

State of the region: Europe

Economy

GDP growth, selected economies

% change on a year ago	2020	Q2 2020	Q3 2020	Q4 2020
Germany	-5.3	-11.3	-4.0	-3.6
Russia	-3.0	-7.8	-3.5	-1.8
France	-8.2	-18.6	-3.7	-4.9
UK	-9.8	-21.4	-8.5	-7.3
Italy	-8.9	-18.2	-5.2	-6.6
Spain	-10.8	-21.6	-8.6	-8.9
Turkey	1.8	-10.3	6.3	5.9
Israel	-2.3	-8.3	-1.0	-0.5
Euro zone	-6.8	-14.6	-4.2	-4.9
Eastern Europe	-3.2	-7.3	-3.3	-2.9
World*	-3.6	-8.9	-2.7	-1.4

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Jan-21	Feb-21	Mar-21
US\$ broad index	112.1	111.8	112.3	113.6
European euro (EUR)	0.81	0.82	0.82	0.85
Russian ruble (RUB)	74.0	75.5	74.5	75.5
British pound (GBP)	0.73	0.73	0.72	0.72
Turkish lira (TRY)	7.36	7.30	7.42	8.27
Israeli shekel (ILS)	3.21	3.28	3.31	3.33

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Jan-21	Feb-21	Mar-21
Crude oil (Brent)	43.4	55.2	62.4	65.8
Jet fuel	46.3	59.6	66.9	69.0

Source: Platts, Eikon Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

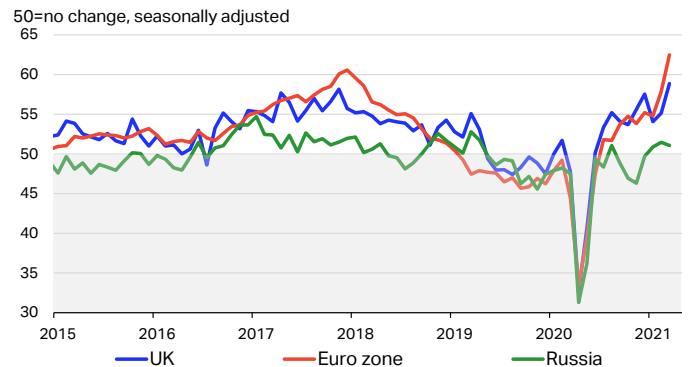
% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Europe	-69.9	-77.8	-77.6	-82.8
World	-65.9	-69.5	-72.2	-74.7
Routes (segment basis)				
Russia domestic	-23.5	-12.0	5.5	2.9
Within Europe	-70.7	-82.9	-83.9	-90.9
Europe - North America	-80.4	-86.9	-85.4	-89.8
Europe - Asia	-79.0	-91.9	-92.9	-93.0
Europe - Middle East	-73.2	-79.9	-81.1	-85.2
Europe - Africa	-68.4	-66.8	-68.1	-74.6
Europe - South America	-71.4	-75.8	-80.1	-88.8

Source: IATA Economics Note: historical data may be subject to revision

- Passenger traffic remained weak in February since new COVID-19 cases were elevated globally and governments maintained travel restrictions. Industry-wide revenue passenger-kilometres (RPKs) were 74.7% below pre-crisis levels in February 2019, compared to January's level which was 72.2% down.
- Carriers based in Europe flew 82.8% fewer RPKs

April 2021

Business confidence - manufacturing PMIs



Source: Markit

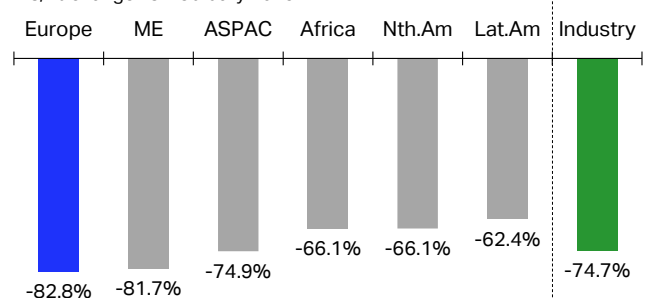
- Economic activity continued to improve vs. the previous month across the three key markets that we track for Europe. That said, the Eurozone improvement had been largely driven by the manufacturing sector since the service sector remained negatively impacted by lockdowns.
- The trade-weighted US dollar index rose for the second consecutive month, up 1.2% in March. Of the key currencies, the TRY lost ~12% vs. the US\$ following the replacement of the central bank governor.
- Despite some volatility caused by European lockdowns and inflation concerns, the average jet fuel and Brent crude oil price rose further in March, reflecting widespread optimism about global economic recovery.

compared with the pre-crisis levels – the weakest outcome amongst regions. European traffic continued to be impacted by the spread of COVID-19 and slow vaccination programs in many countries.

- While RPKs remained well below the pre-crisis levels across the region's key int'l routes, Russia domestic market expanded for the second consecutive month (RPKs up 2.9% vs. Feb 2019). New COVID infections have been diminishing in the country since early-January and domestic travel restrictions are relatively limited.

