

# North Atlantic Performance Trends

**Presented To:** ICAO NAT EFFG 32  
Paris, France

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**Date:** April 26, 2017



Federal Aviation  
Administration



# Key NAT Performance Trends

## Economic Outlook

- **Gaining Momentum**

## Policy Challenges

- **Divergent Monetary Policy**

## Industry Challenges

- **Safety and Security**

## Operational Outlook

- **Growth Continues**

# *Economic Outlook*





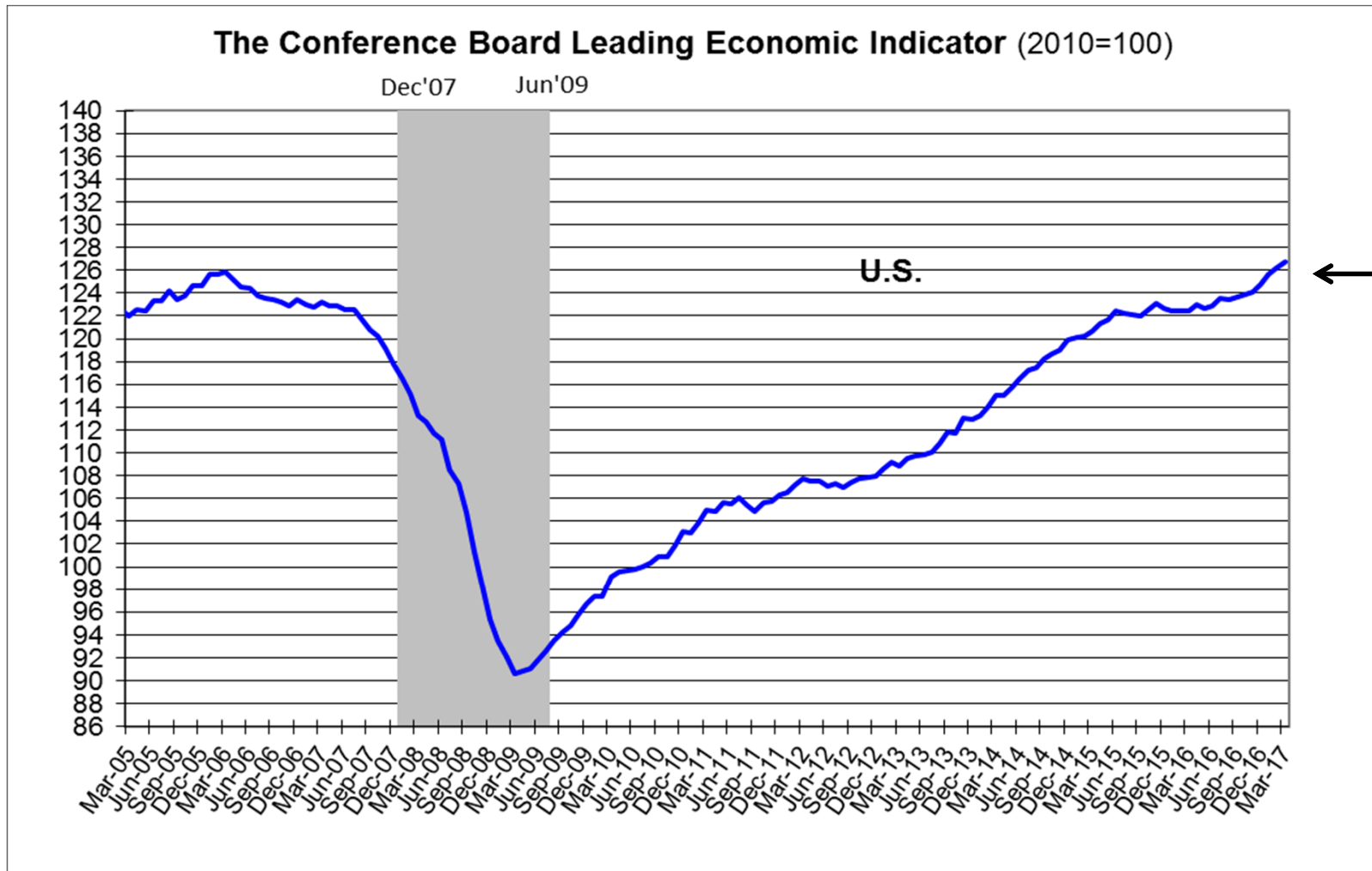
# Economic Upswing

- After a lackluster 2016, economic activity is projected to increase in 2017
- Improved outlook for advanced economies (US and global trade)
- Emerging economies increasingly important role: Improved forecasts for China (supportive policy) and Russia (higher oil prices bolster recovery)
- Growth has remained solid in the UK, where spending proved resilient since June 2016 referendum (Brexit)
- Uncertainties and risks remain: Protectionism, interest rate hikes

Source: IMF, World Economic Outlook – April 2017

Real GDP Forecast (Annual Percentage Change)		
Country	2017	2018
Canada	1.9	2.0
Denmark	1.5	1.7
France	1.4	1.6
Germany	1.6	1.5
Iceland	5.7	3.6
Ireland	3.5	3.2
Norway	1.2	1.9
Portugal	1.7	1.5
<b>UK</b>	<b>2.0</b>	<b>1.5</b>
<b>US</b>	<b>2.3</b>	<b>2.5</b>
Euro area	1.7	1.6
<b>World</b>	<b>3.5</b>	<b>3.6</b>

