

Economic and Aviation Trends

ACI-NA/AAAE Airport Board & Commissioners Conference

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Managing Director



Around the world in 60 minutes...



**Economic
Update**



Canada



Mexico



**Latin America and
the Caribbean**



Trans-Atlantic



Asia Pacific



Economic Update

Major airlines' fortunes have trended positively over the past 5 years

AIRLINE NET PROFIT (LOSS), 2012-2017

Millions of USD

Country/Region	Airline Group	2012	2013	2014	2015	2016	2017
US	American Airlines Group Inc.	-\$1,239	-\$1,233	\$2,882	\$7,610	\$2,676	\$2,399
	Delta Air Lines Inc.	\$1,009	\$10,540	\$659	\$4,526	\$4,373	\$3,568
	United Continental Holdings Inc.	-\$723	\$571	\$1,132	\$7,340	\$2,263	\$2,052
Canada	Air Canada Group	-\$132	\$9	\$83	\$232	\$672	\$903
Europe	Deutsche Lufthansa AG	\$1,624	\$419	\$62	\$1,911	\$2,012	\$2,643
	International Airlines Group (IAG)	-\$921	\$197	\$1,124	\$1,708	\$2,220	\$2,600
	Air France-KLM S.A.	-\$1,614	-\$2,435	-\$242	\$141	\$714	\$1,042
Latin America	LATAM Airlines Group S.A.	-\$523	-\$281	-\$110	-\$219	\$69	\$273
Asia Pacific	Japan Airlines Co., Ltd.	\$1,723	\$1,533	\$1,234	\$1,610	\$1,469	\$1,510
	Cathay Pacific Group	\$138	\$374	\$445	\$813	-\$35	-\$8
	Singapore Airlines Group	\$182	\$203	\$295	\$493	\$453	\$481
	Qantas Group	\$5	-\$2,404	\$409	\$774	\$663	\$983
Total		-\$471	\$7,493	\$7,973	\$26,939	\$17,549	\$18,446

¹ Japan Airlines Co., Ltd. financial year ends in March each year

² Singapore Airlines Group financial year ends in March each year

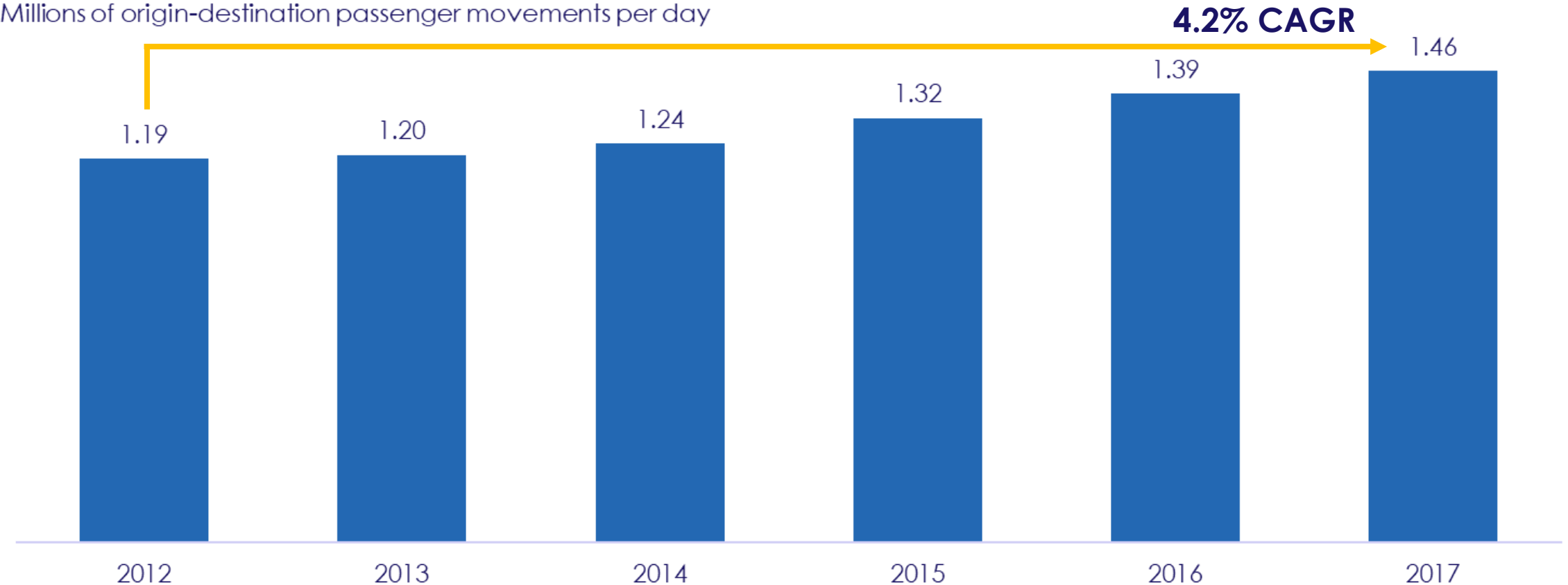
³ Qantas Group financial year ends in June each year

Source: CAPA, Airline Weekly

Domestic demand continues to grow, reaching record levels in 2017

DOMESTIC UNITED STATES AVERAGE DAILY PASSENGER VOLUMES

Millions of origin-destination passenger movements per day

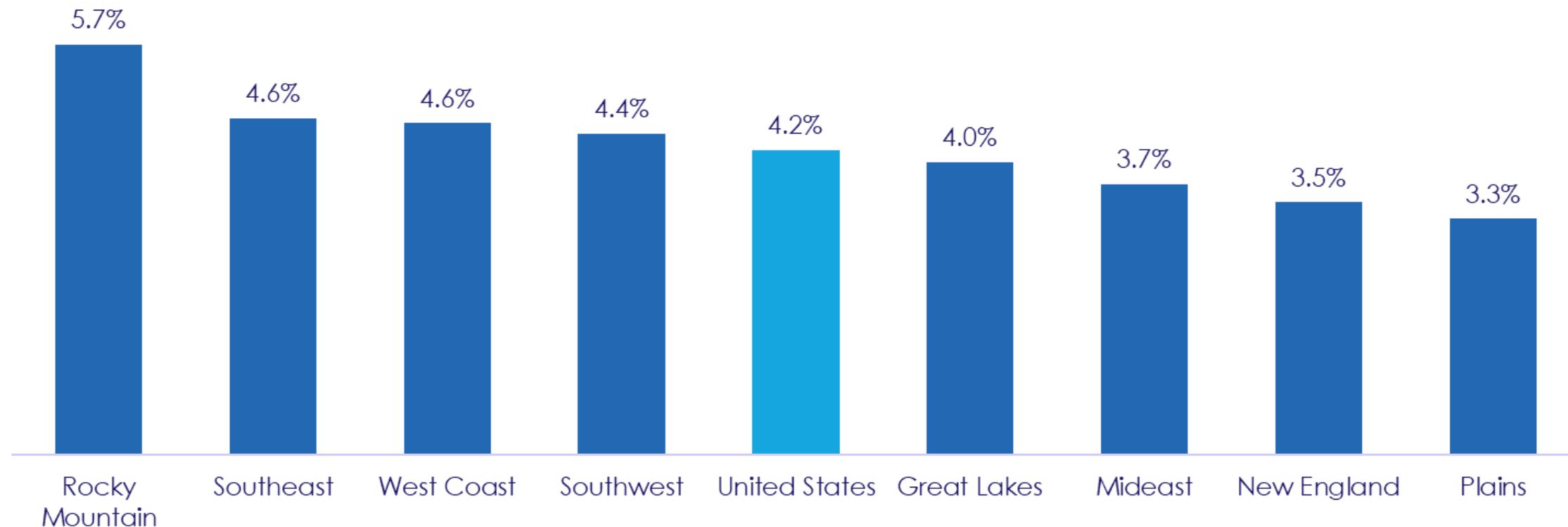


Source: DiioMi; Ailevon Pacific Aviation Consulting analysis

Demand growth is higher in across the Sunbelt & West, mirroring population growth

2012-2017 DOMESTIC ORIGIN-DESTINATION DEMAND GROWTH BY REGION

Percent compound annual growth rate (CAGR)



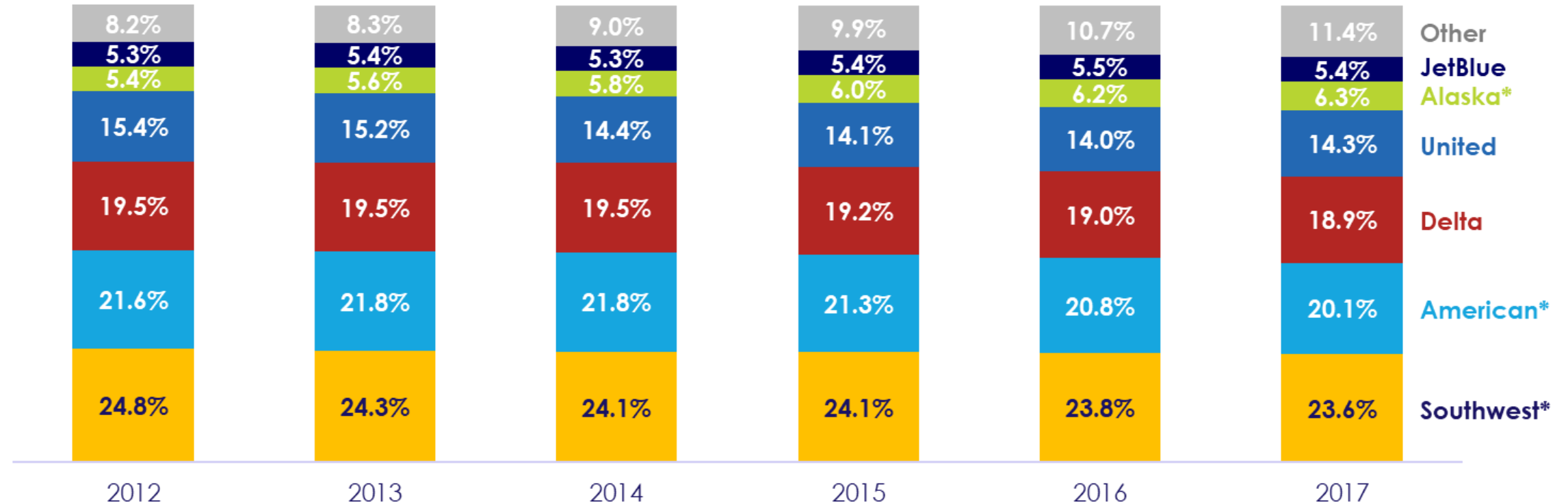
Note: Uses Bureau of Economic Analysis region definitions

Source: DiioMi; Ailevon Pacific Aviation Consulting analysis

The 4 Majors carry three-quarters of domestic demand... but their share is slipping to Alaska & ULCCs

2012-2017 CARRIER SHARE OF DOMESTIC ORIGIN-DESTINATION DEMAND

Percent of total domestic origin-destination demand



*Southwest includes Airtran, American includes US Airways, Alaska includes Virgin America

Source: DiioMi; Ailevon Pacific Aviation Consulting analysis

However, jet fuel price escalation portends dark clouds for ongoing global growth

