



The goal for 2023 is to increase our competitiveness

Dear Readers,

We have already shared on previous occasions that aviation is an essential service. Years ago, it ceased to be a luxury, to become the safest and most efficient means of transport for a growing population that inhabits continental countries such as Brazil, over 40 atomized territories in the Caribbean and intricate geographies such as mountain ranges and deserts.

Aviation is a necessity for Latin America and Caribbean to transport not only people in their daily lives, but also essential supplies, food, vaccines, medicines, and the sales that feed small, medium and large traders.

It is an activator of economies and a supplier of needs in remote places.

Accordingly, the industry has been immensely resilient in the face of complexities: a pandemic with no economic support, inflation, high input costs, currency devaluation, to name a few.

We see that resilience reflected in growing passenger numbers, but that does not necessarily mean financial health. Historically, airlines have had low profit margins: in 2019, the year with the most passengers carried in the region, margins were close to 3% of their revenues; in 2020, in the midst of the pandemic crisis, US\$9,188 million in losses were recorded, so the margin was -91%, in 2021 -42% and -11% in 2022.

In order for the region to continue operating in a sustainable manner in 2023 and in the years to come, and to meet the growing passenger demand, it is essential that governments and aviation work together to make the region increasingly competitive.

This joint work will promote the development of air transport and, consequently, will allow for the expansion of the economic and social benefits derived from the extensive value chain that is activated every time an aircraft takes off.

This joint agenda must include the review and updating of regulatory frameworks, as well as the taxes, fees and tax burdens on the sector. This is a factor that undoubtedly slows down the growth of a service such as aviation, which activates an extensive value chain in our countries.

In addition, it is necessary to promote investment to produce the amount of sustainable fuel needed to supply the Latin American and

Caribbean market and also to export this product to other regions of the world.

Latin America and Caribbean has one of the greatest potentials in the world to lead the market for the production of Sustainable Aviation Fuel (SAF), however, policies and regulations are needed to stimulate investment and the development of projects of this type.

Acting in this direction would help LAC to diversify its economic income and increase the employment rate, to name just a couple of benefits. This would also help the aviation industry achieve its goal of becoming carbon neutral by 2050.

Achieving 65% of that goal depends essentially on the use of SAF. However, according to S&P Global Commodity Insights, as of February 27, 2023, the price of SAF was almost twice as expensive as regular fuel, making it difficult to meet this environmental promise.

On the other hand, the fuel price continues to be very volatile. The differential between the prices of a barrel of oil and jet fuel has increased considerably. In January 2021, the jet fuel price was 14% higher than the oil price, but today the price differential is 71%. Fuel now equals 50% of the cost structure of an airline, vs. the first quarter of 2022, when it equaled 36%.

All of these factors are intrinsic to the path to recovery, but we have a resilient industry ready to weather the turbulence.

Therefore, our task is focused on promoting state agendas that take aviation as an essential economic sector and provide technical information that results in actions that improve regulations, tax burdens and contribute to governments and industry to develop the great economic and social wellbeing potential derived from air connectivity.

Today, more than ever, our efforts are focused on making Latin American aviation achieve excellence in all ambits.

Let's get to work!