# Leading Economic Indicator – US

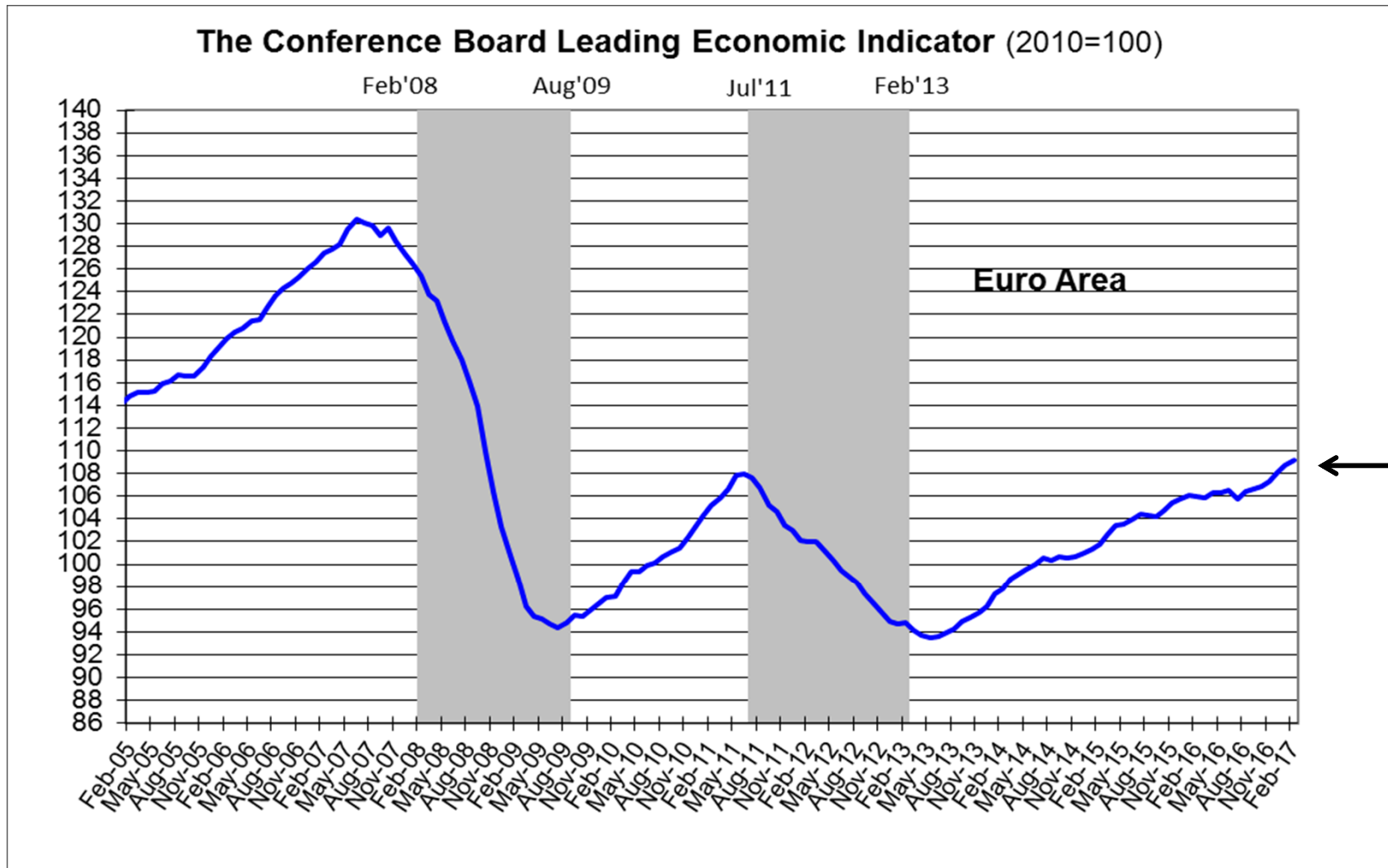


Source: The Conference Board, April 2017

Note: Shaded area represents period of recession



# Leading Economic Indicator – Euro Area



Source: The Conference Board, March 2017

Note: Shaded area represents period of recession



# *Policy Challenges*



# Policy Challenges

- **U.S. Monetary Policies**

- Normalization continues:
  - 3rd rate hike (March 2017) since 2006
  - 2 more hikes expected in 2017
- Growth solid: 2016Q4 GDP 2.1%
- Uncertainties ahead:
  - Budget outlook and congressional elections

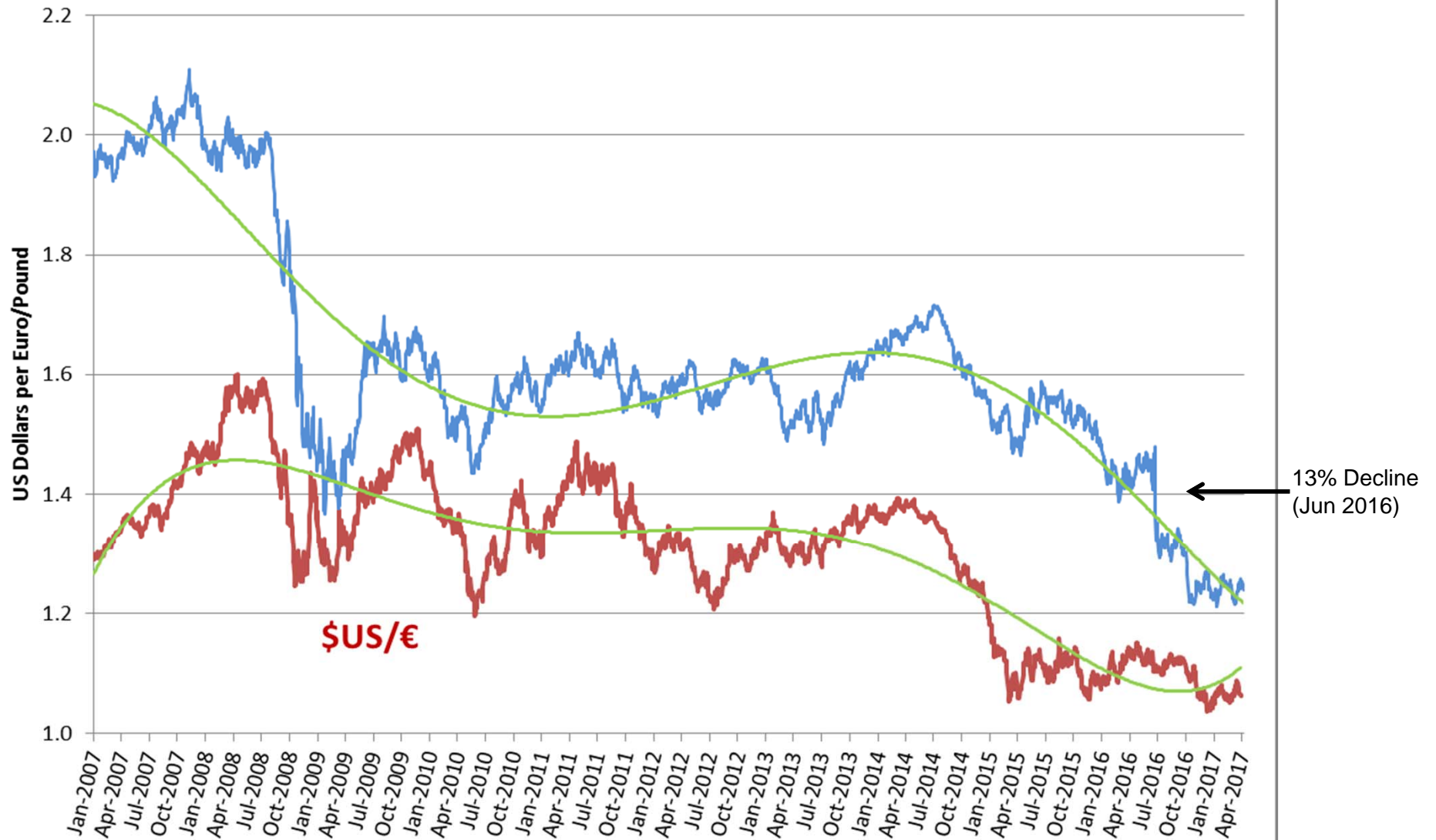


- **Euro Area – Outlook improving**

- Economic Growth: 2016 GDP 1.7% (still weak but growing)
- Inflation picking up: 1.5 to 2% in 2017, after near zero in 2016
- ECB Stimulus: QE extended to Dec 2017
  - €60 billion/month starting April 2017, cut from €80 billion
- Brexit impact seems to be limited so far (Exit started Mar 2017)



