

State of the Region:

Europe

IATA Economics

March 2022

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar (USD) index started 2022 on a soft note. After seven consecutive months of growth between June and December 2021, it fell by 0.6% in January and moved sideways in February. The February developments were partly driven by the US announcement about economic sanctions on Russia.
- Among the key regional currencies, the RUB lost nearly 40% against the USD in February amid international isolation of Russia due to conflict in Ukraine.
- Jet fuel prices continue to rise amid sanctions on Russian oil and gas. The jet fuel crack spread is also increasing as some refineries switch from jet fuel to diesel due to the lack of supply of Ultra Low Sulfur Diesel (ULSD) from Russia.

GDP growth

<i>% change on a year ago</i>	2021	Q2 2021	Q3 2021	Q4 2021
Germany	2.9	10.4	2.9	1.8
Russia	--	10.5	4.3	--
France	7.0	19.0	3.5	5.4
UK	7.5	24.6	7.0	6.5
Italy	6.6	17.6	3.9	6.2
Spain	5.0	17.7	3.4	5.2
Turkey	11.0	21.9	7.5	9.1
Israel	7.9	14.7	7.4	9.5
Euro zone	5.3	14.6	4.0	4.6
Eastern Europe	4.4	9.6	4.8	4.1
World	5.8	11.6	4.7	4.3

Exchange rates

<i>end of period, # per</i>	%YTD 2022	Dec-21	Jan-22	Feb-22
US\$ broad index	-0.7%	115.8	115.1	115.0
European euro (EUR)	-0.9%	0.88	0.89	0.89
Russian ruble (RUB)	-42.9%	75.0	77.4	107.2
British pound (GBP)	-0.9%	0.7	0.7	0.7
Turkish lira (TRY)	-5.7%	13.1	13.4	13.8
Israeli shekel (ILS)	-3%	3.1	3.2	3.2

Oil and fuel price

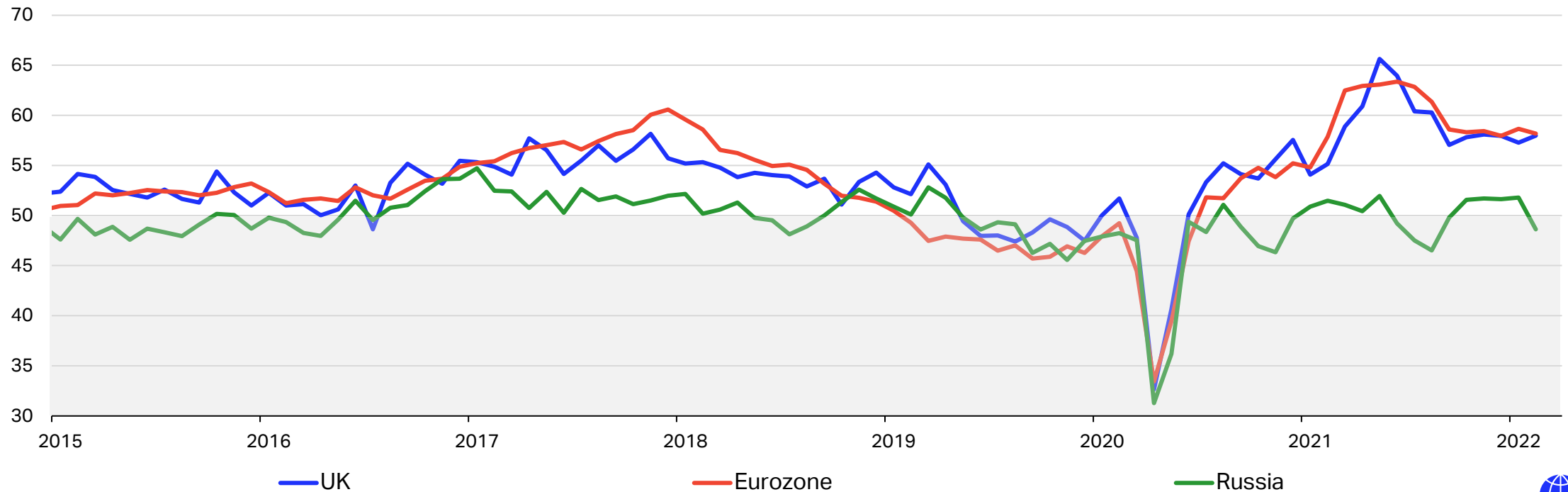
<i>US\$/barrel (period ave.)</i>	2021	Dec-21	Jan-22	Feb-22
Crude oil (Brent)	70.9	74.7	85.6	94.3
Jet fuel	77.7	87.1	100.9	110.0

