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- **Sustained growth of European flights during Summer led to a 2.6% increase of total traffic in August, in line with the forecast.**
- **Top eight European airlines reported in this bulletin recorded circa €1.15 billion operating profit during the first half of 2016, a 14% increase on the same period in 2015.**
- **Ticket prices in Europe were exceptionally low in August 2016 and went down 4.2% compared with August 2015.**
- **Oil prices fell to €42 per barrel in September 2016, stable against the 2016 average price of €44 per barrel.**

EUROCONTROL Statistics and Forecasts

European flights (ECAC – European Civil Aviation Conference area) increased by 2.6% in August 2016 compared with August 2015 and were in line with the forecast (Figure 1). In August 2016, traffic hit the highest ever number for August with an average of 31,987 daily flights. Preliminary data for September show a 3.1% increase in flights compared with September 2015, expected to be the highest monthly growth rate since the beginning of 2016.

In August 2016, five states added individually more than 100 flights[1] per day to the European network with UK as the top contributor (+ 418 daily flights), followed by Spain (+ 290 daily flights), Italy (+ 147 daily flights), Germany (+ 132 daily flights) and the Netherlands (+ 104 daily flights). The majority of the states contributed to the sustained growth of traffic in Europe, with 13 states adding (each) more than 50 daily flights to the network. The downturn in traffic to Turkish holiday resorts benefited to Canary Islands, Portugal (excl. Azores), Greece and Cyprus to switch together 319 flights per day to the network. Security concerns continued to affect the tourism industry in Turkey, which saw 415 fewer daily flights; a decrease of 12% in the state's local traffic (Figure 2). Charter traffic to/from Turkey decreased by 56% in August.

Low-cost airlines were clearly the main drivers of growth in August 2016 as the top three airlines adding the most departure flights to the network on a daily basis were Ryanair (+194 flights), easyJet (+79 flights) and Wizz Air (+53 flights).

[1] Local traffic only (total traffic excluding overflights)

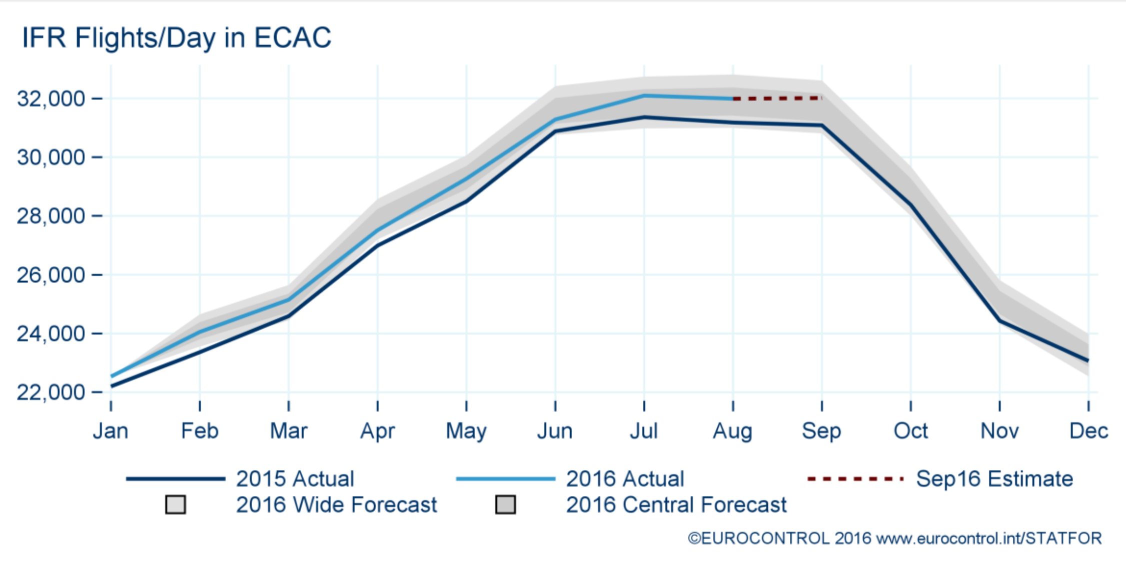

Figure 1: Monthly European Traffic and Forecast (based on the 7-year forecast Feb16).