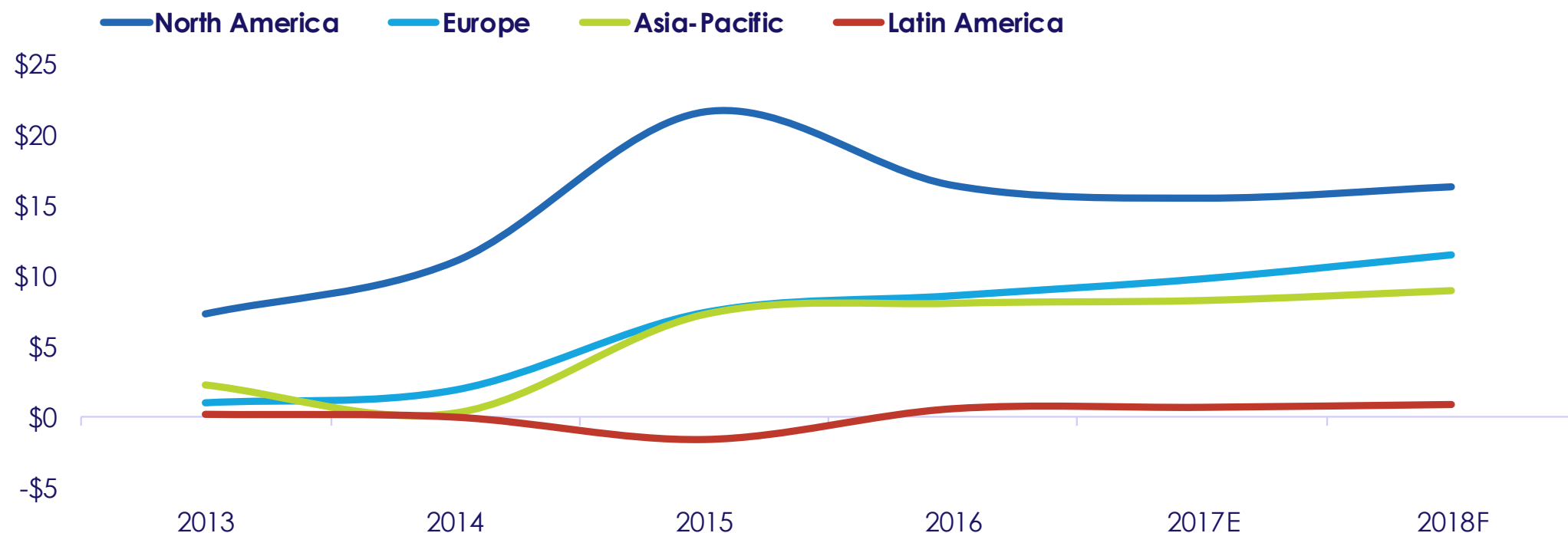
JET FUEL, SPOT PRICE FOB, MARCH 2016 – MARCH 2018
USD per gallon



Source: EIA.gov; Ailevon Pacific Aviation Consulting analysis;

North America is expected to continue leading financial performance among all global regions

AIRLINE NET PROFIT BY REGION, 2012 – 2018 FORECAST
Billions of USD

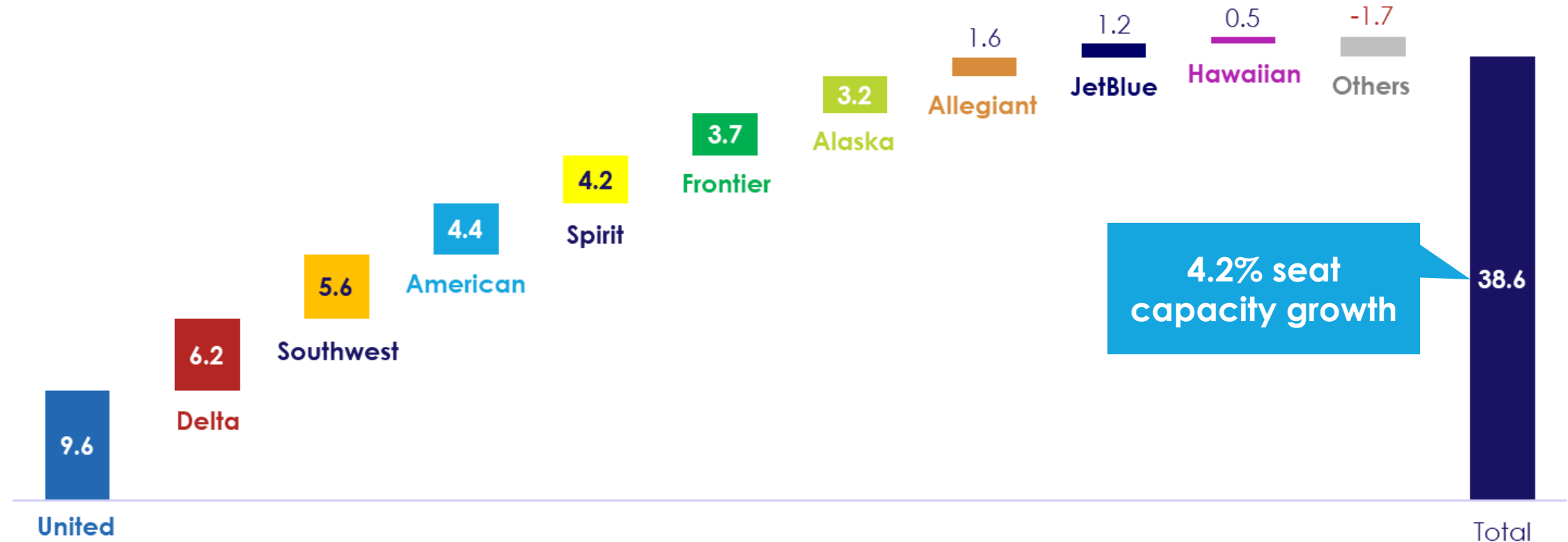


Source: ICAO revised data 2013-2015, IATA Estimates for 2013-2017, IATA forecast for 2018

Looking ahead: United, Delta & Southwest will provide more than 50% of the domestic capacity growth in 2018

DOMESTIC UNITED STATES SEAT CAPACITY GROWTH, YE OCTOBER 2018 VS YE OCTOBER 2017

Millions of additional domestic seats



Source: DiioMi; Ailevon Pacific Aviation Consulting analysis

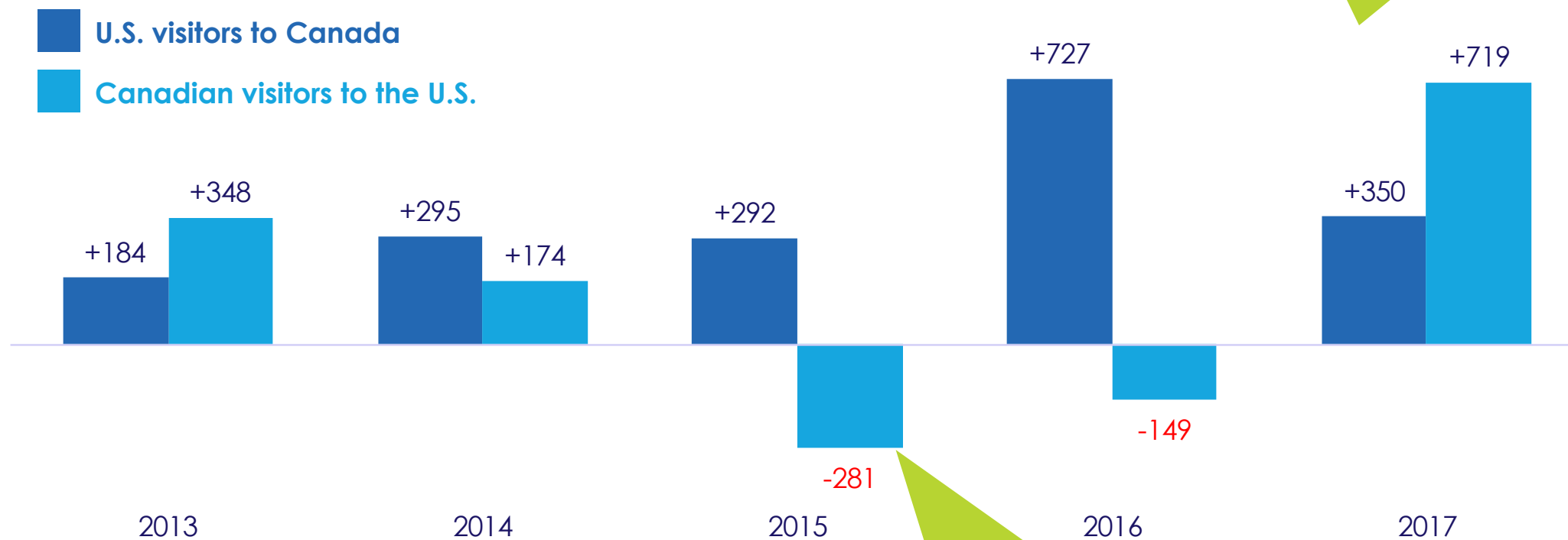


Canada

Canada: A rebounding Trans-Border market

GROWTH IN UNITED STATES-CANADA VISITORS BY AIR, 2013-2017

Change in thousands of visitors



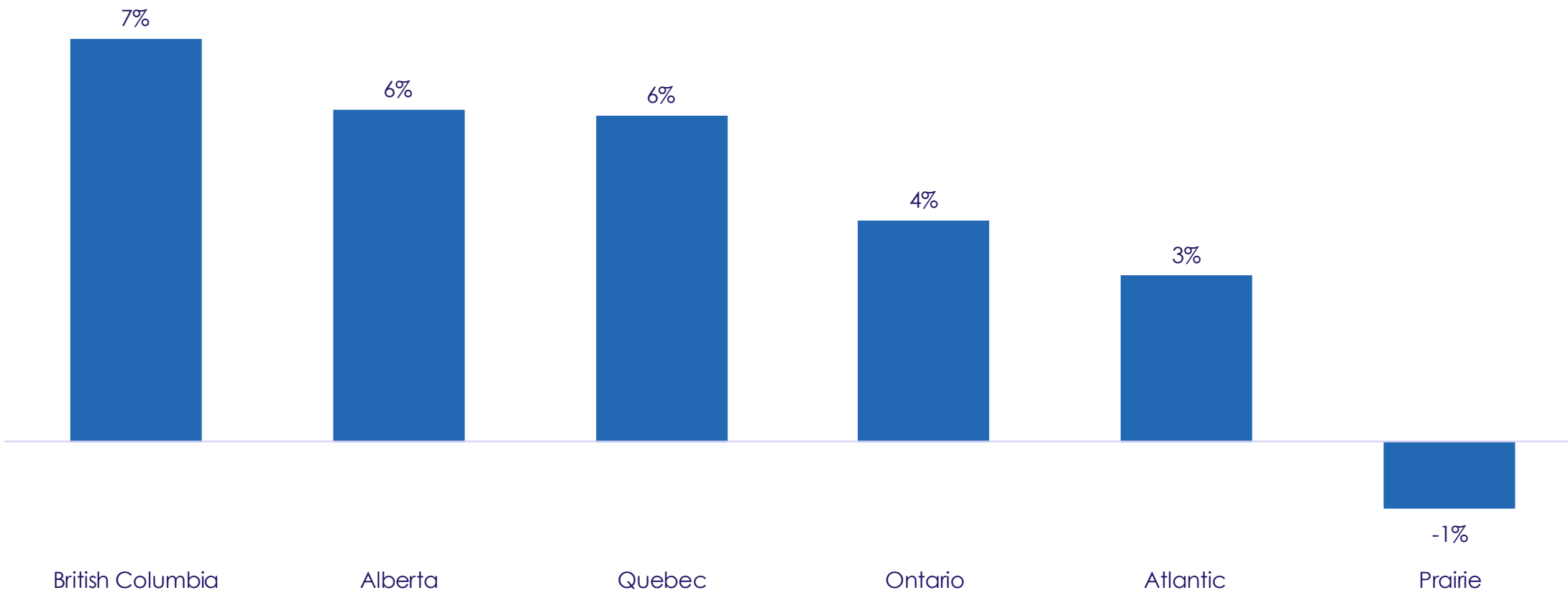
...to strong growth in the Canadian and U.S. economies

From the doldrums of the Canadian economic slowdown...

