

State of the region: Europe

June 2020

Economy

GDP growth, selected economies

% change on a year ago	2019	Q3 2019	Q4 2019	Q1 2020
Germany	0.6	0.7	0.4	-2.3
Russia	1.3	1.5	2.1	--
France	1.5	1.6	0.9	-5.0
UK	1.4	1.3	1.1	-1.6
Italy	0.3	0.5	0.1	-5.4
Spain	2.0	1.9	1.8	-4.1
Turkey	0.9	1.0	6.0	4.5
Israel	3.4	3.5	3.7	0.6
Euro zone	1.2	1.3	1.0	-3.1
Eastern Europe	2.9	2.9	2.7	1.2
World*	2.5	2.5	2.4	-1.7

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Mar-20	Apr-20	May-20
US\$ broad index	114.7	122.8	122.7	121.3
European euro (EUR)	0.89	0.91	0.92	0.90
Russian ruble (RUB)	62.1	78.1	73.9	70.6
British pound (GBP)	0.75	0.81	0.79	0.81
Turkish lira (TRY)	5.95	6.59	6.96	6.82
Israeli shekel (ILS)	3.45	3.54	3.47	3.50

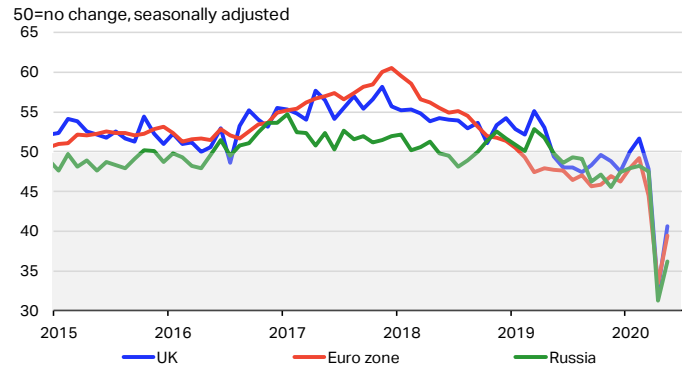
Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Mar-20	Apr-20	May-20
Crude oil (Brent)	64.2	33.9	26.8	32.4
Jet fuel	79.6	40.1	23.1	29.6

Source: Platts, Datastream (monthly average data)

Business confidence - manufacturing PMIs



Source: Markit

- Operating conditions remained challenging in the European region in May. However, the rate of contraction eased compared with last month as countries started to lift their restrictive measures and demand improved.
- The trade weighted US dollar index fell by 1.1% in May. Of the key regional currencies, the RUB gained ~5% against the US\$ for the second consecutive month, while the TRY and EUR ended the month up ~2%.
- The crude oil price rose in May on OPEC+ supply cuts and slower growth in US shale oil production. The jet fuel price also picked up as some restrictions began to be lifted and fuel demand started to recover.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Europe	4.2	0.3	-51.3	-98.1
World	4.2	-14.9	-55.4	-94.3
Routes (segment basis)				
Russia domestic	6.7	7.7	-15.4	-82.7
Within Europe	5.6	6.4	-54.3	-99.2
Europe - North America	4.3	8.4	-55.9	-98.8
Europe - Asia	6.6	-20.4	-66.7	-98.3
Europe - Middle East	4.4	4.4	-49.3	-97.7
Europe - Africa	4.5	2.4	-44.9	-99.1
Europe - South America	8.0	5.1	-43.5	-97.6

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

- Industry-wide revenue passenger kilometres (RPKs) fell by 94.3% year-on-year in April, the largest contraction in recent history amidst widespread border closures and lockdowns linked to COVID-19. A modest improvement is expected in coming months as countries start to lift their restrictions e.

- For European carriers, the industry effectively shut

IATA Economics: www.iata.org/economics

down in April, with passenger volumes contracting by 98% year-on-year.

- The declines were relatively uniform across the region's key routes with the exception of the Russia domestic market. In that market RPKs contracted by ~83% year-on-year as the country was impacted by the virus outbreak at a relatively later stage compared to elsewhere.

