

State of the region: Europe

December 2020

Economy

GDP growth, selected economies

% change on a year ago	2019	Q1 2020	Q2 2020	Q3 2020
Germany	0.6	-2.1	-11.2	-4.0
Russia	1.3	1.6	-8.0	--
France	1.5	-5.7	-18.9	-3.9
UK	1.3	-2.1	-21.5	-9.6
Italy	0.3	-5.6	-18.0	-5.0
Spain	2.0	-4.2	-21.5	-8.7
Turkey	0.9	4.5	-9.9	6.7
Israel	3.3	0.5	-8.2	-1.4
Euro zone	1.3	-3.2	-14.7	-4.3
Eastern Europe	2.8	0.6	-7.8	-4.3
World*	2.5	-1.7	-9.1	-3.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Sep-20	Oct-20	Nov-20
US\$ broad index	114.7	117.3	116.5	113.6
European euro (EUR)	0.89	0.85	0.86	0.84
Russian ruble (RUB)	62.1	77.6	79.5	76.5
British pound (GBP)	0.75	0.77	0.77	0.75
Turkish lira (TRY)	5.95	7.70	8.38	7.82
Israeli shekel (ILS)	3.45	3.42	3.41	3.30

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Sep-20	Oct-20	Nov-20
Crude oil (Brent)	64.2	41.9	41.6	44.1
Jet fuel	79.6	41.1	43.5	47.7

Source: Platts, Datastream (monthly average data)

Market

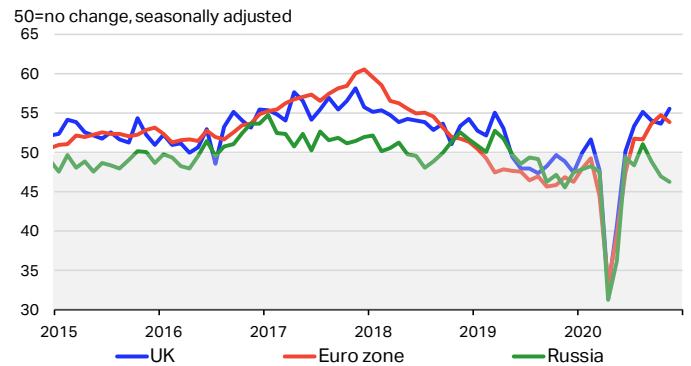
Revenue passenger-kilometers (RPKs)

% change on a yr ago	2019	Aug-20	Sep-20	Oct-20
Region (registration basis)				
Europe	4.2	-72.2	-74.7	-77.6
World	4.1	-74.8	-72.2	-70.6
Routes (segment basis)				
Russia domestic	6.7	3.8	2.7	-10.0
Within Europe	5.5	-65.3	-71.5	-76.6
Europe - North America	4.3	-92.9	-92.5	-92.0
Europe - Asia	6.7	-94.5	-92.9	-92.8
Europe - Middle East	4.4	-91.3	-89.1	-87.5
Europe - Africa	4.5	-85.9	-83.0	-77.9
Europe - South America	8.0	-91.1	-90.0	-87.8

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 70.6% year-on-year in October, a modest improvement from the 72.2% decline in September. As in the previous months, the gain has been driven by domestic markets.
- Europe faced renewed COVID outbreaks and control measures became stricter than in September. As a

Business confidence - manufacturing PMIs



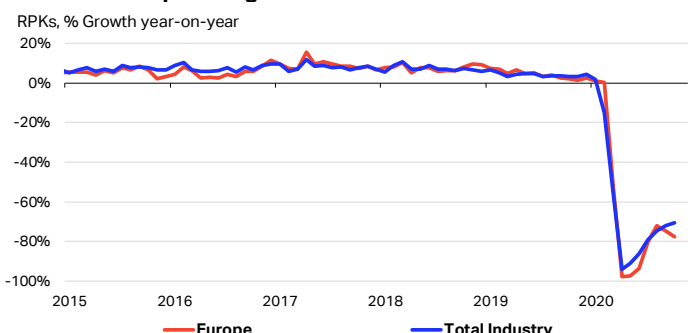
Source: Markit

- UK's manufacturing sector expanded in Nov as the approaching Brexit deadline led to increased business activity. In the Eurozone, business sentiment ticked down amidst new lockdowns but remained elevated. Russia's business confidence deteriorated further as the virus weighed on demand.
- The trade weighted US dollar index fell by 2.5% in November amidst investors' hopes that vaccines will accelerate global economic recovery. Of the key regional currencies, the TRY gained ~7% against the US\$ following the resignation of the finance minister.
- Brent Crude oil and jet fuel price also reflected positive news flow about the vaccine, rising by 2% and 4%, respectively versus October.

result, the region's year-on-year RPK contraction accelerated by 3ppts, to -77.6%.