Thank you for reading.
José Ricardo Botelho

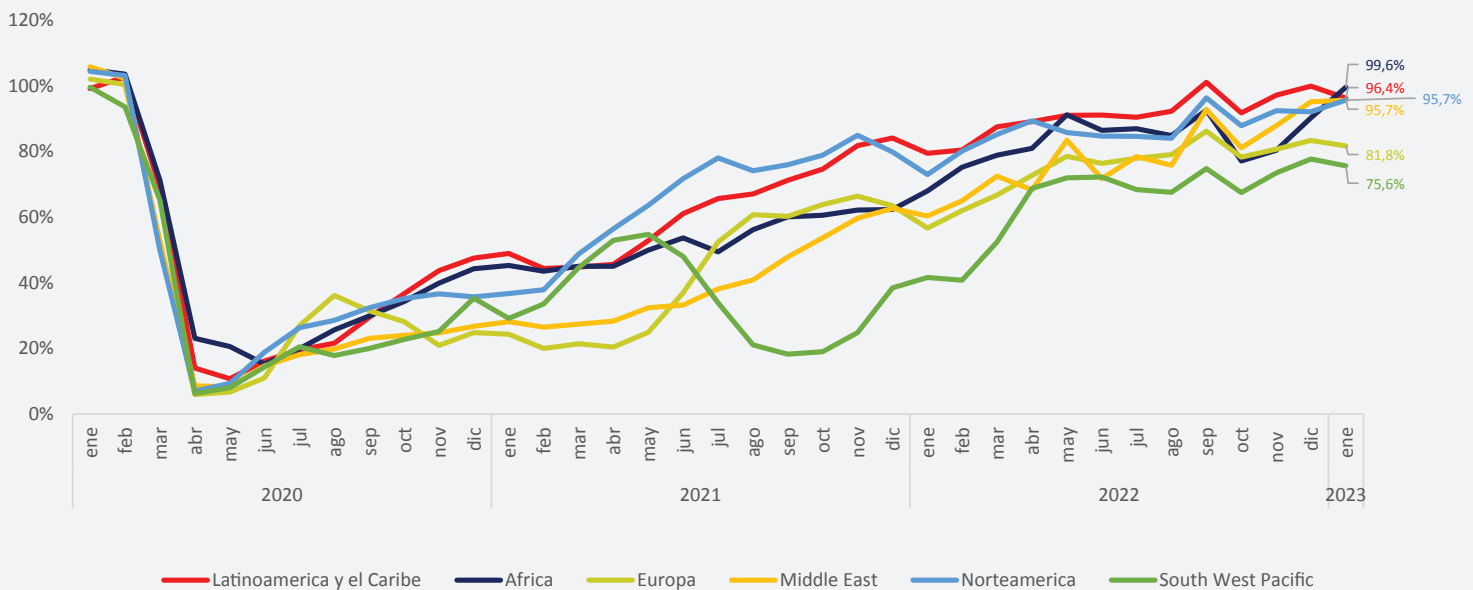


Passenger traffic in Latin America and Caribbean (LAC) reached 96% of its 2019 levels in January

By January 2023, 31.3 million passengers were carried, equivalent to 96.4% of the total passengers carried in the same month of 2019. This reflects a slowdown compared to the immediately preceding month, when the region reached its 2019 levels.

Additionally, for the first time, another region led the passenger recovery: Africa. LAC ranked as the second region in the world with the highest recovery with 96.4%, followed by the Middle East and North America both regions with 95.7%. Europe reached 81.8% and Southeast Asia 75.6%. We expect this region to improve its recovery levels with the reopening of China.

Passengers by origin region vs. the same month in 2019



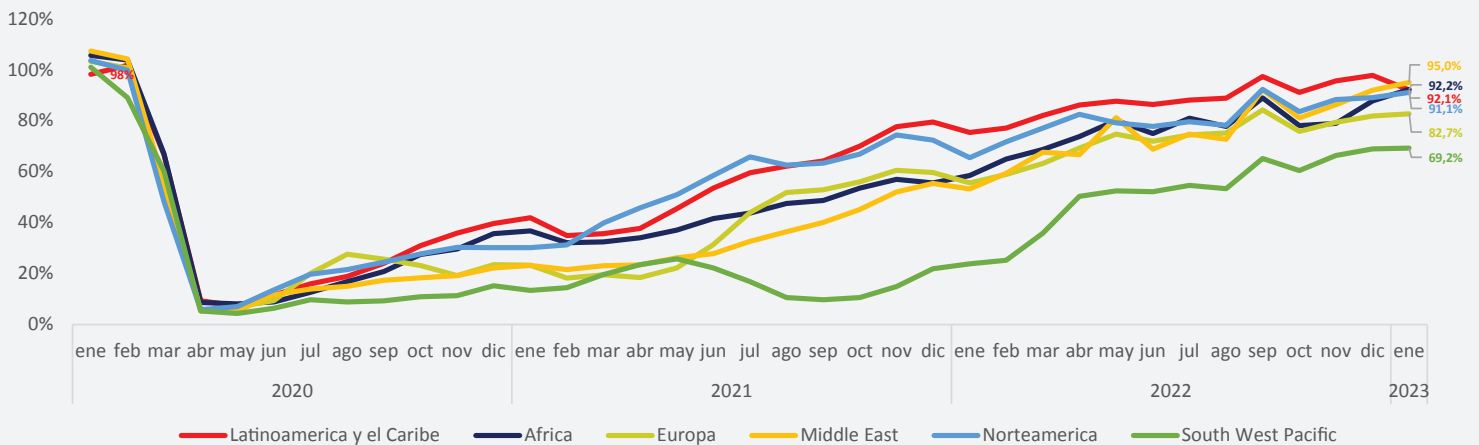
Note: The LAC region includes Mexico.
Source: Amadeus

RPK: LAC is the third fastest recovering region

By December 2022, LAC was the region with the highest recovery in terms of RPK (Revenue Passenger Kilometer). However, by January 2023, LAC became the third region in terms of recovery with 92.1%, exceeded by the Middle East and Africa, which reached 95% and 92.2%, respectively. North America reached 91.1%, Europe 82.7% and Southeast Asia 69.2%.



