



Dear Industry Colleagues,

2019 is off to a challenging start. The political and economic situation in Venezuela continued to worsen and could be at a potential turning point. The Maduro government announced on January 22 the intention of requiring airlines to pay at least 15% of their aircraft fuel volumes using the Petro cryptocurrency. Member airlines, through ALAV, the local board of airlines representatives, have expressed their inability to comply with this measure. The following day, the President of the National Assembly, Juan Guaidó, declared himself acting President and has received recognition from the United States, several governments in the region and the EU. To date, the political unrest has not affected operations of our members, as airspace closures have been limited to general and military aviation. IATA is in close contact with INAC, Venezuela's civil aviation institute, ICAO, and member airlines to set in motion any contingency plans if the need arises.

In Brazil, ground service and air traffic control delays have become a serious problem at Guarulhos (GRU) airport, especially during the bad weather summer season. IATA is reviewing the various processes in place and how to improve the airport's operational efficiency. And in El Salvador, the Civil Aviation Authority announced its intention to increase their aeronautical charges. This increase, which has been avoided since 2015, is intended to come into effect before the administration ends in June 2019. IATA will work closely with ASLA, the local BAR, on the next steps, including a meeting with the Public Works Committee of the National Assembly, issuing a document outlining the economic impact of the increase, and media exposure highlighting the value of aviation and the negative effect of this measure.

In more positive news, IATA launched its 2019 economic outlook and all regions, except Africa, are expected to report profits in 2019. North

American carriers are expected to deliver the strongest financial performance in 2019 with a \$16.6 billion net profit (up from \$14.7 billion in 2018), representing a net profit of \$16.77 per passenger. Latin American carriers are expected to report a \$700 million net profit in 2019 (up from \$400 million in 2018), expecting a net profit per passenger of \$2.14. You can view the entire 2019 forecast [here](#).

Lastly, I would like to invite you to join us for the upcoming Aviation Summit Mexico, hosted together with ACI-LAC, ALTA and CANAERO on February 28 under the theme of "partnering for economic and social development". Confirmed participation includes IATA's Director General & CEO Alexandre de Juniac, WTTC's CEO Gloria Guevera, Aeromexico's CEO Andres Conesa, Volaris' CEO Enrique Beltranena, Interjet's CEO William Shaw, VivaAerobus' CEO Juan Carlos Zuazua, ACI-World's Angela Gittens, CNN's Gabriela Frias and Mexico's Minister of Communications and Transport Javier Jiménez Espríu and the Minister of Tourism Miguel Torruco. More event details are available [here](#) and we hope to see you in Mexico City.

As usual, please find IATA's January activities across the region below and let me know if you have any questions. Count on our continued support in 2019 to further promote aviation as the business of freedom and ensure a safe and profitable year for aviation in the Americas.

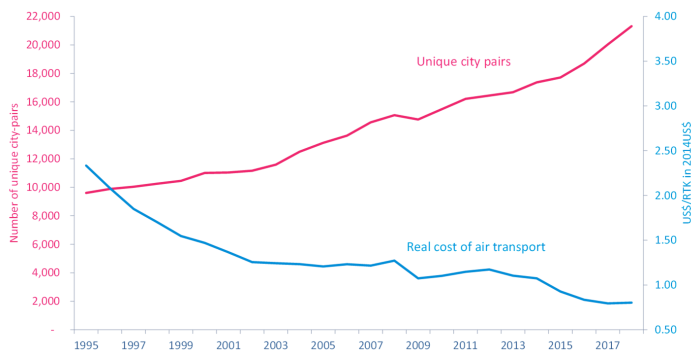
With kind regards,



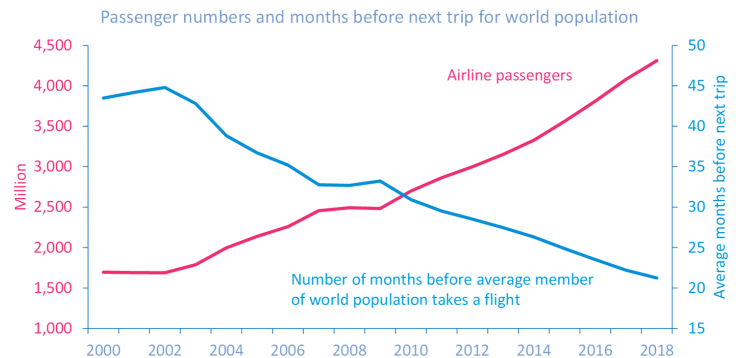
Peter Cerda, IATA's Regional Vice President, The Americas