Source: Statistics Canada; Ailevon Pacific Aviation Consulting analysis

Almost all Canadian regions show positive growth

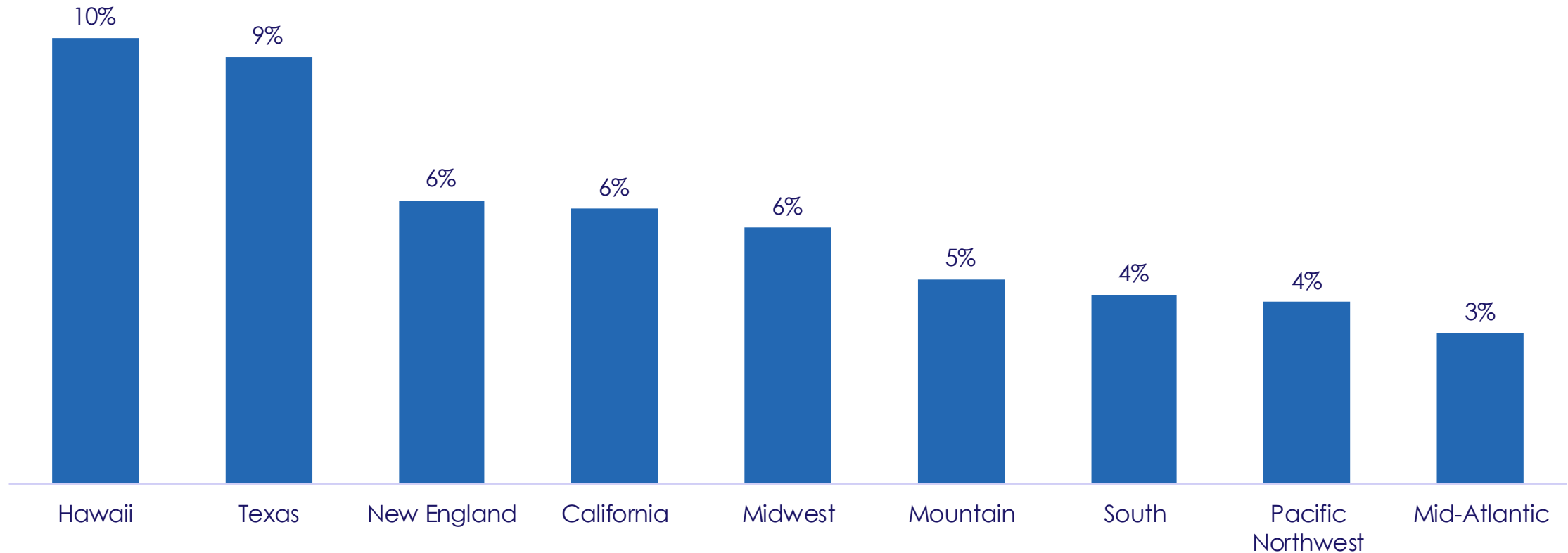
UNITED STATES-CANADA ORIGIN-DESTINATION DEMAND GROWTH BY CANADIAN REGION, YE FEBURARY 2018 VS YE FEBURARY 2017
Percent growth



Source: IATA AirportIS; Ailevon Pacific Aviation Consulting analysis

Similarly the U.S. is growing rapidly, led by Hawaii & Texas

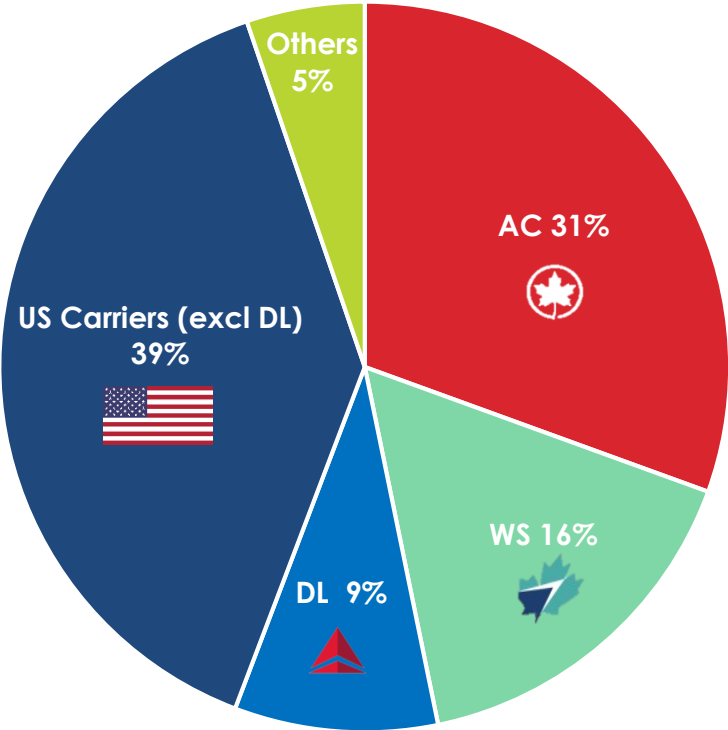
UNITED STATES-CANADA ORIGIN-DESTINATION DEMAND GROWTH BY U.S. REGION, YE FEBURARY 2018 VS YE FEBURARY 2017
Percent growth



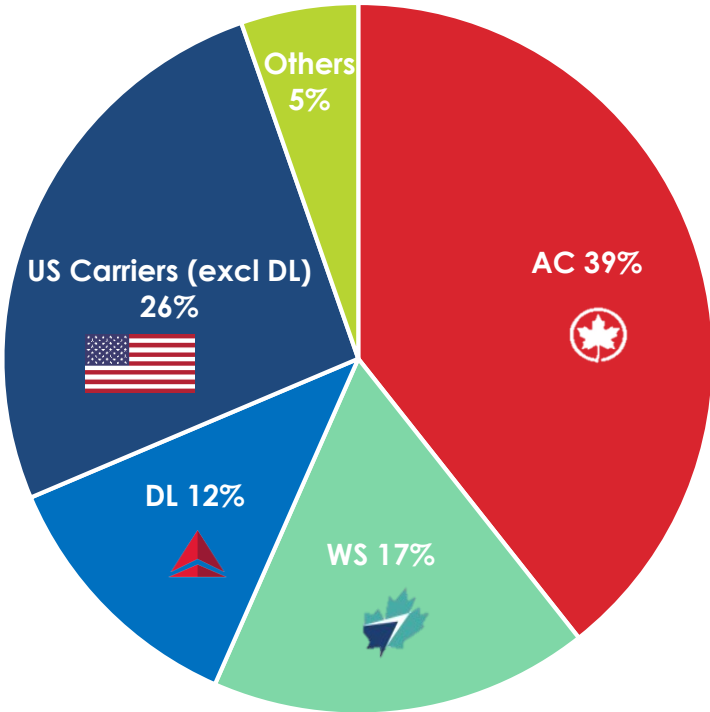
Source: IATA AirportIS; Ailevon Pacific Aviation Consulting analysis

Air Canada has rapidly grown its share of the Transborder market

CARRIER SHARE OF U.S.-CANADA O&D DEMAND, 2012
Percent of total passengers



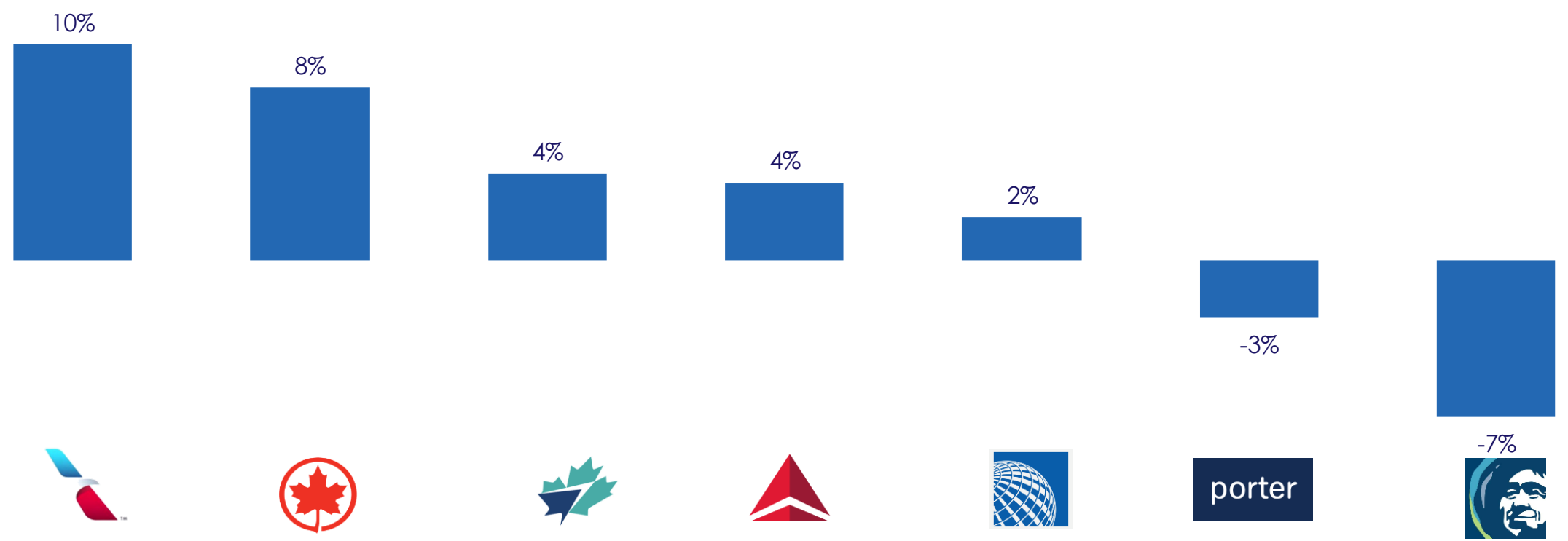
CARRIER SHARE OF U.S.-CANADA O&D DEMAND, 2017
Percent of total passengers



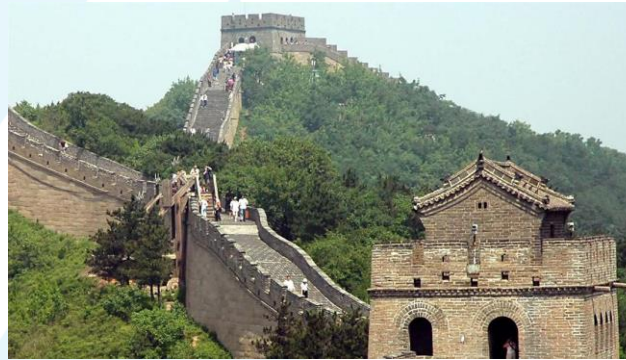
Source: IATA AirportIS; Ailevon Pacific Aviation Consulting analysis

This year, we see a resurgence by American Airlines... and why?

