

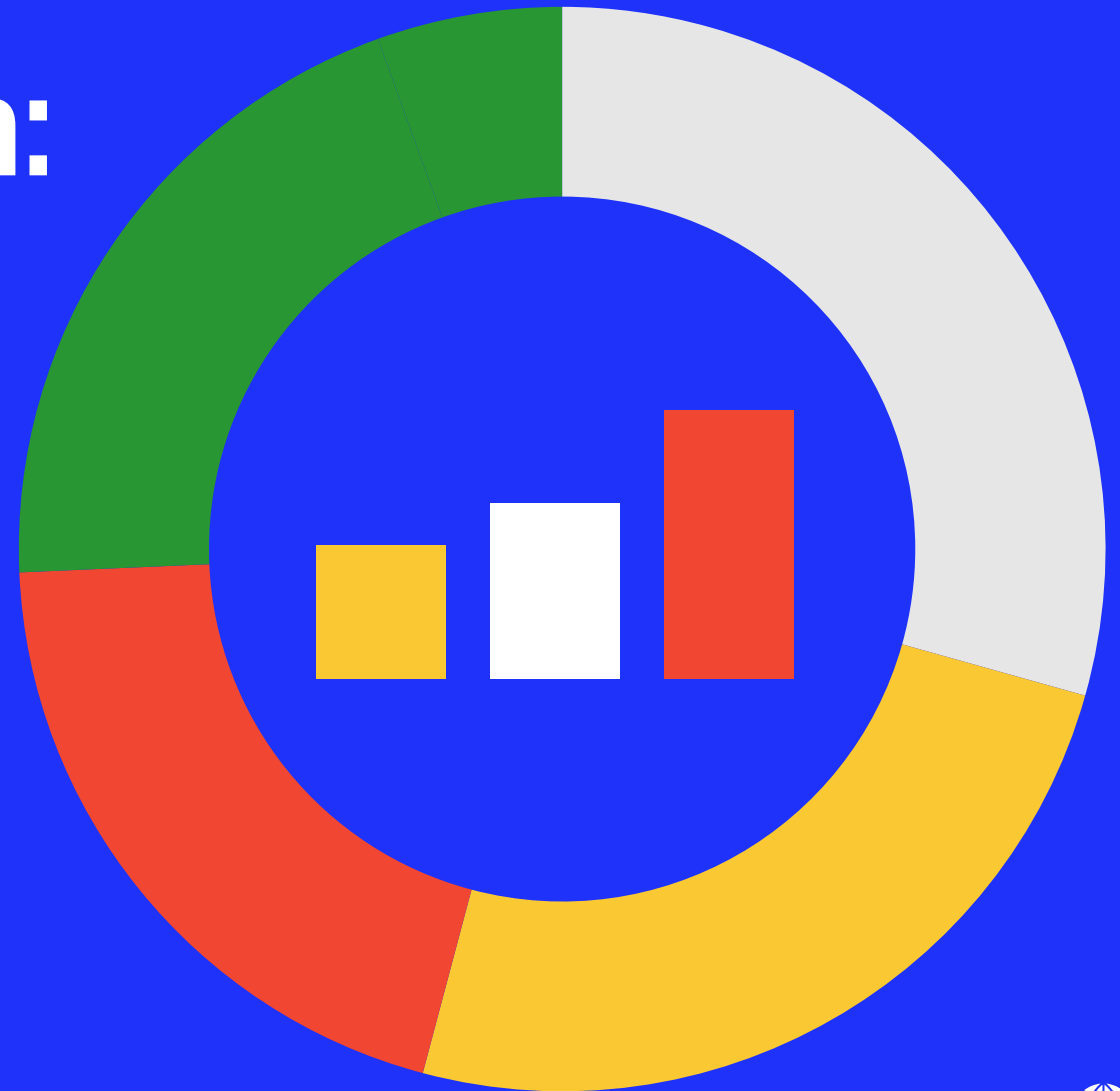
State of the Region:

Europe

IATA Economics

September 2021

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar index rose by 0.3% in August. Amongst the key regional currencies, the TRY gained 1.3% against the US\$ while the GBP lost 1.0%.
- Brent crude oil and jet fuel prices ticked down in August amidst increased oil supply and concerns over the impact of the Delta variant.