CAUTIOUS OPTIMISM EXTENDS INTO 2019 AIRLINES HEADING FOR A DECADE IN THE BLACK

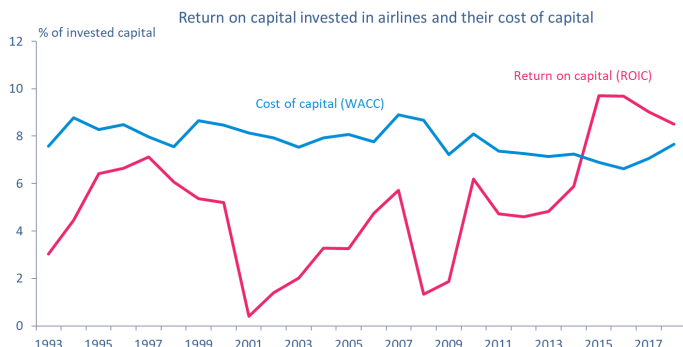
RECORD # OF CITY-PAIRS = MORE CHOICE + ECONOMIC BENEFIT



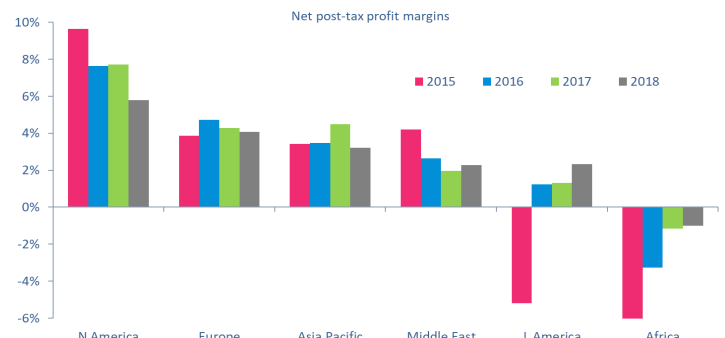
INCREASING ACCESSIBILITY OF AIR TRAVEL



PRODUCING GOOD RETURNS FOR INVESTORS FOR 4TH CONSECUTIVE YEAR



REGIONAL PROFITABILITY REMAINS VERY UNEVEN





ARGENTINA: REDUCTION IN PASSENGER SECURITY FEE

Effective May 1, 2019, regional travelers will benefit from a reduced passenger security fee in Argentina. At the end of January, the Argentine Government announced a change in the definition of a regional flight, increasing the travel distance radius from 300 km to 1,000 km. As a result, a number of existing routes will benefit from this discount. To promote additional growth, the government also offered an additional 50% discount, for one year only, to new routes established within that radius. Over the past two years, IATA has advocated to the Argentine Government to lower its fees to promote traffic growth and IATA welcomes this latest decision to re-define the regional flight distance and reduce fees accordingly. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).



ARGENTINA: GROUND HANDLING DEREGULATION

After three years of working with the government, IATA welcomes the decision of Argentina's National Civil Aviation Administration, ANAC, to pass Resolution 49/19 which deregulates ground handling (GH) services at Argentina's airports, putting an end to the +25-year monopoly of Intercargo. Reso 49/19, coupled with Reso 735/18 which allowed self-handling to airlines operating as local carriers, will grant airlines the alternative to choose their local ground handling provider. ANAC, who will hold the authority to approve companies that will enter the market to provide GH services, is currently drafting a regulation which will provide additional specifications. IATA is actively contributing to that process and considers this a further positive step in the modernization of the local aviation market as a choice of ground handlers will allow the industry to become more competitive and improve operational efficiencies. For more information, please contact IATA's Country Manager for Argentina, [Maria Jose Taveira](#).



