State of the Region:

Europe

IATA Economics

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IATA
Economics

GDP growth, exchange rates, oil & jet fuel price

- Developments in economic activity were mixed in Europe in Q4. While annual GDP growth accelerated in Italy, France and Spain, it slowed in Germany and the UK. The diverse economic outcomes can be attributed to differences in pandemic developments and strictness of related restrictions.
- All of the key regional currencies depreciated against the USD in January, most significantly the RUB (-3.2%).
- The average monthly jet fuel price increased by 16% in January versus December to USD100.9/barrel – the highest level since October 2014. The price increase partly reflects concerns about the impact of geopolitical tensions in eastern Europe on oil supply chains.

GDP growth

% change on a year ago	2021	Q2 2021	Q3 2021	Q4 2021
Germany	2.8	10.4	2.9	1.4
Russia	--	10.5	4.3	--
France	7.0	19.0	3.5	5.4
UK	7.5	24.6	7.0	6.5
Italy	6.5	17.3	4.0	6.4
Spain	5.0	17.7	3.4	5.2
Turkey	--	22.0	7.4	--
Israel	7.8	14.7	7.3	9.2
Euro zone	5.2	14.4	3.9	4.6
Eastern Europe	**4.4**	**9.6**	**4.8**	**4.1**
World	**5.8**	**11.6**	**4.7**	**4.3**

Exchange rates

end of period, # per	%YTD 2022	Nov-21	Dec-21	Jan-22
US$ broad index	-0.6%	115.0	115.8	115.1
European euro (EUR)	-1.1%	0.9	0.9	0.9
Russian ruble (RUB)	-3.2%	74.4	75.0	77.4
British pound (GBP)	-1%	0.8	0.7	0.7
Turkish lira (TRY)	-2.7%	13.2	13.1	13.4
Israeli shekel (ILS)	-2.1%	3.2	3.1	3.2

Oil and fuel price

US$/barrel (period ave.)	2021	Nov-21	Dec-21	Jan-22
Crude oil (Brent)	70.9	80.9	74.7	85.6
Jet fuel	77.7	91.8	87.1	100.9

