Dear readers,

March was an important month for air transport in the region as, for the third time since the start of the pandemic, the region exceeded its 2019 passenger levels. Something that had happened in September and December 2022.

This is good news amid the intense forecasts facing the industry, especially in economic matters.

The most recent estimates of the International Monetary Fund (IMF), published at the end of April 2023, show that the economy in the region will grow 1.6% this year, a figure that represents a deceleration of 0.2 points compared to its January 2023 forecasts. This low growth expectation will result in a lower demand for air transport services, especially in a region where 25% of the family basket is destined to food expenses.

The IMF also estimates that inflation will be 13% at the end of 2023. In this sense, it is not surprising that the region is experiencing an increase in monetary policy interest rates that impact the economy, a variable that also negatively affects the demand for air transport services.

In contrast, the region's currencies have tended to revalue so far in 2023, however, they have depreciated versus 2019. In general, exchange rates negatively affect the sector, because 75% of its cost structure is given in dollars.

2023 is shaping up to be very complex in economic terms. Most of the world's countries and productive sectors are still recovering from the pandemic and dealing with the global inflationary context.

This complex outlook invites us not only to keep resilience as our standard, but also to work more closely with the region's governments on fiscal and legislative strategies to attract capital, improve operational efficiency and improve conditions for passengers.

Aviation needs smart and healthy regulations in order to keep flying and offer more and better conditions in the provision of an essential service.

This is not the time to allow adversity to overcome us. For the time being, ALTA continues to work, building bridges, providing relevant information that contributes to making the right decisions and boosting our economies.

This report is a sample of our joint work, so in this edition we celebrate the fact of being able to expand the number of countries that provide their passenger traffic data. ALTA is especially grateful to the civil aviation authorities and the CLAC who kindly work with us to generate regional statistics and relevant studies.

That is the task: working together.
Let's move on!

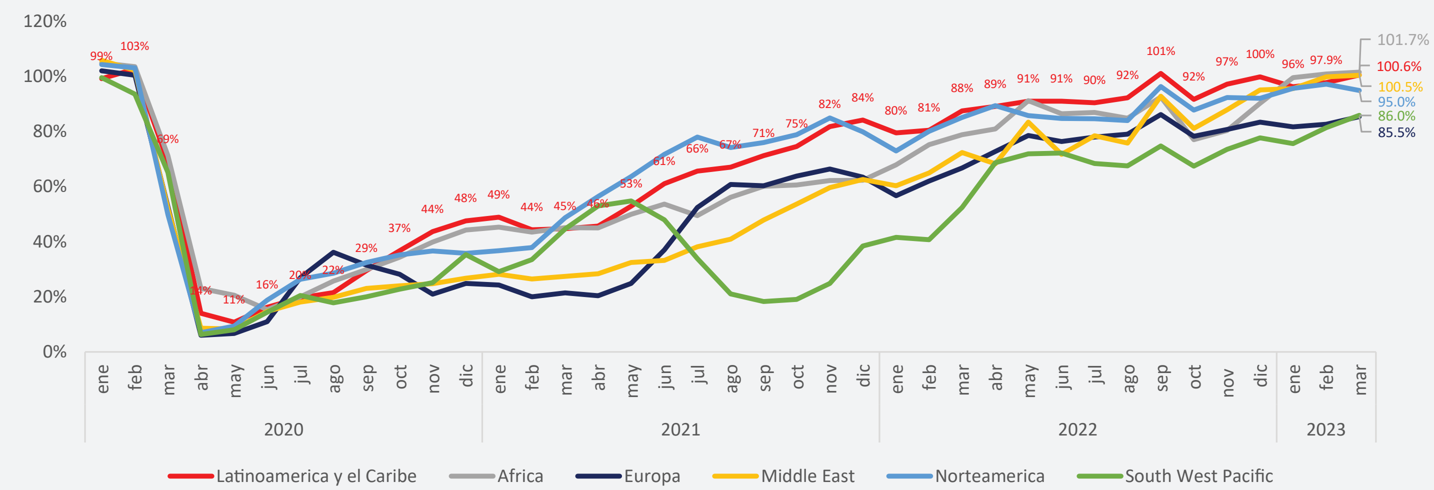
José Ricardo Botelho

Passenger traffic in Latin America and Caribbean exceeded pre-pandemic levels for the third time in March 2023

In March 2023, 30.9 million passengers were carried in Latin America and Caribbean (LAC), 0.6% above the passenger number carried in March 2019, a slight advance over previous months.

For the third time in a row, Africa led the passenger recovery, reaching 101.7% of 2019 levels. LAC ranked second with 100.6% and the Middle East third with 100.5%. North America reached 95%, Southeast Asia 86%, the region with the lowest recovery was Europe with 85.5%.

Passengers by origin region vs. the same month in 2019

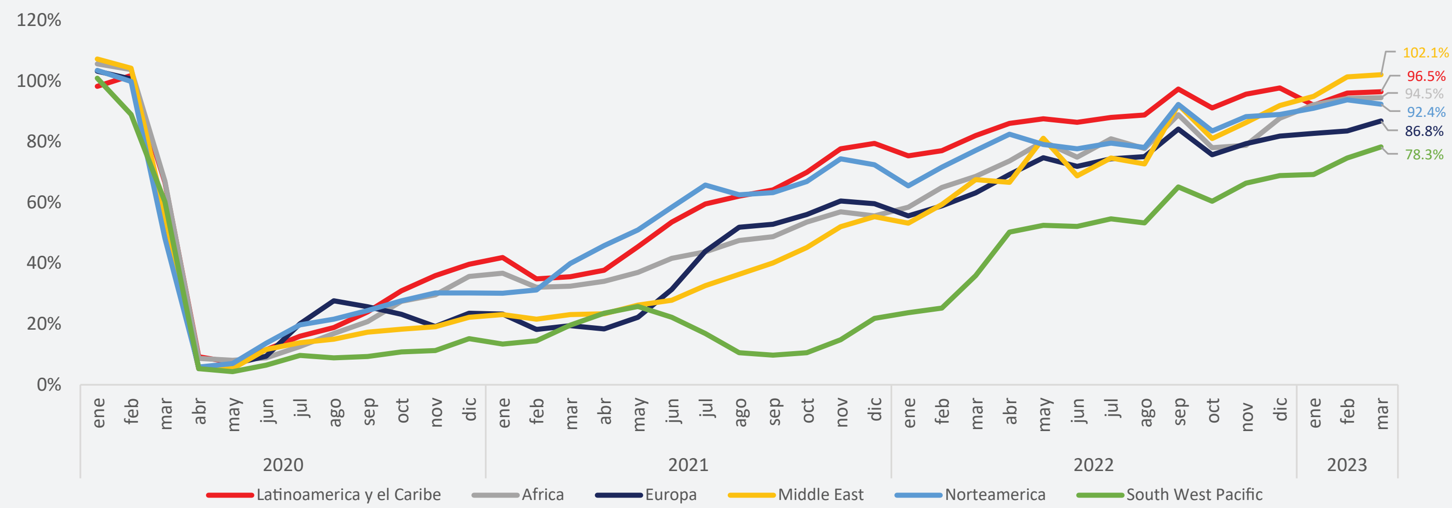


Note: The LAC region includes Mexico
Source: Amadeus

Passenger traffic by region measured in RPK: LAC, second region with the greatest recovery

By December 2022, LAC was the region with the greatest recovery in RPK (Revenue Passenger Kilometer). In March 2023, LAC became the second region in terms of recovery with 96.5%. The Middle East consolidated its position as the region with the greatest recovery, exceeding its pre-pandemic levels by 2.1%. Africa reached 94.5%, North America 92.4%, Europe 86.8% and Southeast Asia 78.3%.

