

North Atlantic Performance Trends

Presented To: ICAO NAT EFFG 37

Paris, France

Prepared By: FAA

Date: November 26, 2019



**Federal Aviation
Administration**



Key NAT Performance Trends

Economic Outlook

- **Moderation and Trade Tensions**

Policy Outlook

- **Somewhat Favorable Conditions**

Industry Outlook

- **Benefits of Reduced Capacity**

Operational Outlook

- **Growth Slows**

Economic Outlook





Moderation and Trade Tensions

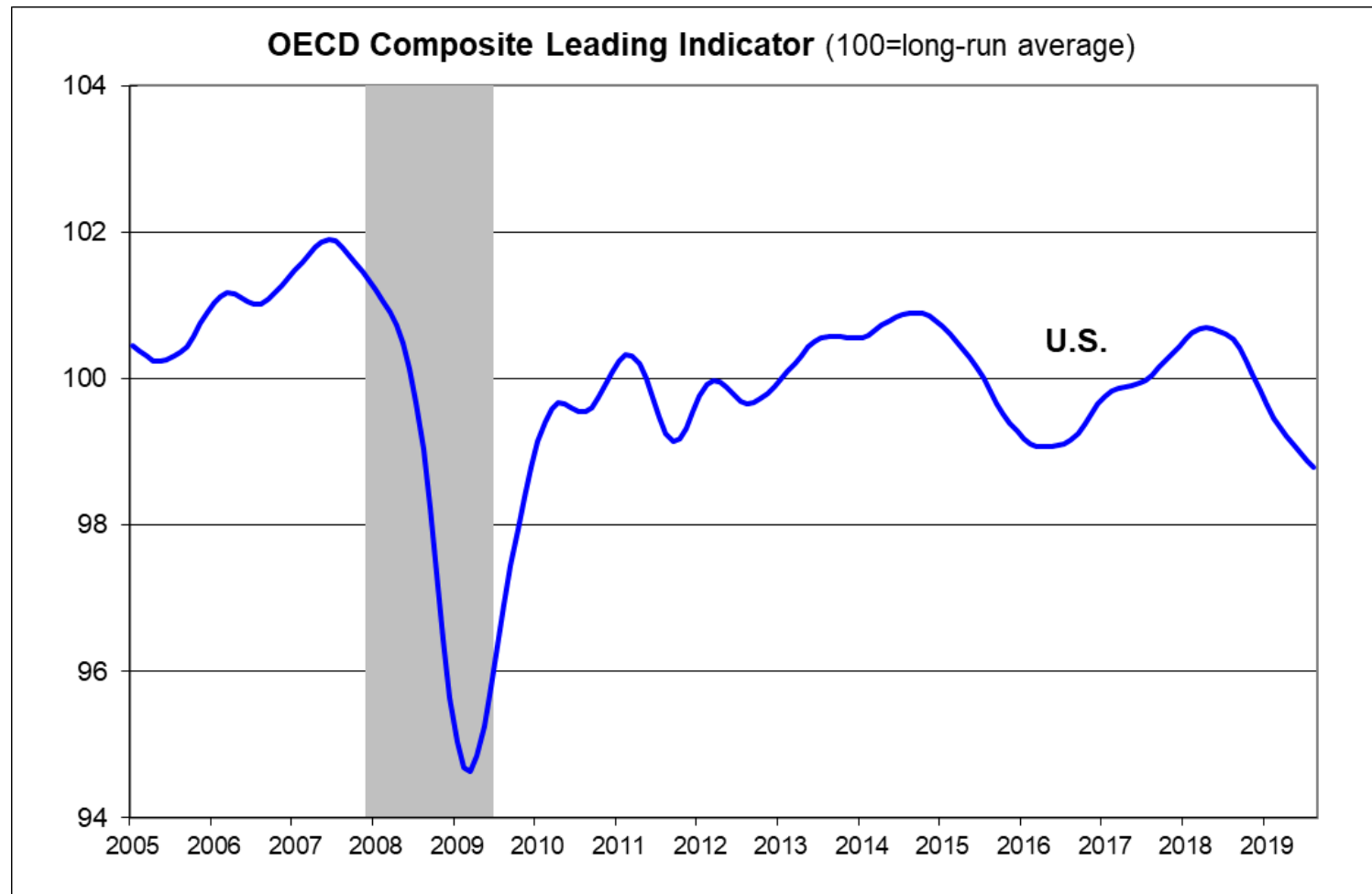
- Growth slowed sharply in 2019 and growth projections revised down
- Forecast of world growth lower than May 2019 Update:
 - U.S. returns toward its long-term trend
 - Euro Area slowing with Iceland seeing a large downward revision
- Risks remain:
 - Trade tensions and waning support for global economic integration
 - China growth also slowing
 - Market pressure on currencies
 - Extreme weather events
 - Brexit

Real GDP Forecast (Annual Percent Change)			
Country	2019	2020	2020 (Nov – May)
Canada	1.5	1.8	-0.2
Denmark	1.7	1.9	0.1
France	1.2	1.3	-0.2
Germany	0.5	1.2	-0.2
Iceland	0.8	1.6	-1.3
Ireland	4.3	3.5	0.1
Italy	0.0	0.5	-0.4
Norway	1.9	2.4	0.6
Portugal	1.9	1.6	0.1
Spain	2.2	1.8	0.0
UK	1.2	1.4	0.0
United States	2.4	2.1	0.2
Euro area	1.2	1.4	-0.2
World	3.0	3.4	-0.2