UNITED STATES-CANADA SEAT CAPACITY GROWTH, 2018 VS 2017
Percent growth in seat capacity



Source: Diiomi; Ailevon Pacific Aviation Consulting analysis

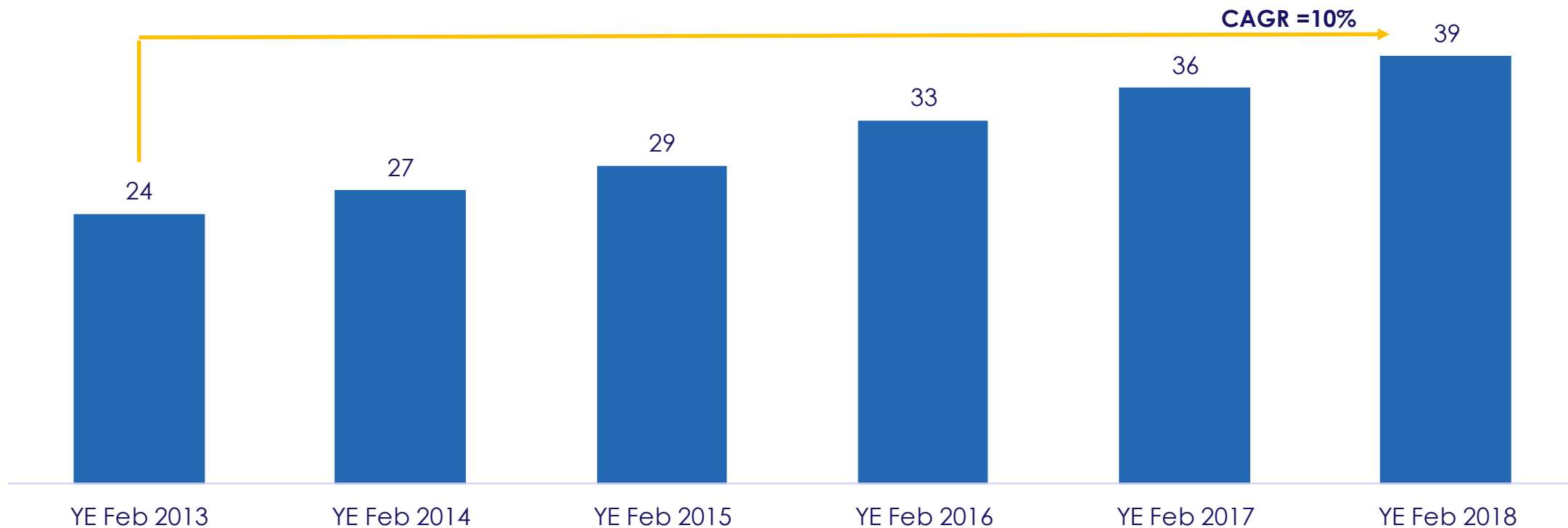


Mexico

The US-Mexico market continues to grow...

UNITED STATES-MEXICO ORIGIN-DESTINATION DEMAND, YE FEBURARY 2013-YE FEBURARY 2018

Thousands of passengers per day each way

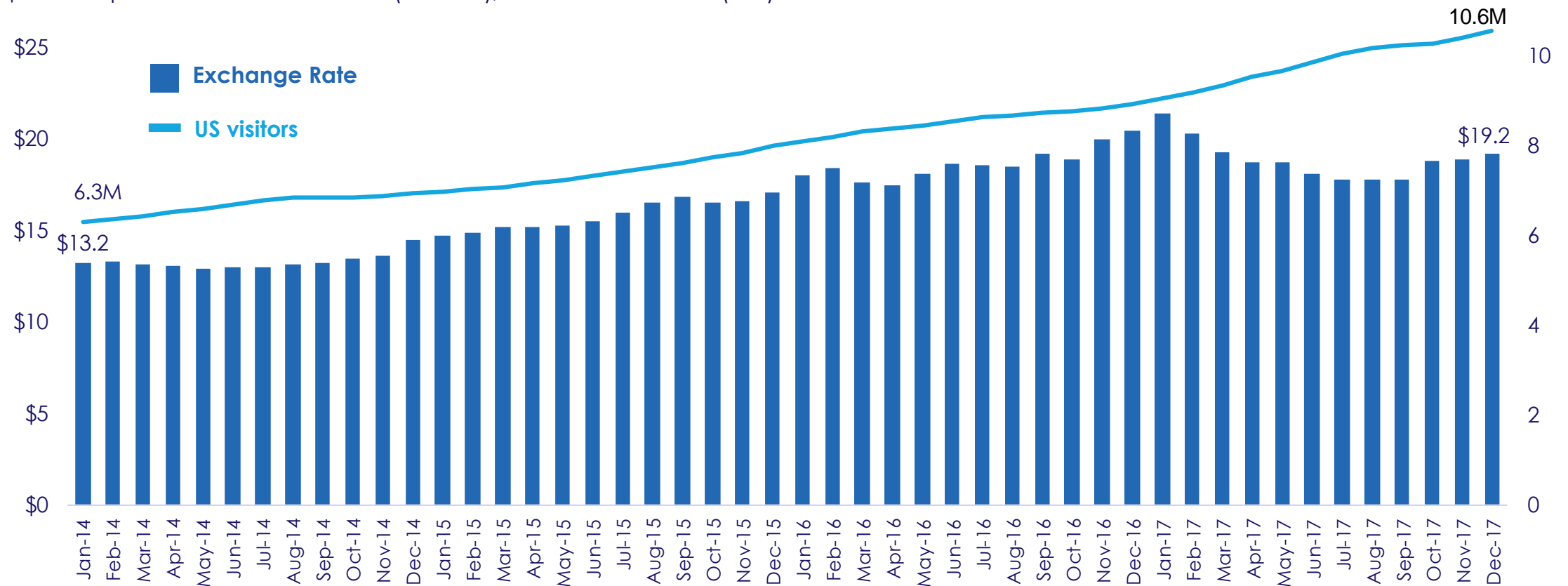


Source: IATA AirportIS; Ailevon Pacific Aviation Consulting analysis

U.S. visitation to Mexico grew by more than 4 million in 4 years, driven in part by a strengthening USD

US VISITORS TO MEXICO BY AIR AND MONTHLY EXCHANGE RATE, 2014-2017

\$1 USD equivalent of Mexican Peso (column), Millions of US visitors (line)

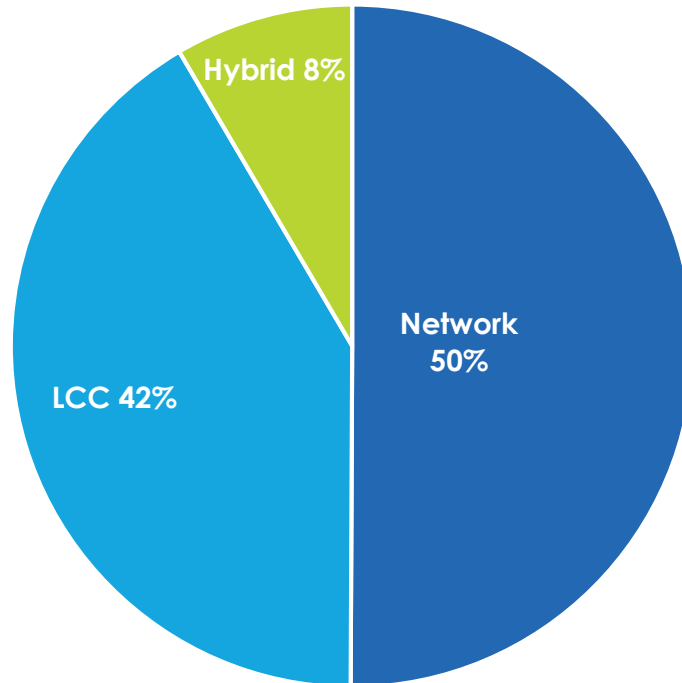


Source: Federal Reserve Bank of St. Louis; US Government National Travel and Tourism Office; Ailevon Pacific Aviation Consulting analysis

Targeting mostly leisure and VFR travellers, LCCs have grown their share at the expense of network carriers

US-MEXICO SEAT CAPACITY SHARE, 2018

Percent of total seats



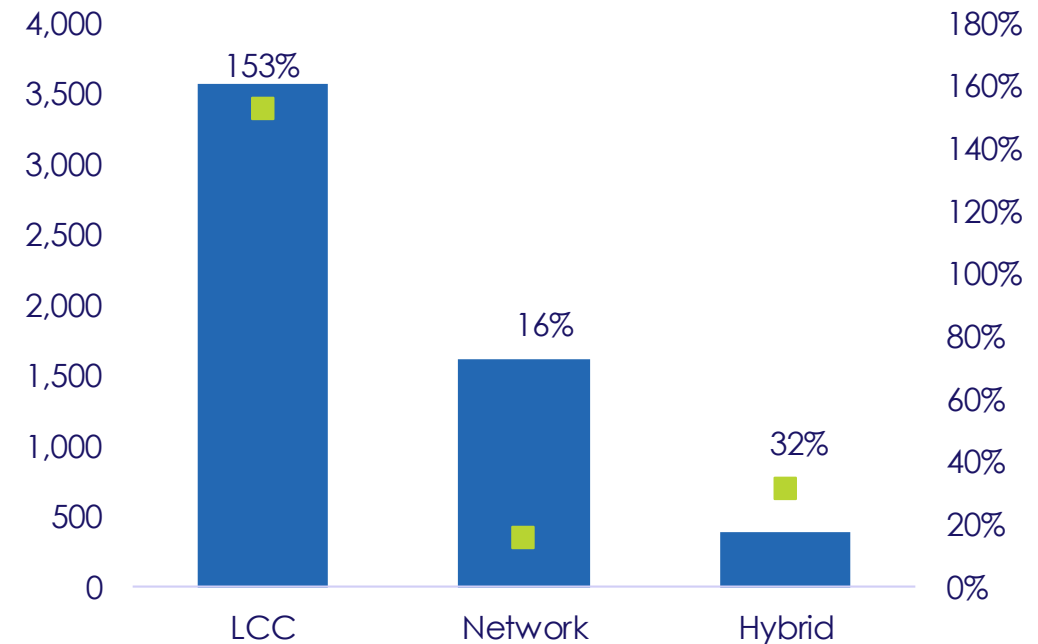
Network Carriers: US Big Three, Aeromexico

LCC (including ULCC): Volaris, Interjet, VivaAerobus, Southwest, Spirit, Sun Country, Frontier, Aeromar

Hybrid Carriers: JetBlue, Alaska

US-MEXICO SEAT CAPACITY GROWTH, 2018 VS 2014

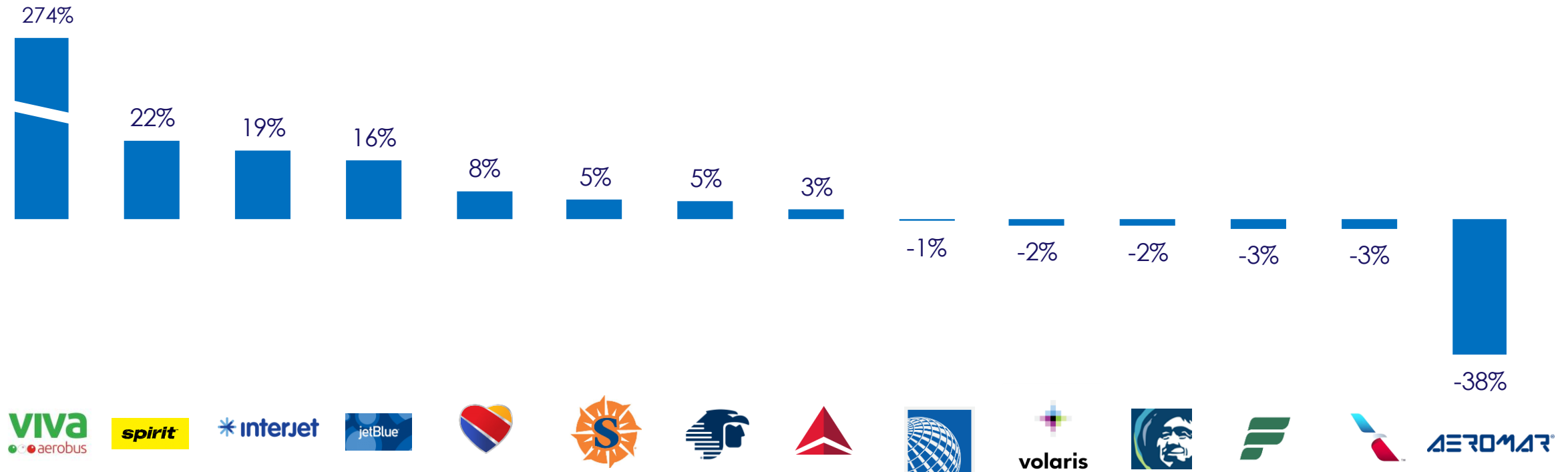
Growth in thousands of one-way seats(column), percent growth (scatter)



