

# North Atlantic Performance Trends

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Federal Aviation  
Administration



# Key NAT Performance Trends

## Economic Outlook

- **Slow Growth Turns Fragile**

## Policy Challenges

- **Accommodative Monetary Policy**

## Industry Challenges

- **Safety and Security**

## Operational Outlook

- **No Longer Divergent**

# *Economic Outlook*





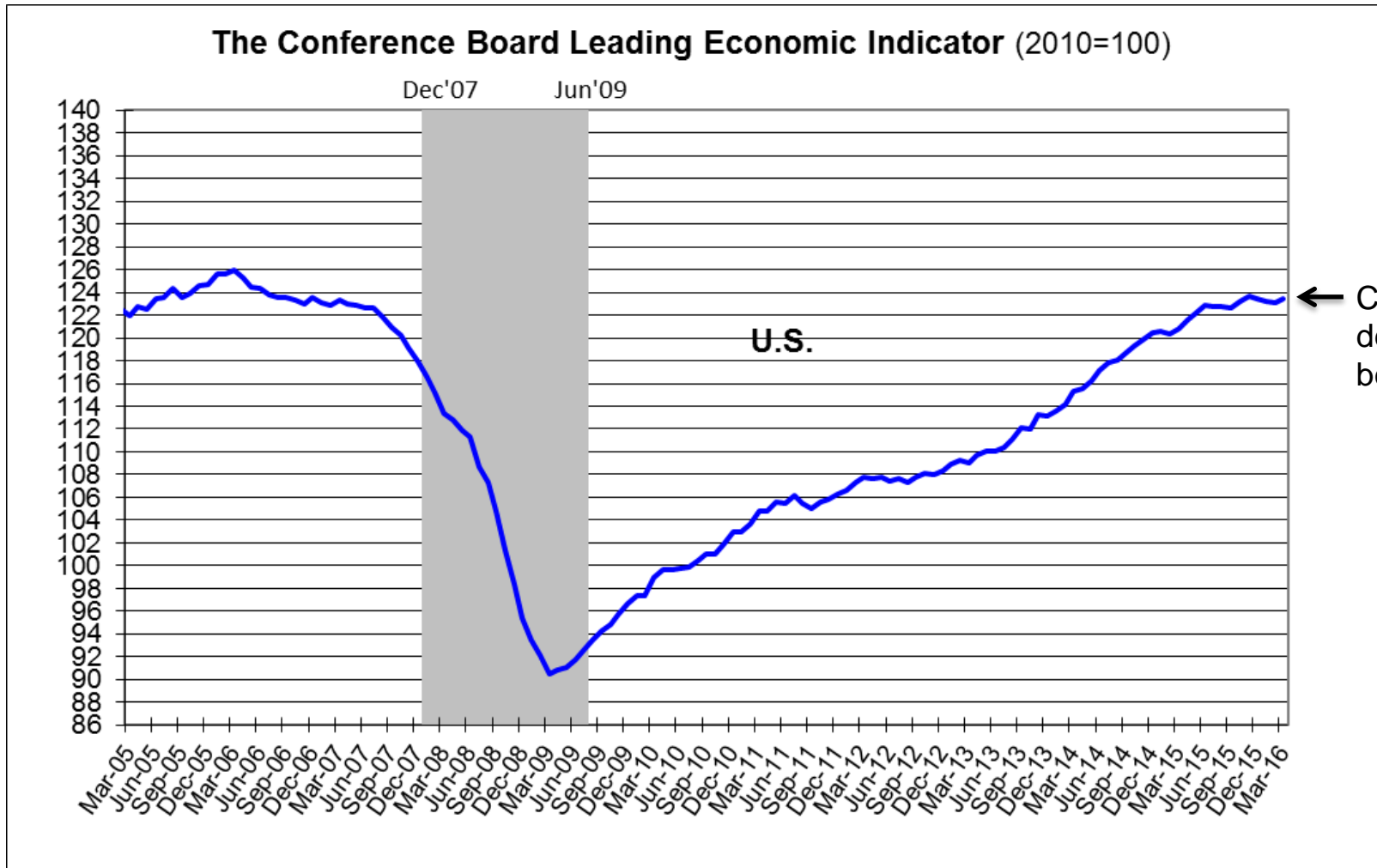
# “Too Slow for Too Long”

- Loss of growth momentum in the advanced economies, and continuing headwinds for emerging market economies
- Recent firming of oil prices, lower capital outflows from China, and decisions by major central banks show promise but uncertainty remains.
- Significant downside risks remain. (tightening financial conditions in US, Europe, and Japan)
- Fear of UK “Brexit” with June referendum.

Source: IMF, World Economic Outlook – April 2016

Real GDP Forecast (Annual Percentage Change)		
Country	2016	2017
Canada	1.5	1.9
Denmark	1.6	1.8
France	1.1	1.3
Germany	1.5	1.6
Iceland	4.2	3.2
Ireland	5.0	3.6
Norway	1.0	1.5
Portugal	1.4	1.3
UK	1.9	2.2
US	2.4	2.5
Euro area	1.5	1.6
World	3.2	3.5

