

North Atlantic Performance Trends

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Federal Aviation
Administration



Key NAT Performance Trends

Economic Outlook

- **Global Recovery On Track**

Policy Challenges

- **Policy Uncertainties**

Industry Challenges

- **Safety and Security**

Operational Outlook

- **Growth Continues**

Economic Outlook





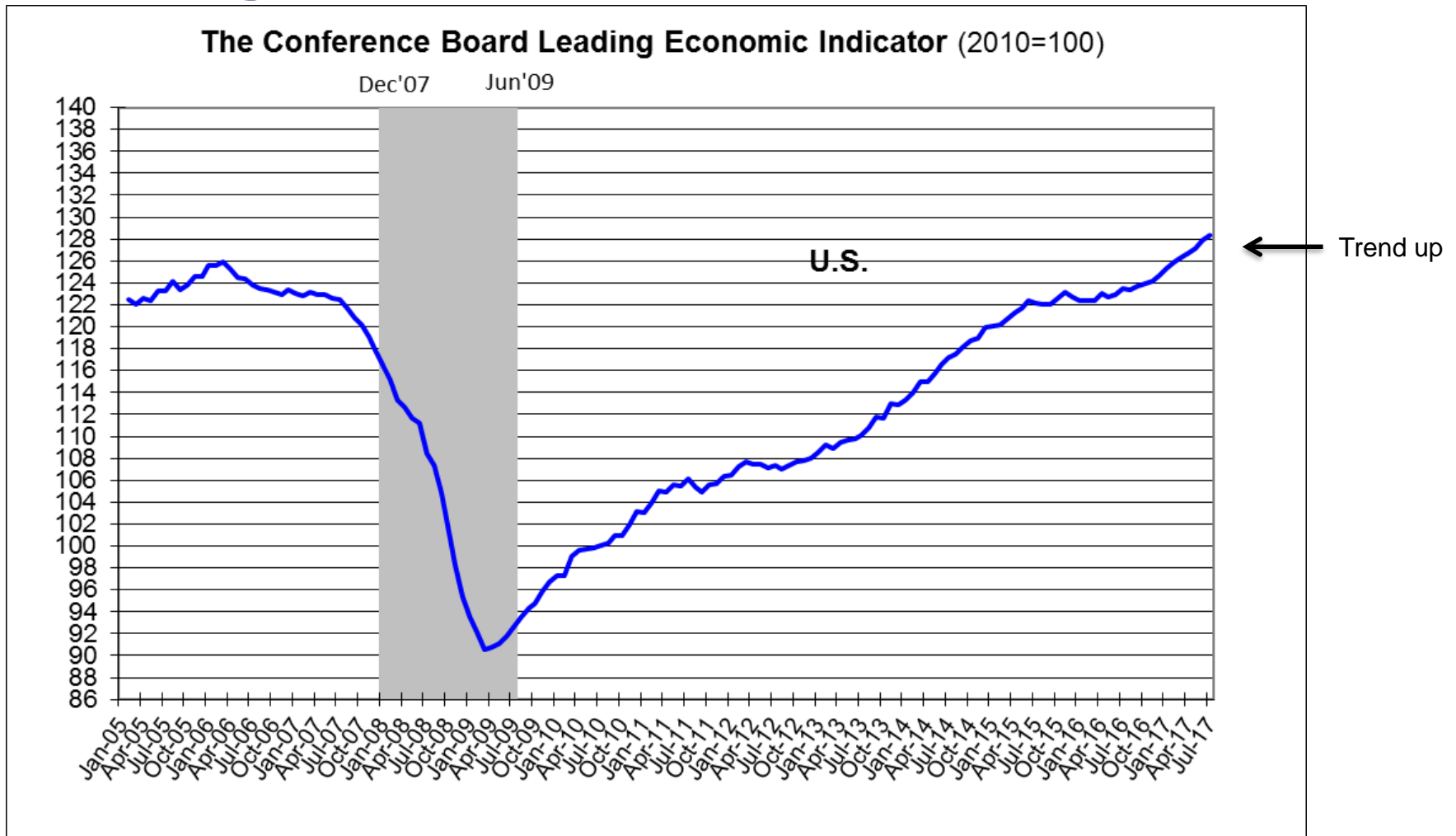
Recovery On Track

- Pickup in global growth continues
- Forecast of world growth unchanged, but underlying contributions revised:
 - Forecast for the U.S. was revised down for 2017 and 2018
 - Forecast for Euro Area and China were revised up, offsetting the downward revisions
- Global inflation under control
- Uncertainties and risks remain:
 - Policy uncertainties in the U.S.
 - Post-Brexit negotiations in Europe

Real GDP Forecast (Annual Percentage Change)		
Country	2017	2018
<i>Canada</i>	2.5	1.9
Denmark	1.5	1.7
<i>France</i>	1.5	1.7
<i>Germany</i>	1.8	1.6
Iceland	5.7	3.6
Ireland	3.5	3.2
Norway	1.2	1.9
Portugal	1.7	1.5
<i>UK</i>	1.7	1.5
US	2.1	2.1
Euro Area	1.9	1.7
World	3.5	3.6

Source: IMF, World Economic Outlook – July 2017

Leading Economic Indicator – U.S.

