



**Federal Aviation
Administration**

North Atlantic Performance Trends

Presented To: ICAO NAT EFFG 29

Toronto, Canada

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FAA - Air Traffic Organization

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Key NAT Performance Trends

Economic Outlook

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

Policy Challenges

- **Euro Area QE Continues**

Industry Challenges

- **Safety and Security in Focus**

Operational Outlook

- **US and Europe Operational Trends Continue Divergence***

Economic Outlook





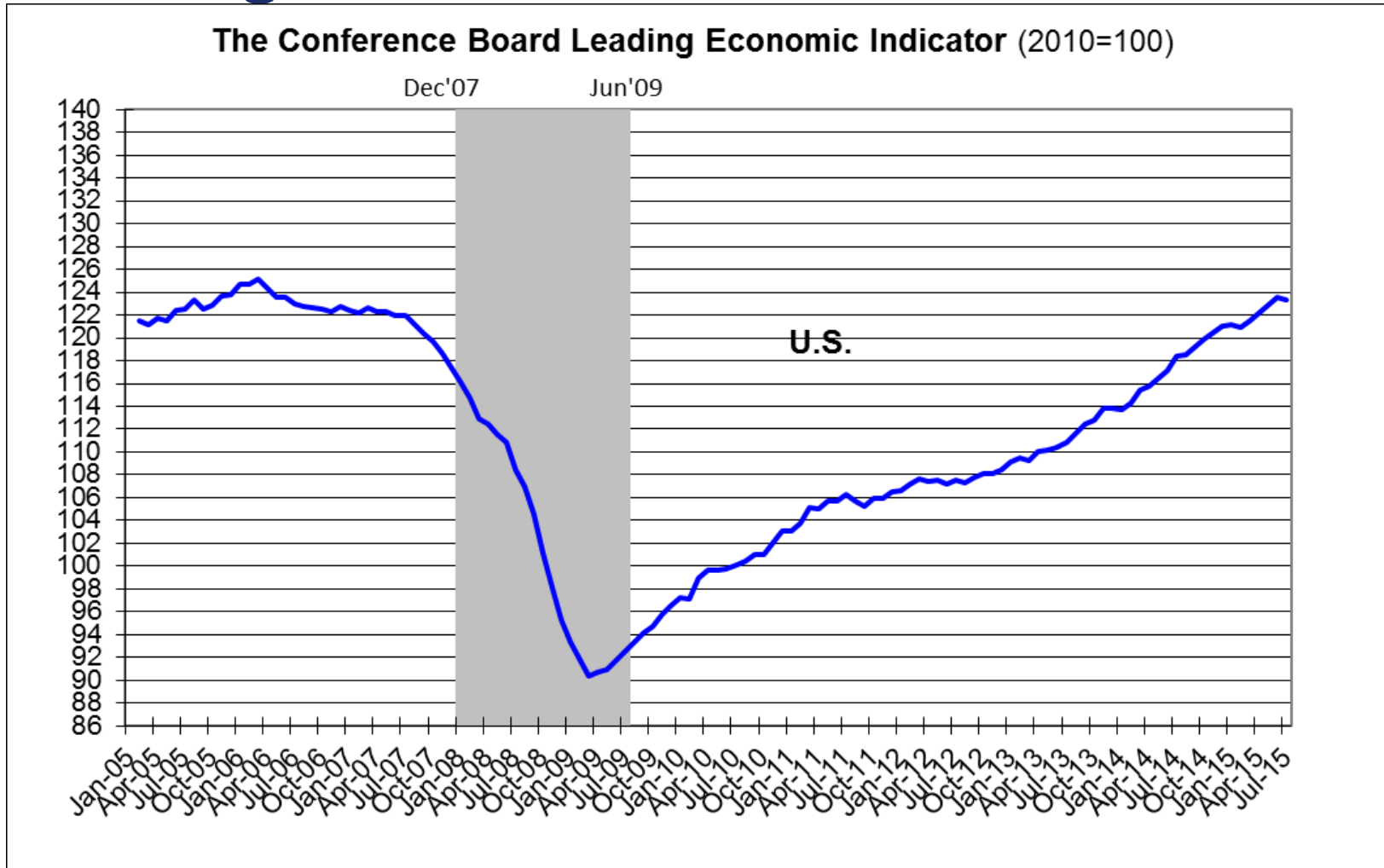
Uneven Recovery Continues

- Global outlook for 2015 is still gradual pickup for advanced economies, and slower growth in emerging markets.
- Low oil prices and volatile exchange rates still major factors.
- Downside risks have slightly increased since April (volatility in financial markets and asset prices).
- (Greece fears have subsided since IMF July 9th release.)

Real GDP Forecast (Annual Percentage Change)		
Country	2015	2016
Canada	1.5	2.1
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	2.4	2.2
US	2.5	3.0
Euro area	1.5	1.7
World	3.3	3.8