Passengers by origin region vs. the same month in 2019



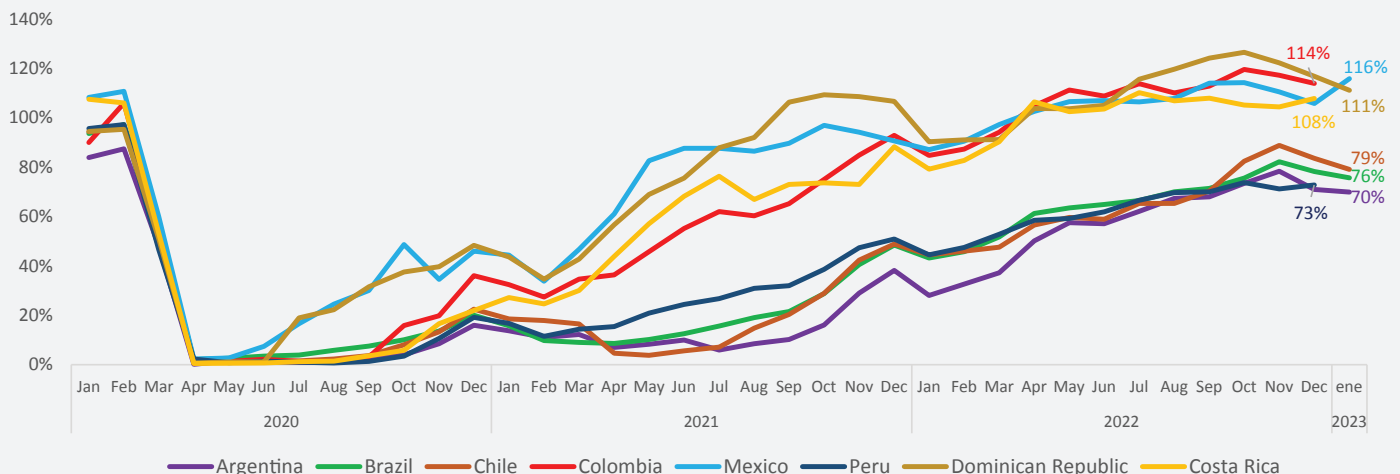
Note: The LAC region includes Mexico.
Source: Amadeus

International passengers

Several countries in the region continue to stand out with very positive growth. In January 2023, the Dominican Republic reached 111% of its 2019 levels and Mexico 116%. Brazil, Chile and Argentina experienced a slight slowdown from the previous month, reaching 76%, 79% and 70%, respectively. In December 2022, Peru reached 73% of its 2019 levels.

By the beginning of March 2023, the Colombian and Peruvian authorities had not published their January figures. However, we expect a reduction in their recovery. In Colombia due to the return of the sales tax rate to 19% (vs. the 5% that was kept as a transitory measure from the beginning of the pandemic until December 2022). In Peru due to social unrest in the country.

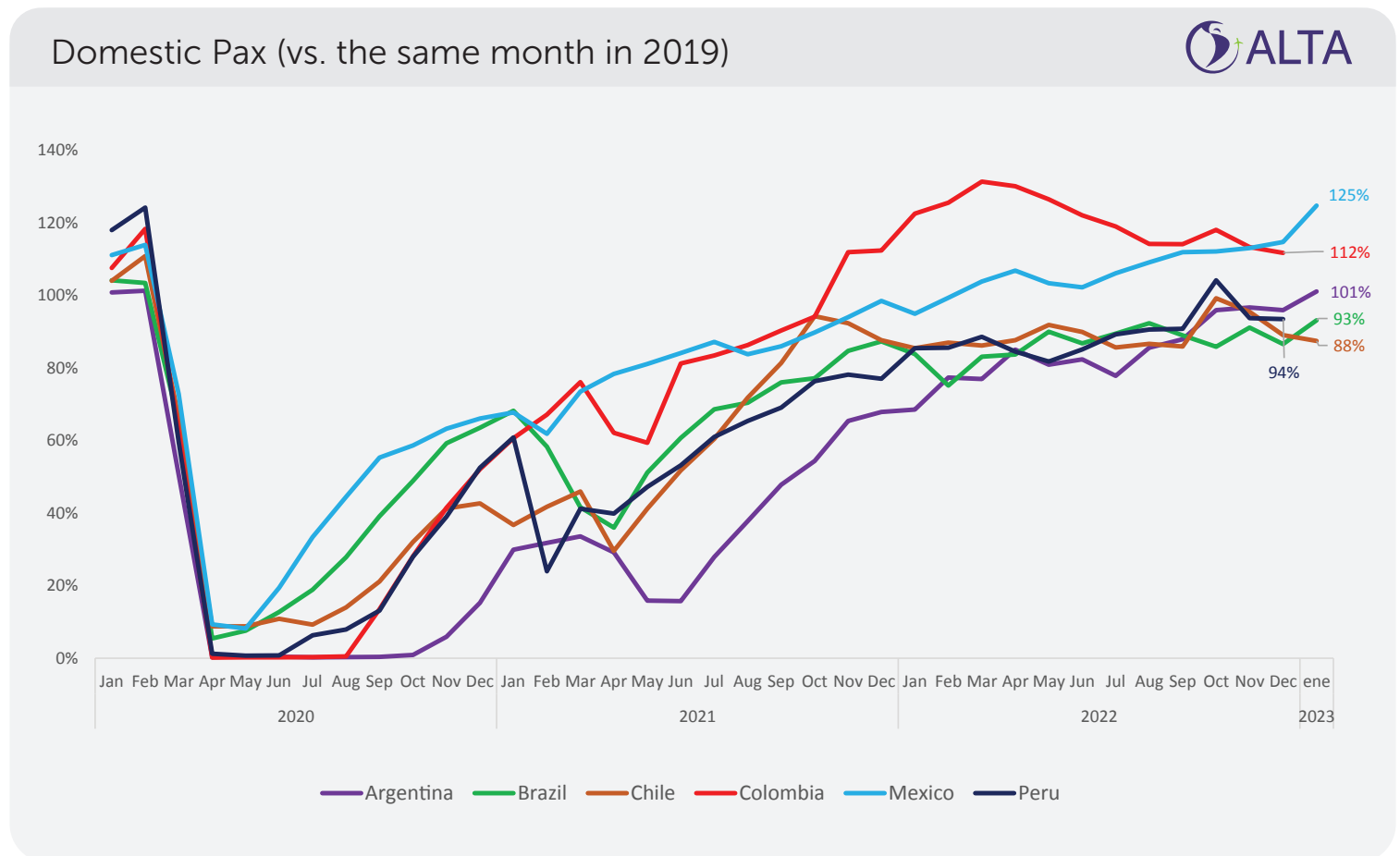
International Pax (vs. the same month in 2019)



