

Current Economic Outlook and what it means for the Aviation Industry

Can passenger traffic in LAC continue to grow faster than the economy?

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**ALTA AVIATION
LAW AMERICAS**
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Key topics for today

01

The past ten years

Regional economy and passenger traffic performance

02

The current economic picture

Indicators affecting air travel demand and airline profitability

03

Passenger traffic today

Markets growing — and markets slowing





01

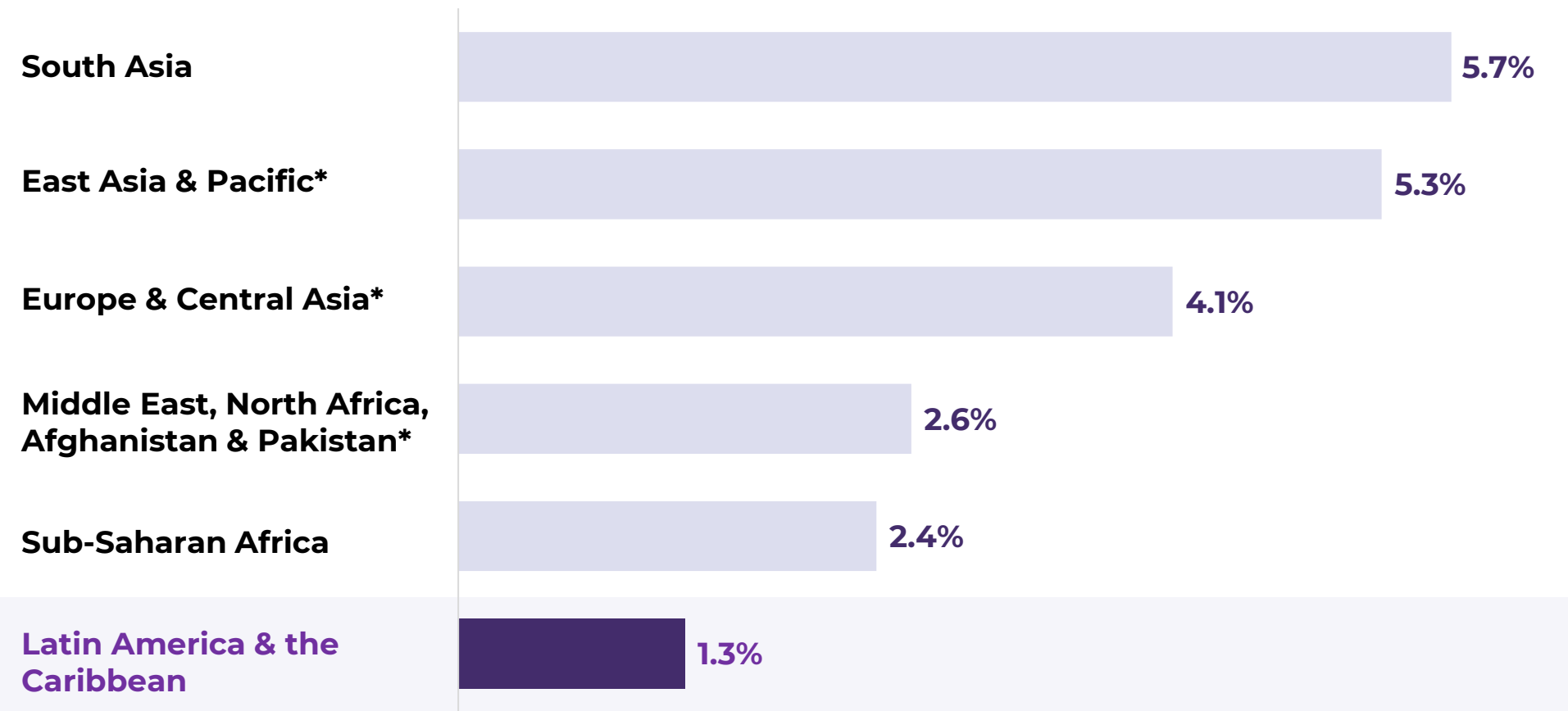