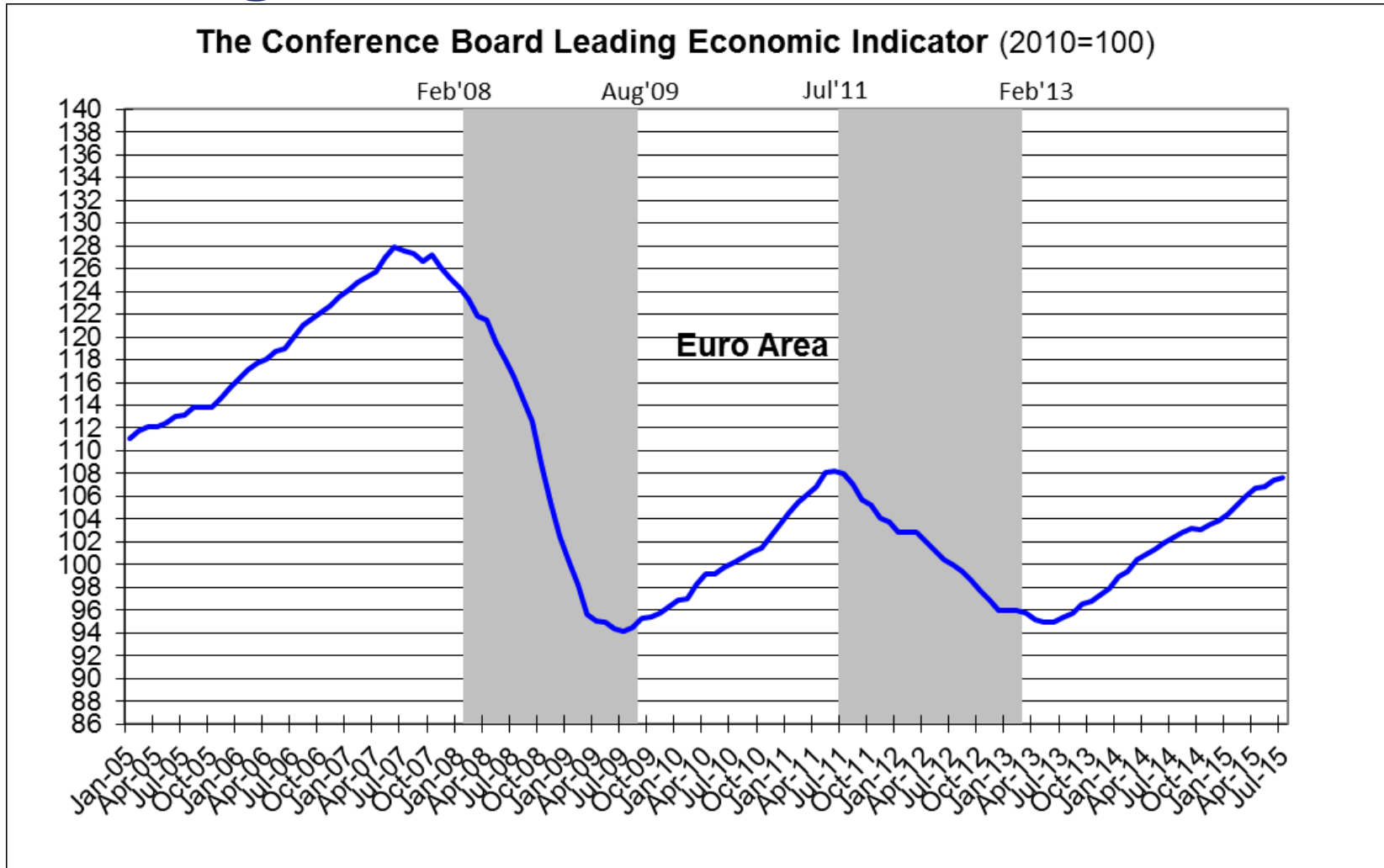
Source: IMF, World Economic Outlook – July Update 2015

Leading Economic Indicator – US



Source: The Conference Board, August 2015

Leading Economic Indicator – Euro Area



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

Policy Challenges



Policy Challenges

- **U.S. Monetary Policies**

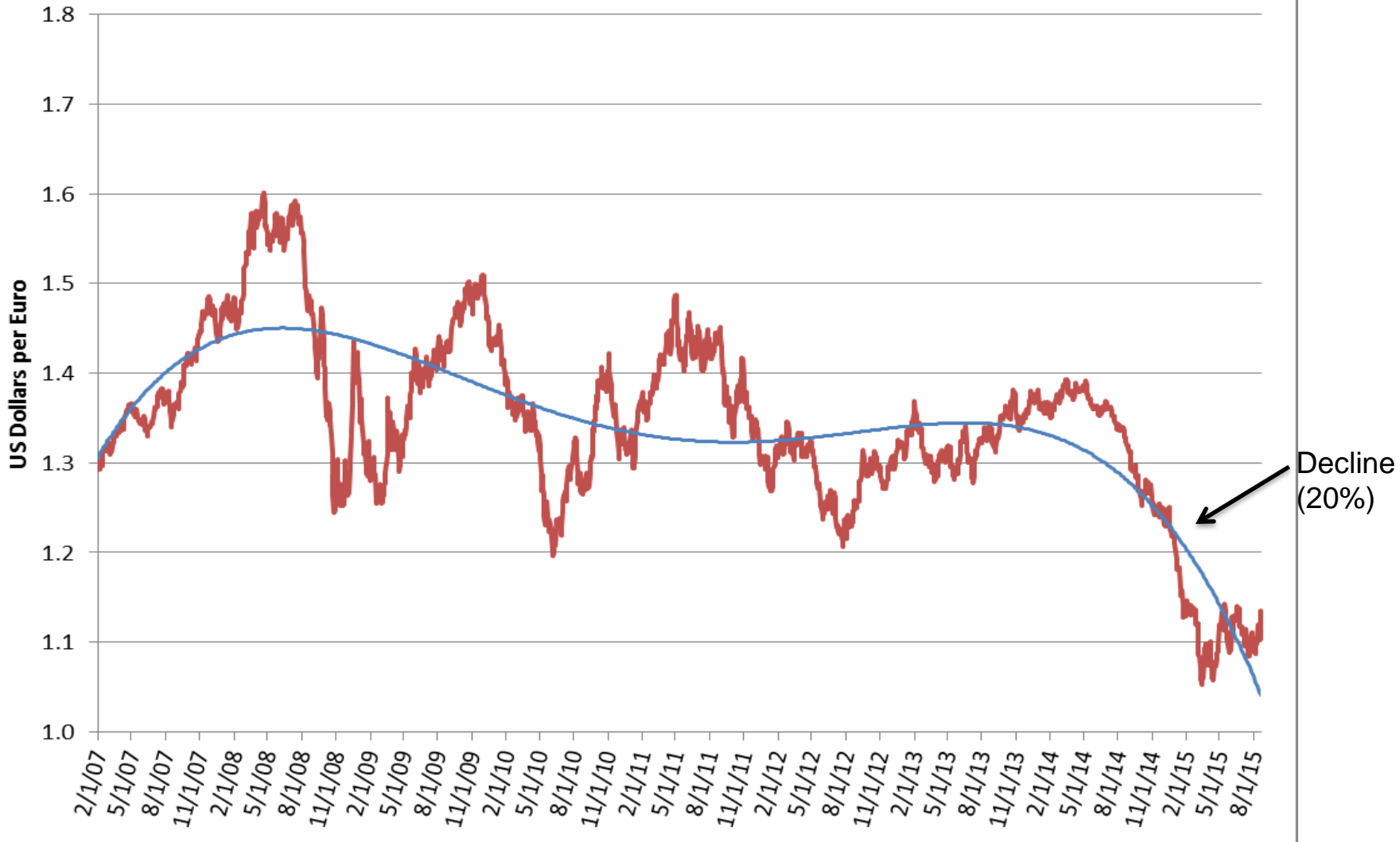
- QE ended in October 2014
- Rate hike decision is *complicated* by:
 - Strength of the US dollar
 - Greater than expected China slowdown



