Network Manager
nominated by
the European Commission

EUROCONTROL

Industry Monitor

The EUROCONTROL bulletin on air transport trends

Issue N°196. 12/09/2017

- **European flights grew at a strong rate of 5% during June, July and August 2017 compared with the same months last year and hit the record number of one million flights in both July and August. This was faster than the high-growth forecast.**
- **Charter flights surged to a 8% growth rate during the summer (vs. June-August 2016) owing primarily to the traffic recovery between the Russian Federation and Turkey.**
- **airberlin filed for insolvency proceedings after Etihad withdrew its financial support.**
- **Oil prices averaged €44 per barrel in August up from €42 per barrel in July.**

EUROCONTROL Statistics and Forecasts

European flights (ECAC – European Civil Aviation Conference area) grew at a strong rate of 5% during the summer months of June, July and August 2017 compared with the same months last year and hit the record number of one million flights in both July and August; this was faster than the high-growth forecast and partly attributable to continued improvement in the Eurozone economy and low oil prices. (Figure 1).

Fifteen states added more than 50 daily flights to the European local traffic growth (excluding overflights) in July 2017 (vs. July 2016), and together added some 1,900 flights per day. Turkey has returned to the top of contributors adding 282 flights per day in July when it saw 310 fewer daily flights last year owing mainly to the recovery of its flow to and from the Russian Federation which increased to 226 flights per day. Germany and Spain ranked second and third adding 238 and 224 daily flights respectively. UK (+186 daily flights) and Italy (+162 daily flights) came next and completed the top five contributors. (Figure 2).

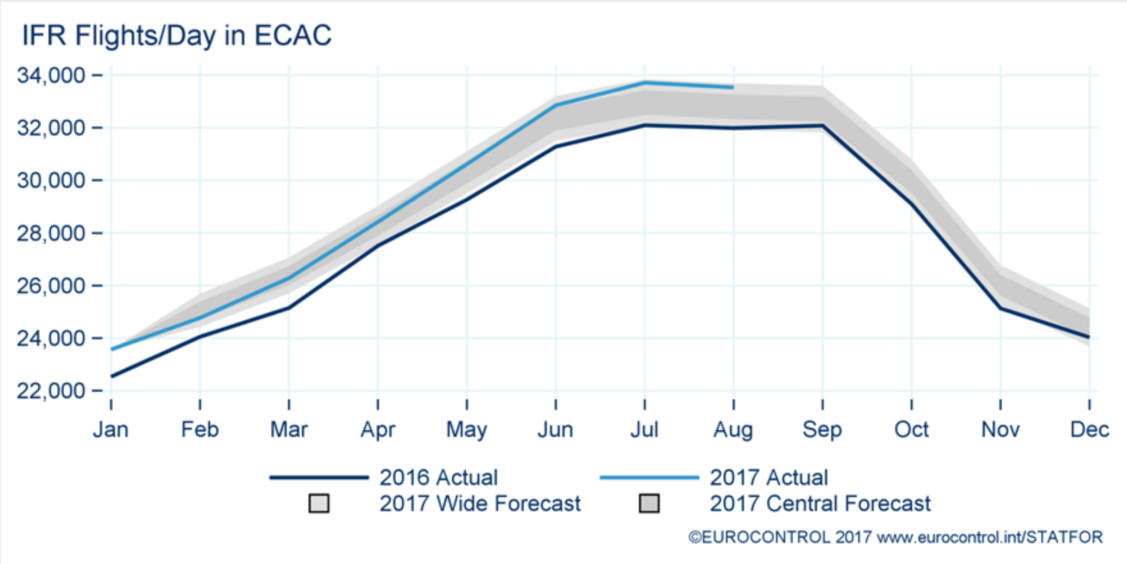

Figure 1: Monthly European Traffic and Forecast (based on the 7-year forecast Feb 17).

