



MONTHLY INSIGHTS
PETER CERDÁ

Dear Colleagues,

The COVID-19 pandemic has had a devastating effect on the global aviation industry, but one region which has been particularly hard hit is Latin America and the Caribbean. Historically, the region's air transport industry has been faced with a challenging operating environment, characterized by high costs, taxes and fees, infrastructure limitations, regulatory constraints and socio-economic uncertainties. COVID-19 worsened an already difficult operating environment. Latin America and the Caribbean were the last to be hit by the coronavirus outbreak, and hence will also be the last to come out of it. COVID-19 is a public health crisis and we fully understand that governments need to first and foremost protect the health of their citizens.

In North America, we have been working closely with the Canadian and U.S. stakeholders to advocate for the restart of international operations, lifting of mandatory quarantine measures and urging both governments to grant financial relief measures to the industry. While the U.S. Government has vastly supported its airlines during the crisis and there are still hopes for a second support package, we continue to advocate the Canadian government to also aid the sector, including financial support to airlines and averting the 30% increase published by Air Navigation Service Provider NAVCANADA, commencing in FY22, that will further burden airlines in the recovery.

The longer aviation in the region remains grounded, the more precarious the situation of our industry will become. With many governments extending border closures, we are facing a reality that sees airlines being grounded for seven or even more months.

IATA will continue to push for financial support, advocate for the implementation of ICAO's CART Takeoff Guidance and call for a systematic approach to COVID-19 testing which will provide an effective way to give governments the confidence to re-open borders without quarantine.

We need to find a way to co-exist with the virus and it will be crucial to build consensus among the industry, governments and the traveling public that aviation is safe and that airlines will play a key role in the economic recovery from COVID-19 by reconnecting the Americas to the rest of the world.

While I have been sharing almost daily updates with you regarding IATA's COVID-19 related operational activities and government policies in the Americas, we felt that at this point of the pandemic, we would also like to continue our "regular" newsletter and update you on our strategic, longer term activities, both COVID and non-COVID related. Therefore, please find IATA's most recent key initiatives across the Americas below.

Lastly, I would like to share the appointment of [Ben Barrocas](#) as IATA's Country Manager for the United States, based in the Regional Office in Miami who reports to me and will work closely with our government affairs team based in Washington D.C. Please feel free to pass on Ben's contact details to your teams for any support your airline might need operating to/from the U.S.

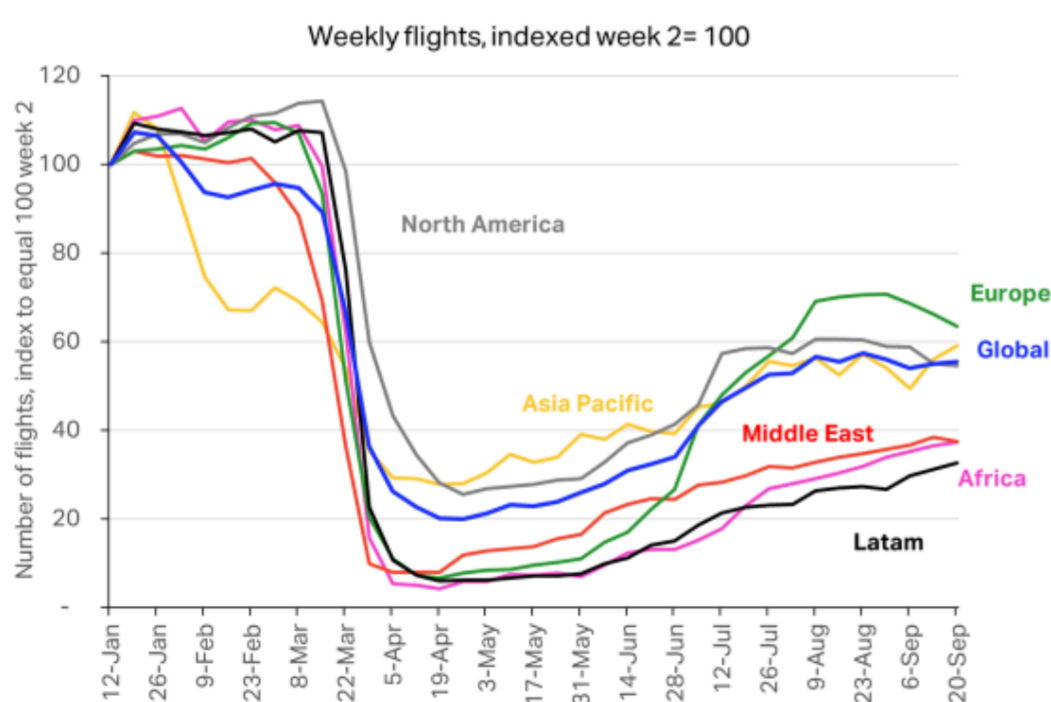
Please count on our continued support and never hesitate to reach out to me directly for any additional actions or ideas you might have. #staystrong #flysafe

