



Federal Aviation
Administration

North Atlantic Performance Trends

Presented to: ICAO NAT EFG 28

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Key NAT Performance Trends

Economic Outlook

- **Uneven Growth Remains**
(Advanced vs. Emerging Economies)

Policy Challenges

- **Euro Area QE to the Rescue**

Industry Challenges

- **Safety in Focus**

Operational Outlook

- **US and Europe Operational Trends Continue to Diverge**

Economic Outlook





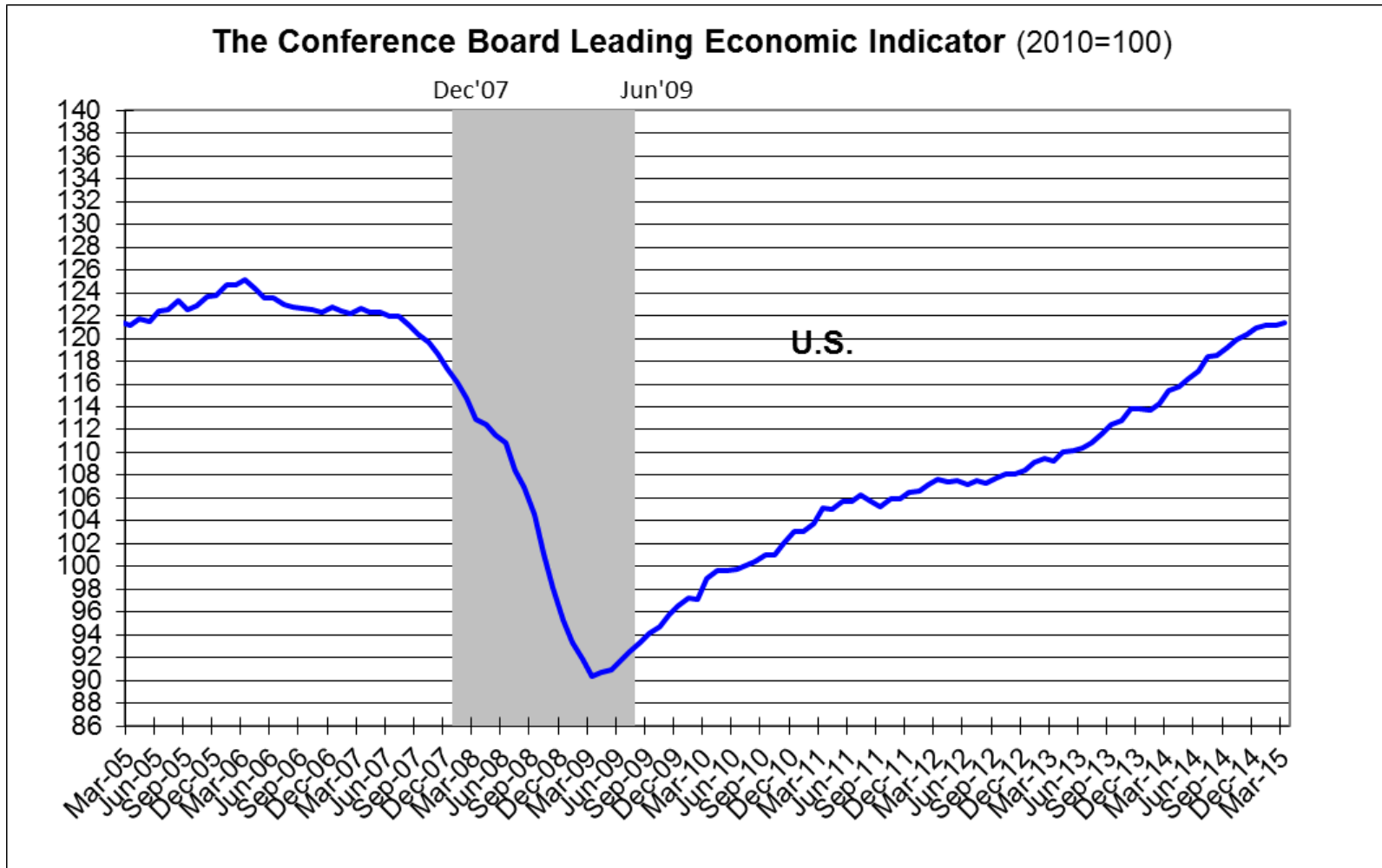
Uneven Recovery Continues

- Global outlook for 2015 is up for advanced economies, but down in emerging markets.
- Low oil prices (glut) have benefited most advanced economies.
- Weak investment and inflation below targets linger in advanced economies.
- Rapidly changing exchange rates.
- Greek default and departure from Euro?

