

# North Atlantic Performance Trends

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**Federal Aviation  
Administration**



# Key NAT Performance Trends

## Economic Outlook

- **Moderation and Trade Tensions**

## Policy Outlook

- **Stable Financial Markets**

## Industry Outlook

- **Strong Summer Travel**

## Operational Outlook

- **Growth Slows**

# *Economic Outlook*





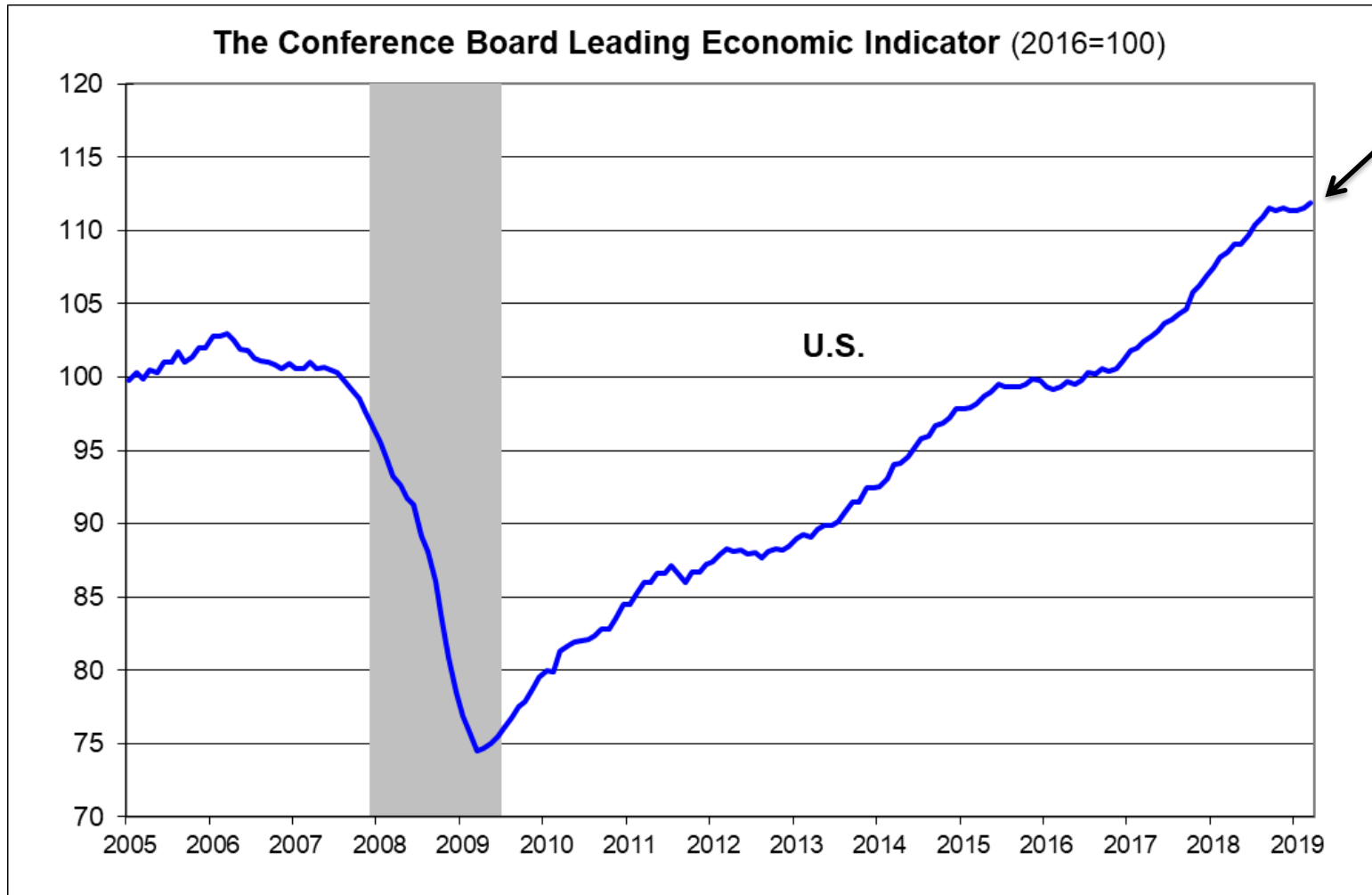
# Moderation and Trade Tensions

- Growth slowed sharply in 2018 and growth projections revised down
- Forecast of world growth lower than July 2018 Update:
  - U.S. returns close to its long-term trend
  - Euro Area slowing with Germany seeing a large downward revision
- Risks remain:
  - Trade tensions and waning support for global economic integration
  - U.S. interest rate hikes – capital flows
  - China growth also slowing
  - market pressure on currencies
  - Extreme weather events
  - Brexit

Real GDP Forecast (Annual Percentage Change)		
Country	2019	2020
Canada	1.5	1.9
Denmark	1.7	1.8
France	1.3	1.4
Germany	0.8	1.4
Iceland	1.7	2.9
Ireland	4.1	3.4
Norway	2.0	1.9
Portugal	1.7	1.5
UK	1.2	1.4
<b>US</b>	<b>2.3</b>	<b>1.9</b>
<b>Euro Area</b>	<b>1.3</b>	<b>1.5</b>
<b>World</b>	<b>3.3</b>	<b>3.6</b>