- **Euro Area Stimulus Continues**

- Weak growth: GDP cools to 0.3% in 2015Q2 (Q1 was 0.4%)
- *Inflation stabilizes*: July 2015 inflation at 0.2%
(Inflation has turned (+) since April; (-) from Dec to March)
- ECB Stimulus: QE started in March; €60 bil/month til 2016.
- Potential disaster averted: Greece bailout deal in July/Aug.

Daily Spot Exchange Rate: \$US/€



Source: Federal Reserve Board, August 2015



Industry Outlook



Challenges for the Industry



- **Safety First**

- “Safety is the number one priority for everyone associated with aviation.”

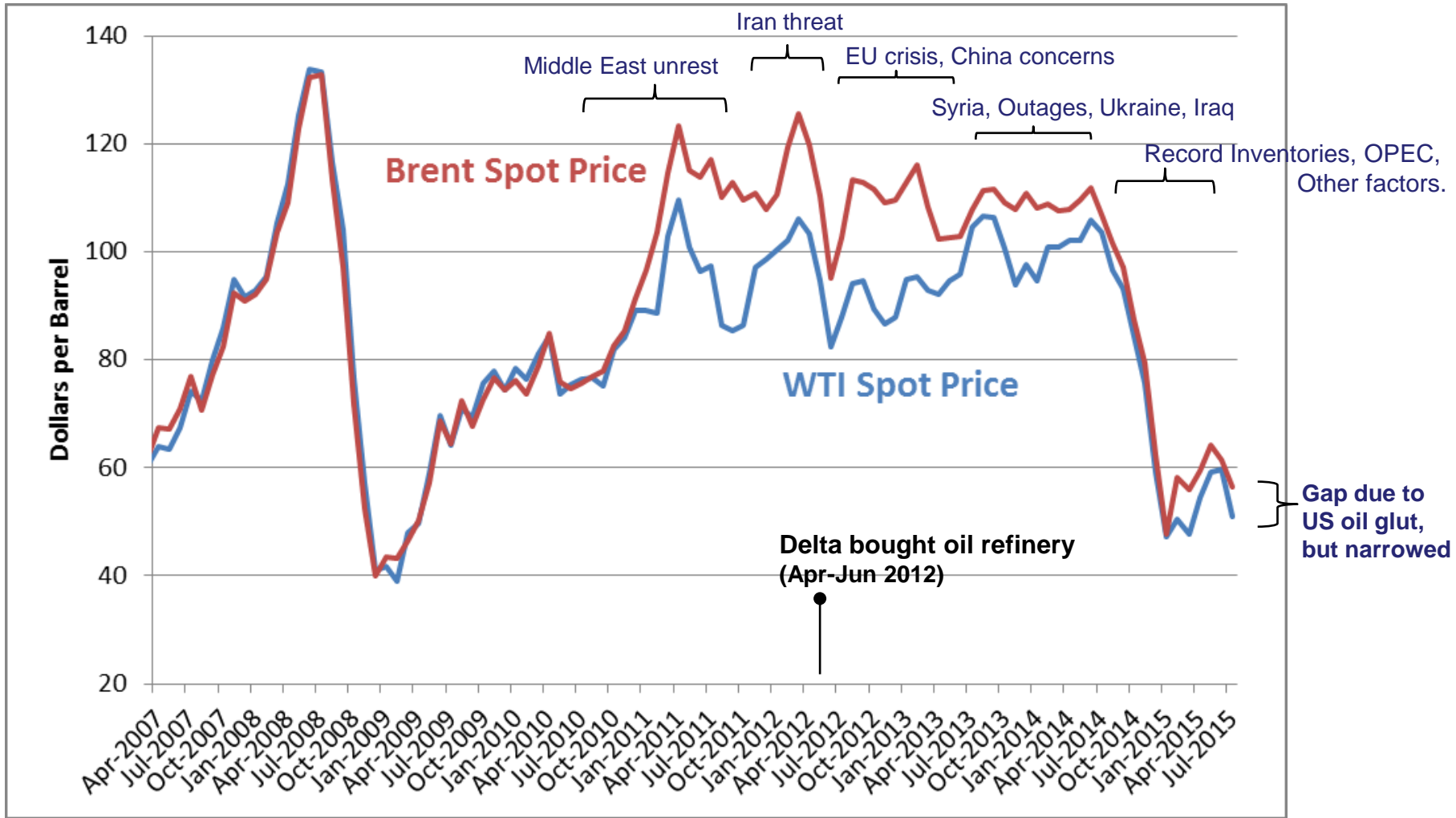
- Tony Tyler, IATA’s Director General and CEO (June 2015)

- 15-minute position reporting is developed by ICAO
- Cyber Security: evolving threat as automation increases

- **Economic Opportunities**

- Big drop in fuel prices leads to windfall (but dampen by strong USD), low fuel prices *more likely* to stay
- Earnings (ROI) now “on par” with cost of capital
- Opportunities to invest; Lower airfares started?