Purchasing Managers' Index

- The latest PMI results indicate that the manufacturing sector continued to expand robustly in the UK and Eurozone in February despite ongoing supply chain issues. In Russia, the metric fell below 50, which suggests a contraction in the manufacturing sector versus January. The weakness was broad-based across the country's key PMI components as international sanctions started to bite.

Purchasing Managers' Index - Manufacturing

50=no change, seasonally adjusted



Passenger market

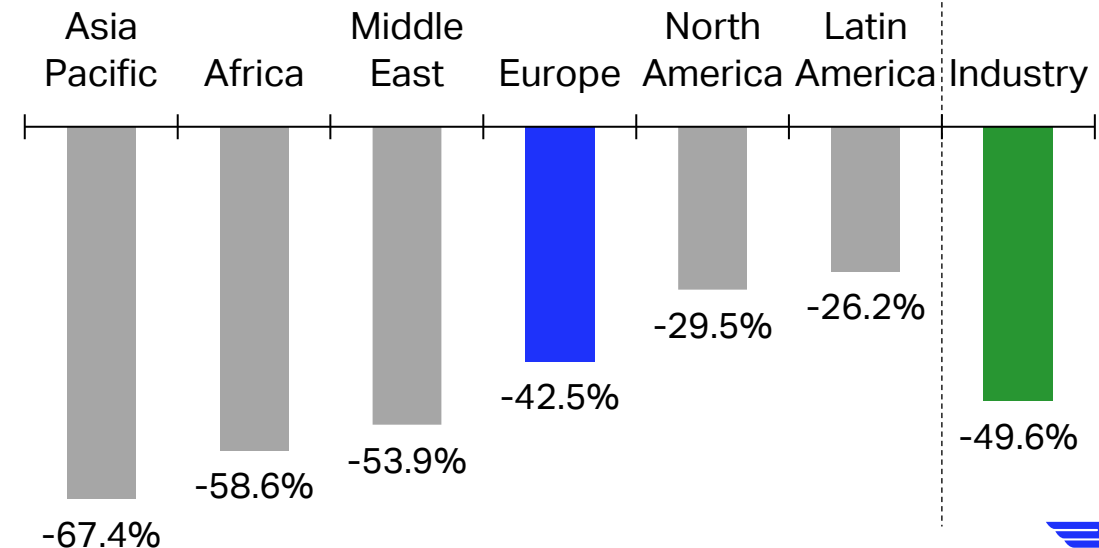
- Global air travel started the year on a soft note. It was negatively impacted by the Omicron wave that led to thousands of flight cancellations and weighed on peoples' willingness to travel. Industry-wide revenue passenger-kilometers (RPK) fell by 49.6% in January 2022 versus January 2019, after a 45.2% decline in December 2021 versus December 2019. Month-on-month change was negative at -4.9%.
- The negative impact of Omicron on air travel was broad-based across all regions. European airlines reported a 42.5% RPK decline in January after a 38.2% fall in December (both vs. the same month in 2019). The air travel outlook for Russia is pessimistic. Economic sanctions and flight disruptions linked to the conflict in Ukraine will impact capacity and passengers' willingness to travel.

