

# State of the region: Europe

March 2021

## 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	--	-8.0	-3.4	--
France	-8.2	-18.6	-3.7	-4.9
UK	-9.9	-21.0	-8.7	-7.8
Italy	-8.9	-18.2	-5.2	-6.6
Spain	-11.0	-21.6	-9.0	-9.1
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
<b>Eastern Europe</b>	<b>-3.3</b>	<b>-7.4</b>	<b>-3.5</b>	<b>-3.0</b>
<b>World*</b>	<b>-3.7</b>	<b>-8.9</b>	<b>-2.7</b>	<b>-1.5</b>

Source: Eikon Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2020	Dec-20	Jan-21	Feb-21
US\$ broad index	112.1	112.1	111.8	112.3
European euro (EUR)	0.81	0.81	0.82	0.82
Russian ruble (RUB)	74.0	74.0	75.5	74.5
British pound (GBP)	0.73	0.73	0.73	0.72
Turkish lira (TRY)	7.36	7.36	7.30	7.42
Israeli shekel (ILS)	3.21	3.21	3.28	3.31

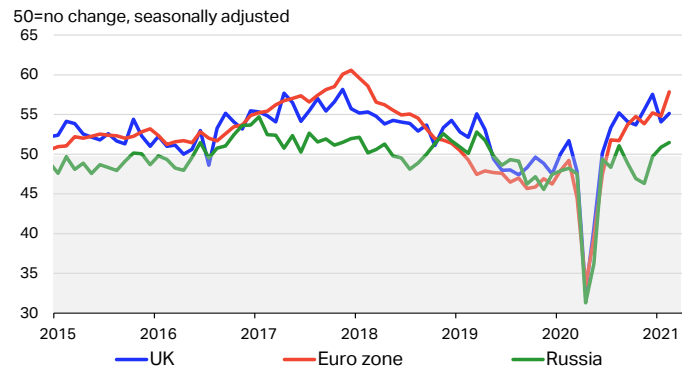
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2020	Dec-20	Jan-21	Feb-21
Crude oil (Brent)	43.4	50.4	55.2	62.4
Jet fuel	46.3	55.4	59.6	66.9

Source: Platts, Eikon Datastream (monthly average data)

### Business confidence - manufacturing PMIs



- The manufacturing sector expanded across the three key economies that we regularly track for the Europe region as the demand for goods continues to recover from the effects of the pandemic. That said, the service sector remains under pressure in the region due to ongoing lockdowns.
- The trade-weighted US dollar index rose by 0.5% in February, partly reflecting optimism about the US economic recovery. Of the key regional currencies, the GBP was the main mover, ending the month up 1.8% against the US\$.
- Brent Crude oil and jet fuel price picked up for another month due to improving global economic outlook and OPEC+ supply cuts.

## Market

### Revenue passenger-kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
<b>Region (registration basis)</b>				
Europe	-69.9	-82.3	-77.7	-77.4
World	-65.9	-70.4	-69.7	-72.0
<b>Routes (segment basis)</b>				
Russia domestic	-23.5	-23.0	-12.0	5.5
Within Europe	-70.7	-84.7	-82.9	-83.8
Europe - North America	-80.4	-90.3	-86.9	-85.4
Europe - Asia	-79.0	-93.2	-91.9	-92.9
Europe - Middle East	-73.2	-87.0	-79.9	-81.1
Europe - Africa	-68.4	-78.5	-66.8	-68.1
Europe - South America	-71.4	-85.8	-75.8	-80.1

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

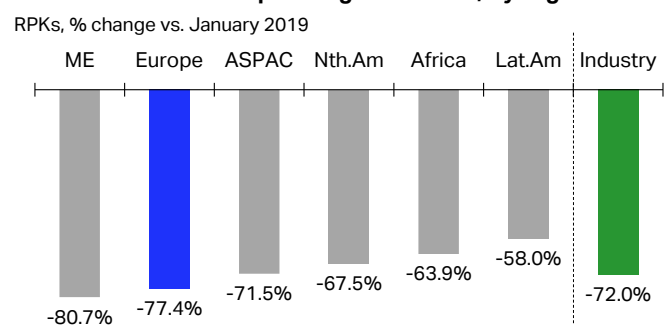
- After several months without any clear improvement, industry-wide revenue passenger-kilometres (RPKs) deteriorated in Jan 2021. They were 72% lower vs. Jan 2019, which represents a more accurate comparison due to the large moves in traffic in early-2020.
- Airlines based in Europe posted broadly unchanged rates of RPK decline compared with December.

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

Their January passenger volumes were on average 77.4% lower compared with two years ago. The air travel recovery has been adversely impacted by new lockdowns in the region in early-2021.

- All of the region's key int'l routes remained deep in the contraction territory. In contrast, domestic RPKs of Russian airlines were up 5.5% vs. January 2019, driven by a fall in COVID cases since a peak late in December and by national holidays in the first week of the month.

