

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 moved sideways in September. Amongst the key regional currencies, the TRY was the main mover, losing nearly 7% against the US\$ as Turkey's central bank unexpectedly cut interest rates despite high inflation in the country.
- Following the temporary weakness in August, average Brent crude oil and jet fuel price picked up by 5.9% & 7.8% respectively in September, reflecting rising optimism about fuel demand recovery.

GDP growth

<i>% change on a year ago</i>	2020	Q4 2020	Q1 2021	Q2 2021
Germany	-4.9	-2.9	-3.1	9.4
Russia	-3.0	-1.8	-0.7	10.5
France	-8.0	-4.3	1.5	18.7
UK	-9.7	-7.1	-5.8	23.6
Italy	-9.0	-6.6	-0.8	17.2
Spain	-10.8	-8.8	-4.2	17.5
Turkey	1.8	6.2	7.2	21.7
Israel	-2.1	0.0	0.8	15.4
Euro zone	-6.5	-4.4	-1.2	14.3
Eastern Europe	-3.1	-2.8	-1.3	10.3
World*	-3.5	-1.1	2.7	11.5

Exchange rates

<i>end of period, # per US\$</i>	2020	Jul-21	Aug-21	Sep-21
US\$ broad index	112.1	113.3	113.7	113.8
European euro (EUR)	0.81	0.84	0.85	0.86
Russian ruble (RUB)	74.0	73.1	73.2	72.8
British pound (GBP)	0.73	0.72	0.73	0.74
Turkish lira (TRY)	7.36	8.43	8.32	8.89
Israeli shekel (ILS)	3.21	3.23	3.20	3.23

Oil and fuel price

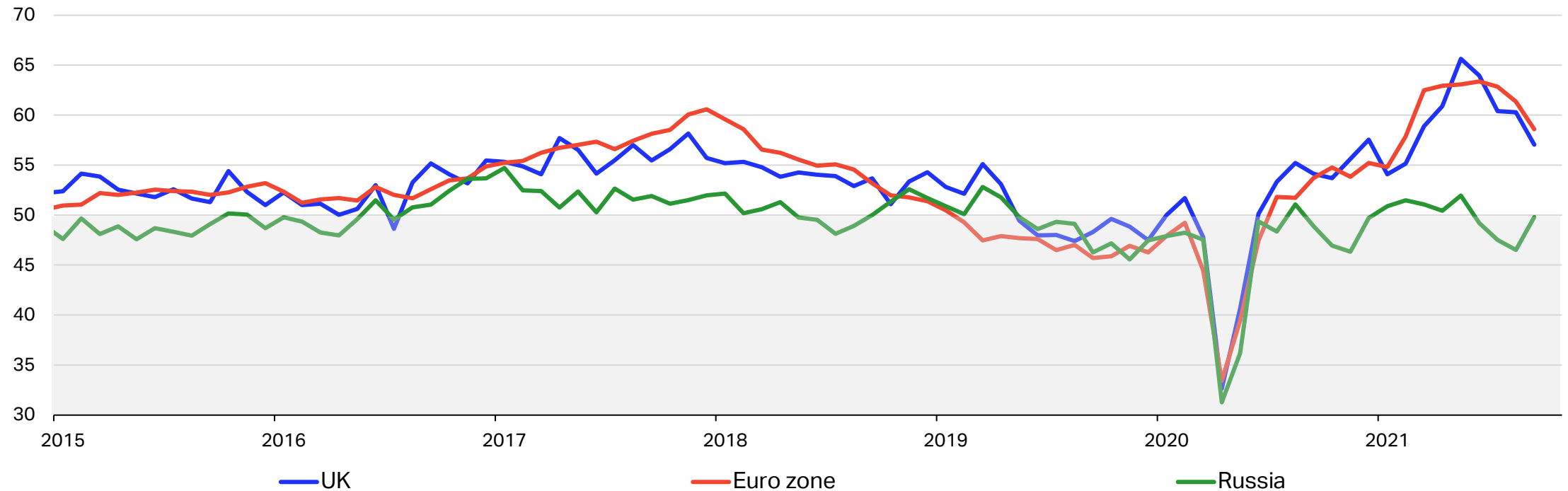
<i>US\$/barrel (period ave.)</i>	2020	Jul-21	Aug-21	Sep-21
Crude oil (Brent)	43.4	74.4	70.6	74.7
Jet fuel	46.3	79.5	76.9	82.9