Source: Aviation authorities from each country.

Domestic passengers

In January 2023, Mexico exceeded its pre-pandemic levels by 125%. Argentina for the first time surpassed its 2019 levels reaching exactly 101%, Brazil was at 93% and Chile at 88% of its 2019 levels. According to December 2022 data, Peru showed a 94% domestic recovery.



Source: Aviation authorities from each country.

Passengers, RPK, ASK & load factor

In January, 31.3 million passengers were carried in the region, showing 3.6% below pre-pandemic levels. Domestic traffic was 1% above its 2019 levels, extra-LAC international traffic was 8.7% below and intra-LAC traffic was 16.3% below its 2019 levels.

January RPKs, for domestic case, recovered the fastest, with 3% above their 2019 levels. Likewise, in terms of relative capacity, i.e. available seats per kilometer (ASK), domestic grew by 4.5% above its 2019 levels. Total RPKs reached 7.9% below 2019 and total ASKs 6.4% below their 2019 levels.

In January, total load factor reached 80.5%, 2.4 points below 2019 levels, while domestic was 80.2%, intra-LAC was 81.0% and extra-LAC was 82.4%.



	January					Growth			
	2019	2020	2021	2022	2023	2020/2019	2021/2019	2022/2019	2023/2019
Passengers	32,442,582	32,192,838	15,872,357	25,802,336	31,261,180	-0.8%	-51.1%	-20.5%	-3.6%
Domestic	20,752,237	21,077,267	12,042,740	18,094,083	20,951,566	1.6%	-42.0%	-12.8%	1.0%
Intra-LAC	4,792,784	4,428,834	1,000,589	2,445,539	4,011,645	-7.6%	-79.1%	-49.0%	-16.3%
Extra-LAC	6,897,561	6,686,738	2,829,027	5,262,714	6,297,969	-3.1%	-59.0%	-23.7%	-8.7%
RPK(millions)	57,896	56,881	24,273	43,668	53,307	-1.8%	-58.1%	-24.6%	-7.9%
Domestic	19,462	19,516	12,400	17,997	20,051	0.3%	-36.3%	-7.5%	3.0%
Intra-LAC	9,468	8,804	2,049	4,980	8,081	-7.0%	-78.4%	-47.4%	-14.7%
Extra-LAC	28,966	28,561	9,824	20,691	25,175	-1.4%	-66.1%	-28.6%	-13.1%
*ASK(millions)	70,022	71,081	37,453	56,173	65,546	1.5%	-46.5%	-19.8%	-6.4%
Domestic	23,938	24,244	16,281	22,340	25,004	1.3%	-32.0%	-6.7%	4.5%
Intra-LAC	11,435	11,046	3,726	6,769	9,975	-3.4%	-67.4%	-40.8%	-12.8%
Extra-LAC	34,649	35,791	17,446	27,064	30,567	3.3%	-49.6%	-21.9%	-11.8%
*Load Factor	82.9%	80.0%	69.2%	78.6%	80.5%	-2.9 pts	-13.7 pts	-4.3 pts	-2.4 pts
Domestic	81.3%	80.5%	76.2%	80.6%	80.2%	-0.8 pts	-5.1 pts	-0.7 pts	-1.1 pts
Intra-LAC	82.8%	79.7%	55.0%	73.6%	81.0%	-3.1 pts	-27.8 pts	-9.2 pts	-1.8 pts
Extra-LAC	83.6%	79.8%	56.3%	76.5%	82.4%	-3.8 pts	-27.3 pts	-7.1 pts	-1.2 pts