In August 2016, as regards extra-European traffic (in average daily flights on flows in both directions), the United States (1,110 flights, up 7%) remained Europe's main partner and was followed by the Russian Federation (872 flights, down 22%) and Israel (383 flights, up 8%). Morocco came next with 356 daily flights, a decrease of 2% on August 2015.

No sign of recovery was observed for traffic flows between Europe and Egypt in August 2016 which continued to decline and were down 37% on the same month last year to 140 flights per day on average.

Comprehensive statistics on flights are available from the STATFOR dashboard[2] (EUROCONTROL, September).

Based on data from airlines for delays from all causes, the average departure delay per flight in August 2016 was 12 minutes compared with almost 13 minutes in August 2015. Further analysis of the delay reasons shows that reactionary delay decreased by 0.7 minutes per flight. Airline delay fell to 3.5 minutes per flight. The percentage of delayed flights on departure (>=5 minutes) remained stable at 46% when compared with the same month in 2015 (Figure 3). In comparison with June and July 2016 the delay situation in August 2016 improved with no industrial action being observed, this improvement also came in conjunction with an increase of 2.6% in the number of average daily flights. Airlines in turn saw reductions in reactionary and airline related delays, however these causes remain high contributors to airline delay performance with 73% share of the average delay per flight experienced by airlines. (EUROCONTROL, September).

Other Statistics and Forecasts

IATA reported that European scheduled passenger traffic (RPK) increased by 4.1% in July 2016 (vs. July 2015). Capacity rose by 4.7% and the total passenger load factor decreased by 0.5 percentage point to 86.7% (IATA, 7 September).

ACI reported that overall passenger counts at European airports were up by 3.9% in July 2016 compared with July 2015. As in June, the passenger traffic growth was fully attributed to the EU market which surged to 6.8% whereas the non-EU market saw a sharp decline of 5.5%. Overall aircraft movements increased by 2.2% (+4% at EU airports and -0.5% at non-EU airports) (ACI, 12 September).

[2] www.eurocontrol.int/statfor/sid

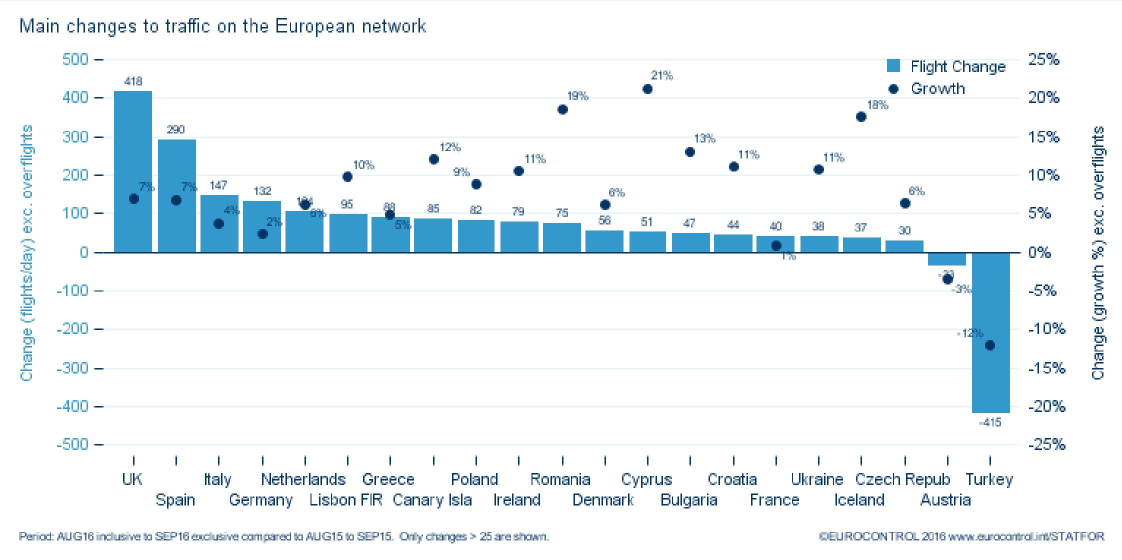

Figure 2: Main changes to traffic on the European network in August 2016.