LCCs will continue to surge in the U.S.-Mexico market in 2018

NORTH AMERICA-MEXICO SEAT CAPACITY GROWTH RATE, 2018 VS 2017

Percent growth



Source: Diomi; Ailevon Pacific Aviation Consulting analysis

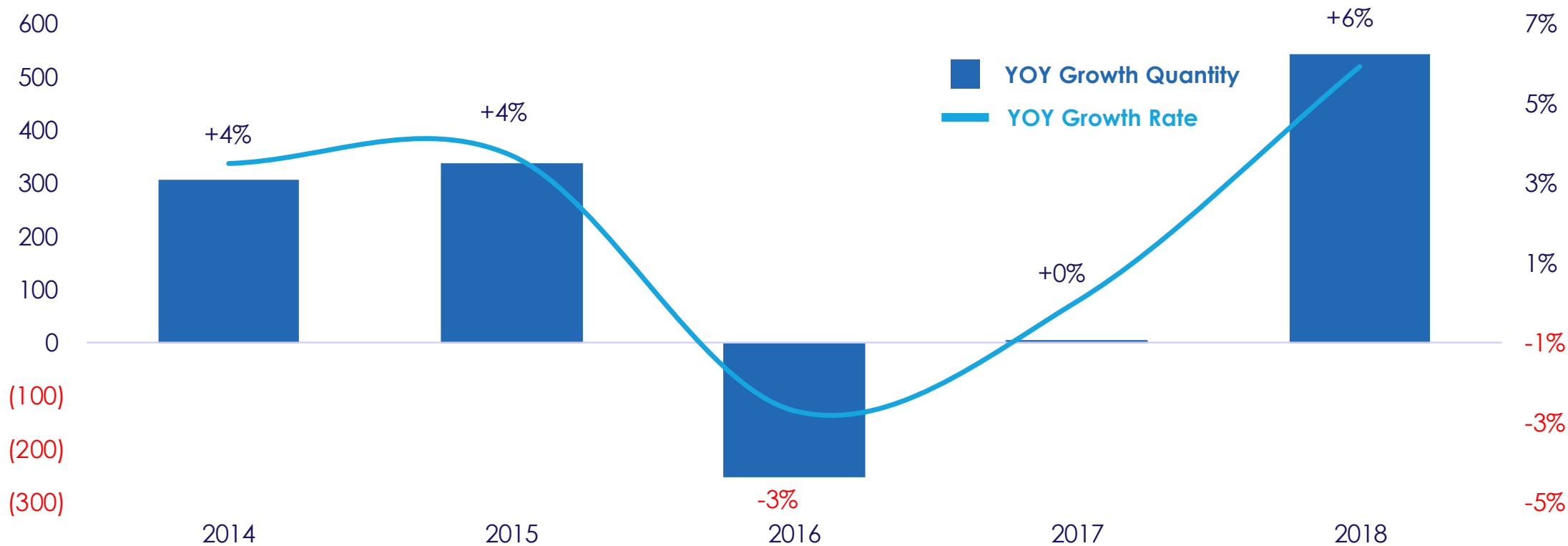


Latin America and the Caribbean

Capacity to South America has been impacted by the downturn in the region, but is growing again this year

UNITED STATES-SOUTH AMERICA SEAT CAPACITY GROWTH IN QUANTITY AND PERCENTAGE, 2014-2018

Growth in thousands of one-way seats (column), percent growth (line)

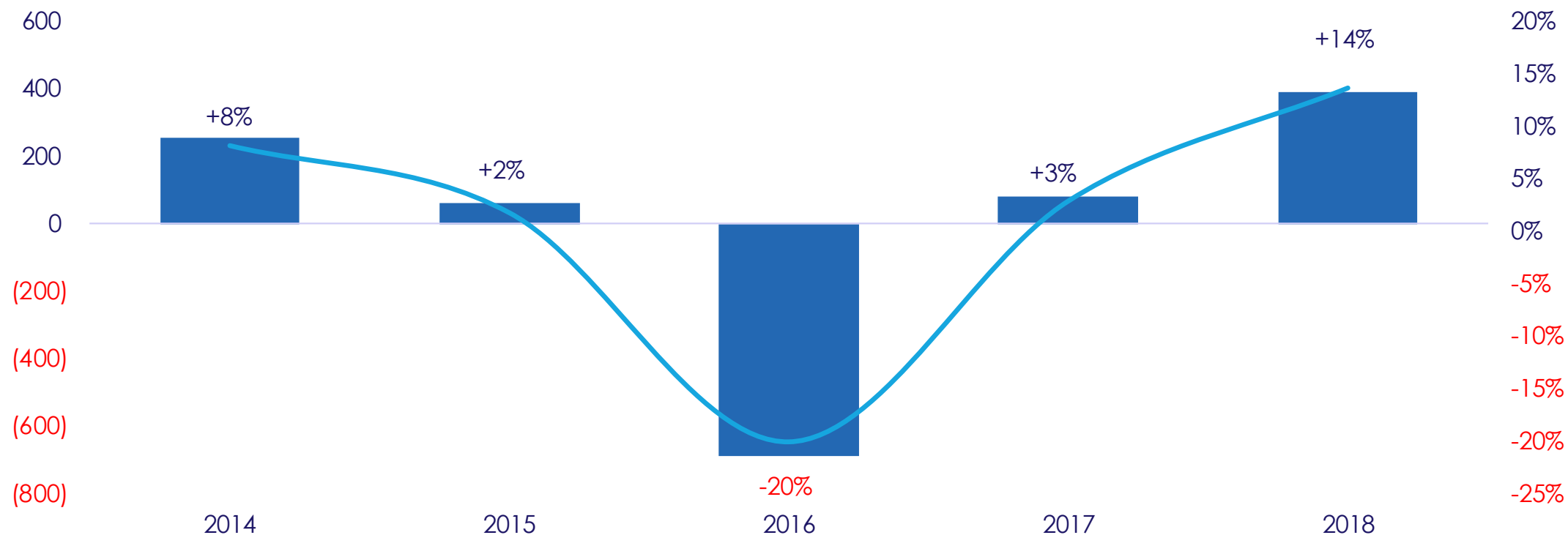


Source: DiiMi; Ailevon Pacific Aviation Consulting analysis

Brazil – South America's largest economy – is driving the turnaround as its economy rebounds

UNITED STATES-BRAZIL SEAT CAPACITY GROWTH IN QUANTITY AND PERCENTAGE, 2014-2018

Growth in thousands of one-way seats (column), percent growth (line)

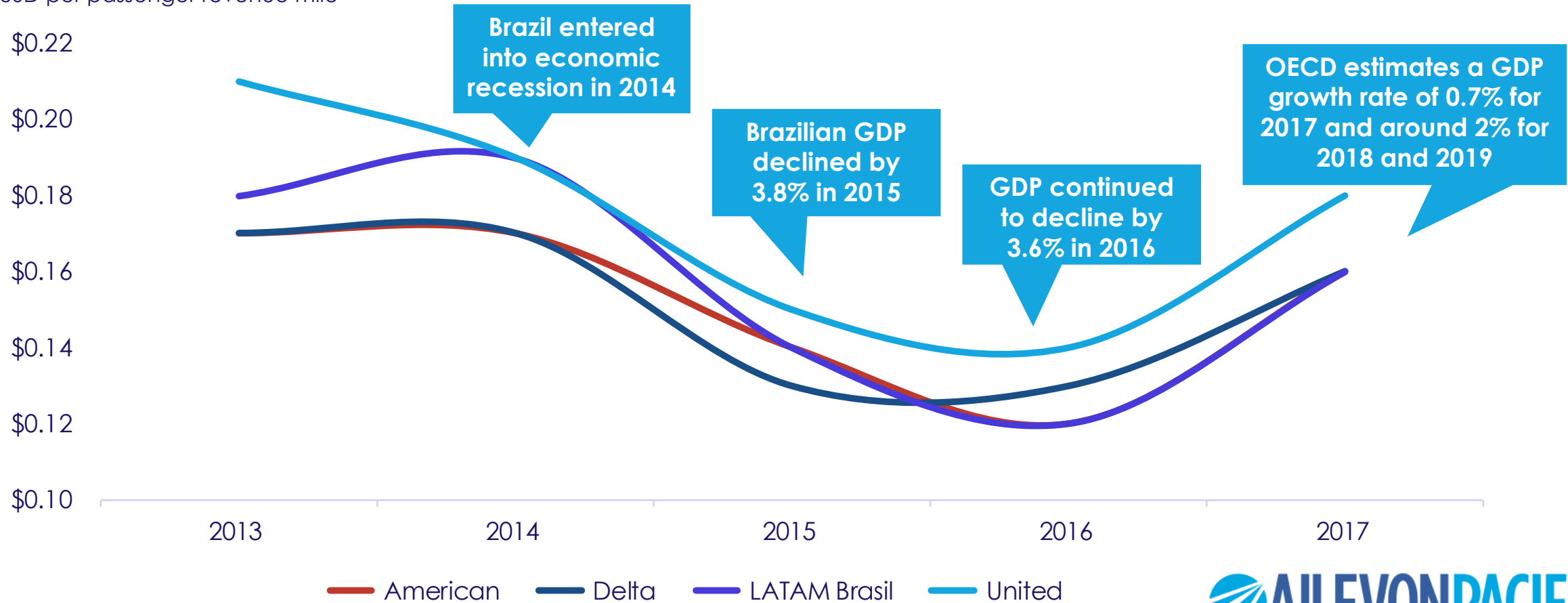


Source: DiioMi; Ailevon Pacific Aviation Consulting analysis

Yields in this once-troubled market showed signs of improvement in 2017

YIELDS OF U.S.-BRAZIL OD MARKET, 2013 –2017

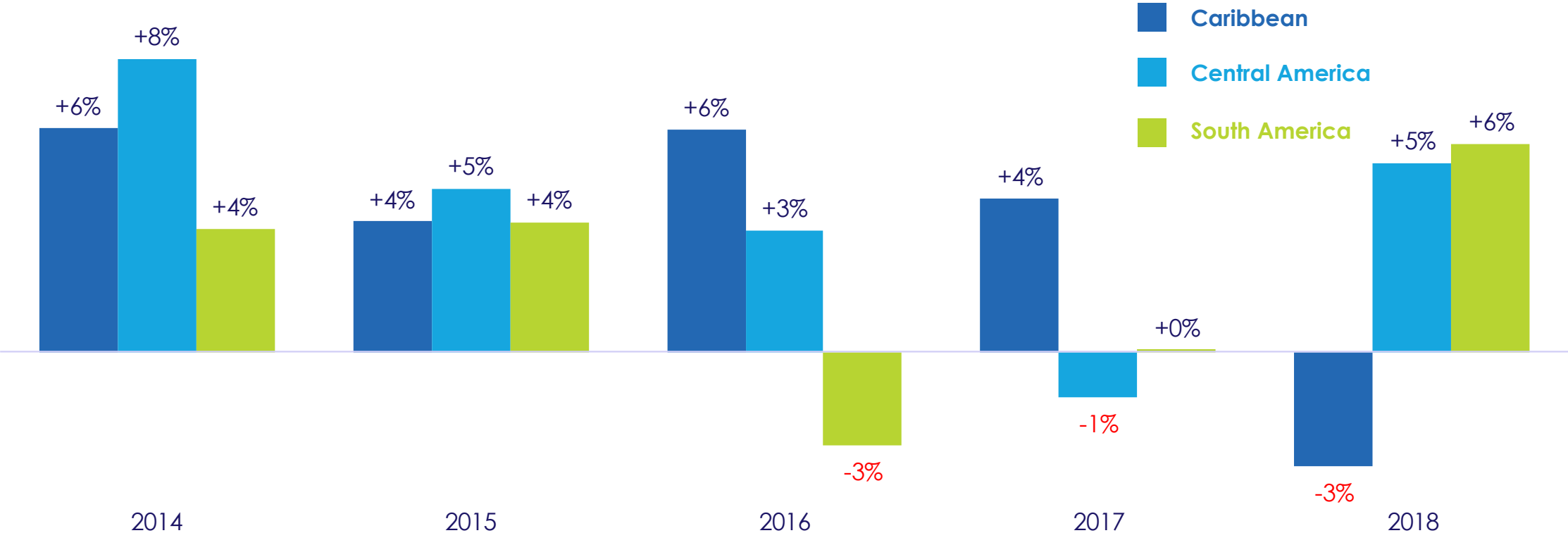
USD per passenger revenue mile



Source: IATA Airport IS; Ailevon Pacific Aviation Consulting analysis

Negative growth in the Caribbean in 2018 following the devastating hurricanes last year