BRAZIL: VAT REDUCTION ON FUEL FOR DOMESTIC FLIGHTS TO/FROM SÃO PAULO STATE

IATA worked closely with ABEAR and ANAC to support VAT reduction from 25% to 12% for all domestic flights to/from São Paulo State, the largest aviation market in the country. Savings from such reduction are estimated at over US\$70M annually for member airlines. IATA and ABEAR are now working with the Federal Government to address Petrobras' fuel pricing formula in order to improve the overall competitiveness in Brazil. For more details, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



CHILE: SCL CONCESSION STUDIES DELIVERED TO GOVERNMENT

IATA participated in Chile's Civil Aviation Board Directory meeting chaired by the Minister of Transport and Telecommunications Mrs. Gloria Hutt with delegates from the Ministry of Public Works, DGAC and Ministry of External Affairs. At the meeting, IATA delivered its studies for Arturo Merino Benítez International Airport (SCL) on "Considerations for New Concessions" and "Recommendations for Efficient Operation of SCL" as committed to President Sebastián Piñera in 2018. The Minister thanked IATA for the constant support that helps to improve airport services and the overall passenger experience in the country. And expressed her openness to continue to working closely together with the industry. For more information and to request a copy of the studies, please contact IATA's Country Manager for Chile, [Gabriela Peralta](#).



COLOMBIA: TAX REFORM RESULTING IN INDUSTRY SAVINGS

Effective January 1 2019, a reform law (Law 1943 Equity Tax) went into effect that makes numerous changes to Colombian tax rules. The reform excludes Colombian airlines from a 1.5% tax that would otherwise have been levied on the value of each aircraft held through financial lease agreements. In its original proposal, the tax was intended to apply to all luxury assets, including commercial aircraft held in Colombia. However, IATA and the industry were able to convey that commercial aircraft are not luxury assets, and not within the scope of the law. Separately, the Tourism Tax was also amended and now simplifies its applicability by eliminating multiple exemptions that were an administrative burden to the airlines. The modification requires that all passengers destined to Colombia be subject to a US\$15 tourism tax. IATA raised concerns citing a lack of clarity in the revised law, which was subject to interpretation. Authorities have committed to issuing of a formal decree that defines its intent and IATA will continue to follow up on the matter. For more details, please contact IATA's Country Manager for Colombia, [Andres Uribe](#).



JAMAICA: AIRPORTS CHARGES REVIEW

IATA participated in the 2020-2024 Tariff Review consultation meetings for both Montego Bay (MBJ) and Kingston (KIN) airports. Overall, the tariff review will result in fee increases adding to the already high taxes and charges burden that exist in Jamaica. Justifications for the increases were vague and IATA was unable to ascertain how the proposed increases were determined. IATA has since written to MJB and KIN requesting detailed information in this regard. The government has also mandated runway extensions at both airports to accommodate runway end safety areas (RESAs) as well as potential aircraft equipment arriving from long range flights. In a letter to the Minister of Transport Jamaica, IATA indicated that the industry is unaware of any aircraft or route demand that would require the proposed runway extensions and offered a technical visit by IATA together with airlines to assess the proposal. Additionally, the funds in the airport improvement fund (AIF) have been earmarked to fund the runway expansions which IATA has also urged the Minister to reconsider. IATA believes a more effective use of these public funds would be towards improving the current infrastructure (expansion of arrivals and departure halls, baggage handling systems, etc.), focusing on creating operational efficiency and an improved passenger experience. For more information, please contact IATA's Area Manager for the Caribbean, [Annaleen Lord](#).



PERU: OPPORTUNITIES TO IMPROVE LIM-CUZ AIRSPACE

The Peruvian DGAC and Air Navigation Service Provider CORPAC are working with IATA to improve the current flight operations between LIM and CUZ. The initial assessment performed by IATA identified improvement opportunities that could be achieved in the short term as well as other longer term initiatives that will enhance the ATC system capacity. These sets of recommendations also have the potential of upgrading the Lima air traffic control service to its maximum capacity without requiring more air traffic controllers to manage the traffic demand until the new LIM airport infrastructure is available. To effectively measure the progress of these initiatives, IATA is working with airlines and CORPAC on a set of specific KPIs and triggers that would be used based on global best practices like IATA's Airport Handling Manual and ICAO's Global Air Navigation Plan. For more details, please contact IATA's Manager of Safety & Flight Operations for the Americas, [Marco Vidal](#).



