



**Agenda Item 1A: Current situation and regional priorities**

**Regional Air Transport Situation and Forecast – Connectivity and Competitiveness**

(Presented by Secretariat)

<b>SUMMARY</b>	
This working paper presents an updated analysis of the situation and projection of air transport, connectivity and growth of aviation in the SAM region, as well as urge States to strengthen their cooperation in collecting and sending statistical data together to ICAO and promote the liberalization of air transport in the region.	
<b>Action:</b>	The suggested action is presented in item 3.1
<b>ICAO Strategic Objectives:</b>	<ul style="list-style-type: none"><li>• Capacity and Efficiency</li><li>• Economic Development</li></ul>
<b>References:</b>	<ul style="list-style-type: none"><li>• A41-27 Consolidated statement of continuing ICAO policies in the air transport field</li><li>• Declaration to Promote Connectivity through the Development and Sustainability of Air Transport in the Pan American Region – Vision 2020-2035.</li><li>• ICAO Long-Term Vision for International Air Transport Liberalization</li></ul>

**1. Introduction**

1.1 Air transport has a significant impact on the productivity and efficiency of the business sector, helps connect people and ideas, promotes regional and local development, and it is a relevant driver for national and international integration to promote tourism and services, to transport valuable and perishable supplies, as well as to assist in times of need such as during the pandemic.

1.2 The effects of COVID-19 on aviation were evident from the beginning of the health crisis. After coming to a near standstill in a matter of days, the aviation sector remains steadfast on its path to recovery.

1.3 Although the usual traffic levels in the SAM Region before the pandemic have not yet exceeded, traffic in the region has been gradually recovering since the sharp decline at the beginning of the health crisis. Including the Latin American as a whole is the region of the world with the best recovery among all, with some countries already exceeding the numbers of the year 2019. In this working paper, it presents an updated analysis of the situation and forecast of air transport and the connectivity and in addition to the growth of aviation in the SAM region.

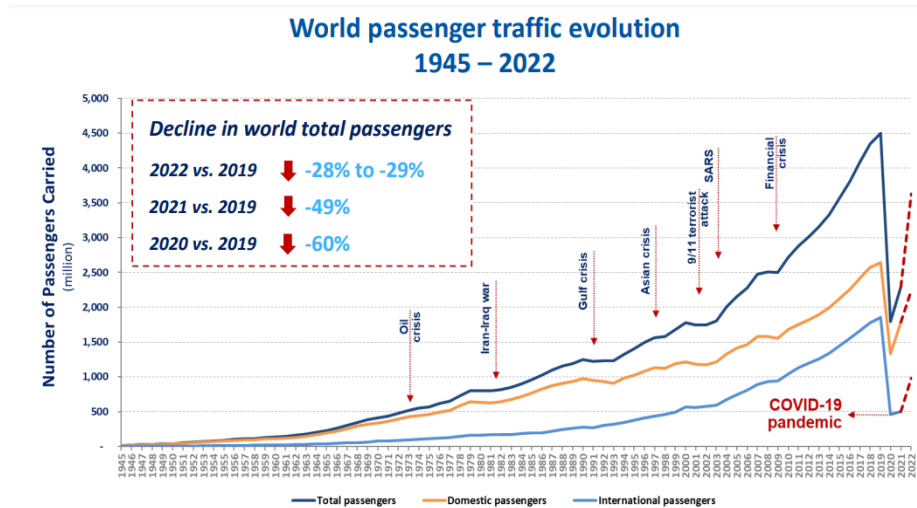
**2. Discussion**

2.1 The liberalization of air transport in the SAM region brings numerous benefits to States and to their citizens. These benefits are fundamental for the increase in passenger and cargo traffic, greater connectivity and competitiveness on routes, the entry of new air operators, a decrease in the price of air tickets, a greater contribution to GDP, an increase in tourism and income received, among others.

2.2 Likewise, it is important to note that ICAO has adopted a Long-Term Vision for International air transport liberalization that establishes that Member States actively promote the continued liberalization of international air transport for the benefit of all interested parties and the economy in general by ensuring the highest levels of safety and the principle of fair and equal opportunities for all States and their stakeholders.