Revenue passenger-kilometres (RPKs)

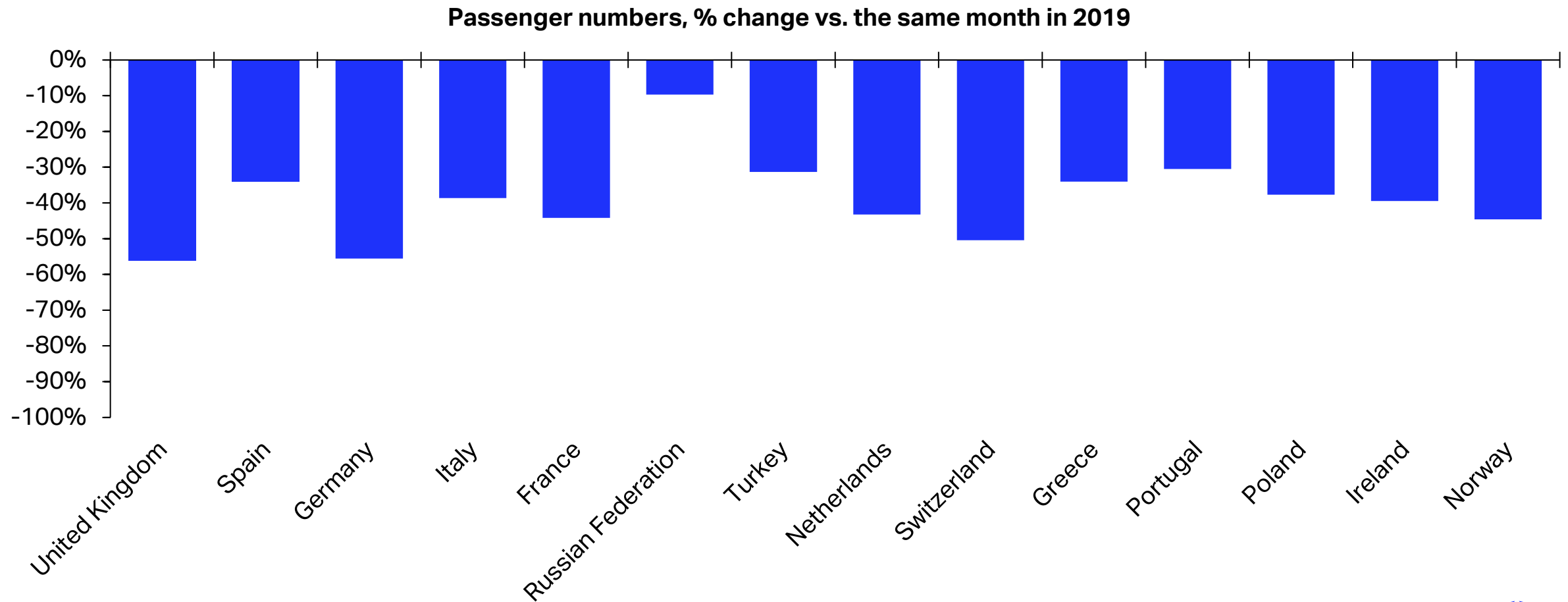
% ch vs. the same period in 2019	2021	Nov-21	Dec-21	Jan-22
Region (registration basis)				
Europe	-61.3	-39.3	-38.2	-42.5
World	-58.4	-46.9	-45.2	-49.6
Routes (segment basis)				
Russia domestic	24.2	17.5	23.2	33.9
Within Europe	-61.7	-33.6	-36.9	-41.8
Europe - North America	-72.1	-47.1	-39.3	-43.9
Europe - Asia	-88.8	-83.4	-78.8	-80.8
Europe - Middle East	-70.8	-48.2	-44.2	-50.6
Europe - Africa	-57.9	-36.8	-44.0	-43.9
Europe - South America	-75.2	-51.9	-43.7	-43.5