Source: IMF, World Economic Outlook – April 2015

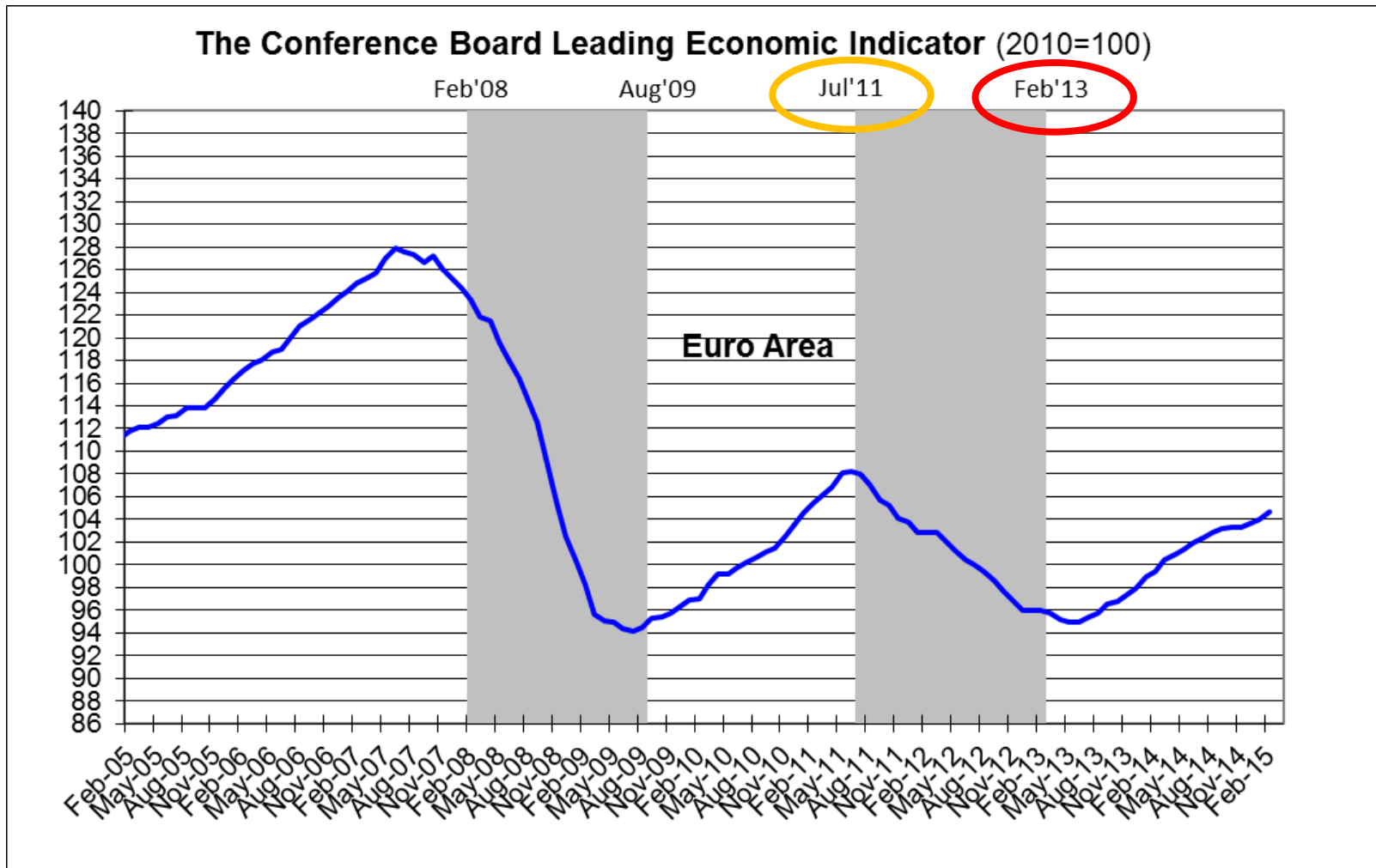
Real GDP Forecast (Annual Percentage Change)		
Country	2015	2016
Canada	2.2	2.0
Denmark	1.6	2.0
France	1.2	1.5
Germany	1.6	1.7
Iceland	3.5	3.2
Ireland	3.9	3.3
Norway	1.0	1.5
Portugal	1.6	1.5
UK	2.7	2.3
US	3.1	3.1
Euro area	1.5	1.6
World	3.5	3.8

Leading Economic Indicator – US



Source: The Conference Board, April 2015

Leading Economic Indicator – Euro Area



Source: The Conference Board, March 2015; Last CEPR Meeting: June 2014

Policy Challenges



Policy Challenges

- **U.S. Monetary Policies**

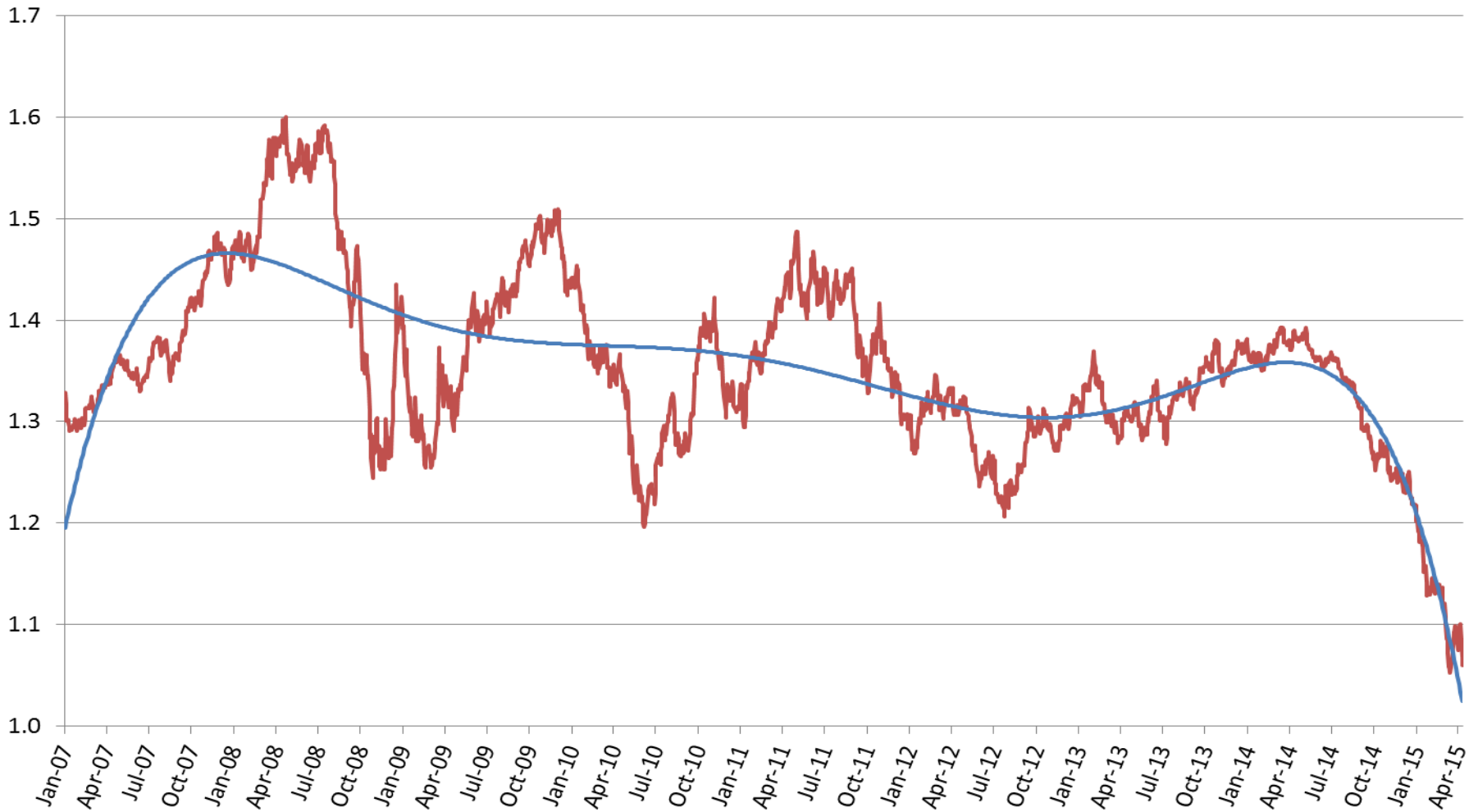
- QE ended in October 2014
- Normalization of monetary policies
- “Waiting” for rate hike...