With kind regards,

Peter Cerdá
IATA's Regional Vice President, The Americas

COVID-19 Global and Regional Impact – Latest Economic Analysis

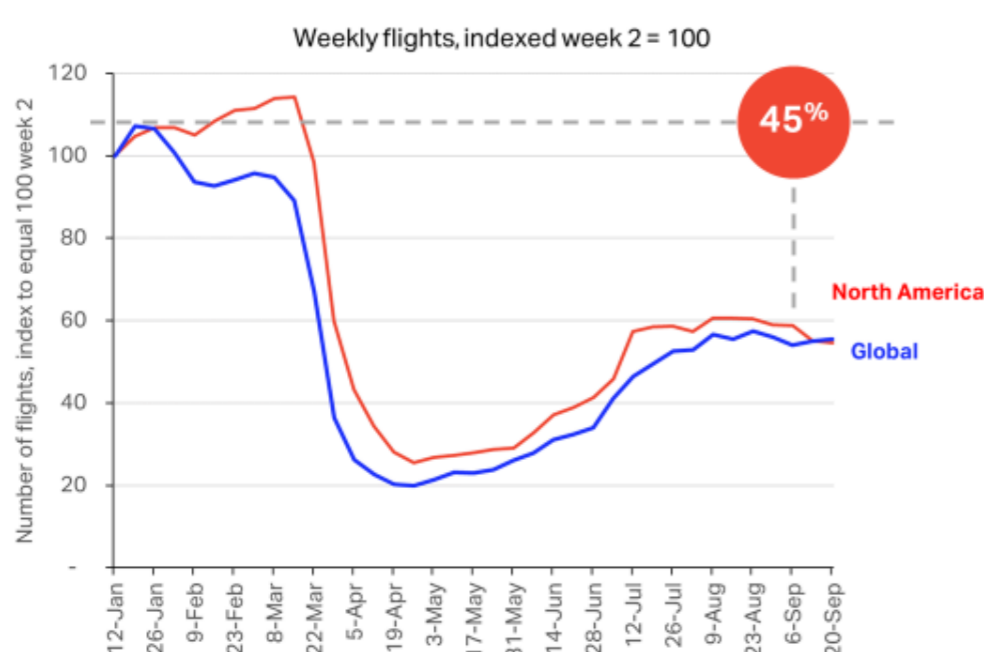
Worldwide flights 48% lower on week Sep.20 relative to week 2
Lowest point reached end April- flights reduced by 80%