Source: IMF, World Economic Outlook – October 2019



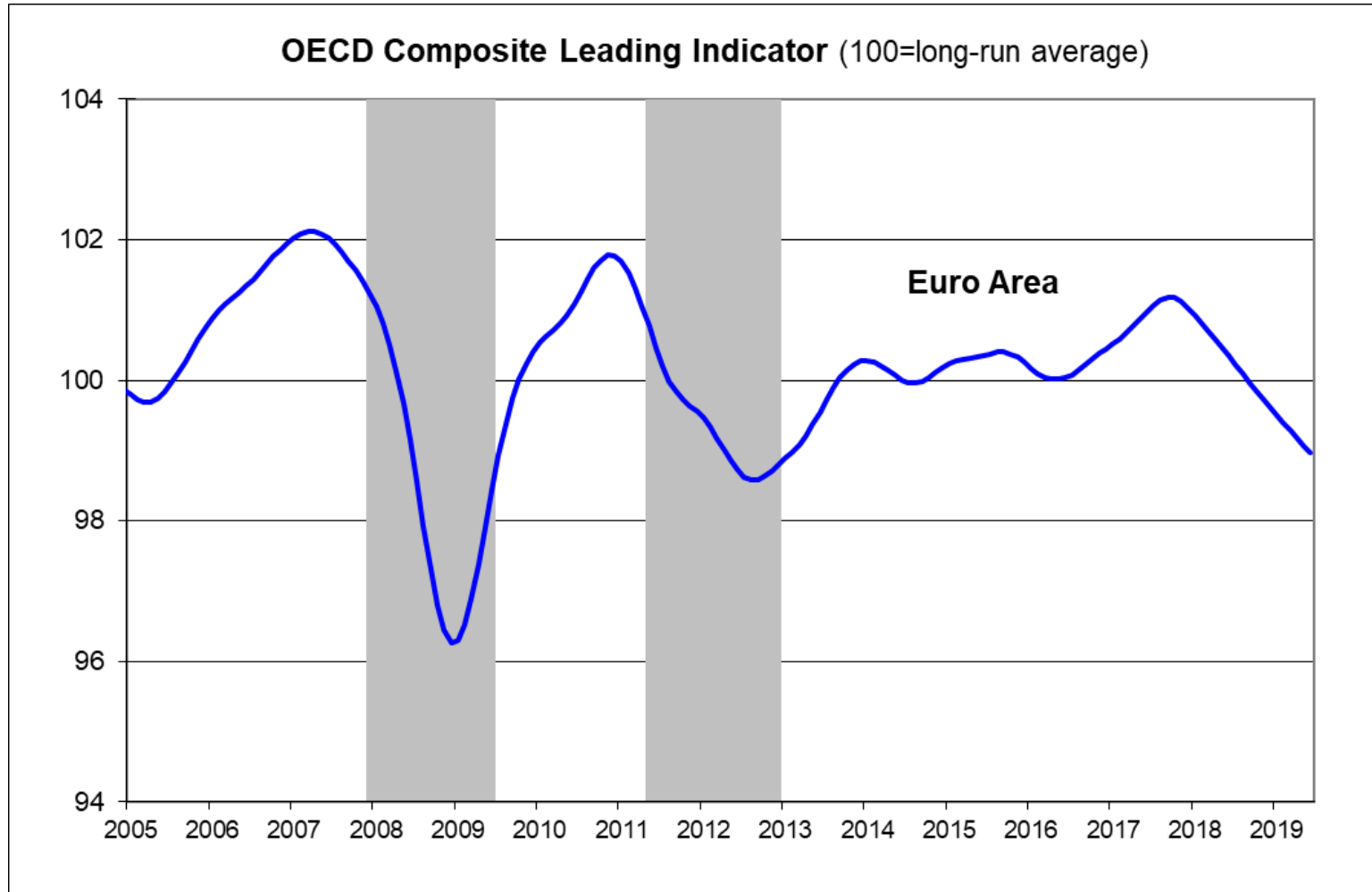
Leading Economic Indicator – U.S.



Source: OECD, October 2019

Note: Shaded area represents period of recession

Leading Economic Indicator – Euro Area



Source: OECD, October 2019

Note: Shaded area represents period of recession

Financial Outlook



Government Policy

• U.S.