- **Euro Area QE Kicks-Off**

- Stagnant growth: GDP was 0.9% for 2014 (Q4 at 0.3%)
- *Deflation easing: March 2015 inflation at -0.1%*
(following -0.3% in February and -0.6% in January)
- ECB Stimulus: QE program started in March 2015;
€60 billion per month until Sept 2016 (total €1 trillion+)
- Some countries still with high unemployment and debt



New \$US/€ Exchange Rate Equilibrium



Source: U.S. Federal Reserve Board, April 2015

Industry Outlook



Challenges for the Industry



- **Safety First**

“Safety is the top priority” – IATA Press Release (March 2015)

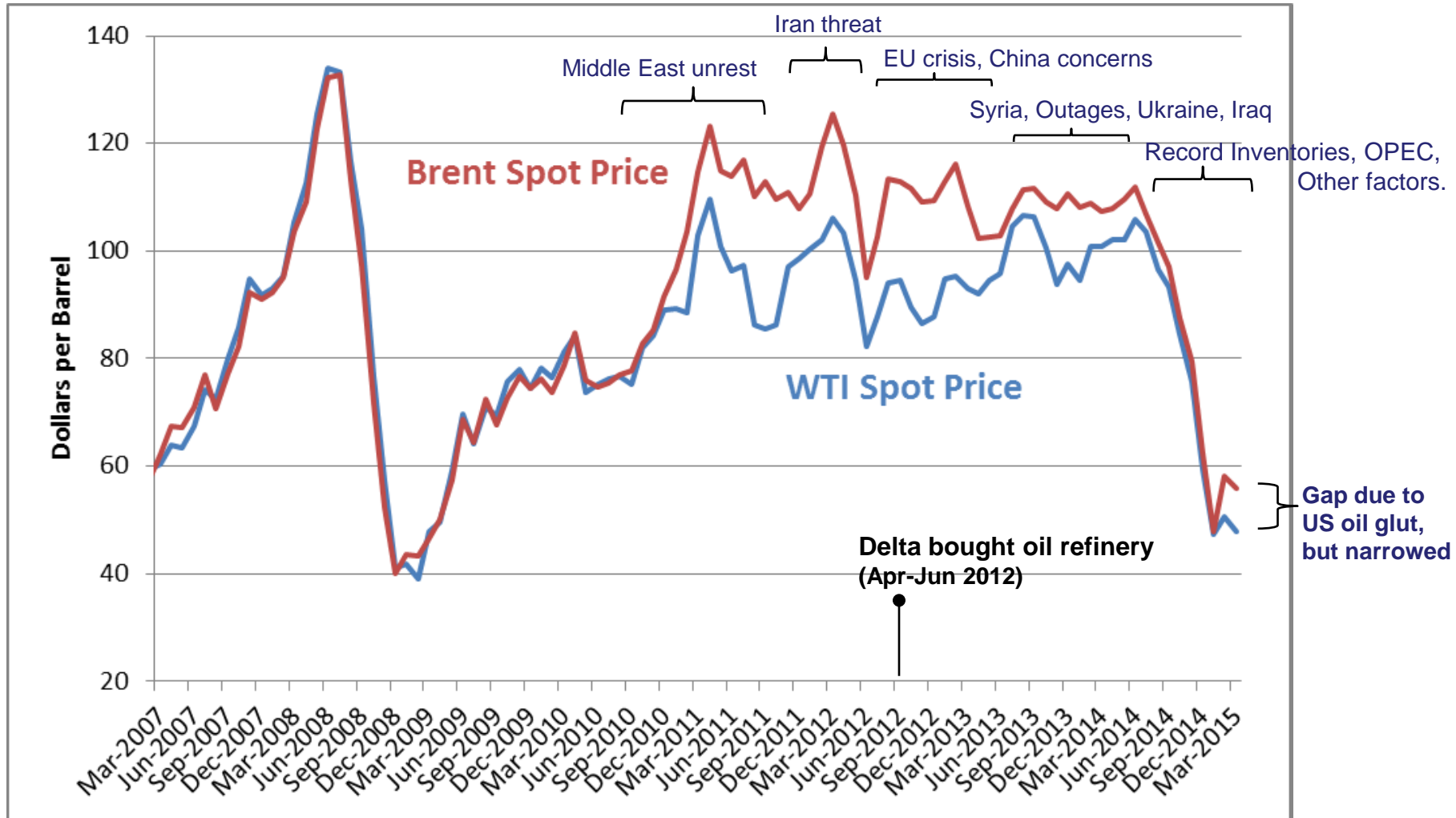
“*Pivotal* changes for safety and operations” is the new path going forward.

- Tony Tyler, IATA’s Director General and CEO (April 2015)

- **Economic Opportunities**

- Big drop in fuel prices leads to recent windfall, although less certain how long this will last
- Expected profit margin is “only” 3.2% for 2015
- Opportunities to invest, but planning is less certain