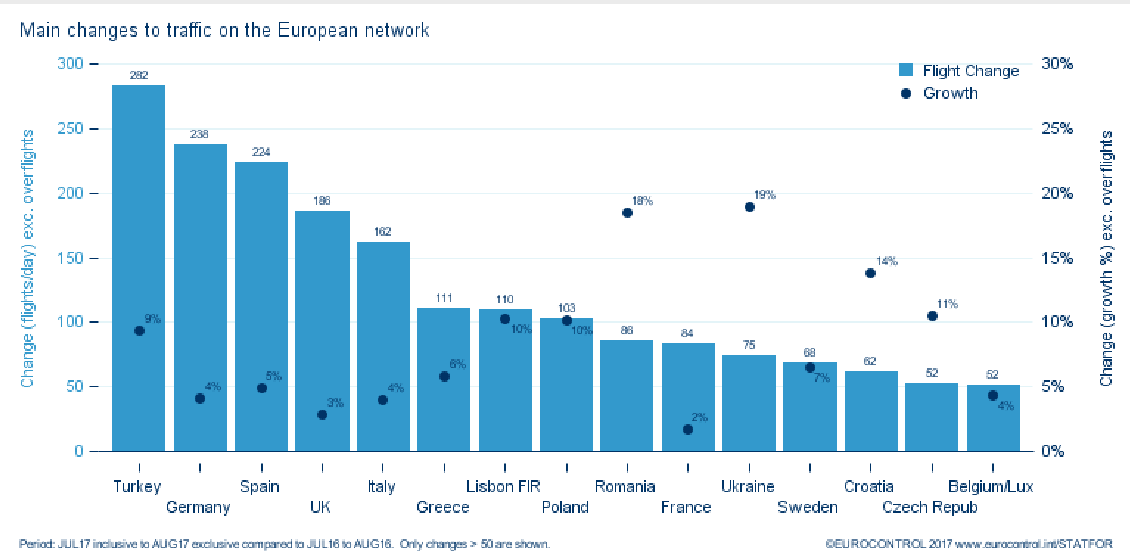

Figure 2: Main changes to traffic on the European network in July 2017.

All-cargo was the strongest market segment with a growth rate of 11.7% owing to a 13.6% increase of flows within Europe. The low-cost and business aviation segments both increased by 6.1% whereas the charter segment was up 5.8% and the traditional scheduled segment rose 4% (July 2017 vs. July 2016).

The Russian Federation was back as the biggest external partner in average daily flights on flows in both directions with 1,149 flights per day (back to the 2014 levels) corresponding to a 34% growth on July 2016. The second biggest partner was the United States with 1,118 flights per day, an increase of 1.2% compared with the same month last year. The United Arab Emirates remained the third partner with 331 flights per day (up 2.7% on July 2016) (EUROCONTROL, August).

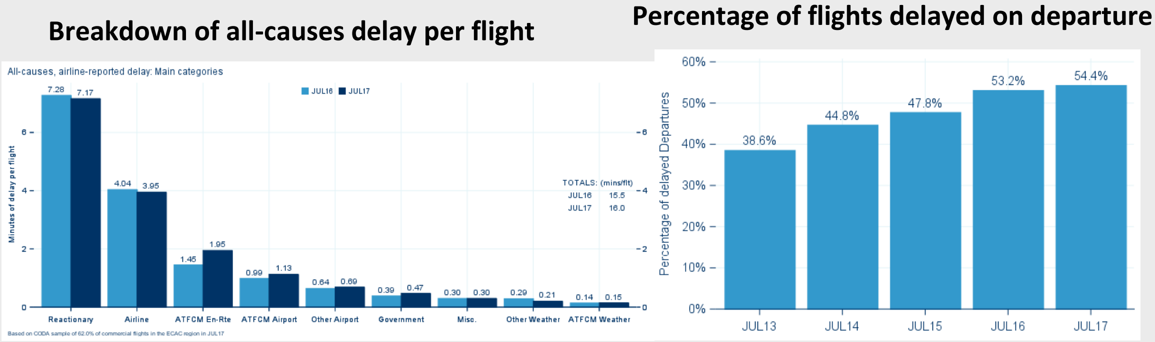

Figure 3: Delay statistics (all-causes, airline-reported delay – July 2017).

Based on data from airlines for delays from all causes, the average departure delay per flight in July 2017 increased by 0.5 minute to 16 minutes per flight, mainly due to an increase of ATFM delays. Further analysis of the delay reasons shows that airline and reactionary delays remained stable. In July 2017, the percentage of delayed flights on departure (>= 5 minutes) was 54.4%, an increase of 1.2 percentage points when compared with July 2016 (Figure 3). (EUROCONTROL, August).

