

State of the Region:

Europe

IATA Economics

January 2022

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar (USD) index rose by 0.7% in December versus November on the back of recovering US economy and expectations about US Federal Reserve interest rate hikes in 2022. Among the key region currencies, the GBP gained 2.3% in December.
- The TRY was the weakest currency in the region in 2021 as a whole. Falling interest rates that coincided with soaring inflation helped to fuel the current currency crisis in the country.
- Jet fuel and Brent crude oil prices fell sharply in early-December due to concerns about the impact of Omicron disruptions on global fuel demand. However, despite the year-end weakness, the average 2021 Brent crude oil and jet fuel price was 63% and 68% respectively higher than in 2020. Moreover, the prices started to soar again in recent weeks amid optimism that the Omicron impact will be short-lived.

GDP growth

<i>% change on a year ago</i>	2020	Q1 2021	Q2 2021	Q3 2021
Germany	-4.9	-3.0	10.0	2.6
Russia	-3.0	-0.7	10.5	4.3
France	-8.0	1.5	18.8	3.3
UK	-9.4	-5.1	24.2	6.8
Italy	-9.0	-0.6	17.1	3.9
Spain	-10.8	-4.3	17.7	3.4
Turkey	1.8	7.4	22.0	7.4
Israel	-2.1	0.8	14.7	6.2
Euro zone	-6.5	-1.1	14.4	3.9
Eastern Europe	-3.0	-0.4	9.8	5.0
World*	-3.5	2.9	11.6	4.7

Exchange rates

<i>end of period, # per</i>	%YTD 2021	Oct-21	Nov-21	Dec-21
US\$ broad index	3.5%	114.1	115.0	115.8
European euro (EUR)	-8.6%	0.9	0.9	0.9
Russian ruble (RUB)	-1.4%	71.0	74.4	75.0
British pound (GBP)	-0.9%	0.7	0.8	0.7
Turkish lira (TRY)	-77.5%	9.6	13.2	13.1
Israeli shekel (ILS)	3.1%	3.2	3.2	3.1

Oil and fuel price

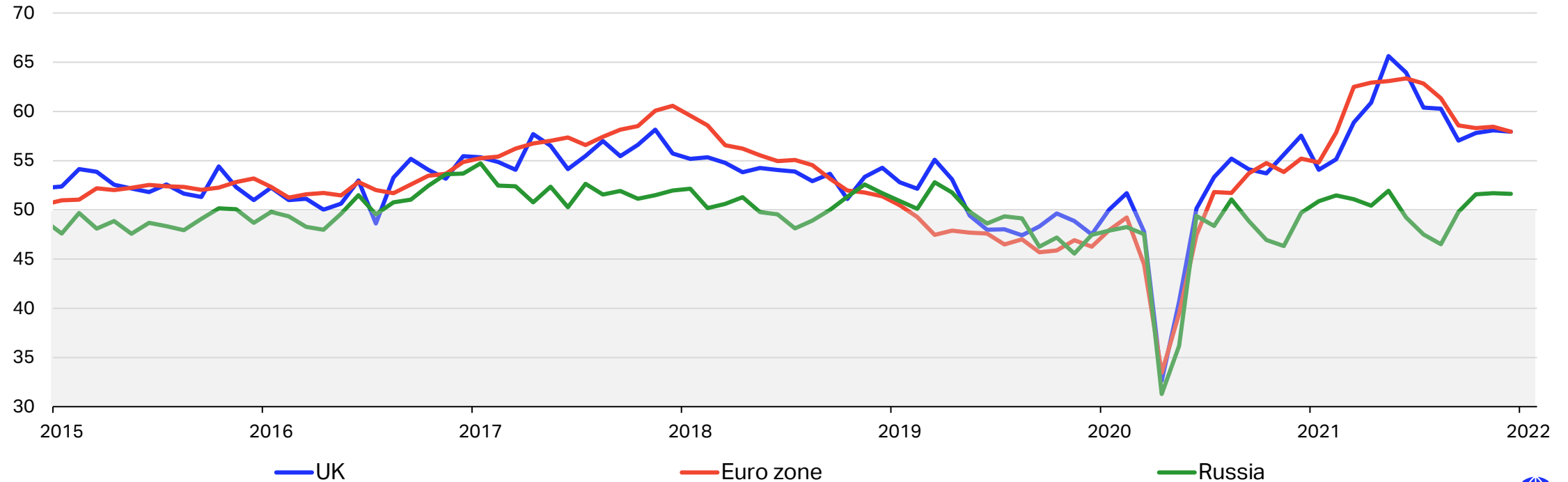
<i>US\$/barrel (period ave.)</i>	2021	Oct-21	Nov-21	Dec-21
Crude oil (Brent)	70.9	83.9	80.9	74.7
Jet fuel	77.7	95.6	91.8	87.1