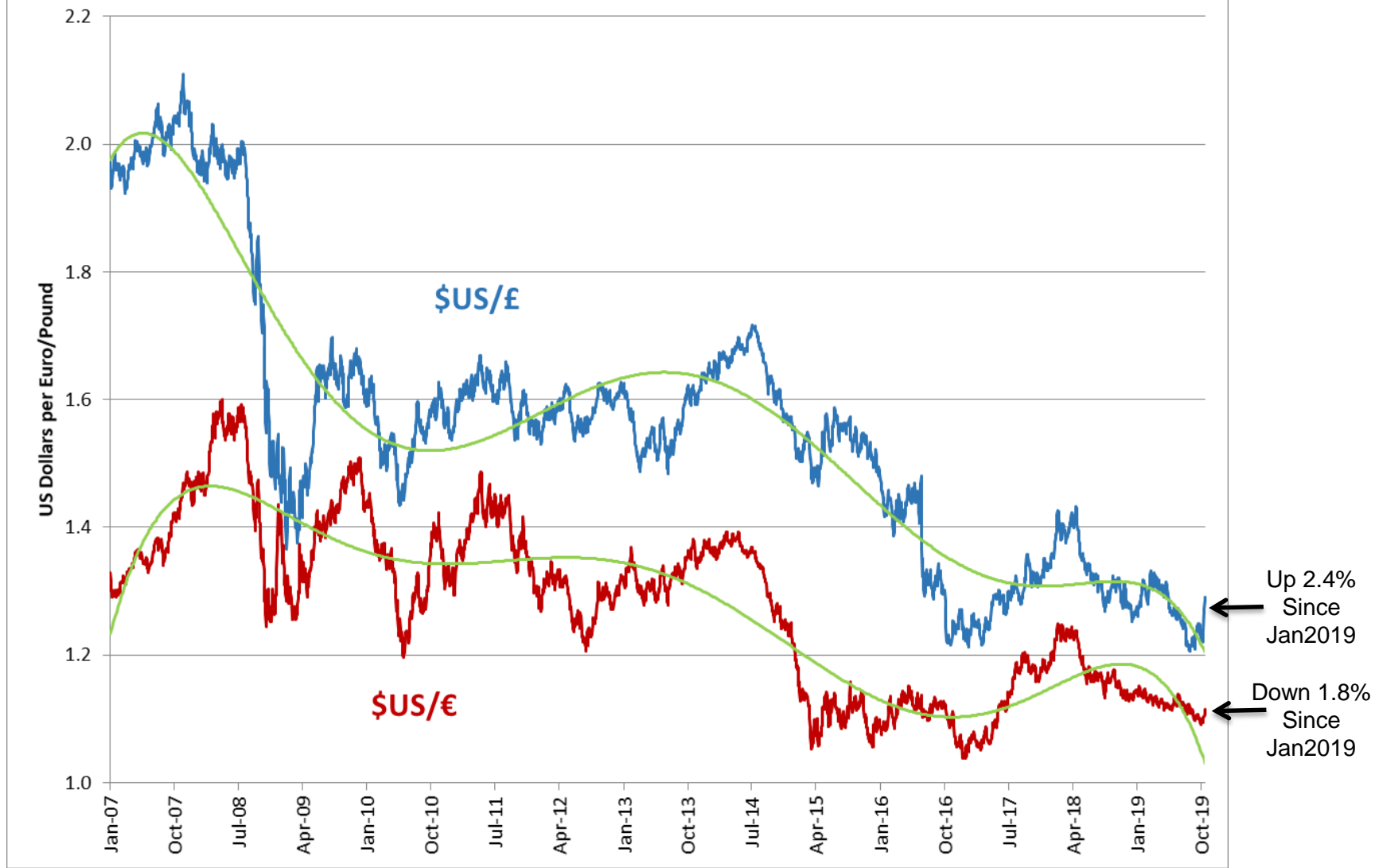
- Supportive fiscal policy coupled with trade disputes:
 - Impacts of fiscal stimulus beginning to wane
 - Trade policies could impact growth
- Monetary Policy easing on hold for now:
 - 3rd rate reduction (October 30); next decision likely for no change
 - Trend economic growth: 2019Q3 GDP 1.9% (SAAR)
 - Inflation remains moderate at 1.7% (CPI, September 2019)



• Euro Area – Slow Patch Continues

- Economic growth: 2019Q2 GDP 0.8% (SAAR) (1.2% Y/Y)
- Inflation below target (2%) and slowing: Sept 2019 0.8% (Y/Y)
- ECB easing:
 - Bond purchases restarted in November
 - Overnight interest rates remain at zero
- Brexit: Extension granted to 31 January 2020
- Continued/elevated trade tensions would have severe impacts

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



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



Industry Outlook



Opportunities/Challenges for the Industry

Record Breaking Air Travel Numbers*

- Global passengers 4.6 Billion (2019)
- Airlines connected over 22,000 city-pairs (2019)
- Global profits \$7.1 billion in 2019Q2, \$5.2 billion in 2018Q2
- Stable operating profit margin at 7.6%