Growth in passenger volumes, by region

RPKs, % change vs. February 2019



Source: IATA Economics

Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Europe	-14.0	-2.2	1.5	4.7
World	-9.1	1.2	4.1	9.0
Routes (segment basis)				
Europe - Asia	-10.6	2.6	6.9	13.1
Europe - North America	-17.7	-11.4	-9.3	-13.9
Europe - Middle East	-18.1	-10.6	-7.1	-9.0
Europe - Africa	-21.7	-10.9	-18.5	-8.6
Europe - South America	-23.6	-13.6	-16.2	-6.2
Within Europe	-23.1	-15.6	-11.7	-6.1

Source: IATA Economics Note: historical data may be subject to revision

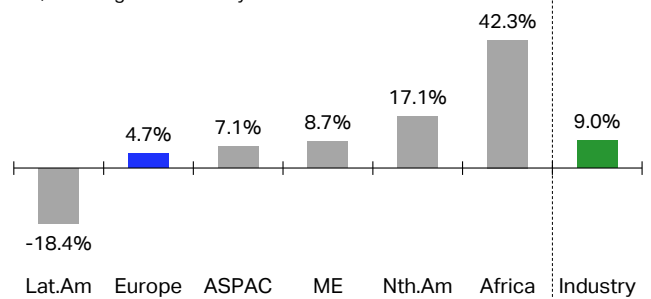
- Strong air cargo growth continued in February, supported by the wider economic recovery. Industry-wide cargo tonne-kilometres expanded by 9.0% compared with February 2019 – a robust improvement on a 4.1% growth in the previous month.
- European airlines reported a 4.7% CTK expansion in February 2021 vs. two years ago – up from 1.5% growth in January. Although many European

countries faced new lockdowns, the region's manufacturing sector was largely unimpacted and remained supportive for air cargo business.

- The performance on the region's key international routes has been mixed. While cargo volumes in the larger Europe-Asia market hovered well above the pre-crisis levels since the start of the year, CTKs in another major Europe-Nth.Am market remained deep in the contraction territory.

Growth in cargo volumes, by region

CTKs, % change vs. February 2019



Source: IATA Economics

Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Dec-20	Jan-21	Feb-21
Passenger					
Europe	ASK	-62.6	-68.8	-68.9	-75.0
	PLF	68.6	59.1	57.5	56.3
World	ASK	-56.7	-57.2	-59.2	-63.1
	PLF	65.1	58.5	54.3	55.4
Cargo					
Europe	ACTK	-23.7	-13.8	-17.1	-13.1
	CLF	58.4	62.9	61.7	64.1
World	ACTK	-21.2	-14.6	-16.6	-14.9
	CLF	53.9	56.2	58.5	57.5

Source: IATA Economics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available freight tonne kilometers

- Industry-wide available seat-kilometres (ASKs) were 63.1% lower than pre-crisis outcomes in February 2019, after a 59.2% fall in January. Seat capacity of European airlines contracted by 75% – the largest fall amongst regions.
- February was another month of record-low passenger load factors, with the industry-wide metric down 25.3 percentage points compared with February 2019, at 55.4%. The PLF of European airlines was at 56.3%.
- The recovery in global cargo capacity remained adversely impacted by the groundings of passenger aircraft in some regions. Industry-wide available seat-kilometres (ACTKs) fell by ~15% compared with two years ago. At the regional level, cargo capacity fell by 13% over the same period.
- The global CLF reached 57.5%, a record high outcome for any month of February in our time series. European

carriers reported the CLF at 64.1% – the second-highest load factor after Asia Pacific.

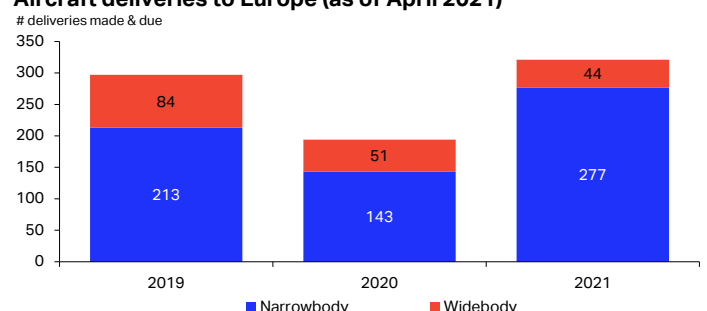
Airline operating (EBIT) margins*

% revenues	2019	2020	2019Q4	2020Q4
Europe	4.8	-30	2.0	-48
Industry	5.2	-28.0	8.2	-45

Source: Airline Analyst * constant sample basis, not seasonally adjusted

- Our latest sample of airline financial results shows further substantial losses in Q4 2020. The resurgence of virus cases and the renewed restrictive measures weighed on travel demand during the quarter. Looking forward, European carriers are expected to have the weakest operating performance amongst regions due to a slower vaccination rate and subdued int'l travel.
- As of April 2021, aircraft deliveries scheduled by airlines based in the Europe region are expected to increase above pre-crisis levels (2019) as the pandemic gets under better control in some countries. That said, the figures will be subject to revision, depending on the speed of air travel recovery and the rate of cash burn.

Aircraft deliveries to Europe (as of April 2021)



Source: Ascend