



MAY 2018

AMERICAS FOCUS

YOUR SOURCE FOR IATA'S LATEST REGIONAL NEWS



Dear Industry Colleagues,

Last week more than 1,000 aviation industry leaders gathered in Sydney for IATA's 74th Annual General Meeting (AGM) and the World Air Transport Summit. It was great to see some of you in person at the event. Thank you for taking the long trip to Australia. Topics that were addressed at the gathering included sustainable aviation fuels, airport privatization, benefits and risks of tourism, gender equality, making the best use of data and next steps on aviation security.

The AGM concluded with the unanimous approval of two important resolutions: one on airport privatization, and the other on working together to prevent human trafficking. IATA urges governments to take a cautious approach when considering airport privatization, calling on regulators to prioritize the long-term economic and social benefits delivered by an effective airport ahead of the short-term financial gains provided by poorly thought-out privatization. The Human Trafficking Resolution calls for sharing of best practices, training operational staff, and calling on government authorities to establish precise, practical and discreet mechanisms for the reporting of potential traffic activity in the air transport system. IATA will be in touch with your respective teams to engage on the above initiatives. For your reference and to share with your teams, all AGM related documents, press releases and event video recordings have been made available via our dedicated [IATA AGM site](#).

As part of the AGM, IATA announced its updated profit projections for 2018. In our region, Latin American airlines have achieved a strong recovery in financial performance to achieve a net profit of \$0.9

billion (up from \$0.5 billion in 2017). On a per passenger basis, airlines will earn \$2.95 (\$1.57 in 2017). This is a healthy turnaround from the 2015 loss of \$1.6 billion when the region's economies suffered from the fall in commodity prices. Restructuring, stronger commodity prices and the economic recovery in Brazil all helped to improve the situation. Problems remain in some countries where airlines continue to struggle with inadequate infrastructure, onerous regulation, high costs and the potential impact of upcoming presidential elections. At the same time, North American airlines are expected to post a net profit of \$15.0 billion (down from \$18.4 billion in 2017) accounting for 44% of global profits (down from a peak share of 60% in 2015). Average profit per passenger is expected to be \$15.67. The region continues to generate the highest margins, returns on capital and US dollar amounts of profit.

To maintain the positive economic results for the region, IATA's team across the Americas will continue to pursue its [5 year strategic plan and 2018 deliverables](#) and work with governments and other stakeholders to communicate aviation's economic and social benefits.

Please find below the highlights of some of this work from the past month and please let me know if you have any questions or would like us to take further action.

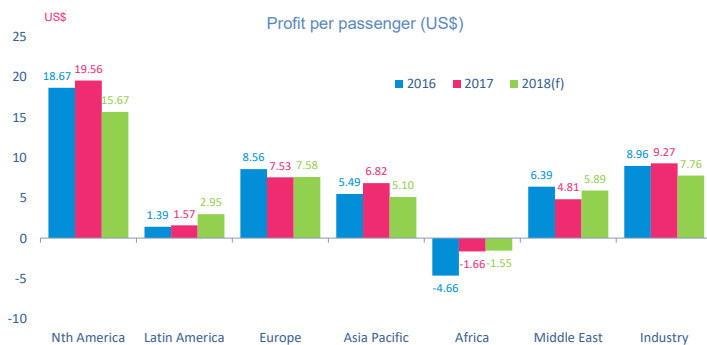
With kind regards,

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

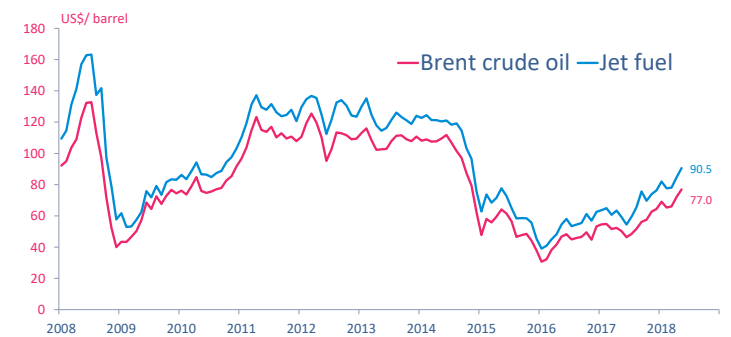


IATA UPDATED PROFIT PROJECTIONS 2018 & GROWTH OUTLOOK

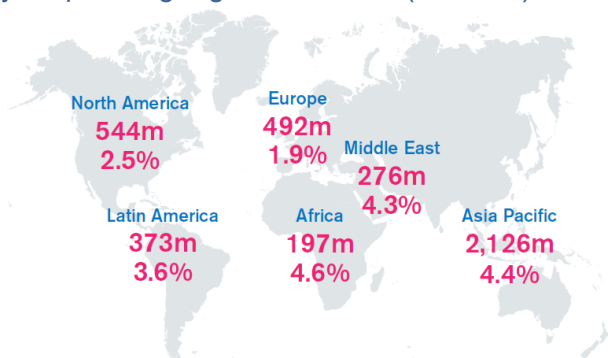
Per passenger (net) profit shows wide regional variation