The past ten years

Economic growth and passenger traffic

2015 — 2025

LAC had the lowest economic growth among emerging regions

Real GDP compound annual growth, 2015–2025



LAC



**1.3%
CAGR**

Only **14%**
larger
than in 2015

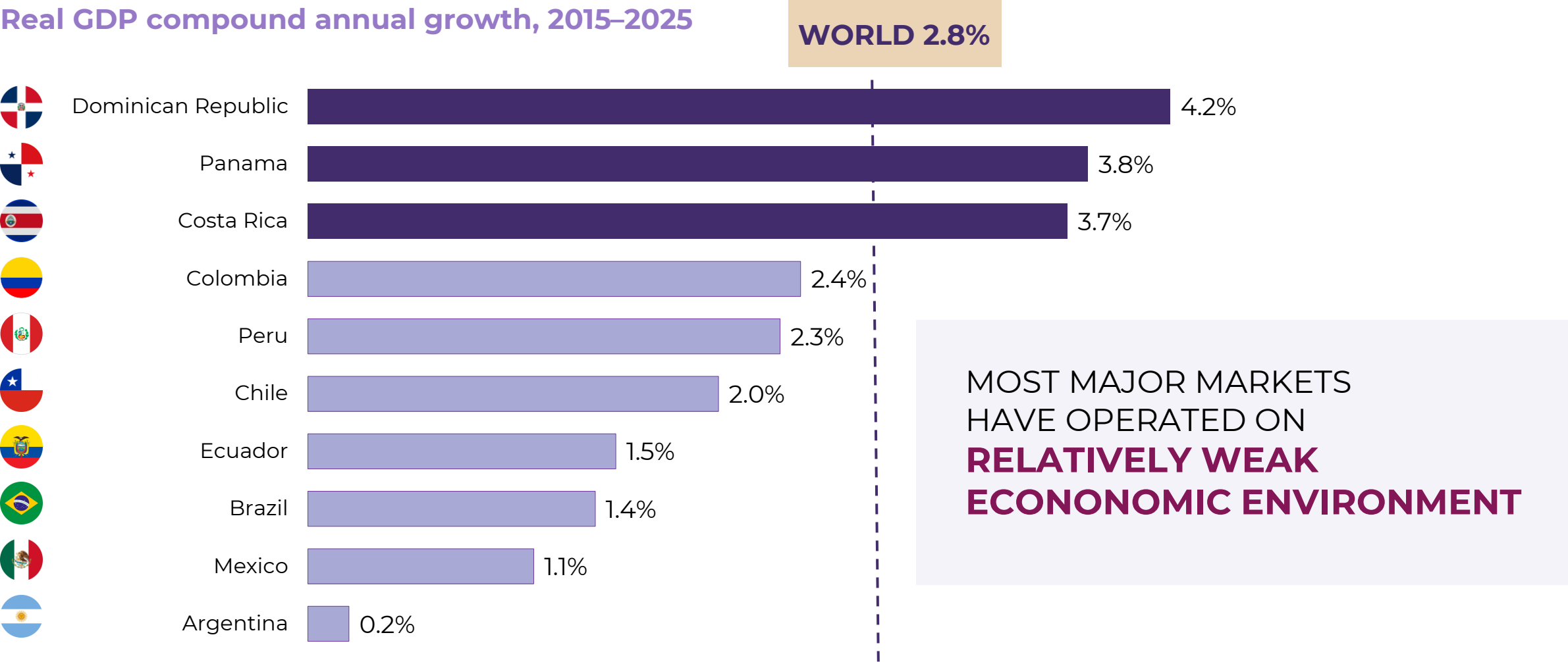
10 years of very slow
economic growth

*Excluding high-income economies
Source: ALTA Analysis based on World Bank Data



Seven of ten major aviation markets in LAC grew below the global economy

Real GDP compound annual growth, 2015–2025

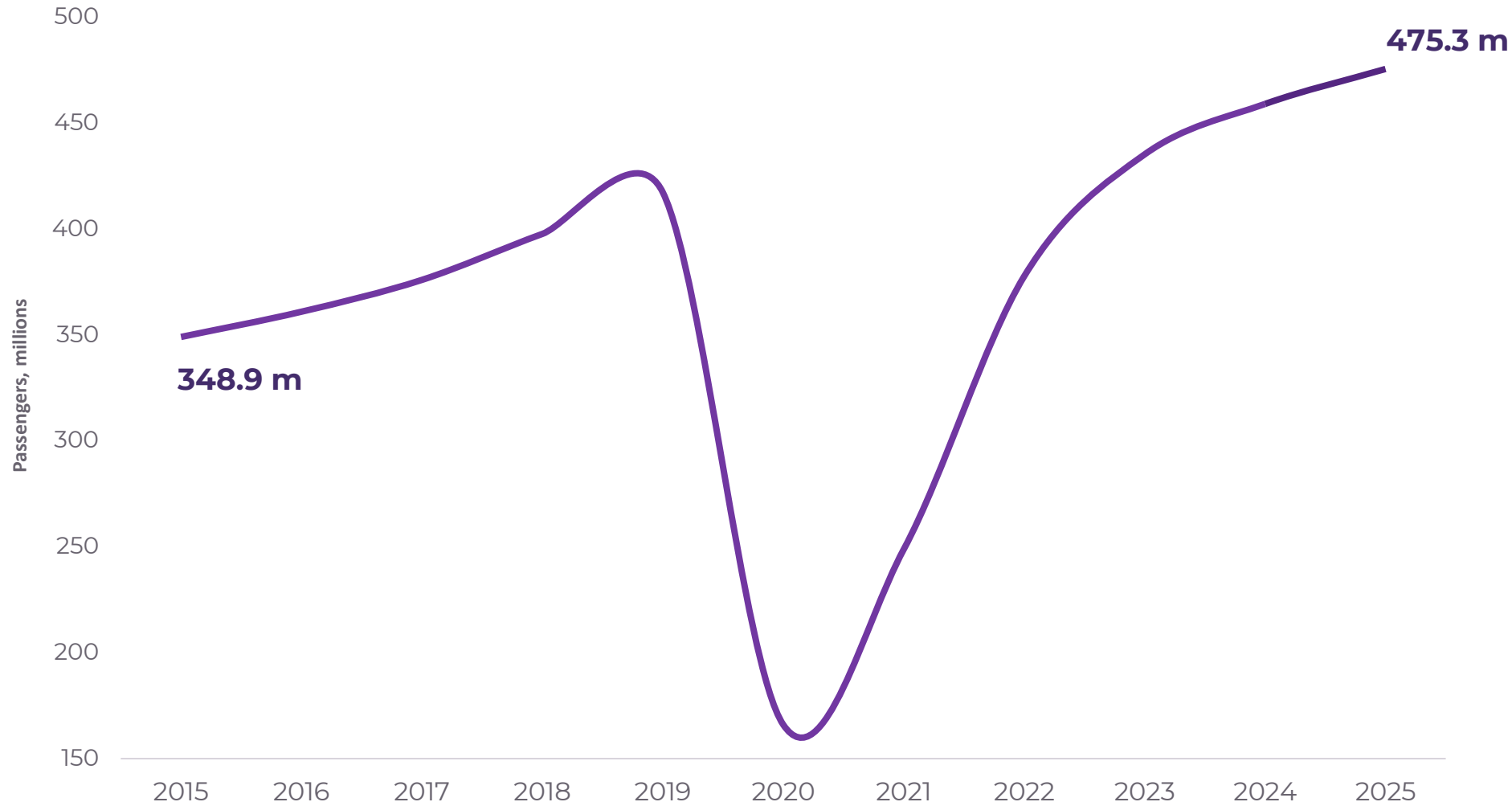


What happened to passenger traffic?