Growth in passenger volumes (RPKs) , by region

RPKs, % change vs. the same month in 2019

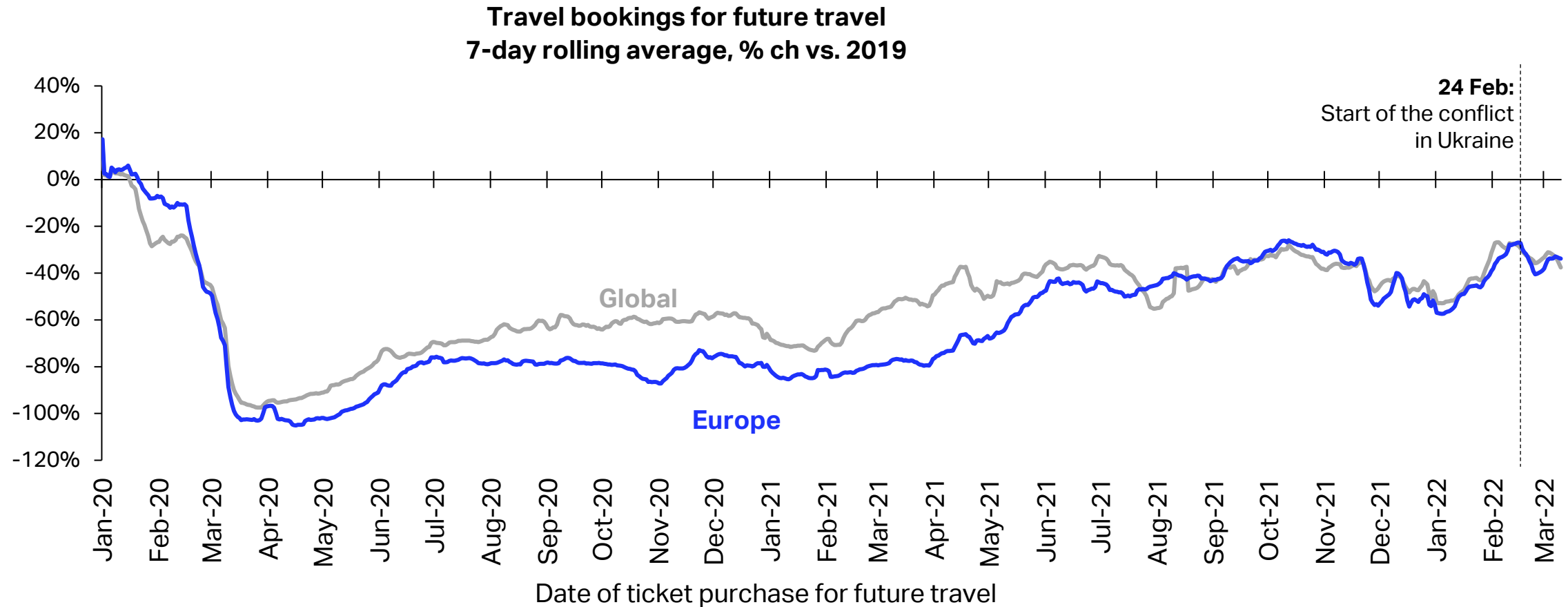


Passenger traffic by country – January 2022



Passenger bookings for future travel

- Improving pandemic developments at the global level bode well for the air travel recovery in 2022, though the geopolitical issues in Eastern Europe combined with rising inflationary pressures will negatively impact some markets. Bookings for future travel to, from and within Europe fell following the start of the conflict, but not by much, and there are signs of recovery in the last few days of available data.