- The elevated COVID-19 infection rate took a toll on both international and domestic RPKs. The Within Europe market, which was recovering during the summer, posted a faster contraction for the second consecutive month (-77%yoy in Oct). Domestic RPKs in Russia were down 10%yoy, after two consecutive months of growth.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne-kilometers (CTKs)

% change on a yr ago	2019	Aug-20	Sep-20	Oct-20
Region (registration basis)				
Europe	-1.9	-19.2	-15.2	-11.6
World	-3.2	-12.0	-7.8	-6.2
Routes (segment basis)				
Europe - Asia	-1.5	-18.5	-17.3	-15.2
Europe - North America	-2.5	-24.4	-19.2	-17.5
Europe - Middle East	-5.2	-18.4	-12.7	-12.3
Europe - Africa	-1.9	-28.8	-23.5	-12.1
Europe - South America	-3.1	-31.9	-26.6	-17.0
Within Europe	-0.9	-22.5	-26.1	-25.9

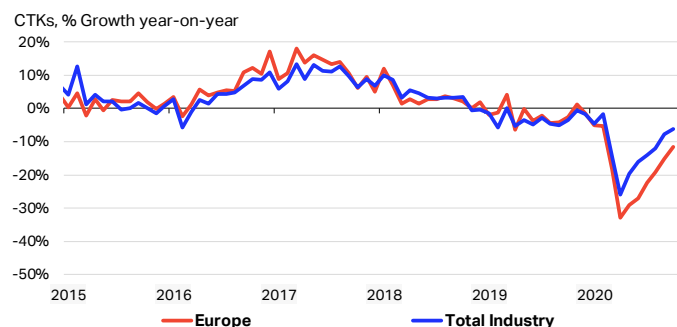
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.2% year-on-year versus a 7.8% fall in the previous month. The pace of improvement softened modestly compared with September.
- Europe's air cargo business seemed to be largely unimpacted by the resurgence of the virus in October. The region's CTKs fell by ~12%yoy, an improvement on

a 15% decline in September. Cargo capacity also continued its gradual recovery (in contrast with passenger seat capacity that was impacted by lockdowns).

- Of the key international routes, to/from Middle East and Africa showed the most resilient outcomes (down 12%yoy) followed by the Europe-Asia market (-15%yoy).

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Aug-20	Sep-20	Oct-20
LF: % of ASK/ACTK					
Passenger					
Europe	ASK	3.5	-61.6	-63.4	-65.1
	PLF	85.2	64.3	59.7	55.2
World	ASK	3.4	-63.4	-62.3	-59.9
	PLF	82.6	59.0	60.5	60.2
Cargo					
Europe	ACTK	3.1	-32.8	-31.7	-27.6
	CLF	51.8	57.1	62.0	65.1
World	ACTK	2.1	-29.0	-25.5	-22.6
	CLF	46.8	54.8	57.2	57.6

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

- Airline seat capacity continued to recover faster than RPKs. As a result, the industry-wide passenger load factor reached a new record-low for October (60%). At the regional level, the PLF of European carriers was at 55%.
- For freight, load factors remained at elevated levels amidst the ongoing capacity shortage that resulted from grounding of passenger aircraft. European airlines reported the CLF was 12ppts above a year ago level.
- Our latest sample of Q3 2020 results confirms that negative impact of the pandemic on airline financials persists. Airlines in all regions reported another quarter of sharp losses, since the recovery in air travel demand was limited.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Europe	6.2	4.8	17.0	-48
Industry	5.7	5.2	12.7	-61

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

IATA Economics: www.iata.org/economics

- Looking ahead, air travel demand and revenues will likely pick up once the vaccines become widely available. Until then however, airlines will continue to lose money unless testing replaces quarantine requirements.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

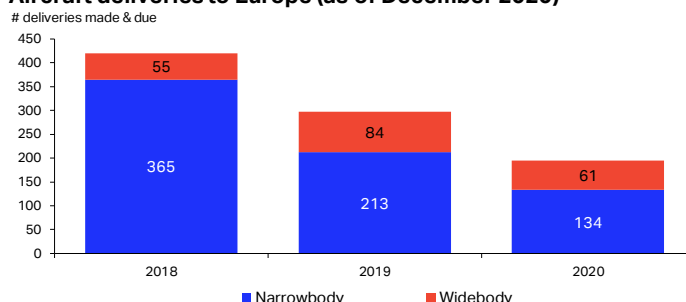
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Aug-20	Sep-20	Oct-20
Russia domestic	-5.4	-32.0	-27.3	-27.1
Within Europe	-6.7	-21.0	-23.6	-23.5
Europe - North America	-3.9	-18.6	-28.4	-28.2
Europe - Asia	-7.9	8.2	9.4	3.3
Europe - Middle East	-5.8	57.0	94.9	74.7
Europe - Africa	-7.3	5.4	11.2	-2.1
Europe - South America	-15.1	-11.9	-22.5	-25.7

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

- The data for December point to a 34% fall in scheduled jet aircraft deliveries for airlines based in Europe in 2020 vs. 2019. Throughout the year, carriers have been negotiating with manufacturers deferrals of deliveries to reduce their cash outflow.

Aircraft deliveries to Europe (as of December 2020)



Source: Ascend

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