AMERICAS FOCUS
#06 2019
YOUR SOURCE FOR IATA'S LATEST REGIONAL NEWS

Dear Colleagues,

Recent developments in Latin America have resulted in disruptions in various countries leading to social, political, economic instability and unrest, and brought our region to the global media spotlight, specifically with the cancellation of the COP25 summit in Chile.

While the specific reasons behind the protests in countries like Chile, Ecuador, Bolivia and Colombia vary, the overall theme calls for more social and economic equality amongst all citizens. I truly believe air transport can play its part in bringing even more economic and social benefits to the region by making air travel affordable for everyone and attract more tourism and business opportunities. The below chart shows the average trips per capita per year for the major countries across the Americas, including Spain as a comparison. So while the average Spaniard takes more than four trips per year, the average Brazilian only travels once every two years. In countries with large populations like Brazil and Mexico, the potential to bring travel to more passengers is tremendous, which would result in economic and social benefits for the respective countries.

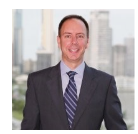
But specifically with these recent demonstrations and political instabilities, the operating environment for our members in Latin America remains highly volatile. On top of the already difficult situation, the global economic climate seems to be shifting, indicating a possible recession or at least an economic slowdown globally. As shown below, Latin America's GDP growth averaged 2.2% over the past 8 years but is forecasted at only 0.2% growth for 2019 which will surely impact our members' financials. Risks to the global economy seem to be surfacing, from trade-wars and a no-deal Brexit to steel tariffs imposed on Argentina and Brazil by the Trump administration. Hence we need to ensure governments understand the difficult business environment for airlines and see the industry as a partner, not as a foe. I communicated these messages of the importance of air transport to the region during my recent meetings with the newly elected government in Argentina, Mexican authorities and the President-elect of Guatemala. We look forward to working with the new government in Argentina and will hold an Aviation Day in Buenos Aires in the first half of June to create a forum for constructive dialogue to continue to push aviation forward. As part of our on-going efforts in Argentina to facilitate air travel and as requested by our members, IATA reinstated US Dollars as an acceptable currency for BSP operations for tickets issued as of December 1 2019. In Mexico, I met with the Ministry of Transport who committed to work closely with the airlines and utilize IATA's global best practices to maximize the benefits of the proposed metropolitan airport system by ensuring it will be safe and efficient for airlines to operate in. And Guatemalan President-elect Giammattei committed to working with the industry and ensuring a fair taxation policy for aviation, providing fiscal certainty to our members. More details are available below.

In other industry news, I would like to take this opportunity to remind your teams that the FAA ADS-B OUT mandate will be effective as of January 1 2020 whereupon flight operations in the U.S. require that aircraft be compliant with the rule. Airframe compliance can be checked at the FAA's dedicated website. If you require assistance with the mandate compliance or have any questions regarding ADS-B OUT, IATA's subject matter expert can be reached via email or via a dedicated IATA hotline at (001) 305-399-9435 to provide guidance to our members.

As usual, please find IATA's most recent key activities across the region below - please let me know if you have any questions. Lastly, I would like to wish you and your families happy holidays and all the best for 2020.