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

Distribution of destination region by number of passengers originating trips in LAC

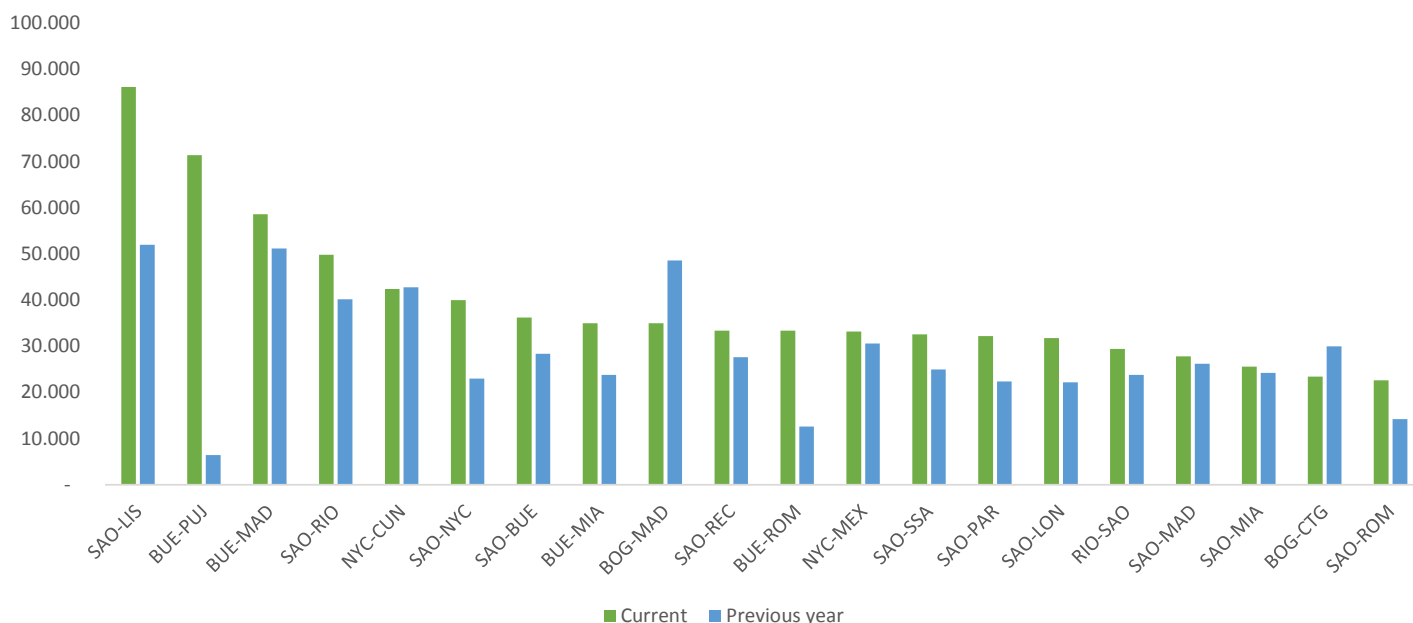




Average daily searches (February 2022 vs. February 2023)

The route with the highest number of searches in the region was Sao Paulo-Lisbon with a daily average of 86,200 searches in February, 66% above the same month in 2022. The second route was Buenos Aires-Punta Cana with 71,400 searches per day, where its growth stands out, since in February 2022 the same route had only 6,400 searches per day, which means an increase of 1014%. The third route was Buenos Aires-Madrid with 58,600 searches, 14% more than in 2022. Also noteworthy is the decrease of the Bogota-Madrid route with 28% vs. February 2022 when it had an average of 48,600 searches. The Buenos Aires-Rome route stands out with a growth of 165% vs. the same month of 2022.

Daily searches from/to LAC by route





Connected country pairs originating in LAC

In February, the region was connected internationally with 73 countries (extra-regionally with 23). **Of the total number of international seats (considering intra- and extra-regional), 41% corresponded to those destined for the United States.** When considering only international extra-regional destinations, the United States represents 67% of the seat distribution.

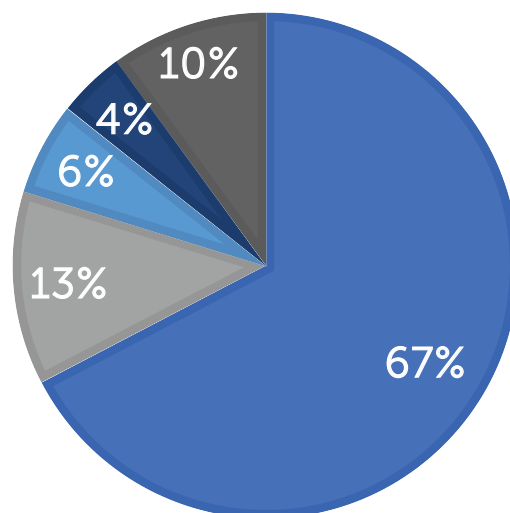
The most important connected country pairs were Mexico-United States with 1.7 million seats, Puerto Rico-United States with 472,271 and Mexico-Canada with 399,281.