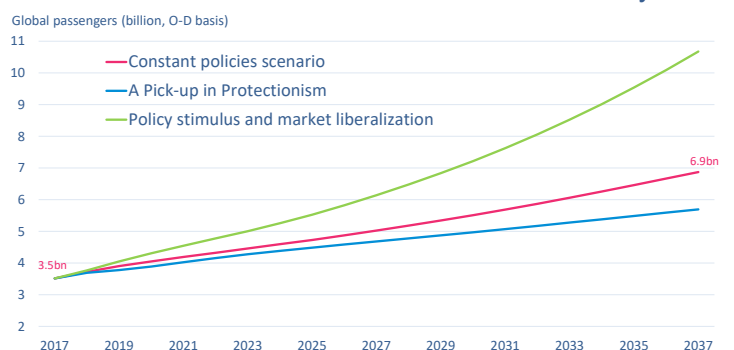
Oil prices continue to trend upwards (monthly average data)



20-year passenger growth outlook (2017-37)



Demand for air travel to double over the next 20 years



USA: IATA'S RECOMMENDATIONS INCLUDED IN LAHOOD'S PANYNJ INVESTIGATIVE REPORT
On May 31, the Port Authority of New York & New Jersey (PANYNJ) and former U.S. Transportation Secretary Ray LaHood shared the [investigative report](#) and independent recommendations regarding the events at JFK Airport during and following the January Winter Storm Grayson. IATA met with former Secretary LaHood multiple times and was referenced throughout the report. The report's two major recommendations include the establishment of the Emergency Operations Center (EOC) to serve as an umbrella for improved coordination and communication as well as the overall improvement of baggage services across all of JFK's terminals. IATA will be actively supporting the EOC and disseminating information to and from the international carriers that operate to JFK via IATA's Liaison Desk at the FAA Command Center. As a next step, IATA will provide more detailed feedback on the report's findings and latest measures proposed by the PANYNJ to ensure global best practices are followed. For more information, please contact IATA's Head of Business Development for the Americas, [Lars Pottgiesser](#).



BRAZIL: SUPPORT TO AIRLINE INDUSTRY DURING TRUCKING STRIKE OVER FUEL PRICES

A 10 day nationwide trucking strike over fuel prices in Brazil caused chaos in the country by preventing the delivery of basic goods and medicines as well as gas to petrol stations and jet fuel to airports. Throughout the crisis, IATA worked closely with ABEAR to assist airlines and airports maintain their regular operations by establishing a collaborative decision making group with airport authorities, airlines' ops teams, ATC and the Brazilian Air Force. Contingency measures were implemented and regular updates were shared with all airlines via IATA's Tactical Portal regarding alternate airports for refueling purposes international flights. IATA also requested for ANAC not to apply cancellation penalties and not to consider this period for the slot rule. IATA worked with the Sao Paulo State government to guarantee and speed up police escorts for tank trucks going to CGH, VCP and GRU for the airports to remain open. IATA continues to advocate for a revised jet fuel pricing policy and lower taxes for Brazil to be competitive globally. For more information, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



CANADA: NAV CANADA PROPOSED 2018 RATE REDUCTION

NAV CANADA proposed an average reduction of 0.4% to its tariffs, driven by stronger than expected traffic and despite a 7% increase in year over year operating expenses. The cost increase is primarily due to an expected increase in personnel costs, which was discussed with airlines and IATA in NAV CANADA's 2017 consultation. Followed by reductions of 3.9% and 3.5% in 2016 and 2017, respectively, the tariff reduction proposal should yield nearly \$25M in savings to the industry, through 2022. IATA will participate in NAV CANADA's next user consultation meeting, scheduled for early November to monitor the situation. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).