Source: IMF, World Economic Outlook – April 2019

# Leading Economic Indicator – U.S.

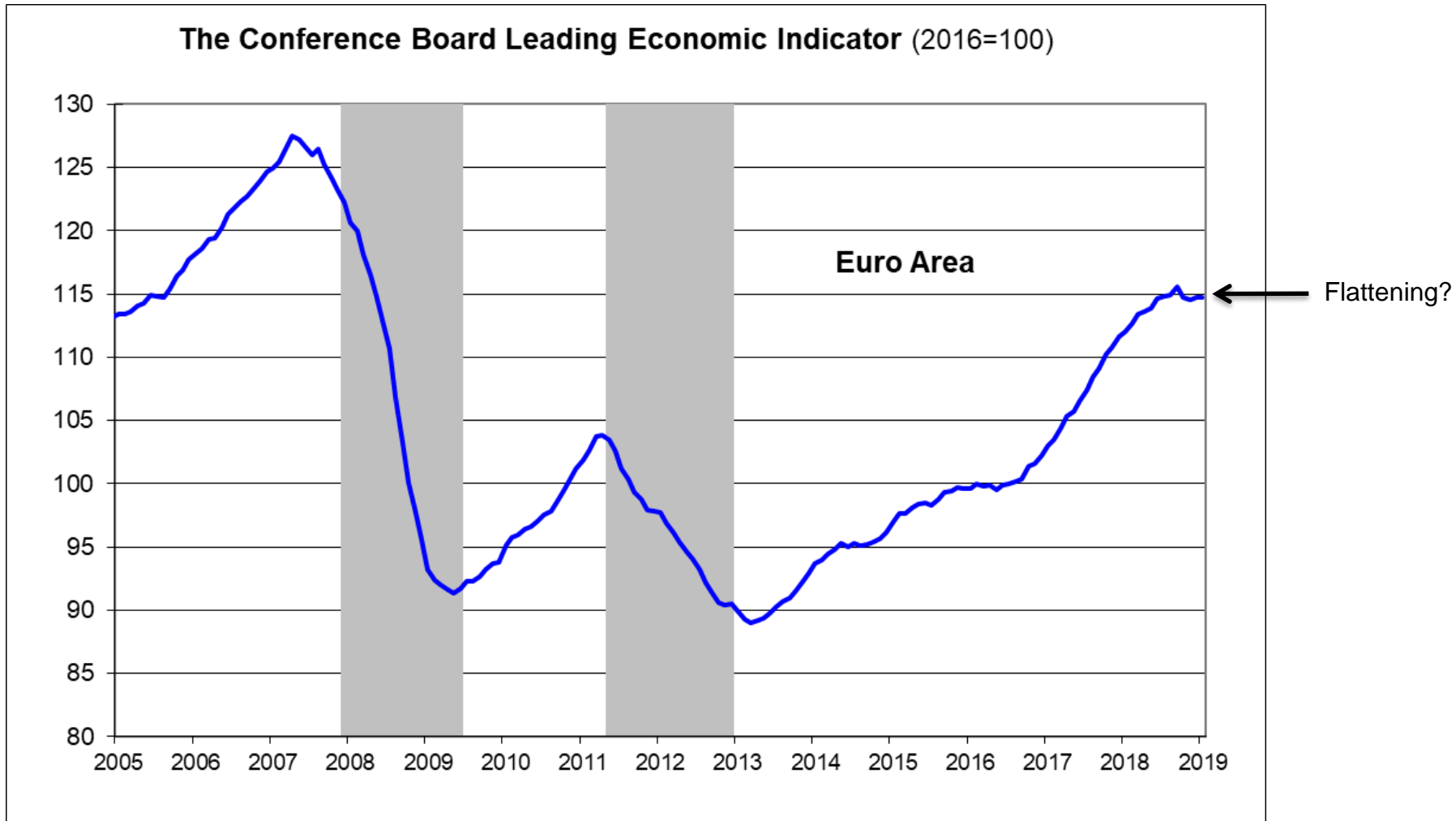


Growing but Moderating?

Source: The Conference Board, April 2019

Note: Shaded area represents period of recession

# Leading Economic Indicator – Euro Area



Source: The Conference Board, August 2018

Note: Shaded area represents period of recession

# *Fiscal Outlook*



# Policy Outlook

## • U.S.

- Supportive fiscal policy coupled with trade disputes:
  - Impacts of fiscal stimulus beginning to wane
  - Recent trade policies could impact growth
- Monetary Policy on hold:
  - 9th rate hike (12/2018); next move could be up or down
  - Solid Economic Growth: 2019Q1 GDP 3.2% (SAAR)
  - Inflation remains below target (1.6% in March 2019)