US – European Crude Oil Price Spread



Source: Energy Information Administration, August 2015



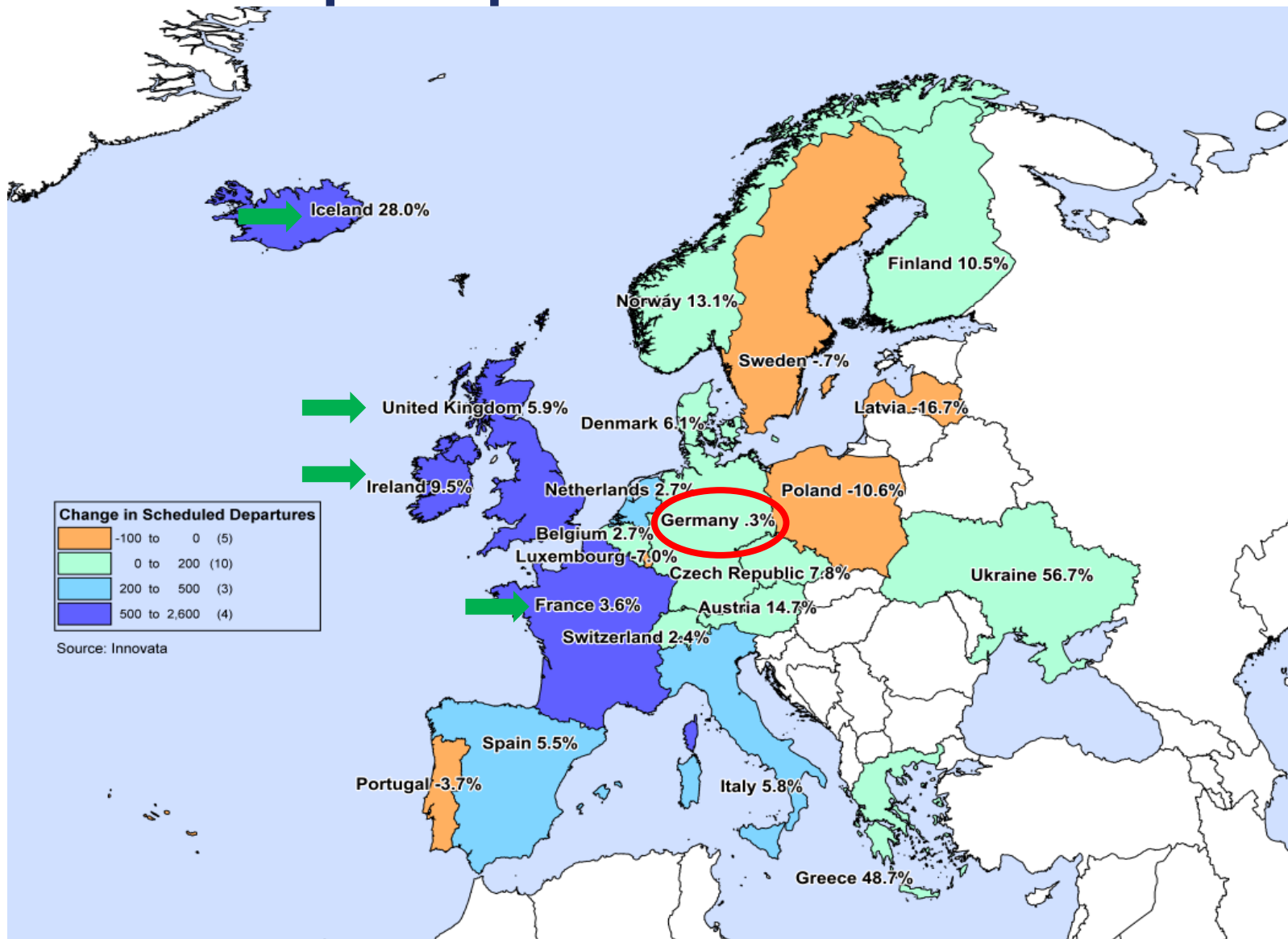
Low Oil Prices to Stay?

- Oil prices **currently around \$40** (August 2015) for the WTI Cushing and slightly higher for European Brent.
- **Forecasts revised down** - WTI below \$50 range thru 2015, and recover slowly up to \$50s by 2016.
- High volatility: Supply/demand, exchange rate movements
→ **Risk** of oil recovery slower/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?
- ***“A new mantra (for oil prices) - lower for longer.”***
- The International Energy Agency, August 12, 2015