### Growth in passenger volumes, by region



All use of this report is subject to the Terms & Conditions of Use available [here](#)

## Cargo tonne-kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
<b>Region (registration basis)</b>				
Europe	-16.0	-12.7	-5.4	-0.4
World	-10.6	-6.1	-0.8	1.1
<b>Routes (segment basis)</b>				
Europe - Asia	-15.0	-13.1	-4.7	0.2
Europe - North America	-21.0	-16.5	-15.7	-12.9
Europe - Middle East	-18.1	-12.5	-10.6	-7.6
Europe - Africa	-23.4	-15.1	-12.2	-19.6
Europe - South America	-23.8	-18.9	-13.7	-16.2
Within Europe	-24.4	-27.6	-18.7	-13.4

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

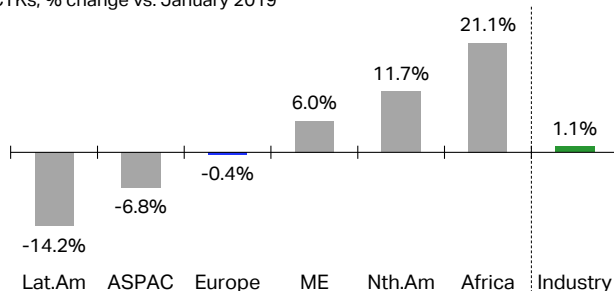
- Air cargo volumes rose sharply for another month and reached levels last seen before the pandemic started. Industry-wide cargo tonne-kilometres (CTKs) were higher by 1.1% vs. the pre-crisis levels (Jan 2019).
- Although Europe's cargo traffic remained in the contraction territory (-0.4% vs. Jan 2019), it showed a robust improvement vs. December. Should the current growth trend continue, the market will reach its pre-

pandemic levels next month. For now, the prospects are positive since Eurozone's new export orders PMI – a leading indicator of air cargo demand in the past – points to a further CTK expansion (at 57.7 in Feb).

- Amongst the key regional routes, Europe-Asia had been most resilient so far, with CTKs returning to pre-crisis levels in January (+0.2%). The smaller Europe-Sth.Am market was the weakest performer this month, with CTKs down 19.6% compared with pre-crisis levels.

### Growth in cargo volumes, by region

CTKs, % change vs. January 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	Nov-20	Dec-20	Jan-21
<b>Passenger</b>					
Europe	ASK	-62.6	-72.3	-68.8	-68.7
	PLF	68.7	53.2	59.2	57.6
World	ASK	-56.7	-58.8	-57.1	-58.7
	PLF	65.0	58.1	58.0	54.1
<b>Cargo</b>					
Europe	ACTK	-26.7	-24.1	-18.6	-19.9
	CLF	59.4	65.4	64.4	62.7
World	ACTK	-23.2	-19.1	-17.8	-19.5
	CLF	54.4	57.8	57.2	58.9

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

- New lockdowns stopped the recovery in seat capacity over the past two months. Industry-wide available seat-kilometres (ASKs) fell by 4.6%mom and were 58.7% lower vs. the pre-crisis period (Jan 2019). European airlines posted the ASKs down 68.7% vs. Jan 2019 – the weakest outcome amongst regions.
- Despite the capacity cuts, demand continued to fall faster than supply, and therefore the global passenger load factor (PLF) deteriorated again. It fell by 25.7 ppts vs. Jan 2019 to 54.1%, a new all-time low for the month. European airlines saw the PLF at 57.6%.
- The fall in passenger capacity resulted in renewed pressure on belly cargo capacity. The industry-wide available cargo tonne-kilometres (ACTKs) fell by 5%mom this January and were 19.5% lower vs. the pre-crisis level. European airlines flew 19.9% fewer ACTKs compared with the pre-crisis period.

- The global CLF reached 58.9%, a record high outcome for any month of January in our time series. European carriers reported the second-highest CLF amongst regions after Asia Pacific, at 62.7%.

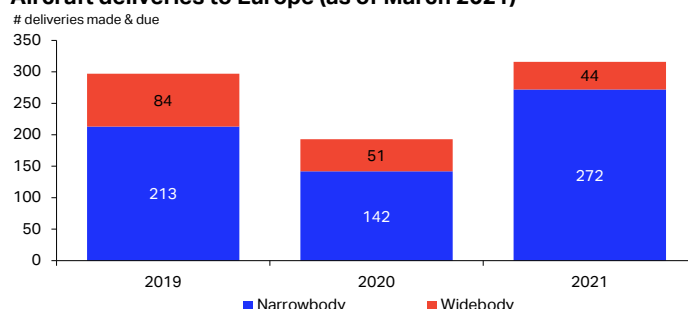
### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q4	2020Q4
Europe	6.2	4.8	3.9	-46
Industry	5.7	5.2	7.6	-50

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

- The latest financial results confirm that airlines continued to experience deep losses in Q4 due to stalling passenger recovery. The pressure on revenues on European airlines will continue in the near term since the vaccine rollout has been relatively slow in many countries and the region is facing new virus wave.
- As of March 2021, aircraft deliveries scheduled by airlines based in the Europe region are expected to increase compared with 2020 levels as the pandemic gets under better control in some countries. That said, this figure will be most likely revised during the year, depending on the speed of air travel recovery and the rate of cash burn.

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



Source: Ascend