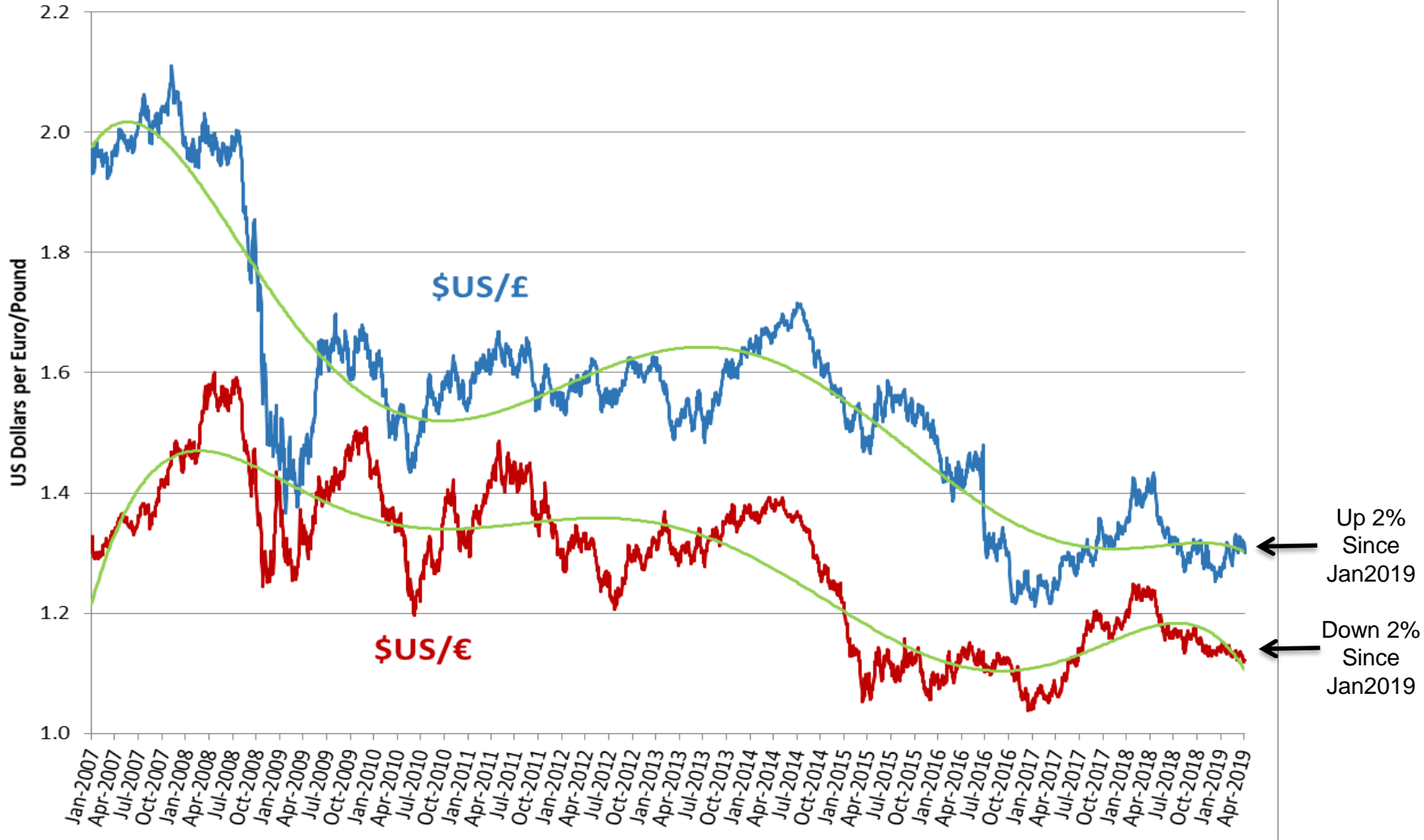


## • Euro Area – Slow Patch but Brightening

- Economic Growth: 2019Q1 GDP 1.5% (SAAR) (1.2% Y/Y)
- Inflation below target (2%) but rising: April 2019 1.7% (Y/Y)
- ECB on Autopilot:
  - QE ended Dec 2018
  - Interest rates remain at zero
- Brexit: Extension granted to 31 October 2019
- Trade war would have severe impact on both EU and US



