

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	--
France	1.5	-5.8	-18.9	-4.3
UK	1.3	-2.1	-21.5	-9.6
Italy	0.3	-5.6	-17.9	-4.7
Spain	2.0	-4.2	-21.5	-8.7
Turkey	0.9	4.4	-9.9	--
Israel	3.3	0.5	-8.2	-1.4
Euro zone	1.3	-3.3	-14.8	-4.4
Eastern Europe	2.8	0.6	-7.8	-4.3
World*	2.5	-1.7	-9.1	-3.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Aug-20	Sep-20	Oct-20
US\$ broad index	114.7	116.1	117.3	116.5
European euro (EUR)	0.89	0.85	0.85	0.86
Russian ruble (RUB)	62.1	74.1	77.6	79.5
British pound (GBP)	0.75	0.75	0.77	0.77
Turkish lira (TRY)	5.95	7.37	7.70	8.38
Israeli shekel (ILS)	3.45	3.35	3.42	3.41

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Aug-20	Sep-20	Oct-20
Crude oil (Brent)	64.2	45.1	41.9	41.6
Jet fuel	79.6	45.4	41.1	43.5

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

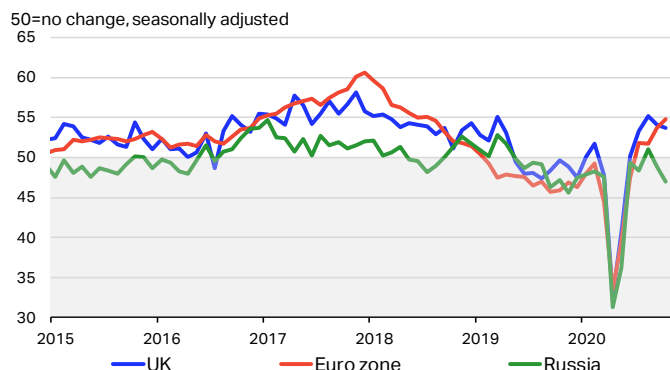
% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Europe	4.2	-81.3	-73.5	-75.8
World	4.1	-79.5	-75.3	-72.8
Routes (segment basis)				
Russia domestic	6.7	-17.8	3.8	2.7
Within Europe	5.5	-79.1	-67.7	-73.6
Europe - North America	4.3	-94.8	-92.9	-92.5
Europe - Asia	6.7	-95.7	-94.5	-93.0
Europe - Middle East	4.4	-93.7	-92.1	-90.0
Europe - Africa	4.5	-92.9	-85.9	-82.8
Europe - South America	8.0	-94.1	-91.1	-90.0

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

- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.3% fall in August. The recovery remained mostly driven by domestic markets.
- Although the rebound in global economic activity continued in September, new outbreaks and further restrictions have put new pressure on passenger

November 2020

Business confidence - manufacturing PMIs



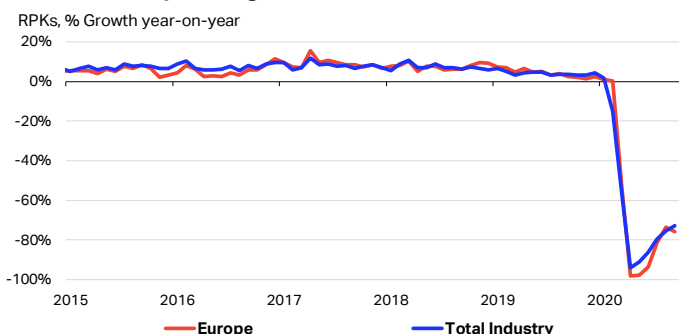
Source: Markit

- Business sentiment in Eurozone and the UK remained solid in October, reflecting the recovery in economic activity. That said, outlook for local businesses is uncertain amid new lockdowns. In Russia operating conditions deteriorated due to weak domestic demand.
- The trade-weighted US dollar index ended the month down 0.7%. Of the key regional currencies, the TRY lost ~9% vs. the US\$ amidst geopolitical tensions in the region, weak economy and central bank's decision to sustain low interest rates.
- The Brent crude oil price fell further in October as renewed lockdowns weighed on global demand. The jet fuel price gained modestly compared with September but remained 45% lower compared with a year ago.

traffic in Europe. Region's airlines recorded RPKs down 75.8%yoy – a deterioration from a 73.5% fall in August.