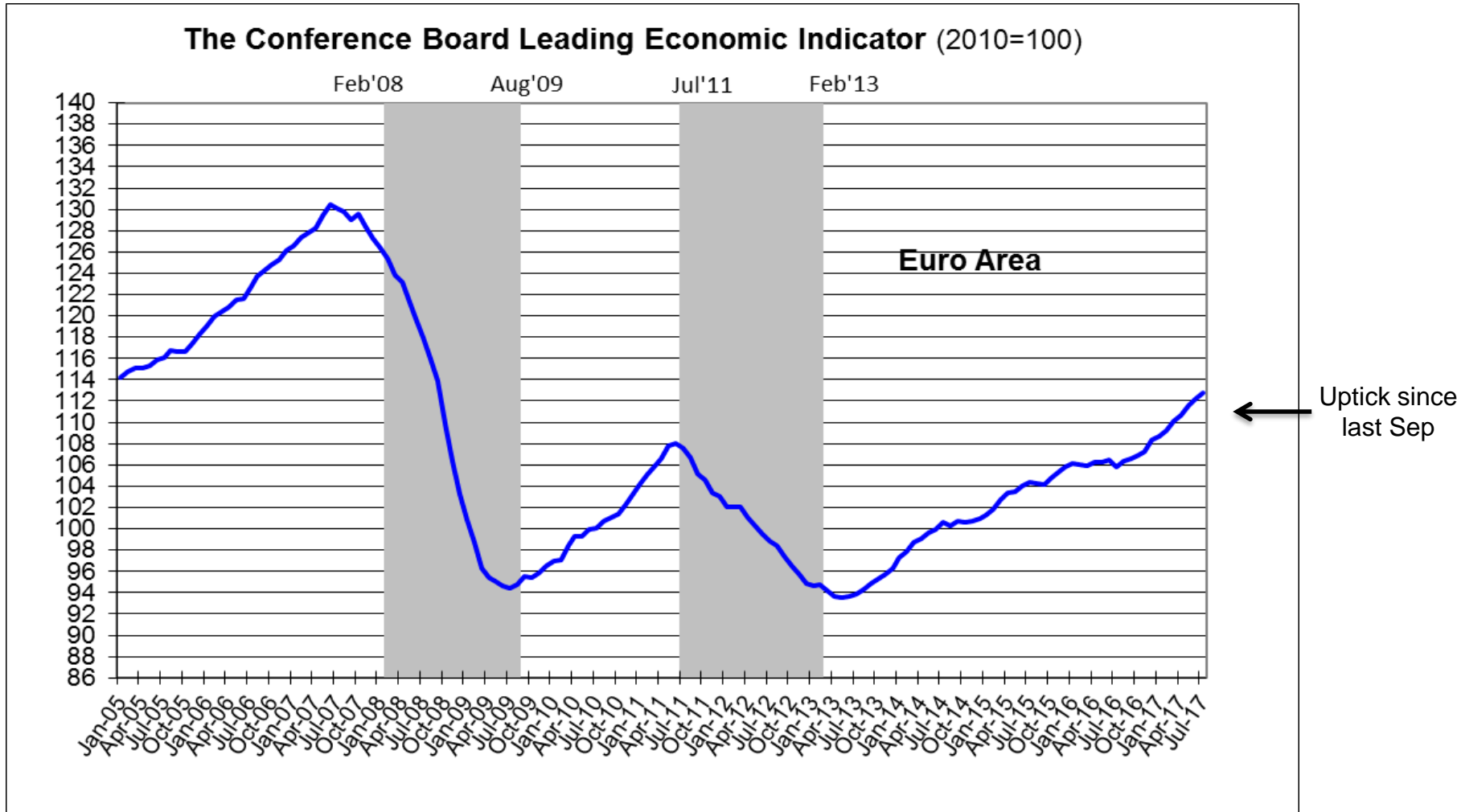


Source: The Conference Board, Aug 2017

Note: Shaded area represents period of recession



Leading Economic Indicator – Euro Area



Source: The Conference Board, Aug 2017

Note: Shaded area represents period of recession



Policy Challenges



Policy Challenges

• U.S. Monetary Policies

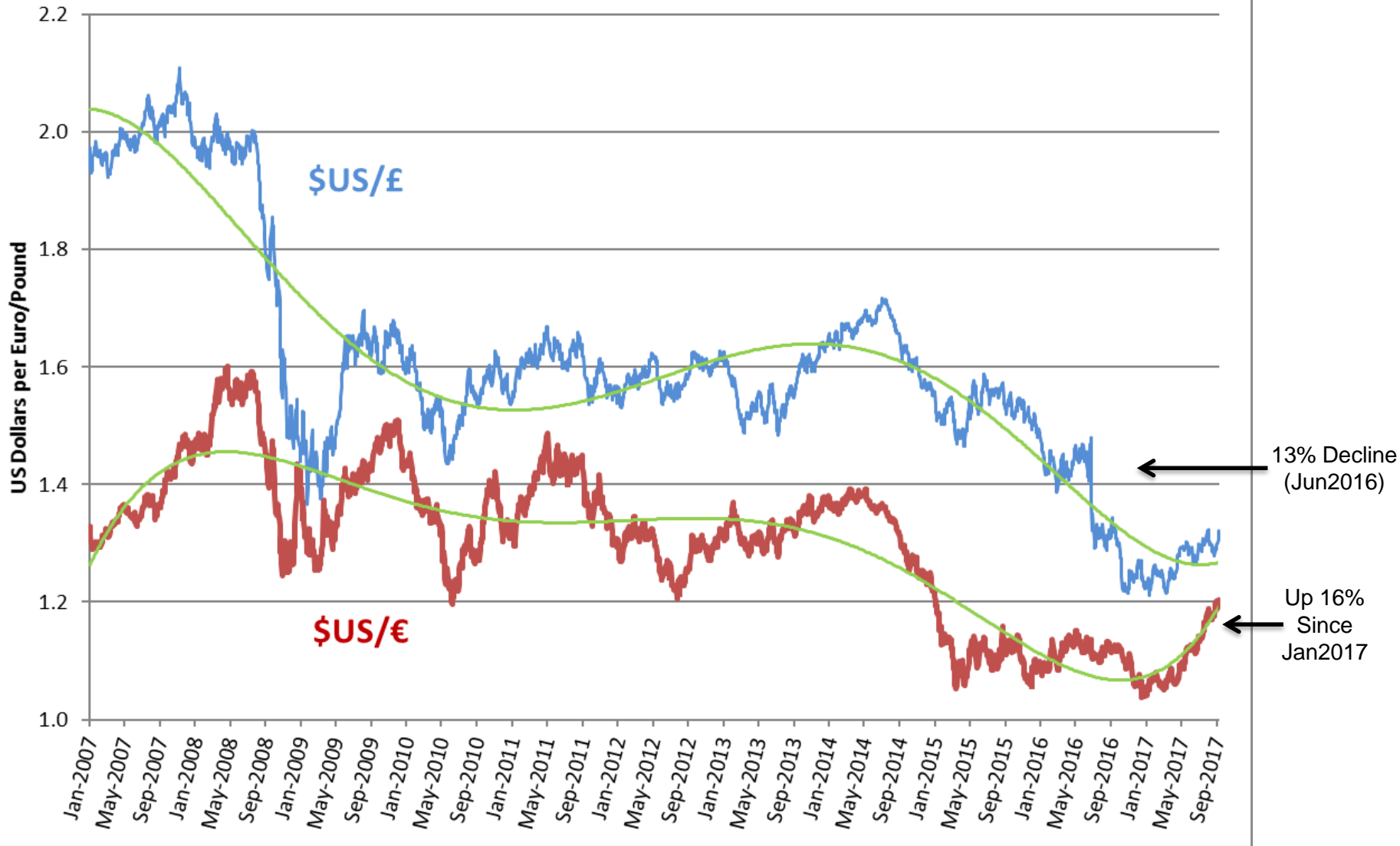
- Normalization continues:
 - 4th rate hike (June 2017) since 2006
 - 1 more hike expected in 2017, but hurricanes...
- Growth strong: 2017Q2 GDP 3% (SAAR)
- Uncertainties ahead:
 - Budget outlook and fiscal policies



• Euro Area – Brighter Outlook

- Economic Growth: 2017Q2 GDP 0.6% (QR) (2.2% Y/Y)