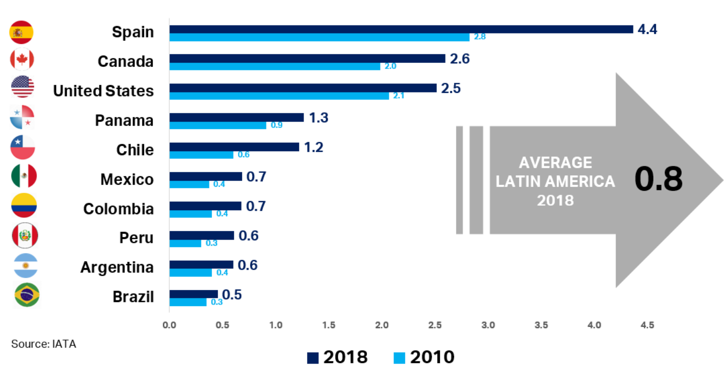
With kind regards,

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



TRIP FREQUENCIES ACROSS THE AMERICAS & ECONOMIC RISKS TO GROWTH

AVERAGE ANNUAL TRIP FREQUENCY PER CAPITA

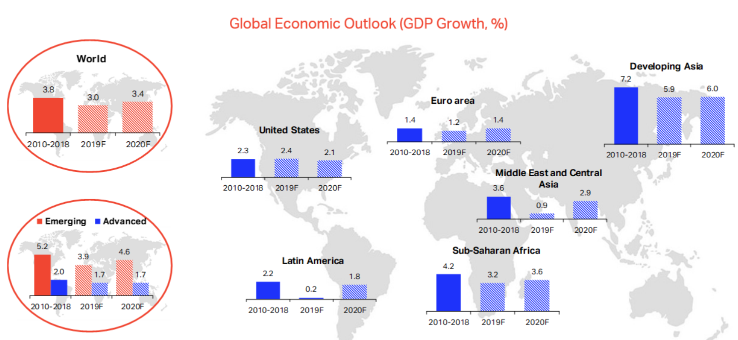


Source: IATA

RISKS TO THE OUTLOOK TILTED TO THE DOWNSIDE

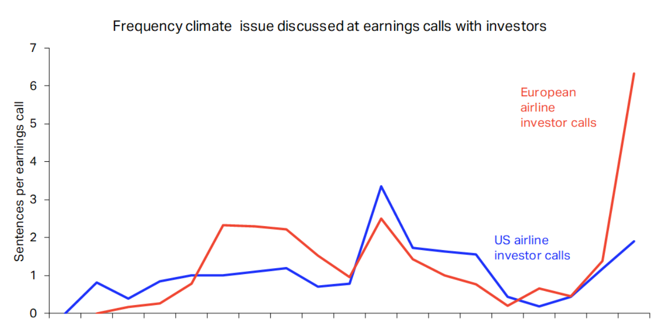
Source: Oxford Economics

LOOMING RECESSION OR ECONOMIC SLOWDOWN?



Source: IMF WEO

CLIMATE ISSUE NOW MATERIAL FOR AIRLINE INVESTORS…



Source: HSBC 'The Second Frontier: Climate is changing for airlines', September 2019

ARGENTINA: LAUNCH OF BAIRES AIRSPACE REDESIGN PROJECT

Argentina's Air Navigation Service Provider (ANSP) EANA launched the airspace redesign project for Terminal BAIRES, for which a bidding was awarded to an international consortium led by INDRA and composed of Italian company IDS, Tetra Tech of the United States and Germany's ANSP DFS. The 3 year redesign project aims to achieve a 63% capacity increase (from 49 to 80 aircraft movements per hour), 100% radar coverage, complex terminal methodology implementation, continuous training for Air Traffic Controllers, airspace sectorization, 40 new routes and more Performance Based Navigation (PBN) implementation. The project will be divided into 4 phases, lasting 8 months each: Collection of planning data, design, simulation and validation, and implementation. IATA and member airlines were invited by EANA and the consortium to participate actively in the project. For more information, please contact IATA's Regional Director for Safety & Flight Operations for the Americas, Jose Antonio Ruiz.

BRAZIL: CONCERNS ON PLANNED TAXATION ON AIRCRAFT AND ENGINE LEASING

IATA expressed its concerns related to the Provisional Measure (MP) No. 907, published in the November 27 edition of Brazil's Federal Official Gazette, calling for the introduction of a progressive withholding income tax (IRRF) rate of 1.5% on aircraft and engine leasing as of January 1, 2020. Estimates show that this would add R$80 in costs to Brazilian registered airlines in 2020 alone. A further increase in the tax to 4.5% is proposed for 2022. This step also sharply contrasts the numerous recent measures taken by the Brazilian government aimed at creating a better operating environment for airlines in Brazil, while further aligning the country to global regulatory standards. IATA will continue to engage the government to reconsider the proposal. For more details, please contact IATA's Country Manager for Brazil, Dany Oliveira.