## Daily Spot Exchange Rate: \$US/£ and \$US/€



Source: U.S. Federal Reserve Board, April 07, 2017



# *Industry Outlook*



# Challenges for the Industry



- **Safety and Protectionism**

- Restrictions on the carry-on of large electronic items
- Potential impact of air travel ban

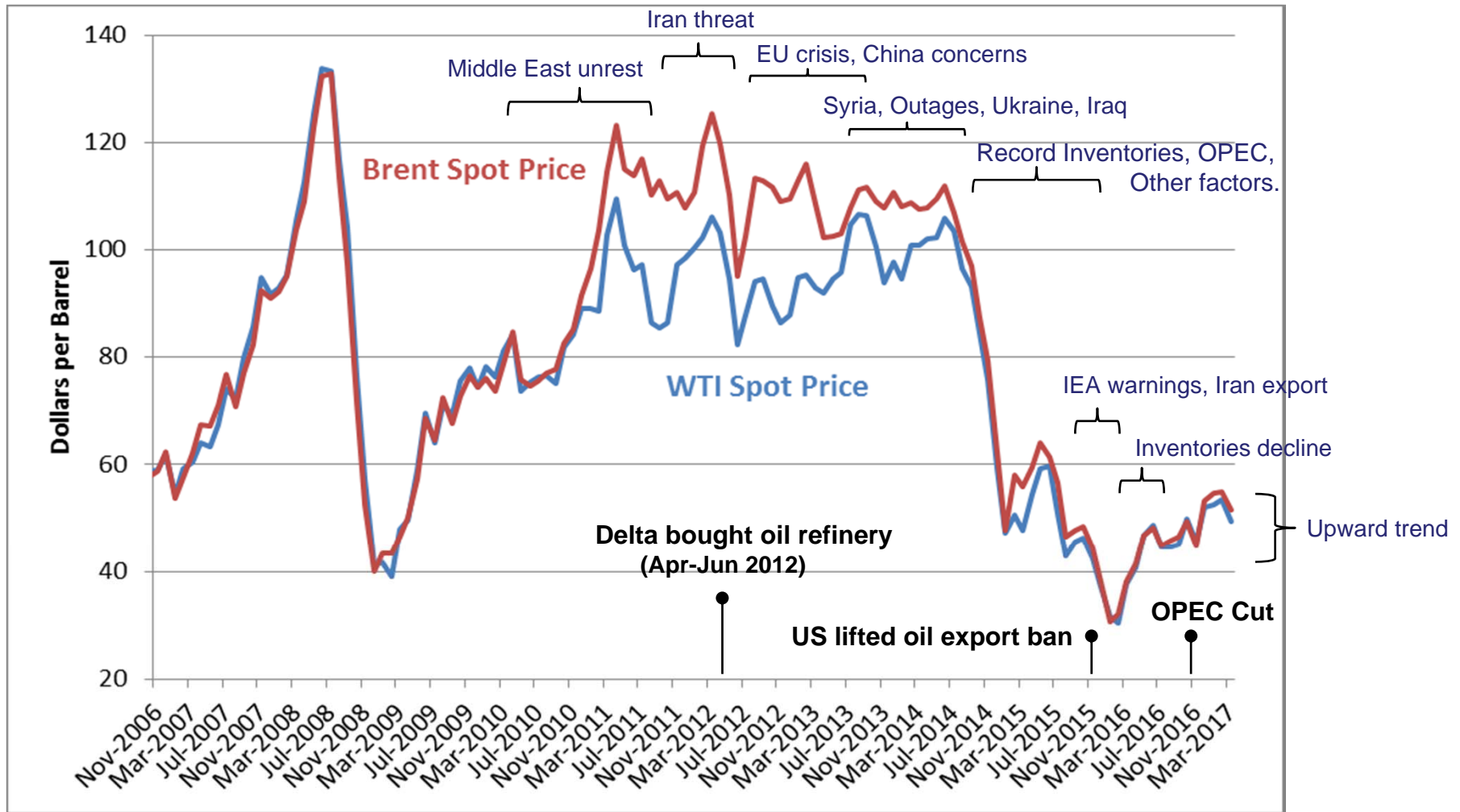
“We remain concerned over the impact of any travel restrictions or closing of borders.”

- Alexandre de Juniac, IATA's Director General (April 2017)

- **Economic Opportunities**

- Profits for 2016Q4 is \$4.7 billion, compared to 2015Q4 of \$2.7 billion
- Operating profit margin at 10%, still high

# US – European Crude Oil Price Spread



Source: Energy Information Administration, March 2017





## Oil Prices Rise But Remain Low

- **Oil prices** reached 13-year lows around \$30 in early 2016 before **recovering to just above \$50 recently** (April 2017) for both the WTI Cushing and European Brent.
- **EIA forecast remain low** - WTI at \$52 in 2017, \$55 in 2018.
- Driving factors: Supply/demand factors, geopolitical events, exchange rate movements.
- **OPEC Cut:** Likely extended in May 2017 meeting.
- **→ Expectation:** Low oil (<\$60/bbl) in the 2-3 years.