RPK by origin region vs. the same month in 2019

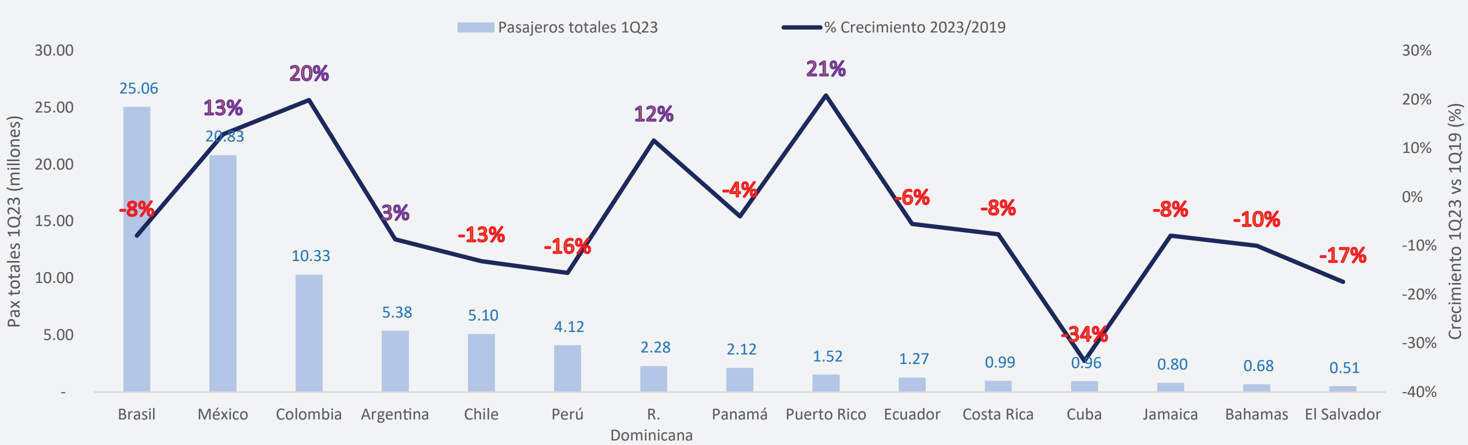


Source: Amadeus

Uneven recovery in the region during Q1

The main markets in terms of passenger traffic during the first quarter were Brazil, Mexico, Colombia, Argentina and Chile. In terms of growth rates, Puerto Rico, Dominican Republic and Colombia stand out. The rest of the countries in the sample have not recovered their 2019 levels, with Cuba being the most affected with a 34% reduction vs. its 2019 levels.

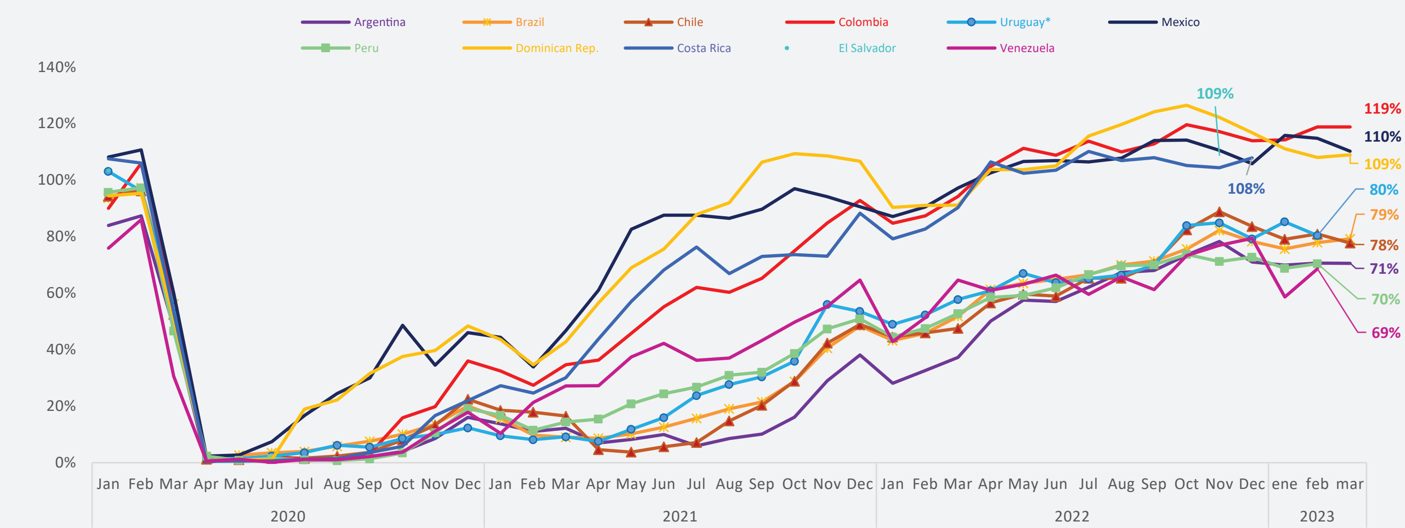
Total passengers (left) and pax growth 1Q23 vs. 1Q19 (right) by LAC country



International passengers

In March 2023, several countries in the region stood out with very positive growth: Colombia and Mexico grew by 19% and 10%, respectively, compared to their 2019 levels. Mexico showed a slight slowdown compared to February. The Dominican Republic reached 109% of its 2019 levels. Meanwhile, Brazil, Chile and Argentina were at 79%, 78% and 71%, respectively. In February 2023, Peru reached 70% of its 2019 levels.