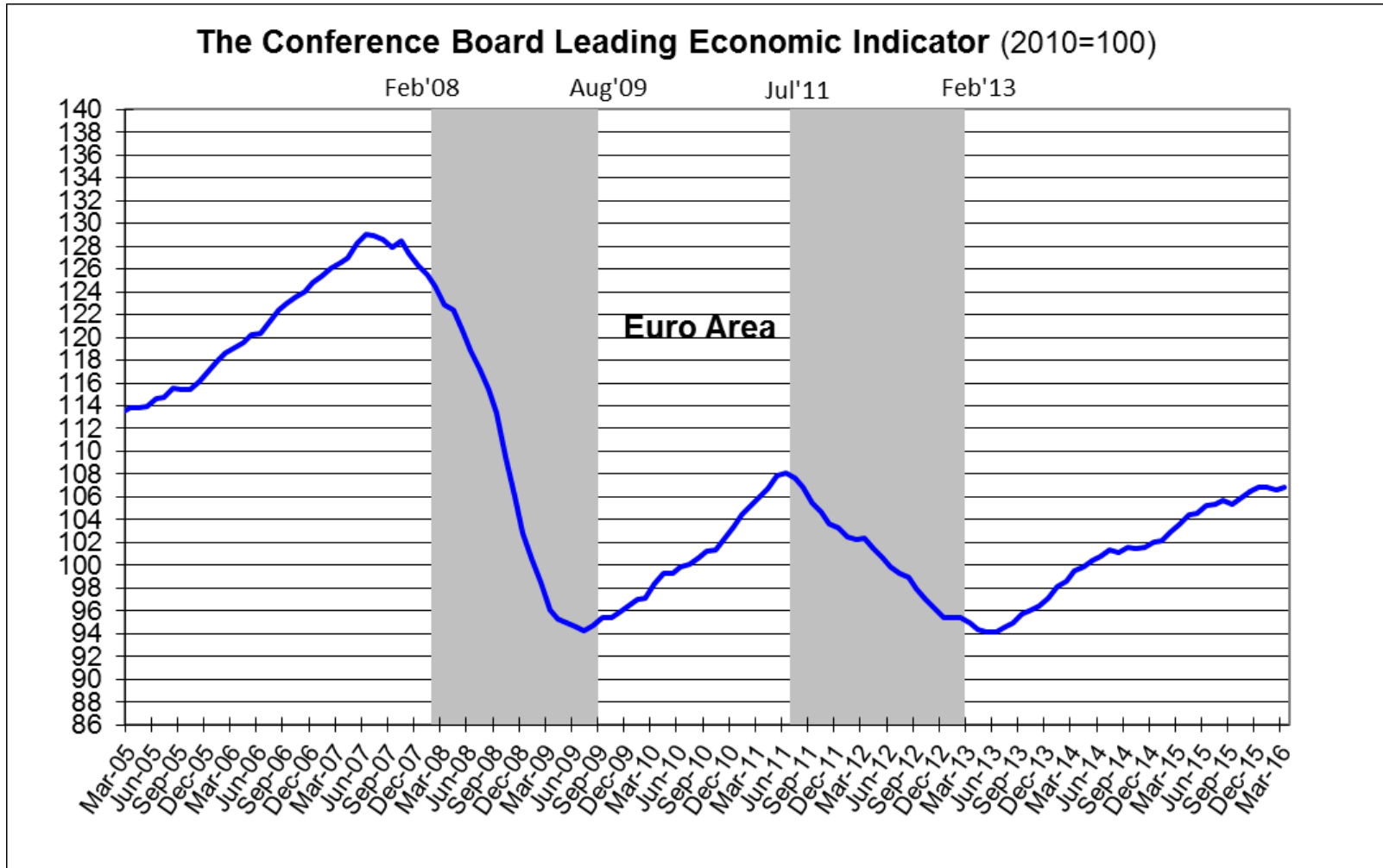
# Leading Economic Indicator – US



Source: The Conference Board, April 2016



# Leading Economic Indicator – Euro Area



Source: The Conference Board, April 2016; *Last CEPR Meeting: October 2015\**



# *Policy Challenges*



# Policy Challenges

- **U.S. Monetary Policies**

- 1st rate hike (since 2006) in Dec 2015
- None since then, complicated by:
  - Volatility in financial markets (Jan-Feb)
  - Strength of the US dollar
- Softening economy: 2016Q1 GDP at 0.5%

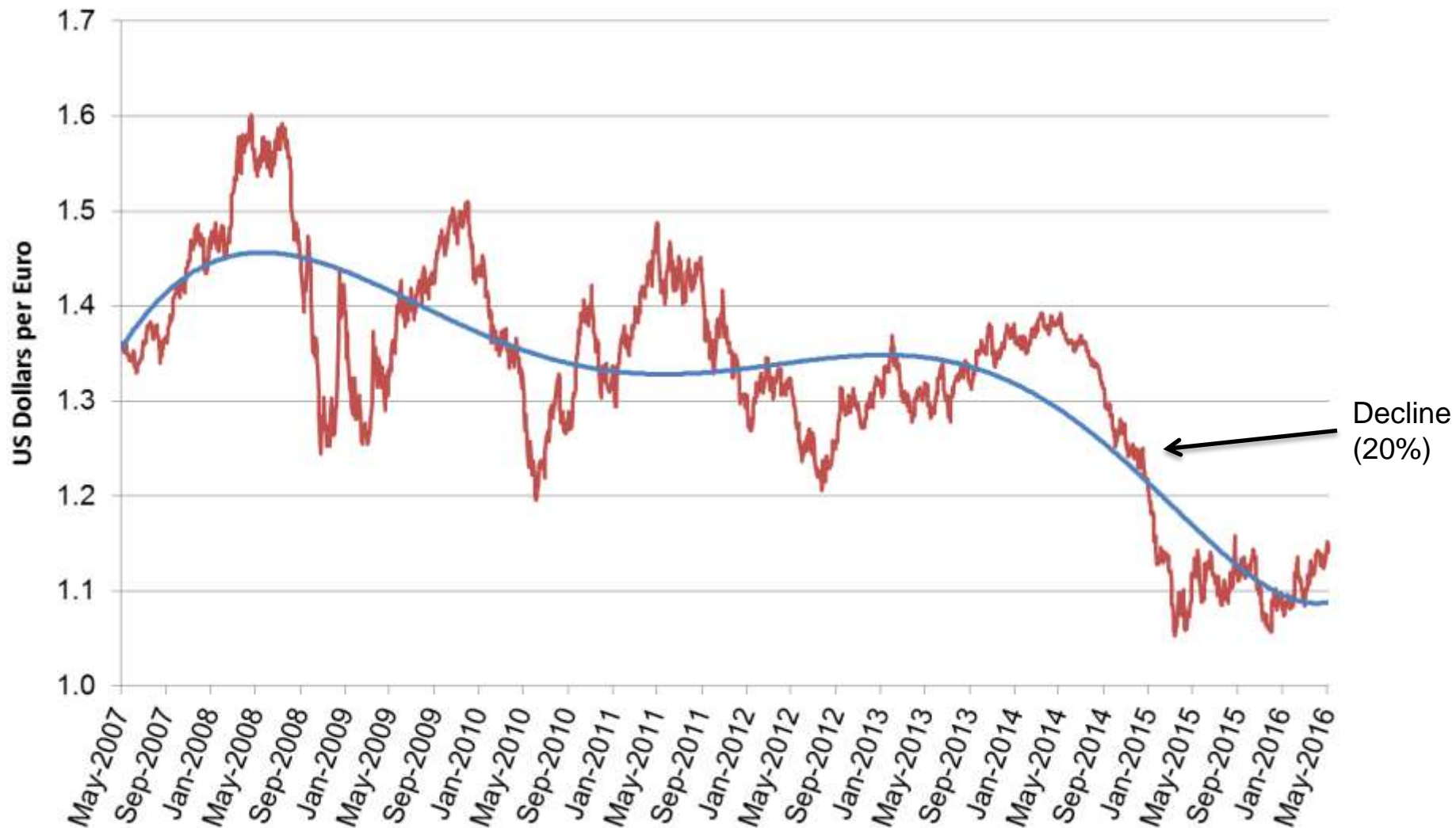


- **Euro Area Stimulus Expanded**

- Economic Growth: 2016Q1 GDP solid (but not strong)
- Negative Inflation: Back in deflation?
- ECB Stimulus: QE expanded and further reduced rates (-)
- Impact of refugee crisis and security threats



# Daily Spot Exchange Rate: \$US/€



Source: U.S. Federal Reserve Board, May 2016

# *Industry Outlook*



# Challenges for the Industry



- **Safety In Focus**

- “The safety and security of our passengers and crew is always paramount.”