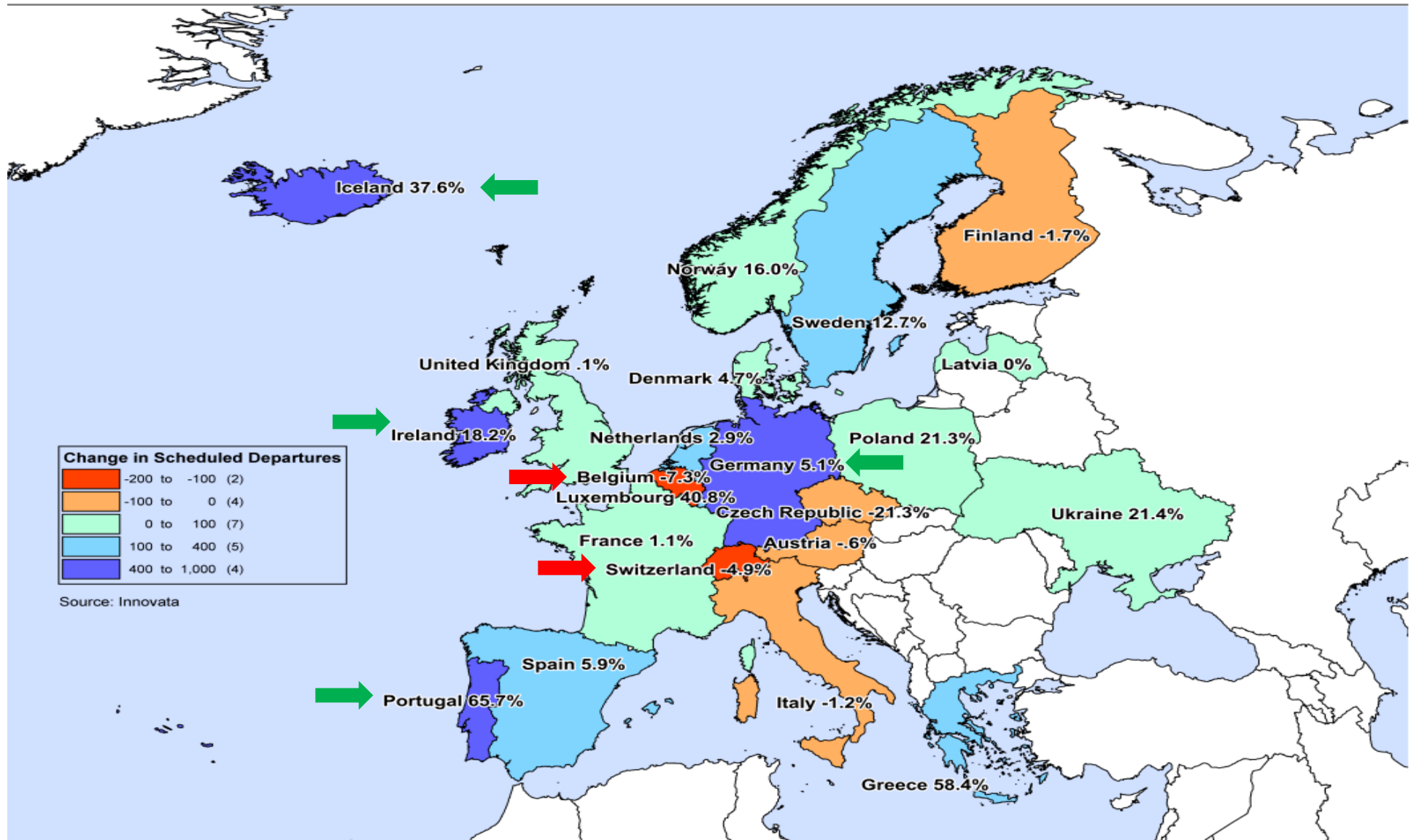
***“It can be argued confidently that the market is already very close to balance.”***

- The International Energy Agency, April 13, 2017

# *Operational Outlook*



# US to Europe Departures: Jan – Jun 2017



## US to Europe: Top Ten Scheduled Departures (Jan – June 2017)

Destination Country	2016	2017	Change	% Change
United Kingdom	22,683	22,704	21	0.1%
Germany	11,198	11,766	568	→ 5.1%
France	7,602	7,686	84	1.1%
Netherlands	6,128	6,303	175	2.9%
Spain	3,421	3,623	202	5.9%
Ireland	3,017	3,566	549	→ 18.2%
Italy	3,408	3,367	(41)	-1.2%
Switzerland	3,035	2,887	(148)	→ -4.9%
Iceland	1,951	2,684	733	→ 37.6%
Belgium	2,222	2,060	(162)	→ -7.3%
<b>All US-Europe</b>	<b>71,429</b>	<b>74,613</b>	<b>3,184</b>	<b>4.5%</b>

Source: Innovata, April 1, 2017



# US ↔ Europe Trends (Jan – Jun 2017)

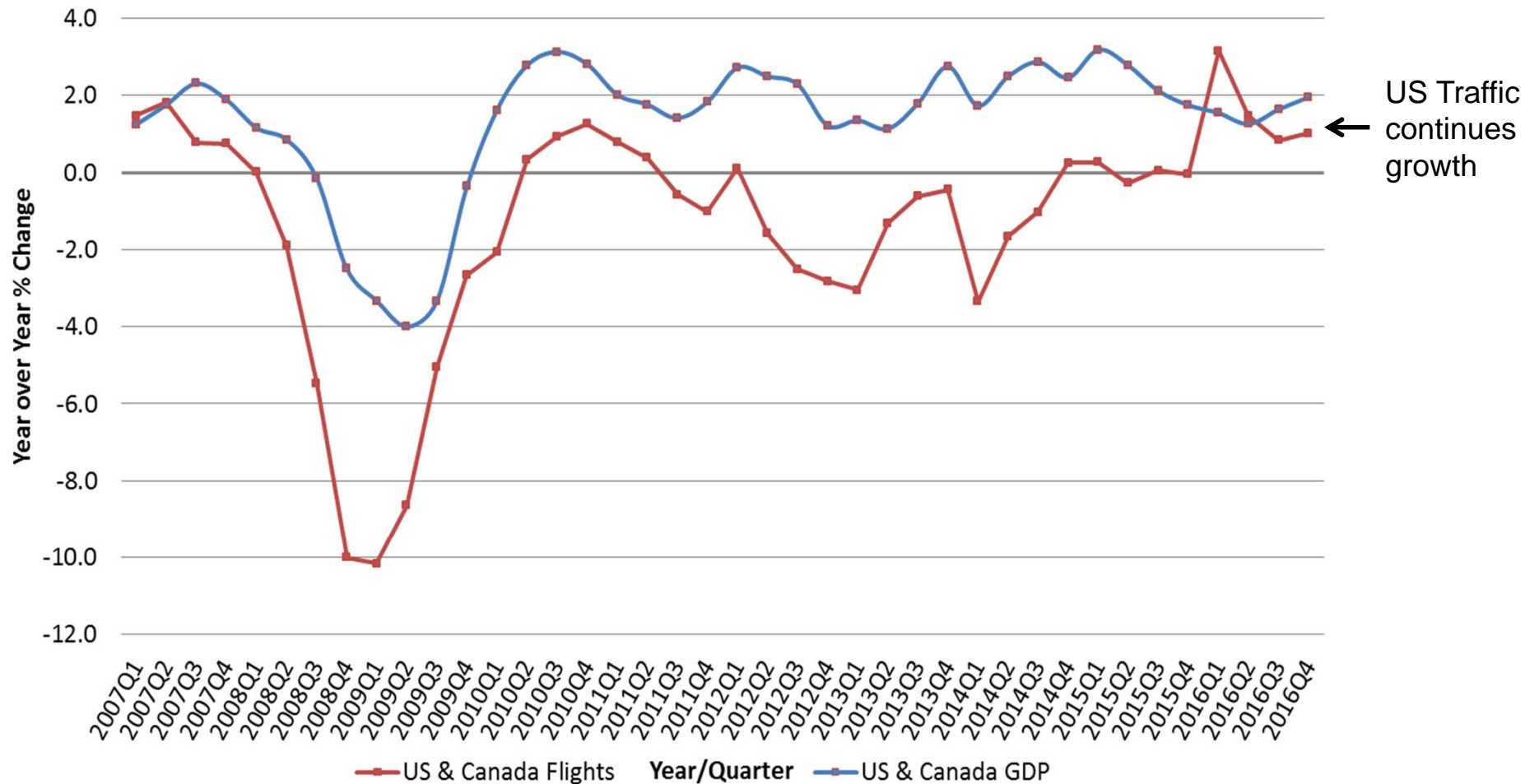
Destination: Europe Airport			Destination: US Airport		
Departures	Y/Y % Change	US Airport	Departures	Y/Y % Change	
LHR	17,709	-0.4%	JFK	15,828	1.0%
CDG	7,099	0.5%	EWR	8,105	1.3%
FRA	6,667	0.7%	ORD	6,246	-0.7%
<b>AMS</b>	<b>6,277</b>	<b>4.3%</b>	IAD	4,579	0.2%