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	-9.8	-7.3	-6.1	22.2
Italy	-8.9	-6.5	-0.7	17.3
Spain	-10.8	-8.9	-4.2	19.8
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	10.4
World*	-3.5	-1.1	2.7	11.5

Exchange rates

<i>end of period, # per US\$</i>	2020	Jun-21	Jul-21	Aug-21
US\$ broad index	112.1	111.9	113.3	113.7
European euro (EUR)	0.81	0.84	0.84	0.85
Russian ruble (RUB)	74.0	73.1	73.1	73.2
British pound (GBP)	0.73	0.72	0.72	0.73
Turkish lira (TRY)	7.36	8.69	8.43	8.32
Israeli shekel (ILS)	3.21	3.26	3.23	3.20

Oil and fuel price

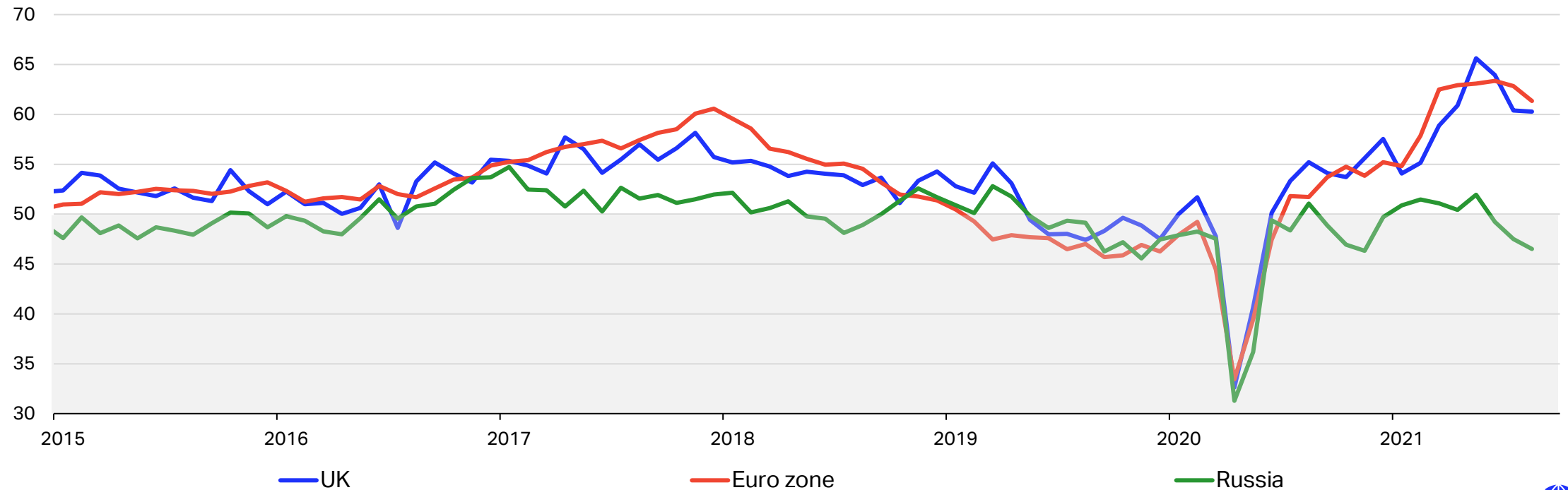
<i>US\$/barrel (period ave.)</i>	2020	Jun-21	Jul-21	Aug-21
Crude oil (Brent)	43.4	73.5	74.4	70.6
Jet fuel	46.3	77.6	79.5	76.9

Business confidence

- The growth momentum in the Eurozone and the UK manufacturing sector slowed in August, largely due to issues related to supply chain congestions. In Russia, the contraction in the manufacturing sector accelerated due to faltering demand.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- Rebound in global air travel continued for another month supported by willingness to travel during the northern hemisphere summer. Industry-wide revenue passenger-kilometres (RPKs) fell by 53.1% in July 2021 vs. July 2019 compared with a 60.0% contraction in June.
- European carriers benefitted from the recovery of intra-European traffic in July. Travel demand also improved on Transatlantic routes as EU added the US on safe travel list since mid-June. European RPK contracted by -56.5% in July (vs. pre-crisis July 2019).

