



Industry Monitor

The EUROCONTROL bulletin on air transport trends

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- **European flights increased by 2.9% in November 2016 compared with November 2015 and were in line with the forecast. Preliminary data for December 2016 show an increase of 2.9% in flights on December 2015. The overall flight growth for 2016 as a whole is estimated at 2.4%.**
- **Top nine European airlines listed in this bulletin posted €6 billion operating profits during the third quarter of 2016; this was a 5% decrease on the same period last year.**
- **IATA forecasts European airlines to post profit for 2016 of €7 billion, unchanged from its June 2016 forecast. Expected rising oil prices will see airlines profit for 2017 fall to €5.3 billion.**
- **Oil prices surged to €51 per barrel in December and hit their highest level since July 2015.**

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EUROCONTROL Statistics and Forecasts

European flights (ECAC – European Civil Aviation Conference area) increased by 2.9% in November 2016 compared with November 2015 and were in line with the forecast. Preliminary data for December 2016 show an increase of 2.9% in flights on December last year ([Figure 1](#)). The overall flight growth for 2016 as a whole is estimated at 2.4% when the leap year effect has been removed.

In November, eleven states contributed to more than 50 additional daily flights to the European local traffic (excluding overflights) growth. Continuing from March 2016, UK has been the top contributor and added 252 daily flights to the network. With 144 extra daily flights, Spain was second. Poland added 88 daily flights and was in the third position mainly due to the growth on its flows from/to UK, Italy and Ukraine. The country recorded a 12% increase in its local traffic growth rate. Germany (+87 daily flights) and Portugal (excluding Azores) (+80 daily flights) completed the top 5 contributors to the network. The remaining six countries added together 435 daily flights to the network: Italy (+78 flights/day), Canary Islands (+77 flights/day), France (+76 flights/day), Ukraine (+71 flights/day), the Netherlands (+67 flights/day) and Romania (+66 flights/day). The reduction of flights in Turkey since March 2016 is continuing and Turkey recorded 133 fewer daily flights in November. Norway had 51 fewer daily flights due to its continuing weak domestic flow, which fell 4% in November ([Figure 2](#)).

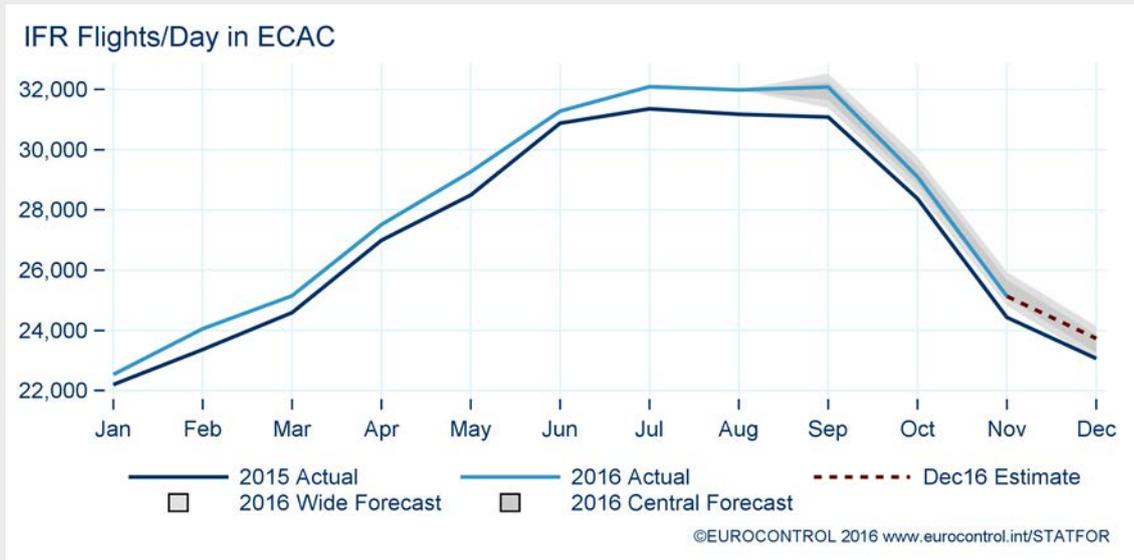


Figure 1: Monthly European Traffic and Forecast (based on the 7-year forecast Sep16).