Operational Outlook



US to Europe Departures: Jan – Dec 2015

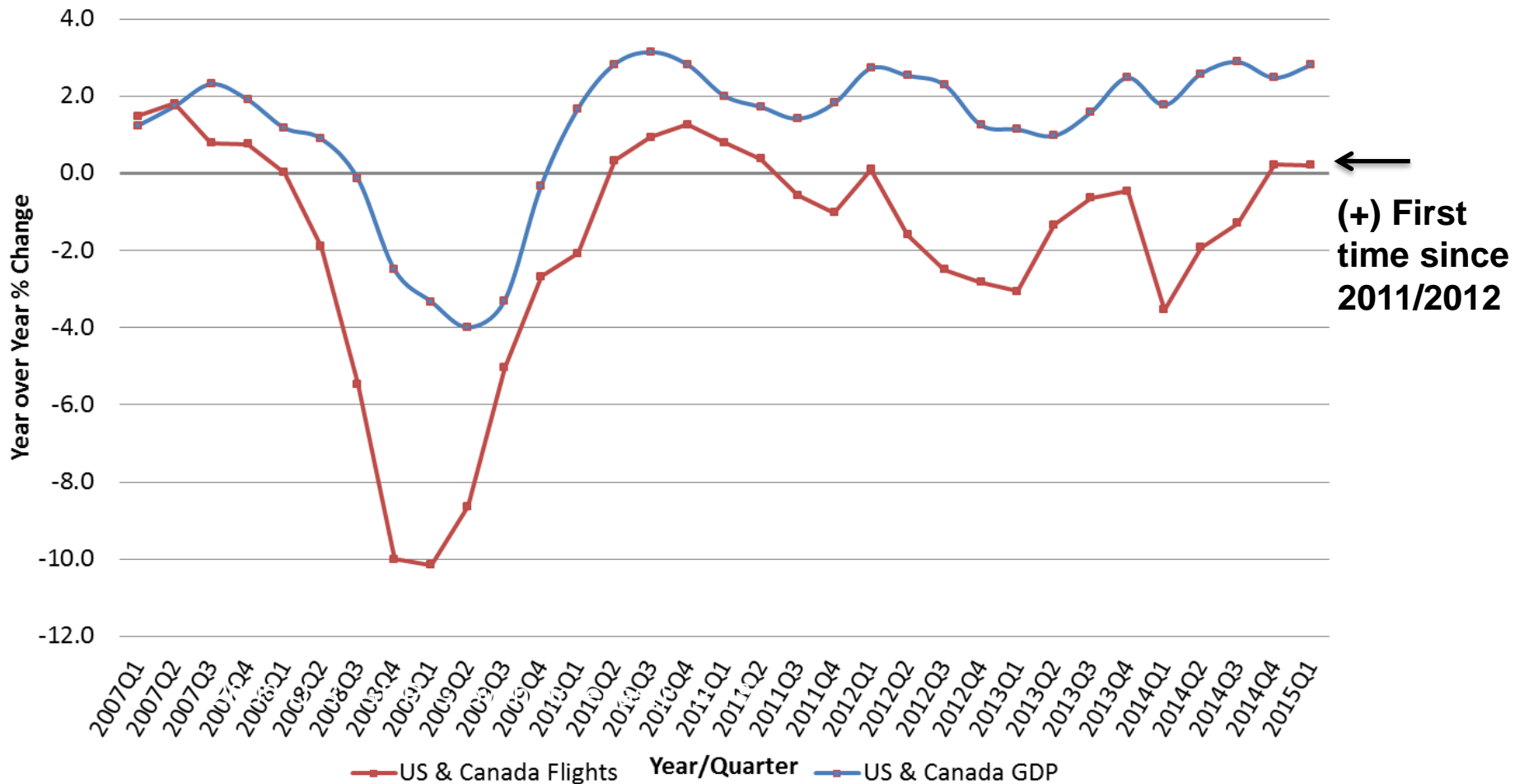


US to Europe: Top Ten Scheduled Departures (Jan – Dec 2015)

Destination Country	2014	2015	% Change
United Kingdom	42,463	44,989	5.9% 
Germany	22,807	22,873	0.3%
France	15,419	15,980	3.6% 
Netherlands	11,678	11,989	2.7%
Italy	7,102	7,512	5.8%
Spain	6,829	7,204	5.5%
Ireland	5,735	6,281	9.5% 
Switzerland	5,895	6,037	2.4%
Belgium	4,080	4,189	2.7%
Iceland	2,635	3,374	28.0% 
All US-Europe	137,562	143,871	4.6%

Source: Innovata, August 2015

2007-2015Q1 Economy and Traffic – US and Canada



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

2007-2015Q1 Economy and Traffic – NAT*/Euro Zone

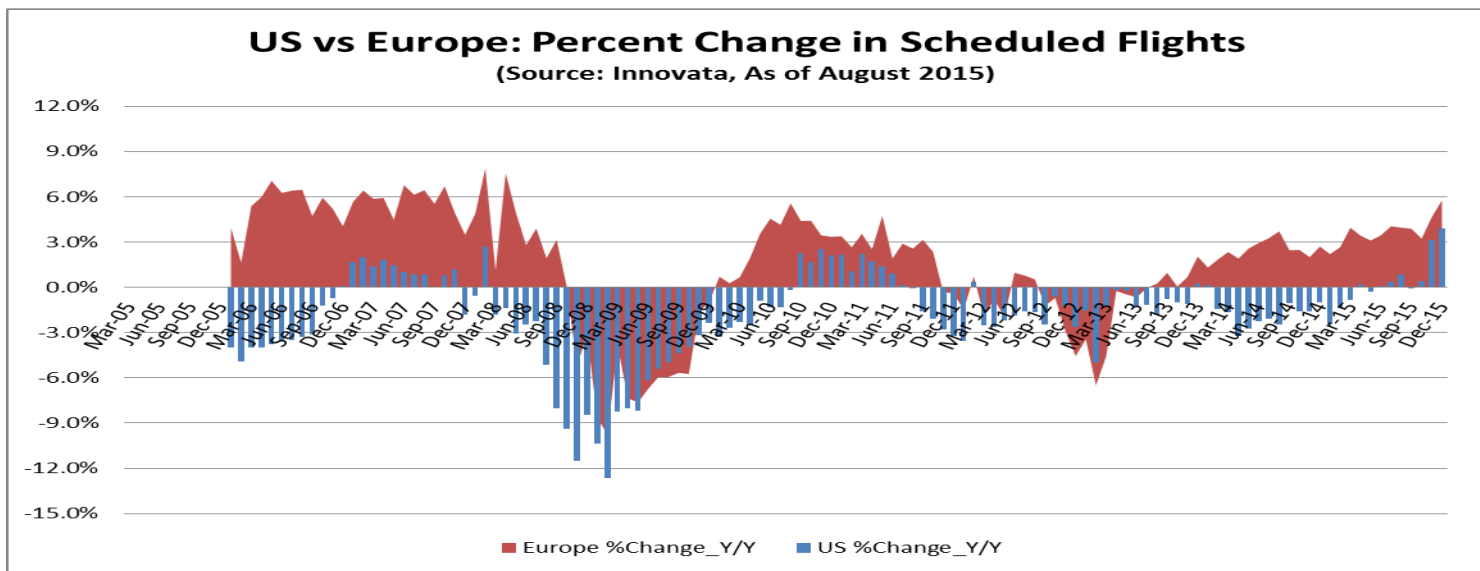
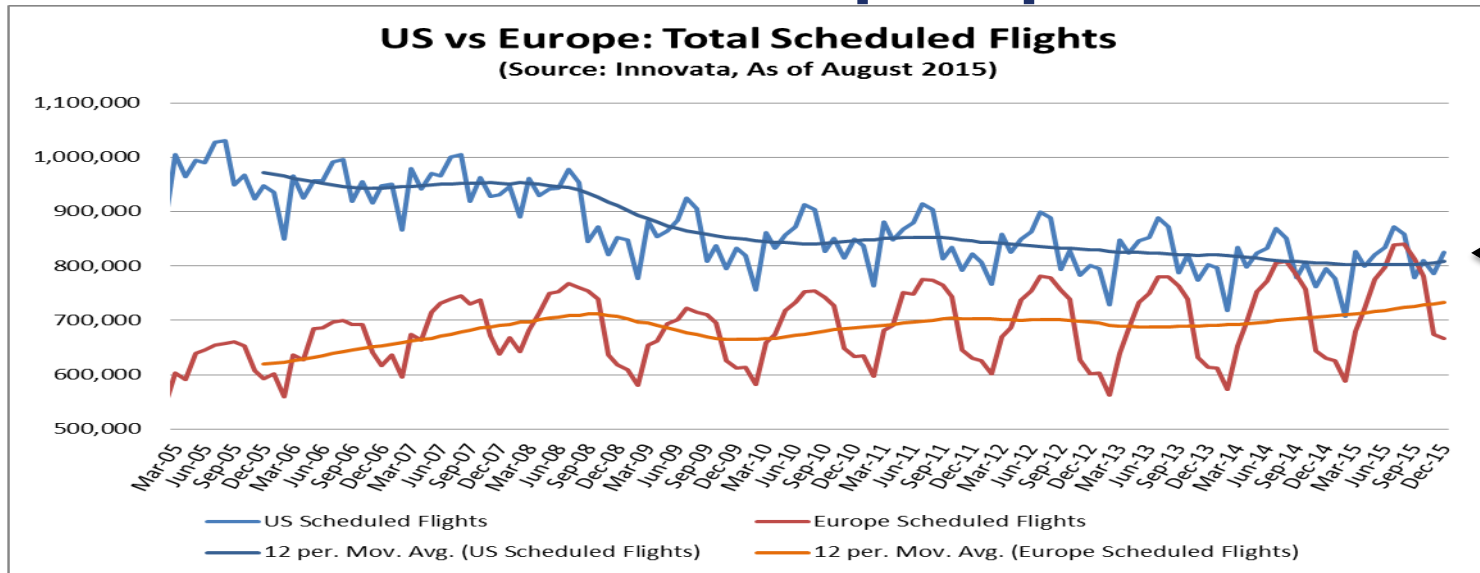