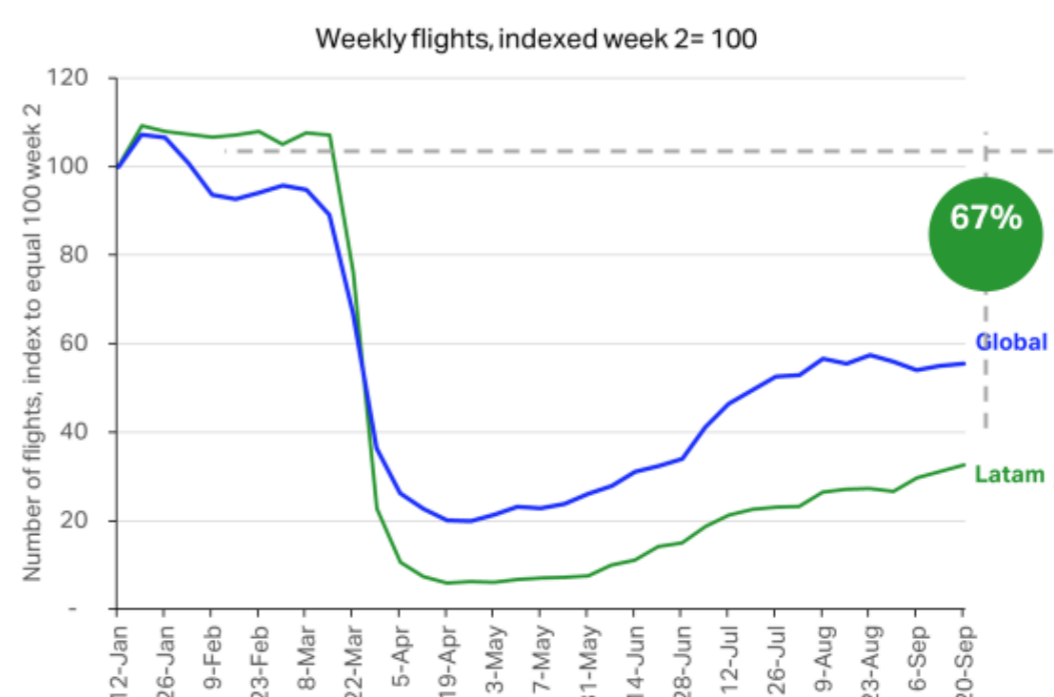
COVID-19 Impact on Aviation and Wider Economy in Countries across the Americas

Country	Impact on revenues		Impact on aviation industry		Impact on wider economy	
	Revenue Change In Billion USD: 2020 vs 2019	Revenue YoY Change (%: 2020 vs 2019)	Change in GDP In Billion USD	Change in jobs	Change in GDP In Billion USD	Change in jobs
Argentina	-\$3.49	-69%	-\$1.73	-21,053	N/A	N/A
Brazil	-\$10.83	-57%	-\$2.37	-86,135	-\$6.64	-318,489
Canada	-\$17.03	-70%	-\$10.03	-140,977	-\$20.42	-274,063
Chile	-\$2.57	-56%	-\$1.18	-15,965	-\$2.07	-66,814
Colombia	-\$2.60	-55%	-\$0.56	-38,484	-\$3.68	-300,702
Costa Rica	-\$0.98	-66%	-\$0.47	-6,289	-\$3.28	-95,256
Ecuador	-\$0.94	-64%	-\$0.26	-7,823	-\$1.67	-114,223
Mexico	-\$8.68	-61%	-\$6.45	-158,430	-\$15.01	-738,465
Panama	-\$0.93	-85%	-\$1.13	-16,917	-\$5.36	-176,135
Peru	-\$1.85	-56%	-\$0.36	-18,555	-\$2.16	-150,225
USA	-\$137.10	-69%	-\$130.12	-1,186,981	-\$260.05	-2,226,532

N. America flights 45% lower on week Sep.20
Lowest point reached end April- flights reduced by 74%



LATAM flights 67% lower on week of Sep.20
Lowest point reached end April- flights reduced by 94%



ARGENTINA: WORKS ON AEROPARQUE JORGE NEWBERY (AEP) CONTINUE

The restart of international flights to and from AEP announced in February was postponed to December 1 due to 120-day infrastructure works to begin on August 1. The work project includes the repaving of the runways, the reconstruction of slabs in all the taxiways and the replacement of the lighting beacons for more modern and intense ones. During this period, both international and domestic flights will be operating from EZE. Argentina's Civil Aviation Authority ANAC informed that the postponement decision was based both on the fact that there are pending infrastructure works necessary for new operations to begin in the airport and on the low activity because of the strong restrictions on air transport as a result of COVID-19. For details, please contact IATA's Country Manager for Argentina, [Maria Jose Taveira](#).