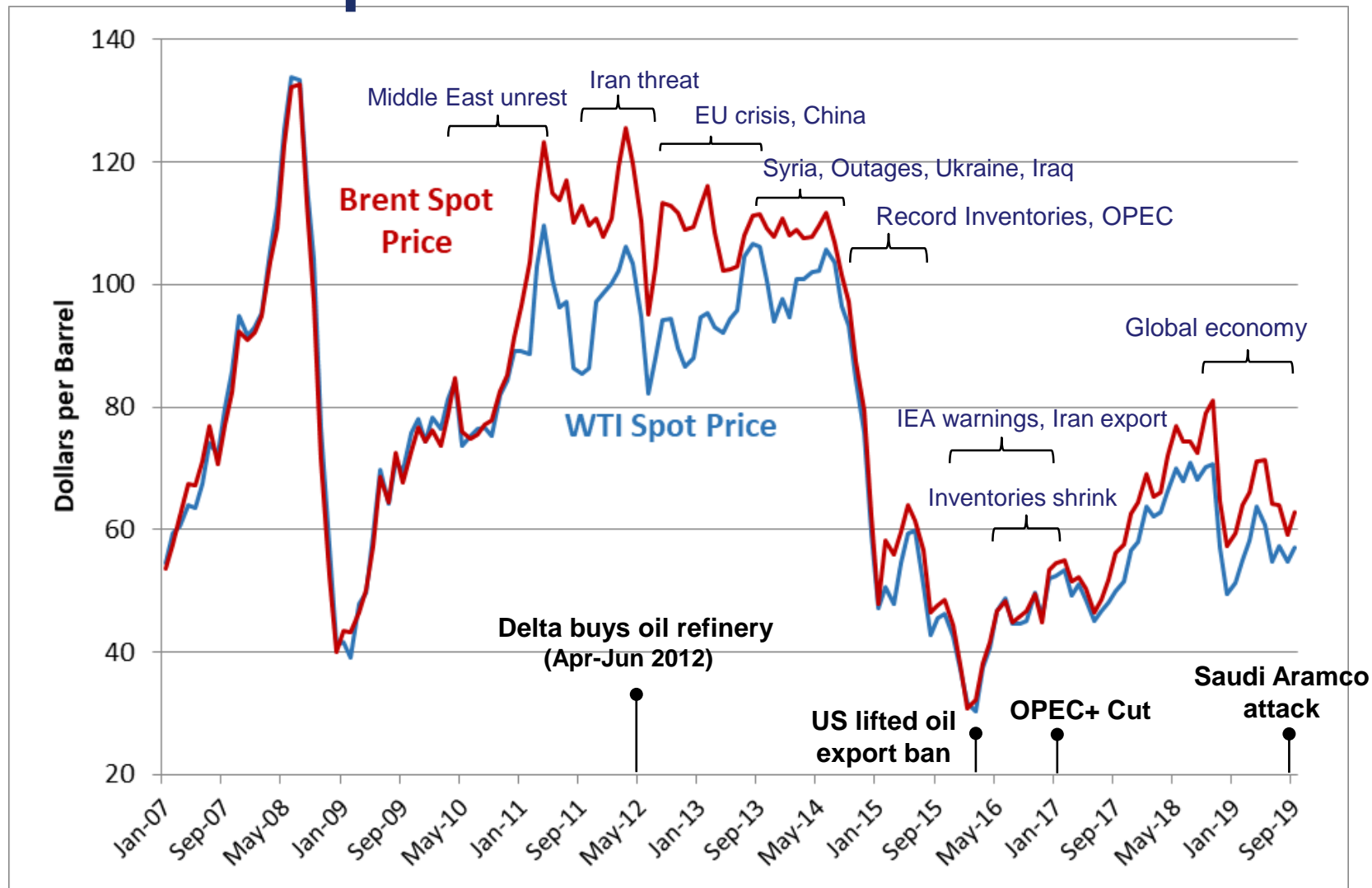


Challenges

- Slowing economic growth
- Brexit
- ATM Delays in Europe reached 25.7 million minutes* (2018)
 - Staffing and capacity shortages
 - Weather delays

*Source: IATA Economic Performance of the Airline Industry and Airlines Financial Monitor

US & European Crude Oil Prices



Source: Energy Information Administration, October 2019



Recent price stability to continue?

- **Little change from January to September 2019**
 - **WTI** rose from \$51 → \$57
 - **Brent** rose from \$59 → \$63
- **EIA forecasts¹ are also for little change:**
 - **WTI:** \$56/bbl in 2019, \$54/bbl in 2020
 - **Brent:** \$63/bbl in 2019, \$60/bbl in 2020
- **Driving factors?** Supply, demand and geopolitical events
 - Supply: inventories building but increased risk of disruptions
 - Demand: even greater risk of slower global economic growth
- **Non-OPEC supply²** expected to accelerate in 2020 led by US, Brazil and Norway; OPEC supply growth to ease

¹Short-Term Energy Outlook, October 2019

²International Energy Agency OMR, October 2019

Operational Outlook



US to Europe: Top Ten Scheduled Departures

Destination Country	2018	2019	% Change
United Kingdom	49,250	49,307	0.1%
Germany	23,144	23,832	3.0%
France	17,369	17,819	2.6%
Netherlands	13,363	14,310	7.1%
Italy	8,970	10,053	12.1%
Spain	9,195	9,929	8.0%
Ireland	9,586	8,836	-7.8%
Switzerland	6,030	6,033	0.0%
Iceland	8,204	4,997	-39.1%
Belgium	4,726	4,436	-6.1%
All US-Europe	170,037	171,262	0.7%

Source: Innovata, October 2019



US ↔ Europe Trends (2019)

