



Dear Colleagues,

It is my pleasure to share with you IATA's most recent economic studies and corresponding videos on the "Importance of Air Transport" for key countries in the Americas region, developed in collaboration with the leader in global forecasting and quantitative analysis Oxford Economics. These [twelve new 2019 studies](#) and videos provide a more detailed analysis of the contributions of the sector to the respective national economies and I hope you will find the information useful in your own advocacy efforts to communicate the many benefits of air transport to the traveling public and national governments.

Panama was an area of focus for our team in September. We first arranged a meeting with the new President of Panama Laurentino Cortizo in anticipation of our Aviation Day where we shared our latest [Value of Air Transport in Panama](#) study with the President and his Ministers, and stressed the importance of continuing the strong dialogue and close relationship between the industry and the government to allow Panama retain its key position as a very competitive and well connected hub of Latin America. I am pleased to share that the new government was very engaged and is willing to work with the industry to further advance the aviation agenda in the country. At the same time, we expressed our concern of a bill currently under discussion which would create a tax on transit passengers which would severely impact all airlines serving Tocumen International Airport (PTY). We also outlined the industry's key infrastructure needs moving forward with the continued expansion of PTY and executing Panama's Airspace Optimization Project.

Panamanian Vice-President Carrizo then opened the [Aviation Day Panama](#) and committed to working closely with the industry and utilize aviation as a key driver of economic development and to increase Panama's tourism footprint and attractiveness. Within a few hours, the Vice-President's team launched this [Twitter video](#), reflecting the government's pro-active stance to work with the industry. IATA also issued a press release calling for [an open dialogue between the government and industry](#) and some great

press coverage was generated in the country's main [media outlets](#). In summary, the government agreed to work with the industry as a strategic ally to review the proposed transit tax, implement global regulatory best practices, conduct an in-depth airspace optimization study and continue to invest in the Tocumen terminal expansion to prepare the country's air transport infrastructure for the doubling of passengers by 2037.

We also hosted [Wings of Change Americas](#) for the first time in Chicago, [urging all aviation stakeholders to focus on the industry's environmental sustainability](#), efficient and affordable infrastructure and working towards a policy framework that encourages competition and innovation. As a result, IATA will work with the City of Chicago Aviation Department to provide global subject matter expertise for the expansion plans of O'Hare known as ORD 21, an \$8.5 billion project which aims to completely redevelop the airport: Terminal 5 will undergo an upgrade and expansion, Terminal 2 will be largely demolished and rebuilt to include a new international arrivals facility, and renovations made to Terminals 1 and 3.

We are closely monitoring the situation in Peru where President Vizcarra dissolved the opposition-controlled congress and called new elections on Monday, stating the step was needed to uproot the nation's corruption. On a more positive note, good news came out of Brazil last week when the National Congress decided to [uphold the presidential veto on baggage allowance](#), permitting airlines to offer a wide range of baggage options to the passenger. You will find more details on Brazil and IATA's most recent key activities across the region below. Please let me know if you have any questions.