CUBA: PUSH TOWARDS REDUCTION OF INTERNATIONAL HEALTH CONTROL SERVICES FEE IN 2020

In mid-2018, Cuba's Ministry of Health (MINSAP) enacted Resolution 90-2018, which imposed a per flight charge for International Health Control Services on long, medium and short haul flights in the amounts of CUC 100, 90 and 80 respectively. Lobbying efforts by IATA resulted in a delay of the implementation of the fee from 1 November 2018 to June 2019 without any retroactive penalties to airlines. Emphasizing the continued high costs this fee represents to airlines, IATA met with the Comercializadora de Servicios Médicos Cubanos (MSC) to further oppose the fee and discuss the ramifications of the resolution on the aviation industry and Cuba's tourism sector as a whole. As a result, we have gained a commitment from the authority to engage in discussions aimed at reducing the fee in the new year. IATA will work closely with the Cuban authorities in this regard while continuing to push for a complete elimination of the fee. For more details, please contact IATA's Area Manager for the Caribbean, Annaleen Lord.

COLOMBIA: ENVIRONMENTAL LICENSE PILOT AT BOG TO EXPAND FLIGHT OPERATIONS

Following an industry petition, Colombia's National Authority of Environmental Licenses (ANLA) approved a resolution authorizing the Civil Aviation Authority (CAA) of Colombia to implement a pilot program to assess the feasibility of updating the current environmental noise license in place since 2015 at El Dorado (BOG) airport. The program will operate from 18 November 2019 to 11 April 2020 and allows for the expansion of flight operations for arrivals and departures of aircraft that meet ICAO stage 4 noise criteria operating between 22:00 and 5:59. For specific details of the pilot program, please contact IATA's Manager for Safety & Flight Operations for Colombia, Edgar Sanchez.

COSTA RICA: AIRPORT COST INCREASE DRIVEN BY ACCELERATED DEPRECIATION

IATA has been actively pushing back on the proposed airport fee increase at San Jose's Juan Santamaría International Airport (SJO) in Costa Rica and the corresponding lack of definition on the future of the airport's concessionaire. The current airport operator's contract (AERIS) expires in 2026 and on June 18 of 2019, AERIS met with airlines to present their investment plan: Approximately USD$25M are planned to be invested this year and another USD$45M in the upcoming years. Given that depreciation needs to match the contract terms, the proposed charges increase is unusual and both airlines and the airport understand the expected negative implications and agreed to form a working group to discuss possible solutions to present to the government. Alternatives could be a contract extension, government grant or loan to finance CAPEX to be recovered over a longer period. IATA sent multiple letters and issued a press release to urge Costa Rica's Minister of Public Works and Transport to take action to come up with viable solution for airlines and all impacted stakeholders. For details, please contact IATA's Area Manager for Central America, David Hernandez.

GUATEMALA: MEETING WITH PRESIDENT-ELECT TO ADDRESS TAXATION RULES

IATA together with AGLA and ALTA met with Alejandro Giammattei, President-Elect of Guatemala. who will assume office on January 14, 2020, to discuss the importance of aviation to the economic and social development of Guatemala and the challenges and opportunities the industry faces in the country, specifically regarding Guatemala's taxation rules for airlines. The President-elect expressed openness to develop a legal framework that provides fiscal certainty to airlines operating in Guatemala and stated his disposition to support the bill under discussion in Congress (Proyecto de Ley 5585) which is geared towards this objective. The financial implications of not providing fiscal certainty are estimated at over USD$150M per year for IATA's member airlines. For more information, please contact IATA's Area Manager for Central America, David Hernandez.

PANAMA: ESTABLISHMENT OF CONNECTING PASSENGER TAX UNDER DISCUSSION

A bill was introduced to Panama's National Assembly establishing a $10 tax for connecting passengers in Tocumen International Airport. The bill proposes using the tax to pay incentives to airlines to establish new service to Panama. IATA has actively worked with other industry associations to defeat the bill due to its negative impact on the country's economy. The Congressman who introduced the bill has agreed to participate in a roundtable organized by the Ministry of Tourism to modify certain aspects of the bill to lessen the impact to the industry. A counterproposal includes incentives and discounts in airport charges. For more information, please contact IATA's Area Manager for Central America, David Hernandez.