GUATEMALA: POTENTIAL TAX PENALTIES FOR INTERNATIONAL CARRIERS

IATA's international member airlines which operate in Guatemala have been sanctioned by the Superintendence of Tax Administration of Guatemala (SAT) as a result of the non-recognition of the use of the globally accepted cost allocation formulas used to calculate the taxable amount corresponding to the operations in Guatemala. Their level of exposure is based on the size of their operations, which in some instances can amount to US\$30M in back taxes, penalties and interests. IATA has been working closely with the local BAR, local and corporate tax attorneys, as well as government authorities and will submit a letter calling for adherence to global taxation policies, addressed to the President of Guatemala. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



MEXICO: IATA REITERATED STRONG SUPPORT FOR NEW MEX AIRPORT AT CANAERO'S FTA

On May 15, IATA reiterated its [strong support](#) for the New Mexico City Airport during CANAERO's [first air transport forum](#) (FTA). In addition, IATA's Director General & CEO Alexandre de Juniac published an [op-ed](#) in one of Mexico's leading newspapers, El Universal, on the same topic. For more information, please contact IATA's Country Manager for Mexico, [Cuit Gutierrez](#).



PERU: LIM AIRPORT UPDATE

IATA met with LAP, the AOC and AETA (local BAR) to discuss the ongoing projects at LIM. Overall, IATA is supporting LIM in the areas of ATC/ATM redesign, Slots, A-CDM, Security & Facilitation, new terminal engagement and measures to extend the capacity of the current facilities (stop gap measures). A list of potential stop gap measures is being compiled which will form the basis for discussion and evaluation with LAP. IATA also met with Peru's Minister of MINCETUR (Tourism and Economic Development) to update him on the above workplan items for LIM. The Minister chairs a roundtable overseeing airport infrastructure in Peru and IATA's workplan is used as the framework for the round table discussions on LIM. For more information, please contact IATA's Assistant Director of Airport Development for the Americas, [Mark Rodrigues](#).



VENEZUELA: NEW CURRENCY IMPLEMENTATION POSTPONED

The Central Bank of Venezuela has announced that the replacement of its currency, the Bolivar Fuerte (VEF), for the Bolivar Soberano (VES), originally slated to begin on June 4, will be delayed and will go into effect on August 4, 2018. IATA will continue to work closely with the local BAR and the authorities in order 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](#).



SUMMARY OF FUEL INDUSTRY MEETING AND ENERGY REFORM

On May 21, IATA, ALTA and airline fuel procurement managers from the region gathered to revive the joint ALTA/IATA fuel committee to serve as a meeting point to discuss fuel campaigns in Latin America and the Caribbean. Topics included the expansion of the fuel terminal at Ezeiza airport, fuel and the airport concession model in Brazil, as well as the Mexican Energy Reform, which is expected to end ASA's (fuel supplier) monopoly. Following the opening of the market, new jet fuel suppliers are expected to enter Mexico, starting with the main airports in the country. The last remaining issue for implementing the fuel reform is the regulation for fuel storage. IATA is engaged with the Mexican Energy Regulatory Commission (CRE) to ensure the process includes airline consultation. For details, please contact IATA's Assistant Director for Commercial Fuel, [Daniel Chereau](#).



AMERICAS SECURITY FOCUS GROUP MEETING SUMMARY

Americas' Regional Security Focus Group (SFG) held its second meeting on 8-9 May with the attendance of 12 airlines and 2 regulators. Discussions centered around regional cooperation and support, TSA Emergency Amendment / Security Directive requirements, cyber security, facilitation initiatives, recognition of equivalence, conflict zones and emerging threats. As a next step towards the implementation of the regional security strategy, the SFG directed IATA to remain aligned to ICAO's GAsEP and establish action plans to address threats, challenges and opportunities; to develop a security culture with all stakeholders in the region; to adhere to risk based methodology to manage risk; and to identify sustainable (and if possible harmonized) security measures. For more information, please contact IATA's Assistant Director, Aviation Security for the Americas, [Tony Blackiston](#).



STATE OF THE REGION: THE AMERICAS

MAY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
United States	2.3	2.3	2.6	2.9
Brazil	1.0	1.4	2.1	--
Mexico	2.3	1.7	1.5	--
Canada	3.0	3.0	2.9	--
Argentina	2.9	3.8	3.9	--
Colombia	1.8	2.2	1.7	1.4
Chile	1.6	2.9	3.3	--
Peru	2.5	2.9	2.2	--
World*	3.1	3.2	3.2	3.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Feb-18	Mar-18	Apr-18
US\$ broad index	120.0	117.6	118.1	118.2
Brazilian real (BRL)	3.31	3.24	3.31	3.49
Mexican peso (MXN)	19.66	18.82	18.23	18.75
Argentine peso (ARS)	18.62	20.12	20.14	20.54
Colombian peso (COP)	2985	2864	2794	2803
Chilean peso (CLP)	615	594	605	614