U.S.-LATIN AMERICA SEAT CAPACITY GROWTH RATE, 2014 – 2018
Percent growth



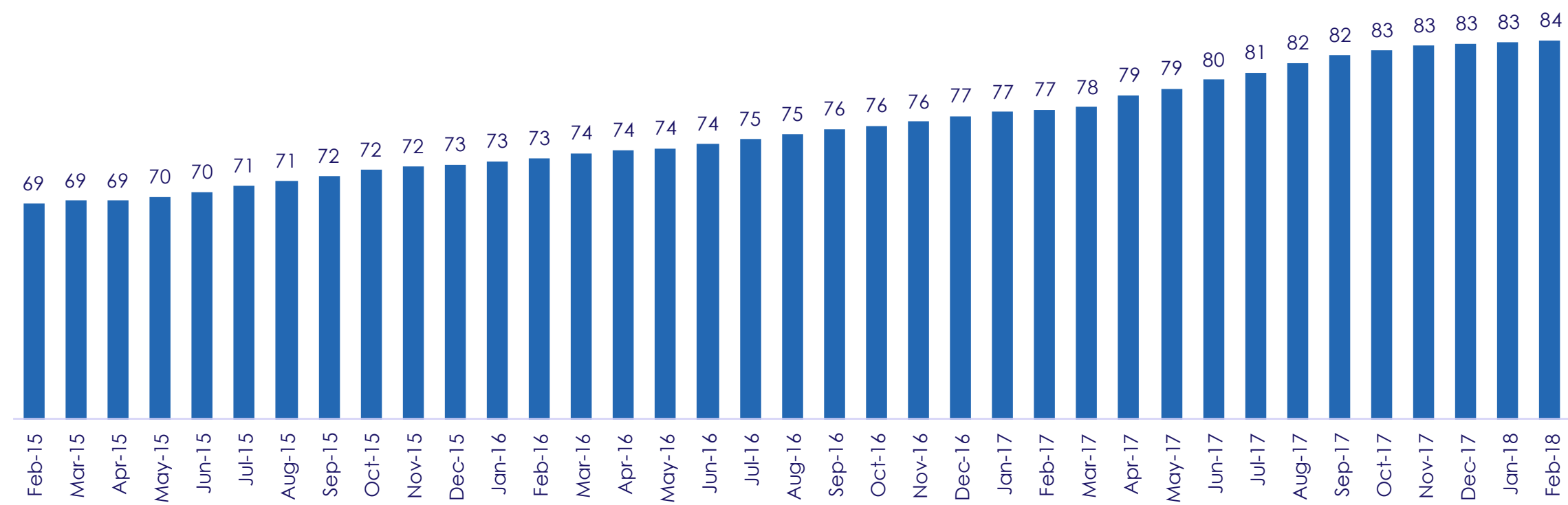
Source: Diiomi; Ailevon Pacific Aviation Consulting analysis



Trans-Atlantic

The Trans-Atlantic market continues its steady growth – up 21% since the start of 2015

UNITED STATES-EUROPE ORIGIN DESTINATION DEMAND, FEBURARY 2015 – FEBURARY 2018
Thousands of passengers per day each way, rolling 12 months

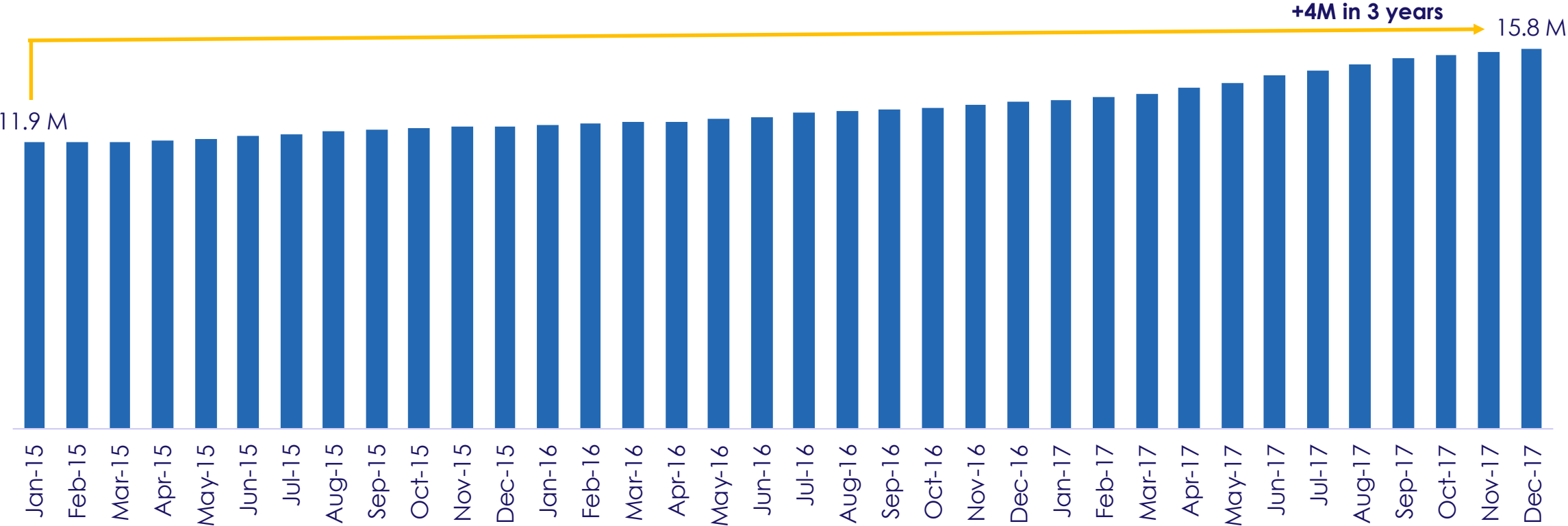


Source: IATA AirportIS; Ailevon Pacific Aviation Consulting analysis

This growth is driven by strong growth in US outbound demand to Europe

U.S. OUTBOUND VISITORS TO EUROPE JANUARY 2015 – DECEMBER 2017

Millions of US visitors, rolling 12 months



Sources: Federal Reserve Bank of St. Louis; US Government National Travel and Tourism Office; Ailevon Pacific Aviation Consulting analysis

However, there is concern over inbound visitation from Europe

EUROPEAN INBOUND VISITORS TO UNITED STATES, Q1 2014 – Q4 2016*

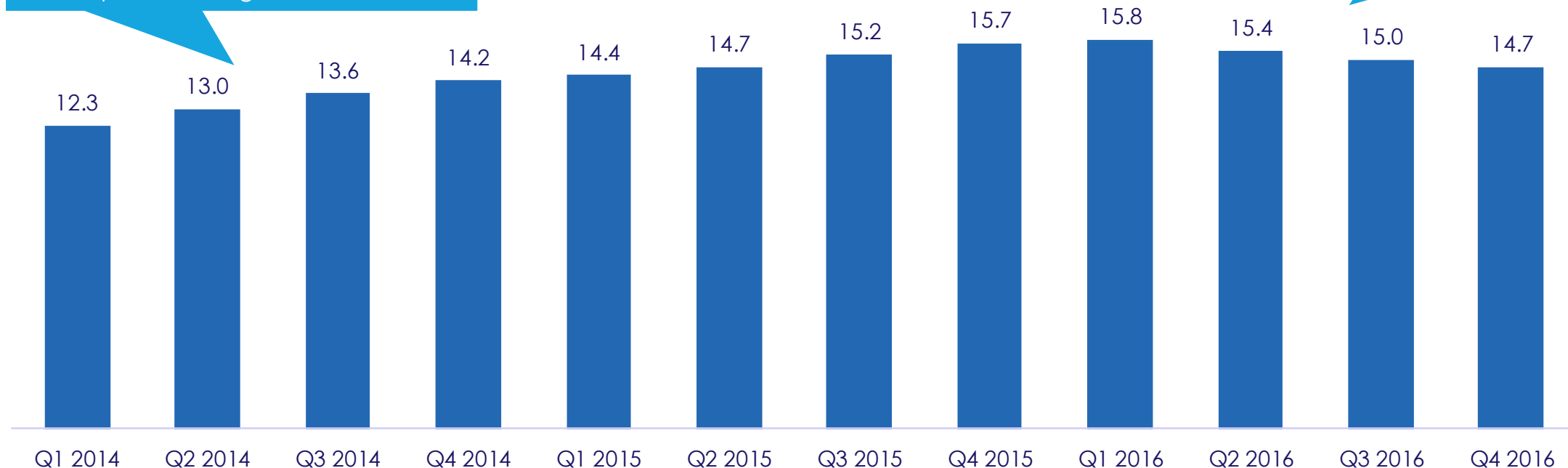
Millions of visitations, rolling 4 quarters

Q1 2014 to Q1 2016:

European visitors to the US increased by more than 3 million despite Euro's 20% depreciation against USD

Q1 2016 to Q4 2016:

European visitors to the US dropped by 7% amid Brexit and changing political considerations