Passenger Airlines

Capacity, costs and jobs

Start-up Fly Kiss is to launch operations between five regional airports in France (Clermont-Ferrand, Brest, Lille, Strasbourg and Nice) and to London Luton with a fleet of Embraer E145 aircraft, effective 7 November (Fly Kiss, September).

Groupe Dubreuil, the owner of Air Caraïbes launched French Blue, the first low-cost long-haul airline with a flight from Paris Orly to Punta Cana operating one Airbus A330-300. In spring 2017, the carrier will receive one Airbus A350 aircraft and add a second destination to La Réunion (French Blue, September).

British Airways CityFlyer is recruiting pilots for its expanding fleet of Embaer E170 and E190 aircraft now amounting to 20 units in order to serve 30 destinations across Europe from London City (British Airways, 7 September).

Volotea continues its transition to an “all Airbus fleet” and will receive six Airbus A319 aircraft in the course of 2017. By 2019, the low-cost carrier plans to phase out all its Boeing B717 aircraft in favour of 35 Airbus A319 aircraft (Volotea, September).

Low-Cost Jet2 will open new bases at Birmingham and London Stansted in 2017 and launch over 20 European leisure destinations. To support this expansion, the carrier has 30 Boeing B737-800 aircraft on order for deliveries over the next two years and also plans to recruit circa 1,000 pilots, cabin crew and engineers (Jet2, 20 September).

Austrian Airlines and its 1,000 pilots have agreed on a new career model whereby former Tyrolean Airways (a subsidy of Austrian Airlines Group) pilots will be allowed to operate the new Embraer jets (IM186) reducing the number of trainings. (Austrian Airlines, 16 September).

Percentage of flights delayed on departure

Breakdown of all-causes delay per flight

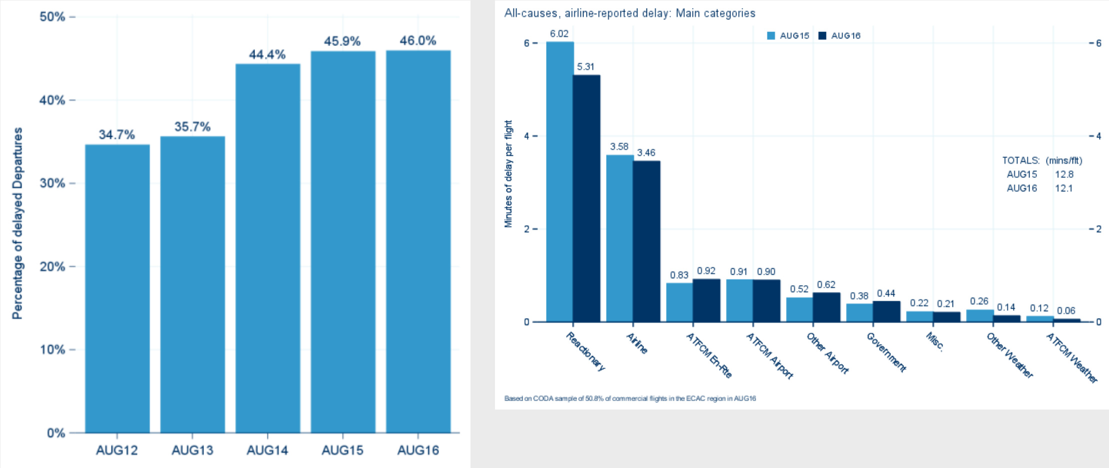

Figure 3: Delay statistics **(all-causes, airline-reported delay – preliminary data for August 2016).**

Ukrainian start-up Anda Air was granted its Air Operator's Certificate in September and intends to launch flights from Kiev to Bulgaria, Albania and Georgia with one MD-83 aircraft and one Boeing B737-400 still to be delivered (Anda Air, September).

Low-cost Air Arabia (Dubai) will lease six new Airbus A321neo aircraft from Air Lease Corp. (USA) for deliveries between January and October 2019. To date, Air Arabia operates a fleet of 43 Airbus A320 aircraft to more than 100 destinations across the Middle East, North-Africa, Asia and Europe (Air Lease Corporation, 26 September).