Business confidence

- Growth momentum in the manufacturing sector slowed further in the UK and Eurozone in September due to congested supply chains and labor shortages (in the former). In Russia, operating conditions for manufacturers stabilized after three consecutive months of contraction as domestic demand improved and production picked up.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- The spread of the Delta variant led to a slight deterioration in air travel in August. Industry-wide revenue passenger-kilometres (RPKs) fell by 56.0% vs. August 2019, following a 53.0% drop in July. This was entirely driven by developments in some of the key domestic markets.
- RPKs flown by European airlines continued to recover in August, showing a 7ppts smaller contraction than in the previous month, at -48.7% (vs. Aug 2019). Russia domestic market remained the best performer amongst the global key domestic markets for another month (RPKs up a robust 32%). Of the region's key international markets, Within Europe showed the fastest improvement benefitting from the relaxation of travel restrictions.

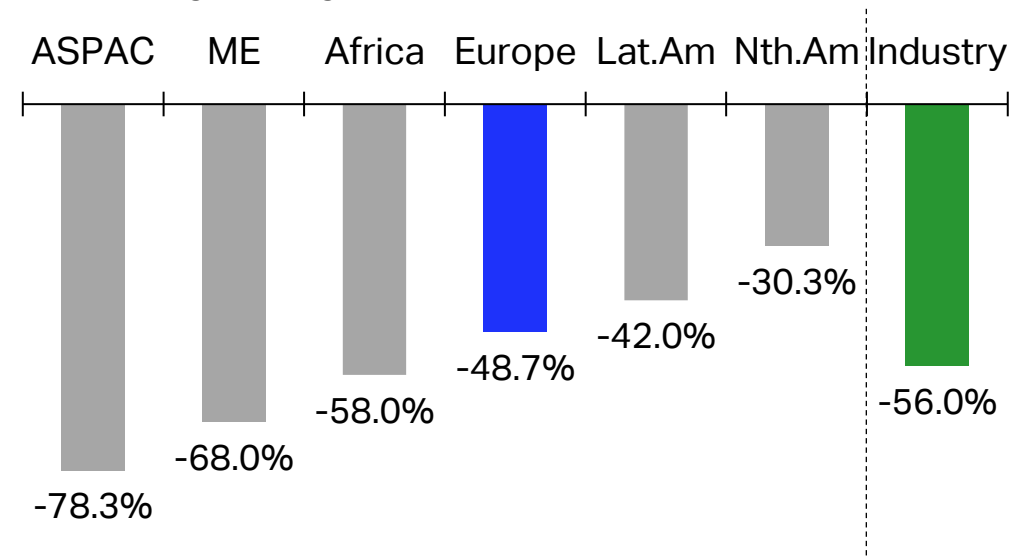
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jun-21	Jul-21	Aug-21
Region (registration basis)				
Europe	-69.8	-68.8	-55.6	-48.7
World	-65.9	-59.9	-53.0	-56.0
Routes (segment basis)				
Russia domestic	-23.5	33.0	28.9	31.9
Within Europe	-70.7	-73.2	-53.5	-42.9
Europe - North America	-80.4	-81.0	-70.4	-64.6
Europe - Asia	-79.0	-91.0	-89.4	-88.4
Europe - Middle East	-72.8	-81.5	-76.0	-71.2
Europe - Africa	-68.4	-63.9	-50.5	-47.8
Europe - South America	-71.8	-86.4	-80.6	-74.0

Growth in passenger volumes, by region

RPKs, % change vs. Aug 2019



Air cargo market

- August was the fourth consecutive month of relative stability in air cargo. Industry-wide cargo tonne-kilometres (CTKs) rose by 7.7% vs. August 2019, compared with an 8.8% expansion in July.
- European airlines reported CTKs up 6.3% in August compared with the pre-crisis levels – unchanged growth rate from July.