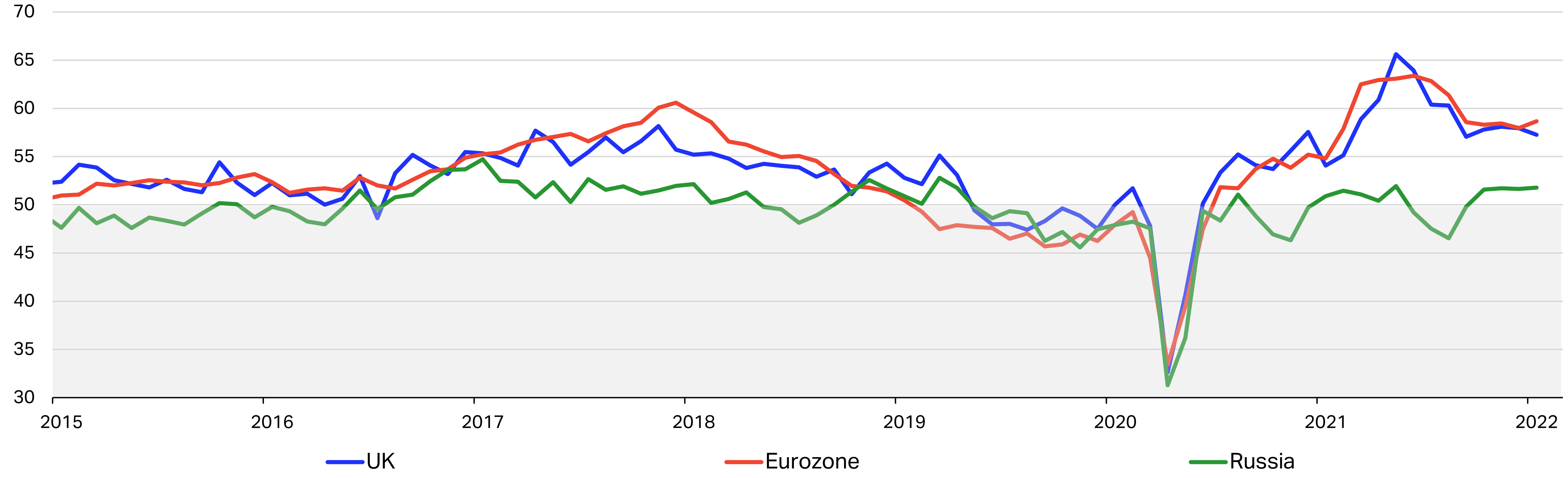
Source: Refinitiv Eikon, S&P Platts

Purchasing Managers' Index

- Results from January PMI survey indicate that the manufacturing sector in Europe remains in a good shape (the metric above 50 means that majority of respondents reported improvement versus December). Operating conditions have been the most supportive in Eurozone (PMI at 58.7) thanks to moderate easing of supply chain congestions.

Purchasing Managers' Index - Manufacturing

50=no change, seasonally adjusted



Source: Markit

Passenger market

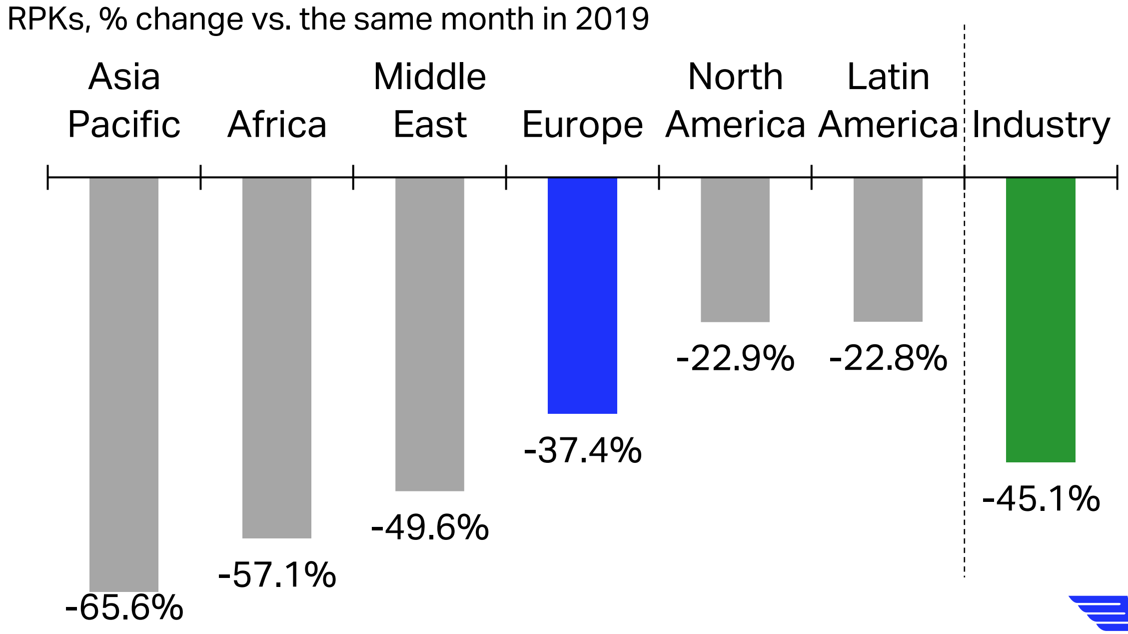
- Global air travel recovery continued in December since strong demand over the holiday season helped to offset Omicron-related disruptions. Industry-wide revenue passenger-kilometres (RPKs) fell by 45.1% versus December 2019 and by 58.4% in 2021 overall compared with 2019 – a slight improvement on a 65.8% contraction in 2020 as more markets reopened with vaccination progress.

- European airlines also reported a further recovery in passenger traffic in December, with RPKs falling by 37.4% versus 2019, after a 39.3% contraction in November. Russia remained the best performing key domestic market in the industry in December, with RPKs rising 23.2% above pre-crisis levels. In 2021 as a whole, RPKs flown by European airlines contracted by 61.3% versus 2019.