- Inflation not yet on target (2%): Aug 2017 1.5% (Y/Y)
- ECB Stimulus: QE since 2015...Taper to start in 2018?
 - Currently €60 billion/month until Dec 2017
 - Recent Euro currency volatility
- Brexit negotiations: 3 meetings, not much progress

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



Source: U.S. Federal Reserve Board, September 8, 2017



Industry Outlook



Challenges for the Industry



- **Security and Protectionism**

- Recent terrorism related incidents in Europe
- US: PED ban lifted; Travel ban in courts

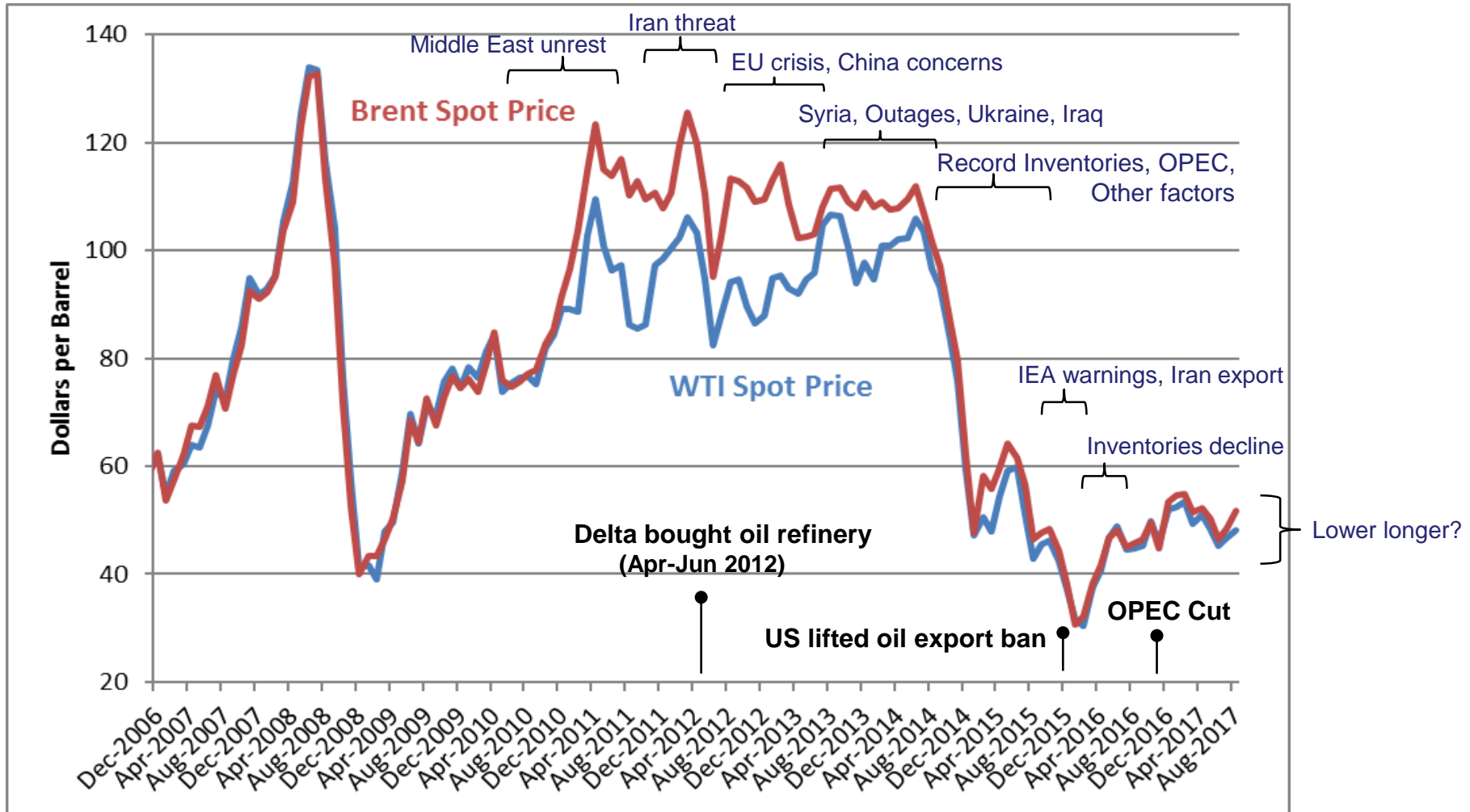
“Keeping our passengers and crew safe and secure is our top priority. This creates a natural partnership with governments.”

