

State of the region: Europe

May 2021

Economy

GDP growth, selected economies

% change on a year ago	2020	Q3 2020	Q4 2020	Q1 2021
Germany	-5.1	-3.8	-3.3	-3.1
Russia	-3.0	-3.5	-1.8	--
France	-8.0	-3.5	-4.6	1.2
UK	-9.8	-8.5	-7.3	-6.1
Italy	-8.9	-5.2	-6.6	-1.4
Spain	-10.8	-8.6	-8.9	-4.3
Turkey	1.8	6.3	5.9	7.0
Israel	-2.4	-1.1	-0.7	-0.5
Euro zone	-6.7	-4.1	-4.9	-1.8
Eastern Europe	-3.2	-3.4	-2.9	-1.1
World*	-3.6	-2.6	-1.3	2.4

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Mar-21	Apr-21	May-21
US\$ broad index	112.1	113.6	112.9	--
European euro (EUR)	0.81	0.85	0.83	0.82
Russian ruble (RUB)	74.0	75.5	75.1	73.4
British pound (GBP)	0.73	0.72	0.72	0.70
Turkish lira (TRY)	7.36	8.27	8.22	8.50
Israeli shekel (ILS)	3.21	3.33	3.24	3.25

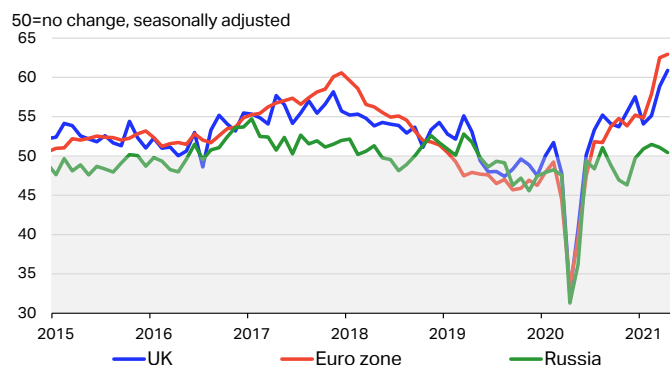
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Mar-21	Apr-21	May-21
Crude oil (Brent)	43.4	65.8	65.5	68.4
Jet fuel	46.3	69.0	69.1	73.4

Source: Platts, Eikon Datastream (monthly average data)

Business confidence - manufacturing PMIs



- Q1 GDP growth results indicate that most key European economies were contracting in early-2021. However, April PMI surveys show that the economic backdrop has been improving in the region as countries emerge from lockdowns and demand for goods and services recovers.
- Of the key regional currencies, the TRY lost 3.4% against the US\$ in May, reflecting concerns that Turkey's monetary policy is not strict enough to keep inflationary pressures under control.
- Oil and jet fuel prices rebounded in May boosted by the global economic recovery and supply-side concerns despite surging COVID-19 cases in some regions.

Market

Revenue passenger-kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Europe	-69.9	-77.7	-82.9	-81.7
World	-65.9	-72.2	-74.9	-67.2
Routes (segment basis)				
Russia domestic	-23.5	5.5	2.9	8.5
Within Europe	-70.7	-83.9	-91.1	-90.2
Europe - North America	-80.4	-85.4	-89.8	-90.0
Europe - Asia	-79.0	-92.9	-93.0	-92.1
Europe - Middle East	-73.2	-81.1	-85.2	-84.2
Europe - Africa	-68.4	-68.4	-77.5	-77.0
Europe - South America	-71.4	-80.1	-88.8	-88.6

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

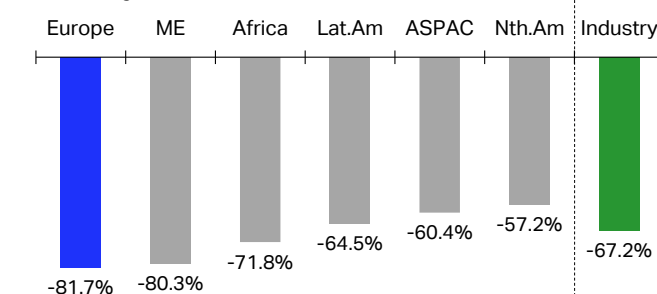
- Passenger traffic slightly improved in March amidst rebounding domestic demand. International traffic remained subdued. Industry-wide revenue passenger-kilometers (RPKs) were 67.2% lower compared to the pre-crisis level (March 2019).
- European airlines reported RPKs 81.7% lower compared with March two years ago – little improvement on the previous month and the worst

outcome amongst all regions. The weak result was impacted by a sharp spike in daily new cases in Europe in March, which resulted in the extension of lockdown measures in some key markets.

- On a positive note, Russia's domestic traffic remained well above the pre-crisis levels since the new cases stabilized following the winter wave (RPKs up 8.5% vs. March 2019).