MEXICO: INDUSTRY MEETING TO REPORT ON PROGRESS ON METROPOLITAN AIRPORT SYSTEM

Mexico's Government shared the highlights of the proposed Metropolitan Airport System in an industry meeting with airlines and IATA, including progress on the airspace redesign works made by the Mexican Air Navigation Service Provider and Navblue, a Santa Lucia Airport project overview, and planned enhancements to the airport infrastructure at MEX and TLC airports. The government created various technical committees in which IATA is participating in (airspace, cargo and passenger infrastructure) to provide its technical expertise and to address our members' interests and needs. IATA also met with the Undersecretary of Transportation and Head of the Civil Aviation Authority and agreed to continue working closely together and to utilize IATA's global best practices to maximize the benefits of the proposed project by ensuring any future system will be safe and efficient for airlines to operate in Mexico. For more details, please contact IATA's Country Manager for Mexico, Cuitlahuac Gutierrez.

USA: REQUEST TO FILE COMMENTS ON U.S. PROPOSED RULEMAKING ON TARMAC DELAYS

The U.S. Department of Transportation (DOT) recently issued a Notice of Proposed Rulemaking (NPRM) on potential modifications to U.S. and foreign airline obligations with respect to tarmac delays at U.S. airports. IATA plans to submit joint comments with Airlines for America (A4A) on this NPRM and we strongly encourage all IATA member airlines who fly to/from the U.S. to submit comments in support of the IATA/A4A joint submission and to raise any other concerns you may have about the NPRM. All comments should be submitted to the docket by 24 December 2019. For details and to retrieve a template for submitting comments, please contact IATA's Vice President for Member & External Relations for North America, Doug Lavin.

State of the region: The Americas

November 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
United States	2.9	2.7	2.3	2.0
Brazil	1.1	0.5	1.0	--
Mexico	2.0	0.1	0.3	--
Canada	1.9	1.4	1.6	--
Argentina	-2.5	-5.8	0.6	--
Colombia	2.6	3.2	3.0	3.3
Chile	4.0	1.9	2.0	2.8
Peru	4.0	2.4	1.2	3.0
World*	**3.2**	**2.8**	**2.6**	**2.5**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2018	Aug-19	Sep-19	Oct-19
US$ broad index	128.5	130.4	130.8	130.2
Brazilian real (BRL)	3.88	4.13	4.17	4.01
Mexican peso (MXN)	19.69	20.07	19.74	19.17
Argentine peso (ARS)	37.66	59.12	57.59	59.78
Colombian peso (COP)	3248	3425	3478	3378
Chilean peso (CLP)	694	720	728	741

Source: Datastream

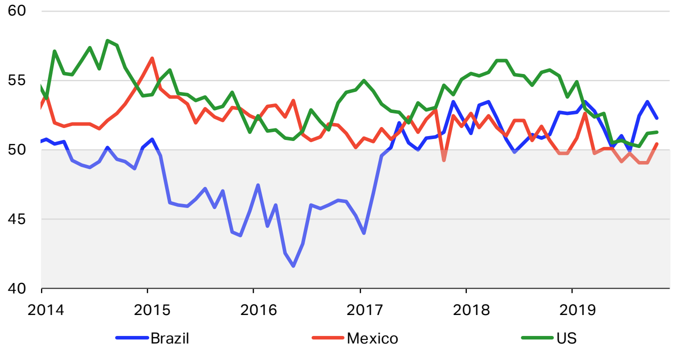
World oil and jet fuel price

US$/barrel (period ave.)	2018	Aug-19	Sep-19	Oct-19
Crude oil (Brent)	71.7	59.6	62.4	59.6
Jet fuel	86.4	76.1	79.8	78.7

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- US economic growth for Q3 2019 surpassed analyst's expectations amidst robust consumer spending but was softer than Q2. Although still elevated, October business confidence eased modestly in Brazil partly due to weaker exports. Mexico's manufacturing PMI showed signs of recovery, which was supported by improving economic outcomes.
- The trade weighted US$ index eased slightly in October, down 0.5%. Of the main regional currencies, the ARS lost 3.8% against the US$ while the BRL gained a similar amount.
- The average monthly jet and crude oil price eased in October on the back of robust global oil supply and softening demand.