USA: JFK RUNWAY RECONSTRUCTION

The Port Authority of New York and New Jersey (PANYNJ) will soon undertake a major runway reconstruction (removal and replacement) for runway 13L/31R. The project foresees a full closure of this runway from April – November 2019. Airlines have raised their concerns due to lack of timely information, transparency and collaboration. The Kennedy Airport Airline Management Council (KAAMCO) and IATA have sent [letters](#) to PANYNJ to bring the required attention to this matter. As a result, PANYNJ held an initial airline stakeholder meeting on January 17 to listen to the airlines which provided a forum to voice their concerns. The reconstruction project would see the entire runway being renewed along with runway lighting and cabling; projects which are long overdue for this runway. Weekly engagement meetings have commenced to address all concerns and determine collaboratively whether this project can go ahead this summer or whether a one year delay is warranted. PANYNJ has committed to not move the project forward without the cooperation, collaboration and support of the airline and stakeholder community. For more information, please contact IATA's Assistant Director of Airport Development for the Americas, [Mark Rodrigues](#).

State of the region: the Americas

January 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q1 2018	Q2 2018	Q3 2018
United States	2.2	2.6	2.9	3.0
Brazil	1.1	1.2	0.9	1.3
Mexico	2.3	2.1	1.6	2.6
Canada	3.0	2.3	1.9	2.1
Argentina	2.9	3.9	-4.0	-3.5
Colombia	1.8	2.6	2.5	2.6
Chile	1.6	5.2	5.1	2.8
Peru	2.5	3.2	5.5	2.3
World*	3.1	3.2	3.2	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Oct-18	Nov-18	Dec-18
US\$ broad index	120.0	126.9	128.3	128.5
Brazilian real (BRL)	3.32	3.71	3.87	3.88
Mexican peso (MXN)	19.57	20.25	20.35	19.69
Argentine peso (ARS)	18.83	36.15	37.74	37.66
Colombian peso (COP)	2985	3221	3238	3248
Chilean peso (CLP)	615	696	673	694

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Oct-18	Nov-18	Dec-18
Crude oil (Brent)	54.2	81.0	64.8	57.4
Jet fuel	65.6	94.4	81.7	71.2

Source: Platts, EIA Monthly average data

Market

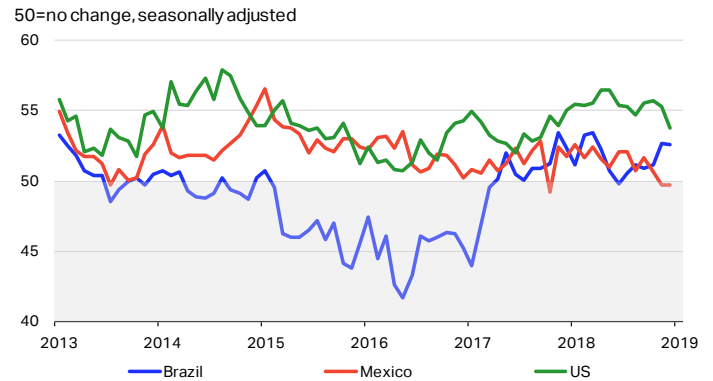
Revenue passenger kilometers (RPKs)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Region (registration basis)				
N America	4.0	5.7	4.6	5.1
Latin America	7.3	5.8	6.2	6.2
World	8.0	5.5	6.3	6.2
Routes (segment basis)				
US domestic	3.7	6.2	4.3	4.9
Brazil domestic	2.3	3.1	3.4	5.3
Nth America-Europe	7.1	4.5	8.1	8.5
Nth America-Asia	7.2	2.0	1.7	3.4
Nth-Sth America	0.8	5.9	0.6	4.7
Sth America-Europe	7.0	7.6	6.9	7.2
Within Sth America	13.2	-2.3	-1.5	-0.3