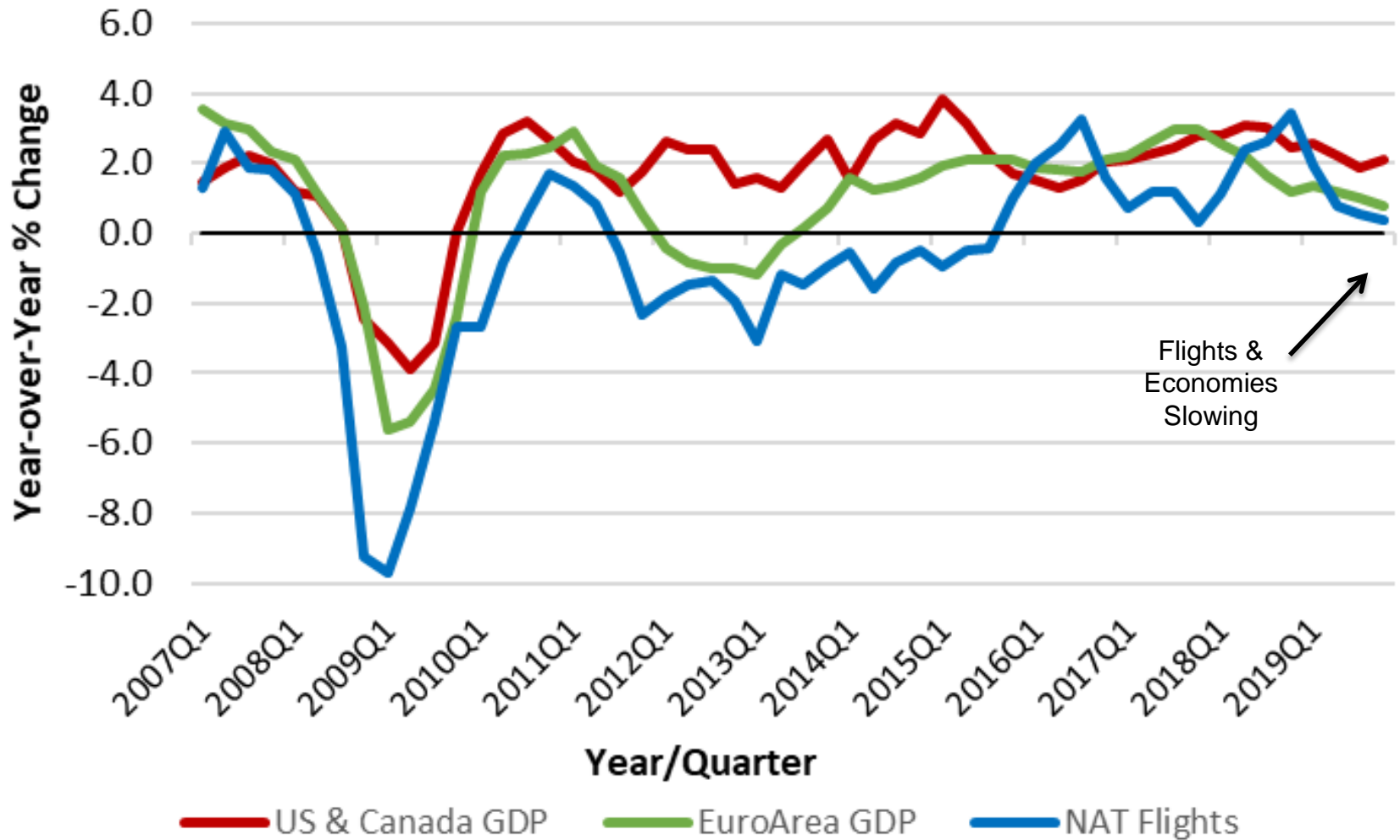
Destination: Europe Airport			Destination: US Airport		
Europe Airport	Departures	Y/Y % Change	US Airport	Departures	Y/Y % Change
LHR	37,874	2.9%	JFK	33,293	-0.2%
CDG	16,213	2.5%	EWR	16,388	-5.0%
FRA	15,056	1.5%	ORD	15,022	1.5%
AMS	14,183	7.7%	LAX	10,508	-1.0%

Busiest Airport Pairs (US to Europe)

Pair	Total Flights	Y/Y % Change
JFK - LHR	7,012	-0.7%
LAX - LHR	3,199	-3.7%
ORD - LHR	3,011	-1.4%