Revenue passenger-kilometres (RPKs)

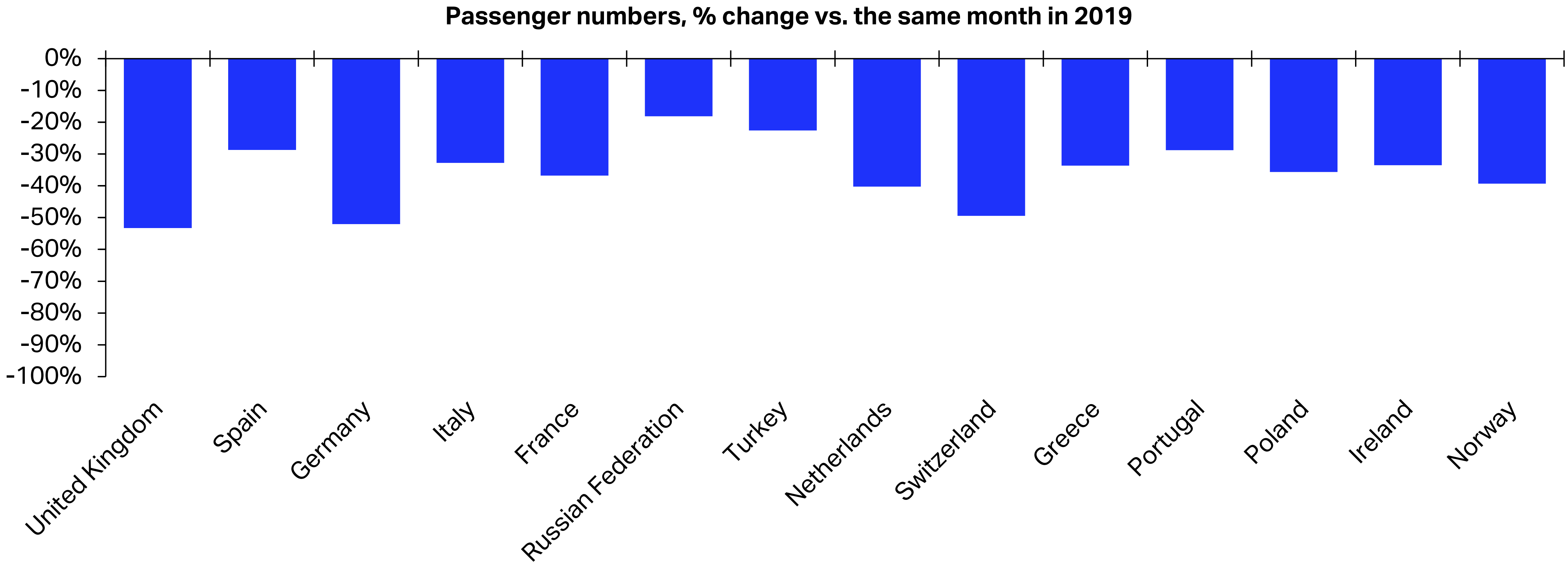
% ch vs. the same period in 2019	2021	Oct-21	Nov-21	Dec-21
Region (registration basis)				
Europe	-61.3	-44.2	-39.3	-37.4
World	-58.4	-48.9	-47.0	-45.1
Routes (segment basis)				
Russia domestic	24.2	27.0	17.5	23.2
Within Europe	-61.6	-35.5	-33.4	-35.0
Europe - North America	-72.2	-63.9	-47.2	-39.6
Europe - Asia	-88.8	-86.2	-83.4	-78.8
Europe - Middle East	-70.8	-54.8	-48.2	-44.2
Europe - Africa	-57.9	-40.7	-36.8	-44.1
Europe - South America	-75.2	-58.6	-51.9	-43.7

Growth in passenger volumes (RPKs), by region



Source: IATA Monthly Statistics

Passenger traffic by country – December 2021



Source: IATA Economics using data from DDS

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Air cargo market

- Air cargo ended the year on a strong note, with cargo tonne-kilometres (CTKs) up 8.9% versus December 2019. In 2021 overall, air cargo volumes rose by a robust 6.9% versus 2019. The growth throughout the year was supported by increased demand for air cargo services during the global inventory restocking cycle and a congestion in the shipping industry.