Purchasing Managers' Index

- Based on the latest PMI results, the rate expansion in the European manufacturing sector was broadly unchanged in December versus November (the ratio of positive versus negative survey responses was similar in the two months). The region continues to grapple with the supply chain issues and economic uncertainty related to the Omicron spread. On a positive note, answers from the PMI survey suggest that the supply chain crisis has been slowly unwinding in the Eurozone.

Purchasing Managers' Index - Manufacturing

50=no change, seasonally adjusted



Passenger market

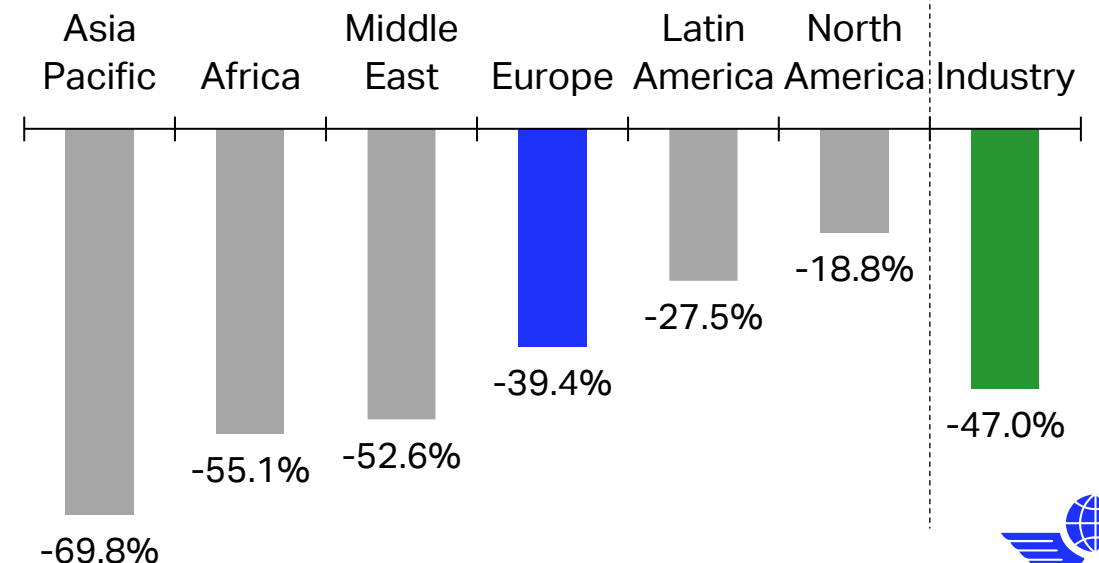
- Air-travel recovery continued in November ahead of the Omicron outbreak, but the traffic improvement was smaller than in the previous months. The industry-wide revenue passenger-kilometres (RPKs) fell by 47.0% versus November 2019, compared with a 48.9% contraction in October.
- European airlines flew 39.4% fewer RPKs in November 2021 versus November 2019. Region's international traffic has been the most resilient in the industry thanks to high demand on intra-European routes and more recently also the reopening of the US-Europe corridor. The rate of RPK expansion in the Russian domestic market slowed to 17.5% in November, from 27% in October (both versus 2019). This can be attributed to easing domestic tourism demand with the start of the winter season and the effects of a strong COVID wave.

