

# State of the region: Europe

August 2020

## Economy

### GDP growth, selected economies

% change on a year ago	2019	Q4 2019	Q1 2020	Q2 2020
Germany	0.6	0.4	-2.2	-11.3
Russia	1.3	2.1	1.6	--
France	1.5	0.8	-5.7	-18.9
UK	1.5	1.1	-1.7	-21.7
Italy	0.3	0.1	-5.6	-17.7
Spain	2.0	1.8	-4.1	-22.1
Turkey	0.9	6.0	4.9	-9.2
Israel	3.3	3.7	0.6	-7.8
Euro zone	1.3	1.0	-3.1	-15.0
<b>Eastern Europe</b>	<b>2.8</b>	<b>2.7</b>	<b>1.2</b>	<b>-9.3</b>
<b>World*</b>	<b>2.5</b>	<b>2.4</b>	<b>-1.7</b>	<b>-9.2</b>

Source: Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2019	May-20	Jun-20	Jul-20
US\$ broad index	114.7	121.3	120.9	117.6
European euro (EUR)	0.89	0.90	0.89	0.85
Russian ruble (RUB)	62.1	70.6	71.3	74.2
British pound (GBP)	0.75	0.81	0.81	0.76
Turkish lira (TRY)	5.95	6.82	6.85	6.97
Israeli shekel (ILS)	3.45	3.50	3.46	3.40

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	May-20	Jun-20	Jul-20
Crude oil (Brent)	64.2	32.4	40.9	43.3
Jet fuel	79.6	29.6	41.8	45.5

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

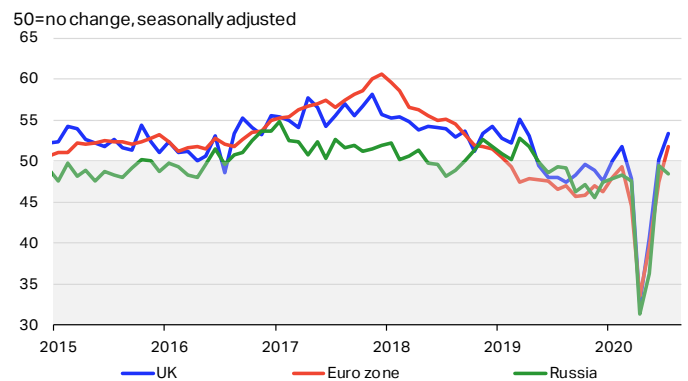
% change on a yr ago	2019	Apr-20	May-20	Jun-20
<b>Region (registration basis)</b>				
Europe	4.2	-98.0	-97.7	-93.7
World	4.1	-94.1	-91.0	-86.5
<b>Routes (segment basis)</b>				
Russia domestic	6.7	-82.7	-82.7	-58.0
Within Europe	5.5	-99.2	-98.8	-95.8
Europe - North America	4.3	-98.8	-98.5	-97.2
Europe - Asia	6.7	-98.1	-98.2	-97.3
Europe - Middle East	4.4	-97.7	-98.2	-96.8
Europe - Africa	4.5	-98.6	-98.5	-96.9
Europe - South America	8.0	-97.2	-96.1	-95.1

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with the 91.0% contraction in May. The rebound continued to be dominated by rising demand in domestic markets.
- Passenger volumes flown by airlines based in Europe contracted by 93.7%yoy – a little improvement on the 97.7% annual fall in May.
- Region's international air travel contracted sharply for

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

### Business confidence - manufacturing PMIs



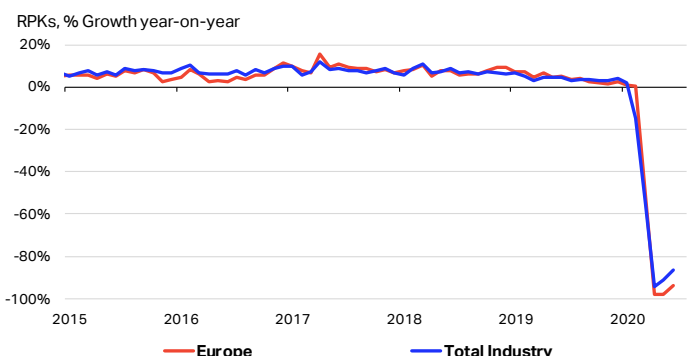
Source: Markit

- Business confidence rose further in the UK and Eurozone as the restrictive measures linked to COVID-19 were relaxed and economic activity slowly restarted. In contrast, business sentiment ticked down in Russia, reflecting weak demand conditions.
- Uncertainty around the virus developments in the US pushed the trade-weighted US dollar index down for the fourth consecutive month. Of the key regional currencies, the GBP ended the month up by 5.9% against the USD, followed by the EUR (+5.0%).
- Oil and jet fuel price continued to recover in June. However, oil demand outlook remains downbeat amidst uncertainty about when the pandemic subsides.

another month. On a more positive note, the number of international flights started to pick up in the Schengen Area in late-June due to the lifting of restrictions.

- Domestic Russia RPKs fell by 58%yoy, compared with the 82.7%yoy decline in May. The country posted the fastest recovery (~25ppts) amongst the key domestic markets in June.