Market

Revenue passenger kilometers (RPKs)

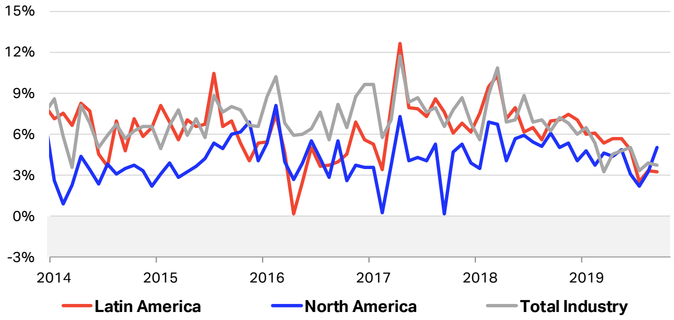
% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
N America	5.3	2.2	3.3	5.1
Latin America	7.4	2.6	3.4	3.3
World	7.3	3.3	3.9	3.8
Routes (segment basis)				
US domestic	5.4	2.7	3.9	6.0
Brazil domestic	4.7	-6.1	-1.4	1.7
Nth America-Europe	4.4	4.2	4.7	5.2
Nth America-Asia	3.9	0.4	0.3	0.8
Nth-Sth America	4.6	-4.5	-2.4	-0.8
Sth America-Europe	8.5	9.0	8.9	8.2
Within Sth America	0.6	3.5	2.9	-0.1

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 3.8% over the year to September, a broadly unchanged pace from August. The moderate upward trend in underlying demand remains firmly in place.
- At the regional level, RPK growth stabilized for carriers based in Lat.Am at 3.3%yoy but remained well below 2018 rates amidst weaker economic and business confidence outcomes and currency exposure to the strengthening US$. For NthAm carriers, RPK growth recovered to 5.1%yoy, following a trough in July.
- Year-on-year growth in US domestic RPKs accelerated to 6%, although this was impacted by a weaker outturn in Sept 2018. Pax volumes also picked up vs a year ago in the Brazil domestic (1.7%) – a sign that the market is recovering from the disruption caused by the demise of Avianca Brazil earlier in the year.
- RPK growth improved on NthAm-Europe and NthAm-Asia routes to 5.2% and 0.8%yoy, respectively. By contrast, demand contracted again in the Nth-SthAm market, albeit at a softer pace vs August (-0.8%yoy).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

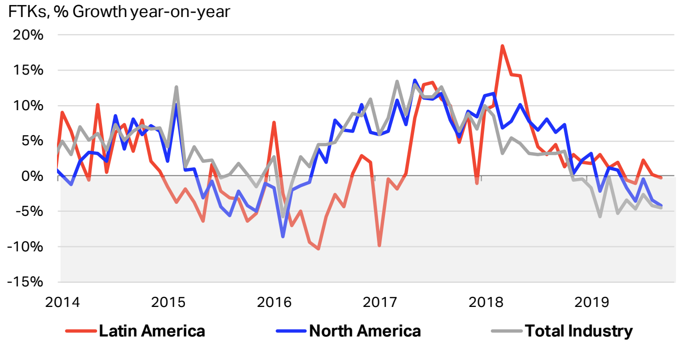
Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
Nth America	7.0	-0.4	-3.5	-4.2
Latin America	7.4	2.2	0.2	-0.2
World	3.7	-2.6	-4.2	-4.5
Routes (segment basis)				
Nth America-Asia	3.7	-3.0	-2.5	-4.0
Nth America-Europe	3.3	-3.0	-3.9	-5.5
Nth-Sth America	8.7	-9.3	-5.6	-6.1
Sth America-Europe	9.1	-3.6	-6.0	-1.7
Within Sth America	17.2	-14.3	-10.5	-19.2

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

- Growth in industry-wide air freight tonne kilometres (FTKs) remained weak in September, declining by 4.5% in annual terms. The contraction was widespread, with annual FTKs falling in all regions except Africa.
- Freight volumes contracted further (-4.2%yoy) for carriers based in NthAm amidst ongoing trade conflict and declining export orders. Demand also weakened modestly in Lat.Am to -0.2%yoy, driven by the underperformance of key international markets.
- All of the main international trade lanes contracted in year-on-year terms for another month. Pressure on FTKs intensified across the larger routes, most notably in the NthAm-Europe market (-5.5% vs -3.9%).
- The sharp annual contraction in FTKs for the smaller Within SthAm market has been a result of a strong demand in the same period last year rather than any outsized fall this month.