Lufthansa Group which owns 45% of Brussels Airlines' shares parent company SN Airholding since 2008 is now in the process of acquiring the remaining 55% stake in the Belgian carrier. When the transaction is finalized by early 2017, Belgium is expected to lose its national airline (Brussels Airlines & Lufthansa Group, 28 September).

As part of its restructuring plan, airberlin will wet lease one third of its fleet or circa 40 Airbus A320 aircraft to the Lufthansa Group, under a six-year agreement with the start of the summer 2017 schedule. This fleet will mainly serve Eurowings capacity expansion as the low-cost airline will receive 35 aircraft whereas the other 5 aircraft are destined to Austrian Airlines. airberlin also plans to axe 1,200 jobs by February 2017 (airberlin & Lufthansa Group, 28 September).

Air France-KLM has reportedly confirmed its long-haul, low-cost market plans to face competition from low-cost long-haul carriers like Norwegian and French Blue, Lufthansa's low-cost subsidiary Eurowings, but also Gulf carriers (Emirates, Qatar and Etihad) (Le Monde, 19 September).

Low-cost Monarch has denied negative speculation about bankruptcy. The carrier has secured an extension of its Air Travel Operator's License (ATOL) from the UK Civil Aviation Authority, valid until 12 October. During this period, Monarch will need to show its financial viability through further investment from it has obtained from shareholders (Monarch & UK CAA, 30 September).

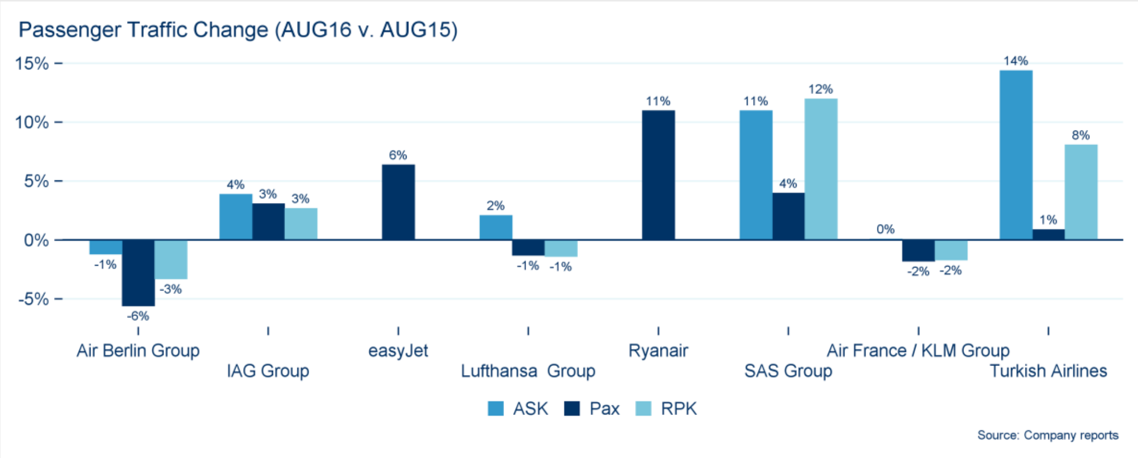

Figure 4: Main carriers' traffic statistics.

Traffic Statistics: August Update

Figure 4 and Figure 5 compare August 2016 figures with August 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

Ryanair will launch 35 new routes from the United Kingdom with the start of its summer 2017 schedule, as follows:

- 10 new routes from Belfast including Lanzarote, Malaga, Tenerife, Warsaw;
- 5 new routes from Edinburgh to Barcelona Girona, Vigo, Ibiza Porto, and Milan;
- 5 new routes from Manchester to Berlin, Hamburg, Nuremberg, Oslo and Wroclaw;
- 4 new routes from Glasgow International to Lisbon, Palanga (Lithuania), Valencia and Zadar;
- 3 new routes from Aberdeen to Alicante, Faro and Malaga;
- 3 new routes from Liverpool to Barcelona Girona and Prague;
- 1 new route from Glasgow Prestwick to Barcelona Girona;
- 1 new route from London Stansted to Strasbourg;
- 1 new route from London Luton to Faro;
- 1 new route from Newquay Cornwall to Faro;
- 1 new route from Cardiff to Faro.