LAC passenger traffic grew at almost 3× the pace of GDP

Passengers on routes to, from and within LAC 2015–2025



+36%
PAX growth



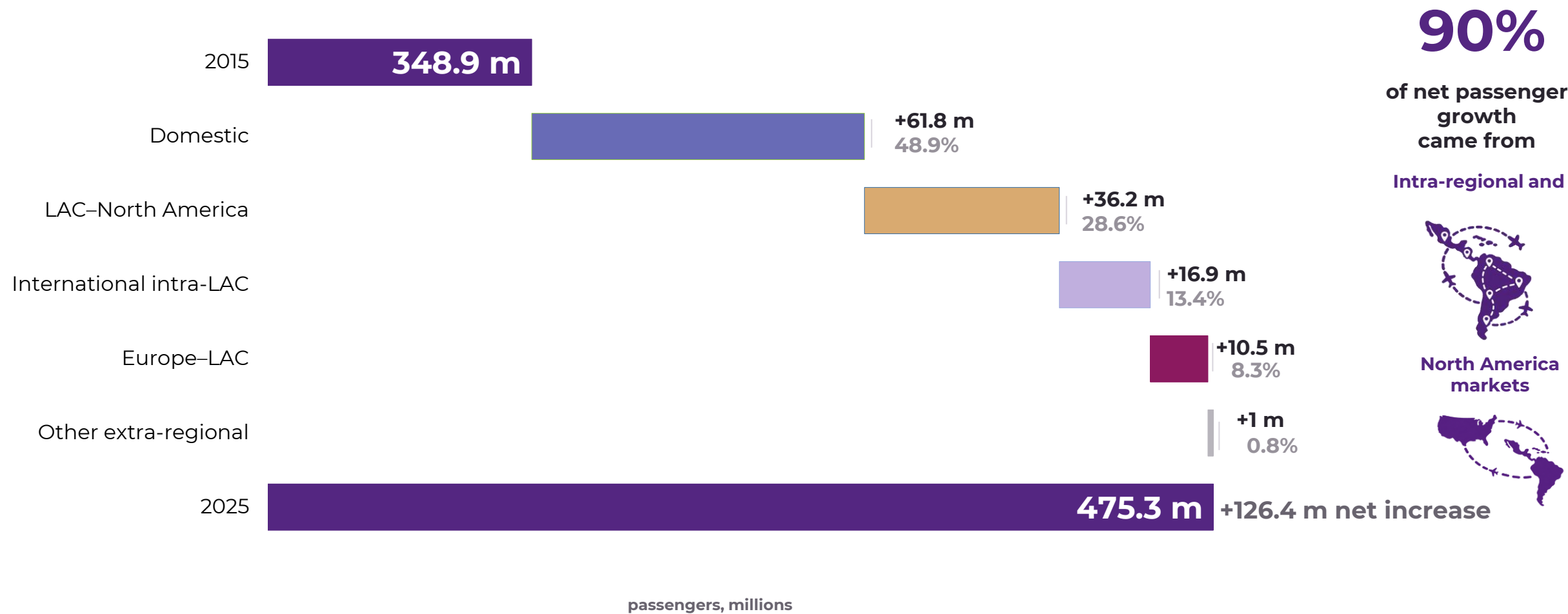
+14%
Real GDP growth

≈2.6×
the pace of GDP



Almost 90% of passenger growth came from within LAC and North America

Contribution to the net increase in passengers traveling to, from and within LAC, 2015–2025



Other extra-regional includes Asia-Pacific, Middle East and Africa.