## Busiest Airport Pairs (US to Europe)

Pair	Total Flights	Y/Y % Change
JFK - LHR	3,334	-5.8%
<b>EWR - LHR</b>	<b>1,591</b>	<b>10.1%</b>
ORD - LHR	1,493	-4.5%

Source: Innovata, April 2017

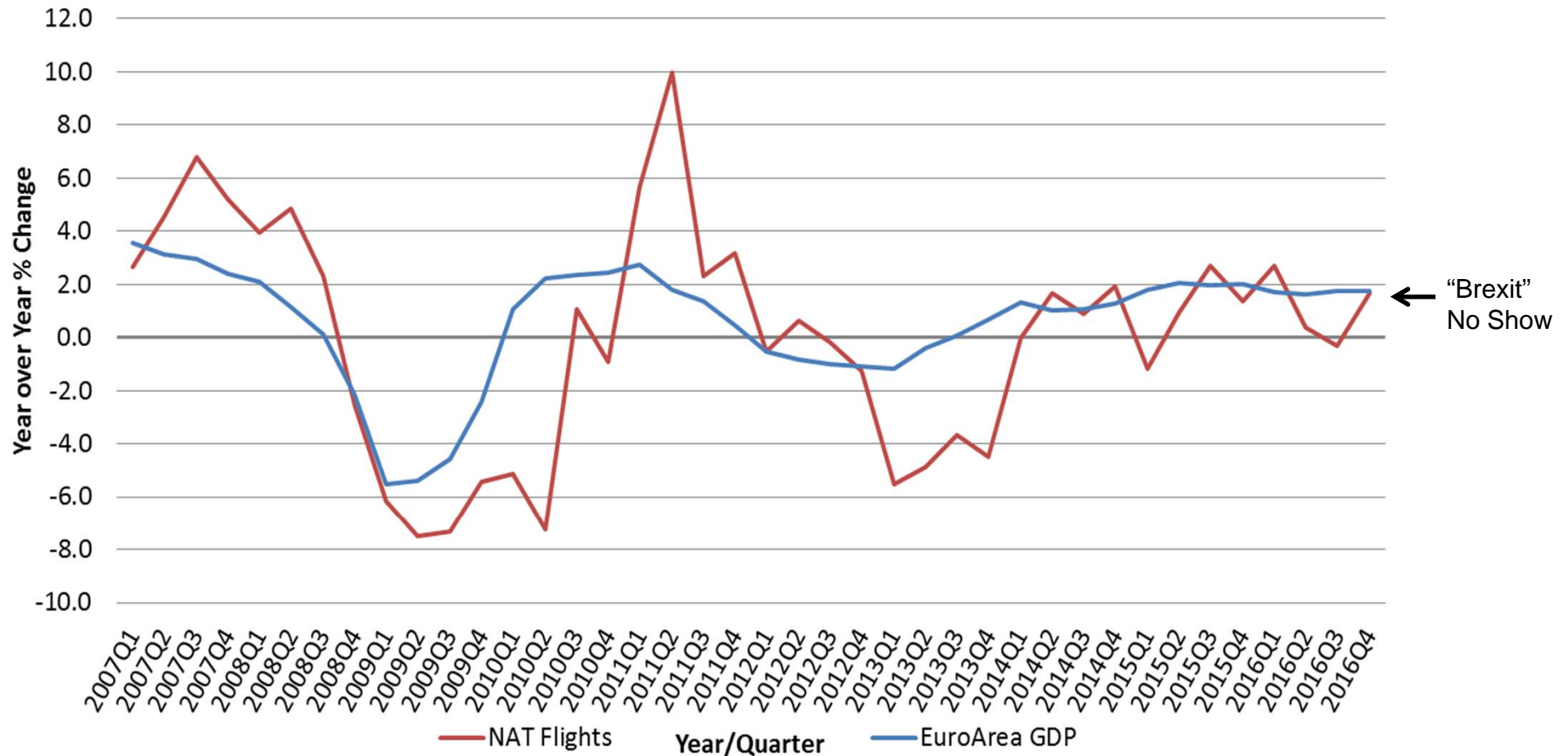
# 2007-2016Q4 Economy and Traffic, U.S. and Canada