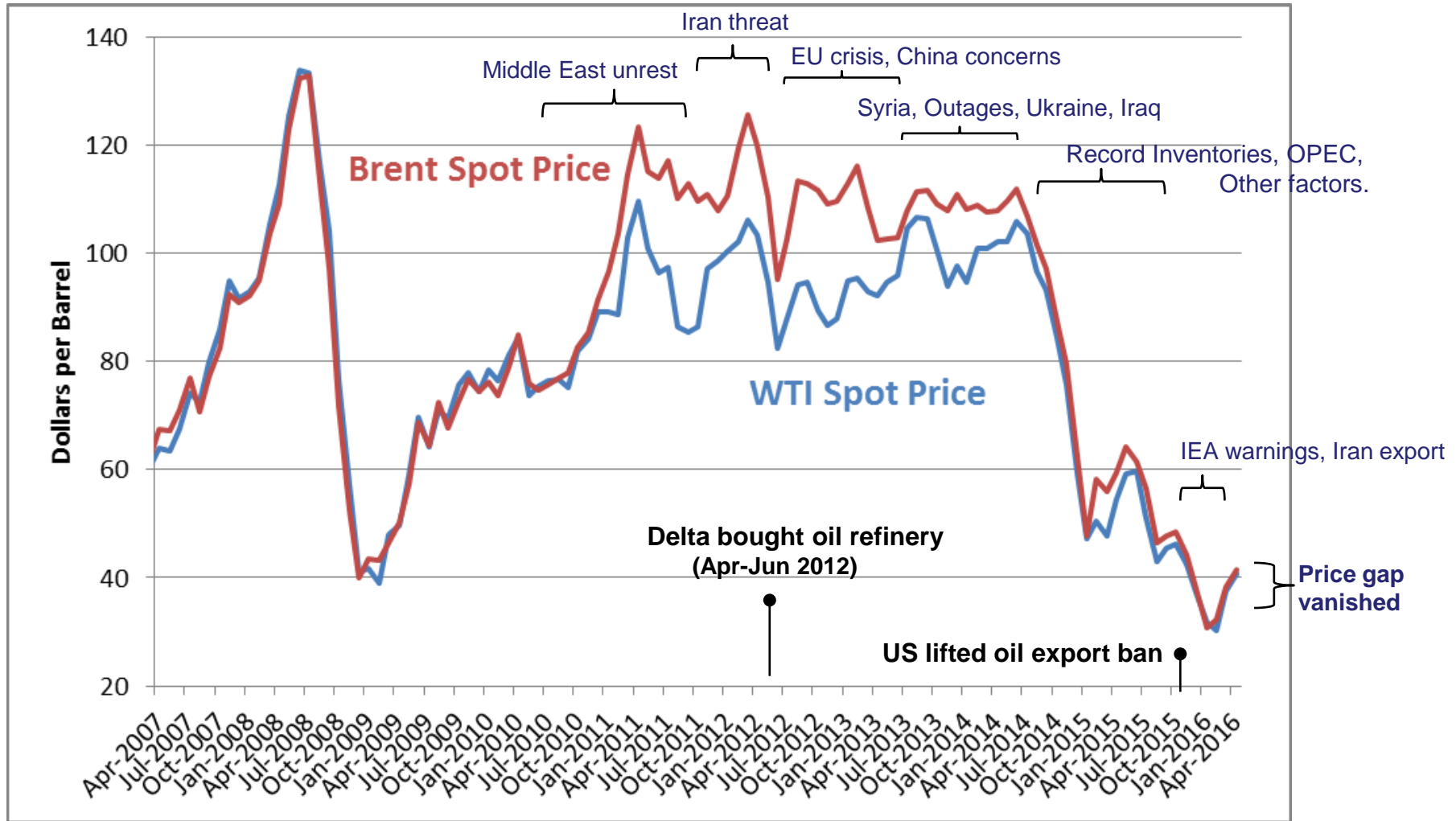
- Tony Tyler, IATA’s Director General and CEO (April 2016)

- Airport security and threats; Notable tragic incidents
- New concerns: Drones and lithium batteries

- **Economic Opportunities**

- Record industry profit in 2015 (\$33 billion);  
*Similar profits forecasted for 2016*
- Earnings (ROI) now above cost of capital
- Opportunities to invest; Lower airfares?

# US – European Crude Oil Price Spread



Source: Energy Information Administration, April 2016





## How Long will Low Oil Stay?

- **Oil prices** reached 13-year lows around \$30 in early 2016 before **recovering to around \$45 recently** (early May) for both the WTI Cushing and European Brent.
- **EIA forecast lowered** - WTI at \$40 in 2016, \$50 in 2017.
- High volatility continues: Supply/demand factors, geopolitical events, exchange rate movements.
- **→ Expectation:** Low oil prices may have bottomed out, but price recovery is likely to be slow.
- **Airlines:** Recently some have gotten back to hedging.

