

State of the Region:

Europe

IATA Economics

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar index rose by 0.6% in October vs. September. Amongst the key regional currencies, the TRY lost 8.2% against the US\$ after the country's central bank cut interest rates despite rising inflationary pressures. The TRY has been the weakest currency also year-to-date, tumbling by more than 30%.
- Jet fuel and Brent Crude oil prices continued to rise in October as economic activity restarts around the world and supply remains tight. As of late-October, jet fuel price was 69% higher vs. the start of the year.

GDP growth

<i>% change on a year ago</i>	2020	Q1 2021	Q2 2021	Q3 2021
Germany	-4.9	-3.0	9.9	2.5
Russia	-3.0	-0.7	10.5	--
France	-8.0	1.5	18.8	3.3
UK	-9.7	-5.8	23.6	6.6
Italy	-9.0	-0.7	17.0	3.8
Spain	-10.8	-4.2	17.5	2.7
Turkey	1.8	7.2	21.7	--
Israel	-2.1	0.7	14.5	5.9
Euro zone	-6.5	-1.2	14.2	3.7
Eastern Europe	-3.0	-0.4	9.6	5.7
World*	-3.5	2.8	11.6	4.6

Exchange rates

<i>end of period, # per</i>	%YTD 2021	Aug-21	Sep-21	Oct-21
US\$ broad index	2%	113.7	113.8	114.4
European euro (EUR)	-6.3%	0.8	0.9	0.9
Russian ruble (RUB)	4.1%	73.2	72.8	71.0
British pound (GBP)	0.3%	0.7	0.7	0.7
Turkish lira (TRY)	-30.5%	8.3	8.9	9.6
Israeli shekel (ILS)	1.7%	3.2	3.2	3.2

Oil and fuel price

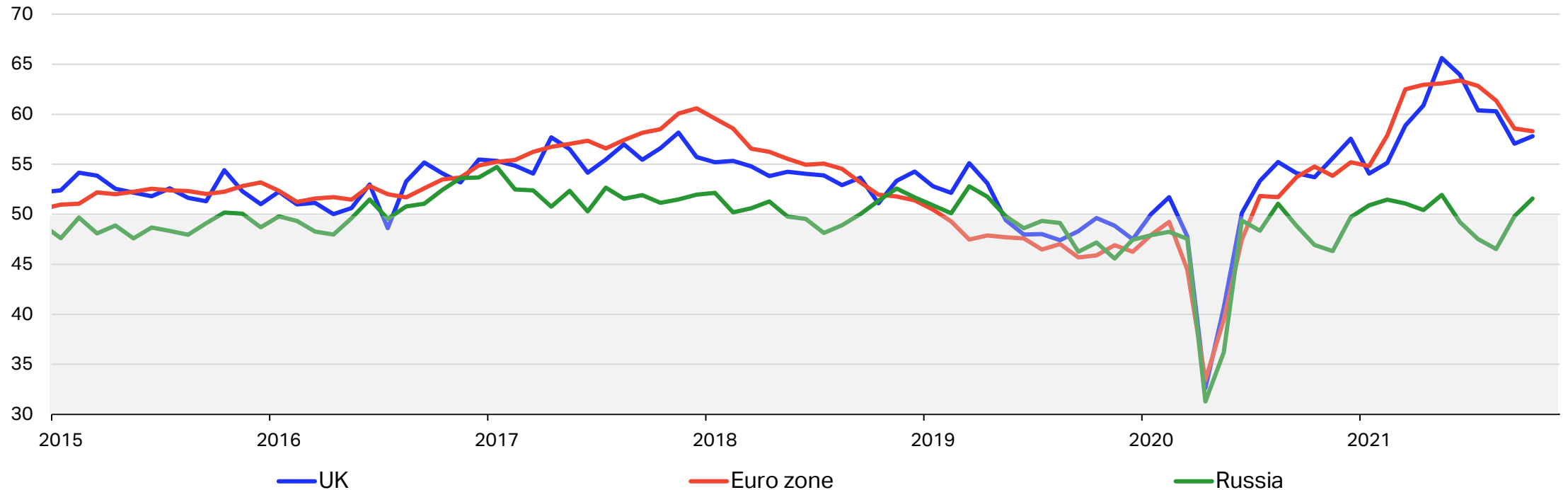
<i>US\$/barrel (period ave.)</i>	2020	Aug-21	Sep-21	Oct-21
Crude oil (Brent)	43.4	70.6	74.7	83.9
Jet fuel	46.3	76.9	82.9	95.6