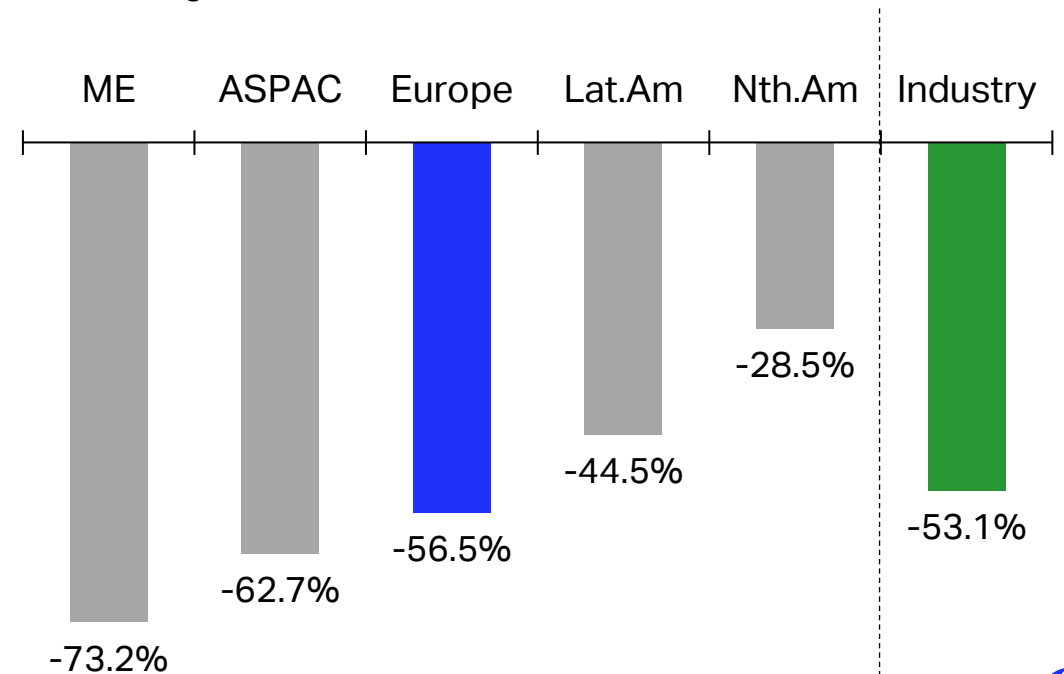
Revenue passenger kilometers (RPKs)

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

<i>% ch vs. the same period in 2019</i>	2020	May-21	Jun-21	Jul-21
Region (registration basis)				
Europe	-69.8	-78.1	-68.8	-56.5
World	-65.9	-62.9	-60.0	-53.1
Routes (segment basis)				
Russia domestic	-23.5	22.6	33.0	28.9
Within Europe	-70.7	-84.9	-73.1	-53.1
Europe - North America	-80.4	-88.0	-81.0	-70.4
Europe - Asia	-79.0	-92.6	-91.0	-89.4
Europe - Middle East	-72.8	-81.9	-81.5	-76.0
Europe - Africa	-68.4	-71.2	-63.9	--
Europe - South America	-71.8	-89.4	-86.4	-80.6

Growth in passenger volumes, by region

RPKs, % change vs. Jul 2019



Air cargo market

- Air cargo trends remained strong in July. Industry-wide cargo tonne-kilometres (CTKs) increased by 8.6% vs. July 2019.
- European CTKs expanded by 6.1% in July 2021 vs. July 2019, broadly in line with the growth seen in the previous two months. Manufacturing activity, export orders and supplier delivery times remain favorable to air cargo in the region.