Aeropuertos Argentina 2000

BRAZIL: NEW LAW TO GRANT 12 MONTH TICKET REFUND & FEE REDUCTION

President Bolsonaro approved Law no 14.034/2020, putting Provisional Measure (MP 925) into force, whose main highlights include the grant for airlines of a 12-month ticket refund period, a change in the Brazilian Air Code that recognizes certain situations as force majeure, by removing the automatic strict liability for contractual failures (contract of carriage), and eliminating the additional US\$18 International Boarding fee that was in place. These are important achievements for the industry that bring flexibility and improve cash flow for airlines. It is also important in that it brings more legal certainty by helping to mitigate or reduce the number of lawsuits and legal exposure typically associated to international and domestic flight operations. IATA and other associations strongly advocated before the Government to advance the text that was ultimately approved by the National Congress. Through a position paper, IATA also reinforced the need for a Presidential sanction as this was a strategic and critical element to support the aviation restart process as well as the overall economic recovery of the country. For more details, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



PÁTRIA AMADA
BRASIL
GOVERNO FEDERAL

BRAZIL & CHILE SIGN AGREEMENT TO IMPROVE AIRCRAFT INTERCHANGEABILITY

Brazil's Civil Aviation Authority (CAA) signed a new agreement with Chile's CAA to improve aircraft interchangeability via a technical cooperation and dual oversight. Chilean registered aircraft can now fly domestically in Brazil and vice-versa which brings more flexibility to Brazilian and Chilean airlines. According to Brazil's CAA, this new agreement is going to be the regulatory framework to be discussed with other CAAs in the region to provide more operational flexibility to airlines and support the COVID-19 recovery efforts. For more details, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#) and IATA's Country Manager for Chile, [Gabriela Peralta](#).



CANADA: ADVOCATING FOR ELIMINATION OF PROPOSED NAV CANADA FEE INCREASE

Recently, NAV CANADA (NC) consulted with airlines. Due to the current crisis, NC is expecting losses, through the end of FY21, of ~\$850M, including \$242M which must be covered with revenue or revenue equivalent (i.e. not debt). To meet its revenue requirement of \$242M, NC proposed increasing FY21 fees by ~30%. However, at the request of airlines and IATA, FY21 fees will effectively remain flat, with the ~30% increase being accumulated and repaid over 5 years, beginning FY22. IATA and other industry stakeholders are working with the Canadian government to cover the \$242M deficit, rendering the proposed 30% increase unnecessary. For more details, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).



NAV
CANADA

HONDURAS: CHANGES IN AIRPORT CONCESSIONS

The airport concession contract for the country's four international airports will expire on 28 September. The government has already announced that EMCO - a subsidiary of Munich Airports - will provisionally operate Toncontin Airport (TGU) while the new international airport at Palmerola is completed. Furthermore, the other three international airports (SAP/RTB/LCE) will be provisionally operated by a state-owned airport management company in partnership with Houston Airport Systems for approximately 15 months while the Honduran government launches the bid for the new concession. For more details, please contact IATA's Area Manager for Central America, Ecuador and Venezuela [David Hernandez](#).



GOBIERNO DE LA
REPÚBLICA DE HONDURAS
PRESIDENCIA DE LA REPÚBLICA

JAMAICA: AVOIDANCE OF AIR NAVIGATION FEE INCREASE

In March 2020, IATA and airlines met with Jamaica's Civil Aviation Authority (CAA) to consult on a proposed increase to air navigation fees amounting to 18.75%. Recently, IATA highlighted to the authorities the importance of maintaining charges flat to promote the recovery of the industry. On July 31, the CAA confirmed that its Board of Directors supported the recommendation to postpone the implementation of the increase. For more details, please contact IATA's Area Manager for the Caribbean, [Annaleen Lord](#).