Growth in passenger volumes, by region

RPKs, % change vs. Mar 2019



Cargo tonne-kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Europe	-14.0	1.5	5.1	0.9
World	-9.1	3.8	9.2	4.4
Routes (segment basis)				
Europe - Asia	-10.6	6.9	15.2	3.7
Europe - North America	-17.7	-9.3	-13.9	-9.0
Europe - Middle East	-18.1	-7.1	-8.1	-10.4
Europe - Africa	-20.6	-12.9	-5.6	-9.0
Europe - South America	-23.6	-16.2	-6.2	-14.7
Within Europe	-23.1	-11.7	-6.5	-15.0

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

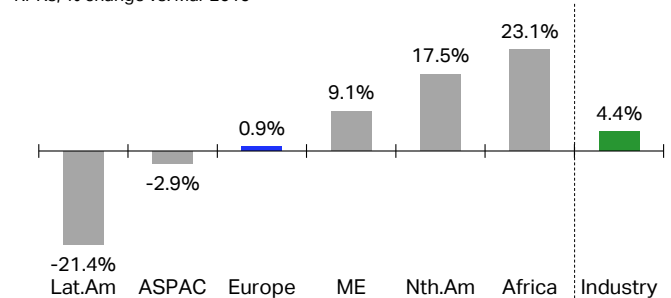
- Global cargo volumes reached the highest level in the history of our time series in March although their growth softened modestly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by 4.4% vs. the pre-crisis levels and by 0.4% month-on-month (m-o-m).
- Cargo traffic flown by European carriers improved slightly, expanding by 0.9% compared with two years

ago and by 1.2% m-o-m. Region's cargo demand is supported by improving operating backdrop including an increase in new export orders – a leading indicator of air cargo demand in the past.

- Europe-Asia was the only key trade-lane to show CTK expansion this March (up 3.7% vs. March 2019). Within Europe and Europe-South America markets were the weakest performers, with CTKs down ~15% yoy.

Growth in cargo volumes, by region

RPKs, % change vs. Mar 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	Jan-21	Feb-21	Mar-21
Passenger					
Europe	ASK	-62.7	-68.9	-75.1	-74.1
	PLF	68.7	57.4	56.1	59.3
World	ASK	-56.8	-59.4	-63.3	-56.8
	PLF	65.2	54.5	55.2	62.3
Cargo					
Europe	ACTK	-24.1	-17.5	-13.1	-17.1
	CLF	58.7	62.0	64.3	68.5
World	ACTK	-21.2	-17.1	-15.3	-11.7
	CLF	54.0	58.7	57.9	58.8

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

- Global available seat capacity picked up in March. Industry-wide ASKs fell by 56.8% vs. March 2019 – an improvement on a 63.3% decline in February. European airlines posted ASKs down 74.1% over the same period – the weakest outcome amongst regions.
- The industry-wide passenger load factor (PLF) was at 62.3% in March, 19.7 ppts lower compared with the same month two years ago. European airlines reported the PLF at 59.3%.
- Cargo capacity has been recovering from the temporary fall in early-2021 when some airlines grounded passenger aircraft amidst new virus spikes. Global available cargo tonne-kilometres (ACTKs) picked up by 5.6% m-o-m in March and were 12% below the pre-crisis levels. ACTKs of European airlines were down 17.1%.

- Cargo load factors remained elevated across all regions since cargo capacity was lagging the recovery in CTKs. European airlines' CLF was at 68.5% – the highest amongst regions.

Airline operating (EBIT) margins*

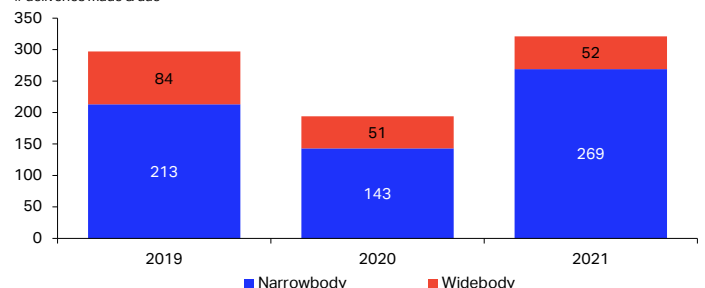
% revenues	2019	2020	2020Q1	2021Q1
Europe	4.8	-30	-16.8	-55
Industry	5.2	-28.0	-11.8	-60

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

- Initial Q1 2021 results indicate that the airline industry continued to post net losses similar to those in Q4. Looking ahead, financial performance will vary by region depending on the size of domestic markets and the pace of vaccine rollout. Higher fuel prices will be a challenge to a return to profitability for airlines when the traffic rebounds.
- As of May 2021, the number of 2021 aircraft deliveries received by European carriers is expected to be 65% higher than in 2020 and 8% higher than in 2019. Note, that these figures will most likely change throughout the year, depending on the speed of air travel recovery.

Aircraft deliveries to Europe (as of May 2021)

deliveries made & due



Source: Ascend