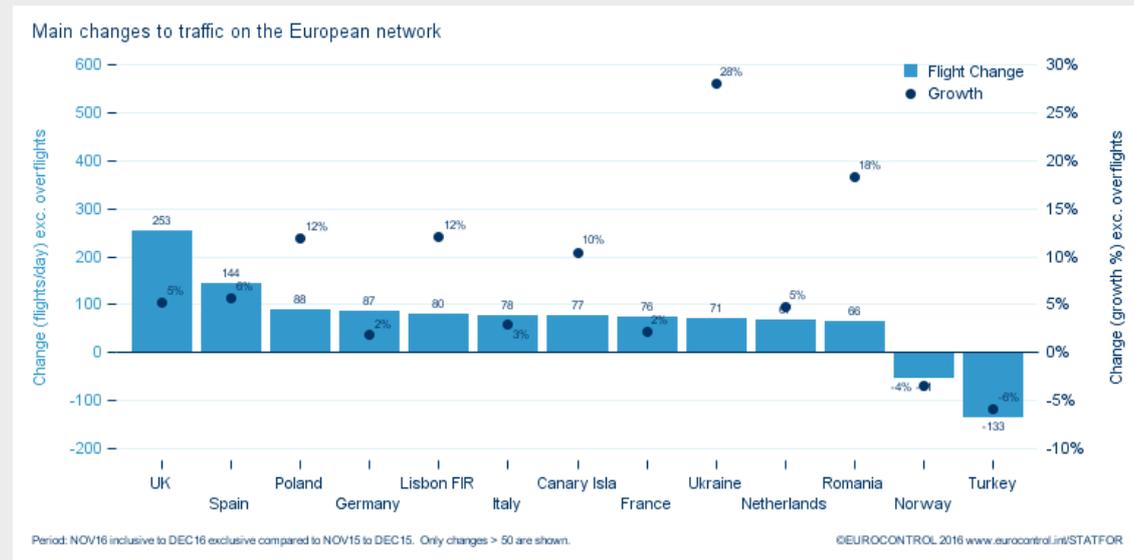


Figure 2: Main changes to traffic on the European network in September 2016.

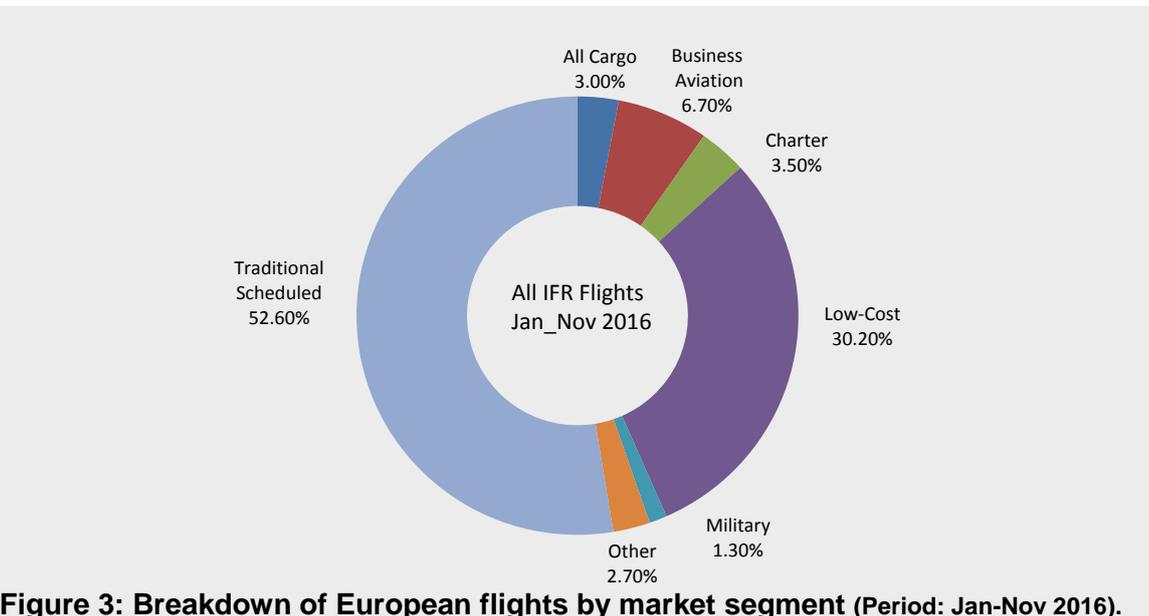


Figure 3: Breakdown of European flights by market segment (Period: Jan-Nov 2016).