### Growth in air passenger volumes



Source: IATA Economics

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## Cargo tonne kilometers (CTKs)

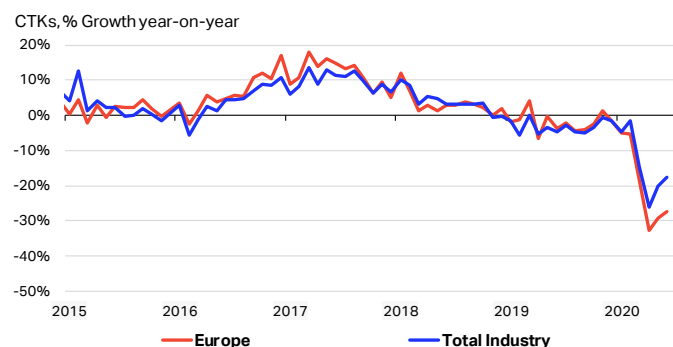
% change on a yr ago	2019	Apr-20	May-20	Jun-20
<b>Region (registration basis)</b>				
Europe	-1.9	-32.9	-29.3	-27.2
World	-3.2	-26.1	-20.1	-17.6
<b>Routes (segment basis)</b>				
Europe - Asia	-1.5	-25.7	-22.9	-22.6
Europe - North America	-2.5	-43.8	-38.4	-35.7
Europe - Middle East	-5.2	-45.7	-33.3	-26.7
Europe - Africa	-1.9	-60.1	-49.5	-38.3
Europe - South America	-3.1	-52.7	-46.3	-38.7
Within Europe	-0.9	-31.3	-33.1	-32.5

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

- Industry-wide cargo tonne-kilometres (CTKs) declined by 17.6%yoy in June, after falling 20.1% in May. Air cargo has been losing market share of total world trade in recent months, as buyers are turning to cheaper but slower means of transport.
- European airlines recorded a 27.2%yoy CTK fall in June, an improvement on 29.3% annual decline in May, but the second-worst result amongst the regions.

- Of Europe's key markets, the larger Europe-Asia routes posted the most resilient outcome for another month (CTKs down -22.6%yoy) followed by Europe-Middle East market (-26.7%yoy).
- Despite the opening of borders within the Schengen Area in mid-June, the smaller Within Europe market contracted in broadly unchanged pace from the previous month (-32.5%yoy).

## Growth in air cargo volumes



Source: IATA Economics

## Industry

### Capacity growth and load factors

ASK/ACTK: %ch on a yr ago		2019	Apr-20	May-20	Jun-20
LF: % of ASK/ACTK					
<b>Passenger</b>					
Europe	ASK	3.5	-95.0	-95.5	-90.0
	PLF	85.2	34.8	42.6	55.5
World	ASK	3.3	-86.7	-85.7	-80.1
	PLF	82.6	37.1	51.2	57.6
<b>Cargo</b>					
Europe	ACTK	3.1	-48.9	-41.8	-41.5
	CLF	51.8	65.6	62.5	62.0
World	ACTK	2.0	-41.8	-34.8	-34.1
	CLF	46.8	59.2	57.8	57.3

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

- RPKs continued to fall faster than the industry-wide capacity (ASKs). As a result, the global passenger load factor reached an all-time low for the month of June, at 57.6%. At the regional level, the PLF for European carriers fell by 31.9ppts vs. a year ago, to 55.5%.
- In contrast, the industry-wide air cargo load factor (CLF) remained close to record high levels for another month (+11.5ppts compared with June 2019) amidst an ongoing lack of belly capacity. At the regional level, European airlines recorded CLF more than 12ppts higher vs. a year ago.
- Q2 2020 financial results show the extension of the severe negative impact of the pandemic on airline

### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q2	2020Q2
Europe	6.2	4.8	8.2	-106
Industry	5.7	5.2	9.2	-130

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

financials. Profitability deteriorated sharply as all regions were affected by groundings and travel restrictions for the entire quarter.

- Note that the yield data during the coronavirus crisis period should be interpreted with caution due to the dramatic fall in tickets being sold.

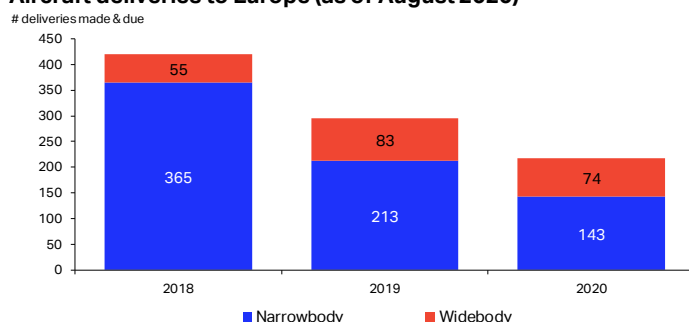
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Russia domestic	-5.4	-23.7	-8.8	-23.8
Within Europe	-6.7	-2.9	-18.0	-10.4
Europe - North America	-3.9	-18.9	-22.8	-25.5
Europe - Asia	-7.9	22.3	36.5	18.7
Europe - Middle East	-5.8	44.5	28.4	22.2
Europe - Africa	-7.3	-11.9	-24.0	-9.8
Europe - South America	-15.1	-11.4	-19.3	-22.0

Source: DDS Note: historical data may be subject to revision

- The latest data indicate a 27% fall in scheduled jet aircraft deliveries for carriers based in Europe in 2020 vs. 2019. This fall is expected to be driven by orders of narrow-body aircraft.

### Aircraft deliveries to Europe (as of August 2020)



Source: Ascend