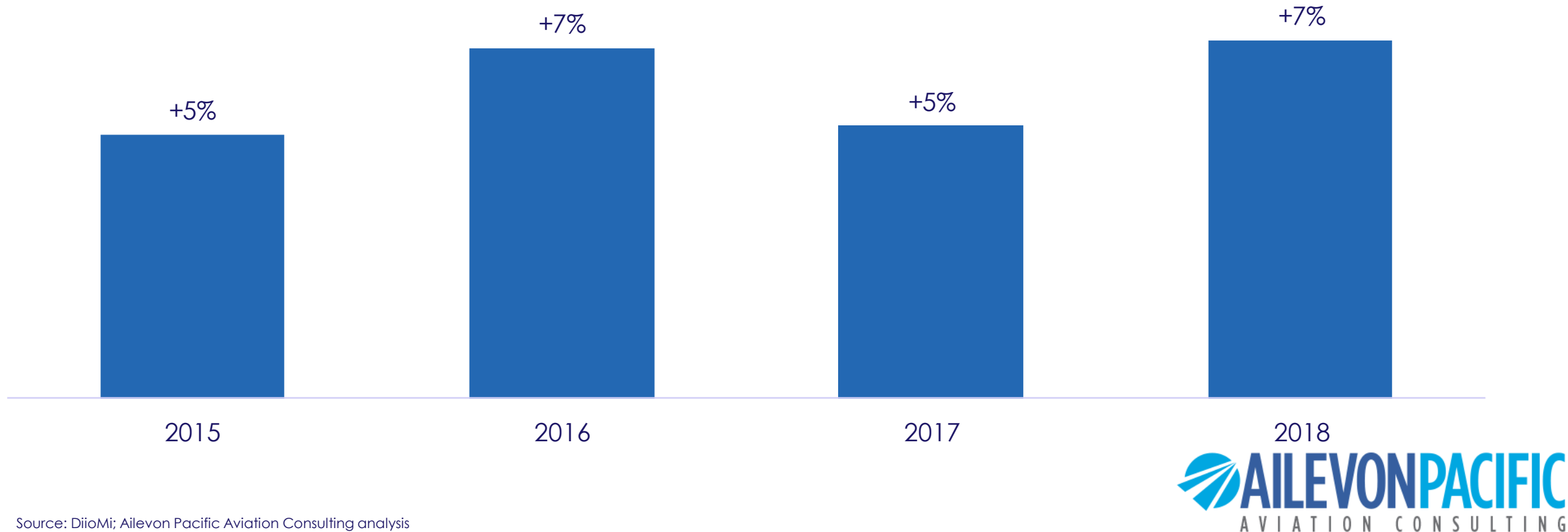


* Note that inbound visitor statistics for 2017 is currently undergoing a major revision by National Travel and Tourism Office, and is thus excluded here

Sources: US Government National Travel and Tourism Office; Ailevon Pacific Aviation Consulting analysis

Trans-Atlantic capacity is still on an upward trajectory this year

UNITED STATES-EUROPE SEAT CAPACITY GROWTH, 2015-2018
Percent growth



Trans-Atlantic joint venture growth is broad-based, and led by the AA-BA-IB JV

UNITED STATES-EUROPE SEAT CAPACITY GROWTH RATE, 2018 VS 2017
Percent growth



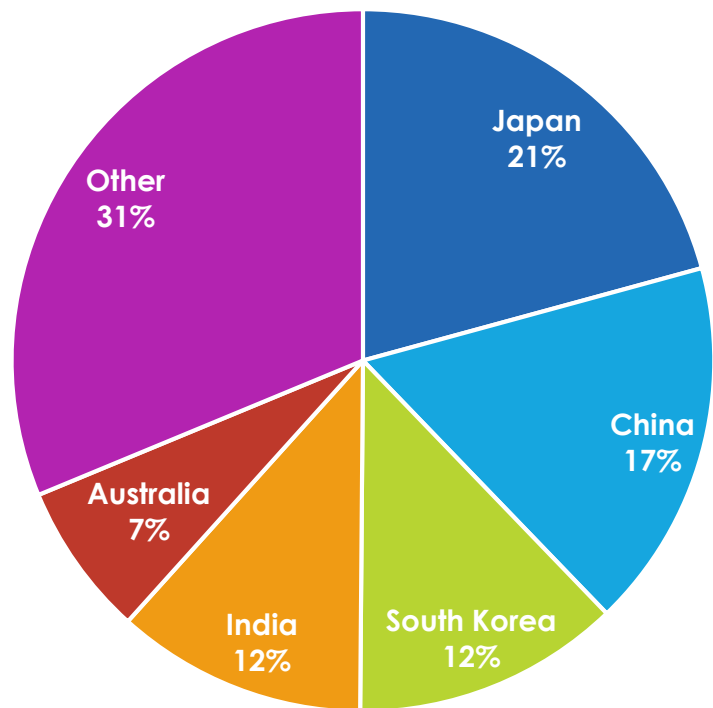
Source: Diiomi; Ailevon Pacific Aviation Consulting analysis



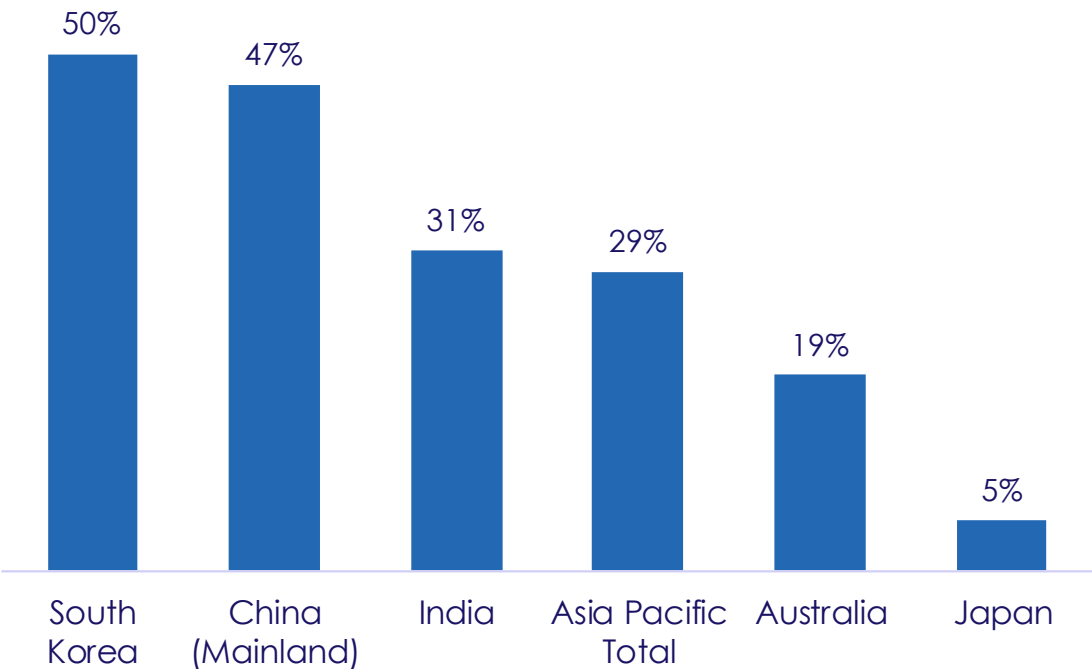
Asia Pacific

China is set to surpass Japan and become the U.S.' largest O&D market in the Asia Pacific region in the coming years

U.S.-ASIA PACIFIC O&D MARKET SHARE BY COUNTRY, YE FEB 2018
Percent of total



5 YEAR GROWTH RATE OF U.S.-ASIA PACIFIC O&D MARKET,
YE FEB 2018 VS YE FEB 2014
Percent Growth



Source: Diiomi; Ailevon Pacific Aviation Consulting analysis

5 years ago, most China-U.S. capacity was provided by US carriers...

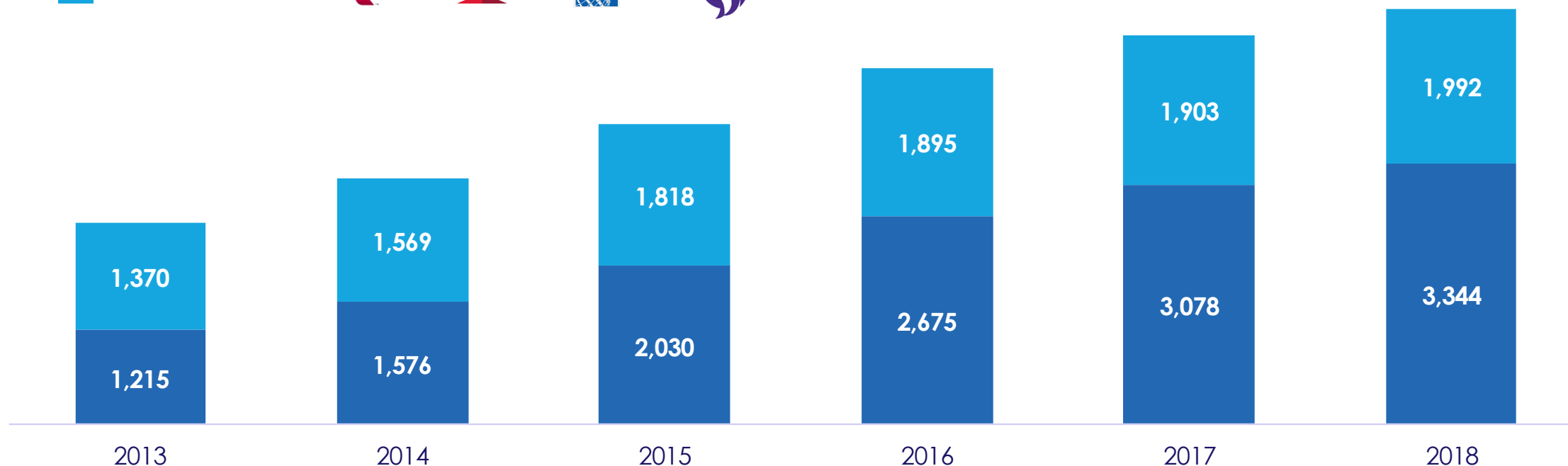
UNITED STATES-CHINA SEAT CAPACITY, 2013-2018

Thousands of one-way seats

Chinese carriers:



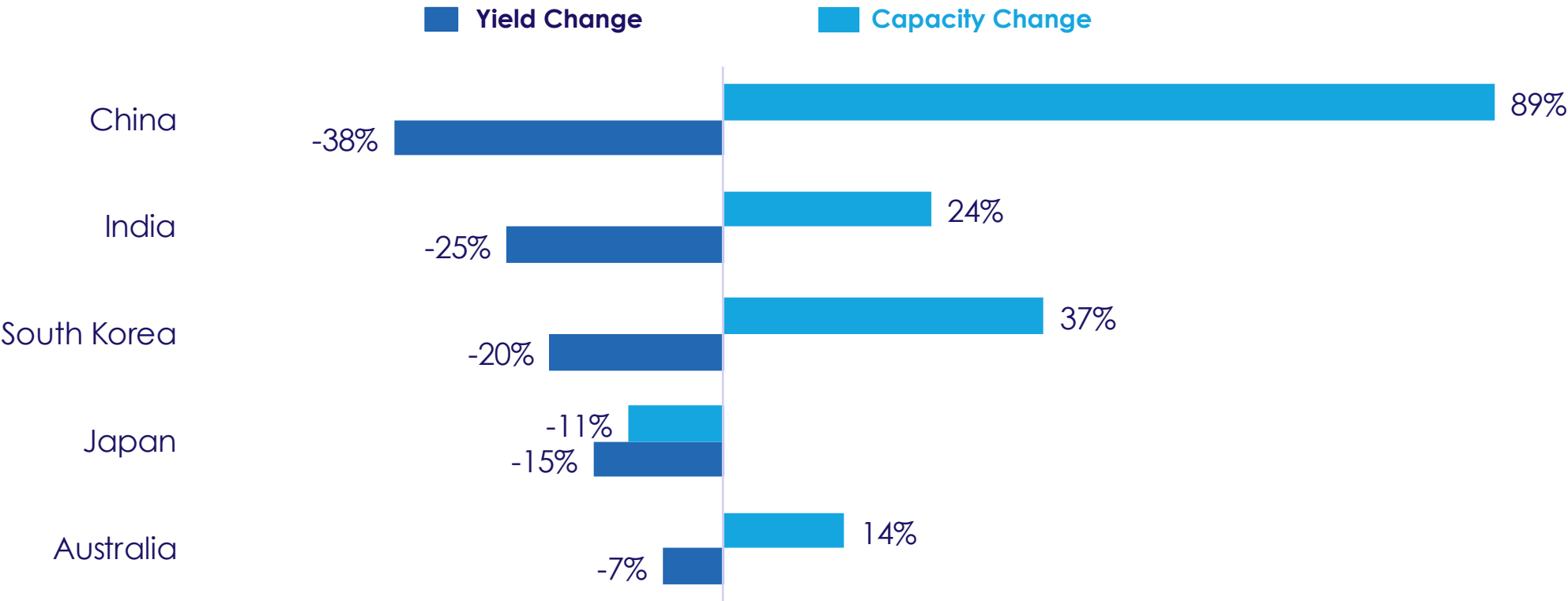
US carriers:



Source: Diio M, Ailevon Pacific Aviation Consulting analysis

While China experiences rapid growth, its yield deterioration is also the fastest among major Asia Pacific countries

U.S.-ASIA PACIFIC YIELDS VS CAPACITY CHANGE, YE FEB 2018 VS YE FEB 2014
Percent change in yields (USD per revenue passenger mile) vs. percent change in seat capacity

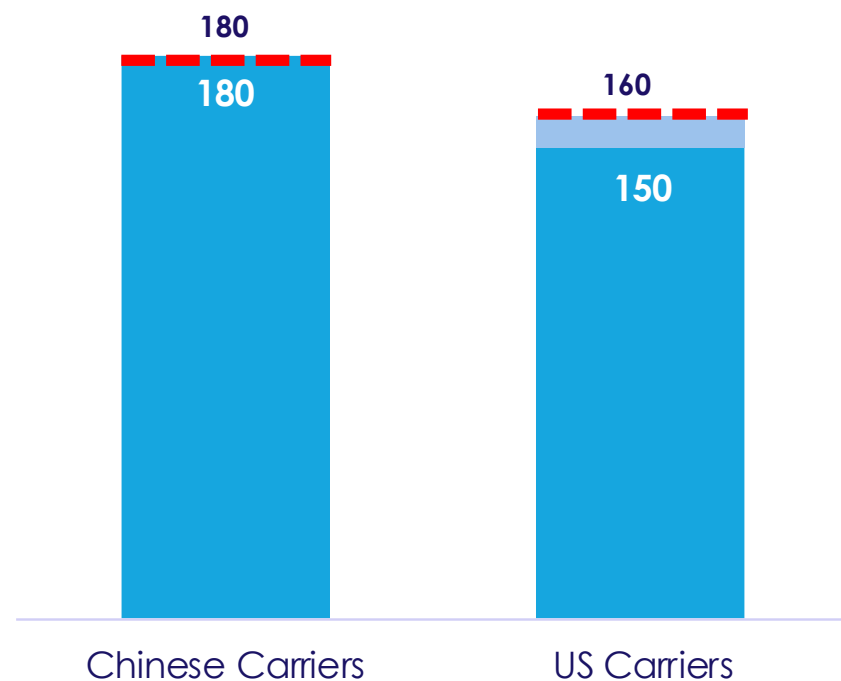


Sources: DiioMi, IATA Airport IS, Ailevon Pacific Aviation Consulting analysis

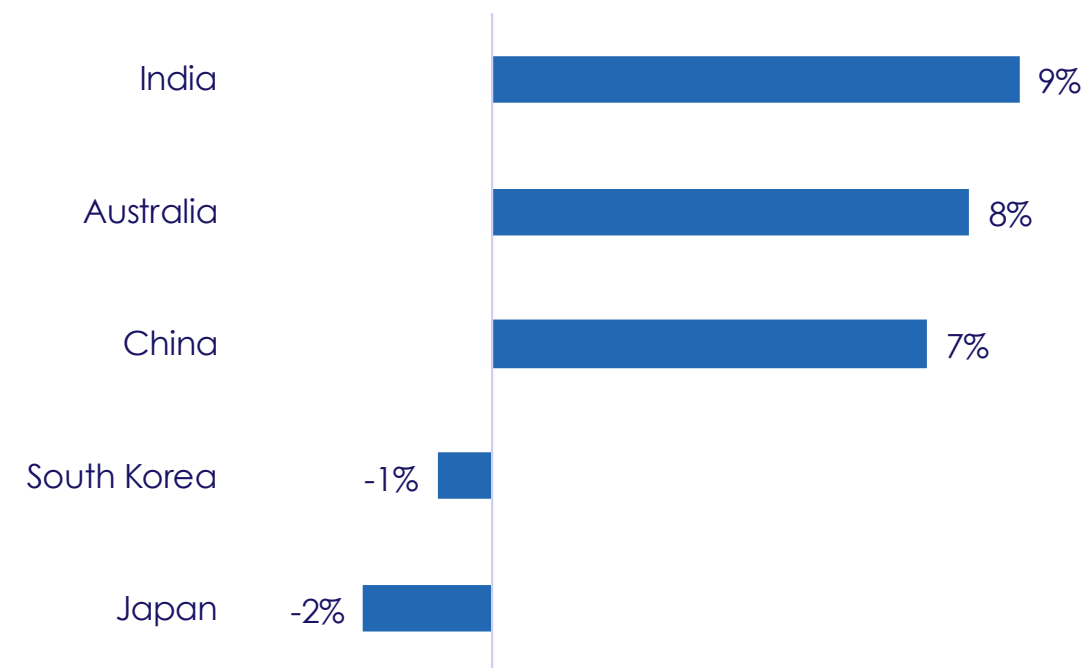
With China capacity growth 'capped out', Asia-Pacific capacity growth shifts to India and Australia

WEEKLY FLIGHTS FROM THE U.S. TO PEK, PVG, CAN, AUGUST 2018
Number of return flights

--- Maximum number of weekly flights allowed by US-China agreement



NORTH AMERICA-ASIA PACIFIC SEAT CAPACITY GROWTH RATE, 2018 VS 2017
Percent growth

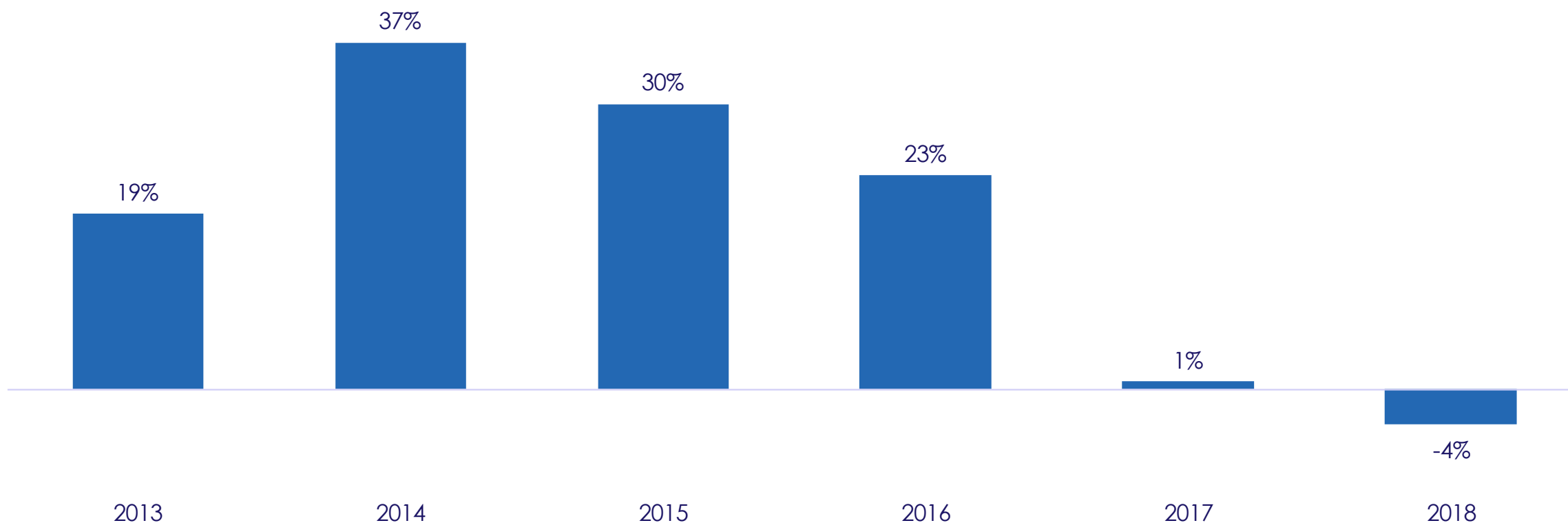


Source: Reuters; Diio Mi, Ailevon Pacific Aviation Consulting analysis

And a word on the Middle East...

SEAT CAPACITY TO UNITED STATES BY ME3+TK, 2013-2018

Percent growth

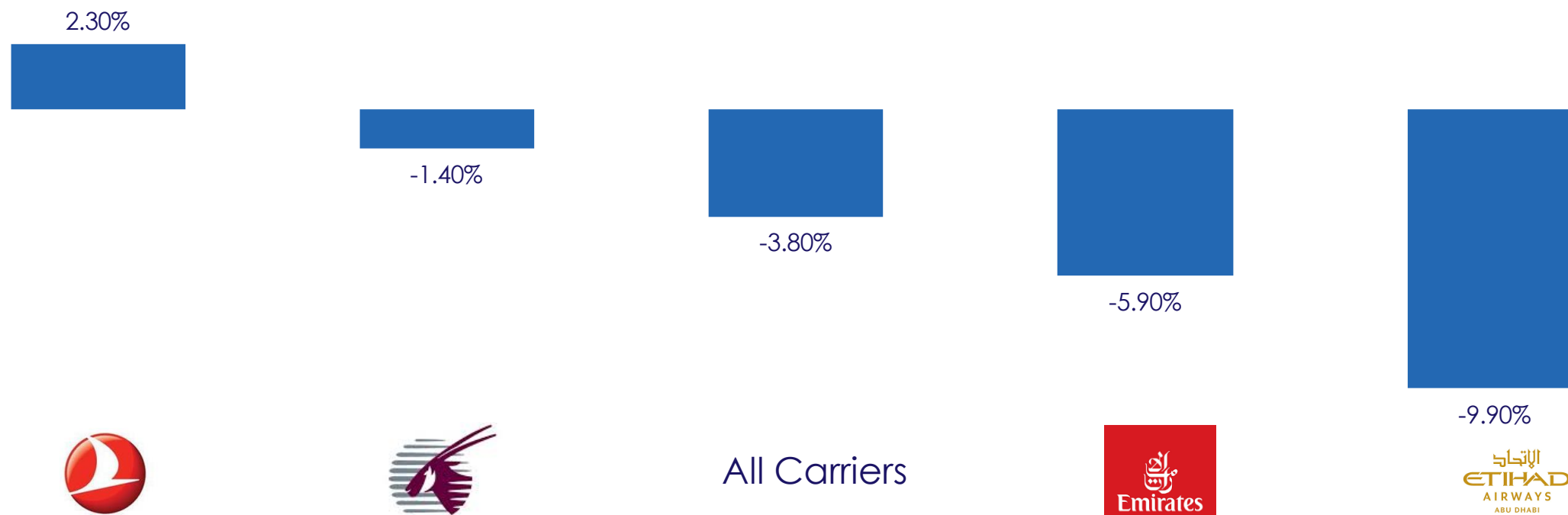


Source: Diio Mi; Ailevon Pacific Aviation Consulting analysis

Turkish Airlines is the only carrier in the region that will grow capacity in the US this year

SEAT CAPACITY TO UNITED STATES BY ME3+TK, 2018 VS 2017

Percent growth



All Carriers

Source: Diio Mi; Ailevon Pacific Aviation Consulting analysis

The text "Thank you!" is centered in a bold, blue sans-serif font. The background of the slide features abstract, overlapping light blue and white curved shapes on the left side, and a small green triangle in the bottom right corner.

Thank you!