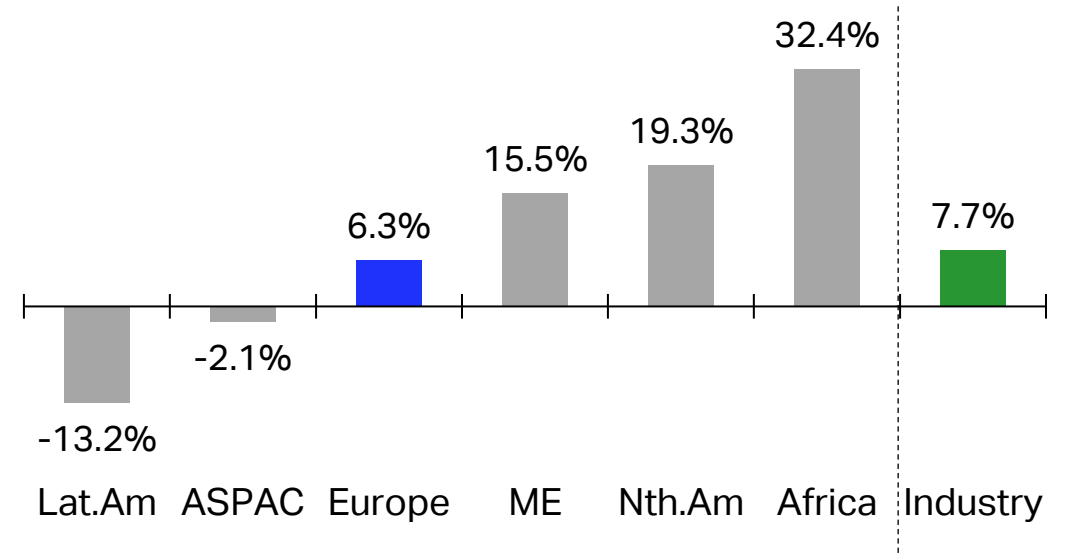
Cargo tonne kilometres (CTKs)

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

% ch vs. the same period in 2019	2020	Jun-21	Jul-21	Aug-21
Region (registration basis)				
Europe	-13.9	6.1	6.2	6.3
World	-8.7	9.2	8.8	7.7
Routes (segment basis)				
Europe - Asia	-10.5	5.0	3.3	2.9
Europe - North America	-17.7	0.5	9.3	4.2
Europe - Middle East	-17.3	-1.9	-8.0	-3.8
Europe - Africa	-20.2	-12.5	-16.0	-16.1
Europe - South America	-23.4	-2.7	0.4	-6.3
Within Europe	-23.0	-12.8	-12.2	-4.5

Growth in cargo volumes, by region

CTKs, % change vs. Aug 2019



Capacity growth & load factors

- Contraction in seat capacity (ASKs) accelerated at the global level. The deterioration was largely driven by falling capacity in the Asia Pacific region, where new COVID restrictions led to flight cancellations in some key domestic markets. European airlines reported modest seat capacity gains compared with July. Passenger load factors remained well below pre-crisis levels across all regions.
- Recovery in global cargo capacity (ACTKs) was also adversely impacted by pandemic developments in Asia Pacific. European airlines reported ACTKs down 12.1% vs. pre-crisis 2019 – a slightly better outcome than in July. Cargo load factors were elevated across the industry amidst lasting capacity shortages.

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	Jun-21	Jul-21	Aug-21
Passenger					
Europe	ASK	-62.4	-58.8	-44.8	-38.7
	PLF	68.5	66.2	71.7	74.6
World	ASK	-56.7	-51.4	-44.7	-46.2
	PLF	65.1	69.7	72.7	70.0
Cargo					
Europe	ACTK	-24.4	-16.4	-13.6	-12.1
	CLF	59.0	63.2	59.5	57.5
World	ACTK	-21.1	-11.9	-10.6	-12.2
	CLF	54.2	56.8	54.6	54.2

Airline EBIT margins & cash flow

- The latest financial results confirmed that pressure in airlines' profitability eased in Q2 amidst traffic improvement in some key domestic and short-haul markets. European airlines lagged the other regions since intra-regional travel was muted ahead of the summer quarter.
- Operating cash flow of European carriers turned positive in Q2 with the support of bookings for the summer travel.

Airline operating (EBIT) margins*

% revenues	2019	2020	2021Q1	2021Q2
Europe	4.8	-32	-54	-30
Industry	5.2	-30	-36	-14

* constant sample basis, not seasonally adjusted

Airline cash flow*

% revenues	2021Q1		2021Q2	
	Net cash	Free cash	Net cash	Free cash
	flow¹	flow	flow¹	flow
Europe	-46	-61	11	-4
Industry	-9	-22	20	10

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

Jet aircraft deliveries made & scheduled

- The number of aircraft deliveries scheduled by European airlines is expected to exceed 2019 levels in 2022 (+27%). The increase will be largely driven by deliveries of narrow-body aircraft as airlines expect the recovery of short- and medium-haul traffic to be faster than long-haul.

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

deliveries made & due