*Denmark, Ireland, Iceland, Norway, Portugal, UK, France, and Germany

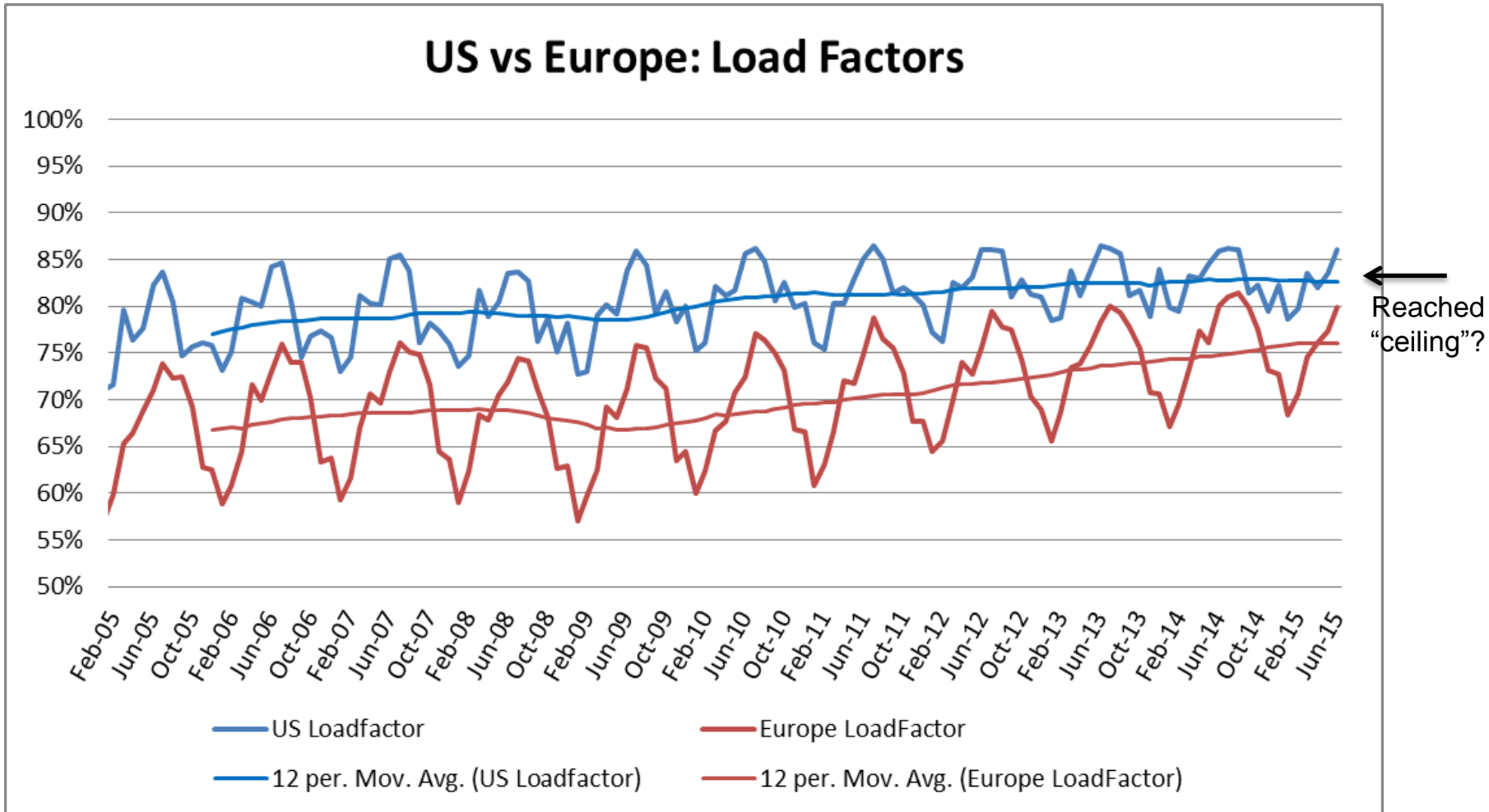
Source: ICAO, Innovata, and EuroStat, August 2015