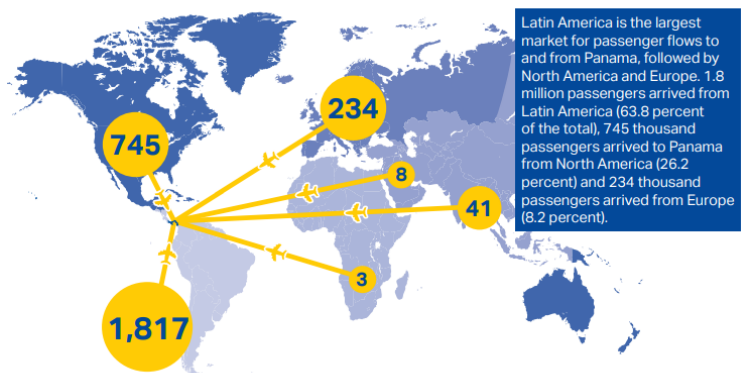
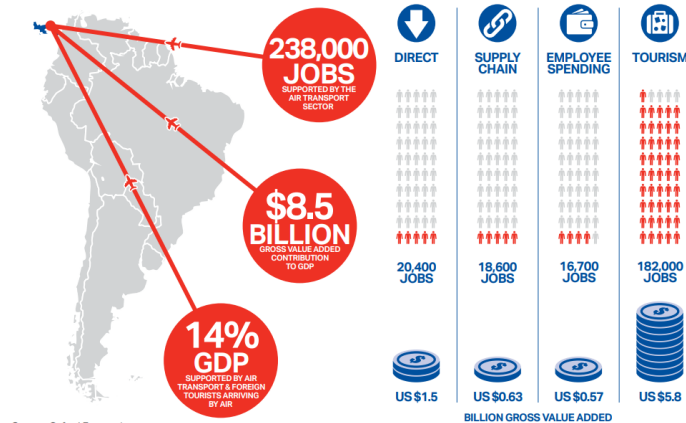
With kind regards,

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



## AIR TRANSPORT'S CONTRIBUTION TO PANAMA'S ECONOMY [FULL 2019 PANAMA REPORT](#)

Annual passenger flows by region (origin-destination, '000s)



Latin America is the largest market for passenger flows to and from Panama, followed by North America and Europe. 1.8 million passengers arrived from Latin America (63.8 percent of the total), 745 thousand passengers arrived to Panama from North America (26.2 percent) and 234 thousand passengers arrived from Europe (8.2 percent).

Source: Oxford Economics<sup>1</sup>

Source: IATA Direct Data Solutions



Source: IATA, Aviation Benefits Beyond Borders 2018 report

### FORECAST SCENARIOS

		PASSENGERS	US \$ GDP	JOBS
2037	2017	8.4 m	\$7.8 bn	232,104
	Current Trends	21.5 m	\$19.9 bn	297,536
	Upside	46.4 m	\$42.9 bn	660,140
	Downside	16.4 m	\$15.2 bn	225,727



## ARGENTINA: EXEMPTION OF DEBIT AND CREDIT TAX ON AIRPORT USE FEE (TUA)

President Macri signed Decree 547/2019 on August 8 declaring with immediate effect the Airport Use Passenger Fee (TUA - XR) exempt of the 1.2% Debit and Credit Bank Tax (IDC) levied on all bank movements. Together with the industry, IATA has advocated for this exemption for many years which represented approximately USD 4.5 million per year of cost burden to airlines since 2008 when TUA was reincorporated into the ticket. For more information, please contact IATA's Country Manager for Argentina, Paraguay and Uruguay [Maria Jose Taveira](#).



## BRAZIL: CONGRESS TO UPHOLD PRESIDENTIAL VETO ON BAGGAGE ALLOWANCE

[IATA welcomes the decision](#) by the National Congress of Brazil to uphold the presidential veto on baggage allowance. This decision sets the regulatory framework under which airlines in Brazil can continue to offer a wider choice to passengers, as these can individually choose which additional services they would like to pay for or not. IATA will continue to work with the Brazilian government and key industry stakeholders to push for alignment with global best practices to create ideal conditions for the growth of the air transport industry in Brazil. For more details, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



## ECUADOR: GOVERNMENT INQUIRIES ON AIRFARE PRICING AND POTENTIAL PRICE REGULATION

Ecuador's Superintendencia de Control del Poder de Mercado, a government agency that regulates monopolies, collusion, and price fixing, is studying the current conditions of airfare pricing in the country to determine if there is any type of monopolistic competition by airlines that operate in the country's domestic market. Congressman Guillermo Celi has called on Ecuador's Director of Civil Aviation to explain the perceived high price of airfares in the country and announced that he intends to summon the managers of the three main domestic carriers. IATA has been in close contact with ARLAE, the local BAR, to determine an aligned industry position and to share Ecuador's Benefits of Aviation study with the authorities. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