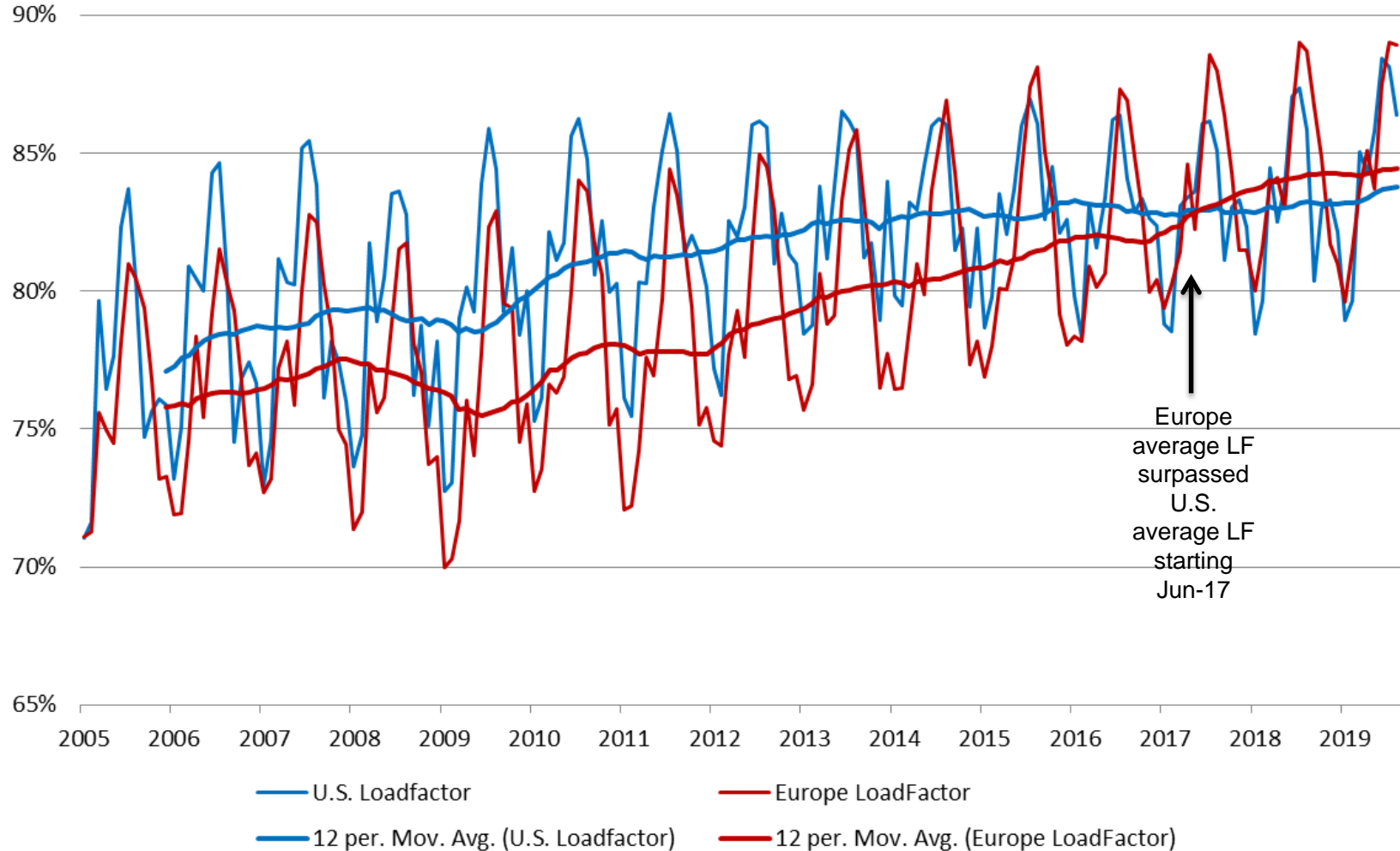
Source: Innovata, October 2019

2007-2019Q4 Economy and Air Traffic



Source: Innovata, Global Insight, October 2019

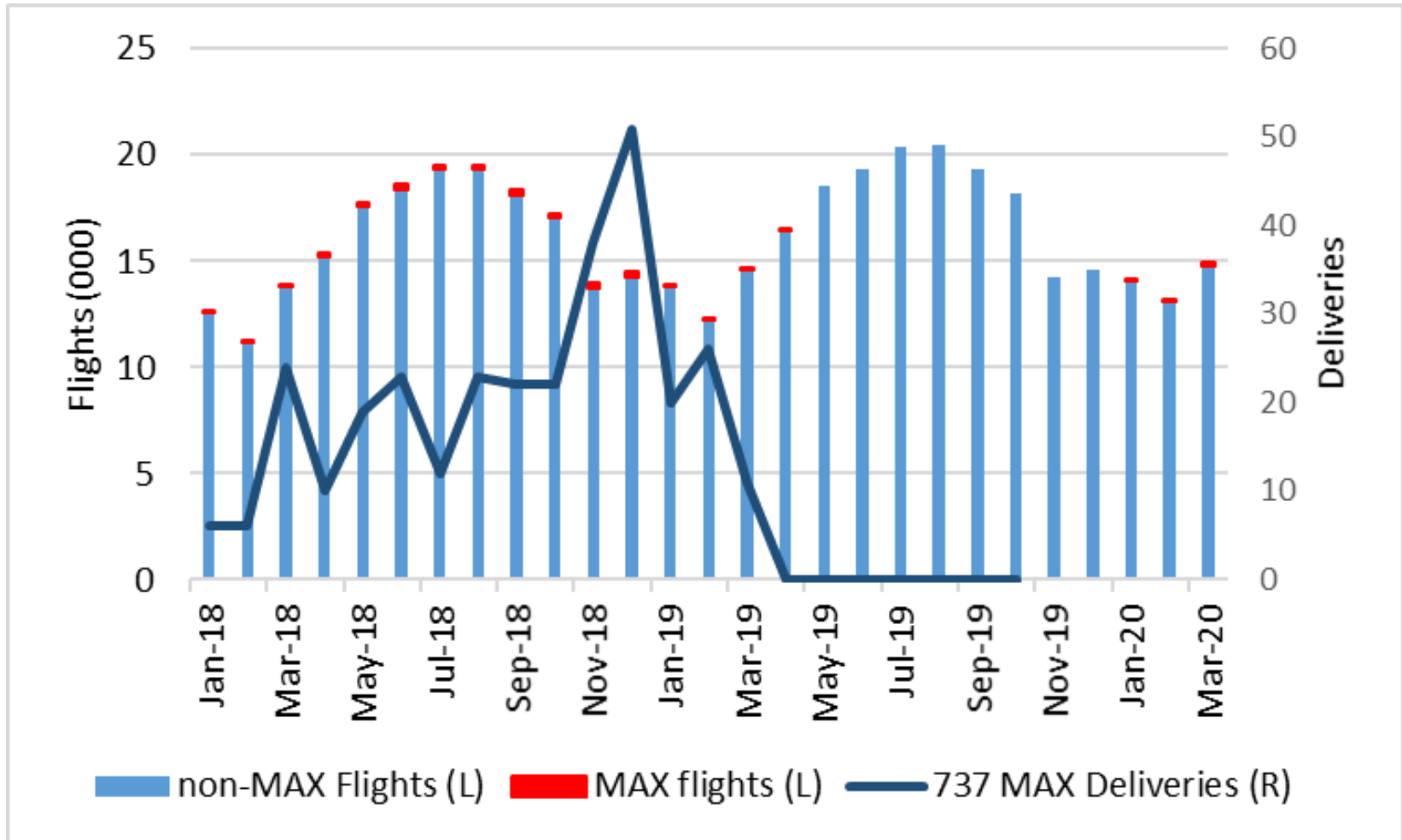
