on June 4. The government also announced that, in order to fight hyperinflation in the country, the new currency would be equivalent of 100,000 VEF per 1 VES instead of the original 1,000 VEF per 1 VES. IATA will continue to work closely with the local BAR and the authorities to ensure that airline systems are in place to adapt to the change in currency. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).

REGIONAL SECURITY STRATEGY UPDATE AT ICAO AVIATION SECURITY CONFERENCE

During the ICAO Regional Conference on Aviation Security for the Americas and the Caribbean in Panama, July 24-27, IATA outlined the industry's willingness and wish to collaborate with States, ICAO and other interested parties in meeting the key priorities outlined in the Global Aviation Security Plan (GASeP). IATA highlighted the role of the IATA Americas Security Focus Group and detailed how IATA, through this is group, is already meeting GASeP responsibilities and described the group's action plans for the future, both globally and in the region, resulting in positive feedback from airlines, ICAO and numerous States. For more information, please contact IATA's Assistant Director of Aviation Security for the Americas, [Tony Blackiston](#).





STATE OF THE REGION: THE AMERICAS

JULY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
United States	2.3	2.3	2.6	2.8
Brazil	1.0	1.4	2.1	1.2
Mexico	2.3	1.7	1.6	2.3
Canada	3.0	3.1	3.0	2.3
Argentina	2.9	3.8	3.9	3.6
Colombia	1.8	3.0	1.4	2.8
Chile	1.6	2.9	3.3	5.1
Peru	2.5	2.7	2.2	3.2
World*	3.2	3.2	3.3	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Apr-18	May-18	Jun-18
US\$ broad index	120.0	118.2	121.5	123.4
Brazilian real (BRL)	3.31	3.49	3.73	3.86
Mexican peso (MXN)	19.66	18.75	19.96	19.74
Argentine peso (ARS)	18.62	20.54	24.97	28.93
Colombian peso (COP)	2985	2803	2890	2932
Chilean peso (CLP)	615	614	632	654

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Apr-18	May-18	Jun-18
Crude oil (Brent)	54.2	72.1	77.0	74.4
Jet fuel	65.6	84.6	90.5	87.8

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

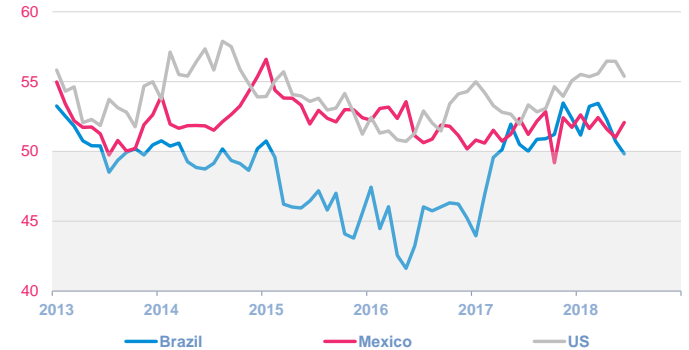
%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
N America	4.2	6.5	3.7	5.2
Latin America	6.7	8.7	5.6	6.1
World	7.6	9.8	6.0	6.1
Routes (segment basis)				
US domestic	3.7	4.9	5.3	5.5
Brazil domestic	3.5	2.0	6.2	4.1
Nth America-Europe	4.1	7.8	-1.8	4.2
Nth America-Asia	4.9	10.5	5.3	4.2
Nth-Sth America	0.9	9.5	4.3	7.1
Sth America-Europe	6.1	10.4	8.7	11.2
Within Sth America	10.5	7.5	5.7	0.2

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

- Annual growth in industry-wide RPKs was broadly unchanged in May, at a solid 6.1%. While yoy growth remains above its long-run average rate, this year to date has seen a moderate slowing compared with the same period a year ago (6.3% vs 8.3% last year).
- The region's airlines reported a more pronounced lift in growth this month with a 1.5pp rise to 5.2%yoy for the NthAm carriers & a more modest 0.5pp gain to 6.1%yoy

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

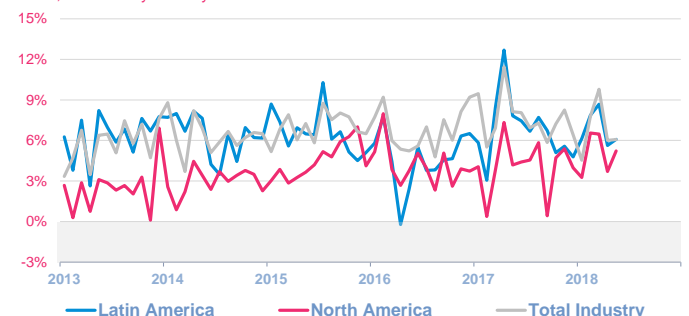
- Business confidence dropped sharply in Brazil, reflecting the impact of the truckers' strike while fears of a possible trade war weighed upon US businesses (although the level of confidence remains elevated). Improved demand in Mexico saw a modest gain in sentiment this month.
- On a trade-weighted basis, the US\$ rose by 1.6% in June, a second consecutive solid monthly gain. Apart from the MXN (up 1%), the main regional currencies all fell vs the US\$, the ARS by >15% again this month.
- Brent crude oil & jet fuel prices both fell in June, by 3-3.5%, but only partly unwound the sizeable increase in May. Oil & jet fuel prices are still ~60% higher than their level of a year ago.

for Lat.Am carriers, in line with the overall industry pace.