Source: ALTA analysis based on Cirium FM Traffic



02

The current economic picture

Economic conditions affecting air travel demand

Growth • Inflation • Interest rates

Airline costs and profitability

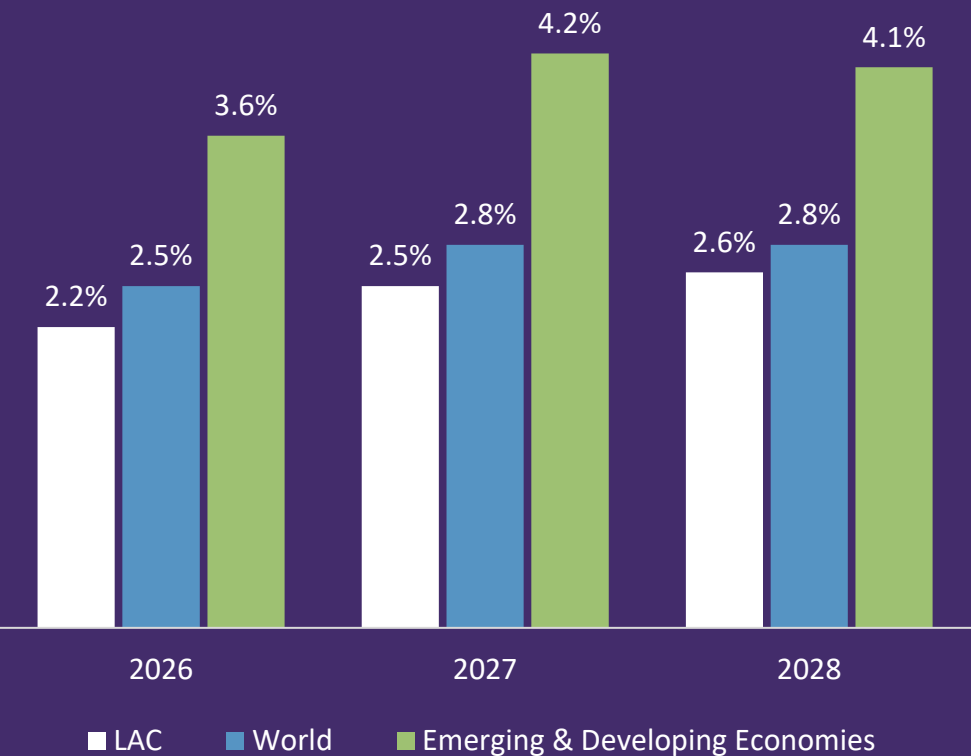
Fuel Costs • Profitability



Economic growth is expected to remain modest and uneven

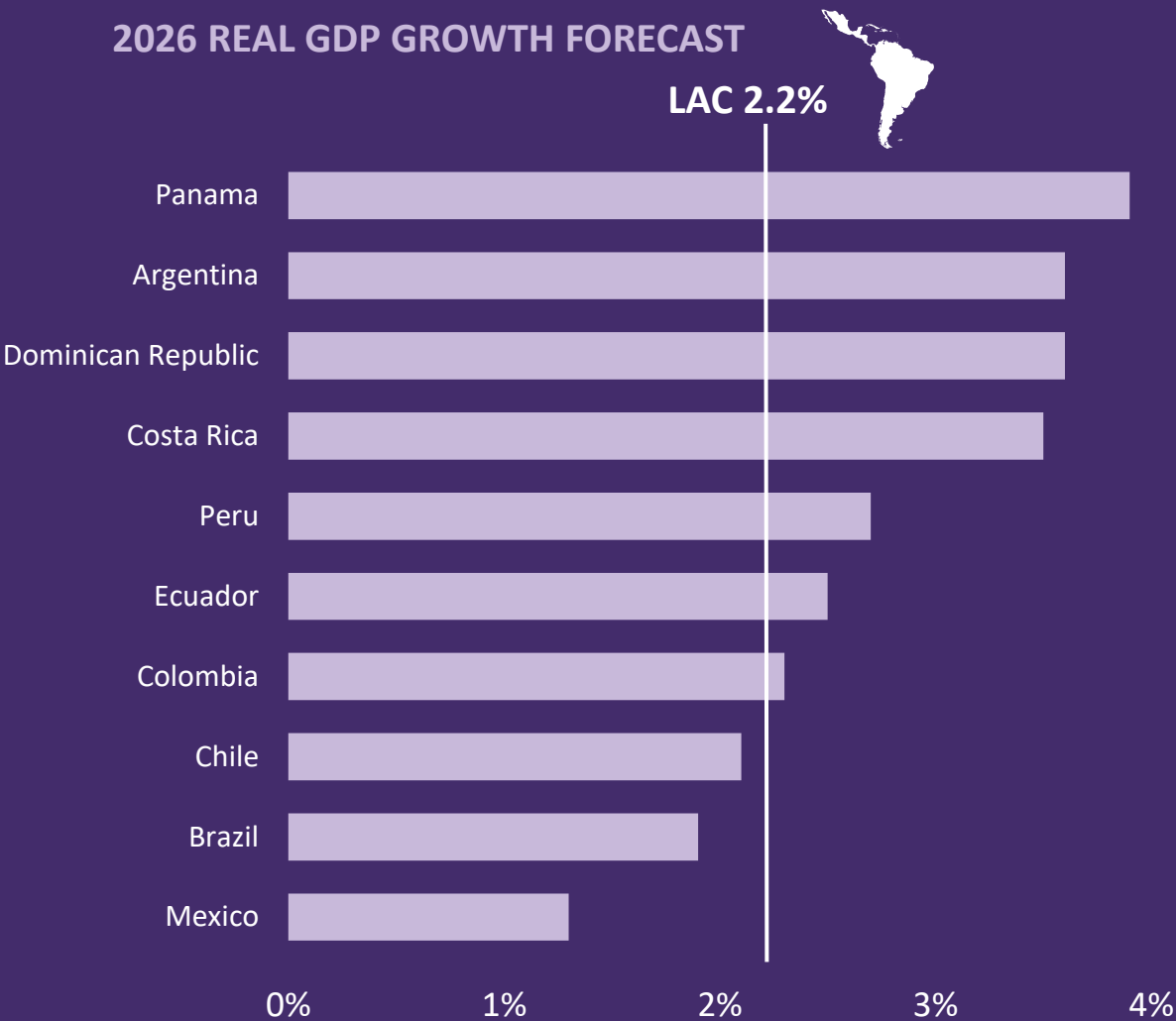
LAC is expected to grow more slowly than the world and emerging economies through 2028

Forecast Annual GDP Growth, %



Source: ALTA analysis based on World Bank Global Economic Prospects

2026 REAL GDP GROWTH FORECAST



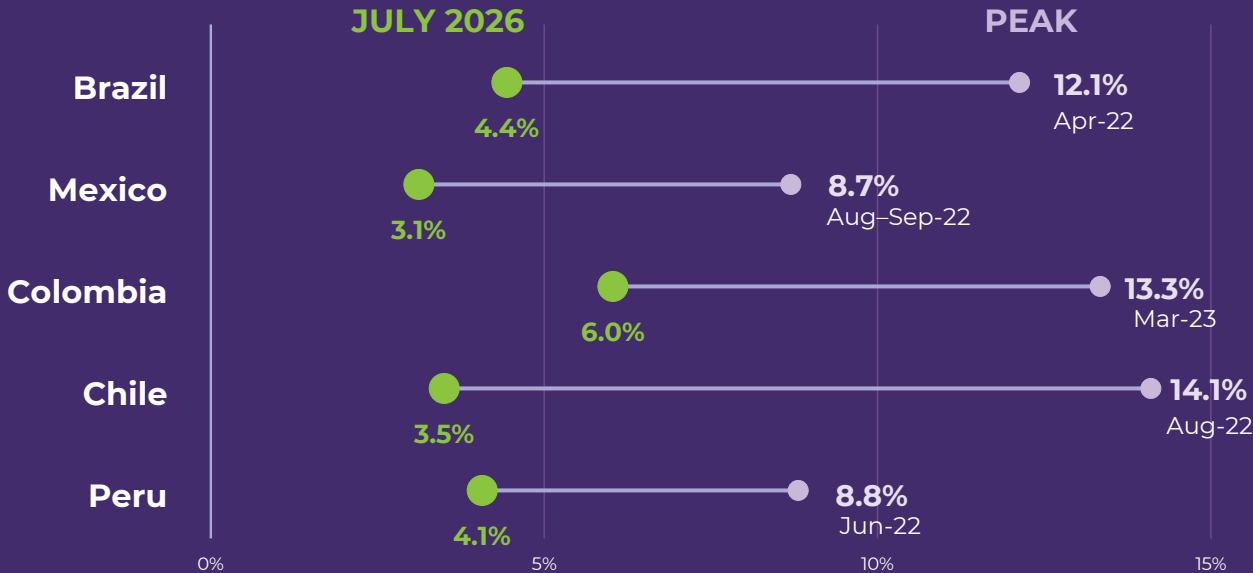
WHY THIS MATTERS FOR AVIATION

Economic growth influences household income and business activity, two important drivers of passenger demand.