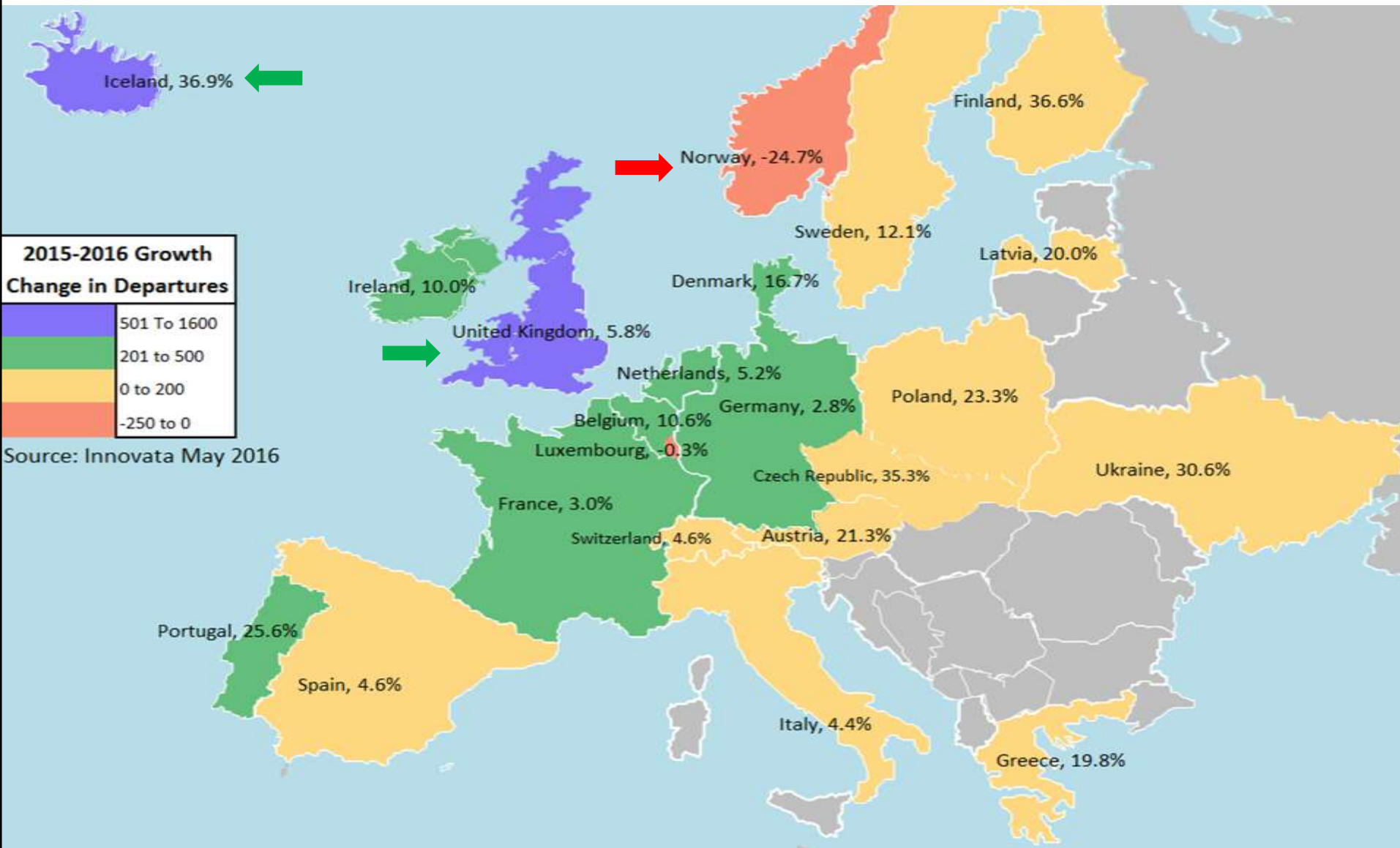
***“Oil prices appear to have bottomed out.”***

- The International Energy Agency, March 2016

# *Operational Outlook*



# US to Europe Departures: Jan – Jul 2016



Source: Innovata May 2016



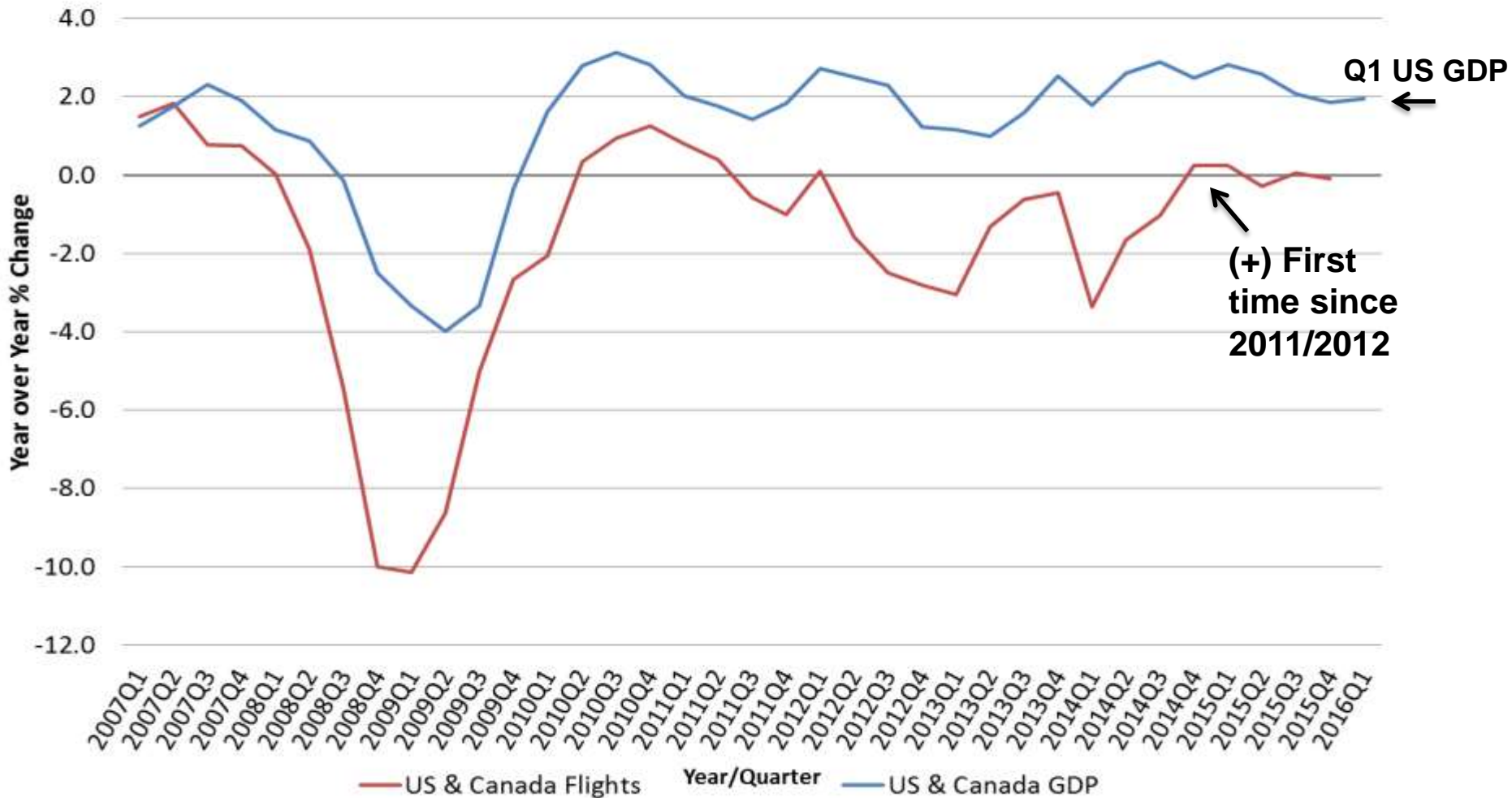
# US to Europe: Top Ten Scheduled Departures (Jan – Jul 2016)