Top 10 connected countries originating in LAC, February 2023

Top 10 connected countries	Seats (february)
Mexico-USA	1,785,964
Puerto Rico-USA	472,271
Mexico-Canada	399,281
Dominican Republic -USA	389,443
Jamaica-USA	219,509
Colombia-USA	212,640
Brazil-USA	188,098
Brazil-Argentina	171,477
Costa Rica-USA	169,354
Argentina-Brazil	166,528

Participation of international seats originating in LAC (Extra-regional destinations)

■ Estados Unidos de América ■ Canadá ■ España ■ Francia ■ Otros

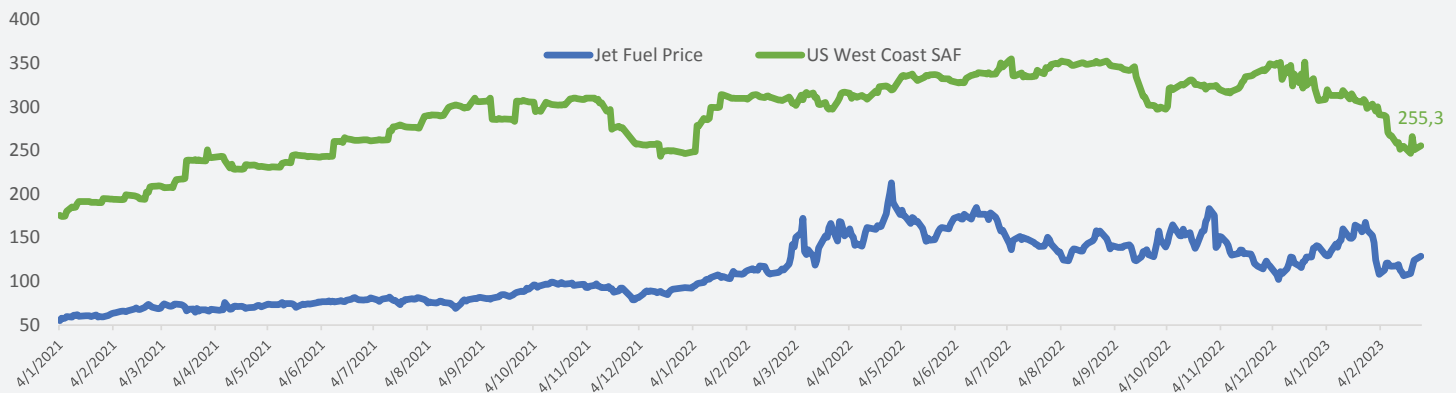




Sustainable Aviation Fuel (SAF)

The air transport industry is committed to becoming carbon neutral by 2050. To reach this goal, approximately 65% of such compliance must come from the use of sustainable fuels or Sustainable Aviation Fuel - SAF. According to S&P Global Commodity insights, **as of February 27, 2023 SAF was almost 2 times more expensive than regular fuel.**

US West Coast Sustainable Aviation Fuel price
vs regular Jet Fuel, February 27 US\$/Barrel



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

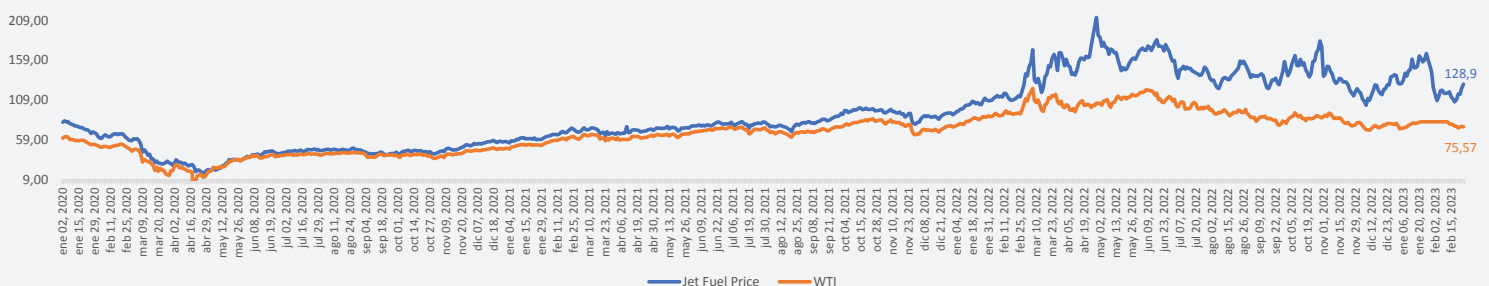
Fuel prices

Fuel continues to be highly volatile. On February 27, 2023, the Jet fuel price was 126% above versus January 2021, while the West Texas Intermediate (WTI) crude oil price was 57% above.