(Ryanair, September).

Lufthansa's low-cost subsidiary, Eurowings will open its first base in Palma de Mallorca in May 2017 with two Airbus A320 aircraft and six new routes to Leipzig, Dortmund, Dresden, Karlsruje, Nuremberg and Salzburg. The carrier also plans to recruit 75 cockpit and cabin staff for its expanding operations (Eurowings, September).

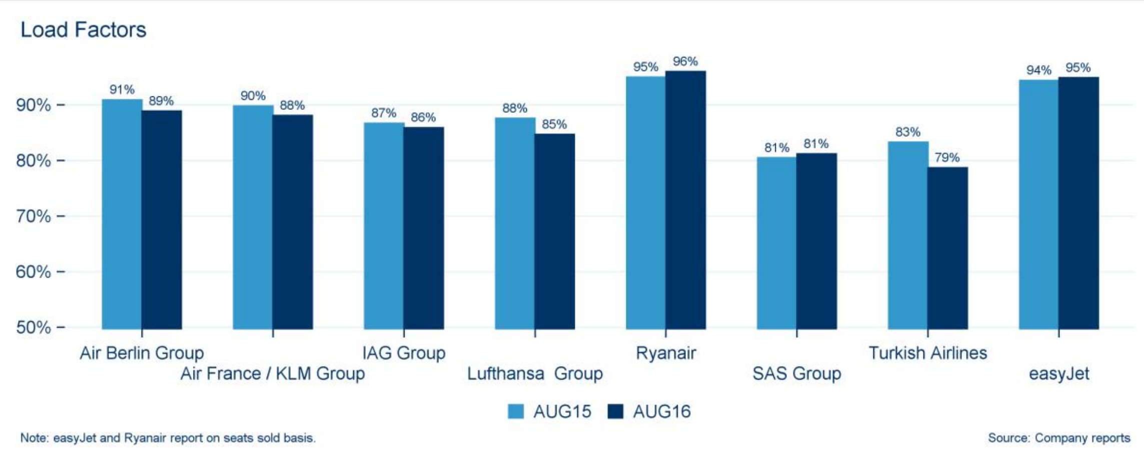

Figure 5: Main carriers' load factors.

Norwegian will expand its transatlantic network from March 2017 onwards with flights from Barcelona to four destinations in the United States, Newark, Fort Lauderdale, Oakland and Los Angeles (Norwegian, September).

All-business class La Compagnie stopped flying the London Luton-Newark route on 25 September as a result of the UK Brexit vote for leave. The French carrier will add a second daily flight on its sole destination from Paris CDG to Newark (La Compagnie, 7 September).

Wizz Air will expand operations in Poland from March 2017 onwards and base a sixth Airbus A320 aircraft at Katowice to operate four new routes to Catania, Lisbon, Reykjavik and Malta (Wizz Air, 6 September).

Wizz Air has opened a base in Kutaisi, Georgia with one Airbus A320 aircraft to serve seven new destinations to Berlin, Dortmund, Munich Memmingen, Larnaca, Milan, Sofia and Thessaloniki (Wizz Air, 23 September).

Financial results of airlines

Top eight European airlines listed in this bulleting recorded €1.15 billion operating profit during the first half of 2016, an increase of 14% on the same period in 2015. Figure 6 compares the first half[3] of 2016 financial results with the same period last year for eight of the top ten European airlines (Easyjet and Alitalia results were not available at the time of publication).

Out of the 6 European airlines which posted profits, all but one (SAS Group) increased their gain compared to the same period last year. airberlin continued to report net losses and is heavily restructuring (see Passenger Airlines).

Turkish Airlines disclosed operating losses during the first half, explained by an operating environment which continues to be weak, and risks surrounding the execution of the implementation of the airline's strategic plans (source: company reports).

[3] Ryanair only shows results for its first quarter covering April to June period.