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



Source: U.S. Federal Reserve Board, April 2019



# *Industry Outlook*



# Opportunities/Challenges for the Industry

## Record Breaking Air Travel Numbers

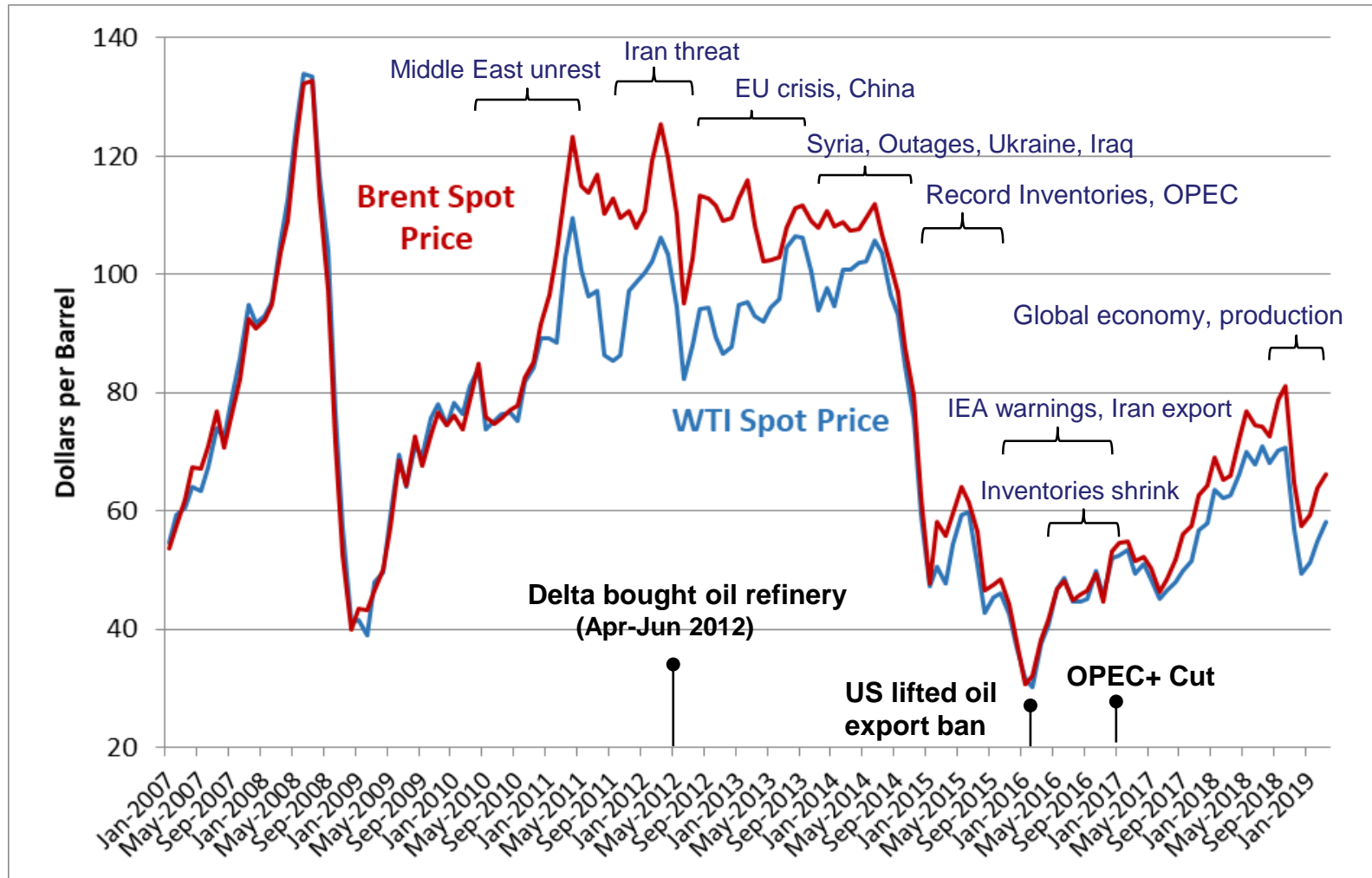
- Global passengers 4.1 Billion - Europe 1.1B, N America 942M (2017)
- Airlines connected over 20,000 city-pairs – IATA (9/12/2018)
- Global profits \$2.7 billion in 2018Q4, \$7.4 billion in 2017Q4
- Shrinking operating profit margin at 4.7%



## Challenges

- 737MAX Grounding
- Brexit
- ATM Delays in Europe expected to rise from last year's levels
  - Staffing and capacity shortages; strikes
  - Weather delays

# US – European Crude Oil Price Spread



Source: Energy Information Administration, April 2019



## Recent upward trend temporary?

- **Lower global output pushed Brent crude oil prices up from \$57/bbl in December to \$66/bbl in March**
- **Demand for oil rising in China, India and U.S. but declining in Europe**
- **EIA forecast are for little change in WTI (April STEO): \$59/bbl in 2019, \$58/bbl in 2020**
- **EIA forecast are slightly higher for Brent (April STEO): \$65/bbl in 2019, \$62/bbl in 2020**
- **Driving factors: Supply/demand and geopolitical events**  
(U.S. production in 2019 expected to increase as prices rise from December lows but that production helps moderate future price rises.)
- **OPEC crude oil production at 30.1 mb/d, a four-year low**  
- The International Energy Agency OMR, Apr 2019

# *Operational Outlook*



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

Destination Country	2018	2019	% Change
United Kingdom	23,736	24,081	1.5%
Germany	10,843	11,670	7.6%
France	8,091	8,535	5.5%
Netherlands	6,402	7,131	11.4%
Spain	4,202	4,872	<b>15.9%</b>
Italy	3,940	4,481	13.7%
Ireland	4,273	4,403	3.0%
Switzerland	2,999	3,018	0.6%
Iceland	3,477	2,533	<b>-27.1%</b>
Belgium	2,440	2,187	-10.4%
<b>All US-Europe</b>	<b>79,093</b>	<b>82,733</b>	<b>4.6%</b>

Source: Innovata, April 2019

# US ↔ Europe Trends (Jan – Jun 2019)

Destination: Europe Airport			Destination: US Airport		
Europe Airport	Departures	Y/Y % Change	US Airport	Departures	Y/Y % Change
LHR	18,557	2.9%	JFK	16,061	1.6%
CDG	7,790	5.9%	EWR	7,938	-5.8%
FRA	7,380	7.4%	<b>ORD</b>	<b>7,097</b>	<b>4.5%</b>
<b>AMS</b>	<b>6,815</b>	<b>8.1%</b>	LAX	5,034	-0.1%