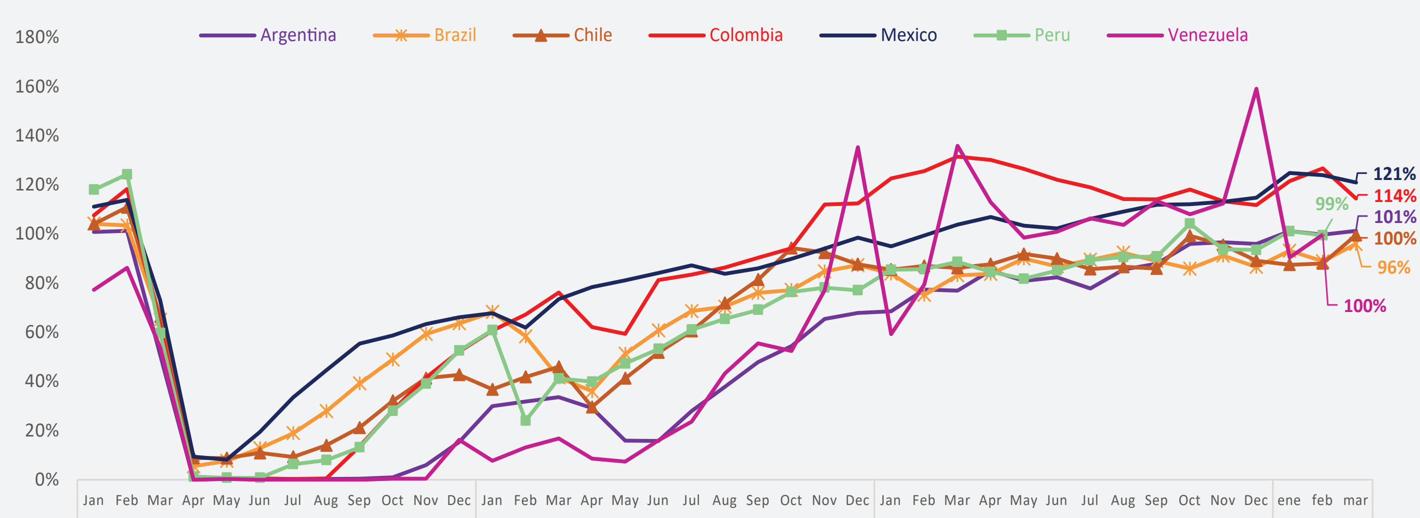
International passengers (compared to the same month in 2019).



Source: Aviation authorities from each country. *Carrasco Airport

Domestic passengers

Domestic passengers (compared to the same month in 2019)



In March 2023, Colombia was 14% above its 2019 levels, a very positive number, but lower than in February 2023, when it had reached 127%. Mexico was 21% above its pre-pandemic levels. Both countries showed a slowdown in their growth compared to the previous month.

This month also brought very positive growth for Argentina and Chile. Argentina exceeded for the third consecutive time its 2019 levels and for the first time Chile virtually reached its pre-pandemic levels. On the other hand, Brazil came closer to its 2019 levels with 96%, and, according to February 2023 data, Peru showed a domestic recovery of 99%. In February, Venezuela almost reached its pre-pandemic levels.

Passengers, RPK, ASK and load factor

In March, 30.9 million passengers were carried in the region, representing 0.6% above pre-pandemic levels. Domestic traffic grew by 4.2%, extra-LAC international traffic reached 2.7% below, while intra-LAC traffic reached 10.1% below its 2019 levels. Cumulative January-March carried 89.6 million passengers, 1.8% below 2019.

March RPKs, for domestic, grew by 7.4% vs. 2019. Domestic cumulative RPKs grew by 4.8% above 2019.

In terms of relative capacity, i.e. Available Seats per Kilometer (ASK), the domestic leg is recovering faster and grew by 7.5% above its 2019 levels and the cumulative January-March 7.2% above.

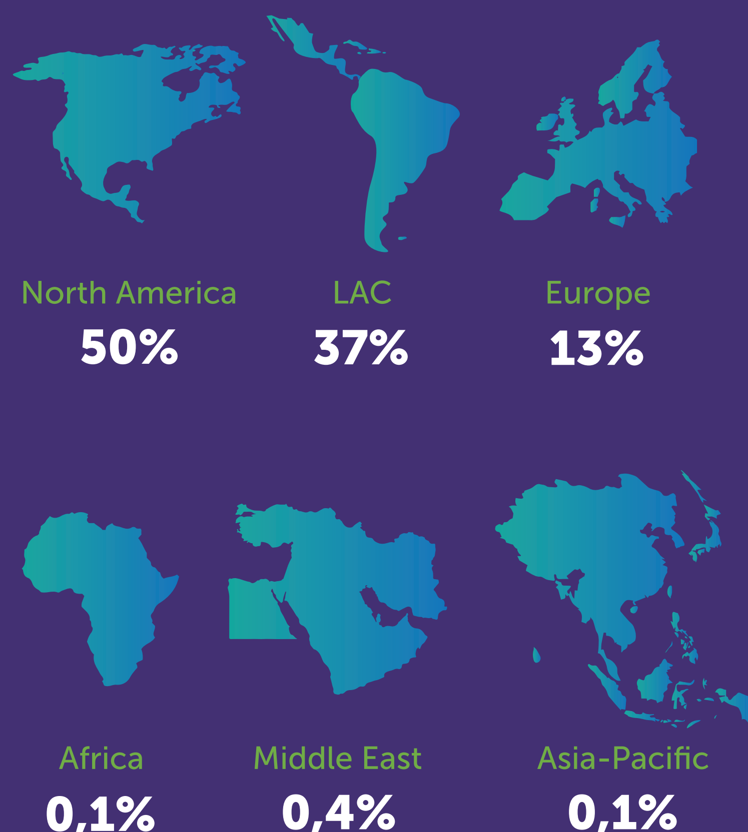
Total RPKs in March reached 3.5% below 2019 and cumulative 5.2% below. While total ASKs were 2.3% below their 2019 levels and cumulative 3.4% below.

In March, total load factor reached 81.5% at 0.8 points below 2019 levels, while domestic was 81.6%. Intra-LAC was 77.2% and extra-LAC was 82.1%. Cumulatively, the total load factor was 80.5%, two points below 2019.