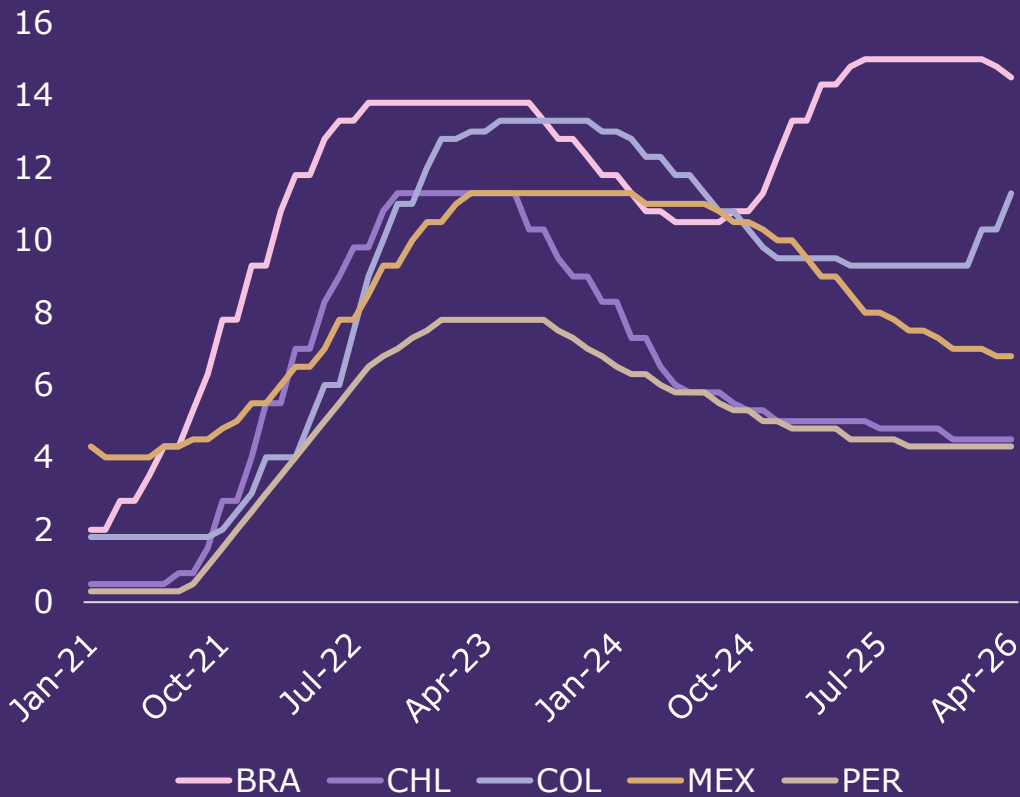
Inflation has declined, but interest rates remain high in some markets

ANNUAL INFLATION
Peak vs. July 2026



Prices are still rising, but at a slower pace

MONETARY POLICY RATES
January 2021–April 2026



WHY THIS MATTERS FOR AVIATION

Inflation affects purchasing power. Interest rates affect consumer and business spending. Both influence air travel demand.

Source: ALTA analysis based on data from IBGE, INEGI, DANE, INE Chile, BCRP and national central banks.

Inflation: July 2026. Policy rates: August 2026. Argentina excluded due to its different inflation scale.