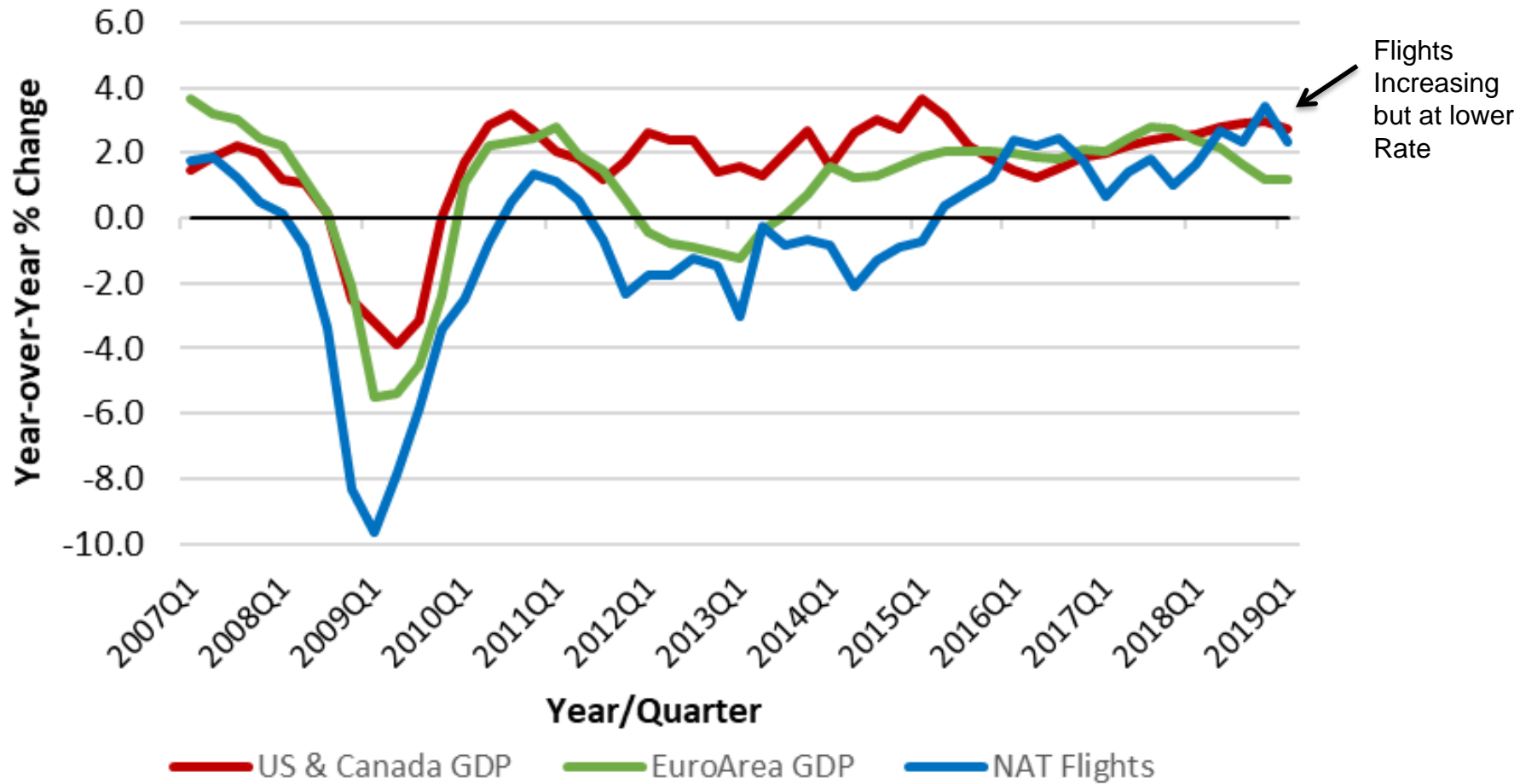
## Busiest Airport Pairs (US to Europe)

Pair	Total Flights	Y/Y % Change
JFK - LHR	3,513	1.4%
LAX - LHR	1,591	-0.7%
ORD - LHR	1,459	-2.9%