## EL SALVADOR: NATIONAL ASSEMBLY VOTED TO REJECT INCREASE IN AERONAUTICAL CHARGES

Members of the Public Works Commission of El Salvador's National Assembly have agreed to reject a bill which would increase aeronautical charges in the country to the tune of 768% of the current cost base. After advocacy efforts from IATA, in conjunction with the local BAR, which included presenting lawmakers a study that showed the economic contribution of the industry and the impact that said increase would have on the finances of airlines operating in El Salvador, legislators agreed to reject this project. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



## MEXICO: INDUSTRY MEETING ON METROPOLITAN AIRPORT SYSTEM AIRSPACE REDESIGN

Under the leadership of Mexico's Undersecretary of Transportation, IATA has participated in a series of industry meetings and consultations regarding Mexico's Airspace reconfiguration project. Mexican Air Navigation Service Provider SENEAM presented a conceptual perspective and progress of the Metropolitan System prepared together with NAVBLUE, followed by an overall presentation from SEDENA (Defense Ministry) about the Santa Lucia Airport Project (AISL) including a high-level view of budget details, its political debate, strategy to secure current lands, transportation plans to/from the city and the conceptual design of AISL. No further details or actions were presented but it was agreed to continue with consultative industry meetings to engage all stakeholders in an open discussion and provide continuous updates. IATA is closely monitoring SENEAM's actions and will continue to participate in the consultation meetings. For details, please contact IATA's Country Manager for Mexico, [Cuitlahuac Gutierrez](#).



## MEXICO: IMPLEMENTATION OF ENERGY REFORM

Given less than expected competition and higher fuel prices nearly one year after implementation of the Energy Reform in Mexico, the Federal Economic Competition Commission (COFECE) contacted IATA to better understand the industry's position. IATA explained its views to foster competition from upstream to into-plane in a letter to COFECE, describing the situation of the Mexican market and providing recommendations across the supply chain, focusing on open and fair access to essential facilities (i.e. on and off-airport storage, pipelines, etc.) and clear rules to enter activities which allow competition between providers, such as fuel supply and into-plane. Subsequently, IATA met COFECE on August 28 to discuss the recommendations for enhanced competition in Mexico, calling for stronger oversight on companies vertically integrated in the distribution chain. For more details, please contact IATA's Assistant Director for Commercial Fuel, [Daniel Chereau](#).



## PARAGUAY: RATIFICATION OF MONTREAL PROTOCOL 2014 TO DEAL WITH UNRULY PASSENGERS

After two years of dedicated efforts with Paraguay's DGAC, the country became the 21st State to become a Party of the Montreal Protocol 2014 (MP14) which gives States and their law enforcement agencies the necessary legal powers to be able to deal with [unruly and disruptive passengers](#) on foreign registered aircraft that land in their territory. The instrument, which had been ratified by Paraguay's government at the beginning of the year, was delivered at ICAO for its treatment during the 40th Assembly in Montreal. For more details, please contact IATA's Regional Head of Member & External Relations for Latin America and the Caribbean, [Oracio Marquez](#).



## USA: IATA OPPOSES PROPOSED BILL THAT WOULD UNDERMINE OPEN SKIES AGREEMENTS

A new bill is being pushed by some US labor groups, seeking to undermine the 125 Open Skies agreements the US has signed since 1992 that have delivered enormous economic benefits to air travelers and the US economy. Under the proposed law, the US Department of Transportation would be required to determine that any new service by a foreign airline will not undermine labor standards and that the service is in the public interest. US labor groups argue that these infringements to existing Open Skies agreements are needed to protect US jobs and labor standards from lower cost foreign competitors. However, according to Airlines for America, airlines in the U.S. have added more than 59,000 jobs and average airline wages have risen approximately 41% since 2010. Hence, there is no basis in any of the US Open Skies agreements to impose these new requirements and IATA will continue to oppose the bill. For details, contact IATA's Vice President of Member and External Relations for North America, [Doug Lavin](#).