AIRLINE COSTS **AND PROFITABILITY**

How fuel changed the picture in
Q2 2026



The 2026 profitability outlook has weakened

IATA outlook for Latin American airlines — December 2025 vs. June 2026

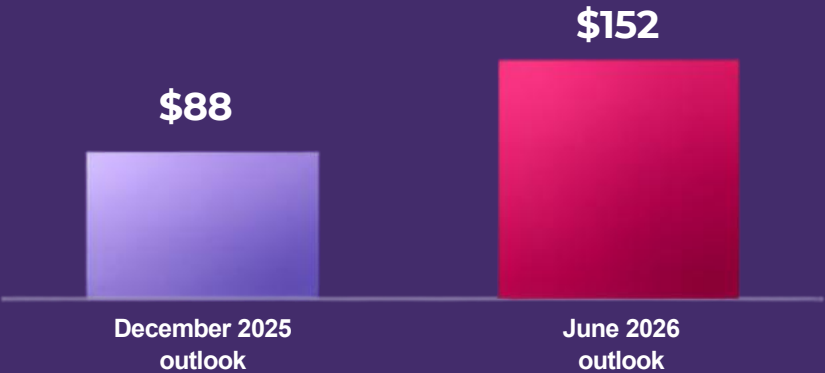


2026 GLOBAL JET FUEL ASSUMPTION

\$88 → **\$152**
per barrel per barrel

+\$64/barrel

+73%



Global industry assumption



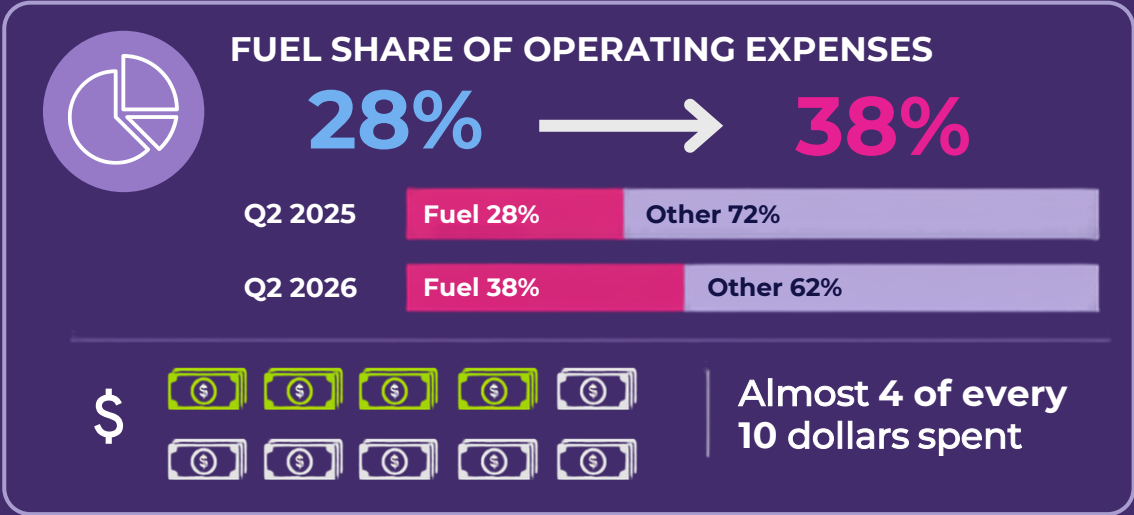
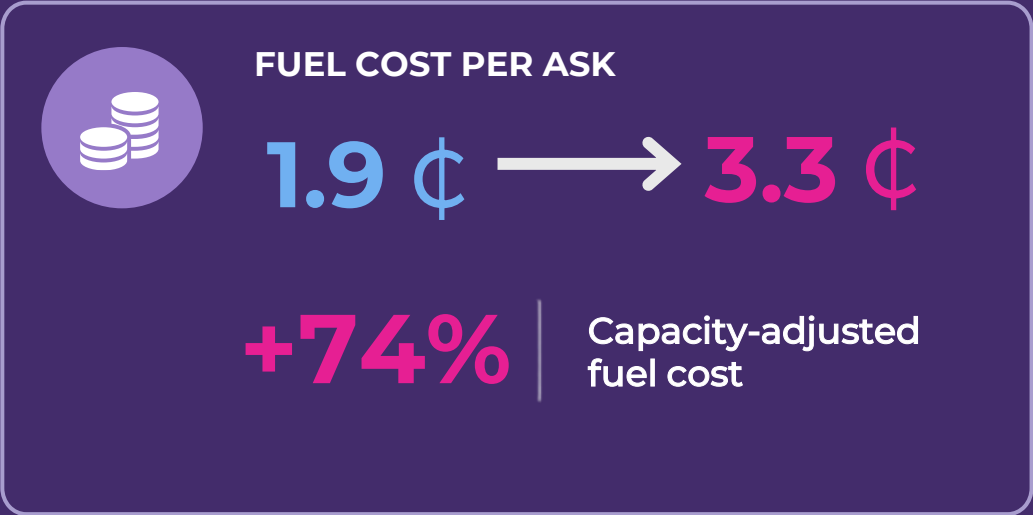
2026 LAC AIRLINE OUTLOOK

	DECEMBER 2025	JUNE 2026	REVISION
 NET PROFIT	\$2.0 bn	\$1.2 bn	-40%
 NET MARGIN	3.8%	2.1%	-1.7 pp
 RPK GROWTH	6.6%	5.0%	-1.6 pp



Capacity grew 3%. Fuel expenses increased 79%.

Q2 2026 vs Q2 2025

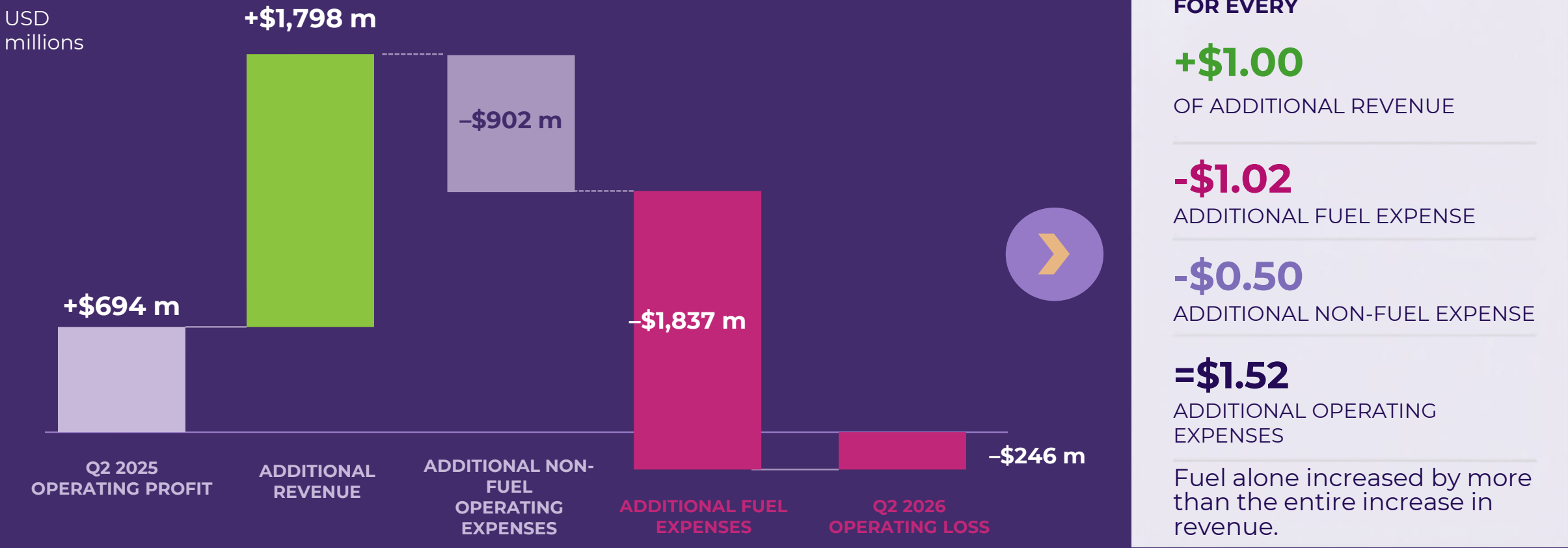


Source: ALTA analysis based on airline financial reports. The sample represents more than 80% of RPKs operated by LAC-based airlines