Source: Innovata, April 2019



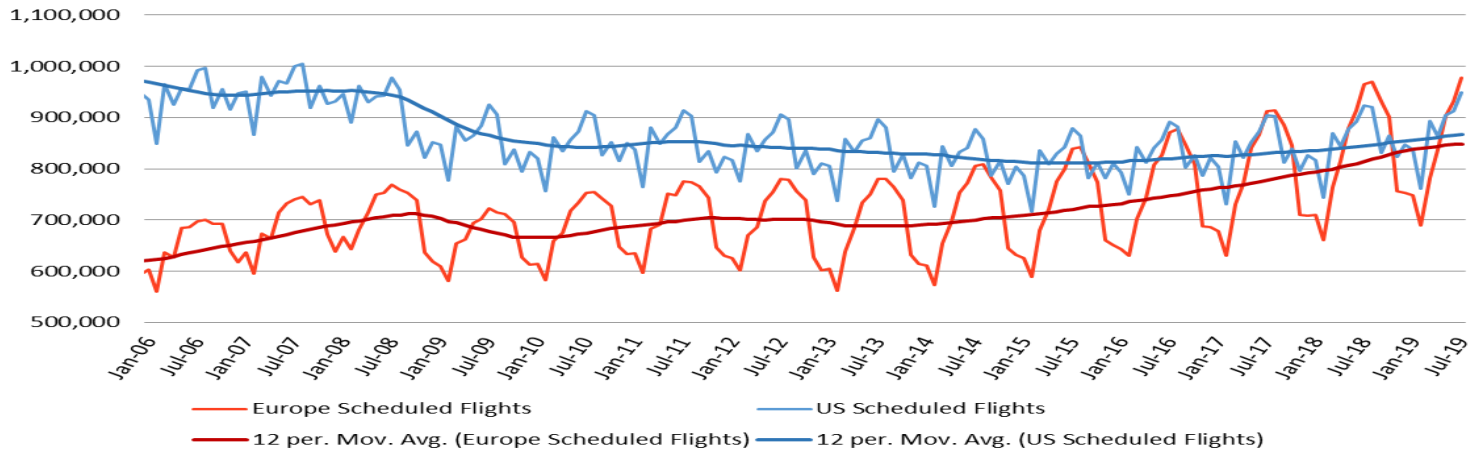
# 2007-2019Q1 Economy and Air Traffic



Source: BTS/Innovata, Global Insight, September 2018

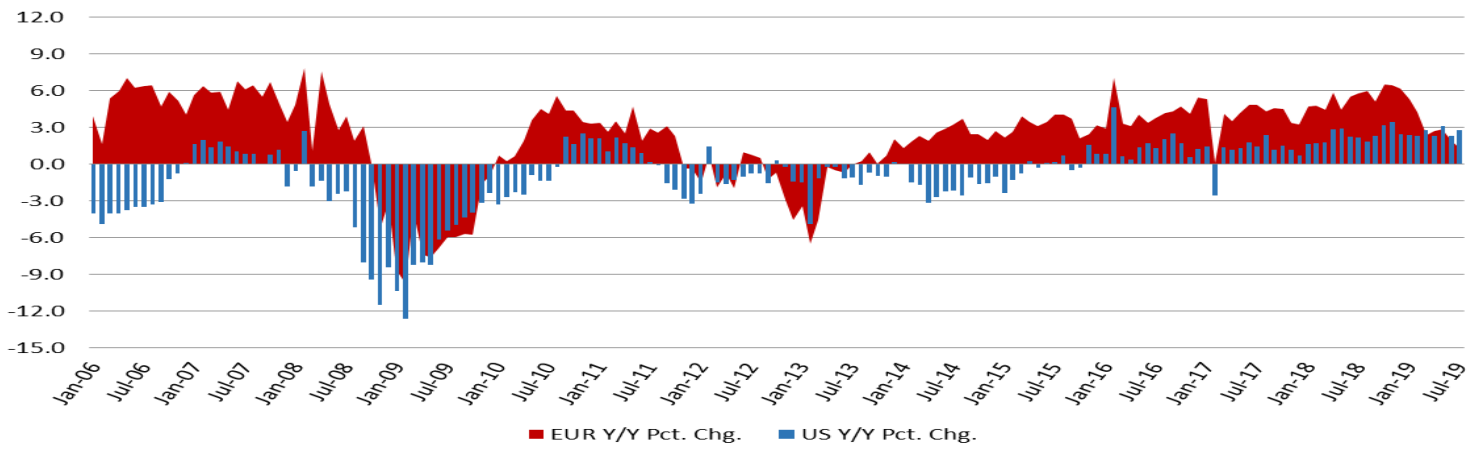