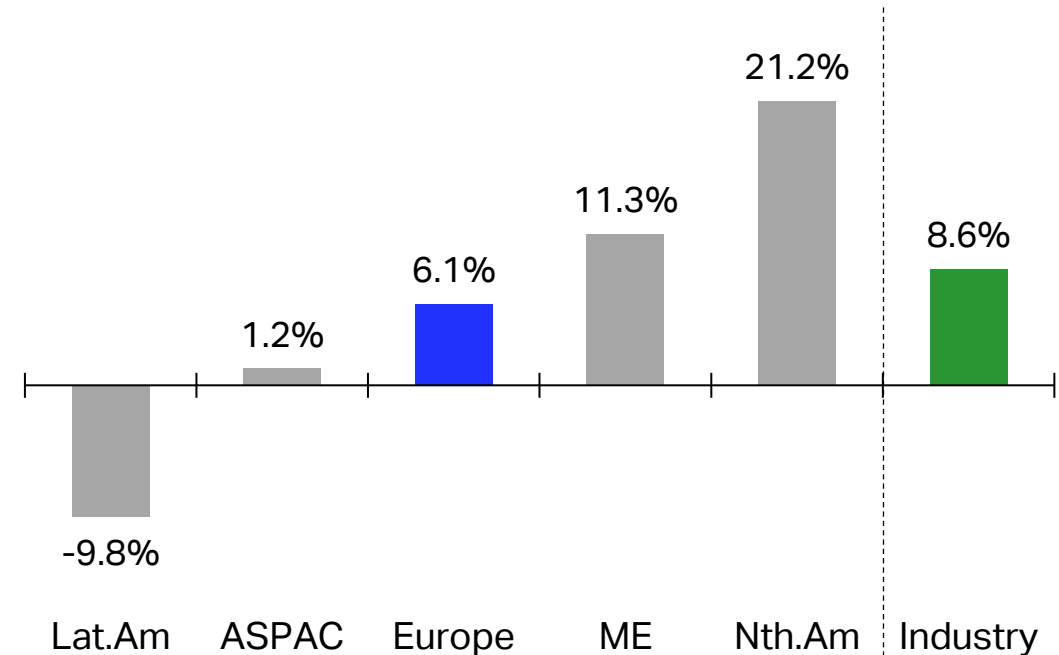
Cargo tonne kilometers (CTKs)

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

<i>% ch vs. the same period in 2019</i>	2020	May-21	Jun-21	Jul-21
Region (registration basis)				
Europe	-13.9	5.9	7.0	6.1
World	-8.7	7.8	9.2	8.6
Routes (segment basis)				
Europe - Asia	-10.5	2.7	5.0	3.1
Europe - North America	-17.6	2.6	1.1	10.7
Europe - Middle East	-17.3	-0.7	-1.9	-8.5
Europe - Africa	-20.2	-10.0	-12.5	--
Europe - South America	-23.4	-3.7	-2.7	0.4
Within Europe	-23.0	-18.4	-12.8	-12.2

Growth in cargo volumes, by region

CTKs, % change vs. Jul 2019



Capacity growth & load factors

- Global seat capacity trended higher in July in order to accommodate the slowly rising passenger demand. European airlines showed the fastest capacity improvement amongst all regions due to relaxation of restrictions on intra-European and North Atlantic routes. Load factors remained below 2019 levels across all regions.
- Global cargo capacity continued to improve but there were regional differences. Cargo capacity of European airlines contracted by 14.1% in July 2021 vs. July 2019 – little improvement on the 16.6% decline in the previous month. Cargo load factors were elevated.

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	May-21	Jun-21	Jul-21
Passenger					
Europe	ASK	-62.3	-69.2	-58.8	-46.5
	PLF	68.3	59.3	66.1	72.5
World	ASK	-56.7	-54.3	-51.6	-45.2
	PLF	65.1	66.3	69.8	73.1
Cargo					
Europe	ACTK	-24.4	-19.0	-16.6	-14.1
	CLF	59.0	67.3	64.0	59.8
World	ACTK	-21.1	-11.8	-11.8	-10.3
	CLF	54.2	57.7	56.8	54.4

Capacity growth & load factors

- Pressure on operating margins eased in Q2 2021 vs Q1 2021 as vaccination rollout allowed opening of some domestic and regional routes. That said, operating margins remained negative across the industry.
- In the initial small sample of airline financials, the cash flow generation improved considerably in Q2 2021. Cash flow of some of the major European carriers turned positive for the first time since the crisis started.

Airline operating (EBIT) margins*

<i>% revenues</i>	2019	2020	2021Q1	2021Q2
Europe	4.8	-30	-54	-33
Industry	5.2	-28	-59	-20

* constant sample basis, not seasonally adjusted

Airline cash flow*

<i>% revenues</i>	Q1 2021		Q2 2021	
	Net cash	Free cash	Net cash	Free cash
	flow ¹	flow	flow ¹	flow
Europe	-40	-54	27	8
Industry	-7	-21	32	19

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

Jet aircraft deliveries made & scheduled

- As of September 2021, the number of aircraft deliveries scheduled for 2021 by airlines based in the Europe region is expected to be broadly unchanged from 2019.

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

deliveries made & due