2005-2019 US and Europe Load Factors



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



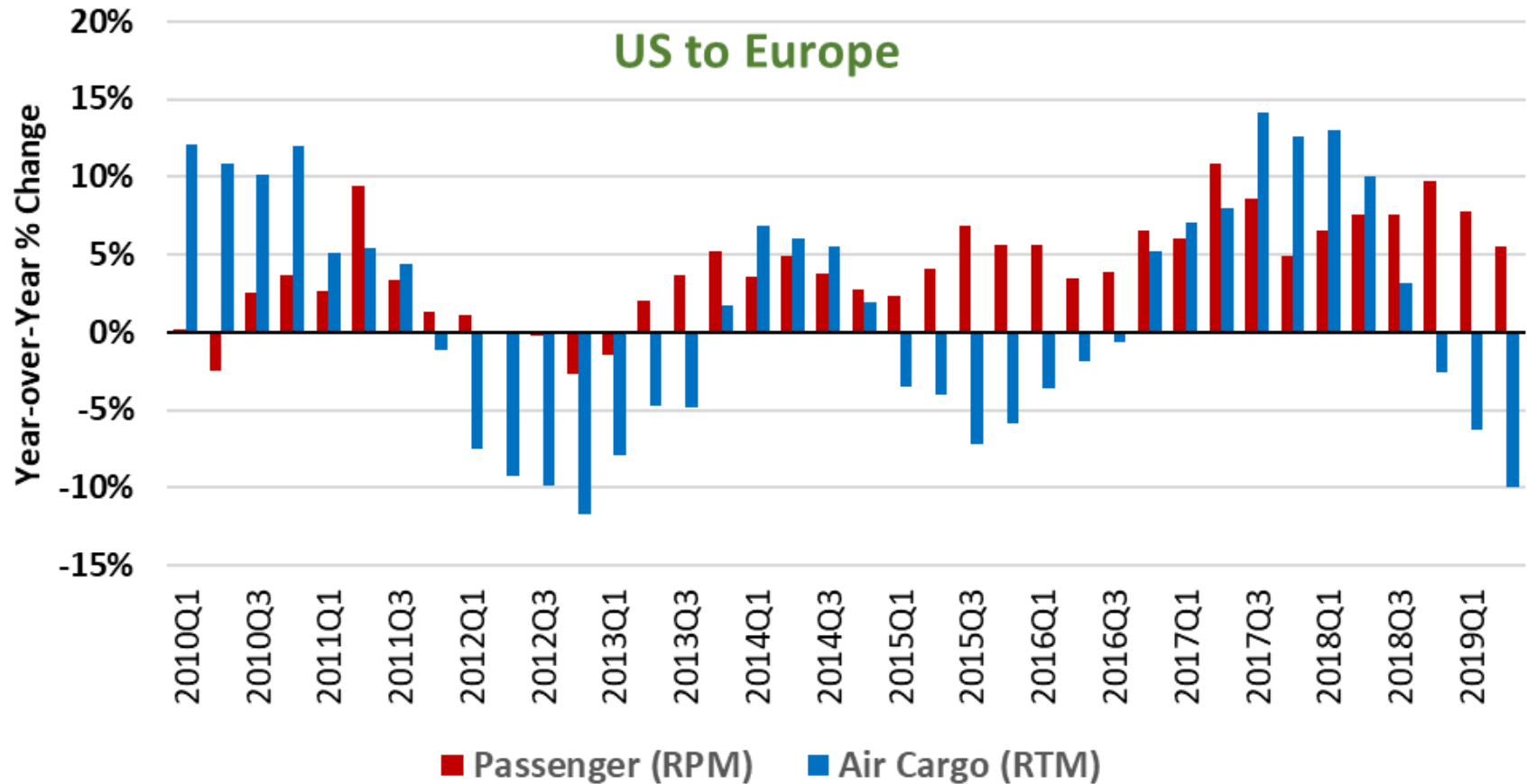
Europe to US Flights and All MAX Deliveries