Source: BTS/Innovata, Global Insight, April 2017



# 2007-2016Q4 Economy and Traffic, NAT\*/Euro Area

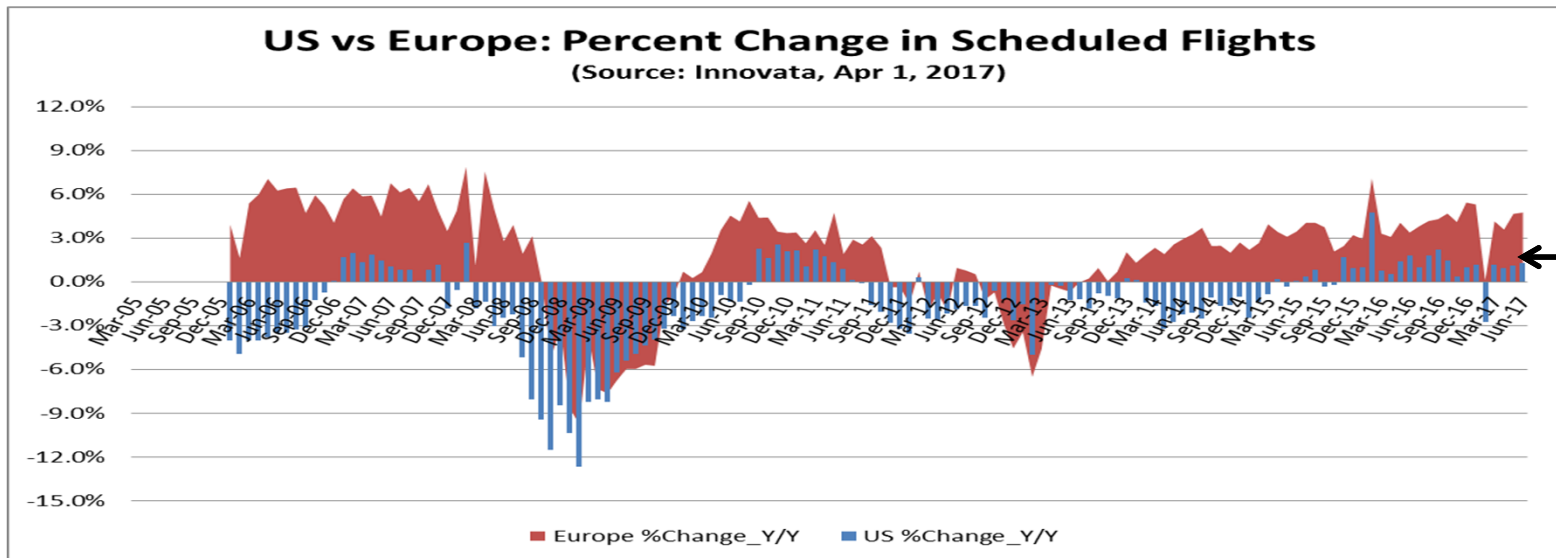
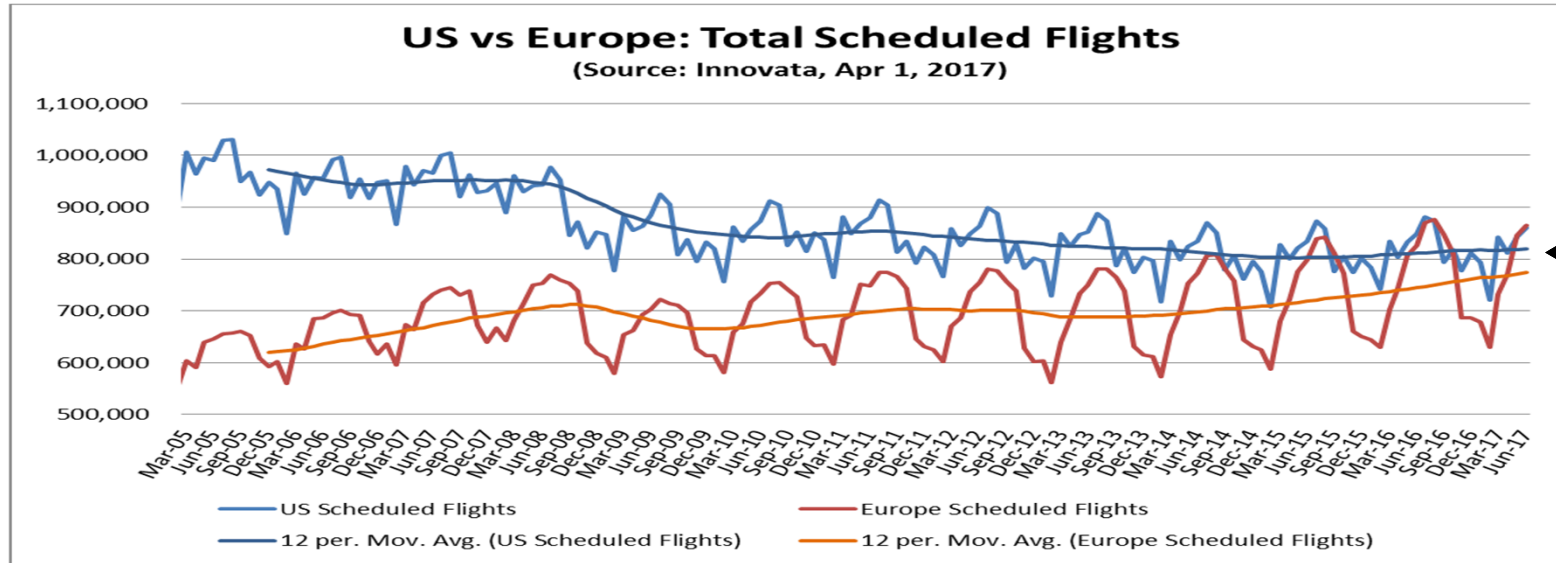


Source: ICAO/Innovata, Global Insight, April 2017

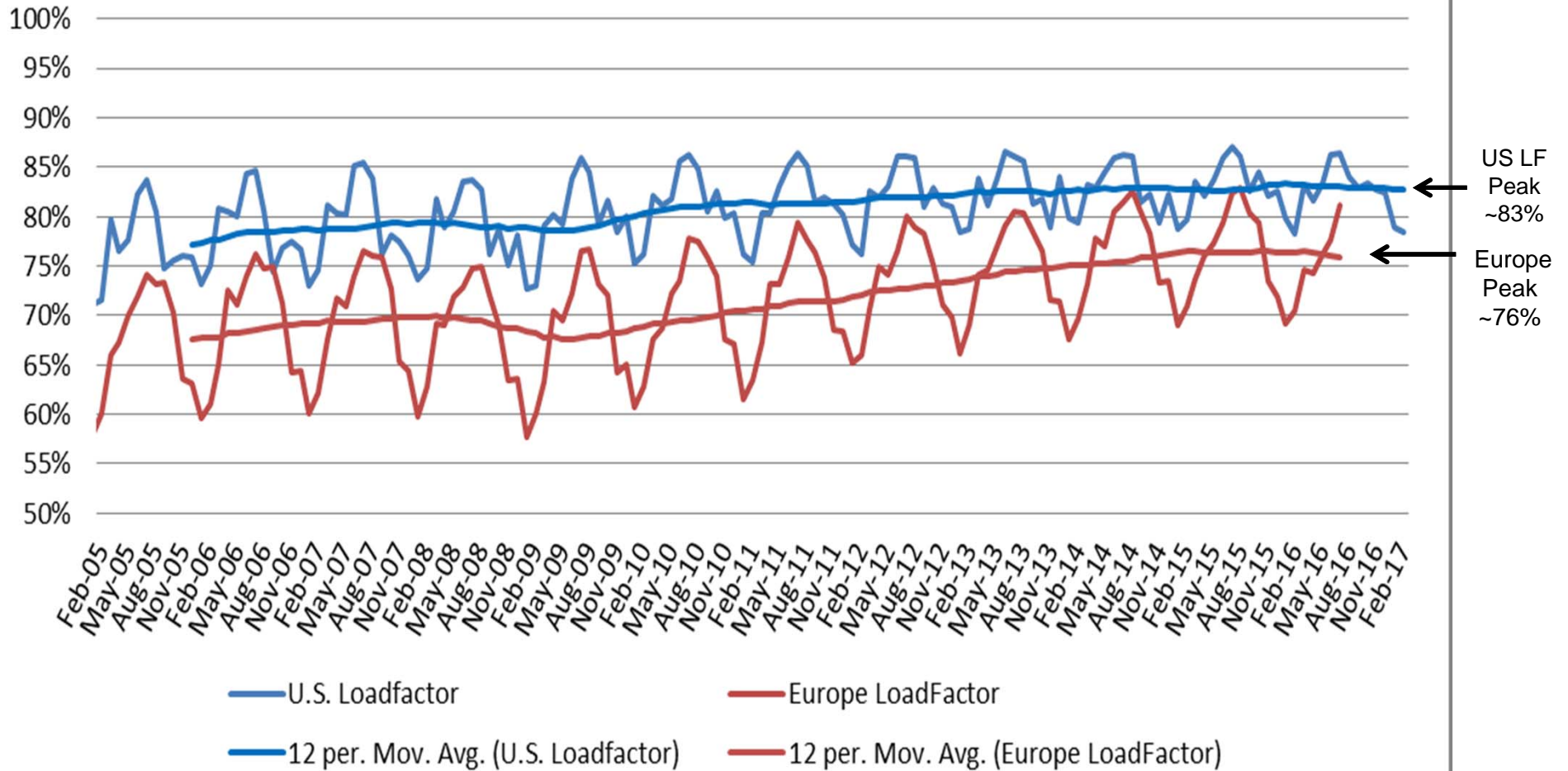
\*Denmark, Ireland, Iceland, Norway, Portugal, UK, France, and Germany