The differential between the barrel of oil and the Jet Fuel prices has increased considerably, so that while in January 2021 the Jet Fuel price was 14% higher than the oil price, today this price differential is 71% and throughout January prices were much higher than in February, so that on some days it was 105% higher.

Today fuel is equivalent to 50% of the cost structure of an airline, vs. the first quarter of 2022 when it was equivalent to 36% and the increase has been such that a year earlier it represented 20% of operating costs.

Jet Fuel & Crude Oil Price WTI (Dolars per barrel), February 27



Source: US Energy Information Administration

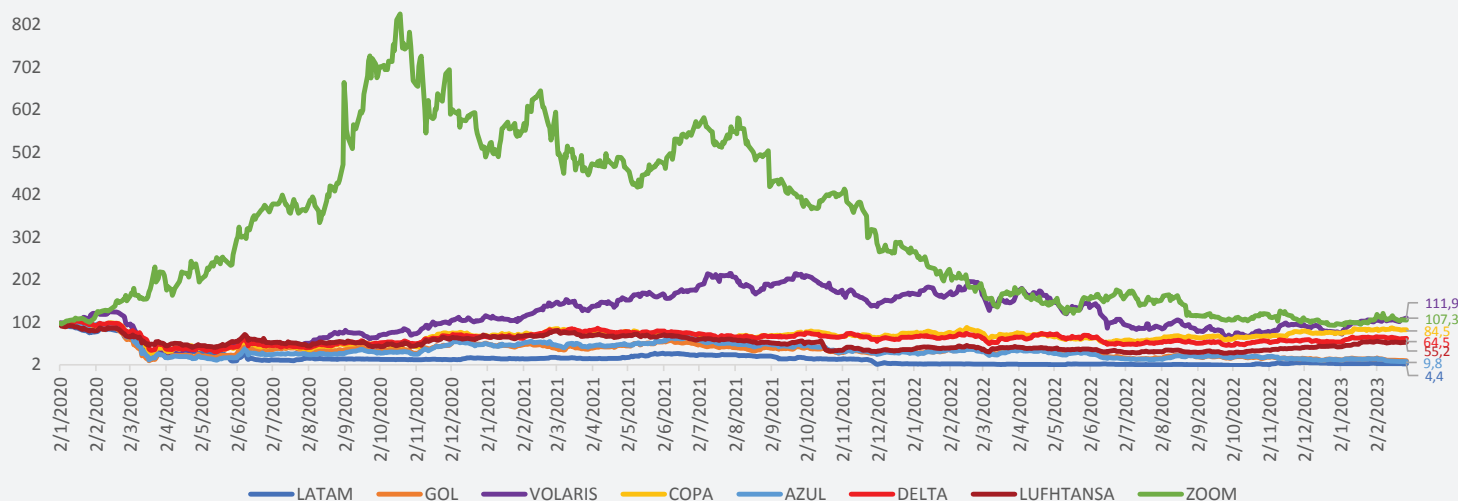


Back to normal? What do the share prices say?

Zoom shares increased 8 times their value. Today such shares have the same value as they did at the beginning of 2020. Does this reflect that people are moving from meeting each other through digital solutions to seeing each other live? Most likely yes. Some analysts indicated that people were engaging in "revenge tourism" when referring to the urge to travel after being confined. The evidence shows that LAC passenger levels are very close to their pre-pandemic levels and in some months, we have reached them.

However, for airlines the share prices have different nuances, in the next section we will discuss airline losses.

Stock prices of selected airlines and Zoom
Index January 2020=100)