US – European Crude Oil Price Spread



Source: Energy Information Administration, March 2015



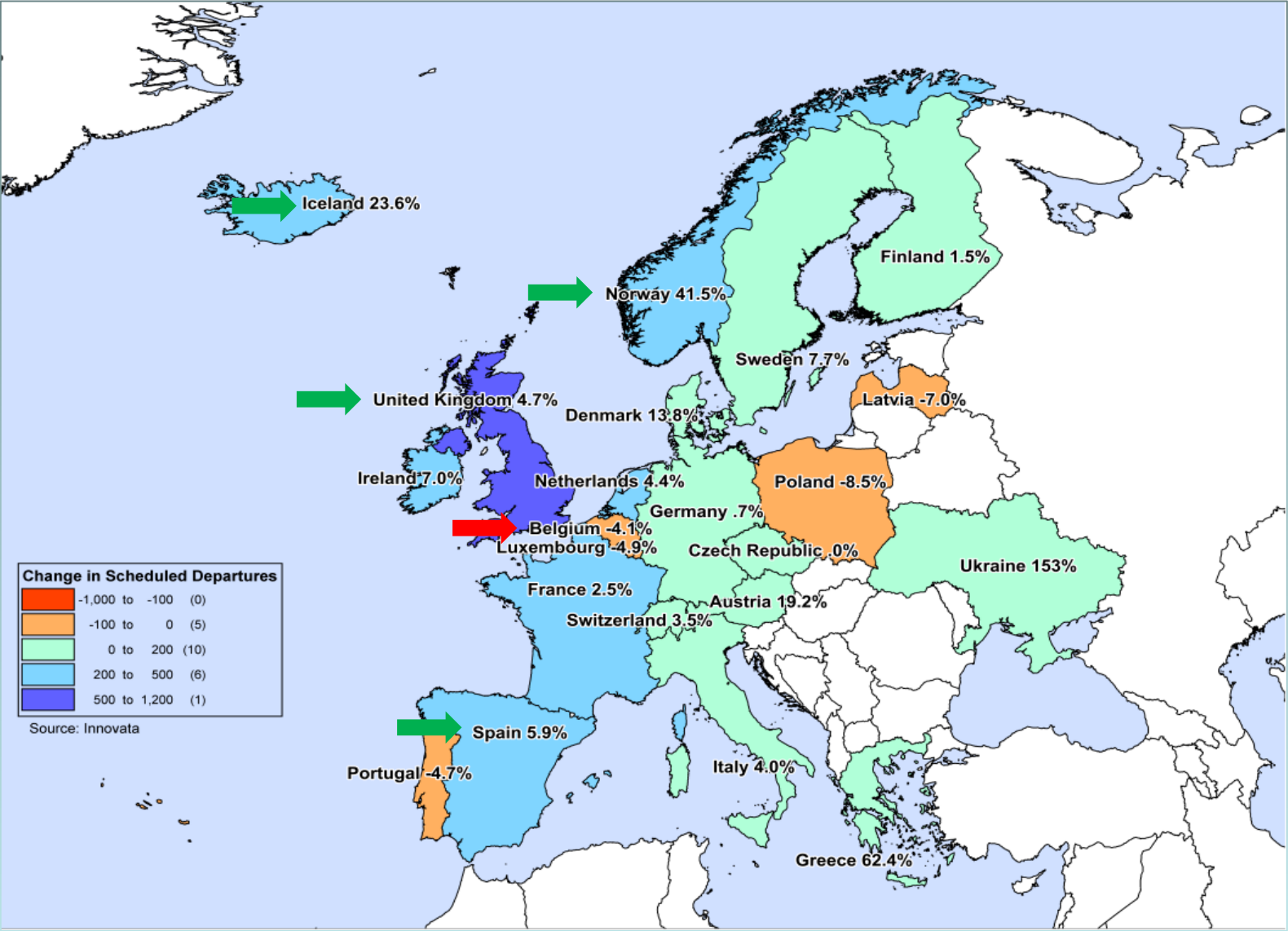
Uncertainty with Low Oil Prices

- Oil prices **currently in the \$50s** (April 2015) for the WTI Cushing and slightly higher for European Brent.
- **Forecasts** has WTI in the \$50s range thru 2015, and recover slowly up to \$70 by 2016/2017.
- High volatility: Supply and demand factors, exchange rate movements → **Risk** of oil recovery faster than expected.
- **Airlines** stay conservative in short-term planning, but could face uncertainty in longer term planning if price-slump remains: Should planning base on high or low oil scenario?
- ***“The outlook (oil price) is only getting murkier.”***
 - The International Energy Agency, April 15, 2015






Operational Outlook



US to Europe Departures: Jan – Jul 2015

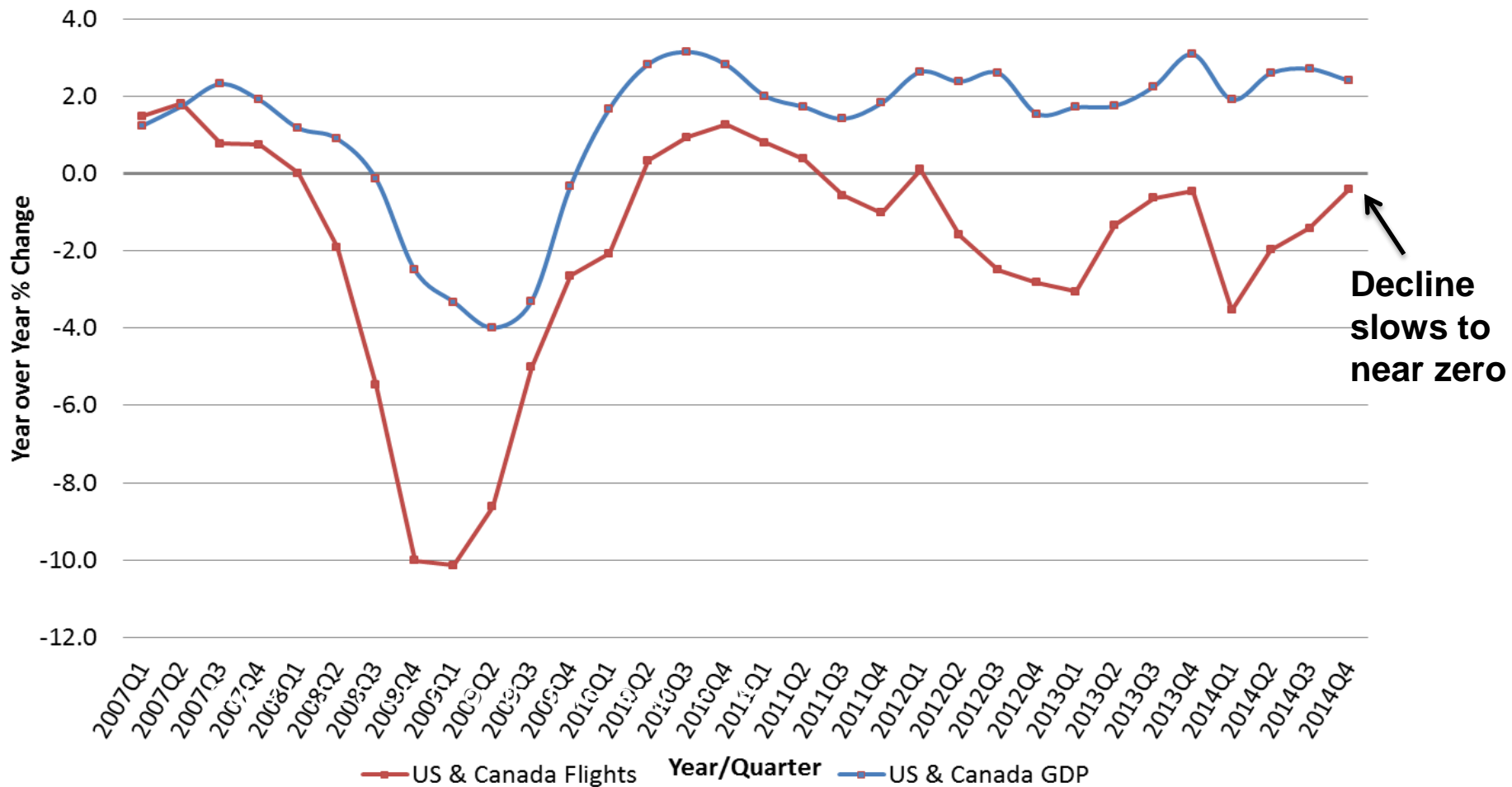


US to Europe: Top Ten Scheduled Departures (Jan – Jul 2015)