Source: Innovata; Boeing, October 2019

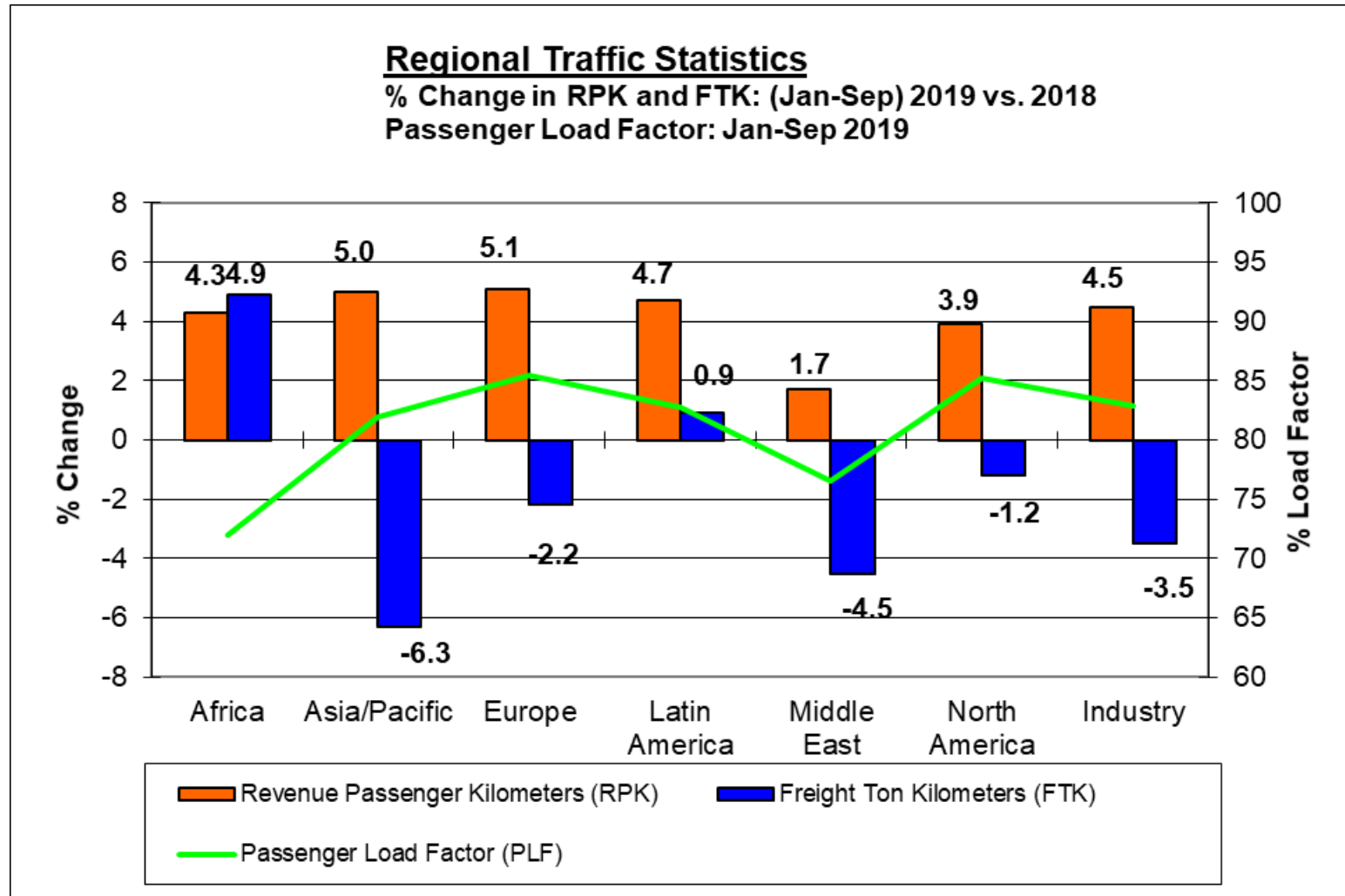


Quarterly Passenger and Cargo Demand



Source: BTS, T100-Segment Data, November 2019

2019 Global Regional Trends (Year-to-Date September)



Source: IATA, November 2019



Outlook: Continued Moderation

- Economic outlook for 2019-2020 slower than recent past
- Financial markets stable; oil prices supportive
- Operational trends:
 - Passenger traffic growth slowing but remains positive
 - Cargo likely to contract further
 - Summer air travel and delays a concern for 2020
- *Risks remain:*
 - *Trade disputes*
 - *Protectionism*
 - *Geopolitical tensions*