Destination Country	Jan-Jul 2015	Jan-Jul 2016	% Change	Change in Flights
United Kingdom	25,653	27,153	5.8%	➔ 1500
Germany	13,193	13,561	2.8%	368
France	9,038	9,313	3.0%	275
Netherlands	6,948	7,310	5.2%	362
Italy	4,235	4,420	4.4%	185
Spain	4,117	4,308	4.6%	191
Ireland	3,482	3,829	10.0%	347
Switzerland	3,511	3,674	4.6%	163
Belgium	2,386	2,639	10.6%	253
Iceland	1,841	2,521	36.9%	➔ 680
All US-Europe	82,362	87,169	5.8%	4807

Source: Innovata, May 1, 2016



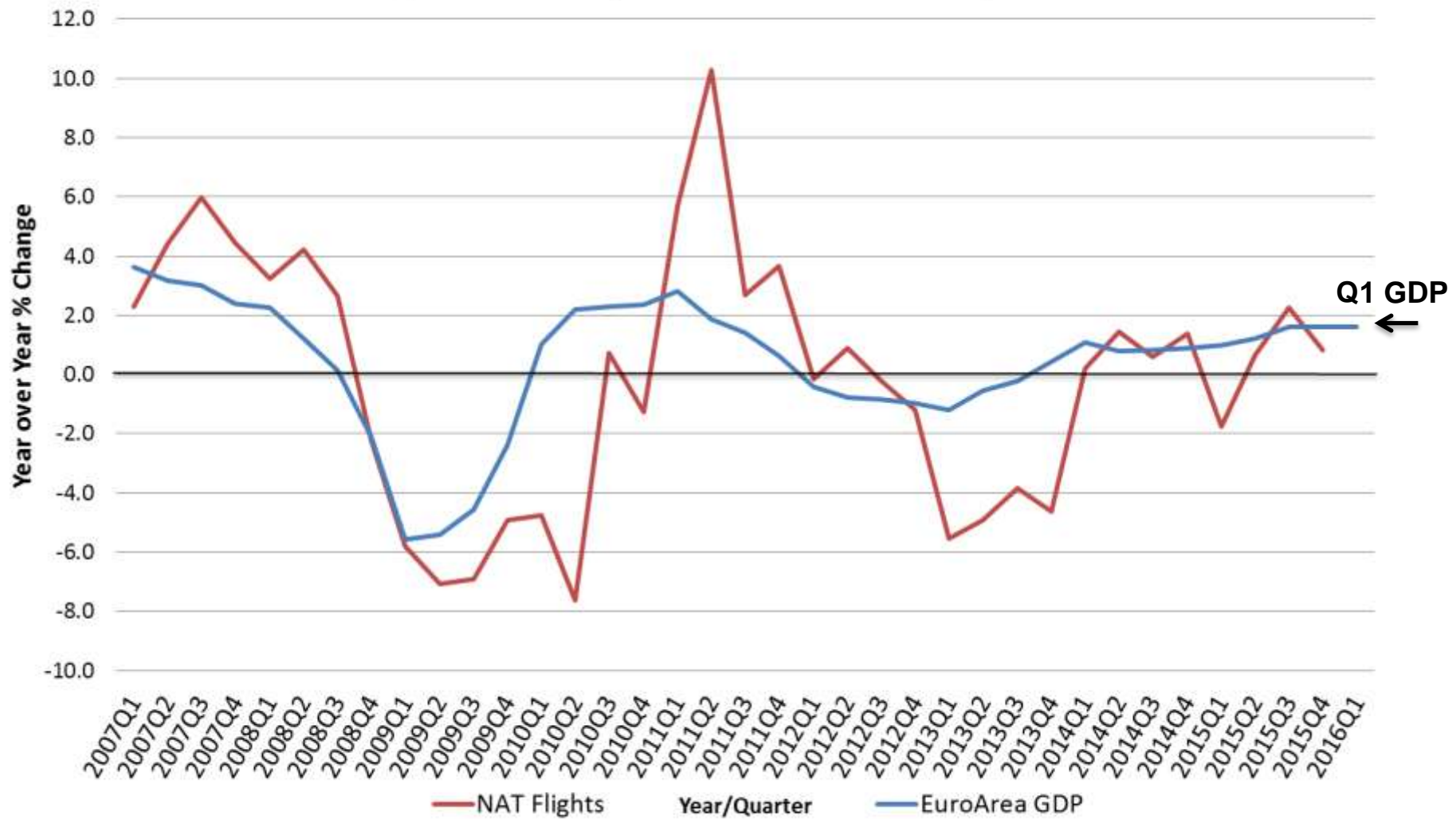
# 2007-2016Q1 Economy and Traffic- US and Canada