Percentage of flights delayed on departure

Breakdown of all-causes delay per flight

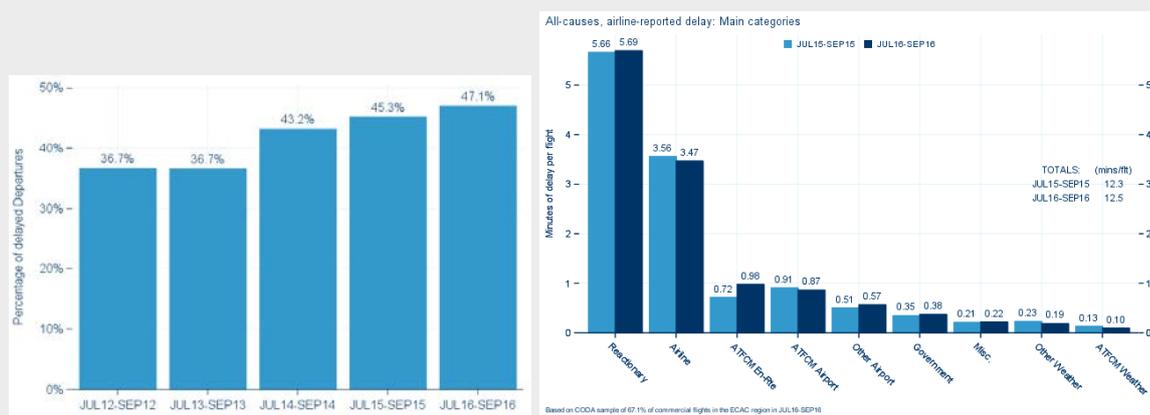


Figure 4: Delay statistics (all-causes, airline-reported delay – 3Q2016).

The United States was still the first extra-European partner although the average daily flights on flows in both directions (779 flights) recorded a smaller increase and was up 1% in November 2016 (vs. Nov 2015) compared with a 6% average growth rate for the previous months of this year. Traffic flows between Europe and the Russian Federation improved and recorded 591 average daily flights in both directions to reach the same level as November last year. The United Arab Emirates were the third extra-European partner with 333 flights per day on average, an increase of 6%. Traffic flows between Europe and Egypt declined by 19% to 163 flights per day in November 2016.

Low-cost was the strongest market segment in November 2016 with a growth rate of 6.7% on November 2015 and was followed by the **traditional scheduled** segment, which grew 2.9%. The **all-cargo** and **business aviation** segments moved to the positive in November 2016 (vs. Nov 2015) and were up 2.7% and 1.8% respectively. Charter was the only market segment which recorded a decrease of 10.2% in November 2016 compared with November 2015.

STATFOR market segment definitions have been reviewed during the third quarter of 2016 to reflect more accurately the recent market trends. The main changes concern the business aviation segment which now includes large corporate airliners along with new business aviation aircraft types. The low-cost segment comprises all scheduled aircraft operators with a low-cost business model. The all-cargo segment rule based on aircraft operator, aircraft type and call sign has also been updated. The breakdown of IFR flights by market segment for the first eleven months of 2016 is captured in [Figure 3](#). STATFOR market segment rules are available in the [STATFOR Interactive Dashboard](#) (EUROCONTROL, December).

Based on data from airlines describing [delays from all causes for the third quarter of 2016](#) illustrated a story of poorer on-time performance in July, continuing from industrial action and weather issues at the end of the previous quarter, followed by improvements in punctuality during August and September when compared to 2015. This translated to a quarterly average all-cause departure delay of 12.5 minutes per flight, an increase of 0.2 minutes per flight, alongside an increase in daily flights of 2.7% in ECAC and for the network which experienced its busiest ever day on Friday 9 September.

Reactionary (knock-on) delay remained stable contributing 5.7 minutes to the 12.3 minute average delay per flight, a 46% share of delay minutes. For every 1 minute of primary delay there were 54 seconds of reactionary delay generated.

Delays due to airline operations remained the main cause of primary delay, contributing 3.5 minutes to average delay per flight for the quarter. Airline reported en-route ATFCM delays increased to 1 minute per flight, with ATC industrial action in France contributing to this increase. Airport operations delay including ATFCM, remained at 0.9 minutes per flight and the third highest cause in the share of primary delay. Istanbul's Sabiha Gökçen airport continued to suffer heavy delay with the airport experiencing capacity delays on arrival throughout the quarter. In contrast to recent months, Istanbul Atatürk saw a decrease in delay and fell from the top 20 delay affected airports.

The percentage of flights delayed on departure (≥ 5 minutes) was 47%, an increase of 2 percentage points when compared with 3Q2015 ([Figure 4](#)).

Operational cancellations increased to 1.4% of planned flights, compared to 1.3% in 3Q2015. Cancellations remained low for the quarter in comparison with earlier months in the year where large scale ATC industrial actions were observed. Despite this lower rate industrial action by French ATC, Air France pilots as well as Alitalia pilots and cabin crew did occur during the quarter. The report All-Causes Delay and Cancellations to Air Transport in Europe for Quarter 3 2016 is available [here](#) (EUROCONTROL, December).

Other Statistics and Forecasts

Both [ACI](#) and [IATA](#) reported passenger traffic figures in Europe showing signs of recovery from the aftermath of the terrorist attacks and political unrest earlier this year.

[ACI](#) reported that overall passenger counts at European airports increased by 6.1% in October 2016 compared with the same month a year ago with overall aircraft movements growing by 4.2% on October 2015. Freight traffic reached its best performance since May 2011 and climbed 8.7% in October (vs. October 2015) ([ACI](#), 8 December).

[IATA](#) reported that European scheduled passenger traffic (RPK) was up 5.7% in October 2016 (vs. October 2015). Capacity rose by 6.2% and the total passenger load factor was 83.2% ([IATA](#), 7 December).