Other Statistics and Forecasts

IATA reported that European scheduled passenger traffic (RPK) increased by 7.7% in July 2017 (vs. July 2016). Capacity was up 6.2% and passenger load factors were up 1.2 percentage points to 88.5%. European scheduled passenger traffic (RPK) more than doubled in the first half of 2017 and was up 8.8% from 4% during the first half of 2016. Capacity rose 6% and passenger load factors were up 2.2 percentage points to 83.1%. IATA reported that wolrdwide scheduled passenger traffic grew 7.9% during the first half of 2017 (vs. first half of 2016) and reached a 12-year high (IATA, 3 August and 6 September).

ACI reported that overall passenger counts at European airports saw an increase of 10.1% in June 2017 (vs. June 2016). Total aircraft movements were up 4.6%. For the first half of 2017, overall passenger counts at European airports grew by 9% on average while aircraft movements were up 3.7% compared with the first half of 2016. This strong growth was the result of traffic bouncing back from airports impacted by terrorist attacks last year, passenger demand resuming in Russia, continued improvement in the economy and oil prices remaining low (ACI, 10 August).

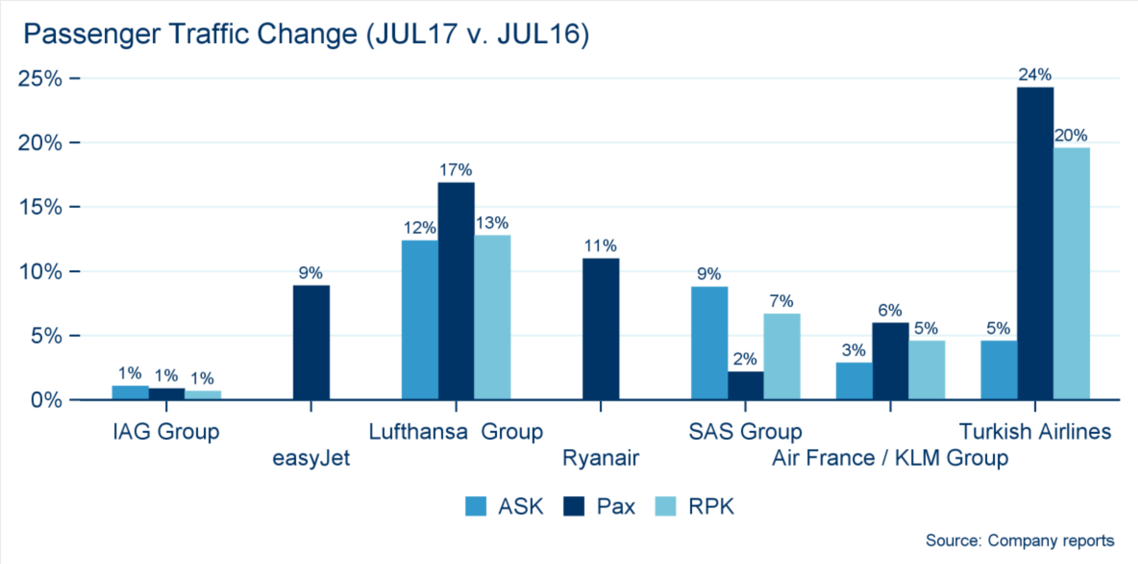

Figure 4: Main carriers' traffic statistics in July 2017.

Passenger airlines

Capacity, costs and jobs

easyJet Europe has been awarded an AOC and a licence to operate in Austria (IM195). Around 110 aircraft needed for easyJet's EU-based operations will be registered by March 2019 in order to ensure the carrier's operations across Europe and domestically within European countries once the UK has left the EU (easyJet, 20 July).

easyJet will increase its cabin crew to over 8,000 staff as it opened recruitment for circa 1,200 cabin crew staff to meet the airline's growth. Earlier this year, easyJet announced that it was hiring more than 450 pilots (easyJet, 25 July).

Start-up German airline SundAir will launch operations from Berlin Tegel (and three more airports in Germany) to leisure destinations in Canary Islands (Fuerteventura, Gran Canaria) Balearics (Palma de Mallorca) and Creta (Heraklion) using one Airbus A320 aircraft (SundAir, August).