Growth in air passenger volumes



Source: IATA Economics

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Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Europe	-1.9	-5.3	-18.3	-33.7
World	-3.2	-1.6	-14.7	-27.7
Routes (segment basis)				
Europe - Asia	-1.6	-6.3	-20.2	-27.8
Europe - North America	-2.5	5.3	-20.5	-44.6
Europe - Middle East	-5.2	3.8	-18.1	-43.8
Europe - Africa	-1.9	-1.4	-22.2	-60.1
Europe - South America	-3.1	2.2	-19.7	-52.8
Within Europe	-0.9	-7.8	-32.3	-31.3

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

- The decline in industry-wide cargo tonne kilometres (CTKs) accelerated to 27.7% year-on-year in April amidst subdued demand compounded by the disruption in global manufacturing activity from the COVID-19 shock.
- European carriers recorded almost 34% year-on-year

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Feb-20	Mar-20	Apr-20
LF: % of ASK/ACTK					
Passenger					
Europe	ASK	3.6	0.9	-39.1	-94.9
	PLF	85.2	81.2	67.0	32.0
World	ASK	3.4	-9.4	-38.2	-87.0
	PLF	82.6	75.8	59.2	36.6
Cargo					
Europe	ACTK	3.4	-5.0	-22.4	-48.8
	CLF	51.7	53.0	59.3	64.8
World	ACTK	2.2	-3.8	-20.1	-42.0
	CLF	46.7	45.9	53.1	58.0

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

- Although airlines placed around half of their fleet into storage in April, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor declined by 47ppts year-on-year. The PLF for European carriers fell by 53ppts.
- In contrast, cargo capacity fell significantly faster than demand due to the lack of belly capacity, and the cargo load factor rose by a record 11.5ppts annually. At the regional level, European airlines posted almost 15ppts higher CLF compared to April 2019.
- Q1 2020 results confirm the severity of COVID-19 for airline financials as the outbreak became global. The industry-wide EBIT margin was -12.3% of revenues, down from 5.1% in the same quarter a year ago.

Airline operating (EBIT) margins*

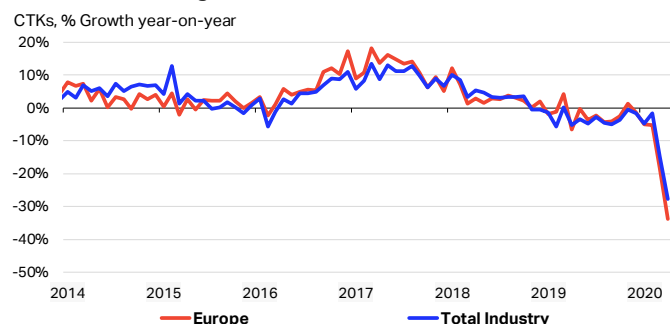
% revenues	2018	2019E	2019Q1	2020Q1
Europe	6.2	4.8	-4.4	-16.1
Industry	5.7	5.2	5.1	-12.3

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

fall in air cargo volumes amidst strict lockdowns that weighed on economic activity in the region.

- Amongst Europe's key markets, Europe-Asia saw a 28%yoy CTK decline, with remaining demand driven by shipments of personal protective equipment (PPE). Europe-Africa was the main underperformer this month, with volumes down 60% over the past year.

Growth in air cargo volumes



Source: IATA Economics

At the regional level, European airlines recorded an EBIT margin of -16.1%, compared to -4.4% in the same period a year ago.

- April passenger yield data (in US\$) provided a less representative estimate than we would typically expect due to a dramatically smaller number of tickets being sold. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

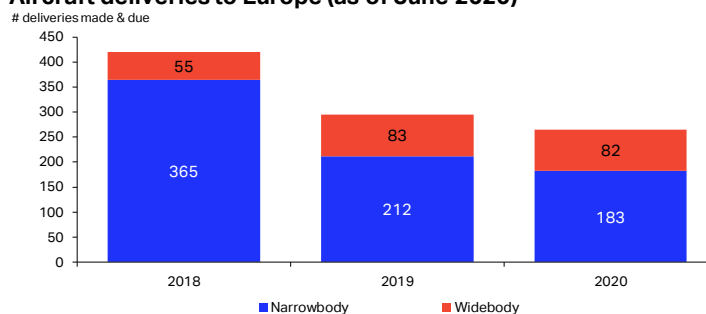
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Russia domestic	-5.4	4.4	-16.2	-23.4
Within Europe	-6.7	0.7	-13.5	0.9
Europe - North America	-3.9	-1.9	-14.3	-17.6
Europe - Asia	-7.9	-5.3	-5.0	29.5
Europe - Middle East	-5.8	-1.8	-9.3	38.9
Europe - Africa	-7.3	-1.1	-11.6	-12.0
Europe - South America	-15.1	-2.5	-10.6	-0.8

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

- The latest data indicate a 10% fall in scheduled jet aircraft deliveries for carriers based in Europe in 2020 vs. 2019. This fall will be driven by orders of narrow-body aircraft.

Aircraft deliveries to Europe (as of June 2020)



Source: Ascend