Destination Country	2014	2015	% Change
United Kingdom	24,512	25,667	4.7% 
Germany	13,140	13,234	0.7%
France	8,845	9,062	2.5%
Netherlands	6,676	6,970	4.4%
Italy	4,086	4,249	4.0%
Spain	3,886	4,117	5.9% 
Switzerland	3,393	3,511	3.5%
Ireland	3,253	3,482	7.0% 
Belgium	2,459	2,359	-4.1% 
Iceland	1,490	1,841	23.6% 
All US-Europe	78,969	82,451	4.4%

Source: Innovata, April 2015

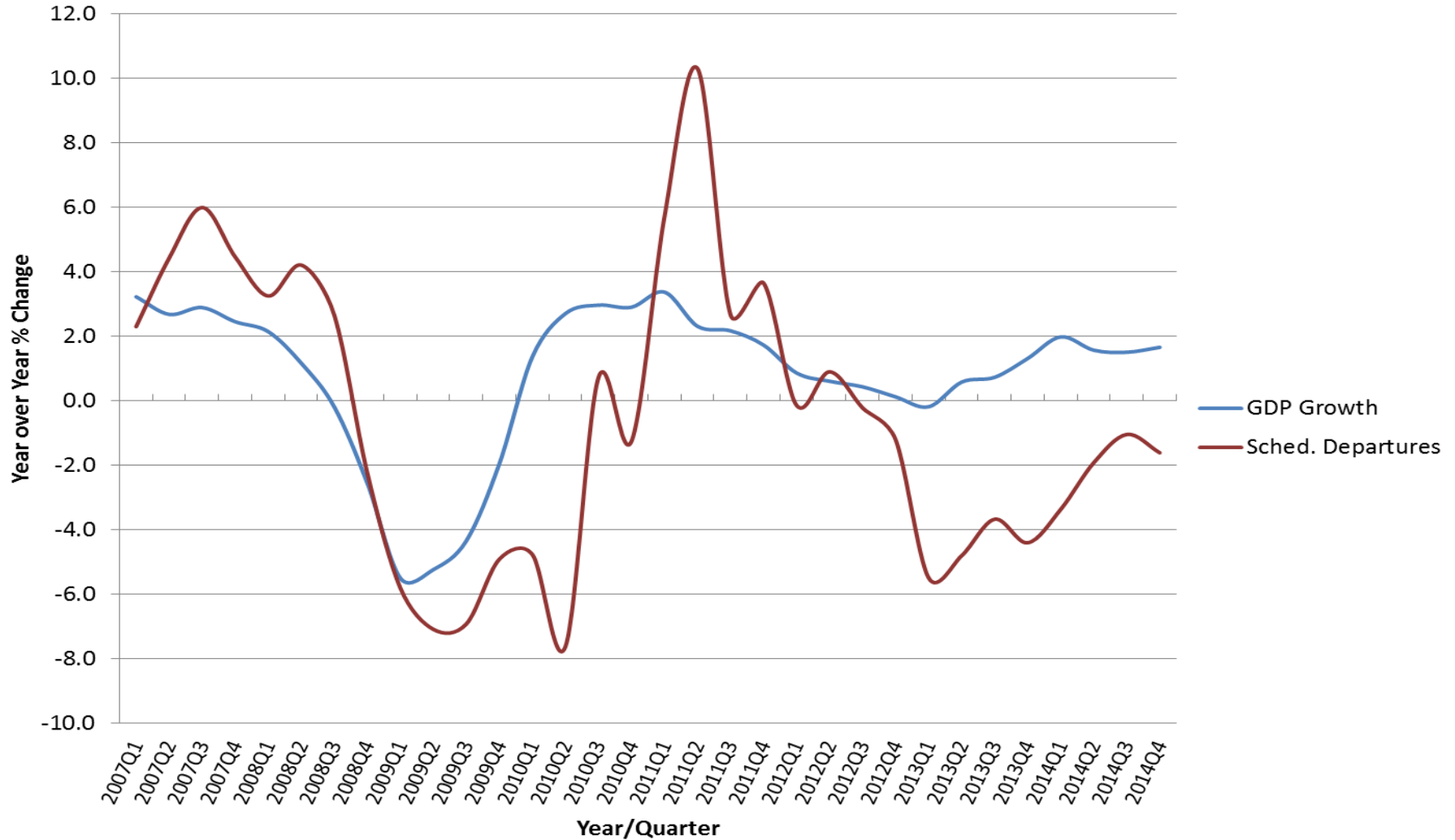
2007-2014 Economy and Traffic – US and Canada