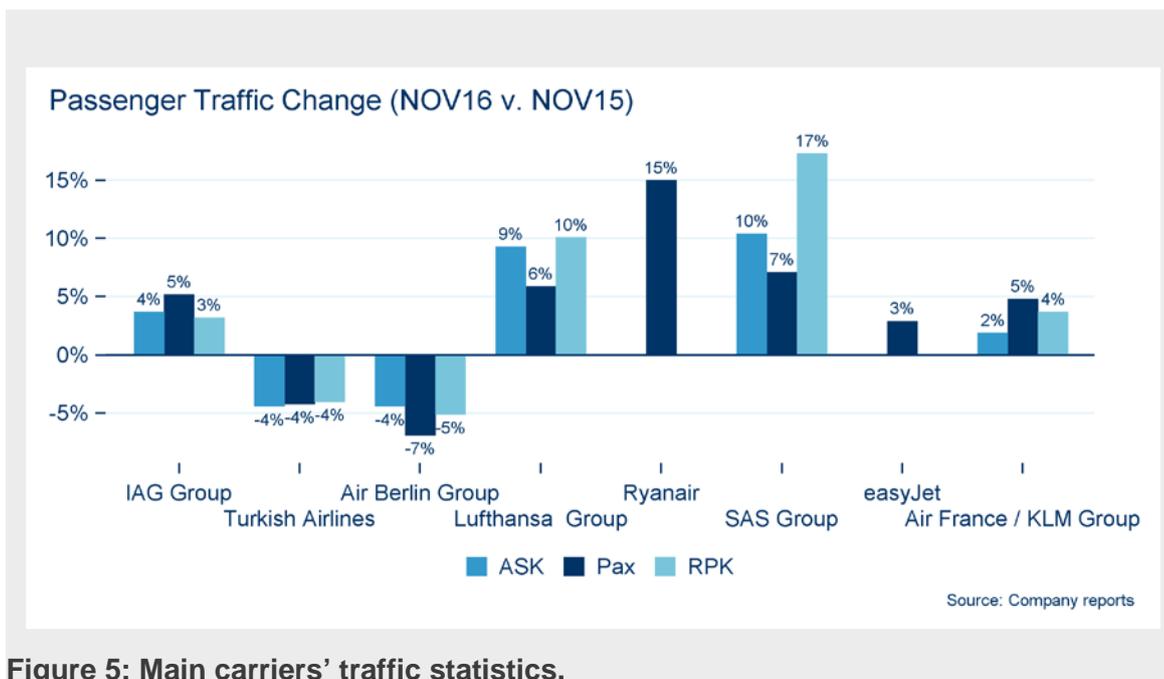


Figure 5: Main carriers' traffic statistics.

Passenger Airlines

Capacity, costs and jobs

Austrian Airlines plans to recruit 100 new pilots in 2017 to meet the expansion of its fleet by two Airbus A320 aircraft and one Boeing B777 aircraft along with the integration of 17 Embraer E195 aircraft which are meant to replace its 21 Fokker 70/100 fleet. Austrian will have already completed the recruitment of 145 pilots by the end of 2016 [IM184](#) (Austrian, 15 November).

Etihad Airways is recruiting experienced pilots across eight European countries to meet its fleet expansion of currently 123 aircraft to reach 179 units by 2025 (Etihad, November).

airberlin is recruiting 500 cabin crew staff in Berlin, Dusseldorf and Munich to meet its long-haul expansion plans in 2017, mainly on North America routes (airberlin, 21 November).

Flybe will launch its first European base in Dusseldorf in February 2017 and is in the process of recruiting 60 pilots and cabin crew. The airline currently operates 13 routes between UK and Germany, among which six to Dusseldorf (Flybe, November).

KLM plans to recruit 100 new pilots and 400 new cabin crew during the first six months of 2017 following positive results achieved in cutting costs in recent years. The airline has expanded its network and renewed its fleet (KLM, 7 December).

Etihad Airways and **TUI AG** have signed an agreement for the creation of a new European leisure airline which will operate a fleet of circa 60 aircraft on point-to-point routes connecting key European tourist destinations from Germany, Austria and Switzerland to the Balearic and Canary Islands, continental Spain and Greece with the start of summer 2017 schedule (TUI Group, 23 November & Etihad, 7 December).

Due to weak demand following terrorist attacks and political unrest in Turkey this year, **Turkish Airlines** has reduced or cancelled a certain number of its domestic and international destinations with the start of the winter schedule. The carrier has also postponed delivery of Airbus and Boeing aircraft it has on order: at the end of last year, the company had a plan for 173 new aircraft to be delivered over the period 2017-2022. The plans have now been revised and 15 of these deliveries have been postponed until 2023 (Turkish Airlines, November).