Air cargo market

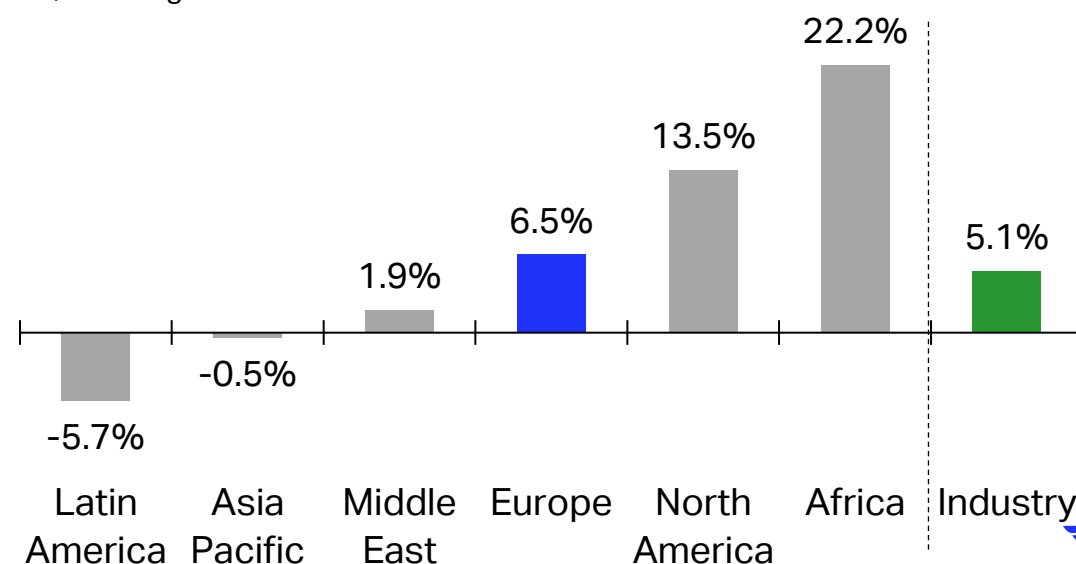
- Air cargo was also negatively impacted by the Omicron effects in January. Industry-wide cargo tonne-kilometres rose by 5.1% compared with January 2019 – a marked slowdown from December when the rise was 9.8%. The weaker result was partly driven by passenger-flight cancellations that reduced still limited belly-hold cargo capacity.
- European airlines were relatively resilient in January, as growth in their CTKs accelerated compared with contraction seen elsewhere in the industry outside of Africa, to 6.5%. This can be partly attributed to robust economic activity and strong international capacity.
- The conflict in Eastern Europe is creating significant fresh challenges, notably in air cargo rates and capacity as well as economic activity. Russia accounted for 2.5% of global total dedicated cargo flights in 2021 according to data provided by FlightRadar24. The importance of these flights for global heavy-weight cargo is significant, and the corresponding capacity will be difficult to replace.

Cargo tonne-kilometres (CTKs)

% ch vs. the same period in 2019	2021	Nov-21	Dec-21	Jan-22
Region (registration basis)				
Europe	3.7	-0.1	6.1	6.5
World	7.0	4.2	9.8	5.1
Routes (segment basis)				
Europe - Asia	6.2	2.9	10.6	9.1
Europe - North America	2.0	8.6	15.6	7.5
Europe - Middle East	-3.3	-1.1	-2.8	-7.9
Europe - Africa	-6.0	-1.4	1.1	-4.0
Europe - South America	-7.2	-10.2	-2.1	-11.0
Within Europe	-11.8	-16.3	-8.3	-11.2

Growth in cargo volumes (CTKs), by region

CTKs, % change vs. the same month in 2019



Capacity growth & load factors

- The recovery in global seat capacity stalled at the start of the year as airlines cancelled thousands of flights in response to the Omicron outbreak. Industry-wide available seat-kilometres (ASKs) contracted by 37.7% between January 2022 and January 2019, which was broadly unchanged from a 37.5% fall in December 2021 versus December 2019. The pause in ASK recovery was broad-based across all regions apart from Latin America where seasonally adjusted ASKs rose 2.5% month-on-month.
- The cancellation of passenger flights due to Omicron disruptions resulted in a renewed squeeze in belly-hold cargo capacity. Industry-wide available cargo tonne-kilometres (ACTKs) fell by 8.9% in January compared with pre-crisis levels – more than double the rate of decline seen in December. The deterioration was widespread across all regions but Africa.

Capacity growth and load factors

<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2021	Nov-21	Dec-21	Jan-22
Passenger					
Europe	ASK	-51.9	-32.7	-30.4	-32.6
	PLF	68.5	75.2	73.7	68.2
World	ASK	-48.8	-39.9	-37.5	-37.7
	PLF	67.2	71.5	72.0	64.5
Cargo					
Europe	ACTK	-16.5	-10.1	-5.4	-8.1
	CLF	64.3	63.2	62.2	58.4
World	ACTK	-10.8	-7.3	-4.2	-8.9
	CLF	56.1	56.0	54.4	54.1

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

Jet aircraft deliveries made & scheduled

- As of March 2022, European airlines are scheduled to receive 36% more aircraft deliveries in 2022 versus 2021.

Aircraft deliveries to Europe

deliveries made & due