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Feb-18	Mar-18	Apr-18
Crude oil (Brent)	54.2	65.3	66.0	72.1
Jet fuel	65.6	77.7	78.0	84.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

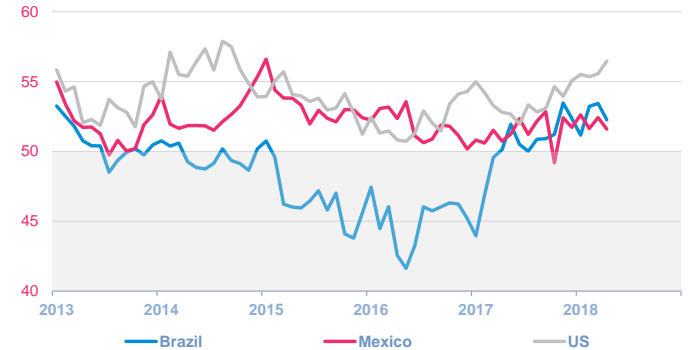
%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
N America	4.2	3.3	6.5	6.3
Latin America	7.1	5.5	8.1	8.5
World	7.6	4.5	7.7	9.5
Routes (segment basis)				
US domestic	3.7	3.0	6.1	4.7
Brazil domestic	3.5	2.9	5.9	2.3
Nth America-Europe	4.1	0.2	1.4	8.2
Nth America-Asia	4.9	0.8	7.8	10.5
Nth-Sth America	0.9	5.1	8.8	9.5
Sth America-Europe	6.1	8.7	9.8	10.4
Within Sth America	10.5	6.1	4.3	7.5

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

- Industry-wide RPK growth lifted again this month, building on last month's healthy rebound. Passenger volumes are 9.5% higher in March compared with their level of a year ago – the fastest rate of growth in a year & well above the 5-year average pace.
- At the regional level, yoy RPK growth was little changed this month, up slightly for the Lat.Am carriers to 8.5%yoy & down marginally for the NthAm carriers, at 6.3%yoy.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



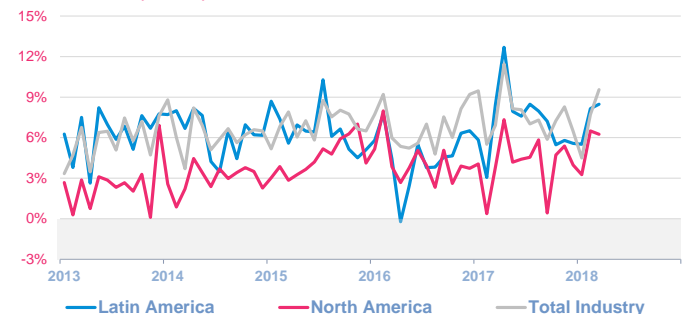
Source: Markit

- Business confidence lifted in the US this month, on robust economic data & domestic policy developments. In Brazil & Mexico, indications of softening demand conditions weighed upon business sentiment & prompted a modest dip in both indices this month.
- On a trade-weighted basis, the US\$ was essentially unchanged in Apr. Amongst key regional currencies, the BRL & MXN fell sharply, down 5.2% & 3.0%, vs the US\$. In contrast, the CLP & ARS gained 1.5-2.0% this month.
- Brent crude oil & jet fuel prices both surged in April, gaining more than US\$6/bbl & moving to their highest levels since 2014. Heightened geopolitical risks, along with supply tightening, were the key drivers this month.

- The annual pace of growth eased moderately in each of the region's two main domestic markets. In the US growth eased to 4.7%yoy, after posting a 2-year high last month, & in Brazil growth slipped back to a modest 2.3%yoy pace.
- The picture is more positive for the region's key international routes, where annual growth accelerated in March. Nth America-Asia & Sth America-Europe are the two standouts this month, with double digit growth of ~10.5%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Nth America	8.1	7.3	7.7	3.9
Latin America	5.6	8.2	8.3	15.5
World	9.1	8.5	6.7	1.7
Routes (segment basis)				
Nth America-Asia	8.7	7.7	7.5	2.5
Nth America-Europe	9.9	6.3	6.9	7.3
Nth-Sth America	0.6	7.6	13.9	19.2
Sth America-Europe	6.9	16.6	15.8	17.0
Within Sth America	3.2	17.3	4.0	15.3

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

→ After a robust start to the year, the industry-wide FTK growth rate slowed to just 1.7%yoy in March. For Q1 overall, freight volumes are up 5.4%yoy, but a softening in the seasonally adjusted trend has become more apparent in recent months.