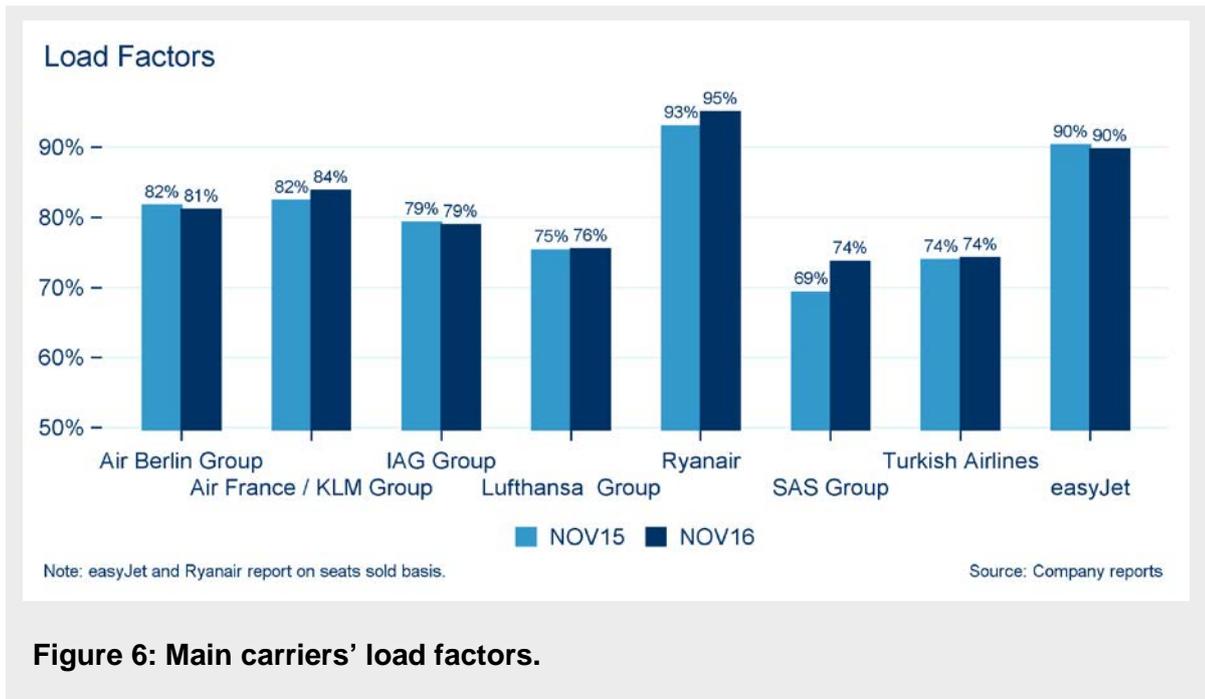


Figure 6: Main carriers' load factors.

Turkish low-cost [Pegasus Airlines](#) is reportedly focusing on a cost cutting programme in an attempt to offset the effect of the reduced number of tourists visiting Turkey which slumped 32% during the first nine months of the year. The carrier has postponed delivery of 39 Airbus and Boeing aircraft, leased out aircraft (Reuters, 25 November).

[Qatar Airways](#) expects to finalise the acquisition of a 49% stake in Italian carrier Meridiana by the end of January 2017 (Qatar Airways, 6 November).

Bankrupt [Transaero Airlines](#) would reportedly resume operations in the domestic Russian market by April 2017, pending approval from the defunct airline's creditors. Transaero ceased operations in October 2015 (The Moscow Times, 16 November).

French low-cost [XL Airways](#) and all-business class [La Compagnie](#) have reportedly merged to create the first long-haul low-fare group servicing both business and economy class on the Paris-New York route and will compete with Air France, Norwegian Airlines and WOW Air on transatlantic flights. Each airline will maintain its own brand identity. (Les Echos, 2 December)

[Norwegian Air Shuttle's](#) subsidiary, [Norwegian Air International](#) has finally received its foreign carrier permit from the US Department of Transportation which will enable the carrier to operate transatlantic flights from Cork and Shannon to Boston and New York with its Irish license as from Summer 2017 (Norwegian, 3 December).

A long running dispute about pay rise resulted in a 6-day strike (23-26 Nov and 29-30 Nov) of pilots at [Lufthansa](#) which reported circa 4,600 operational cancellations in November. The airline said that strikes will affect earnings by approximately €100 million (Lufthansa, November & December).

[Lufthansa](#) has taken over 100% of [Brussels Airlines](#) which will fully integrate its low-cost subsidiary Eurowings Group by 2018. Brussels Airlines' well established Africa network, highly competitive cost structure allowing the airline to compete with the low-cost carriers in the Belgium market will further strengthen the Lufthansa Group (Lufthansa, 15 December).

[Azerbaijan Airlines](#) plans to launch [Buta Airways](#), its new low-cost subsidiary. The new carrier will begin operations in fall 2017 with a fleet of Embraer aircraft (Azerbaijan Airlines, 14 December).