# 2005-2019 US and Europe Operations

**US vs Europe: Total Scheduled Flights**  
(Source: Innovata, April, 2019)



← Gap closing

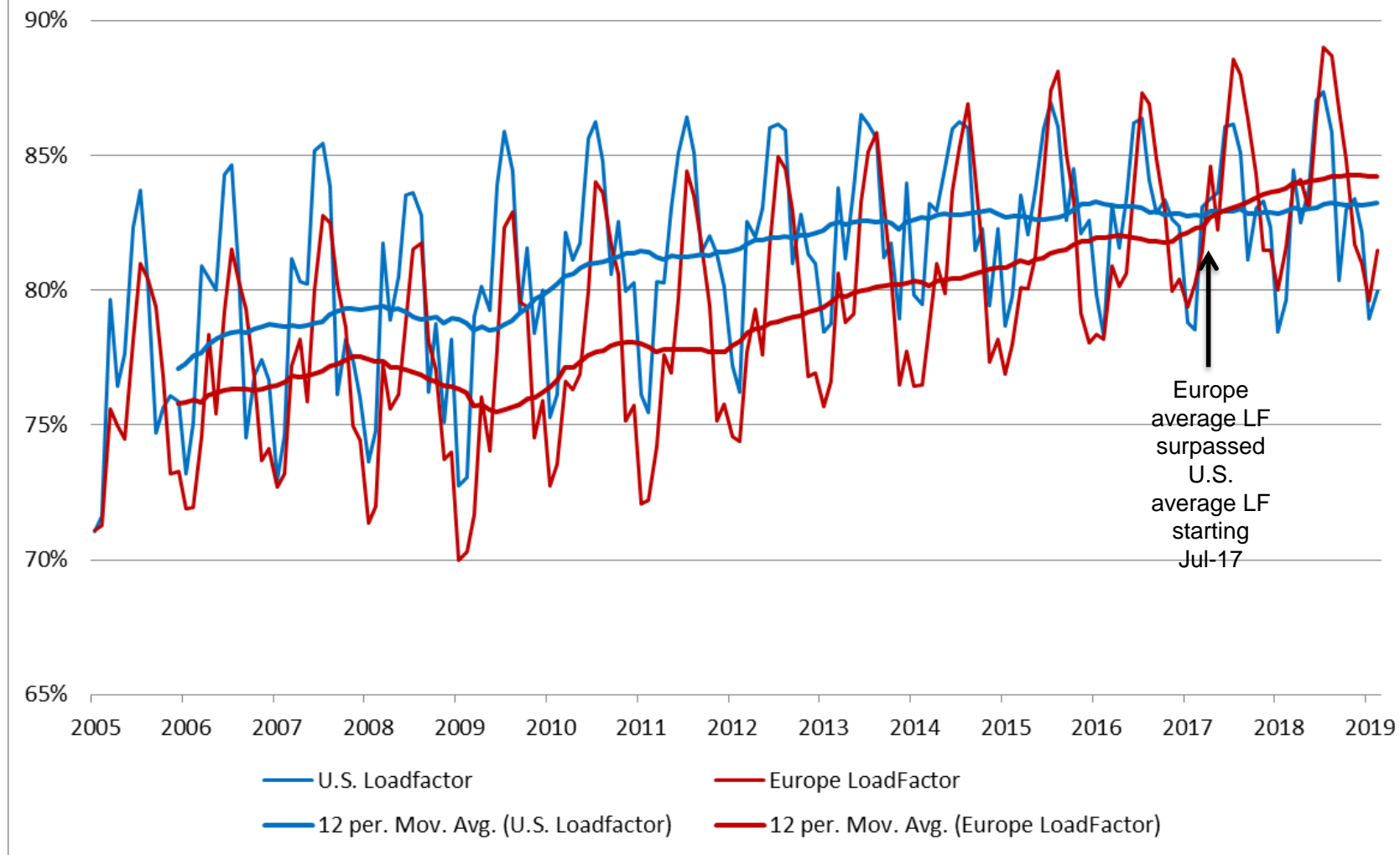
**US vs Europe: Percent Change in Scheduled Flights**  
(Source: Innovata, April, 2019)