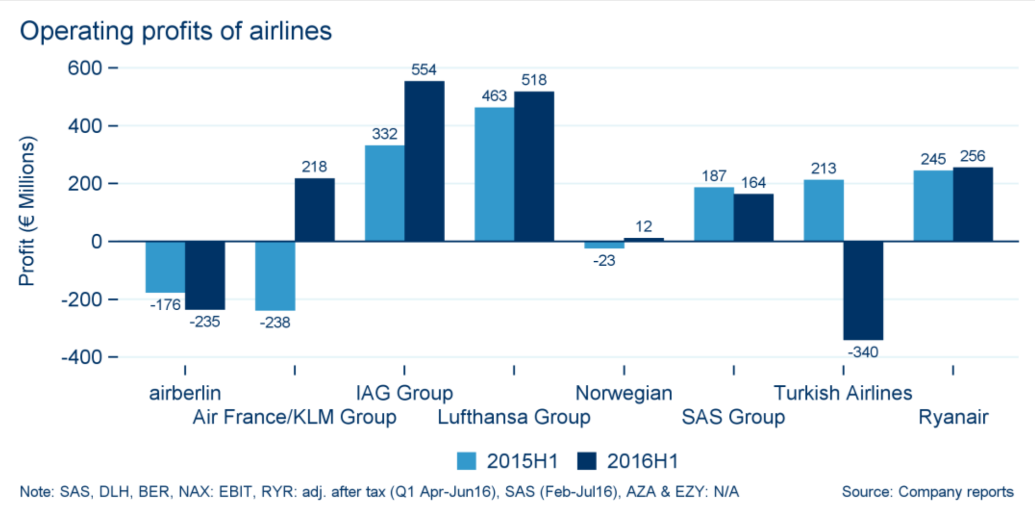

Figure 6: Operating profit of airlines 2016H1.

Airports

The busiest airport pairs in Europe (total flights in both directions) during the peak summer months of July and August 2016 (growth on same months in 2015) were the following:

Rank	Departure Airport	Arrival Airport	Total Movements	Growth on 2015
1	Istanbul Atatürk	Izmir	3,422	-10.3%
2	Istanbul Sabiha Gökcen	Bodrum	3,021	-5.5%
3	Istanbul Sabiha Gökcen	Izmir	2,991	3.7%
4	Antalya	Istanbul Atatürk	2,909	-10.0%
5	Antalya	Istanbul Sabiha Gökcen	2,906	-0.7%
6	Lisbon	Porto	2,843	79.5%
7	Rome Fiumicino	Catania	2,841	4.6%
8	Barcelona	Palma de Mallorca	2,709	0.2%
9	Madrid	Palma de Mallorca	2,665	17.2%
10	Oslo Gardemoen	Trondheim	2,603	1.9%

(source: EUROCONTROL, September)

Passenger traffic and aircraft movements during the peak summer months of July and August 2016 at top five European airports (based on the number of flight departures) compared with the same months last year were as follows (growth on July- August 2015):

Passenger traffic		Aircraft movements
1. Amsterdam Schiphol	12.8 million (+7.8%)	91.0K (+7.2%)
2. Paris CDG	13.0 million (- 1.7%)	87.4K (+0.3%)
3. Frankfurt	12.1 million (- 3.5%)	84.3K (- 2.6%)
4. London Heathrow	14.8 million (+1.1%)	83.7K (+0.2%)
5. Istanbul Atatürk	11.4 million (- 5.6%)	83.0K (+1.6%)

For the fourth month in a row, Amsterdam Schiphol was the busiest airport in Europe in terms of IFR movements (IM185 and IM186) (source: airport reports, September).