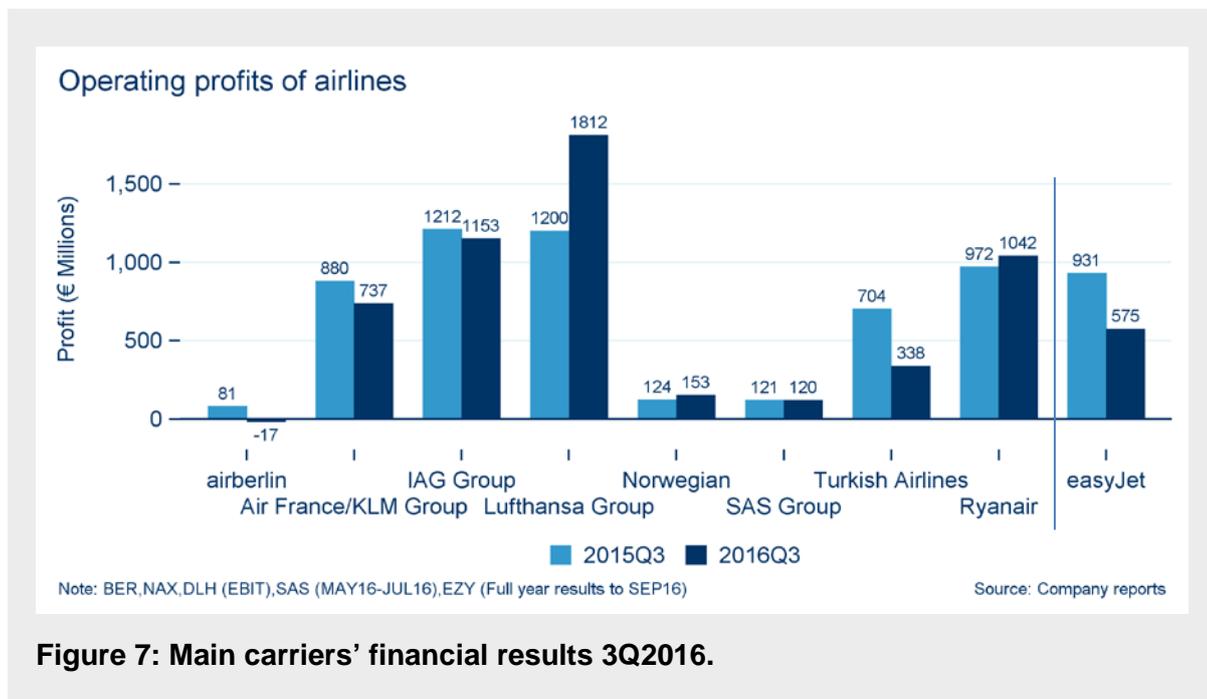


Figure 7: Main carriers' financial results 3Q2016.

Traffic Statistics: November Update

[Figure 5](#) and [Figure 6](#) compare November 2016 figures with November 2015 figures for the European carriers. In addition to the number of passengers (PAX), passenger capacity is measured in available seat kilometres (ASK), traffic is measured in revenue passenger kilometres (RPK) and load factor as a percentage (%).

Routes, Alliances, Codeshares

Berlin-based [Germania](#) will open a base in Palma de Mallorca in May 2017 with one B737-700 aircraft and flights to five German cities (Friedrichshafen, Münster/Osnabrück, Dresden, Bremen and Nuremberg) but also to Maastricht, Montpellier and Strasbourg (Germania, 15 November).