Business confidence

- The manufacturing sector in the United Kingdom and Eurozone faced significant supply side issues in October but continued to expand at a robust pace. The manufacturing PMI rebounded in Russia, reflecting recovering demand and employment.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- Air travel picked up in September, after a slight deterioration in the previous month but remained well below pre-crisis levels. Industry-wide revenue passenger-kilometres (RPKs) fell by 53.4% compared with September 2019, vs. a 56.1% contraction in August.
- European airlines reported a 50.3% RPK decline in September – a slight deterioration from August (-48.7%). The resurgence of COVID-19 in the region weighed on passenger traffic results and has been negatively reflected also in bookings for future travel. Russia remained the fastest growing key domestic market for the ninth consecutive month (RPKs up 29.3% vs. 2019).

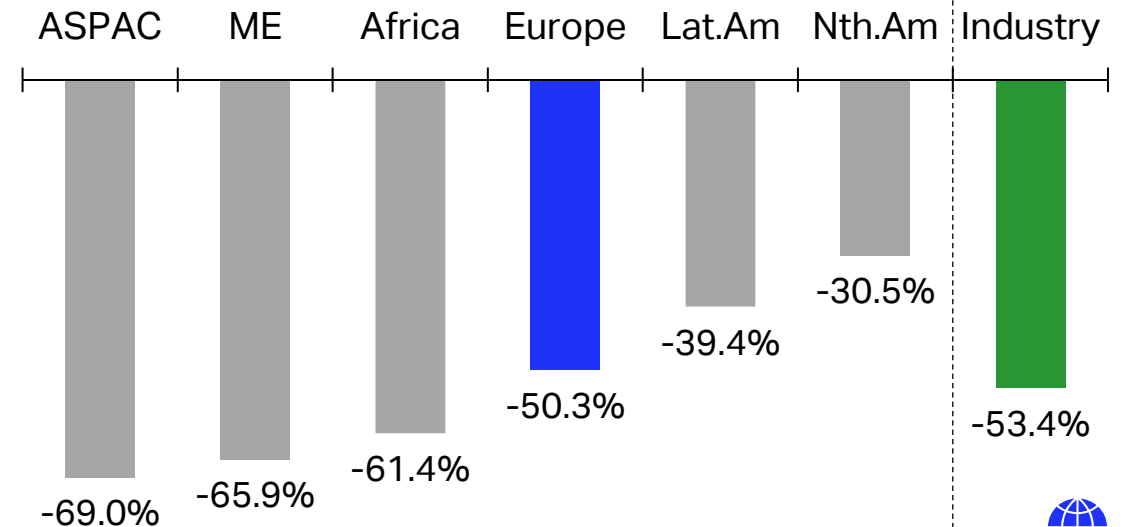
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
Europe	-69.8	-55.6	-48.7	-50.3
World	-65.9	-53.1	-56.1	-53.4
Routes (segment basis)				
Russia domestic	-23.5	28.9	31.9	29.3
Within Europe	-70.7	-53.5	-42.9	-44.3
Europe - North America	-80.4	-70.4	-64.6	-65.2
Europe - Asia	-79.0	-89.4	-88.4	-86.8
Europe - Middle East	-72.8	-74.7	-70.2	-64.9
Europe - Africa	-68.4	-50.5	-47.8	-49.2
Europe - South America	-71.8	-80.6	-74.0	-69.9

Growth in passenger volumes, by region

RPKs, % change vs. Sep 2019



Air cargo market

- The period of stability at elevated air cargo volumes continued in September, with industry-wide cargo tonne-kilometres (CTKs) growing by 9.1% compared to September 2019.
- At the regional level, European airlines recorded another month of robust ~6% CTK growth. Manufacturing output and new export orders remain supportive in the region, despite a downward trend as supply chain congestion bites. Among the key trade lanes to/from the region, CTKs improved on the large North Atlantic market (up 6.9% vs September 2019) but performance on the other routes was weaker.