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

- **Economic Opportunities**

- Profits for 2017Q2 is \$7.6 billion, compared to 2016Q2 of \$7.3 billion
- Operating profit margin at 9.5%, still high

US – European Crude Oil Price Spread



Source: Energy Information Administration, September 2017



Remain Low for Much Longer?

- **Oil prices** reached 13-year lows around \$30 in early 2016 before **recovering to around \$50 recently** (Sep 2017)
- **EIA forecast remains low** – WTI: \$49 in 2017, \$50 in 2018.
- Driving factors: Supply/demand factors, geopolitical events
- **OPEC/NOPEC**: Extended cut to 2018 but little impact so far.
- → **Expectation**: Low oil (<\$55/bbl) in next few years.

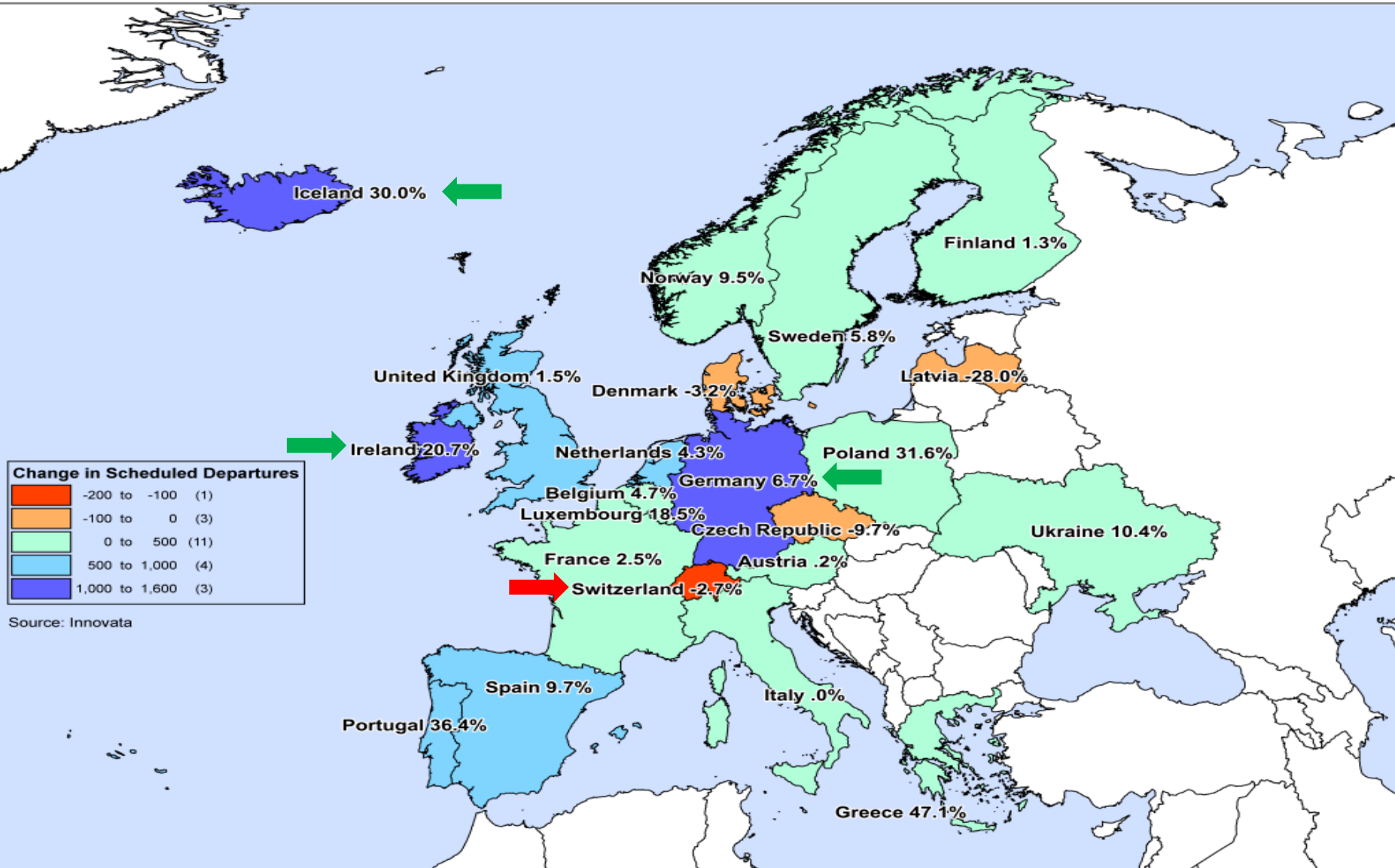
“Pretty robust (global) demand indicated that a rebalancing of the market is underway.”