UNION JAMAICA
CIVIL AVIATION AUTHORITY

MEXICO: NEW CARGO TERMINAL AT MEXICO CITY'S SANTA LUCIA AIRPORT

IATA is leading an interdisciplinary group formed by CANAERO, ANAFAC, AAADAM and AMACARGA to provide the Mexican authorities all requirements for the development for the new cargo terminal at Santa Lucia Airport. The document containing comments on process and infrastructure efficiencies, electronic integration and reviews to customs processes, was recently delivered to the authorities, highlighting the need to adhere to industry best practices and standards. For more information, please contact IATA's Regional Cargo Manager for the Americas [Rigoberto Lopez](#).



GOBIERNO DE
MÉXICO

CORSIA: ICAO AGREED TO USE 2019 AS A BASELINE

The Council of the International Civil Aviation Organization (ICAO) agreed to use 2019 as a baseline for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) during the pilot phase (2021-2023). Originally, the CORSIA baseline calculation was agreed to be an average of 2019 and 2020 emissions. IATA welcomed the decision as it provides immediate certainty and a clear path forward for the successful implementation of CORSIA. Currently, 88 States, representing 76.82% of international aviation activity, pledged their voluntary participation in CORSIA from its outset on January 1, 2021 which includes ten countries from the Americas: the United States, Canada, Mexico, Dominican Republic, Jamaica, Costa Rica, El Salvador, Guatemala, Guyana and Honduras. For details, please contact IATA's Manager for Member & External Relations for Latin America/CAR [Pedro de la Fuente](#).



CORSIA

IATA FRAUD PREVENTION WHITE PAPER

The cost of fraud to airlines is estimated at \$1 billion annually. While the global level of passenger air travel has plummeted due to the COVID-19 pandemic, the number of cyber-attacks, scamming, phishing and fraudulent disputes targeting airlines has dramatically increased in the last few months. To address this increase, IATA published the whitepaper "*Fraud in the airline industry – why carriers need to think of themselves as crimefighters*" which can be [downloaded here](#). For more information, please contact IATA's Regional Fraud Prevention Group Coordinator [Elizabeth Pow-Sang](#).



Our mission is to represent,
lead and serve the airline industry.



State of the region: The Americas

September 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
United States	2.2	2.3	0.3	-9.1
Brazil	1.1	1.7	-0.3	-11.4
Mexico	-0.3	-0.8	-2.1	-18.7
Canada	1.7	1.5	-0.9	-13.0
Argentina	-2.1	-1.1	-5.4	--
Colombia	3.3	3.5	1.4	-15.7
Chile	1.0	-2.4	0.4	-13.7
Peru	2.2	1.8	-3.5	-30.2
Latin America	-0.3	-0.2	-2.4	-16.3
World*	2.5	2.4	-1.7	-9.3

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Jun-20	Jul-20	Aug-20
US\$ broad index	114.7	120.9	117.6	116.1
Brazilian real (BRL)	4.02	5.49	5.21	5.49
Mexican peso (MXN)	18.88	23.11	22.19	21.89
Argentine peso (ARS)	59.87	70.45	72.25	74.18
Colombian peso (COP)	3282	3739	3728	3750
Chilean peso (CLP)	752	821	757	776

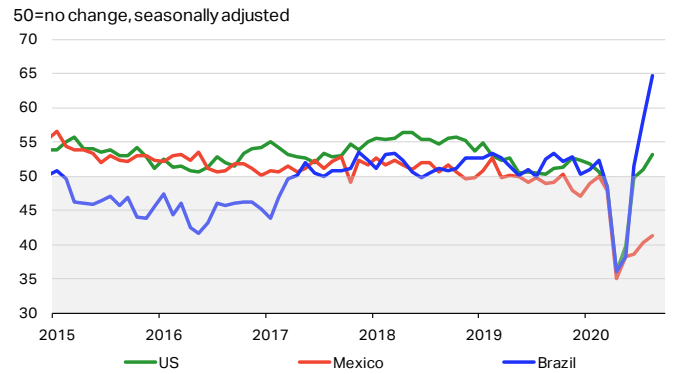
Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jun-20	Jul-20	Aug-20
Crude oil (Brent)	64.2	40.9	43.3	45.1
Jet fuel	79.6	41.8	45.5	45.4

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs



Source: Markit

- Brazil's business sentiment soared further, with several economic indicators reaching record-high levels. Business confidence also picked up in the US amidst improving foreign demand. In Mexico, operating conditions remain weak, reflecting the COVID-19 crisis.
- The trade-weighted US dollar depreciated further in August, down 1.2%. Of the key regional currencies, the BRL lost 5.4% against the US\$ while the CLP and ARS ended the month down ~2.5%.
- Oil and jet fuel prices were stable in August, averaging ~45US\$/bbl. The average jet fuel crack spread narrowed as the second wave of COVID-19 in several regions raised concerns about the air travel outlook.