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

- Industry-wide revenue passenger kilometers (RPK) grew by 6.2% year-on-year in Nov, a slight deceleration from 6.3% in the previous month. While the result remains above the 10-year average RPK growth rate (6.0%), some slowing is evident in recent months.
- At the regional level, annual RPK growth remained unchanged from Oct for Lat.Am at 6.2%, moving in line with the overall industry pace. By contrast, NthAm carriers reported a lift in growth this month, to 5.1%yoy.

Business confidence - manufacturing PMIs

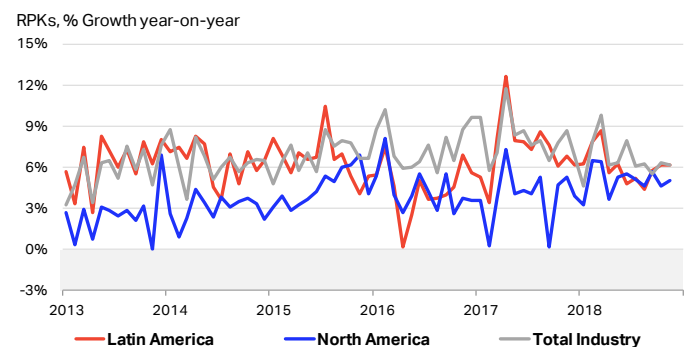


Source: Markit

- Business confidence remained broadly unchanged from November in both Mexico and Brazil. The US saw a further loss in sentiment, reflecting some softness in demand indicators.
- The US\$ rose by 0.2% in Dec, up ~7% over the course of the year. Amongst the main regional currencies, the MXN surged by 3.2% against the US\$, while the CLP ended the month down by 3.1%. Other FX movements were relatively muted.
- Brent crude oil & jet fuel prices plunged in Q4 as market concerns moved to oversupply, but have recovered partially since then amid signs of new supply cuts.

- The region's two main domestic markets saw an increase in their annual RPK growth performance in Nov. In Brazil, passenger volumes are 5.3% higher compared to their level a year ago. For the US, RPK growth rose more modestly, to a 4.9%yoy pace.
- Of the key international markets, NthAm-Europe was again the strongest, with 8.5%yoy RPK growth. SthAm-Europe followed with 7.2%yoy. Passenger volumes are currently 3.4% and 4.7% higher vs a year ago in NthAm-Asia & NthAm-SthAm, respectively.
- Within SthAm remains the only market with negative growth compared to a year ago (-0.3%yoy).

Growth in air passenger volumes



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Region (registration basis)				
Nth America	9.1	5.6	7.0	3.1
Latin America	4.5	3.0	0.4	3.1
World	9.7	3.0	3.2	0.0
Routes (segment basis)				
Nth America-Asia	10.1	3.2	4.8	-1.2
Nth America-Europe	10.4	4.5	1.7	1.5
Nth-Sth America	2.6	11.6	2.9	5.4
Sth America-Europe	7.3	0.3	-1.0	-0.9
Within Sth America	-5.9	21.9	17.4	9.9

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

- Industry-wide FTKs were unchanged in annual terms in Nov, marking the slowest growth rate since early 2016. All told, freight volumes rose by 3.9% year-on-year between Jan and Nov, compared to 10% over the same period a year ago.
- Growth at the regional level broadly converged this month, at a pace solidly above that of the overall industry; freight volumes are currently 3.1% higher versus a year ago for both NthAm and Lat.Am carriers.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Sep-18	Oct-18	Nov-18
Passenger					
Nth America	ASK	3.9	7.1	4.7	5.0
	PLF	83.5	80.8	83.3	83.6
Latin America	ASK	5.4	8.3	9.1	6.0
	PLF	81.8	80.2	80.6	82.0
World	ASK	6.6	5.9	6.3	6.8
	PLF	81.5	81.4	81.0	80.0
Freight					
Nth America	AFTK	3.1	8.7	8.0	6.3
	FLF	41.1	40.9	42.3	43.2
Latin America	AFTK	5.9	5.9	4.9	2.0
	FLF	33.1	34.0	35.2	37.9
World	AFTK	5.0	4.6	5.5	4.3
	FLF	49.9	49.5	50.4	51.5