ALTA	2019	2020	2021	2022	2023	Growth 2020/2019	2021/2019	2022/2019	2023/2019	Cumulative (January-March) 2019	2020	2021	2022	2023	Growth 2020/2019	2021/2019	2022/2019	2023/2019
Passengers	**30,756,061**	**21,250,496**	**13,772,327**	**26,941,026**	**30,932,547**	**-30.9%**	**-55.2%**	**-12.4%**	**0.6%**	**91,245,760**	**82,285,877**	**42,089,182**	**75,330,668**	**89,644,075**	**-9.8%**	**-53.9%**	**-17.4%**	**-1.8%**
Domestic	19,354,822	13,989,418	10,269,290	18,513,612	20,165,778	-27.7%	-46.9%	-4.3%	4.2%	58,125,829	53,978,709	32,181,490	52,332,897	59,221,797	-7.1%	-44.6%	-10.0%	1.9%
Intra-LAC	4,406,947	2,913,437	894,345	2,746,957	3,959,802	-33.9%	-79.7%	-37.7%	-10.1%	13,387,517	11,409,511	2,720,234	7,548,193	11,630,103	-14.8%	-79.7%	-43.6%	-13.1%
Extra-LAC	6,994,292	4,347,641	2,608,692	5,680,457	6,806,966	-37.8%	-62.7%	-18.8%	-2.7%	19,732,414	16,897,657	7,187,457	15,449,578	18,792,174	-14.4%	-63.6%	-21.7%	-4.8%
RPK(millions)	**54,815**	**36,525**	**19,518**	**44,999**	**52,899**	**-33.4%**	**-64.4%**	**-17.9%**	**-3.5%**	**162,136**	**143,723**	**61,036**	**126,750**	**153,664**	**-11.4%**	**-62.4%**	**-21.8%**	**-5.2%**
Domestic	17,401	12,791	9,855	17,557	18,684	-26.5%	-43.4%	0.9%	7.4%	53,266	49,515	31,971	50,738	55,840	-7.0%	-40.0%	-4.7%	4.8%
Intra-LAC	8,632	5,551	1,774	5,387	7,641	-35.7%	-79.5%	-37.6%	-11.5%	26,402	22,423	5,481	15,058	23,078	-15.1%	-79.2%	-43.0%	-12.6%
Extra-LAC	28,782	18,182	7,889	22,054	26,573	-36.8%	-72.6%	-23.4%	-7.7%	82,469	71,784	23,584	60,953	74,747	-13.0%	-71.4%	-26.1%	-9.4%
***ASK(millions)**	**66,722**	**50,513**	**29,871**	**55,625**	**65,171**	**-24.3%**	**-55.2%**	**-16.6%**	**-2.3%**	**196,760**	**183,672**	**91,189**	**160,424**	**190,163**	**-6.7%**	**-53.7%**	**-18.5%**	**-3.4%**
Domestic	21,299	16,786	13,612	21,461	22,902	-21.2%	-36.1%	0.8%	7.5%	65,038	62,127	43,132	62,462	69,736	-4.5%	-33.7%	-4.0%	7.2%
Intra-LAC	10,578	8,046	2,750	6,757	9,895	-23.9%	-74.0%	-36.1%	-6.5%	32,002	29,159	8,486	19,797	29,281	-8.9%	-73.5%	-38.1%	-8.5%
Extra-LAC	34,846	25,681	13,509	27,407	32,374	-26.3%	-61.2%	-21.3%	-7.1%	99,720	92,386	39,571	78,165	91,146	-7.4%	-60.3%	-21.6%	-8.6%
***Load factor**	**82.3%**	**71.9%**	**63.3%**	**81.2%**	**81.5%**	**-10.4 pts**	**-19.0 pts**	**-1.1 pts**	**-0.8 pts**	**82.5%**	**78.1%**	**64.6%**	**79.7%**	**80.5%**	**-4.4 pts**	**-17.9 pts**	**-2.8 pts**	**-2.0 pts**
Domestic	81.7%	76.2%	72.4%	81.8%	81.6%	-5.5 pts	-9.3 pts	0.1 pts	-0.1 pts	81.9%	79.7%	74.1%	81.2%	80.1%	-2.2 pts	-7.8 pts	-0.7 pts	-1.8 pts
Intra-LAC	81.6%	69.0%	64.5%	79.7%	77.2%	-12.6 pts	-17.1 pts	-1.9 pts	-4.4 pts	82.5%	76.9%	64.6%	76.1%	78.8%	-5.6 pts	-17.9 pts	-6.4 pts	-3.7 pts
Extra-LAC	82.6%	70.8%	58.4%	80.5%	82.1%	-11.8 pts	-24.2 pts	-2.1 pts	-0.5 pts	82.7%	77.7%	59.6%	78.0%	82.0%	-5.0 pts	-23.1 pts	-4.7 pts	-0.7 pts

Source: Amadeus * ALTA estimates based on reporting by member airlines.

Distribution of destination region of passengers originating travel in LAC



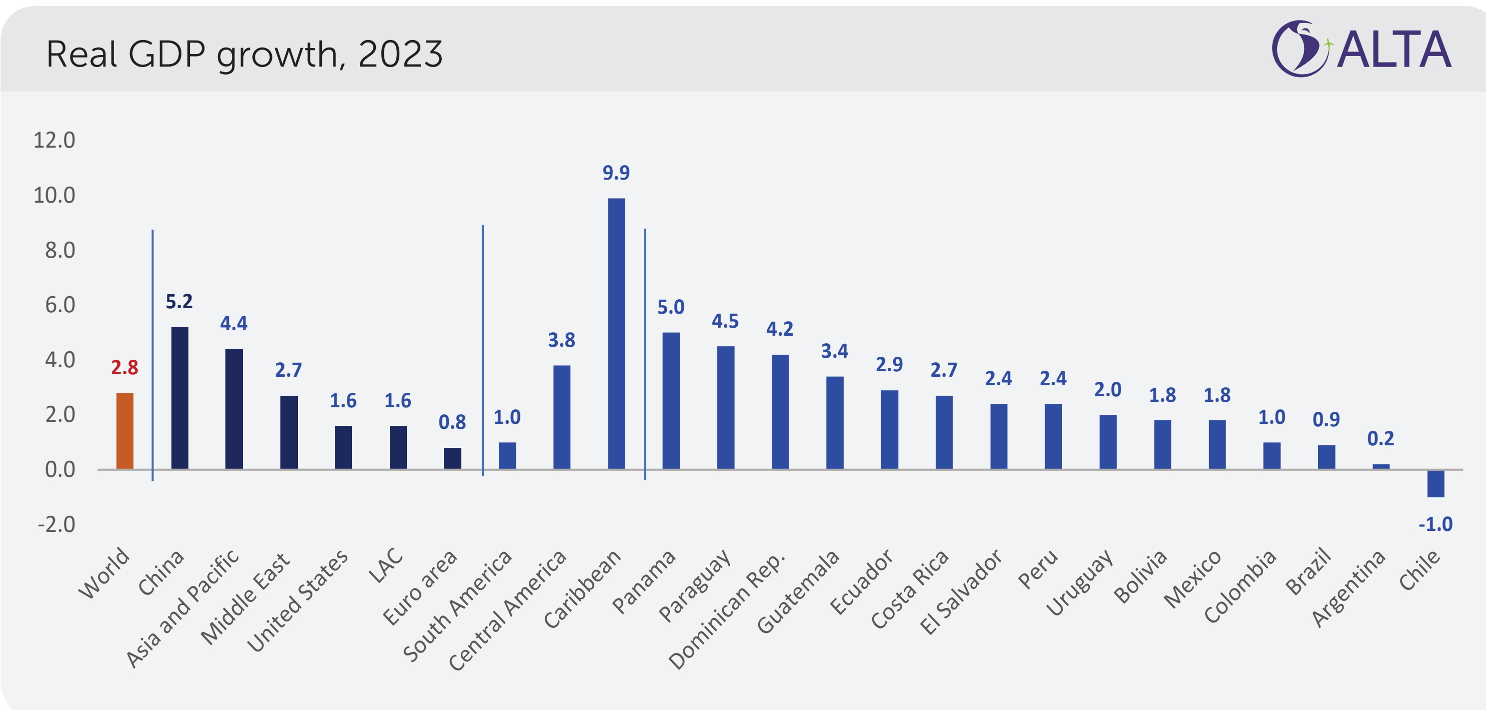
50% of international passengers in LAC are destined for North America, 37% for another country in LAC and 13% for Europe.