Revenue passenger-kilometres (RPKs)

% ch vs. the same period in 2019	2020	Sep-21	Oct-21	Nov-21
Region (registration basis)				
Europe	-69.5	-49.9	-44.2	-39.4
World	-65.8	-53.2	-48.9	-47.0
Routes (segment basis)				
Russia domestic	-21.6	32.5	27.0	17.5
Within Europe	-70.7	-44.0	-35.5	-33.4
Europe - North America	-80.5	-65.2	-63.9	-47.2
Europe - Asia	-79.0	-86.8	-86.3	-83.4
Europe - Middle East	-72.8	-64.9	-54.8	-48.3
Europe - Africa	-68.5	-49.2	-40.7	-36.8
Europe - South America	-71.9	-70.4	-58.6	-51.9

Growth in passenger volumes (RPKs) , by region

RPKs, % change vs. Nov 2019



Air cargo market

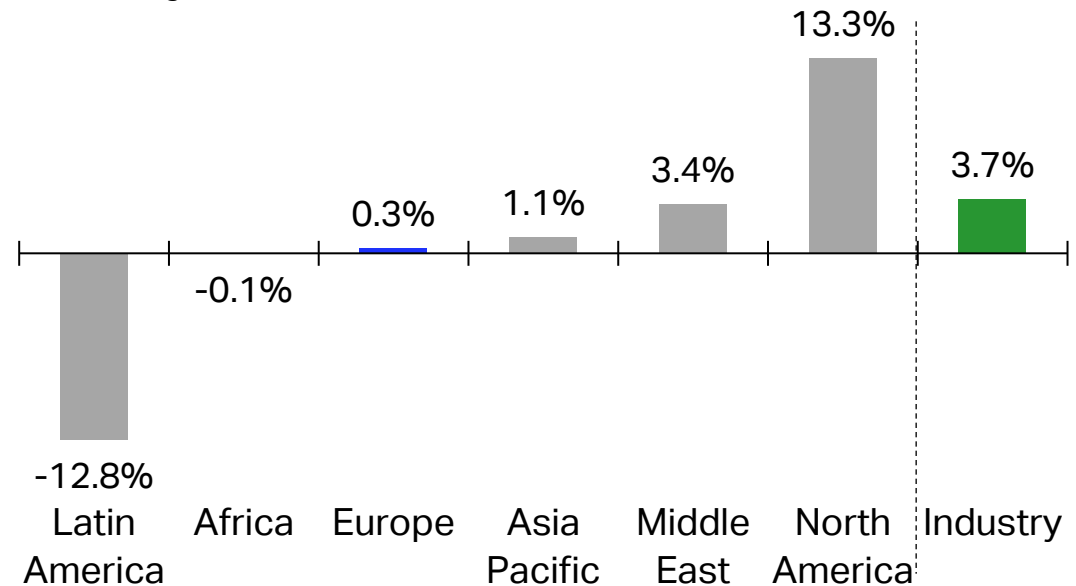
- Growth in industry-wide cargo tonne-kilometres (CTKs) decelerated in November due to supply chain issues. CTKs were 3.7% above their November 2019 levels, after rising 8.2% in October versus October 2019.
- Carriers based in Europe recorded a marginal 0.3% CTK increase between November 2021 and 2019, after a robust 7.4% growth in October. Same as the rest of the industry, European cargo traffic was negatively impacted by supply chain congestion and localized capacity constraints.