← 28 months of Consecutive U.S. Growth

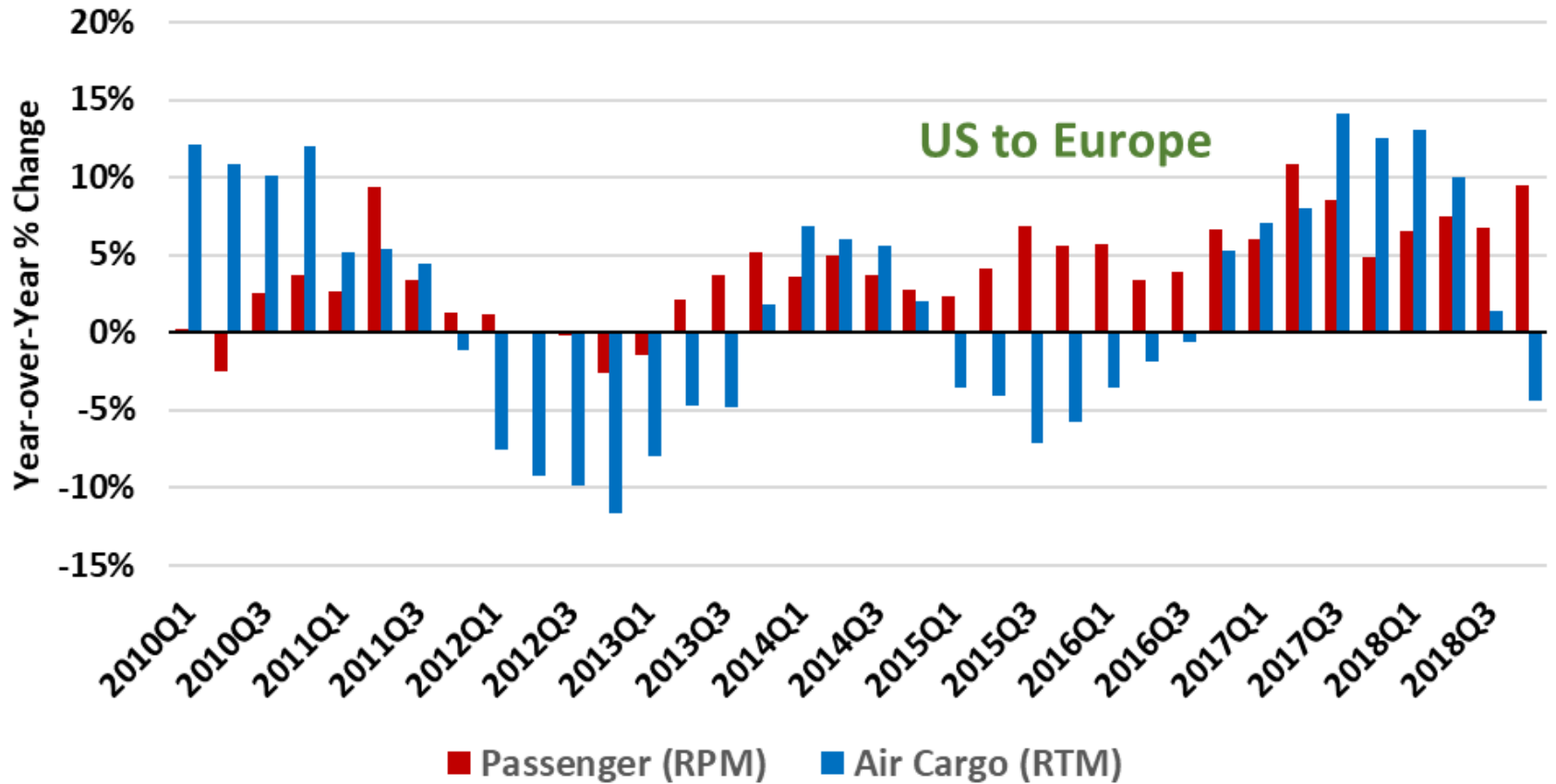


## 2005-2019 US and Europe Load Factors



Source: BTS (U.S.) and IATA (Europe), April 2019

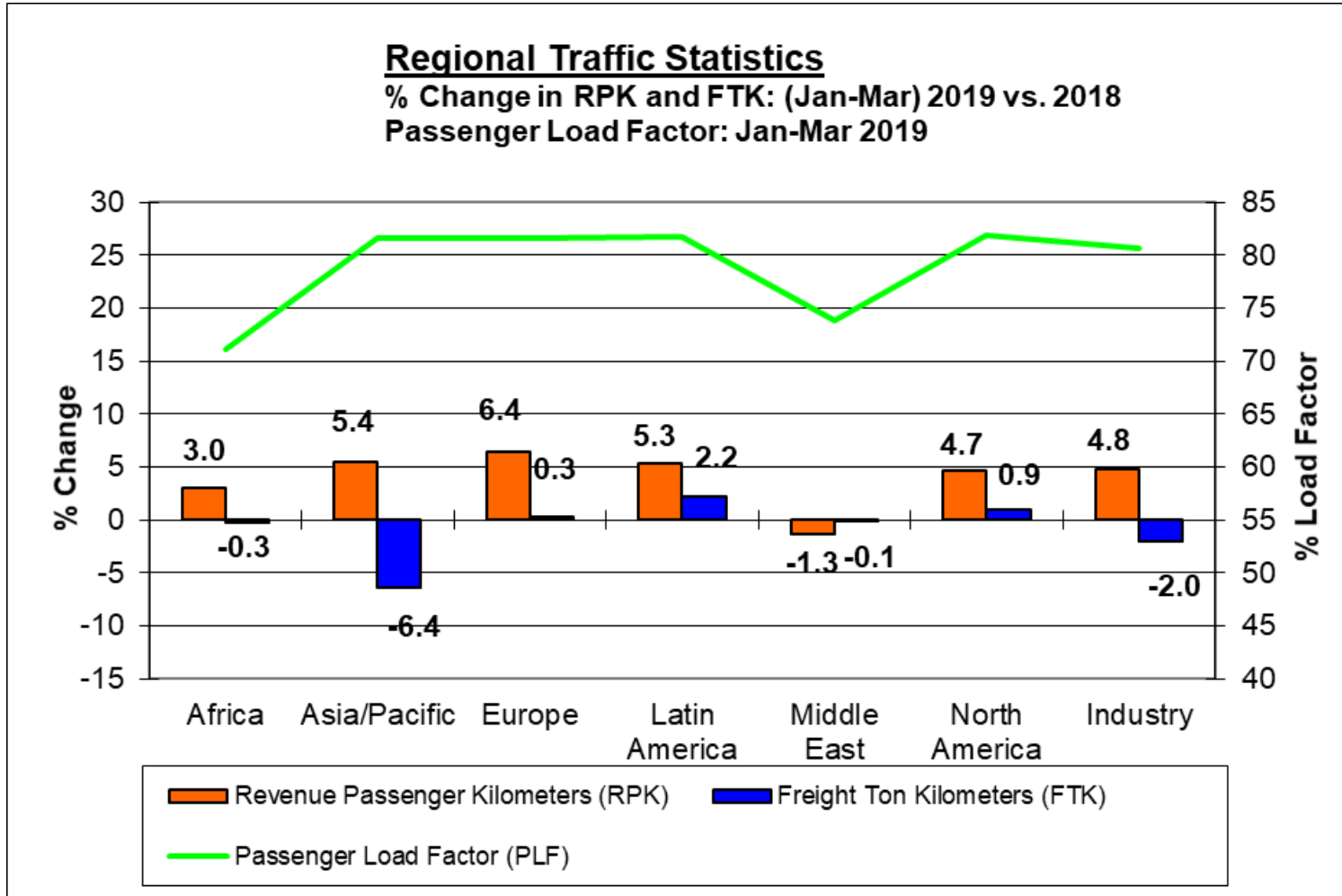
# Quarterly Passenger and Cargo Demand



Source: BTS, T100-Segment Data, April 2019



# 2019 Global Regional Trends (Year-to-Date March)



Source: IATA, May 2019



# Outlook – Moderating Growth

- Economic outlook for 2019-2020 slower than recent past
- Financial markets stabilizing; oil prices supportive
- Operational trends:
  - Passenger traffic continues to have moderate growth
  - Cargo likely to contract further
  - Summer air travel and delays expected to exceed 2018
- *Risks remain:*
  - *Trade disputes*
  - *Protectionism*
  - *Geopolitical tensions*