Source: ICAO, BTS, and Global Insight, April 2015

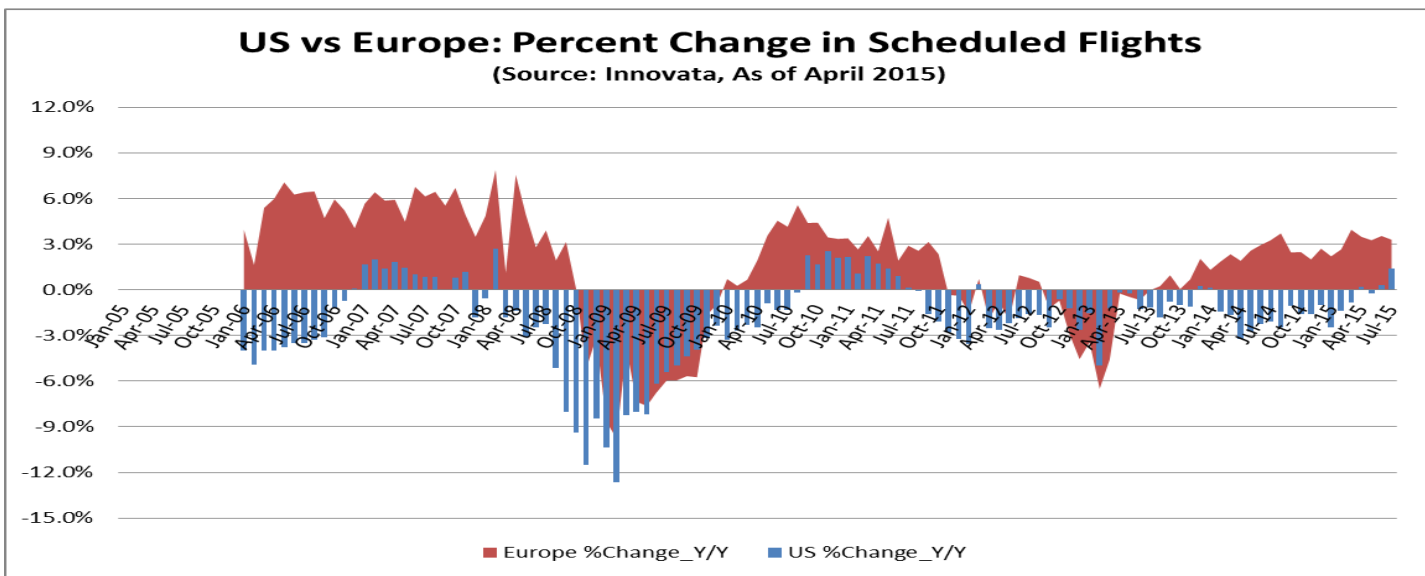
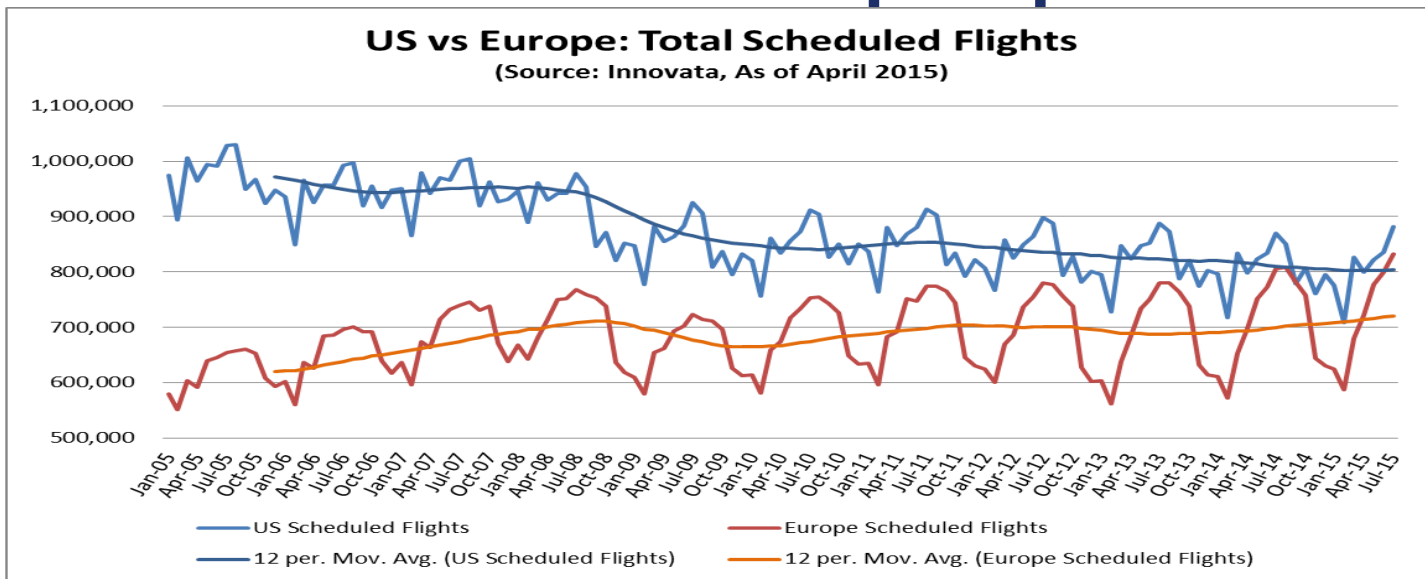


2007-2014 Economy and Traffic - Natzone



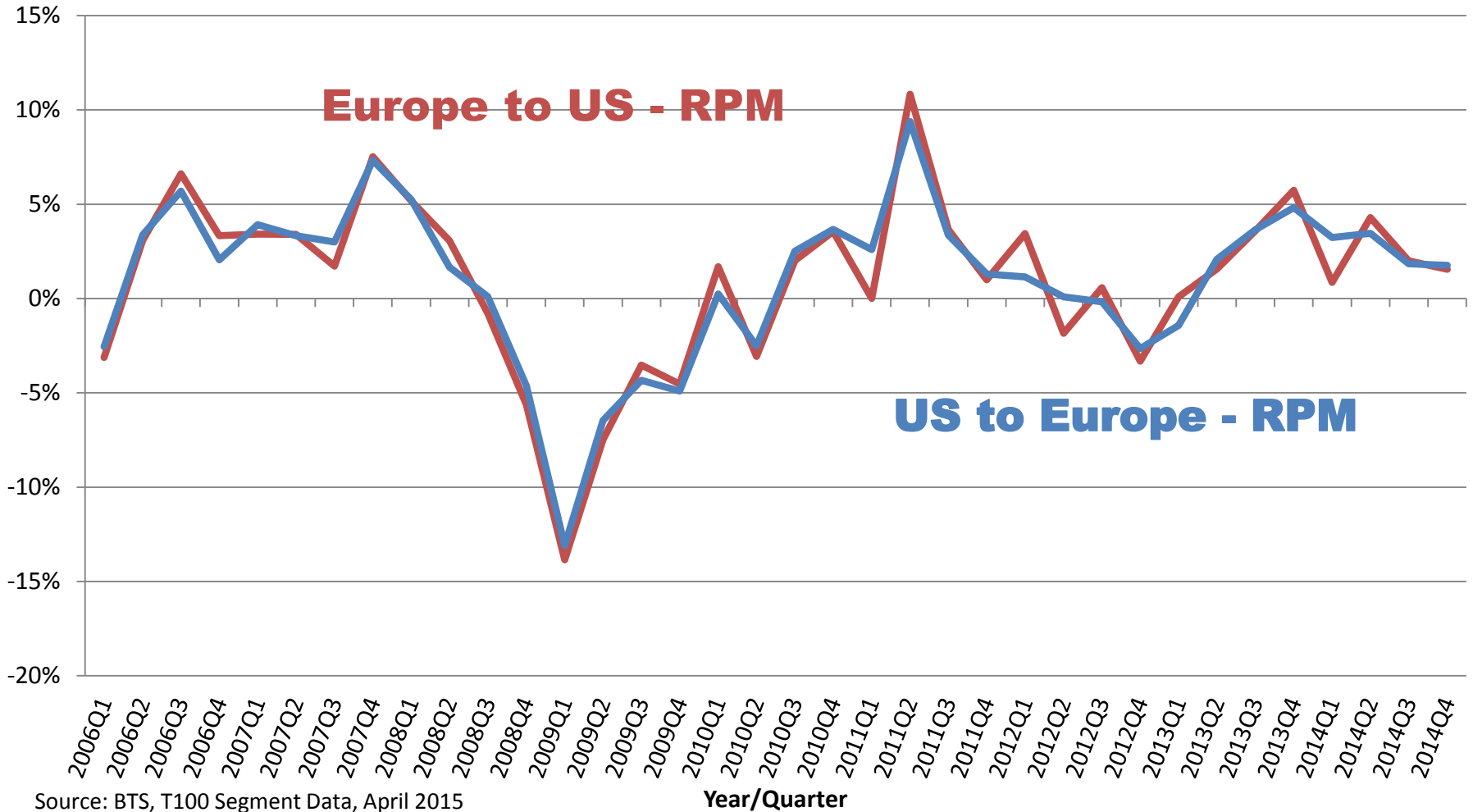
Source: ICAO, and Global Insight, April 2015