Cargo tonne-kilometres (CTKs)

<i>% ch vs. the same period in 2019</i>	2020	Sep-21	Oct-21	Nov-21
Region (registration basis)				
Europe	-15.7	4.0	7.4	0.3
World	-9.9	7.6	8.2	3.7
Routes (segment basis)				
Europe - Asia	-10.4	-0.2	6.5	2.0
Europe - North America	-17.9	6.7	9.5	11.6
Europe - Middle East	-17.3	1.1	0.2	-1.5
Europe - Africa	-20.3	-11.0	-9.6	-6.8
Europe - South America	-23.6	-4.7	-3.3	-10.2
Within Europe	-23.7	-10.9	-13.4	-16.9

Growth in cargo volumes (CTKs), by region

CTKs, % change vs. Nov 2019



Capacity growth & load factors

- Slow recovery in passenger capacity continued across all regions but Asia Pacific in November as more markets reopened ahead of the Omicron outbreak. European airlines recorded a 32.7% fall in ASKs in November 2021 versus November 2019 – a slightly better outcome than the industry average.
- November saw significant difficulties in moving cargo at several key airports, such as New York’s JFK, Los Angeles and Amsterdam. This was caused by labor shortages – partly related to workers placed in quarantine – insufficient storage space at airports, and a large backlog of shipments to process. Tellingly, the recovery in European cargo capacity slowed in November (ACTKs down 9.7% versus 2019).

Capacity growth and load factors

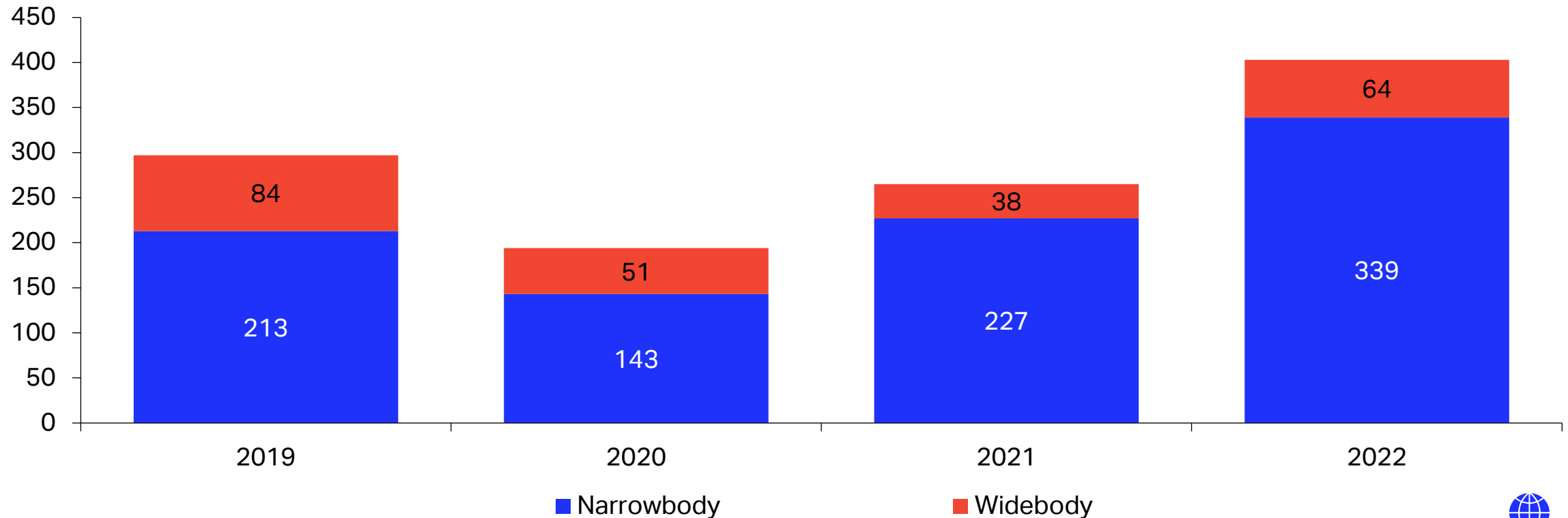
<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2020	Sep-21	Oct-21	Nov-21
Passenger					
Europe	ASK	-62.3	-39.7	-35.9	-32.7
	PLF	68.8	72.0	74.8	75.2
World	ASK	-56.6	-43.2	-40.8	-39.7
	PLF	65.2	67.5	70.9	71.3
Cargo					
Europe	ACTK	-28.2	-16.5	-10.7	-9.7
	CLF	60.9	62.2	64.1	63.1
World	ACTK	-21.6	-9.4	-7.4	-7.6
	CLF	53.8	54.9	55.6	55.9