Market

Revenue passenger kilometers (RPKs)

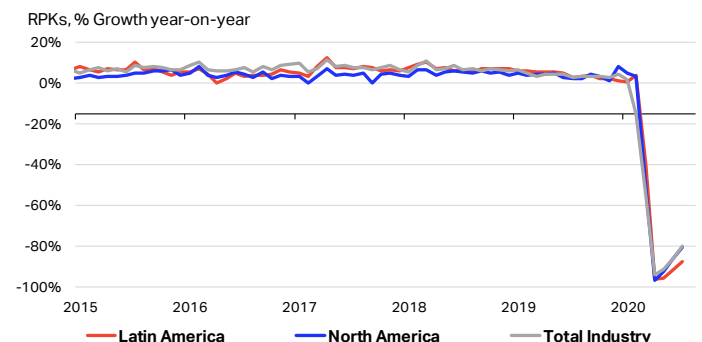
% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
N America	4.0	-92.5	-86.3	-80.6
Latin America	4.2	-95.6	-91.6	-87.5
World	4.1	-91.0	-86.6	-79.8
Routes (segment basis)				
US domestic	4.3	-89.4	-80.0	-72.6
Brazil domestic	0.4	-91.1	-84.9	-77.7
Nth America-Europe	4.3	-98.5	-97.2	-94.8
Nth America-Asia	2.4	-97.1	-95.7	-94.4
Nth-Sth America	-2.7	-98.1	-97.3	-95.4
Sth America-Europe	8.0	-96.1	-95.0	-94.4
Within Sth America	-2.9	-99.0	-99.0	-99.5

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 79.8% year-on-year in July vs. an 86.6% fall in June. The gradual rise in demand continued to be largely driven by domestic markets.
- RPKs flown by North American airlines fell by 80.6%yoy in July, up 6ppts vs. June. Carriers in Latin America saw passenger volumes down 87.5%yoy (an improvement of 4ppts vs. June).

- The rebound of the key domestic markets in the Americas region had been slowed by a high number of COVID-19 infections in recent months. RPKs in the US and Brazil were down 72.6% and 77.7%yoy, respectively. To put this into context, China where the pandemic was largely contained, posted a 28.4% contraction.
- Demand on international routes remained weak amidst ongoing travel restrictions and quarantine requirements.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Nth America	-1.1	-5.1	0.0	2.9
Latin America	-0.2	-28.4	-32.8	-33.2
World	-3.2	-19.8	-16.6	-13.5
Routes (segment basis)				
Nth America-Asia	-3.7	0.8	0.4	3.7
Nth America-Europe	-2.5	-38.1	-35.6	-30.3
Nth-Sth America	-6.7	-20.0	-21.5	-19.6
Sth America-Europe	-3.1	-46.3	-38.3	-38.0
Within Sth America	-8.6	-40.6	-43.3	-35.5

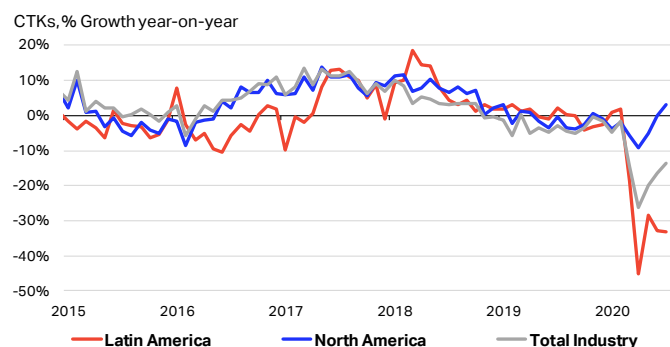
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 13.5% year-on-year in July 2020, the slowest rate of annual decline since February 2020.
- Nth.Am airlines recorded a 2.9%yoy increase in cargo volumes in July – the strongest outcome amongst all regions. The outperformance has been underpinned by resilient demand in both the US and Canada domestic markets.
- Nth.Am – Asia routes also performed robustly this