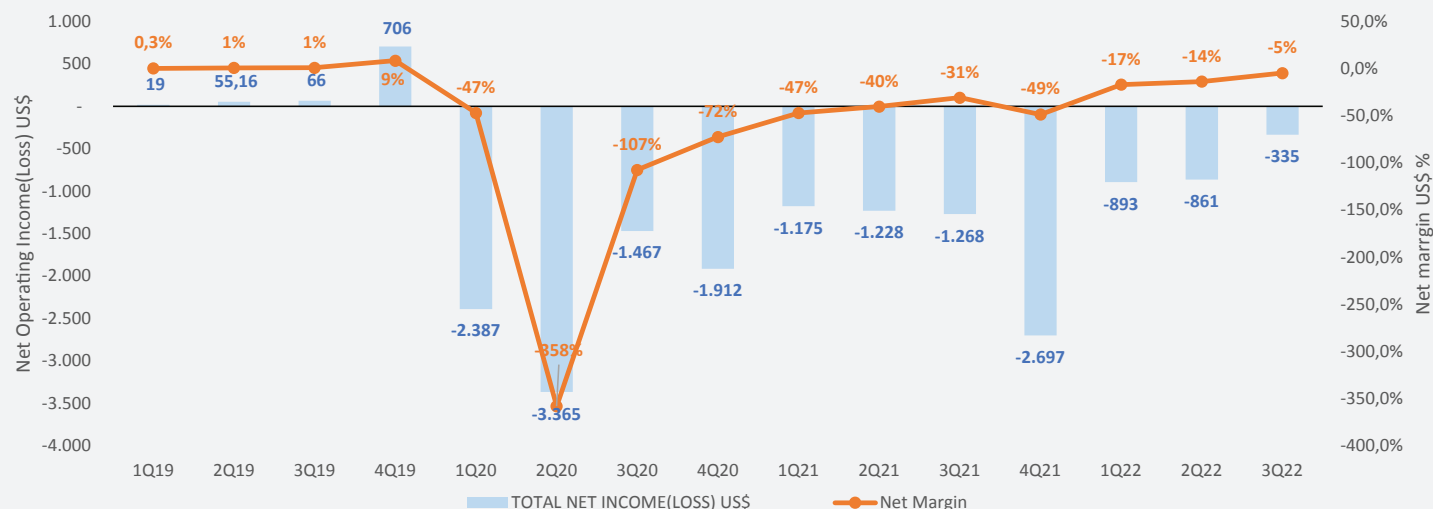
Source: Yahoo Finance

Financial statements improve, but remain in the red

Historically, airlines have had low margins. By 2019, margins were close to 3% of their revenues. By 2020, with US\$ 9,188 million in losses, the margin was -91%, in 2021 -42% and -11% in 2022. 2023 generates a lot of uncertainty. Having a growing number of passengers does not directly mean that there is financial health in the industry. Therefore, to ensure that the industry continues to provide an essential service in a continuous, sustainable and effective manner, it is important that governments and the industry work together to make the region more competitive for the development of air transport and thus expand the economic and social benefits derived from the extensive value chain that is activated every time an aircraft takes off.

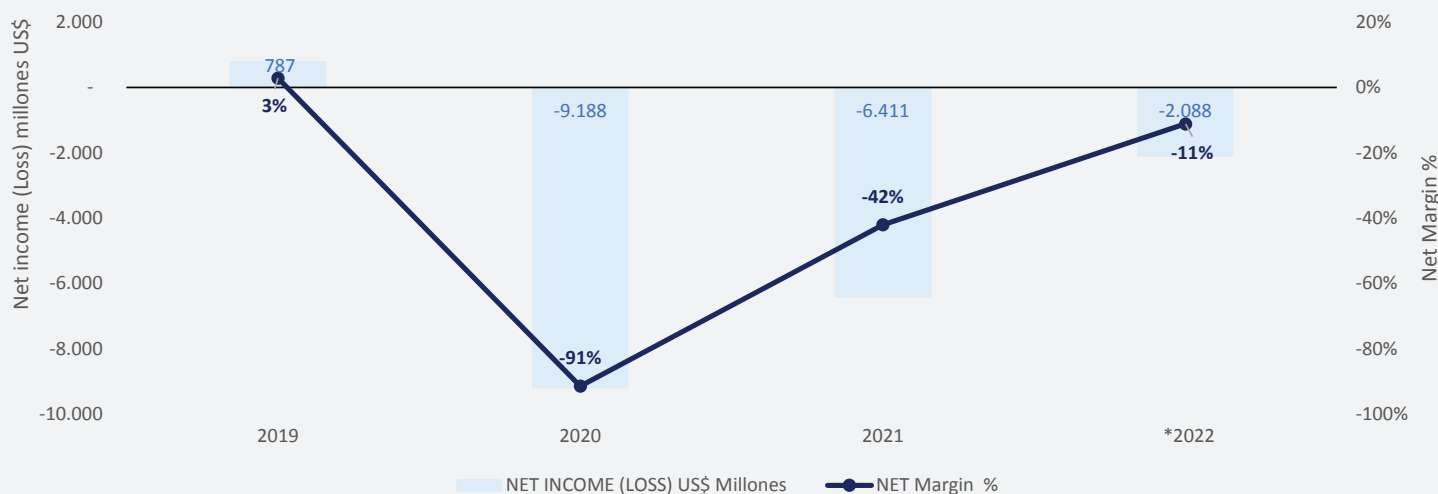


Total profit (loss) US\$ million and % net margin of the airlines in the region, by quarter



Source: Financial statements of airlines in the region

Total profit (loss) US\$ million and % net margin of the airlines in the region, annually



Source: Financial statements of airlines in the region
Note: 2022 data, available through 3Q22

Editor's Notes:

- Further information, announcements, and ALTA positions follow us at Twitter and Instagram: ALTA_aero and at LinkedIn: ALTA - Latin American & Caribbean Air Transport Association
- Content data are estimates and are subject to review.