2.3 Thus, this working paper focuses on the number of domestic and international passengers and the number of departures in the South American region, as well as the number of seats offered by airlines during this period (seat capacity) and also on the economic challenges of the region. Although this metric has its limitations, such as not reflecting the load factor or the size of the aircraft, it is a simple way to represent the level of airline operations and indirectly, the traffic at airports and airspace.

2.4 Nevertheless, beforehand, it is important to take a look at the evolution of world passenger traffic. In 2022, under the ICAO analysis, the forecast for the year is a reduction between -28% to -29% compared to the year of 2019 with a more robust recovery in terms of domestic passengers, according to figure 1.



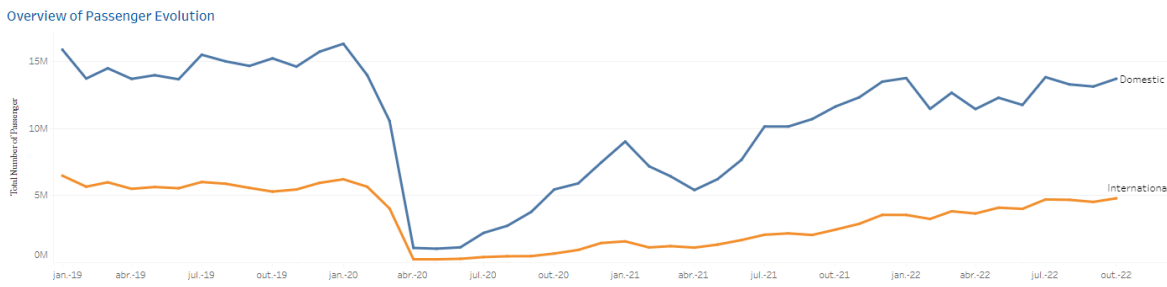
**Figure 1:** World passenger traffic forecast  
**Source:** ICAO

2.5 In addition, by the year 2023, air transport continues to face important challenges such as the slowdown in economic growth impacted by inflation as a result of the effects of the COVID-19 pandemic and the war in Ukraine, and an increase in interest rates of the Central Banks. It is noted that the inflation rate forecast for the SAM region according to the International Monetary Fund (IMF) is around 32%, reaching the 3-digit mark in some countries.

2.6 As a consequence, the sector is going through the increase in aviation fuels, reaching almost 40% of the costs of an airline; also the increase of the dollar in relation to local currencies (60% of the costs are in dollars) and consequently a higher operational cost

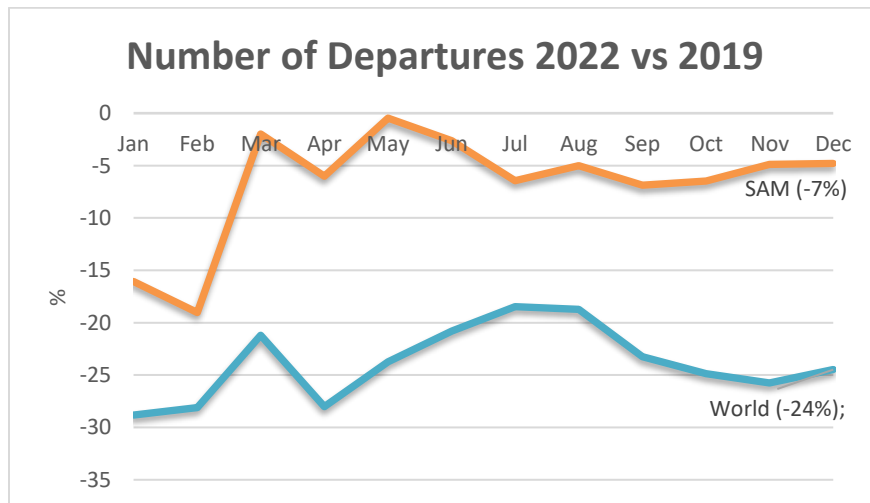
2.7 In this sense, it is known that the growth of air transport is sensitive to the economic conditions of the country or region. The estimates for 2023 is that the slowdown in economic growth will deepen and a rate of 1% will be reached in South America, according to the Economic Commission for Latin America (CEPAL). However, despite facing global economic problems and challenges, it is important to note that the trend of air transport in the SAM region remains positive by all means.