## IATA: ISSA SAFETY PROGRAM GAINING MOMENTUM ACROSS LATIN AMERICA & THE CARIBBEAN

The [IATA Standard Safety Assessment \(ISSA\)](#) is a voluntary evaluation program, produced at the request of the industry, to extend the benefits of operational safety and efficiency that emanated from the IATA Operational Safety Audit (IOSA) program to operators of smaller aircraft that are not eligible for the IOSA program. In the Americas, Tropic Air and Amazonas Bolivia are currently on the registry. To assist smaller operators in the Latin American and Caribbean region improve their processes with the goal of becoming an ISSA certified carrier upon completion. IATA, in partnership with ALTA, launched the ISSA Implementation Training (IIT) program. Amazonas Bolivia became the first airline to be certified after successful completion of the IIT while 13 additional operators are currently working on completing the program. For more details on ISSA and the implementation training program, please contact the [Safety & Flight Operations Team of the Americas](#).

# State of the region: The Americas

September 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
United States	2.9	2.5	2.7	2.3
Brazil	1.1	1.1	0.5	1.0
Mexico	2.0	1.6	0.1	0.3
Canada	1.9	1.6	1.4	1.6
Argentina	-2.5	-6.1	-5.8	0.6
Colombia	2.6	2.7	3.1	3.0
Chile	4.0	3.3	2.0	2.0
Peru	4.0	4.7	2.4	1.2
<b>World*</b>	<b>3.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Jun-19	Jul-19	Aug-19
US\$ broad index	128.5	128.3	127.8	130.4
Brazilian real (BRL)	3.88	3.83	3.76	4.13
Mexican peso (MXN)	19.69	19.21	18.98	20.07
Argentine peso (ARS)	37.66	42.38	43.82	59.12
Colombian peso (COP)	3248	3207	3293	3425
Chilean peso (CLP)	694	679	701	720

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jun-19	Jul-19	Aug-19
Crude oil (Brent)	71.7	63.2	64.3	59.6
Jet fuel	86.4	76.5	80.4	76.1

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

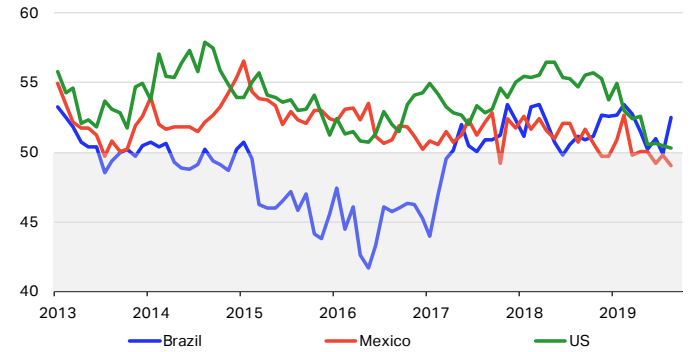
% change on a yr ago	2018	May-19	Jun-19	Jul-19
<b>Region (registration basis)</b>				
N America	5.3	4.9	3.4	2.7
Latin America	7.4	5.7	4.8	2.8
World	7.3	4.8	5.1	3.6
<b>Routes (segment basis)</b>				
US domestic	5.4	5.1	3.6	3.8
Brazil domestic	4.7	-2.7	-5.7	-6.1
Nth America-Europe	4.4	6.9	6.5	4.2
Nth America-Asia	3.9	5.2	2.1	0.4
Nth-Sth America	4.6	-2.1	-2.9	-4.5
Sth America-Europe	8.5	7.2	5.8	9.0
Within Sth America	0.6	1.7	7.9	3.5