2005-2015 US and Europe Operations



Passengers Demand

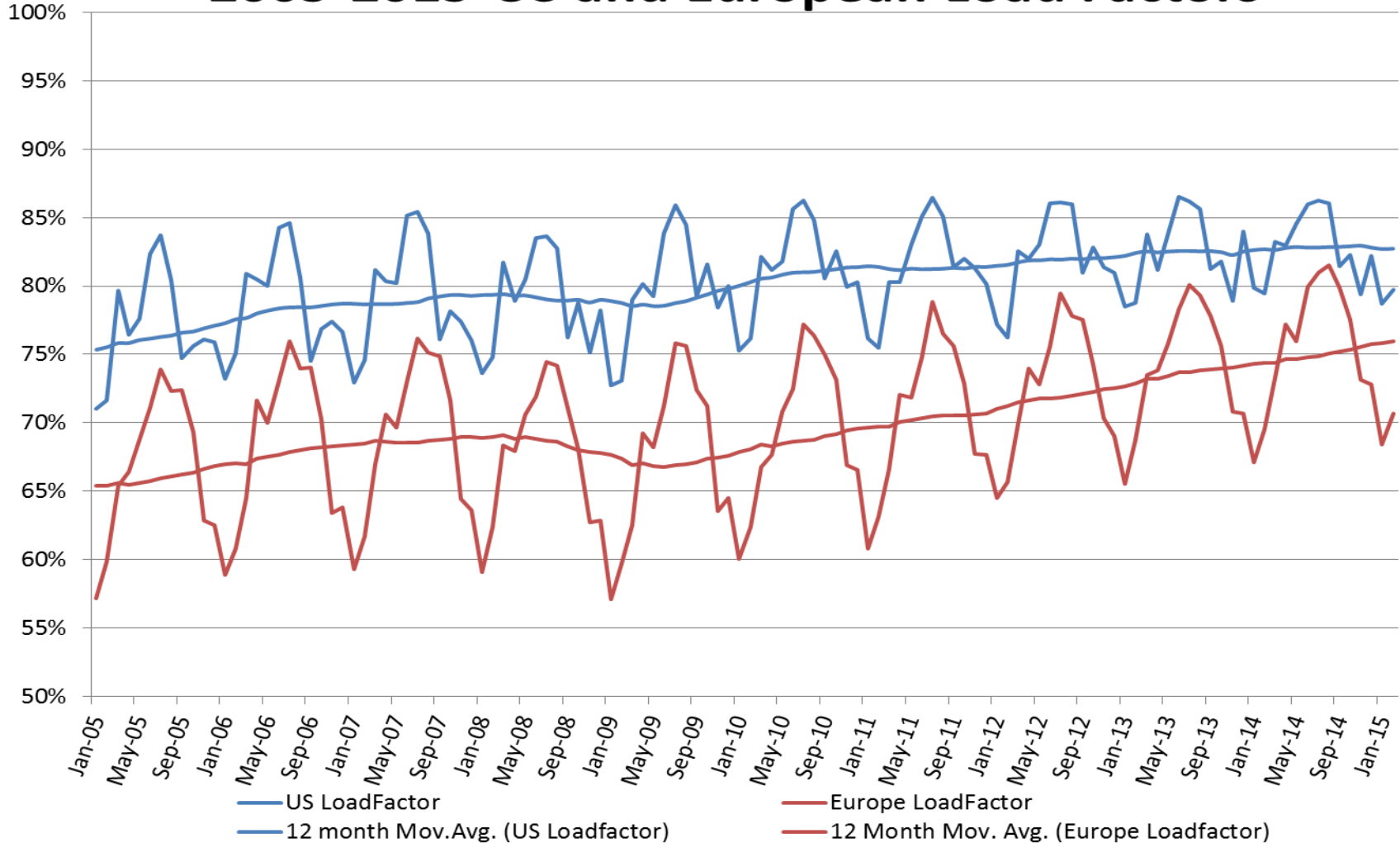
Year-over-Year Change



Source: BTS, T100 Segment Data, April 2015



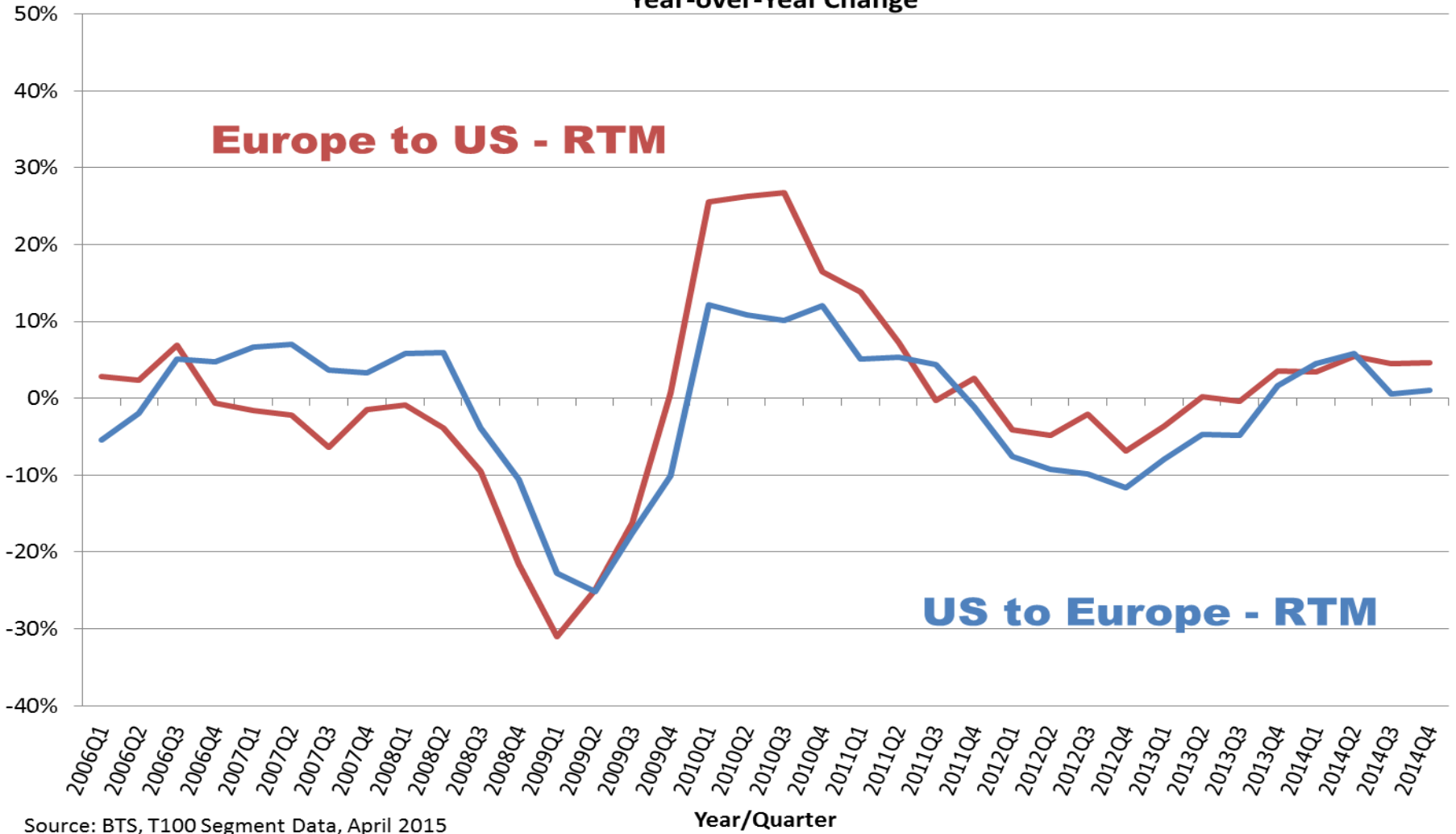
2005-2015 US and European Load Factors



Source: BTS and AEA (Association of European Airlines), April 2015

Air Cargo Demand

Year-over-Year Change



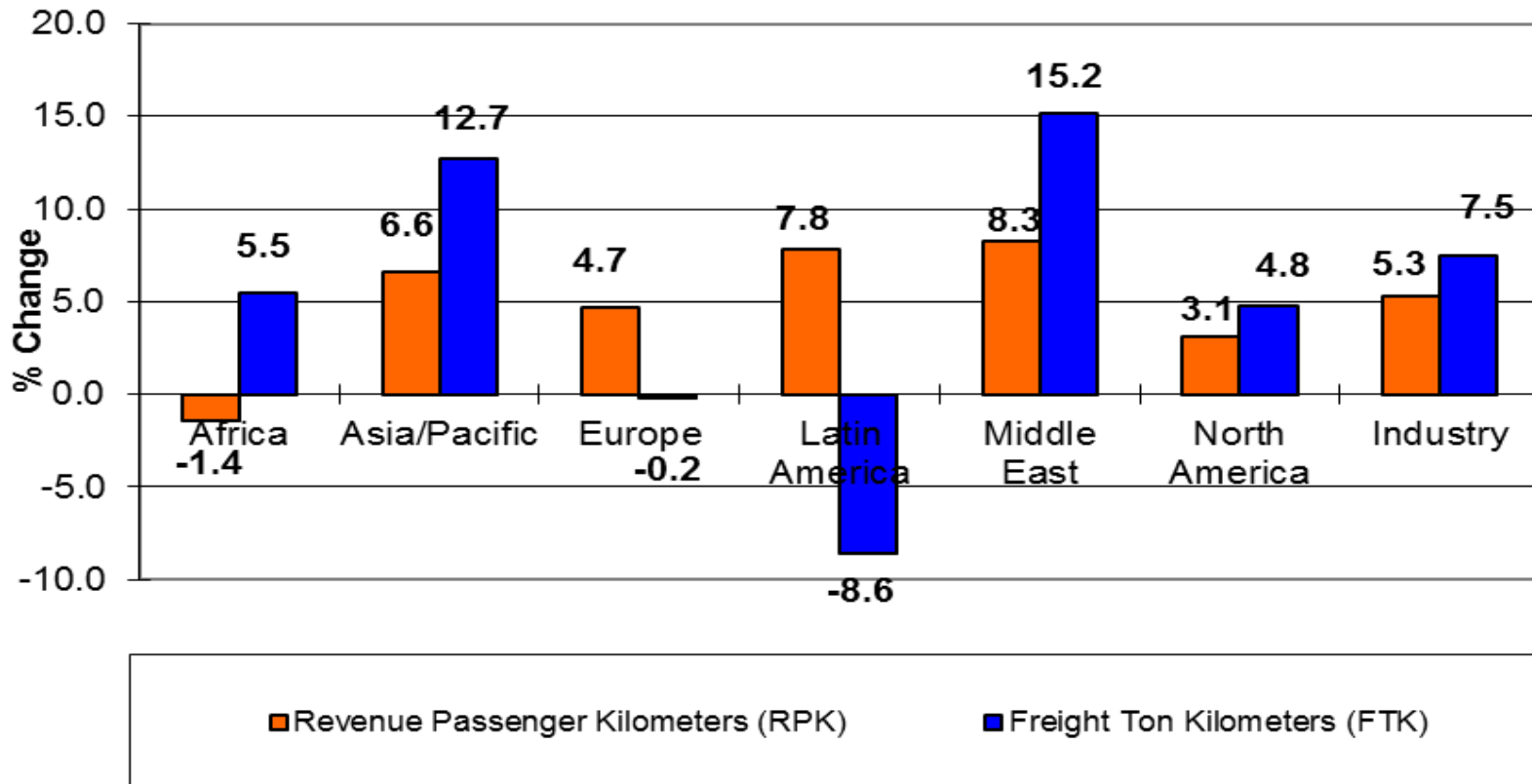
Source: BTS, T100 Segment Data, April 2015



2015 Global Regional Trends (Year-to-Date February)

Regional Traffic Statistics

Change in RPK and FTK: (Jan-Feb) 2015 vs. 2014



Source: IATA, April 2015

The Challenges Continue:

- Euro Area deflation/stagnation, but QE should help
- “Grexit” – A potentially destabilizing factor
- Divergent monetary policies (Europe/Japan vs. US)
- Low fuel prices – Nice but uncertainty in airline planning
- Operational trends continue to diverge (US vs. Europe)
- Passengers and air cargo demand growth remain broadly positive, despite regional weaknesses in Euro Area and Latin America (freight)