Source: ICAO, BTS, and Global Insight, BEA, April 2016



# 2007-2016Q1 Economy and Traffic- NAT\*/Euro Area

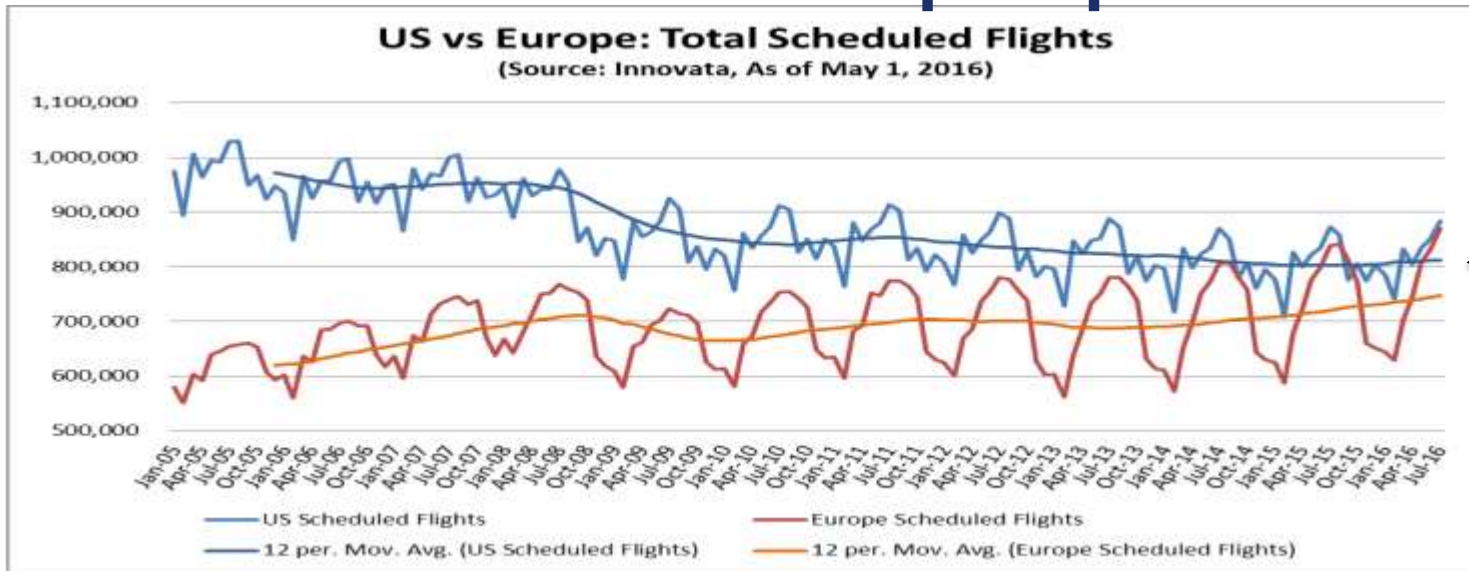


Source: ICAO, Innovata, Global Insight/Eurostat May, 2016

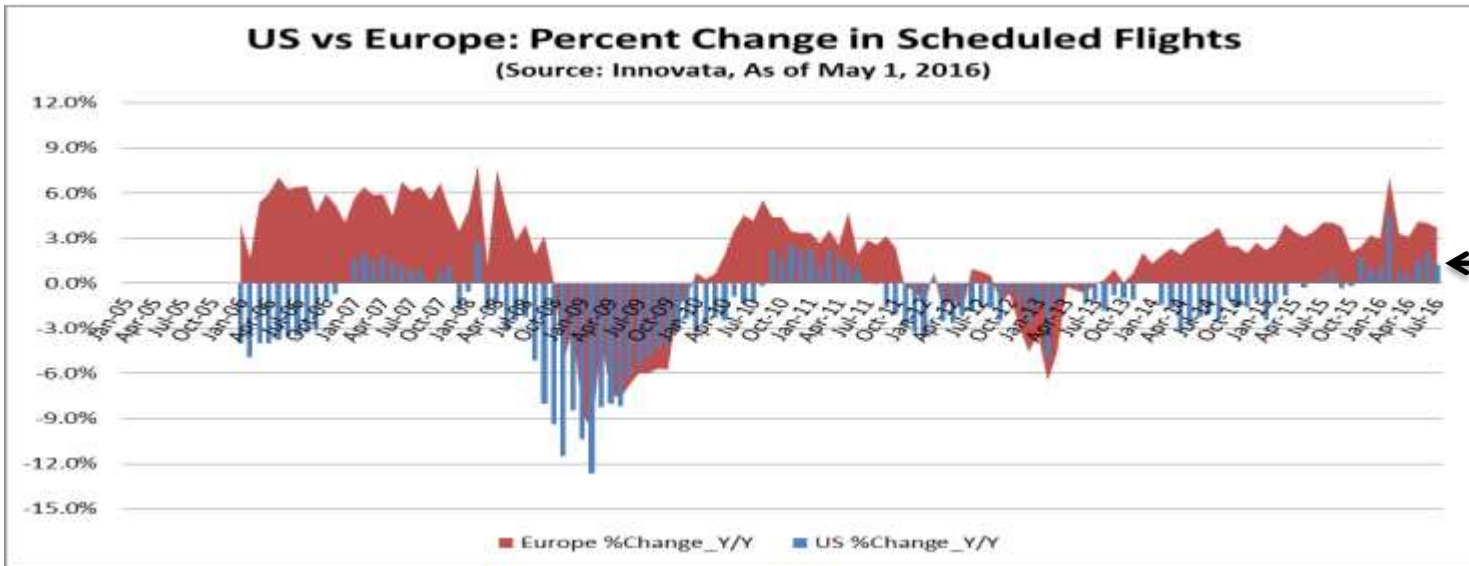
\*Denmark, Ireland, Iceland, Norway, Portugal, UK, France, and Germany