- The Brazil domestic growth rate pared some of last month's surge, to be 4.1% higher yoy in May. In the US, domestic RPK growth ticked slightly higher to 5.5%yoy.
- The key NthAm-Europe market returned to positive growth after a short-lived fall last month. The SthAm-Europe market is currently the strongest performer with pax volumes up 11.2%yoy, while RPKs for the Within SthAm market are effectively unchanged in yoy terms.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
Nth America	8.1	4.2	4.6	5.9
Latin America	5.6	15.5	10.8	11.4
World	9.1	2.5	5.2	4.2
Routes (segment basis)				
Nth America-Asia	8.7	2.6	7.0	5.3
Nth America-Europe	9.9	6.8	6.4	3.5
Nth-Sth America	0.6	20.5	14.2	16.4
Sth America-Europe	6.9	17.0	13.9	9.9
Within Sth America	3.2	15.3	44.4	24.7

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

→ Annual growth in industry-wide FTKs slowed to 4.2% in May, from 5.2% in Apr. Against a weaker world trade backdrop, demand momentum has also softened; FTKs have risen at an annualized pace of ~4% over the past 6mths or so, around 1/3 the pace of mid-2017.

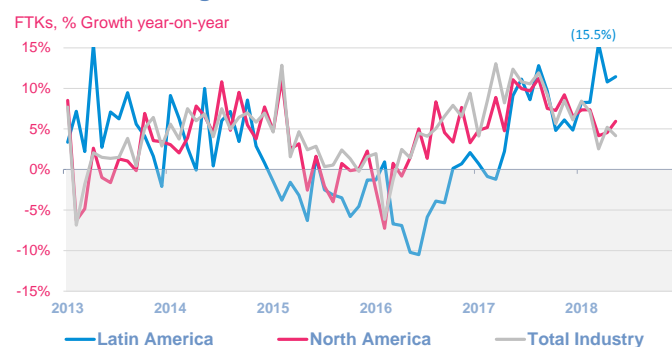
→ At the regional level, FTK growth went against the global trend, picking up this month in both NthAm (to 5.9%) & Lat.Am (to 11.4%). Lat.Am remains the fastest growing

region for FTKs & the only double-digit yoy growth rate.

→ Growth in freight volumes eased amongst the region's main international markets, with the exception of Nth-SthAm which lifted to a brisk 16.4% pace.

→ The smaller Within SthAm market remains overall the fastest growing, with FTKs currently ~25% higher than their level of a year ago, supported by an improved economic backdrop in key countries, including Brazil.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2017	Mar-18	Apr-18	May-18
Passenger				
Nth America ASK	4.0	4.5	4.8	4.9
Nth America PLF	83.7	85.2	83.3	84.4
Latin America ASK	5.3	6.9	5.8	6.2
Latin America PLF	81.7	81.3	81.2	79.8
World ASK	6.3	6.6	5.9	5.9
World PLF	81.5	82.5	82.2	80.1
Freight				
Nth America AFTK	1.8	3.6	4.3	5.4
Nth America FLF	36.5	37.4	35.9	36.3
Latin America AFTK	3.7	3.0	-0.2	1.5
Latin America FLF	34.0	37.2	37.2	37.3
World AFTK	3.5	5.4	6.1	6.2
World FLF	45.2	46.3	44.9	44.6

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

→ The latest industry-wide PLF marked the first time on record that the 80% level was exceeded in a May month. The 84.4% PLF outcome for NthAm carriers was the highest of all regions this month while the PLF for the Lat.Am carriers eased slightly in May, to 79.8%.

→ The FLF for both regions remained around 36-37% this month, lagging, by some margin, the industry-wide outcome of 44.6%.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Nth America	13.7	11.1	7.7	7.3
Latin America	5.6	6.9	6.3	7.7
Industry	8.5	7.5	4.9	5.6

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

→ The latest financials for Q1 confirm an improved EBIT margin vs a year ago for the Lat.Am airlines & at the industry level (up 1.4pp & 0.7pp, respectively, to 7.7% & 5.6%), but a slight moderation for the NthAm carriers, down 0.4pp to 7.3%.

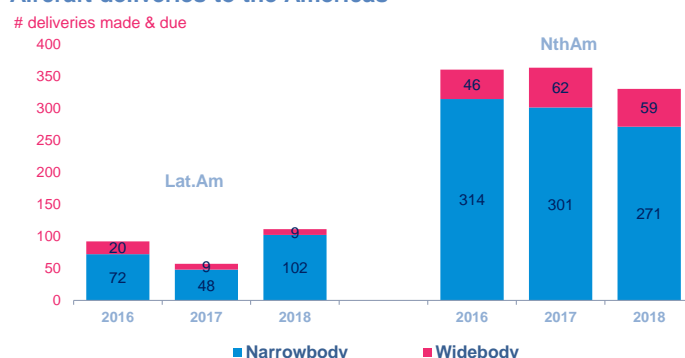
→ Passenger yields amongst the region's key markets remain mixed. Compared with a year ago, the NthAm-Europe market is performing strongly, with yields up just over 9%. SthAm-Europe is not far behind, with a yield improvement of 7.2%. However, yields are lower in yoy terms for both the Nth-SthAm & Within SthAm markets.

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

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Nth America-Europe	-1.8	9.8	19.8	9.1
Nth America-Asia	-3.2	-0.5	2.4	2.8
Nth-Sth America	0.2	1.3	-1.8	-4.5
Sth America-Europe	7.9	12.6	10.9	7.2
Sth America-Asia	-4.2	5.6	5.5	3.2
Within Sth America	1.8	3.2	0.9	-1.0

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

Aircraft deliveries to the Americas



Source: Ascend