month (+3.7yoy), benefitting from Nth.Am e-commerce demand and a smaller capacity crunch compared with the other routes.

- Latin American airlines recorded the sharpest contraction of all regions in July with CTKs down 33.2%yoy. A weak economic backdrop and ongoing virus outbreaks in several key economies has contributed significantly to the slow recovery.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	May-20	Jun-20	Jul-20
LF: % of ASK/ACTK					
Passenger					
Nth America	ASK	2.9	-82.8	-77.0	-63.9
	PLF	84.8	37.7	53.0	47.6
Latin America	ASK	3.0	-93.8	-89.0	-83.2
	PLF	82.6	59.3	63.9	63.1
World	ASK	3.3	-85.9	-80.3	-70.1
	PLF	82.6	52.0	57.7	57.9
Cargo					
Nth America	ACTK	2.1	-28.7	-26.7	-24.4
	CLF	39.5	52.4	52.3	50.6
Latin America	ACTK	4.7	-52.7	-52.7	-49.2
	CLF	35.1	57.4	51.9	46.4
World	ACTK	2.0	-33.8	-33.4	-31.2
	CLF	46.8	57.2	57.5	56.4

Source: IATA Economics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- Since recovery in demand (RPKs) remained slower than the rebound in capacity (ASKs), passenger load factors stayed at or close to record lows at the industry level (57.9%) as well as for both Lat.Am (63.1%) and Nth.Am airlines (47.6%).
- In contrast, the industry-wide air cargo load factor reached a new record high for July, as available capacity in the market remained limited. Nth.Am and Lat.Am airlines posted a CLF up 13.4ppts and 11.1ppts vs. a year ago, respectively.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Nth America	9.1	9.6	13.7	-198
Latin America	2.7	2.9	4.2	-229
Industry	5.7	5.2	10.0	-97

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

- The latest financial results from the second quarter of 2020 confirmed the severe impact of the pandemic on the airline industry. Losses were widespread across regions despite the implementation of stringent cost-cutting programs.
- Note that the passenger yield data during the lockdown period should be interpreted with caution due to the dramatic fall in the number of tickets being sold.

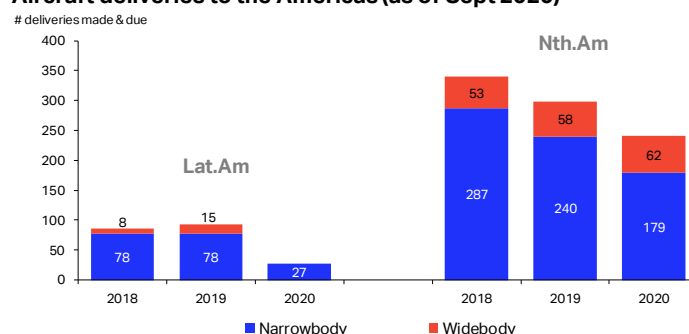
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Nth America-Europe	-3.4	-11.9	-17.1	-17.0
Nth America-Asia	-2.8	39.8	45.9	67.5
Nth-Sth America	-5.0	-21.2	-21.6	-22.2
Sth America-Europe	-14.8	-10.4	-13.4	-9.1
Sth America-Asia	-7.6	37.2	28.0	41.7
Within Sth America	-4.0	-23.8	-27.0	-32.3

Source: DDS Note: historical data may be subject to revision

- A sharp fall in jet aircraft deliveries is scheduled for carriers based in Latin America and North America in 2020 versus 2019.

Aircraft deliveries to the Americas (as of Sept 2020)



Source: Ascend