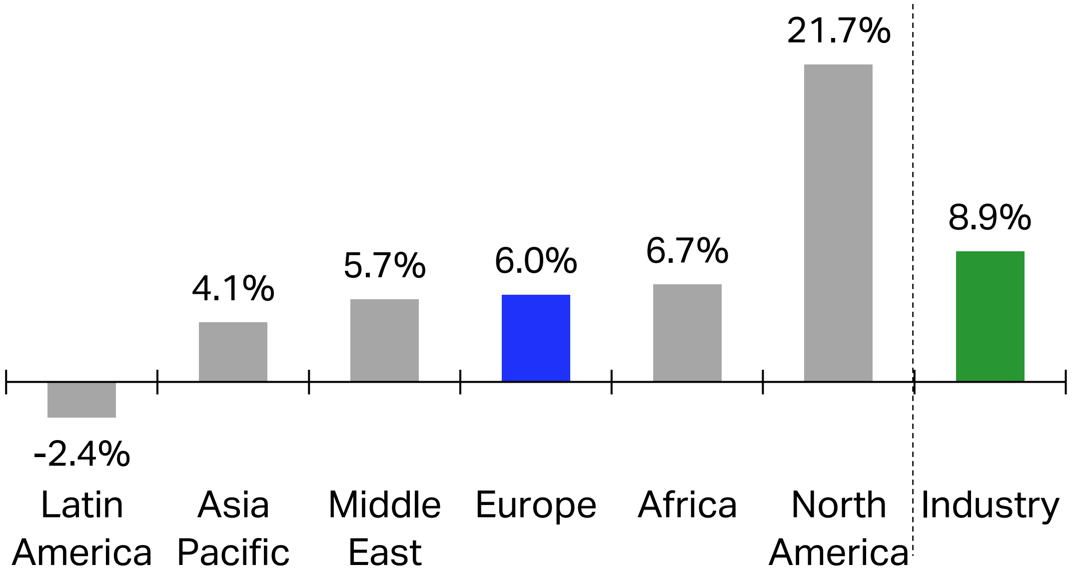
- CTKs of carriers registered in Europe rose by 6.0% in December 2021 versus December 2019, and by 3.7% in 2021 overall. The region was among the most impacted by congestion at airports and in supply chains, and by the lack of available cargo capacity.

Cargo tonne-kilometres (CTKs)

% ch vs. the same period in 2019	**2021**	**Oct-21**	**Nov-21**	**Dec-21**
Region (registration basis)				
Europe	3.7	7.4	-0.3	6.0
World	6.9	8.4	3.9	8.9
Routes (segment basis)				
Europe - Asia	6.2	7.0	2.7	9.9
Europe - North America	2.6	9.6	8.4	15.7
Europe - Middle East	-3.4	0.2	-1.1	-3.1
Europe - Africa	-6.1	-5.6	-1.3	-0.5
Europe - South America	-7.2	-3.3	-10.2	-2.1
Within Europe	-11.9	-13.4	-16.9	-9.5

Growth in cargo volumes (CTKs), by region

CTKs, % change vs. the same month in 2019



Source: IATA Monthly Statistics

Capacity growth & load factors

- Despite the new wave of flight cancellations linked to the Omicron outbreak, the rate of decline in global seat capacity (ASKs) eased to -37.6% in December 2021 versus December 2019. ASKs flown by European airlines fell by 30.4% over the same period. In 2021 as whole, European ASKs contracted by 51.9% – underperforming the global average (-48.8%).