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		2018	Jul-19	Aug-19	Sep-19
Passenger					
Nth America	ASK	4.9	1.2	2.4	2.7
	PLF	*83.9*	*88.6*	*87.5*	*82.8*
Latin America	ASK	7.8	1.7	0.7	1.3
	PLF	*81.6*	*85.2*	*83.3*	*81.9*
World	ASK	6.8	3.1	3.6	3.3
	PLF	*82.0*	*85.6*	*85.7*	*81.9*
Freight					
Nth America	AFTK	7.8	3.8	1.7	1.9
	FLF	*40.8*	*37.2*	*37.2*	*38.1*
Latin America	AFTK	1.4	2.2	-2.8	-2.9
	FLF	*36.8*	*35.3*	*37.2*	*37.9*
World	AFTK	5.2	3.3	2.2	2.1
	FLF	*49.3*	*44.9*	*44.3*	*46.4*

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

- The industry-wide passenger load factor (PLF) reached a new record high for the month of September as RPKs continued to grow faster than ASKs. The story was less positive on the freight side with the load factor (FLF) 3.2ppt below the level of a year ago.
- Carriers based in NthAm and Lat.Am posted a robust PLF which was close to historical maximum for the month. For freight, Lat.Am LF performed better than the last year (up 1ppt) while Nth.Am LF underperformed vs Sept 2018 (down 2.4ppt).

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Nth America	11.2	9.1	11.6	13.5
Latin America	6.2	2.7	5.9	10.7
Industry	7.5	5.8	13.1	13.7

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

- The initial releases of airline financial data for Q3 2019 indicate a moderate improvement in industry-wide profitability compared to Q3 2018 (up 0.6ppt). At the regional level, the EBIT margin rose for both NthAm and Lat.Am carriers to 13.5% and 10.7%, respectively.
- Developments in pax yields were mixed across the key regional routes. While speed of decline eased in the larger NthAm-Europe market (by ~3ppt to - 1.8%yoy), yield growth returned to the negative territory in Nth-SthAm. The smaller Within SthAm market is the only one showing yield improvement (up 7.8%yoy).

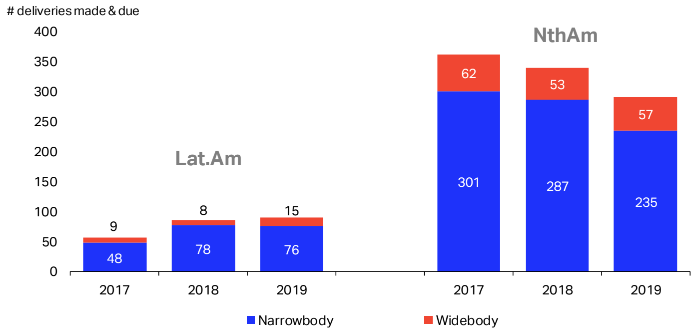
Passenger yields (US$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Nth America-Europe	4.6	-5.3	-5.1	-1.8
Nth America-Asia	-0.4	-4.2	-3.5	-4.8
Nth-Sth America	-38.7	-6.0	0.3	-0.2
Sth America-Europe	-1.0	-18.8	-14.5	-9.7
Sth America-Asia	-0.4	-7.1	-2.4	-6.0
Within Sth America	-26.4	9.2	6.6	7.8

Source: IATA Travel Intelligence   Note: historical data may be subject to revision

- The latest data show broadly unchanged jet aircraft deliveries for the Lat.Am airlines and decrease in deliveries for NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (as of Nov 2019)



Source: Ascend