Source: Amadeus

ECONOMIC OUTLOOK
Growth, new estimates

According to the International Monetary Fund's (IMF) April 2023 estimates, growth in LAC slows 1.6% this year, after a remarkable 4% in 2022. Compared to the January 2023 expectation, the region decreases 0.2%. Slower growth is expected to bring lower demand for air transport service.

Before the pandemic, there was a close relationship between economic growth and air transport, however, even though the world's economies have been recovering, air traffic has slowed down much more and has not done so in the same way in the different countries of the region.



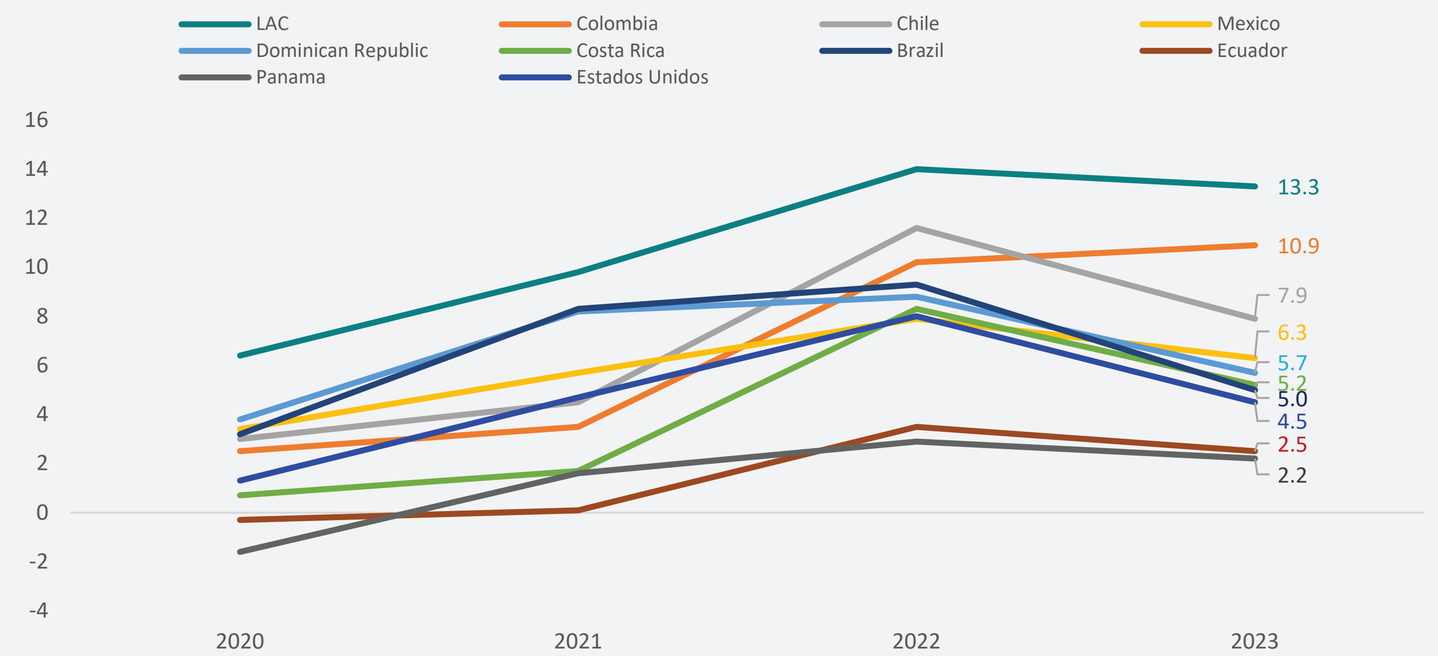
Source: IFM, April 2023 World Economic Outlook

Inflation: reduction in income and drop in demand

Inflation continues to generate a significant increase in food prices. This has an impact on air transport, since in LAC 25% of the basic food basket is spent on food. An increase in prices affects the distribution of disposable income in households and, therefore, spending on tourism and air transportation is limited.

On the other hand, other aeronautical goods and services are updated with inflation, such as airport taxes, and this impacts the demand for air transport.

Inflation rate, average consumer prices (Annual % change)

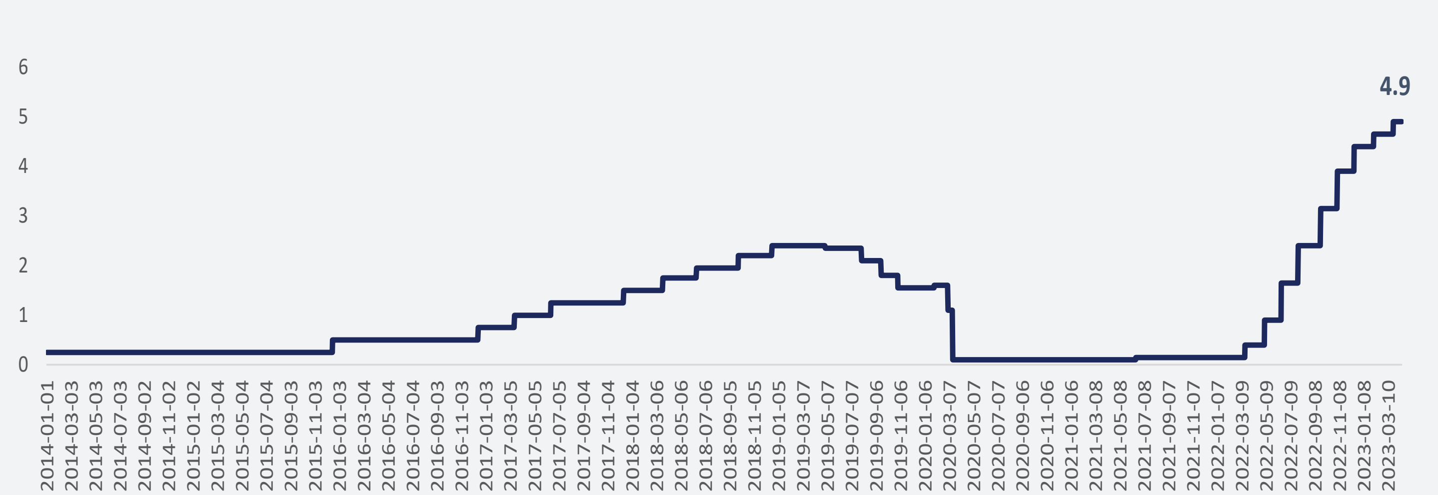


Source: IFM, April 2023 World Economic Outlook

Interest Rates: Impact on Airline Debt and Equity

The LAC region, unlike other regions of the world where airlines have had access to capital and economic support from the State, whose capital market expects a rate of return or through debt, is not pressured by increases in interest rates that airlines must pay, which directly affect costs and reduce consumption and demand for air transport service.