2.8 In this way, the forecast of passengers transported in the South American region in the year 2022 is to reach 85% compared to its 2019 levels and a positive growth of around 43% compared to the year 2021. Figure 2 shows that domestic passenger numbers are recovering more robustly than international passengers due to some of the restrictions and economic challenges the region faces.



**Figure 2:** PAX domestic and international Region SAM  
**Source:** ICAO

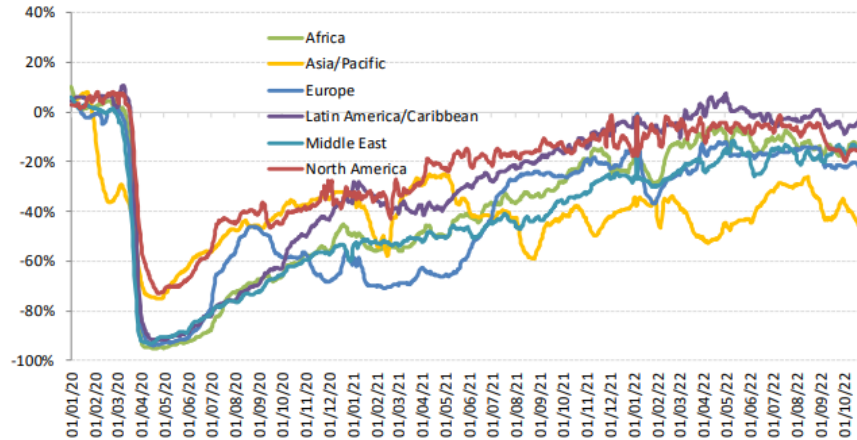
2.9 On the other hand, in terms of number of departures, the SAM region is ahead in recovery compared to the world, demonstrating the resilience of South American civil aviation. Thus, in figure 3, we can see the comparative evolution between the two axes, being that the SAM region is below -7% and world air transport is below -24% compared to 2019 under ICAO statistics.



**Figure 3:** Number of Departures 2022 vs 2019  
**Source:** ICAO

2.10 In terms of seat capacity, the Latin American and Caribbean region is also at the forefront of the recovery of the sector, ahead of all regions in the world, exceeding 2019 levels, as seen in Figure 4.

**Comparison of total seat capacity by region  
(7-day average, compared to 2019)**



**Figure 4:** Seats capacity  
Source: ICAO

2.11 However, although the Latin American region is ahead of the other regions, the SAM region is still recovering the levels of 2019 and the forecast is to end the year of 2022 with less than 14% seat capacity. On the other hand, there was a 35% recovery compared to the year 2021, according to the data available by ICAO.

2.12 In this way, it can be concluded that the SAM Region continues to have a consistent and sustainable recovery in terms of passengers and seat capacity, even with some countries exceeding 2019 levels, although it is facing important challenges in the global context with a rate of high inflation in all countries, thus increasing the cost for the sector.

2.13 Therefore, despite the economic slowdown for the coming year and the economic challenges not only of the SAM region but of the whole world, the forecast for the year 2023 is that air transport in the region will exceed the numbers pre-pandemic and also that the recovery be more homogeneous among the States, especially in terms of passengers and international capacity.

### 3. Suggested Action

3.1 The RAAC17 meeting is invited to:

- a) Take note of the information contained in this working paper;
- b) take note of the ICAO Long-Term Vision for the liberalization of international air transport and adopt it to the discussions in the meeting with a view to the regional vision of 2035; and
- c) urge States to strengthen their cooperation in the collection and submission of statistical data to ICAO in compliance with the Chicago Convention and other related documents.

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