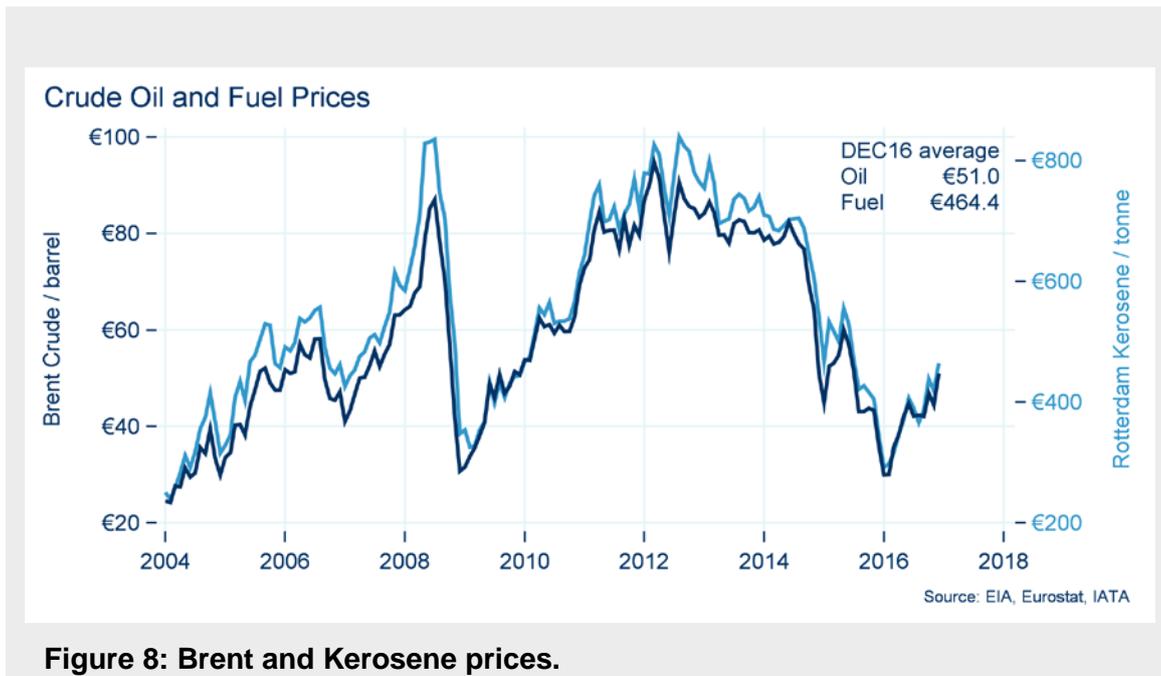
[Lufthansa's](#) low-cost subsidiary [Eurowings](#) will expand its long-haul service to the US and add two routes from Cologne/Bonn to Orlando and Seattle, effective July 2017 (Eurowings, November).

[Lufthansa](#) will add five new routes from Frankfurt to Santiago de Compostela, Bordeaux, Heringsdorf, Shannon and Funchal and two new routes from Munich to Nantes and Santiago de Compostela, starting with the summer 2017 schedule (Lufthansa, 16 November).

[SWISS](#) will expand its European route network from Zurich in Summer 2017 and serve five new destinations including Bergen, Cork, Figari, Nis (Serbia) and Sylt (Germany) using its Bombardier CS100 aircraft for which the airline has been the first world's operator last July (SWISS, 17 November).

[easyJet](#) will launch 16 new routes from France in 2017 and will base one additional Airbus A320 aircraft at its Nice and Toulouse bases (easyJet, December).

[Norwegian](#) expands its network in Germany with the opening of eight new routes from Dusseldorf and Hanover to Barcelona, Malaga, Alicante, Palma de Mallorca and Tenerife from spring 2017 onwards. Norwegian already operates routes in Germany from Hamburg, Munich, Berlin and Cologne (Norwegian, 13 December).



Financial results of airlines

[Figure 7](#) compares the third quarter of 2016 financial results with the third quarter of 2015 ones for the top nine European airlines (based on 2016 traffic shares) which together posted €6 billion operating profits; this was a 5% decrease on the same period last year.

On the one hand, Lufthansa Group realised a 51% profit increase: the global aviation group managed to reduce its costs coping with the pressures on reducing the fares. Furthermore, Eurowings' expansion worked well and is expected to be reinforced with the inclusion of Brussels Airlines in the Group. Norwegian Air Shuttle saw a 23% increase in profit by getting new passengers within Spain, whereas Ryanair experienced a profit increase of 7% as the airline increased the passengers carried by opening new routes while reducing its unit costs.

On the one hand, low ticket prices had a negative impact on the operational profits of some airlines. The most acute case is Air Berlin with severe losses (-121%), followed by Turkish Airlines (-52%). The latter perhaps mostly affected by the political instability. In addition, some airlines were hit by the effect of Brexit on the British Pound (GBP). That is the case of EasyJet which posted *full year results* to September 2016 – the operating costs of the company unexpectedly rose, leading the airline to suffer a blow in profits (-38%) (source: company reports).

Cargo

IATA reported that [European airlines](#) posted the largest increase in freight demand among the regions in October 2016, up 13.4% on October last year. The good performance was mainly driven by the sustained increase in export orders in Germany and the ongoing Euro weakness (IATA, November).