Exchange Rates: 75% of an airline's cost structure is given in dollars

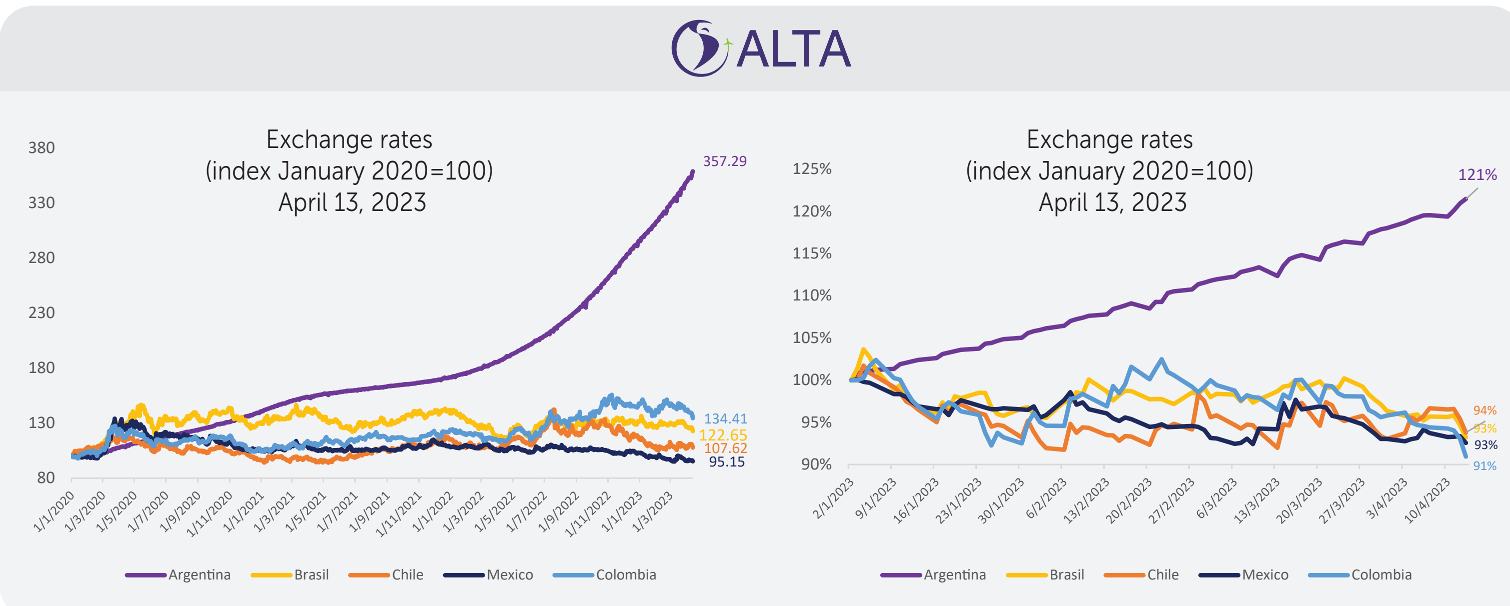


Fuente: Federal Reserve

Exchange Rates: 75% of an airline's cost structure is given in dollars

An airline's cost structure is more dollar-concentrated than its local currency. Exchange rates in several countries in the region continue to be volatile, creating uncertainty and difficulty in how airlines set prices and establish long-term budgets.

While currency values, relative to 2020, show a devaluation trend (graph on the left), when compared to January 2023, appreciation is shown for several countries except Argentina.



Source: Yahoo Finance

Jet Fuel and WTI (West Texas Intermediate) prices

The fuel price continues to be very volatile. **On April 24, 2023, the Jet fuel price was 36% above vs. April 2021,** while the WTI crude oil price was 30% above.

On April 24, the jet fuel price decreased to USD 95.5 per barrel, one of the lowest prices during the entire month and so far in 2023. However, the differential between a barrel of oil and jet fuel prices has been increasing so that, while in January 2021 the jet fuel price was 14% above the oil price, as of April 24 that price differential was 21%.

Jet Fuel & Crude Oil Price WTI (Dollars per barrel), April 24

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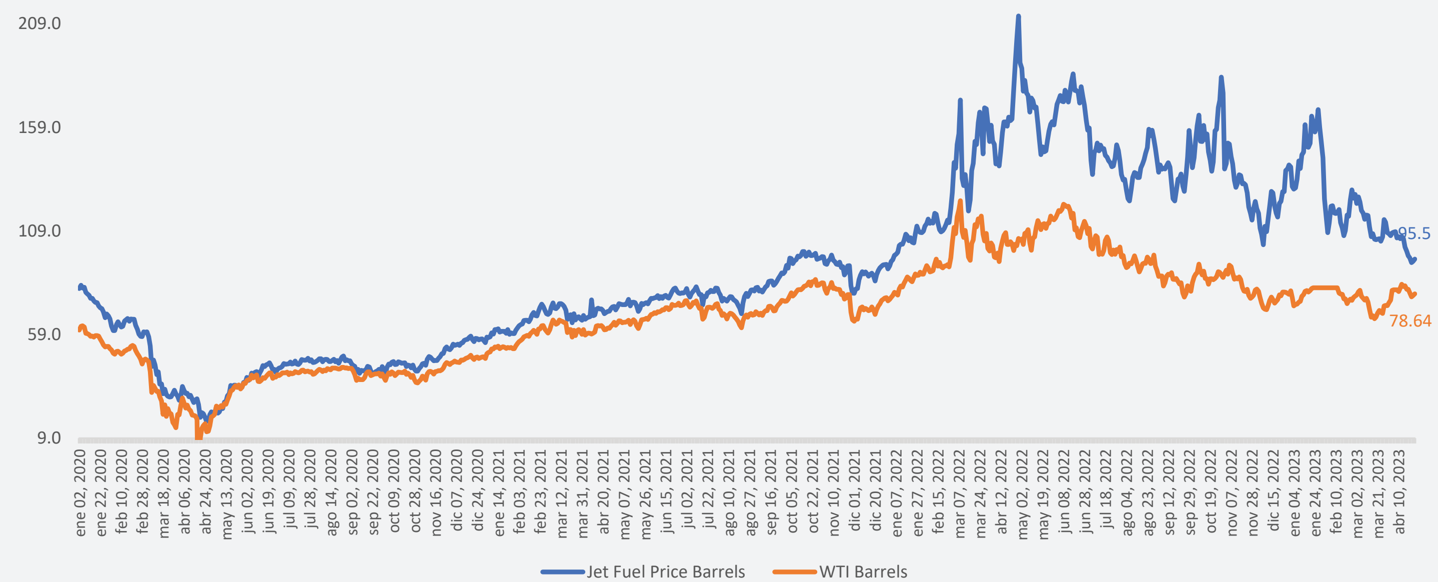

Source: US Energy Information Administration

Sustainable Aviation Fuel (SAF)

According to S&P Global Commodity insights, as of April 24, 2023, the SAF price was almost 2.3 times more expensive than regular fuel.