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

- The industry-wide passenger load factor eased to 80% in Nov as capacity continues to trend upwards at a faster pace than demand. In contrast, the freight load factor lifted by 1pp to 51.5% this month.
- Both NthAm and Lat.Am maintained a PLF above 80% in Nov, at 83.6% & 82.0%, respectively. The region's FLF, however, still remains well below the industry-wide outcome, at 43.2% & 37.9%, respectively.

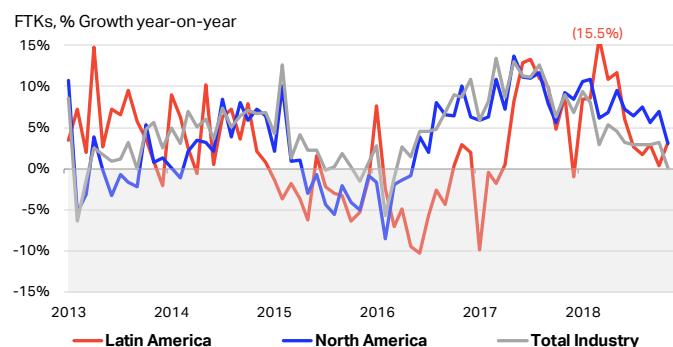
Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q3	2018Q3
Nth America	13.7	11.1	12.8	9.9
Latin America	5.6	6.9	9.9	3.8
Industry	8.5	7.5	14.2	10.7

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

- FTK growth for NthAm-Asia, the region's largest international market, became negative for the first time since May 2016. The pace also eased modestly for the key NthAm-Europe market, to 1.5%yoy. In contrast, Nth-SthAm FTK growth recovered from a slowdown in Oct to a solid 5.4%yoy.
- The smaller Within SthAm remains overall the fastest growing market, with freight volumes ~10% higher than a year ago.

Growth in air freight volumes



Source: IATA Statistics

- The final Q3 financial data confirm the squeeze on industry financial performance, with an EBIT margin of 10.7% vs 14.2% a year ago. At the regional level the margin for NthAm fell to 9.9% (from 12.8% in Q3 2017) & for Lat.Am to 3.8% (from 9.9%).
- The pax yield performance remains mixed vs a year ago. Yields on routes between SthAm and both NthAm & Europe are ~10-15% lower vs a year ago, while in NthAm-Europe & NthAm-Asia they are ~3-4% higher than in Nov 2017.

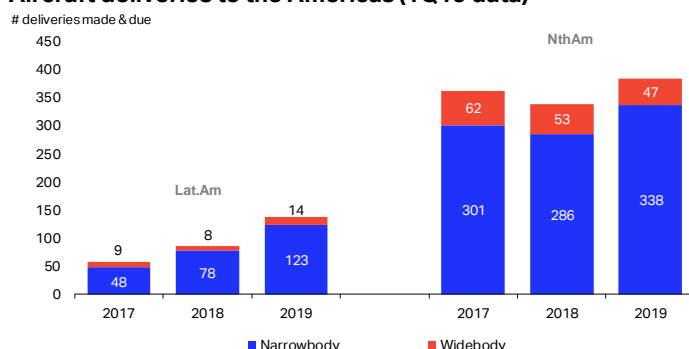
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Nth America-Europe	-1.8	5.6	3.9	2.8
Nth America-Asia	-3.2	4.1	4.4	3.9
Nth-Sth America	0.2	-6.7	-10.7	-15.4
Sth America-Europe	7.9	-6.7	-8.7	-10.1
Sth America-Asia	-4.2	-3.0	-3.0	-2.1
Within Sth America	1.8	-8.0	-6.1	-5.2

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

- The latest data indicate a rise in jet aircraft deliveries for the Lat.Am and NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (1Q19 data)



Source: Ascend