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) slowed to 3.6% in July, down from the 5.1% growth observed in June. The outcome marks a continuation of the weaker growth trend observed in recent months.
- At the regional level, RPK growth eased to a little below 3% year-on-year for both North and Latin America. Developments in the key domestic markets contributed to these regional outcomes.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



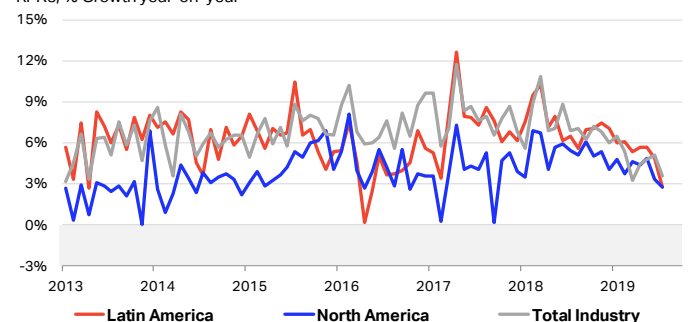
Source: Markit

- Brazil's business sentiment rose sharply in August as manufacturers adapted their supply chains to the BRL depreciation. Meanwhile, the US manufacturing PMI fell to its lowest level since 2009, dragged down by weaker exports due to the tariff war with China.
- The trade weighted US\$ index rose by 2% in August, marking the fastest m-o-m growth this year. The ARS was the key mover this month, falling by 35% vs the US\$ following the country's primary elections. The BRL also depreciated significantly, down 10%.
- Average monthly jet and crude oil prices fell in August on concerns regarding the global economic outlook, partly due to the (latest) US-China trade war escalation.

- US domestic grew 3.8% year-on-year in July – a slower pace compared to that of most of 2018 and 2019, but still more than 1ppt above its long-term average. Domestic passenger volumes continued to decline in Brazil (down 6.1%y-o-y), partly reflecting the market disruption from the demise of Avianca Brasil.
- The slowdown seen at the regional level was reflected in the weaker performance on all of the key larger international routes. Growth eased vs June in NthAm-Europe (4.2% y-o-y) and NthAm-Asia (0.4% y-o-y), while volumes declined further in Nth-SthAm market.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	May-19	Jun-19	Jul-19
<b>Region (registration basis)</b>				
Nth America	7.0	-1.7	-4.3	-2.1
Latin America	7.4	-0.5	-1.1	3.0
World	3.7	-3.4	-4.8	-3.2
<b>Routes (segment basis)</b>				
Nth America-Asia	3.7	-5.2	-4.3	-3.0
Nth America-Europe	3.3	-2.8	-5.1	-3.0
Nth-Sth America	8.7	-3.9	-4.5	-11.2
Sth America-Europe	9.1	2.3	-5.5	-3.6
Within Sth America	17.2	-6.5	-19.3	-14.3

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

- Industry-wide freight tonne kilometres (FTKs) declined by 3.2% year-on-year in July, reflecting the widespread softness in world trade and a number of broader global economic indicators.
- Although annual FTK growth remained negative for airlines based in North America, the pressure on volumes eased compared to June. In Latin America, FTK growth picked up sharply, supported by solid manufacturing PMI outcomes in some of the region's key economies, notably Brazil.

## Industry

### Capacity growth and load factors

ASK/AFTK: % ch on a yr ago,		2018	May-19	Jun-19	Jul-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Nth America	ASK	4.9	2.5	1.6	1.6
	PLF	83.9	86.1	88.9	88.8
Latin America	ASK	7.8	1.9	1.2	1.8
	PLF	81.6	83.4	83.3	85.3
World	ASK	6.8	2.7	3.4	3.2
	PLF	82.0	81.8	84.4	85.7
<b>Freight</b>					
Nth America	AFTK	7.8	1.4	1.2	1.6
	FLF	40.8	39.3	38.1	37.3
Latin America	AFTK	1.4	4.7	2.7	2.7
	FLF	36.8	37.9	36.6	35.4
World	AFTK	5.2	1.0	1.8	2.6
	FLF	49.3	47.1	45.8	45.0

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

- The industry-wide passenger load factor reached a new all-time high of 85.7% in July. The story is less positive on the freight side with the load factor almost 3ppt below the level seen in July 2018.
- NthAm and Lat.Am carriers also posted a record high PLF for the month of July. By contrast, the FLF fell in NthAm and remained unchanged for Lat.Am airlines compared with a year ago.