- The International Energy Agency, Sep 13, 2017

Operational Outlook



US to Europe Departures: Jan – Dec 2017



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

Destination Country	2016	2017	Change	% Change
United Kingdom	47,229	47,923	694	1.5%
Germany	23,608	25,191	1,583	➔ 6.7%
France	16,234	16,633	399	2.5%
Netherlands	12,632	13,180	548	4.3%
Ireland	7,020	8,474	1,454	➔ 20.7%
Spain	7,658	8,401	743	9.7%
Italy	7,852	7,852	-	0.0%
Iceland	4,719	6,134	1,415	➔ 30.0%
Switzerland	6,271	6,101	(170)	➔ -2.7%
Belgium	4,176	4,371	195	4.7%
All US-Europe	152,698	161,450	8,752	5.7%

Source: Innovata, September 1, 2017

US ↔ Europe Trends (Jan – Dec 2017)

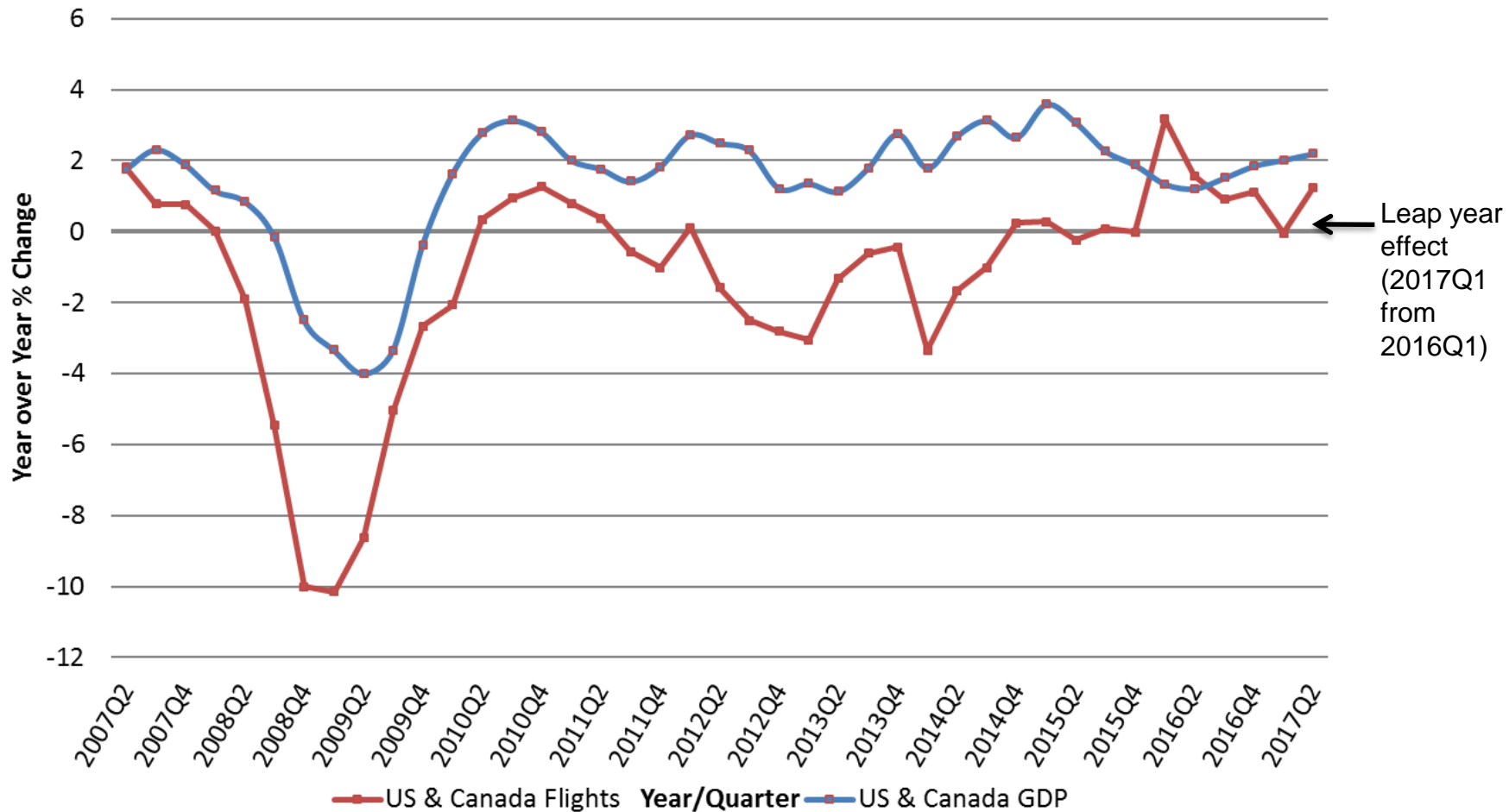
Destination: Europe Airport			Destination: US Airport		
Departures	Y/Y % Change	Departures	Y/Y % Change		
LHR	36,203	0.1%	JFK	34,136	1.1%
CDG	15,368	2.5%	EWR	17,143	3.3%
FRA	14,035	1.9%	ORD	13,843	2.8%
AMS	13,128	5.4%	IAD	9,762	0.9%

Busiest Airport Pairs (US to Europe)

Pair	Total Flights	Y/Y % Change
JFK - LHR	6,879	-3.4%
EWR - LHR	3,245	10.5%
LAX - LHR	3,077	8.2%