- Global air cargo capacity continued to come back last year with the return of international passenger capacity. Industry-wide available cargo tonne-kilometres (ACTKs) fell by 4.7% in December and by 10.9% in 2021 as a whole versus 2019. European ACTKs shrank by 5.7% in December and by 16.5% in full year 2021 compared with an equivalent period in 2019.

Capacity growth and load factors

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		**2021**	**Oct-21**	**Nov-21**	**Dec-21**
Passenger					
Europe	ASK	-51.9	-35.9	-32.7	-30.4
	PLF	*68.6*	*74.8*	*75.3*	*74.5*
World	ASK	-48.8	-40.8	-39.8	-37.6
	PLF	*67.2*	*70.8*	*71.3*	*72.3*
Cargo					
Europe	ACTK	-16.5	-10.6	-10.4	-5.7
	CLF	*64.4*	*64.0*	*63.2*	*62.3*
World	ACTK	-10.9	-7.4	-7.6	-4.7
	CLF	*56.1*	*55.6*	*56.0*	*54.2*

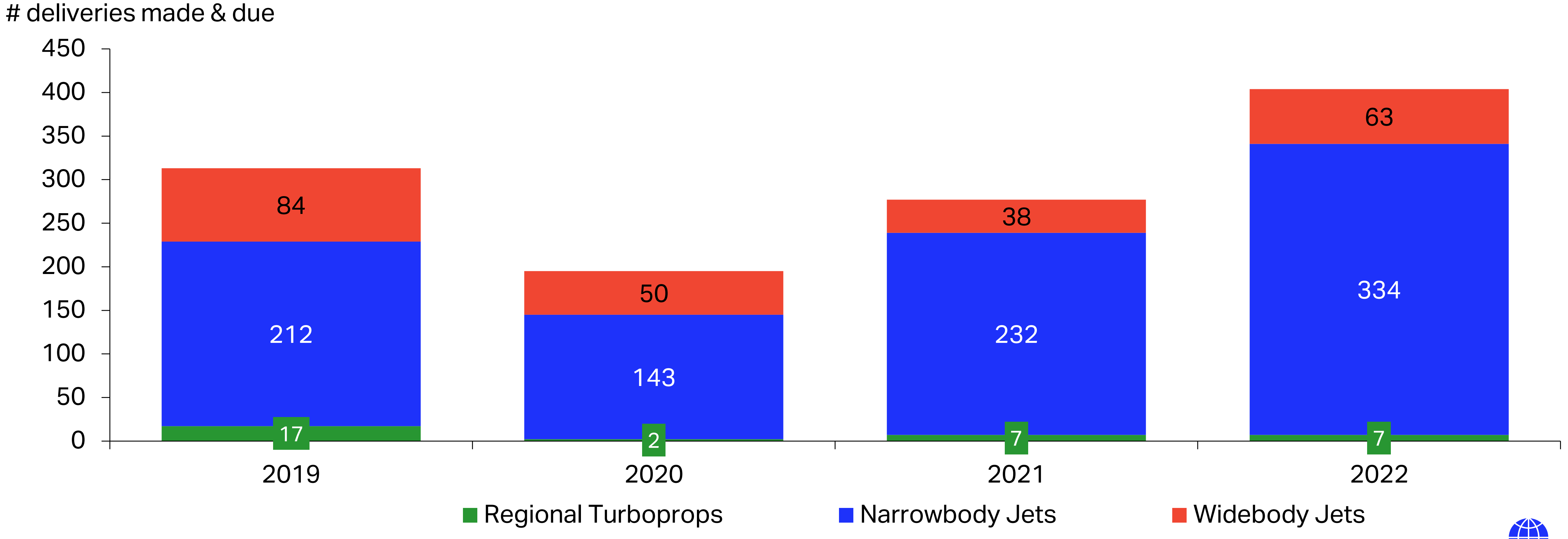
LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne-kilometers.

 Source: IATA Monthly Statistics

Jet aircraft deliveries made & scheduled

- As of February 2022, European airlines are scheduled to receive 47% more aircraft deliveries in 2022 versus 2021.

Aircraft deliveries to Europe



Source: Cirium Fleet Analyzer