# 2005-2016 US and Europe Operations

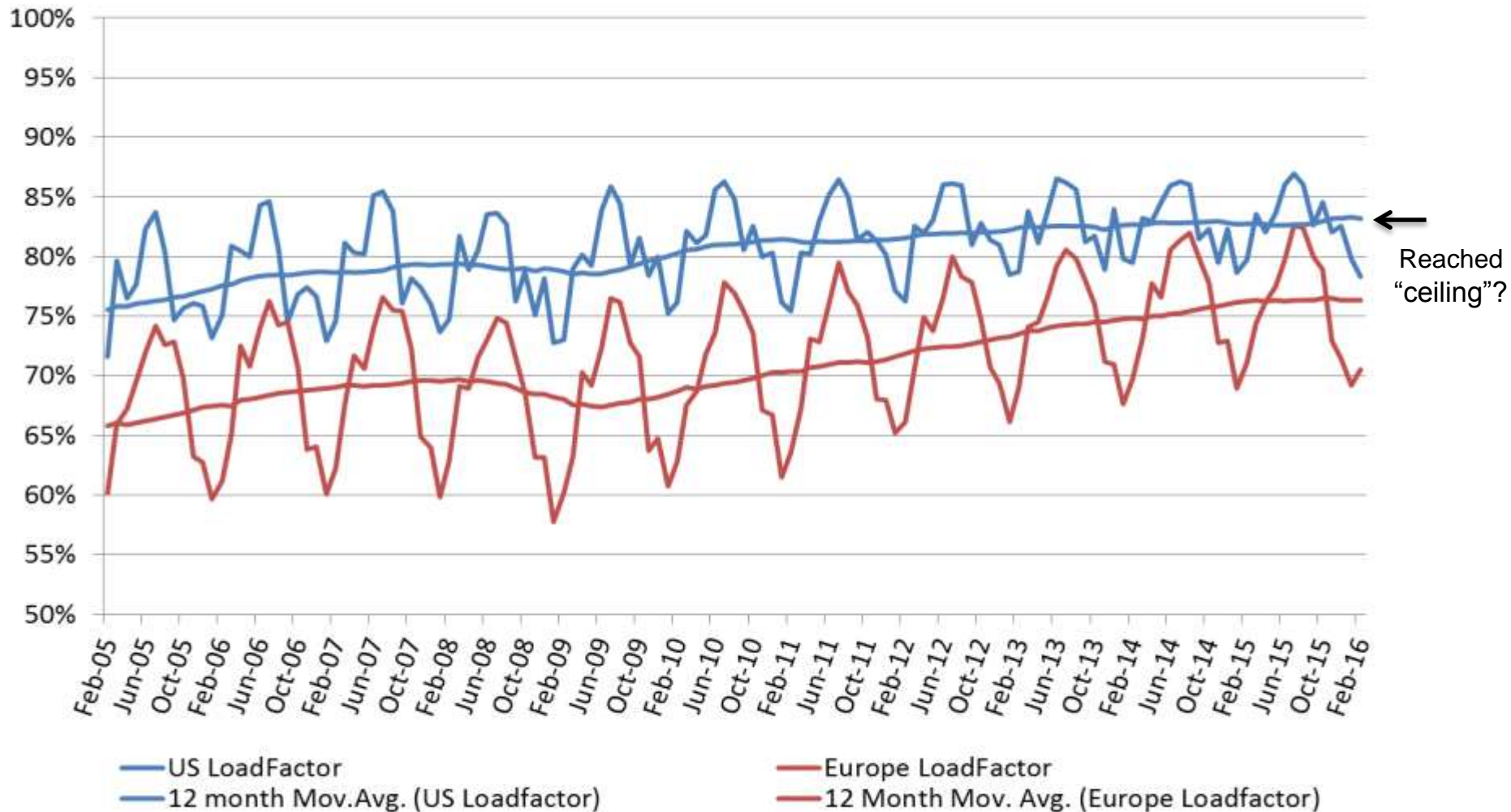


← Increase from “floor” (2016 all + growth, since Nov 2011)



← 9 Consecutive US growth (trend last seen during 2010-11 recovery)