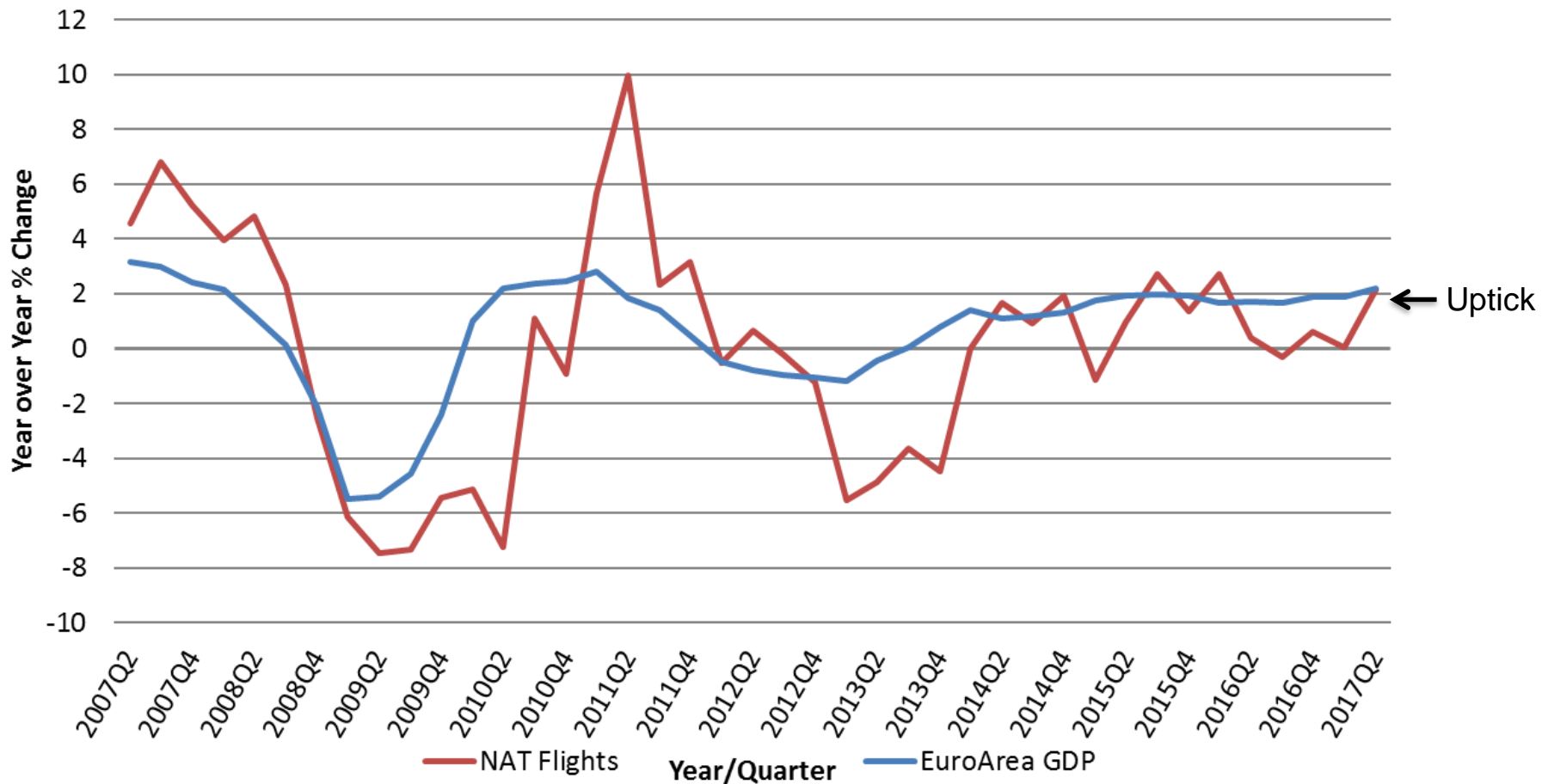
Source: Innovata, September 1, 2017

2007-2017Q2 Economy and Traffic, U.S. and Canada



Source: BTS/Innovata, Global Insight, Aug-Sep 2017

2007-2017Q2 Economy and Traffic, NAT*/Euro Area



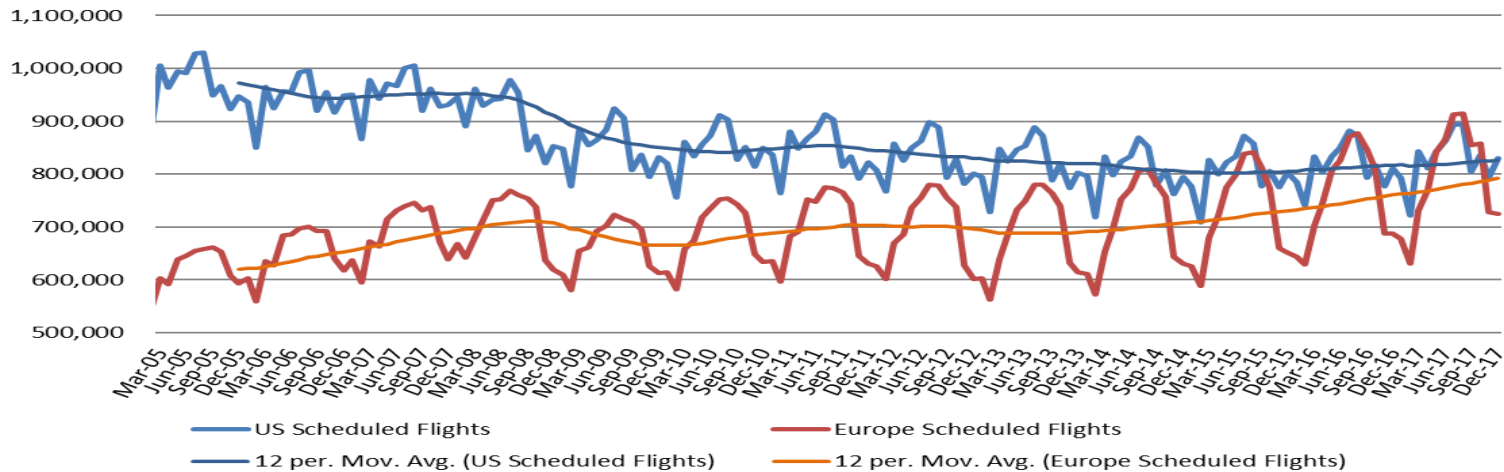
Source: ICAO/Innovata, Global Insight, Aug-Sep 2017