Fuel alone exceeded the entire increase in revenue

Change in aggregated operating results, Q2 2026 vs. Q2 2025



+694 m
operating profit



-246 m
operating loss

\$940 million
deterioration in the operating
result





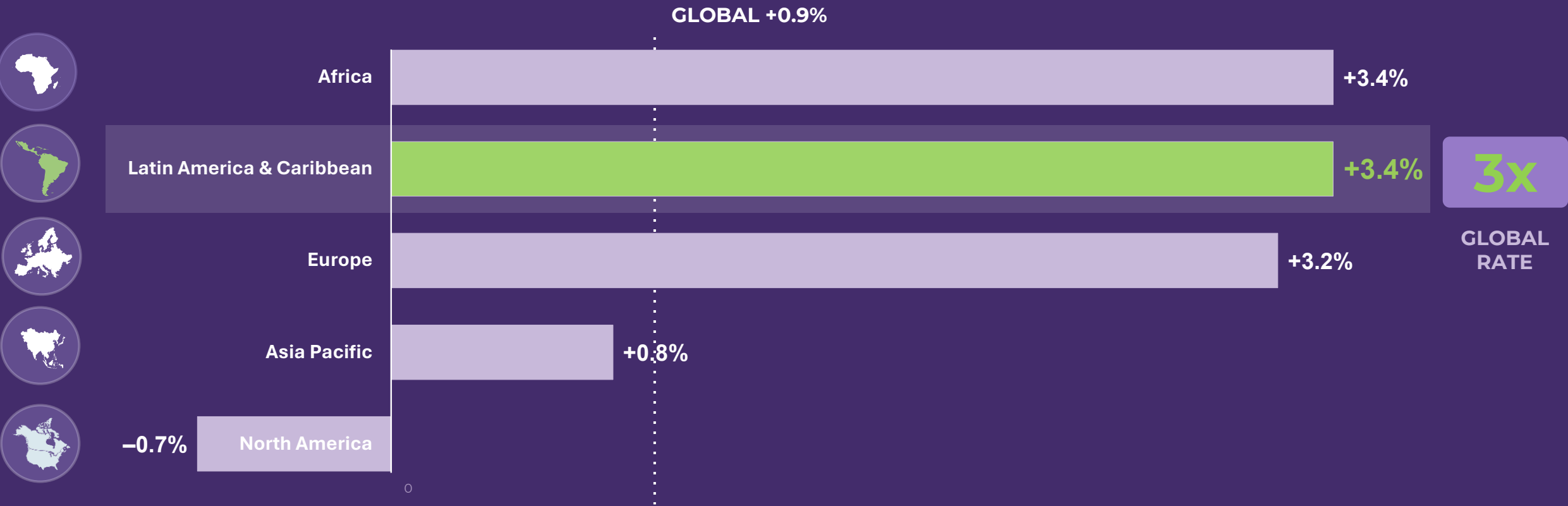
03

Passenger traffic in 2026

How fast is it growing—and where is growth coming from?

LAC passenger growth in H1 2026 was three times the global rate

O&D passenger growth by region | H1 2026 vs. H1 2025





Middle East

-19.3%

Shown separately due to scale

Note: Regional results include O&D traffic to, from and within each region. Interregional markets are counted in both regions; totals are not additive and differ from regional traffic measured by airline domicile.

Source: ALTA analysis based on Civil Aviation Authorities Data and Cirium SRS Analyzer.