# 2005- 2016 US and European Load Factors

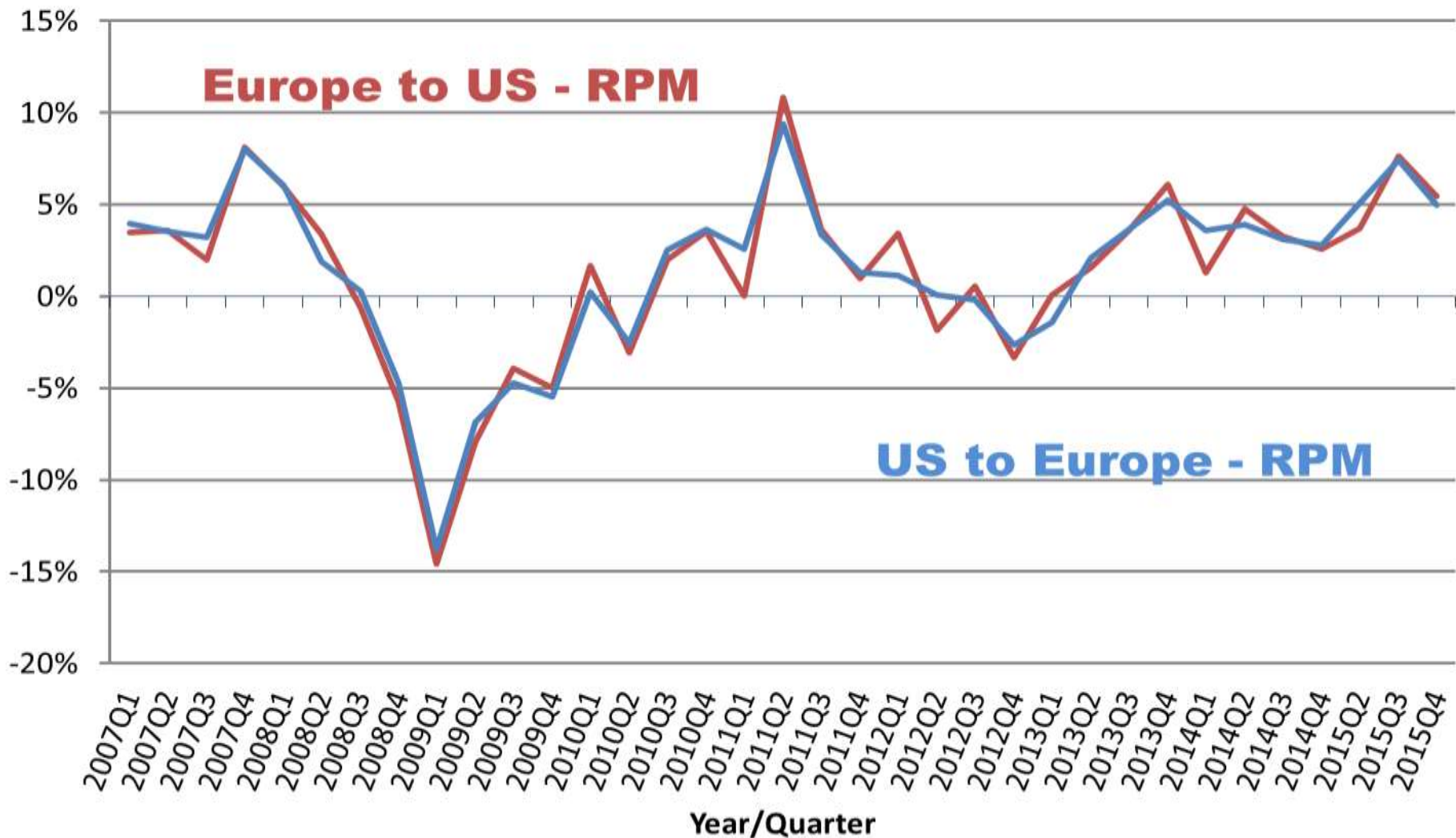


Source: BTS and AEA (Association of European Airlines), April 2016



# Passengers Demand 2007Q1-2015Q4

Year-over-Year Change

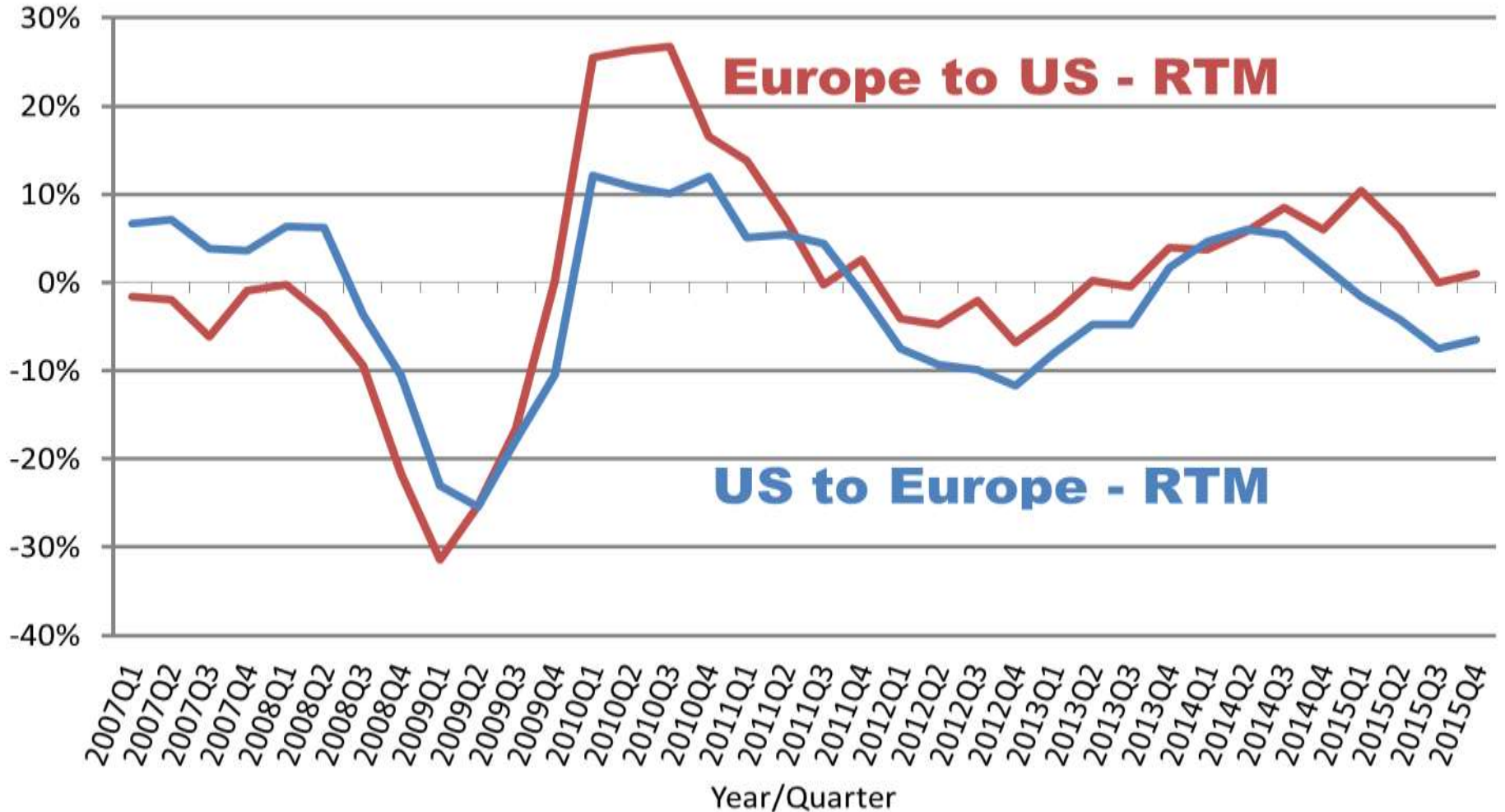


Source: BTS, T100 Segment Data, April, 2016



# Air Cargo Demand 2007Q1-2015Q4

Year-over-Year Change



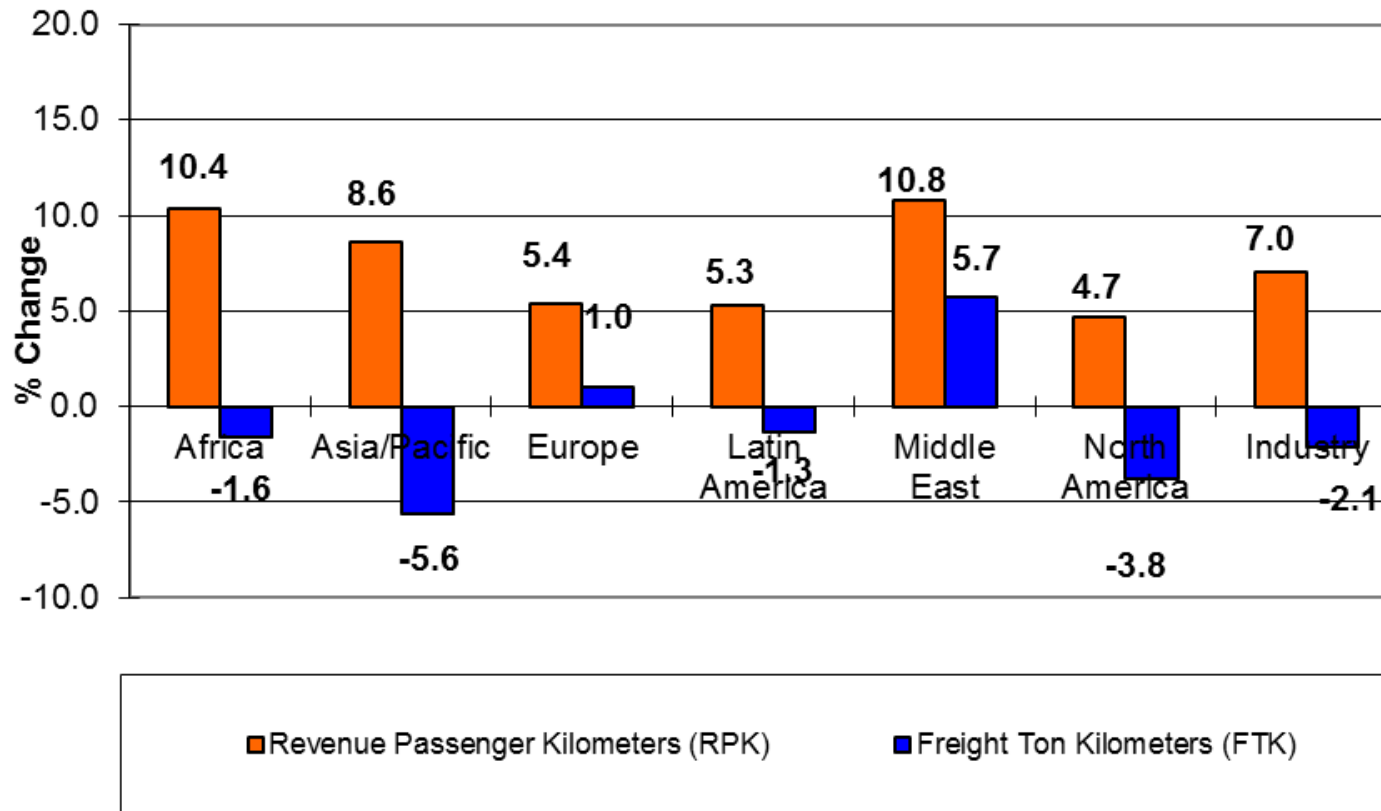
Source: BTS, T100 Segment Data, April 2016



# 2016 Global Regional Trends (Year-to-Date March)

## Regional Traffic Statistics

Change in RPK and FTK: (Jan-Mar) 2016 vs. 2015



Source: IATA, April-May 2016

# The Challenges Continue:

- Fragile global economies
- Volatility in oil and financial markets
- Continue accommodative monetary policies
- *How long will low fuel prices stay?*
- Safety and international security threats
- Operational trends: Will both US and Europe continue recent growth?
- Passenger and air cargo demand growth:  
Passengers growing but air cargo face headwinds