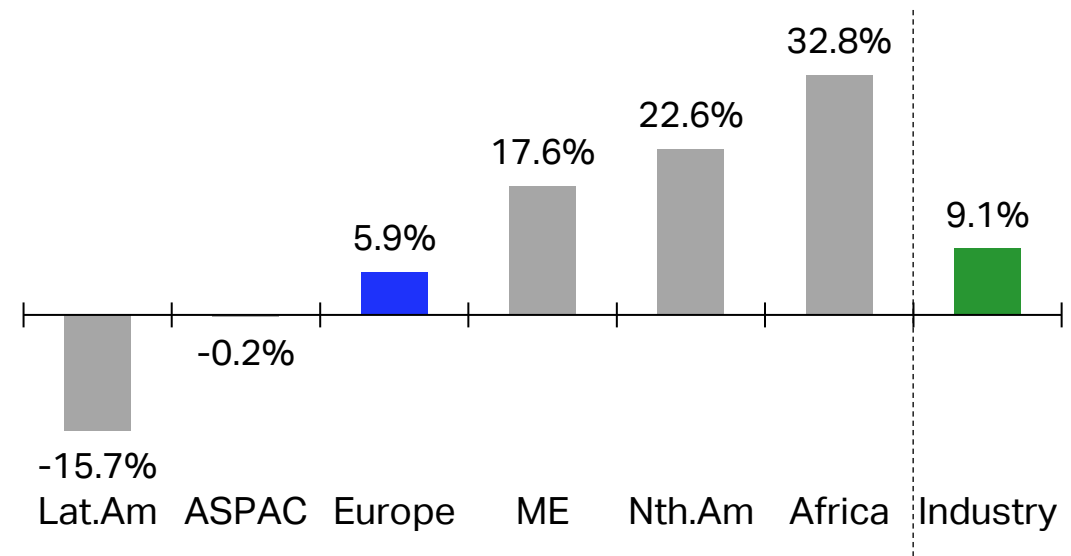
Cargo tonne kilometers (FTKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
Europe	-13.9	6.2	5.8	5.9
World	-8.7	9.0	7.5	9.1
Routes (segment basis)				
Europe - Asia	-10.5	3.4	2.2	-1.1
Europe - North America	-17.7	8.3	3.0	6.9
Europe - Middle East	-17.3	-7.8	-3.2	-0.9
Europe - Africa	-20.2	-16.0	-17.3	-14.0
Europe - South America	-23.6	-0.2	-6.8	-5.4
Within Europe	-23.0	-12.2	-4.5	-11.6

Growth in cargo volumes, by region

CTKs, % change vs. Sep 2019



Capacity growth & load factors

- Same as for RPKs, global seat capacity recovered from the temporary weakness in August. Industry-wide seat-kilometres (ASKs) fell by 43.6% in September vs. a 46.5% decline in the previous month. European airlines reported ASKs down 40.1% and their passenger load factor (PLF) was at 71.9% – nearly 15ppts lower compared with the pre-crisis period.
- Cargo capacity also improved – industry-wide ACTKs fell by 8.9% in September vs. a 12.7% contraction in August (both compared with 2019). European airlines underperformed the industry average this month, posting a 12.4% ACTK decline.