Start-up VLM Airlines Slovenia has launched operations with seasonal scheduled flights from its Maribor base to Split and Dubrovnik in Croatia. The carrier also operates charter flights on behalf of tour operator Balkan Express to destinations in Croatia, Greece, Italy and Montenegro with a fleet of three Fokker 500 aircraft (VLM Airlines Slovenia, August).

Austrian Airlines has completed the phasing out of its six Fokker 70 aircraft fleet which are replaced with 17 Embraer 195 aircraft already in operation. The remaining four Fokker 100 aircraft will be retired by December 2017 (Austrian, 7 August).

Brussels Airlines, now fully taken over by Lufthansa Group, is in the process of recruiting 85 flight attendants and 20 pilots. This recruitment is in addition to the integration of the flight crew of Thomas Cook Airlines Belgium (160 staff) to take place this autumn, pending approval by the authorities. In March, Thomas Cook Belgium and Brussels Airlines extended their partnership whereby the latter will absorb the operations of Thomas Cook Belgium (Brussels Airlines, 31 July).

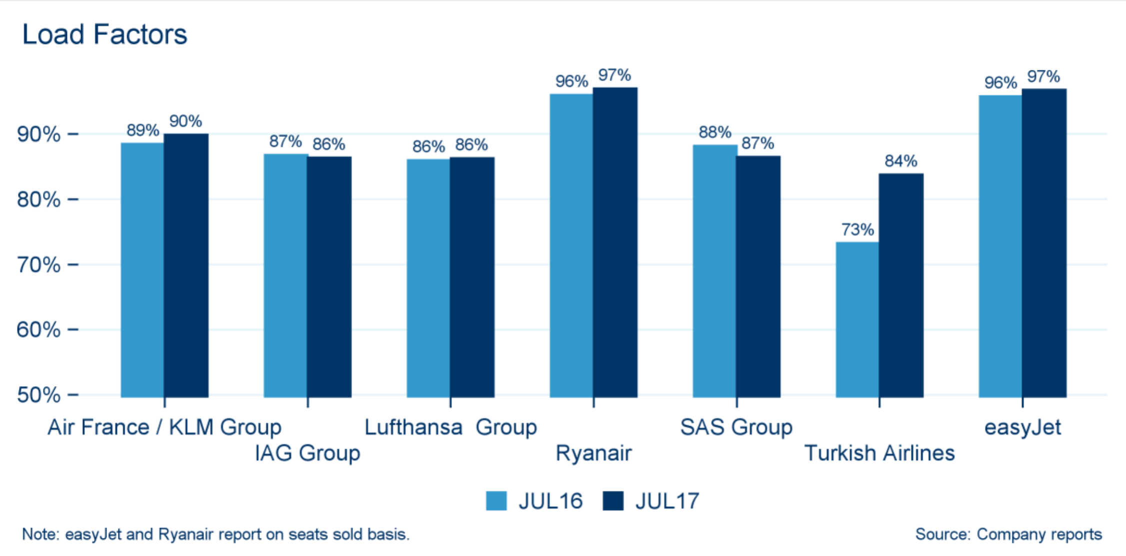

Figure 5: Main carriers' load factors in July 2017.

Ryanair will establish a new charter airline, Ryanair Sun based in Warsaw to serve the Polish leisure market with the start of summer 2018. The new airline will start operations with a fleet of five Boeing B737-800 aircraft which will triple by summer 2019 (Ryanair, July).

Buta Airways, Azerbaijan Airlines' low-cost subsidiary has launched operations on 1 September and will serve destinations in Turkey, Georgia, Iran, the Russian Federation from Baku and Ganja airports and with two Embraer E190 aircraft (Buta Airways, September).

Eurowings is in the process of recruiting 200 pilots and 400 cabin crew members to meet the delivery of 20 additional Airbus A320 aircraft (Eurowings, August).

Failures

Airberlin has filed for insolvency proceedings based on the decision by its shareholder Etihad to withdraw its financial support. The airline will continue operations until mid-November thanks to a state bridging-loan. Lufthansa is supporting the restructuring of airberlin and is in negotiation with the airline to take over parts of the airberlin Group (airberlin & Lufthansa, 15 August).