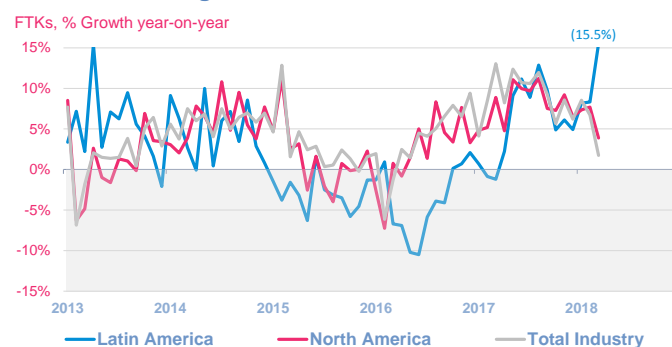
→ At the regional level, FTK growth halved for the NthAm carriers (to 3.9%yoy) but doubled for the Lat.Am airlines (to 15.5%). The improved economic conditions in Brazil

have been a key contributor to the Lat.Am freight results.

→ A softer outcome in the key Asia market (to 2.5%yoy) goes a long way to explaining the overall Nth America outcome, with FTK growth rates accelerating across the region's other main international markets.

→ The Nth-Sth America market is the strongest performer currently, with freight volumes up 19.2%yoy, followed by the Sth America-Europe & Within Sth America markets.

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	Jan-18	Feb-18	Mar-18
Passenger					
Nth America	ASK	4.0	4.0	5.0	4.1
	PLF	83.7	79.3	80.6	85.3
Latin America	ASK	5.7	5.1	6.2	6.8
	PLF	81.7	83.6	82.1	81.3
World	ASK	6.3	5.2	6.3	6.4
	PLF	81.5	79.6	80.6	82.4
Freight					
Nth America	AFTK	1.8	5.2	5.0	3.3
	FLF	36.5	35.9	36.6	37.4
Latin America	AFTK	3.2	5.9	2.5	-2.1
	FLF	34.2	30.4	35.2	39.1
World	AFTK	3.0	5.4	6.3	4.4
	FLF	45.5	43.0	44.0	46.4

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

→ For pax, the NthAm carriers have increased capacity more slowly than the industry overall (4.1% vs 6.4%) but are currently generating a higher load factor (85.3% vs 82.4%). The converse holds for the Lat.Am carriers; faster capacity growth & a lower pax load factor.

→ For freight, notwithstanding slower capacity growth (indeed, Lat.Am AFTKs have fallen by 2% in yoy terms), the region's carriers are not matching the industry-wide load factor performance – by some margin.

Airline operating (EBIT) margins*

%revenues	2015	2016	2017Q1	2018Q1
Nth America	14.8	13.2	7.7	7.9
Latin America	1.5	4.2	-13.6	-12.8
Industry	8.5	8.8	6.5	6.8

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

→ The initial data for Q1 point to a modest improvement in the EBIT margin, at both the regional and industry level compared with a year ago. The margin for the NthAm carriers is currently 7.9%, remaining above the industry-wide figure of 6.8%. The margin for Lat.Am airlines is -12.8%, up from -13.6% in Q1 2017. Recall that these data are not adjusted for seasonal variation

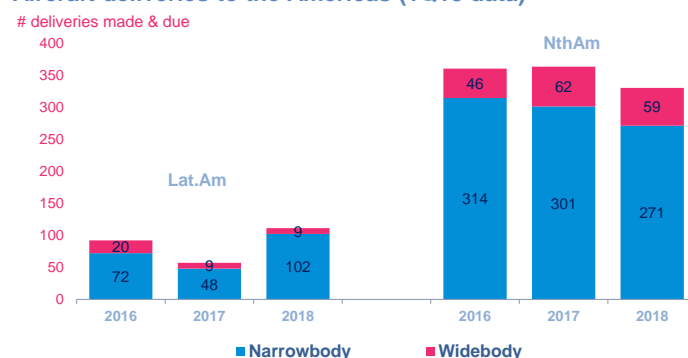
→ Passenger yields amongst the region's key markets are mixed. The Europe market is performing strongly, for both Nth & Sth America routes, but pax yields are still lower in yoy terms for the NthAm-Asia market.

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

%change on a yr ago	2016	Jan-18	Feb-18	Mar-18
Nth America-Europe	-8.5	8.2	12.1	9.5
Nth America-Asia	-7.3	0.7	-1.2	-0.3
Nth-Sth America	-17.5	8.3	7.5	1.5
Sth America-Europe	-17.2	15.6	12.5	11.9
Sth America-Asia	-9.2	2.8	0.9	5.8
Within Sth America	-13.4	2.1	3.1	3.3

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

Aircraft deliveries to the Americas (1Q18 data)



Source: Ascend