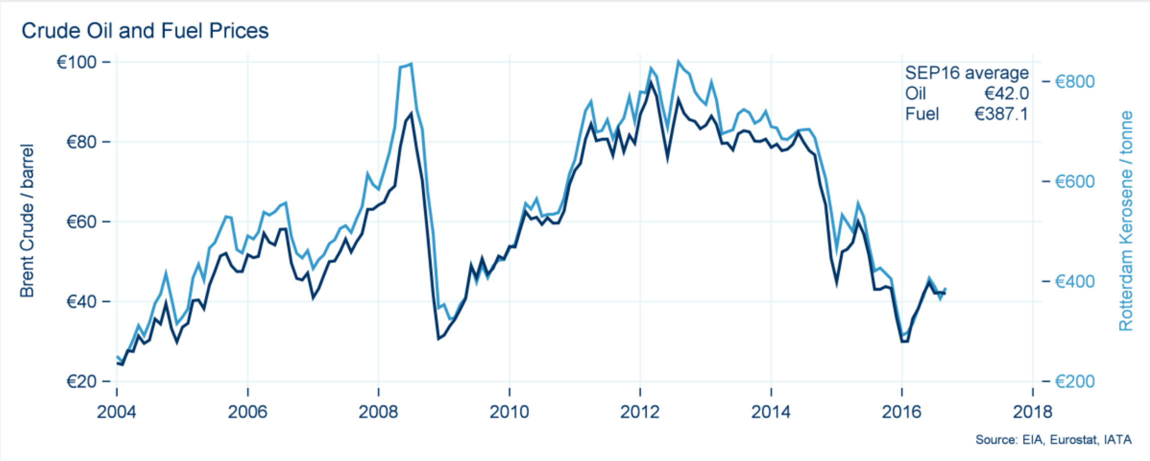

Figure 7: Brent and kerosene prices.

Moscow's fourth airport, Moscow Zhukovsky (formerly Ramenskoye) which was inaugurated in May welcomed on 12 September its first scheduled flight from Minsk operated by Belavia. The initial Russian government's proposal was to move all charter and low-cost flights from other three Moscow airports to Zhukovsky to reduce ticket fare and relieve traffic from Sheremetyevo, Domodedovo and Vnukovo (zia.aero, 12 September).

Cargo

Malta-based private charter airline, AirX is reportedly planning to start cargo operation with three Boeing B737-300F aircraft during the last quarter of 2016 (ch-aviation, 4 September).

Aircraft manufacturing

During the first eight months of 2016, Airbus recorded 438 net orders and delivered 400 aircraft whereas Boeing recorded 355 net orders and delivered 491 aircraft (Airbus and Boeing reports, September).

Oil

Oil prices fell to €42 per barrel in September. Since the beginning of 2016, prices averaged out at €44 per barrel. Converted indices for Kerosene and Brent are shown in Figure 7.

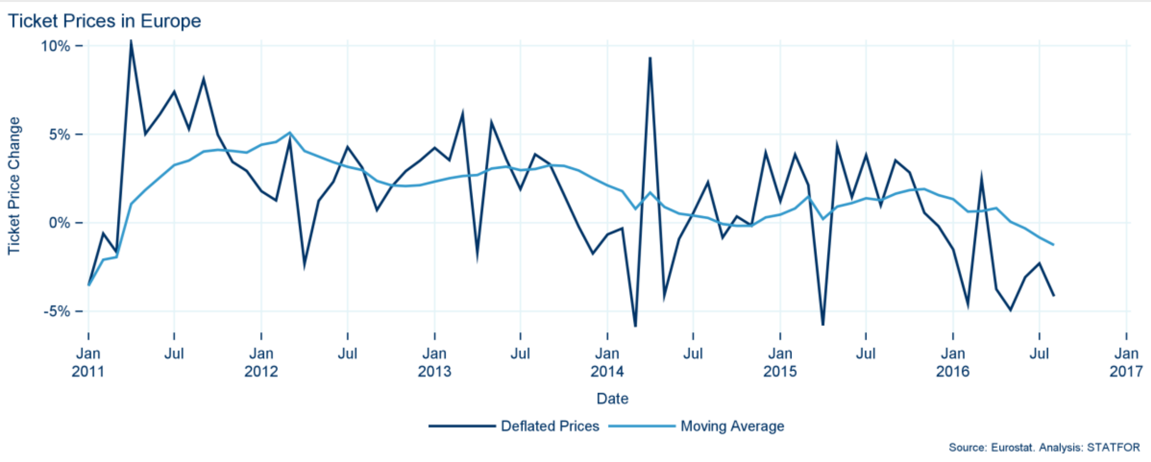

Figure 8: Ticket Prices in Europe.

Fares

Ticket prices in Europe were exceptionally low in August 2016 as they decreased by 4.2% on August 2015. This is below the trend (12-month trailing average) shown in Figure 8.

Over the last twelve months, the ticket prices were down 2.7% compared with the same period the year before and were the result of lower oil prices and strong competition between airlines (Eurostat, 16 September).

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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