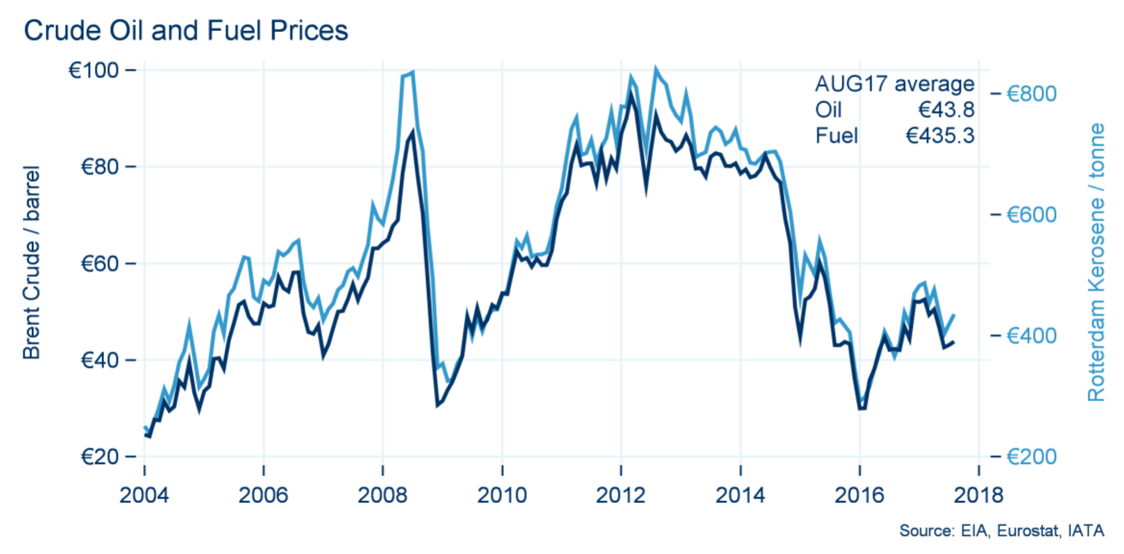

Figure 6: Brent and Kerosene prices.

Traffic Statistics: July 2017 Update

Figure 4 and Figure 5 compare July 2017 figures with July 2016 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

Air France-KLM, Delta and Virgin Atlantic will strengthen their transatlantic route network to face competition from low-cost airlines and form a new transatlantic joint venture whereby Air France-KLM will acquire a 31% stake in Virgin Atlantic and Delta will acquire a 10% stake in Air France-KLM. Delta already owns a 49% stake of Virgin Atlantic. In addition, China Eastern Airlines will buy a 10% stake in Air France-KLM (Air France-KLM, 27 July).

bmi regional and Lufthansa's subsidiary, Air Dolomiti have signed a codeshare agreement whereby bmi will add its code on five Italian routes operated by Air Dolomiti from bmi's hub at Munich to Venice, Verona, Bari, Bologna and Florence (flybmi, 11 August).

Low-cost WOW Air will launch 4 new US routes from Detroit, Cleveland, Cincinnati and St Louis to Europe via Reykjavik with the start of Summer 2018 using Airbus A321 aircraft. Flag carrier Icelandair has also announced a new route to Cleveland for Summer 2018. With these additions, WOW Air and Icelandair will serve 12 and 19 US routes respectively (WOW Air, September).

Ryanair has opened a new base at Memmingen with one based Boeing B737-800 aircraft and six new routes to Fez, Oradea, Seville, Stockholm, Thessaloniki and Warsaw bringing to 19 the number of routes served from the German airport located in the vicinity of Munich. The new routes will be effective in Summer 2018 (Ryanair, 5 September).