2005-2015 US and Europe Operations

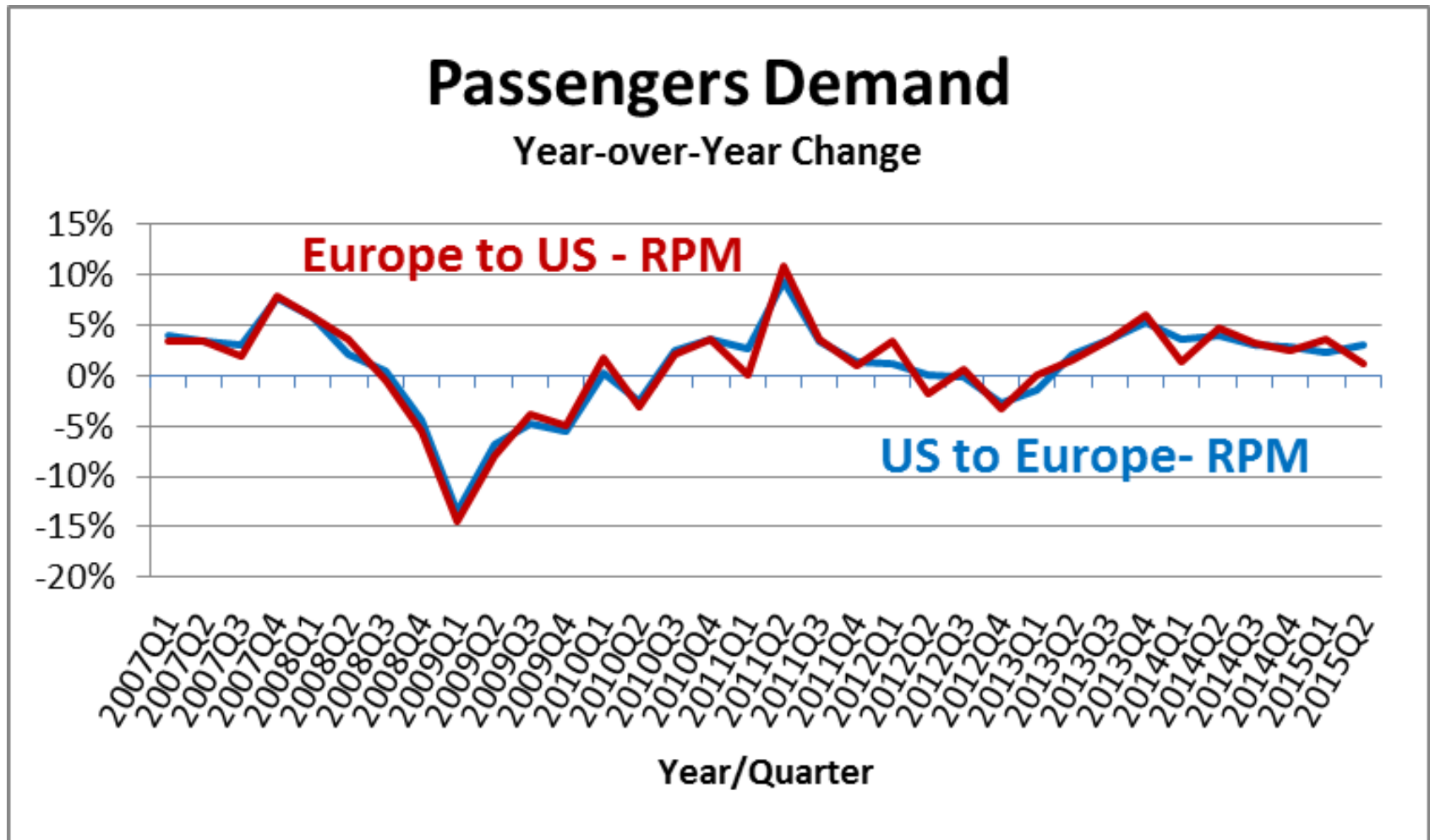


2005-2015 US and Europe Load Factors



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

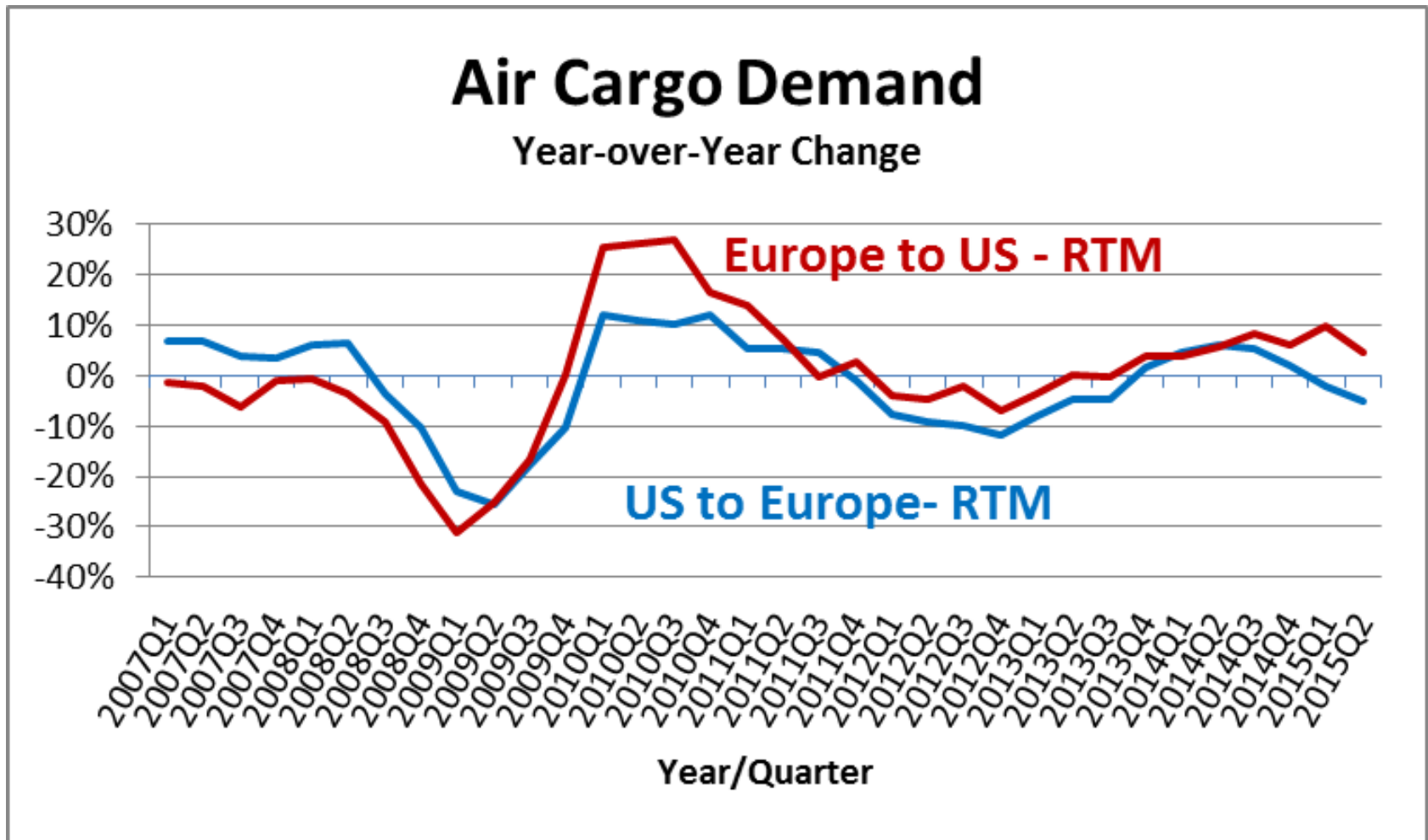
Passengers (2007Q1-2015Q2)



Source: BTS, T100 Segment Data, August 2015



Air Cargo (2007Q1-2015Q2)

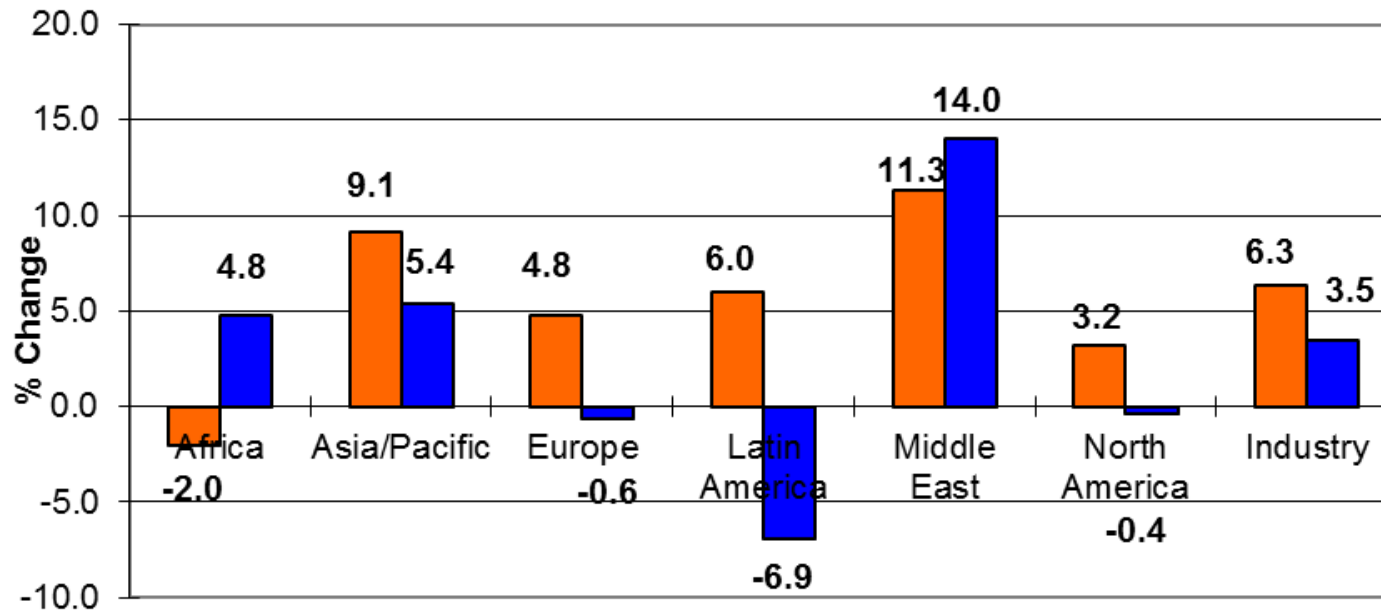


Source: BTS, T100 Segment Data, August 2015

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

Regional Traffic Statistics

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



■ Revenue Passenger Kilometers (RPK)

■ Freight Ton Kilometers (FTK)

Source: IATA, August 2015

The Challenges Continue:

- Euro Area growth still weak, continue QE should help
- Divergent monetary policies (US vs. Europe/China)
- Volatile exchange rate movements
- China factor: Further slowdown could drag globally
- *Low fuel prices to stay?* Uncertainty in airline planning
- Operational trends continue to diverge, but is the US trend turning around (from down to up)?
- Passenger and air cargo demand growth: Passengers still growing, but cargo showing signs of weakness (weaker than expected global economic growth)