Capacity growth and load factors

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

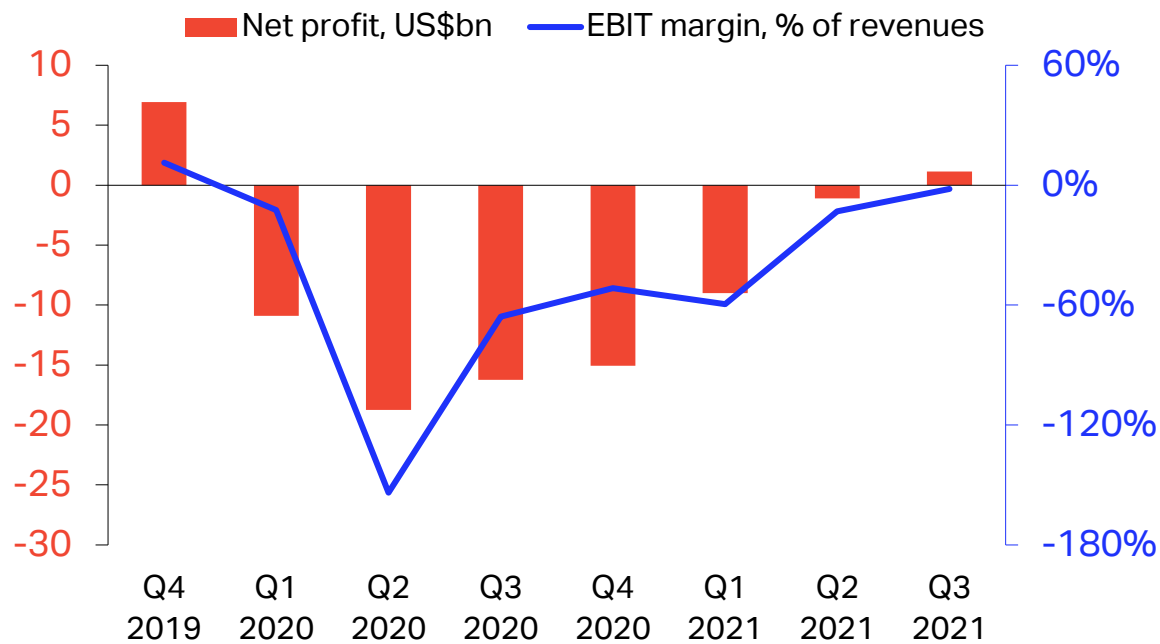
<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2020	Jul-21	Aug-21	Sep-21
Passenger					
Europe	ASK	-62.4	-44.8	-38.7	-40.1
	PLF	68.5	71.7	74.6	71.9
World	ASK	-56.7	-44.9	-46.5	-43.6
	PLF	65.1	72.8	70.3	67.6
Cargo					
Europe	ACTK	-24.4	-13.6	-12.7	-12.4
	CLF	59.0	59.5	57.6	60.4
World	ACTK	-21.2	-10.7	-12.7	-8.9
	CLF	54.2	54.8	54.4	55.3

Source: IATA. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers.

Airline EBIT margins & cash flow

- Initial Q3 financial results indicate that pressure on airlines' profitability eased further compared with Q2 across all regions. European airlines benefitted from the reopening of intra-European routes and the introduction of EU Digital COVID Certificate.
- In our initial small sample of airlines financials, cash flow generation improved in Q3 2021 vs. Q3 2020 due to reopening of some international markets, increase of domestic traffic and positive contribution of cargo revenues.

Sample Historical Profitability – global level



Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q3	2021Q3
Europe	4.8	-32	-57	1
Industry	5.2	-30	-68	-2

* constant sample basis, not seasonally adjusted

Airline cash flow*

% revenues	2020Q3		2021Q3	
	Net cash flow ¹	Free cash flow	Net cash flow ¹	Free cash flow
Europe	-54	-65	15	5
Industry	-68	-84	-4	-11

¹ from operating activities, * constant sample basis, not seasonally adjusted

Jet aircraft deliveries made & scheduled

- As of November, European airlines are scheduled to receive 26% more aircraft deliveries in 2022 vs. 2021. Most of these deliveries will be a narrow-body Max 737 (36%) and A321 (21%).

Aircraft deliveries to Europe (as of as of November 2021)

deliveries made & due