- Domestic Russia market has been one of the key contributors to the improvement in total domestic traffic (RPKs up 2.7%yoy) due to falling fares and booming domestic tourism in the country.
- Region's international traffic showed little improvement from the low point of the crisis. RPKs remained 90% lower vs. a year ago on most of the key int'l routes.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Europe	-1.9	-22.3	-19.3	-15.4
World	-3.2	-14.1	-12.1	-8.0
Routes (segment basis)				
Europe - Asia	-1.5	-19.7	-17.8	-17.8
Europe - North America	-2.5	-30.3	-24.2	-19.1
Europe - Middle East	-5.2	-21.0	-16.1	-11.5
Europe - Africa	-1.9	-31.1	-29.8	-24.7
Europe - South America	-3.1	-37.2	-31.9	-26.6
Within Europe	-0.9	-30.1	-24.1	-31.2

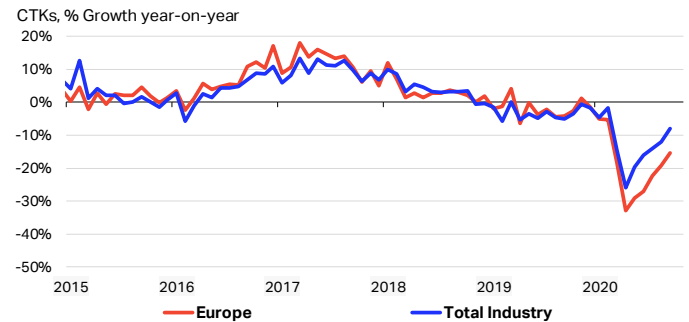
Source: IATA Economics Note: historical data may be subject to revision

- Recovery in air cargo modestly accelerated in September. Industry-wide cargo tonne-kilometres (CTKs) fell by 8.0% year-on-year compared with 12.1% decline in August. Month-on-month, CTKs showed the fastest growth since May, at 3.7%.
- Europe's air cargo continued to gradually improve in September amidst recovering economic activity and

accelerating exports. Region's CTKs fell by 15.4%yoy – a 3.9ppts improvement on contraction in August.

- Notwithstanding these positive developments, all major trade lanes remained in a contraction territory. Europe-Middle East was the most resilient market for another month, with cargo volumes down 11.5%yoy.

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	Jul-20	Aug-20	Sep-20
Passenger					
Europe	ASK	3.5	-72.8	-62.8	-64.3
	PLF	85.2	61.3	63.5	58.6
World	ASK	3.4	-69.8	-63.9	-63.0
	PLF	82.6	58.2	58.6	60.1
Cargo					
Europe	ACTK	3.1	-36.5	-33.0	-31.8
	CLF	51.8	59.3	57.3	62.0
World	ACTK	2.1	-30.8	-28.7	-25.2
	CLF	46.8	55.8	54.5	56.9

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

- Airlines slowed the return of capacity in Sept amidst rising COVID-19 cases. As a result, global passenger load factor improved slightly, reaching the highest level since Feb (but down 21.8ppts yoy). European airlines reported PLF at 58.6%.
- The industry-wide cargo load factor reached a new all-time high for September at 56.9% amidst continuous capacity crunch. At the regional level, the European carriers reported the CLF up 12ppts, at 62%.
- The initial sample of Q3 2020 financial results showed that airlines in all regions posted another quarter of negative EBIT margin due to the modest travel demand recovery in the summer quarter, which is seasonally

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Europe	6.2	4.8	16.9	-48
Industry	5.7	5.2	13.3	-63

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

the strongest period in normal times. In 2020 as a whole, airlines in the region are expected to post combined losses of US\$26.9bn.

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

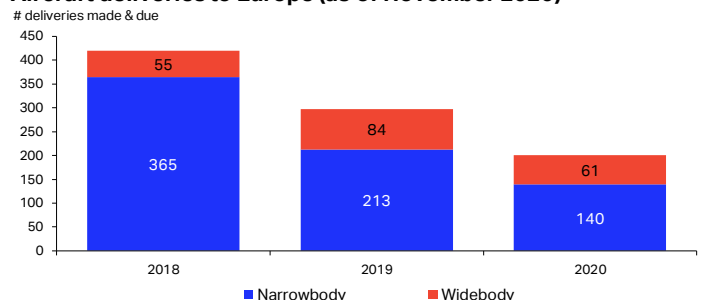
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Russia domestic	-5.4	-35.0	-32.0	-27.3
Within Europe	-6.7	-17.2	-20.9	-23.6
Europe - North America	-3.9	-20.1	-18.7	-28.5
Europe - Asia	-7.9	2.5	8.4	9.6
Europe - Middle East	-5.8	67.0	56.8	96.3
Europe - Africa	-7.3	12.4	5.4	11.1
Europe - South America	-15.1	-21.9	-11.9	-22.5

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

- The data from November point to a 32% fall in scheduled jet aircraft deliveries for airlines based in Europe in 2020 vs. 2019. Throughout the year, carriers have been negotiating with manufacturers deferrals of deliveries to reduce their cash outflow.

Aircraft deliveries to Europe (as of November 2020)



Source: Ascend