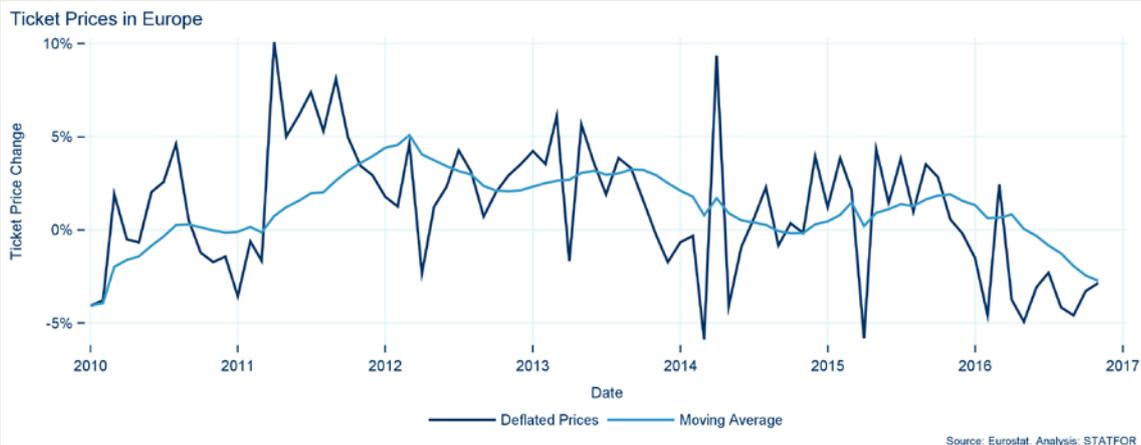


Figure 9: Deflated ticket prices in Europe.

Airports

Top 10 airport pairs (total flights in both directions) in November 2016 (vs. Nov 2015):

Rank	Departure Airport	Arrival Airport	Average Daily Movements	Growth on Nov 2015
1	Oslo	Trondheim	61	3.4%
2	Istanbul Sabiha Gökçen	Ankara	62	16.6%
3	Bergen	Oslo	56	0.2%
4	Istanbul Atatürk	Izmir	56	1.8%
5	Toulouse	Paris Orly	53	-0.7%
6	Oslo	Stavanger	48	-1.4%
7	Barcelona	Madrid	48	-3.3%
8	Istanbul Sabiha Gökçen	Izmir	48	4.4%
9	Berlin Tegel	Munich	47	14.5%
10	Istanbul Atatürk	Ankara	46	11.4%

(EUROCONTROL, December)

Top 10 departures airports in November 2016 (vs. Nov 2015):

Rank	Departure Airport	Average Daily Departures	Growth on Nov 2015
1	London Heathrow	630	1.8%
2	Amsterdam Schiphol	621	5.1%
3	Paris CDG	610	1.0%
4	Istanbul Atatürk	566	-5.6%
5	Frankfurt	559	0.6%
6	Munich	508	3.2%
7	Madrid	503	2.1%
8	Rome Fiumicino	374	-3.2%
9	Barcelona	365	6.5%
10	Copenhagen	351	-0.9%

(EUROCONTROL, December)

Scotland's first airport, [Edinburgh](#) has unveiled expansion plans until 2040 which focus on the growth of operations on the ground (enlarged terminal building, aircraft parking area but no second runway). The number of passengers at the airport has been growing by 20% over the last ten years and is expected to increase by 18% from 11.1 million in 2015 to 13.1 million in 2020. The airport is carrying out a public consultation on its expansion plans (Edinburgh airport, November).

[Berlin Brandenburg](#) airport said to have completed 80% of the milestones in planning and construction of the terminal although no date is set for the new airport opening. The new airport was originally scheduled to open in 2011 but encountered major construction failures (Flughafen Berlin Brandenburg, 2 December).

Aircraft manufacturing

[Airbus Group](#) envisages cutting 1,164 jobs, most of these in France and in Germany as part of a restructuring plan to boost its competitiveness. The Group will also move its headquarters from Paris and Munich to Toulouse (Airbus Group, 29 November).

During the first eleven months of 2016, [Airbus](#) recorded 410 net orders and delivered 577 aircraft whereas [Boeing](#) recorded 466 net orders and delivered 681 aircraft (Airbus and Boeing reports, November).

Regulation

EC ruled that [Ryanair](#) and [Tui Fly](#) must reimburse illegal state-subsidies received from Klagenfurt airport as they distort competition. Ryanair stopped flying to the Austrian airport in 2013 (Europa, 11 November).

The Austrian government will reportedly cut [local aviation taxes](#) by 25% in 2017 and a further 25% in 2018. The air passenger tax is in force since 2011 and currently amounts to €7 per passenger for short-haul flights; €15 for medium-haul flights and €35 for long-haul flights (Air Transport World, 21 November).

Oil

[Oil prices](#) surged to €51 per barrel in December and hit their highest level since July 2015. Converted indices for Kerosene and Brent are shown in [Figure 8](#).

In its December short-term energy outlook, [EIA](#) forecast Brent crude oil price to average €41 (\$43) per barrel in 2016 and €50 (\$52) per barrel in 2017 (EIA, 6 December).

[IATA](#) forecast the airlines fuel bill to rise to €124 billion (\$129) in 2017 accounting for circa 19% of average operating costs based on €53 (\$55) per barrel Brent crude (IATA, 8 December).

Fares

[Ticket prices](#) in Europe decreased by 2.9% in November 2016 vs. November 2015. This is along the trend (12-month trailing average) shown in [Figure 9](#) (Eurostat, 16 December).

Note: to eliminate the influence of inflation on euro figures, the ticket price is deflated with a price index. The STATFOR deflated ticket prices are estimated in 2015 constant euros. A detailed explanation of the mechanism can be found [here](#).



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