

# State of the region: Europe

## 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	-3.4
France	1.5	-5.7	-18.9	-3.9
UK	1.4	-2.4	-20.8	-8.6
Italy	0.3	-5.6	-18.0	-5.0
Spain	2.0	-4.2	-21.6	-9.0
Turkey	0.9	4.5	-9.9	6.7
Israel	3.3	0.5	-8.0	-1.1
Euro zone	1.3	-3.2	-14.7	-4.3
<b>Eastern Europe</b>	<b>2.9</b>	<b>0.6</b>	<b>-7.7</b>	<b>-4.1</b>
<b>World*</b>	<b>2.5</b>	<b>-1.6</b>	<b>-9.0</b>	<b>-2.9</b>

Source: Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2019	Oct-20	Nov-20	Dec-20
US\$ broad index	114.7	116.5	113.6	111.7
European euro (EUR)	0.89	0.86	0.84	0.81
Russian ruble (RUB)	62.1	79.5	76.5	74.0
British pound (GBP)	0.75	0.77	0.75	0.73
Turkish lira (TRY)	5.95	8.38	7.82	7.36
Israeli shekel (ILS)	3.45	3.41	3.30	3.21

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	Oct-20	Nov-20	Dec-20
Crude oil (Brent)	64.2	41.6	44.1	50.4
Jet fuel	79.6	43.5	47.7	55.4

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger-kilometers (RPKs)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
<b>Region (registration basis)</b>				
Europe	4.2	-74.8	-77.6	-82.2
World	4.1	-72.2	-70.6	-70.3
<b>Routes (segment basis)</b>				
Russia domestic	6.7	2.7	-10.0	-23.0
Within Europe	5.5	-71.7	-76.5	-84.7
Europe - North America	4.3	-92.5	-92.0	-90.3
Europe - Asia	6.7	-92.9	-92.9	-93.2
Europe - Middle East	4.4	-89.1	-87.5	-87.1
Europe - Africa	4.5	-83.0	-76.3	-79.1
Europe - South America	8.0	-90.0	-87.8	-85.8

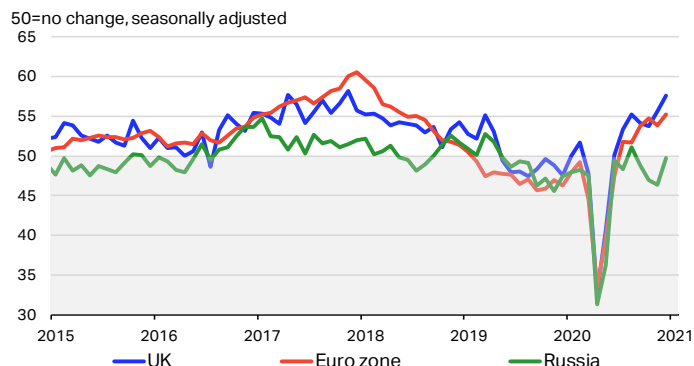
Source: IATA Economics Note: historical data may be subject to revision

- The recovery in air travel has stalled amidst elevated COVID-19 cases and the re-introduction of travel restrictions in some regions. Industry wide-revenue passenger-kilometres fell by 70.3%yoy in November – a broadly unchanged decline from October.
- European carriers saw a further deterioration in passenger traffic due to renewed virus outbreaks

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

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### Business confidence - manufacturing PMIs

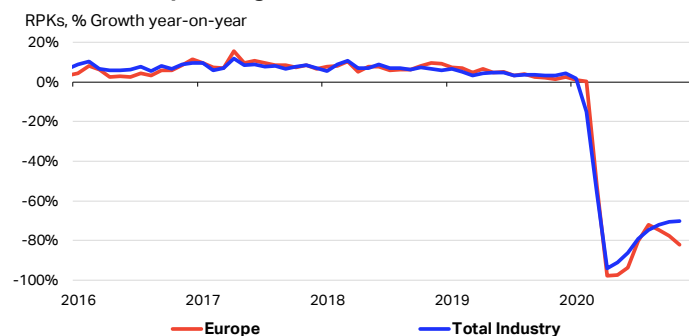


- Manufacturing sector expanded in the UK amidst higher business activity due to Brexit preparations. Operating conditions for manufacturers improved also in the Eurozone, reflecting solid demand despite the resurgence of the virus. In Russia, business sentiment stabilized after three months of contraction.
- The trade-weighted US dollar index eased further in December (down 1.7%) as the global economy continued to recover from the crisis. Of the key regional currencies, the TRY gained ~6% vs. the US\$.
- Brent Crude oil and jet fuel price strengthened in December, reflecting positive news about vaccines, stronger oil demand from Asia, and looser restrictions in some European countries before the holiday season.

and travel restrictions. RPKs fell by 82.2%yoy vs. 77.6% decline in the previous month. Positive developments seen in the larger Within Europe market were reversed, with year-on-year RPK decline accelerating for the third consecutive month, to -84.7%.

- Domestic RPKs in Russia fell by 23%yoy – more than twice faster fall than in October. High infection rate in the country resulted in travel restrictions, which in turn led to softer travel demand and sharp capacity cuts.