Passenger growth slowed sharply after the first quarter

Monthly year-on-year passenger growth in LAC | 2026



Q1

Growth remained above 5%



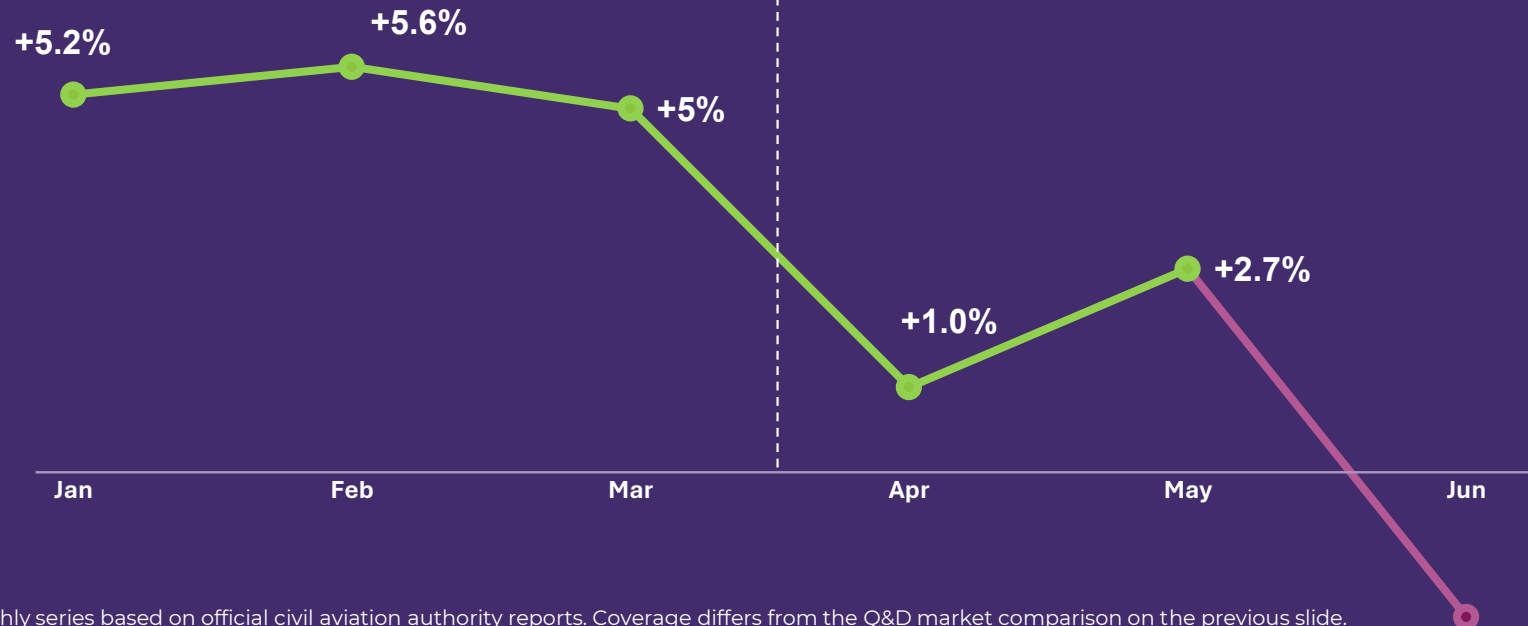
Q2

Growth lost momentum



-2.3%

**First year-on-year
decline since 2021**



Note: Monthly series based on official civil aviation authority reports. Coverage differs from the Q&D market comparison on the previous slide.

Source: ALTA analysis based on official Civil Aviation Authority and member airline reports.

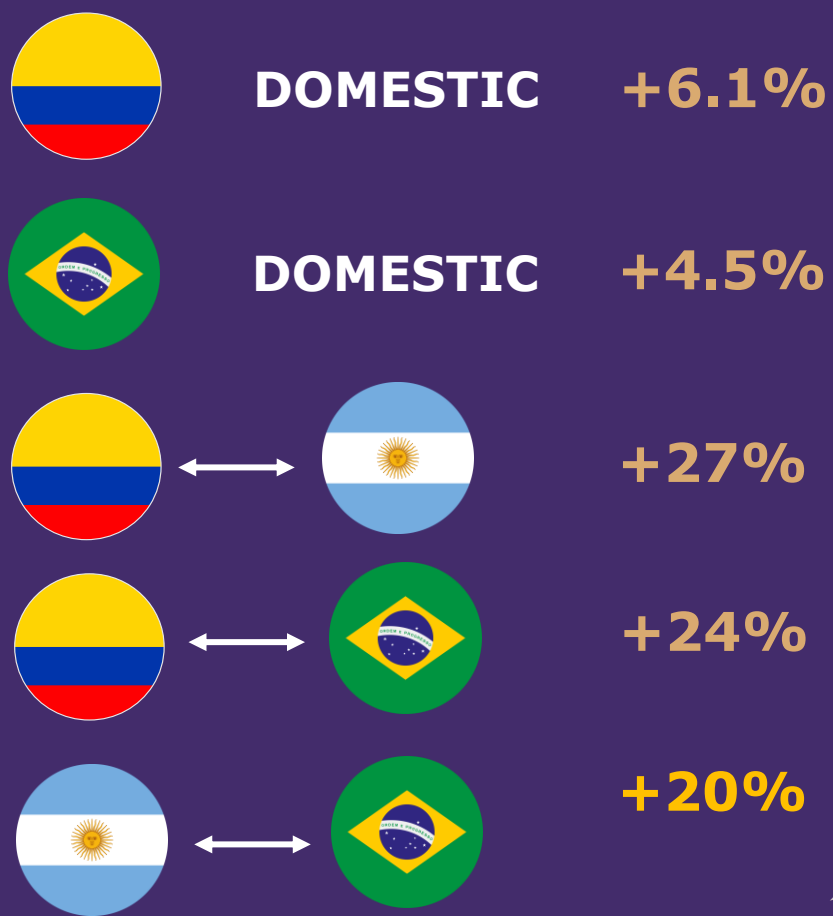


Intra-Regional markets drive most of LAC's traffic growth in 2026

9 in every 10 additional passengers in H1 traveled within the region



Examples of fast-growing intra-LAC markets H1 2026 vs. H1 2025



Source: ALTA Analysis based on Civil Aviation Authorities Reports and Member Airlines Reports



While intra-regional traffic remains strong, **U.S.-LAC demand has weakened**

U.S.-LAC AIR TRAFFIC
~20% of total traffic

-1.4%

H1 2026 vs. H1 2025

-5.8%

Mexico – USA

+4.6%

Central America – USA

-2%

Caribbean – USA

+4.2%

South America – USA



U.S. travelers and U.S. carriers both declined in H1 2026

Two different views of the U.S.-LAC market | H1 2025 vs. H1 2025

TRAVELER DIRECTION

Passenger growth by citizenship

U.S. CITIZENS



LAC



-3.8%

U.S.



LAC
CITIZENS



+1.8%

CARRIER DOMICILE

Passenger traffic by carrier group



U.S. CARRIERS

-4.5%



NON-U.S. CARRIERS

+7.1%

Note: Traveler flows are classified by citizenship. Citizenship may differ from country of residence or point of sale. Non-U.S. carriers include LAC-based airlines and other foreign operators serving U.S.-LAC routes.

Source: ALTA analysis based on U.S. International Trade Administration data.



Can passenger traffic in LAC continue to grow faster than the economy?

THE DATA SUGGEST IT CAN.

But the conditions are becoming more demanding.



ECONOMY

Modest and uneven growth

LAC is expected to continue growing below the world and other emerging economies.



TRAFFIC

Growth is becoming more concentrated

Nearly 9 in 10 additional passengers traveled within LAC in the first half of 2026.



AIRLINES

Less room to absorb cost shocks

Higher fuel costs moved the region's-based carriers from an operating profit to a loss in Q2.