US West Coast Sustainable Aviation Fuel price vs regular Jet Fuel US$/Barrel, April 24

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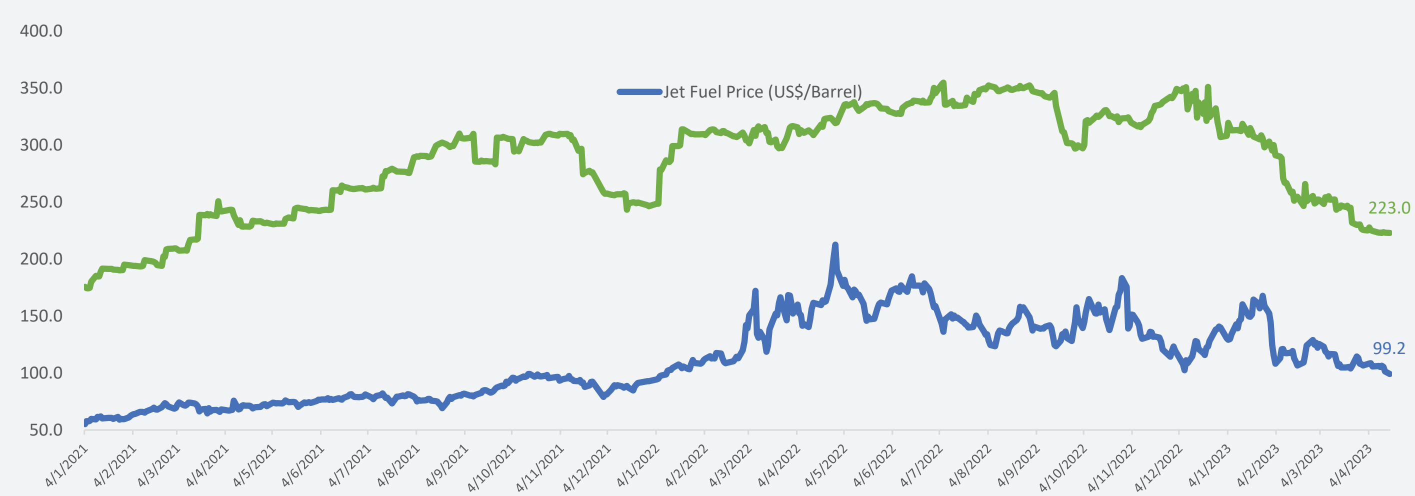
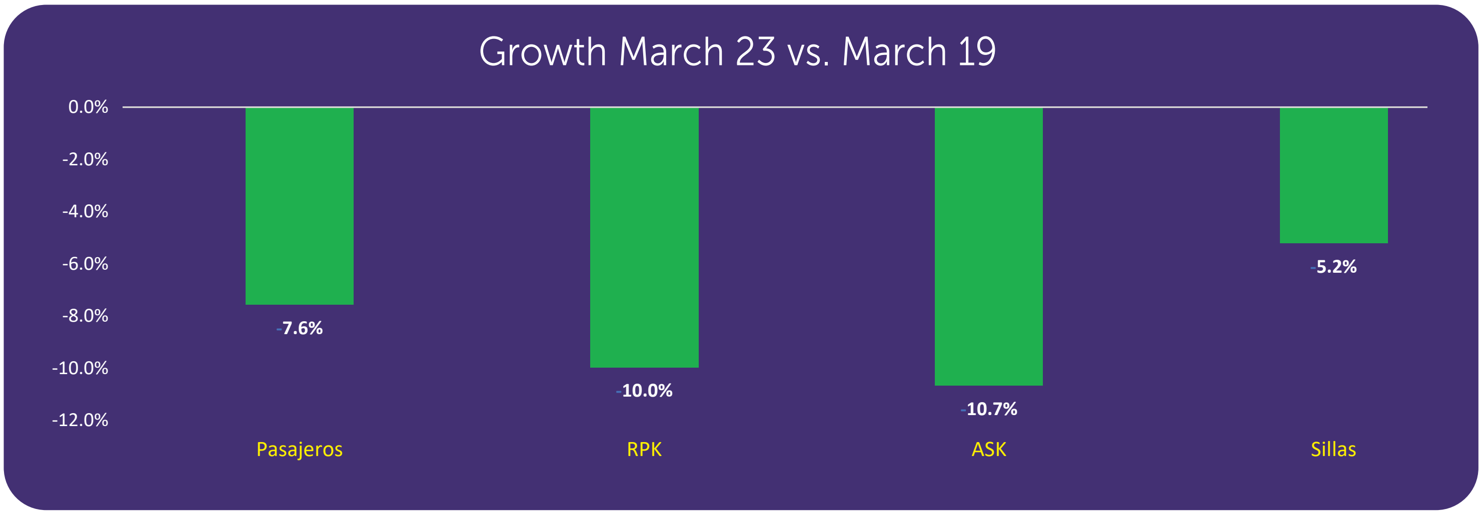


Source: S&P Global Commodity Insights y US Energy Information Administration

Special statistics on Brazil

March 2023 statistics

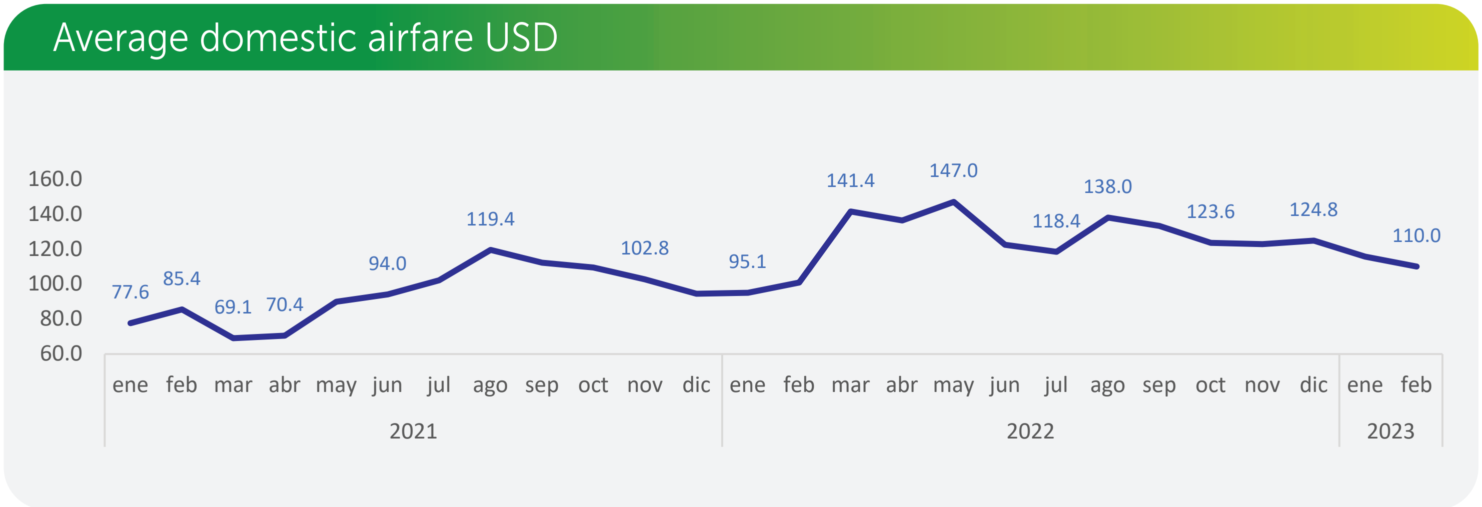
- In March 2023, a total of 9.07 million passengers were carried: 7.4 million domestic (81% out of the total) and 1.7 million international.
- In March, a 79% international recovery was achieved compared to the same month in 2019 and 96% in the domestic case.
- Total passengers still remain 7.6% below 2019. RPKs were 10% below 2019. ASKs 10.7% below and in total seats 5.2% below.
- In the first quarter of 2023 (1Q23), 25 million passengers were carried, representing 92% of its 1Q19 levels.