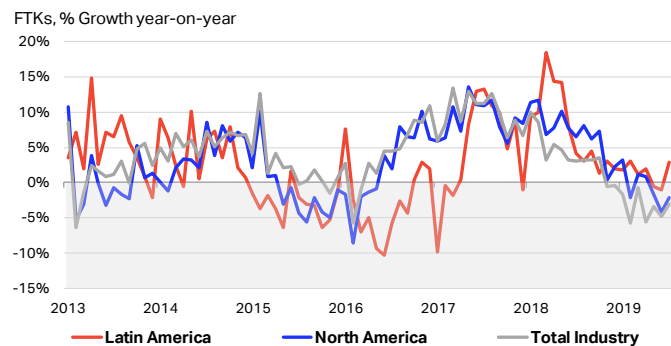
### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q2	2019Q2
Nth America	11.2	9.1	11.6	13.6
Latin America	6.2	2.7	2.8	3.1
Industry	7.5	5.8	8.0	8.3

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

- FTKs were lower compared to a year ago on all of the key international routes in the region. While the rate of decline slowed for the largest NthAm-Asia and NthAm-Europe markets, Nth-SthAm recorded the most significant FTK contraction since late-2011 (-11.2%).
- The US-China trade dispute continues to weigh heavily on freight volumes. With a new round of tariffs taking effect from September 1<sup>st</sup>, the downward pressure on volumes is unlikely to ease in the near-term.

### Growth in air freight volumes



Source: IATA Statistics

- The latest Q2 financial results point to a modest improvement in industry-wide profitability. At the regional level, both North America and Latin America airlines posted on average higher Q2 EBIT margins vs a year ago, albeit by only modest 0.3ppt for the latter.
- Passenger yields excluding ancillaries and surcharges continue to decline in annual terms on the majority of the key international routes. The main exception continues to be the smaller Within SthAm market that posted an 8.4% year-on-year increase in yields in July.

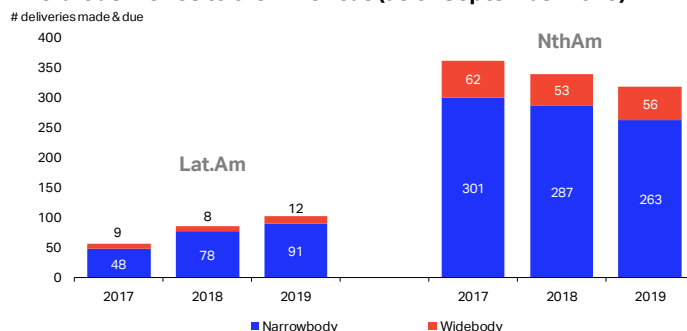
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	May-19	Jun-19	Jul-19
Nth America-Europe	4.6	2.7	-3.2	-5.5
Nth America-Asia	-0.3	1.2	-3.1	-4.5
Nth-Sth America	-38.6	-5.2	-3.9	-6.9
Sth America-Europe	-1.3	-18.7	-22.2	-19.1
Sth America-Asia	-0.3	-10.1	-13.0	-7.2
Within Sth America	-26.3	-0.8	8.2	8.4

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

- The September 2019 data confirm a rise in jet aircraft deliveries for the Lat.Am airlines and modest decrease in deliveries for NthAm carriers in 2019 vs 2018.

### Aircraft deliveries to the Americas (as of September 2019)



Source: Ascend