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

2005-2017 US and Europe Operations

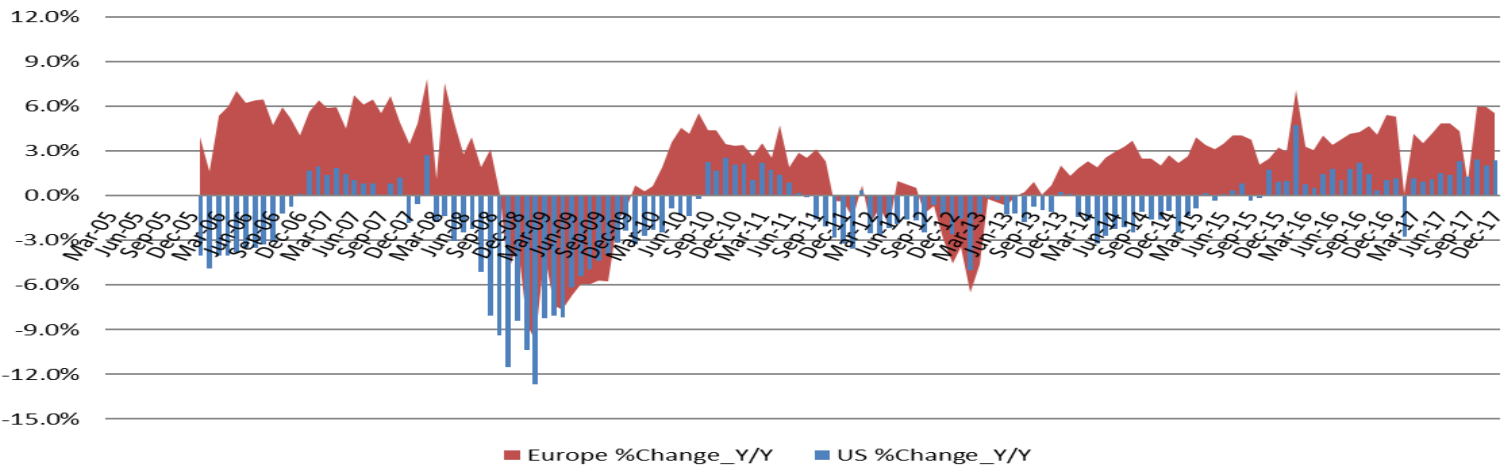
US vs Europe: Total Scheduled Flights

(Source: Innovata, Sep 1, 2017)