# 2005-2017 US and Europe Operations



# 2005-2017 US and Europe Load Factors

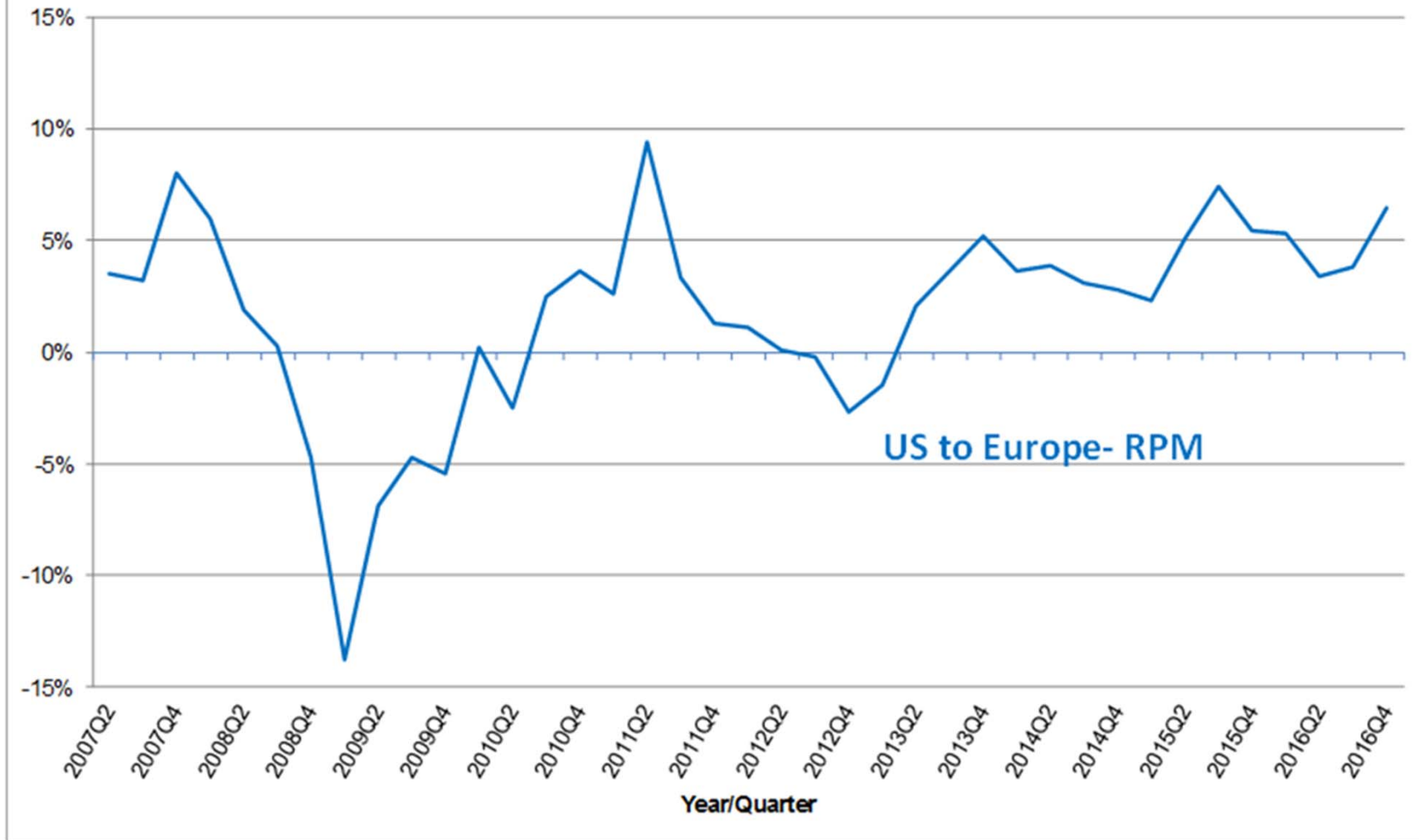


Source: BTS and AEA (Association of European Airlines), April 2017



# Passengers Demand (2007-2016Q4)

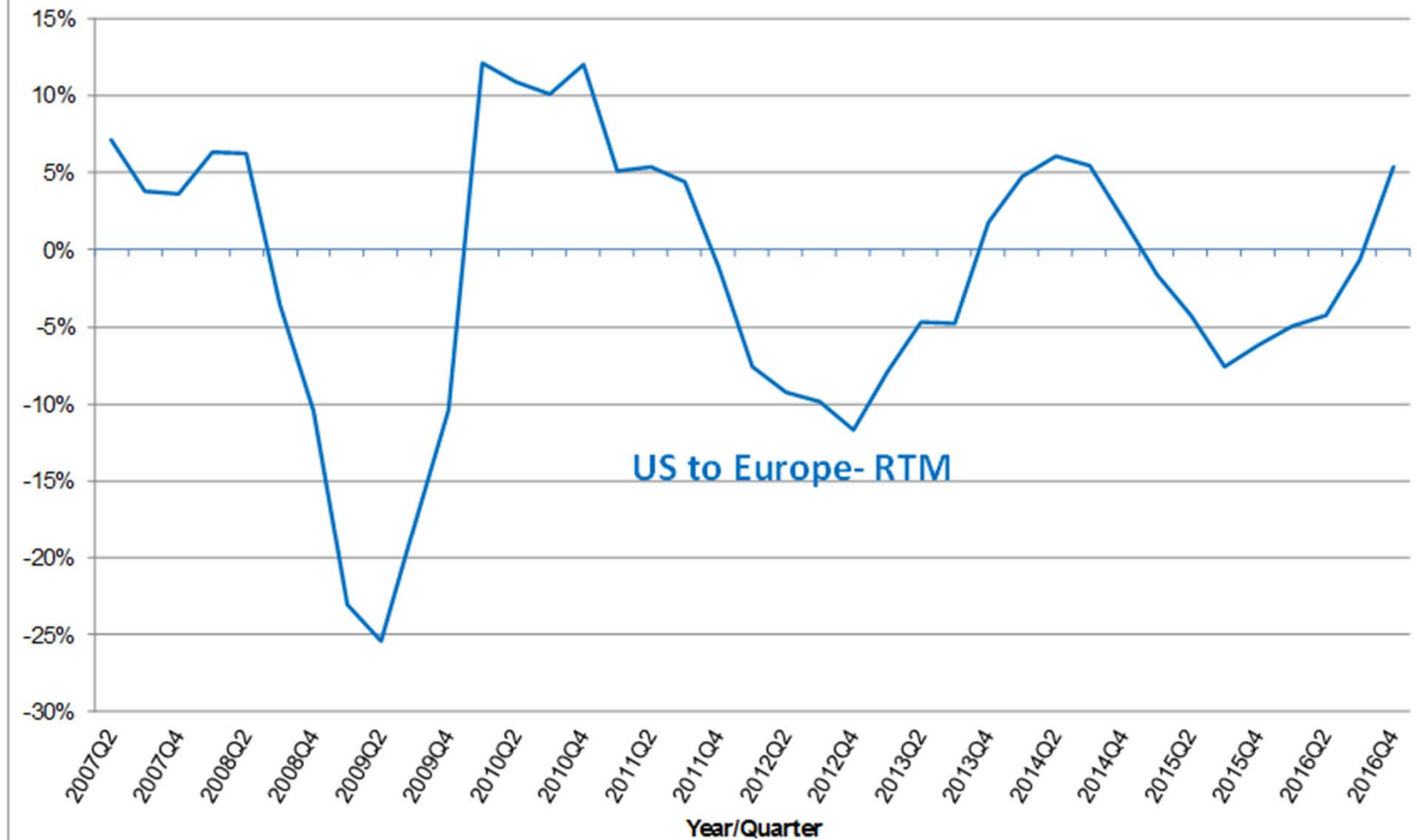
## Year-over-Year Change



Source: BTS, T100-Segment Data, April 2017

# Air Cargo Demand (2007-2016Q4)

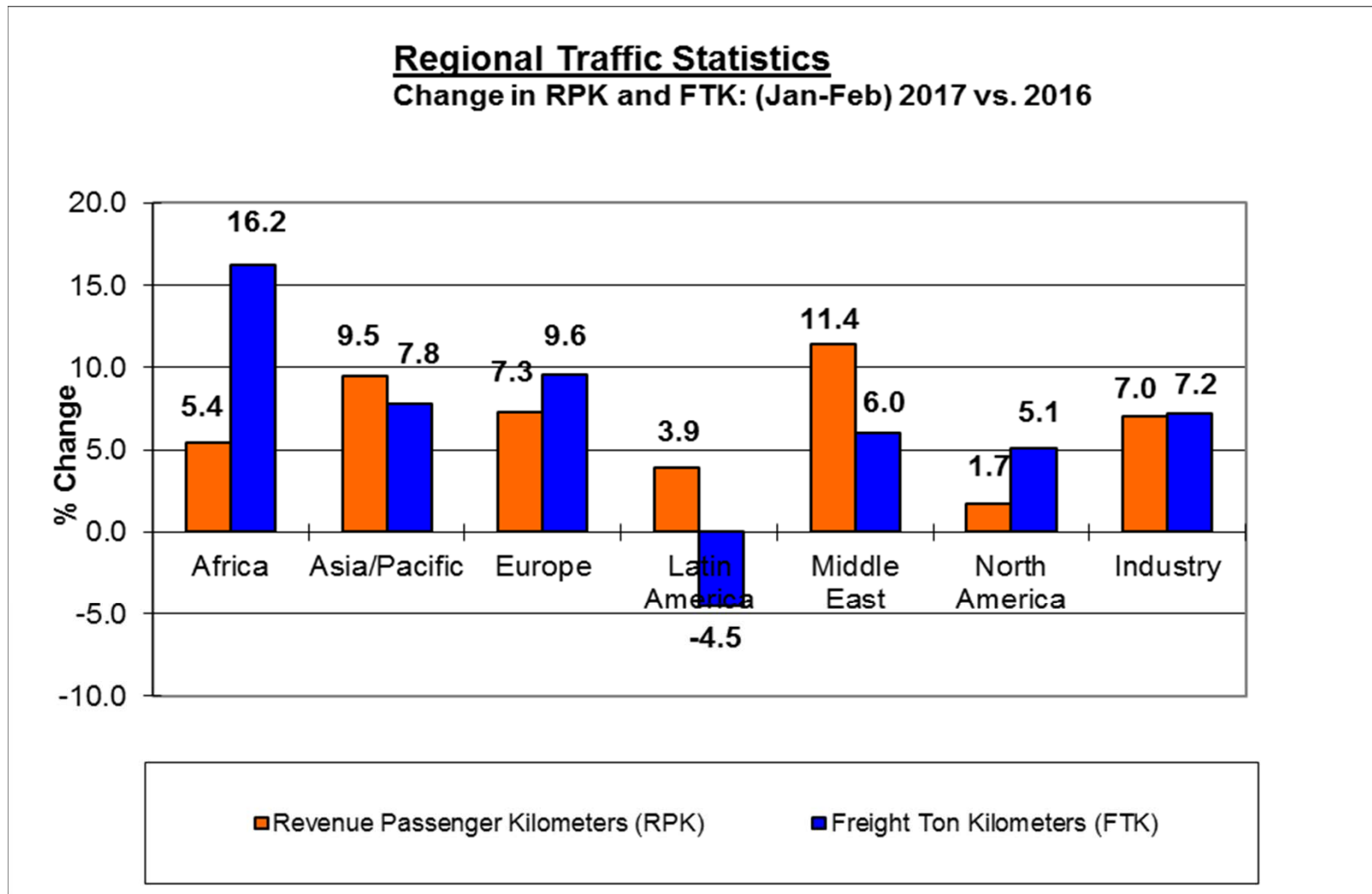
## Year-over-Year Change



Source: BTS, T100-Segment Data, April 2017



# 2017 Global Regional Trends (Year-to-Date Feb)



Source: IATA, April 2017



## Outlook Improving:

- Global outlook for 2017-2018 has improved
- Financial markets are up and oil remains low
- Operational trends: US and Europe continue growth
- Aviation security threats persist, new issues