### Growth in air passenger volumes



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## Cargo tonne-kilometers (CTKs)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
<b>Region (registration basis)</b>				
Europe	-1.9	-13.9	-10.8	-13.4
World	-3.2	-7.6	-6.2	-6.6
<b>Routes (segment basis)</b>				
Europe - Asia	-1.5	-16.7	-14.5	-13.4
Europe - North America	-2.5	-18.4	-16.9	-16.6
Europe - Middle East	-5.2	-12.6	-8.8	-12.6
Europe - Africa	-6.0	-21.7	-12.9	-15.5
Europe - South America	-3.1	-24.4	-15.7	-18.9
Within Europe	-0.9	-26.4	-26.1	-27.6

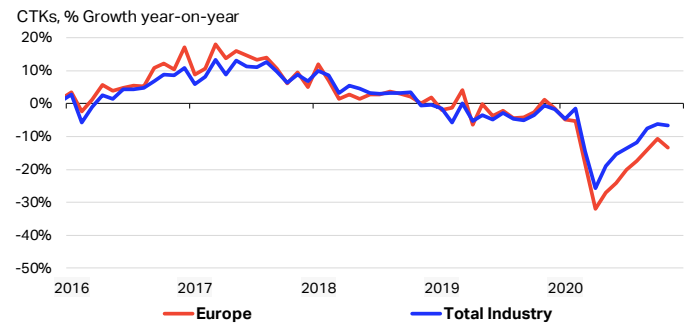
Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.6% year-on-year in November vs. a 6.2% fall in October. The softer growth outcome this month can be, however, entirely attributed to a strong month of November 2019.
- European carriers posted a 13.4%yoy CTK decline, a deterioration from a 10.8% fall the month before.

The weakness can be explained by the impact of lockdowns on consumer demand and business activity, as well as a lack of capacity.

- Amongst the key regional markets, the contraction eased slightly on the larger Europe to/from Asia & North America routes but accelerated on the remaining key trade lanes.

### Growth in air cargo volumes



Source: IATA Economics

## Industry

### Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	Sep-20	Oct-20	Nov-20
<b>Passenger</b>					
Europe	ASK	3.5	-63.4	-65.1	-71.6
	PLF	85.2	59.5	55.2	52.3
World	ASK	3.4	-62.3	-59.8	-58.6
	PLF	82.6	60.4	60.1	58.0
<b>Cargo</b>					
Europe	ACTK	3.1	-30.3	-26.7	-24.9
	CLF	51.8	61.7	64.9	65.5
World	ACTK	2.0	-25.3	-22.4	-20.0
	CLF	46.8	57.1	57.5	58.2

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

- The passenger load factor (PLF) remained at record lows across most regions and at the industry-wide level (58%) in November. European carriers reported the PLF down ~32ppts compared with a year ago, at 52.3%.
- On the freight side, demand continued to outpace supply, which resulted in a new record-high industry-wide load factor (CLF) for any month of November in our series. European airlines posted the CLF up 8.7ppts vs. a year ago.
- Our final Q3 financial results indicate that airlines continued to suffer from very weak travel demand and burnt cash, albeit at a slower rate compared to Q2 with the help of cost-cutting measures and robust cargo

revenues. The Q4 will remain challenging for airline financials since the slow recovery in passenger demand observed during the northern-summer season stalled towards the end of the year.

- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

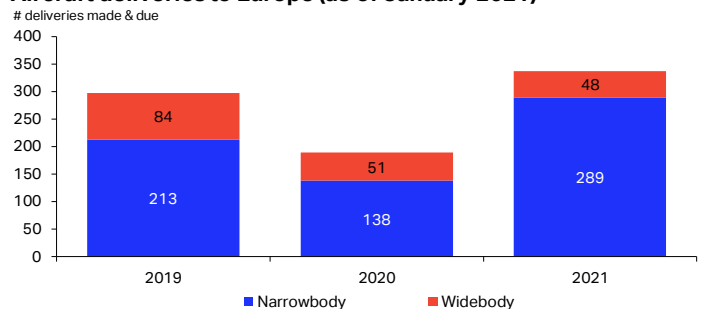
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Russia domestic	-5.3	-27.3	-27.2	-25.3
Within Europe	-6.7	-22.6	-22.1	-23.2
Europe - North America	-3.9	-26.7	-25.4	-27.2
Europe - Asia	-7.9	10.2	3.8	4.0
Europe - Middle East	-5.8	95.6	76.0	67.8
Europe - Africa	-7.3	11.7	-1.0	4.0
Europe - South America	-15.1	-20.0	-23.5	-18.4

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

- European carriers received 36% fewer aircraft deliveries in 2020 vs. 2019 – a result of airlines' efforts to reduce cash outflow during the crisis. In 2021, deliveries are expected to almost double, in part due to the return of 737 MAX planes.

### Aircraft deliveries to Europe (as of January 2021)



Source: Ascend

### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q3	2020Q3
Europe	6.2	4.8	17.3	-45
Industry	5.7	5.2	12.1	-45

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