Jet aircraft deliveries made & scheduled

- As of January 2022, European airlines are scheduled to receive 58% more aircraft deliveries in 2022 versus 2021. Most of these deliveries are expected to be a narrow-body Max 737 (34% of the total) and A321 (25%).

Aircraft deliveries to Europe (as of January 2022)

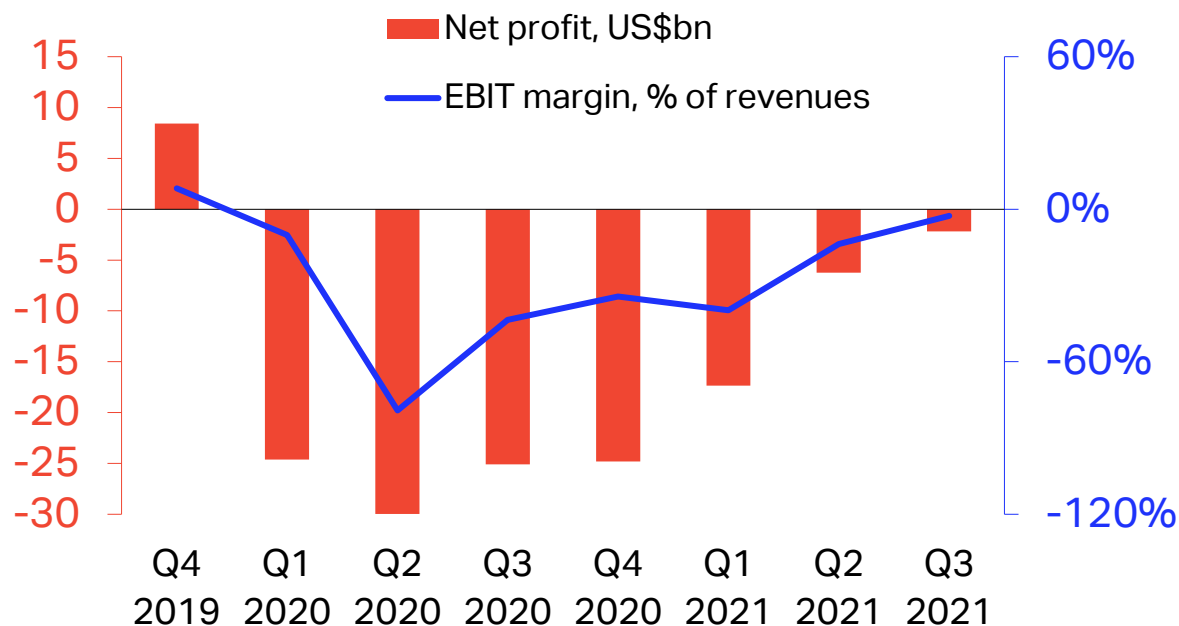
deliveries made & due



Airline EBIT margins

- The latest financial results confirm that the pressure on the industry's operating profitability eased in Q3 2021. In the sample of 87 airlines, the operating loss diminished from 13.6% of revenues in Q2 to 2.6% in Q3. All regions except for Asia Pacific contributed to this improvement.
- The group of European airlines in our sample showed the most significant improvement in EBIT margins in the industry thanks to recovering air travel demand on intra-European routes.

Historical Profitability, full sample



Airline operating (EBIT) margins*

<i>% revenues</i>	2019	2020	2020Q3	2021Q3
Europe	4.8	-32	-30	3
Industry	5.2	-30	-14	-3