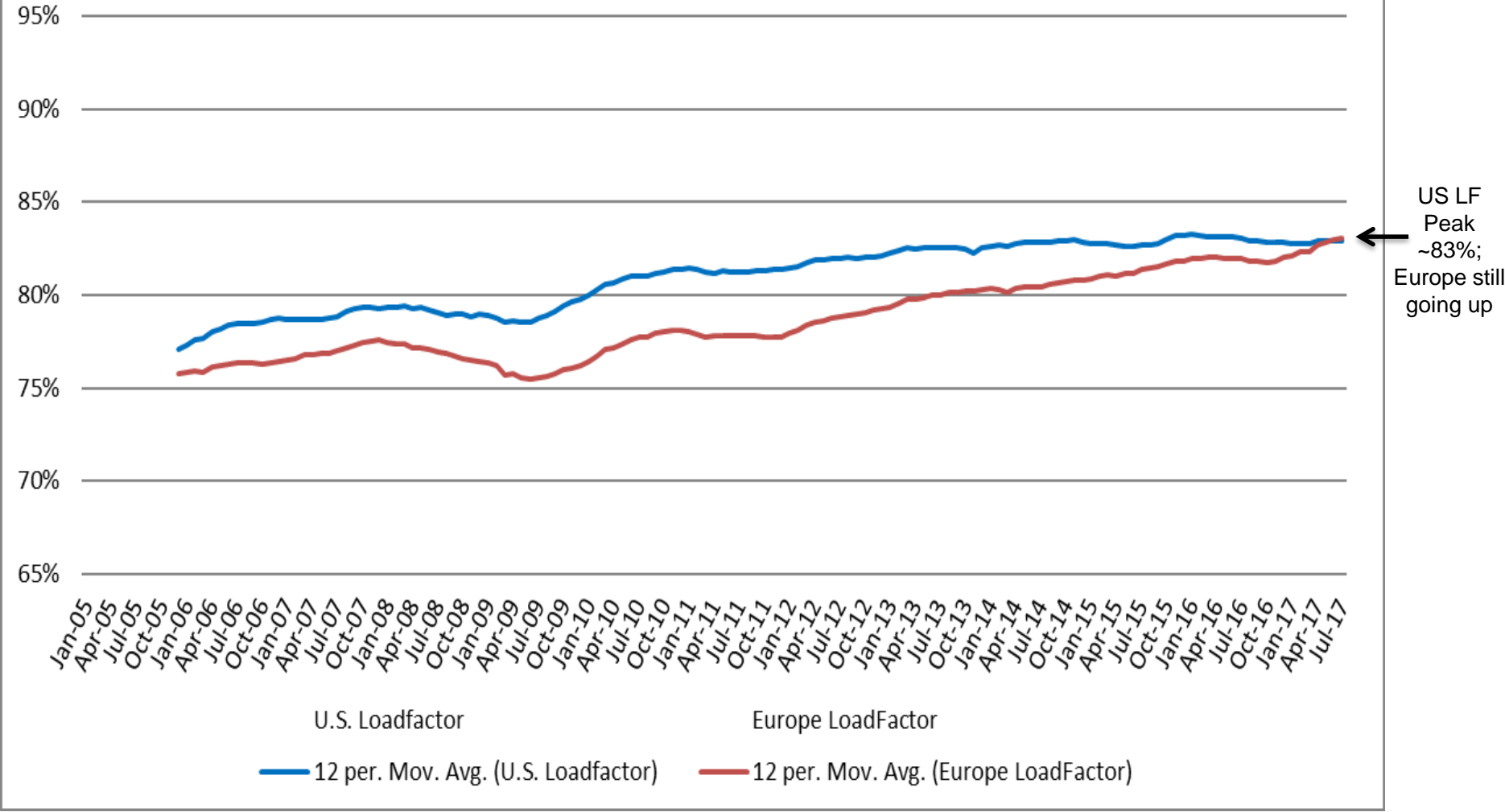


US vs Europe: Percent Change in Scheduled Flights

(Source: Innovata, Sep 1, 2017)



2005-2017 US and Europe Load Factors



Source: BTS (U.S.) and IATA (Europe), September 2017



Passengers Demand (2007-2017Q2) Year-over-Year Change



Source: BTS, T100-Segment Data, September 2017

Air Cargo Demand (2007-2017Q2) Year-over-Year Change

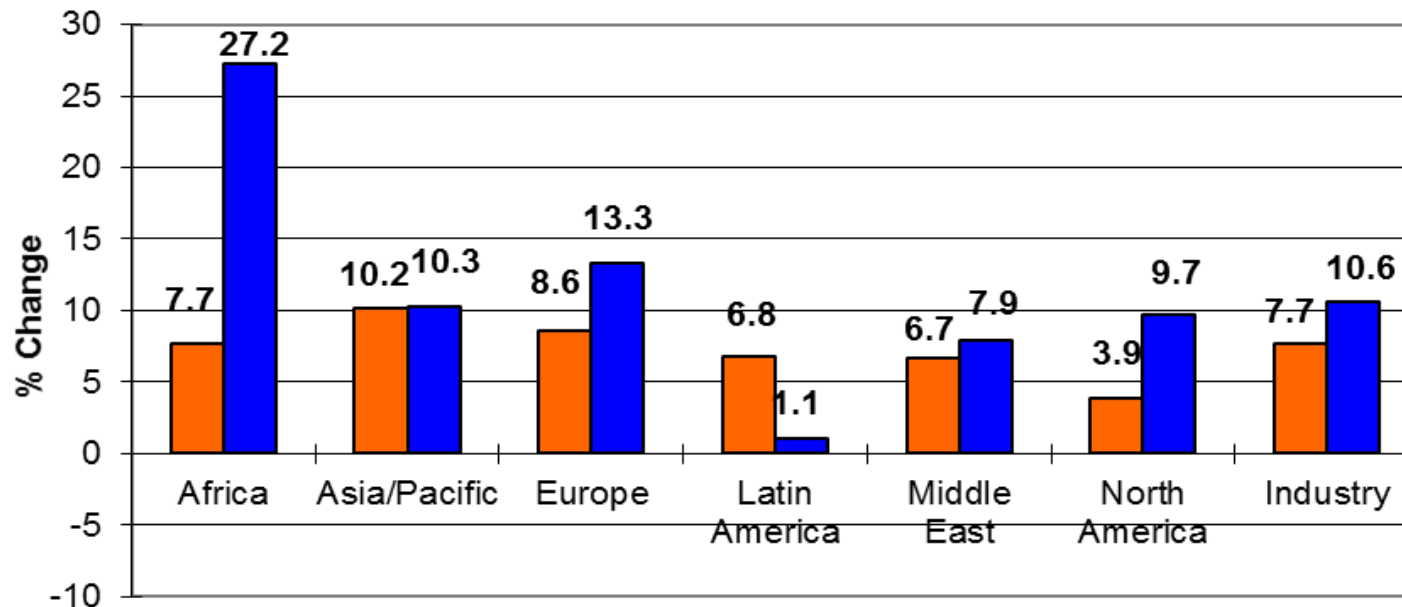


Source: BTS, T100-Segment Data, September 2017

2017 Global Regional Trends (Year-to-Date July)

Regional Traffic Statistics

Change in RPK and FTK: (Jan-Jul) 2017 vs. 2016



■ Revenue Passenger Kilometers (RPK)

■ Freight Ton Kilometers (FTK)

Source: IATA, September 2017

Brighter Outlook:

- Economic outlook for 2017-2018 remains positive
- Financial markets keep rising and oil remains low
- Operational trends: US and Europe continue growth
- Aviation security threats persist, new issues
- *Risks remain: Policy uncertainties, Brexit negotiations, terrorism incidents, tensions in the Korean peninsula*