Source: ANAC Brazil

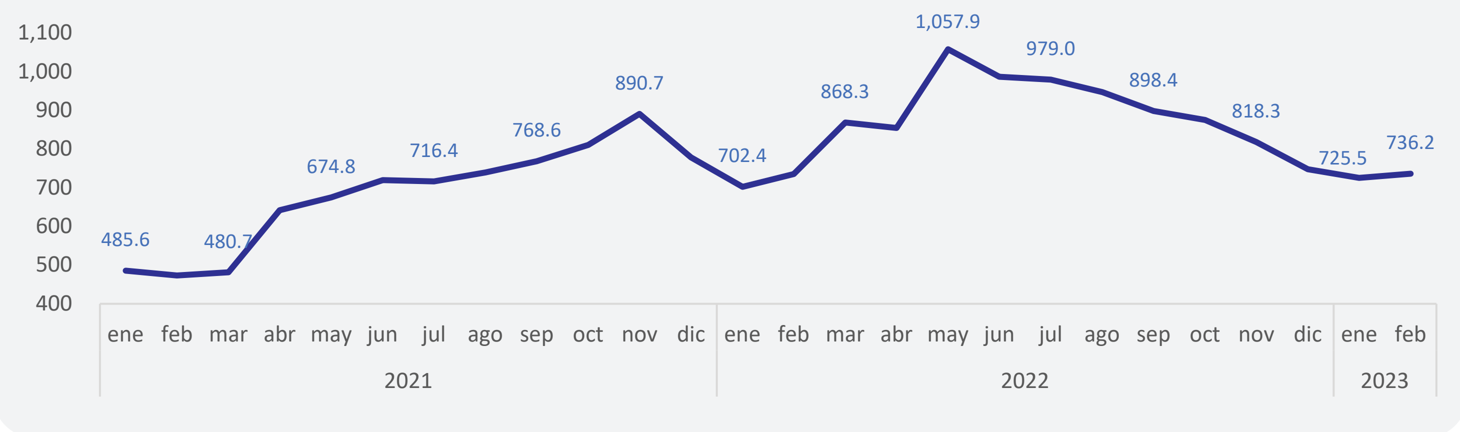
Average monthly airfare (USD) in Brazil

The average domestic fare in February 2023 was 110 USD (+18% than in 2019) while the international fare is 736.2 USD (+5% than in 2019)



Source: ANAC Brazil, Airfare Panel Tarifas Aéreas Domésticas e Internacionais — Agência Nacional de Aviação Civil (ANAC) (www.gov.br)

Average international airfare USD



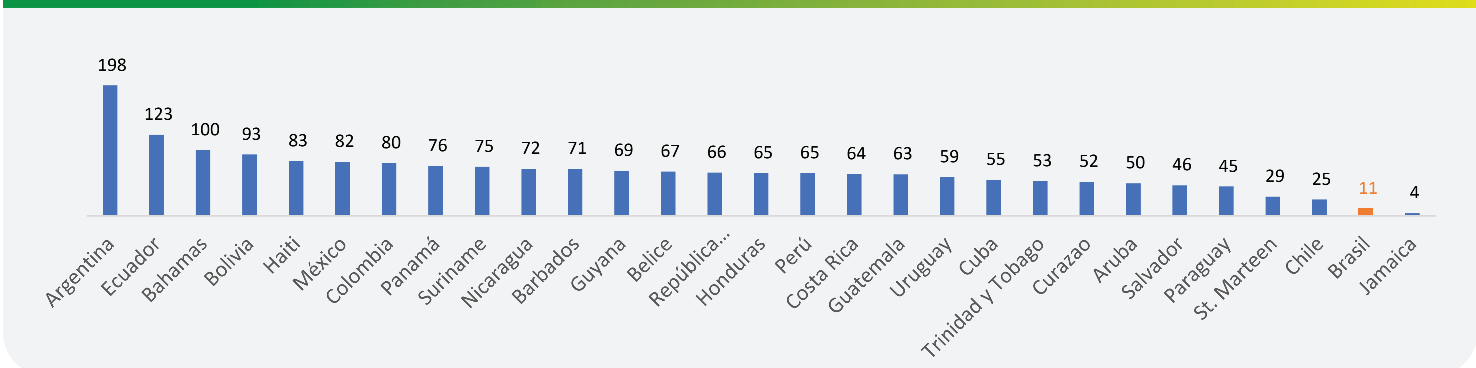
Source: ANAC Brazil, Airfare Panel Tarifas Aéreas Domésticas e Internacionais — Agência Nacional de Aviação Civil (ANAC) (www.gov.br)

Competitiveness in taxes, fees and contributions: **Brazil as one of the most competitive countries**

According to the Air Transport Competitiveness Index prepared by ALTA, Brazil ranks second as one of the most competitive countries in terms of taxes. This is because of:

• In taxes that apply to the price of tickets, **Brazil has no percentage of taxation that is reflected in its cost.**
• With a value of USD10.9, Brasilia has one of the cheapest airport taxes for airports in Brazil.
• **Brazil has a weighted airport tax for the country of US $11.3, which is among the less expensive in LAC.**
• **Brazil is one of the countries with no additional costs.** This concept includes tourism taxes, fees for immigration and security services, among other types of airport costs.
• When considering all taxes, fees and contributions, Brazil is one of the less expensive countries for a passenger.

Taxes, fees and contributions USD



Source: ALTA. Calculated on the basis of a USD 110 ticket.

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• Content data are estimates and are subject to review.