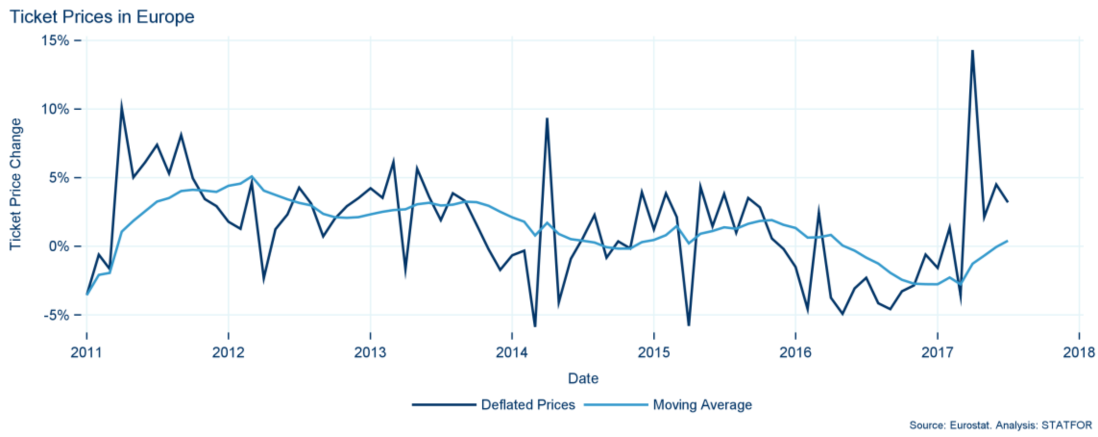

Figure 7: Deflated ticket prices in Europe.

Germania will launch 12 new routes from Berlin-Tegel in summer 2018 with Airbus A319 aircraft. The decision comes after airberlin has filed for insolvency proceedings in August and is a response to enquiries from various tour operators. The new routes include destinations in Egypt, the Greek Islands, Canary Islands and the Balearics (Germania, 23 August).

Airports

Berlin Brandenburg Airport (BER) construction work is scheduled for completion by the end of August 2018. Testing procedures will then be performed before the new airport can be operational. Although no official opening date has been announced, it is reported that the opening would occur in October 2019. BER was originally scheduled to be operational in October 2011 but has been delayed many times because of concerns regarding fire protection installations (BER and Bild, 31 August).

Passenger traffic and aircraft movements in July 2017 at top five European airports (based on the number of flights) were as follows (growth on the same period in 2016):

Rank	Airport	Passenger traffic	Aircraft movements
1	Amsterdam Schiphol	6.7 million (+ 5.6%)	46K* (+2.7%)
2	Paris CDG	6.9 million (+ 5.4%)	44K (+0.8%)
3	Frankfurt	6.4 million (+ 4.4%)	43K (+2.3%)
4	London Heathrow	7.5 million (+ 1.2%)	42K (+0.5%)
5	Istanbul Atatürk	6.0 million (+ 11.5%)	42K (+4.2%)

* excluding general aviation

Source: airport reports, August

The main departure airports during the Jun-Aug 2017 period were the following:

Rank	Departure Airport	Avg. Daily Departing Flights	Growth on 2016
1	Amsterdam Schiphol	763	2.8%
2	Paris CDG	712	0.4%
3	Frankfurt	695	2.0%
4	London Heathrow	678	0.5%
5	Istanbul Atatürk	671	2.1%
6	Munich	580	1.9%
7	Madrid	559	2.3%
8	Barcelona	512	4.4%
9	Rome Fiumicino	460	-5.0%
10	London Gatwick	453	1.7%

Top 10 Departure Airports' share of total departures in Jun to Aug 17 = 18%

Source: EUROCONTROL/STATFOR/SID

The busiest airport pairs for charter flights during the Jun-Aug 2017 period were as follows: (total daily flights in both directions)

Rank	Departure Airport	Arrival Airport	Average Daily Movements	Growth on 2016
1	Kiev	Antalya	22	14.0%
2	Moscow Domodedovo	Antalya	19	100.0%
3	Moscow Vnukovo	Antalya	11	100.0%
4	St Petersburg	Antalya	9	100.0%
5	Tel Aviv	Heraklion	8	31.0%
6	Ufa (Russian Fed.)	Antalya	7	100.0%
7	Tel Aviv	Antalya	6	77.0%
8	Kiev	Sharm el Sheikh	6	75.0%
9	Brussels	Antalya	6	27.0%
10	Tel Aviv	Burgas	6	-12.0%

Source: EUROCONTROL/STATFOR/SID

The charter segment has surged to a 8% growth rate during the period Jun-Aug 2017 compared with the same period in 2016 owing mainly to the traffic recovery between the Russian Federation and Turkey which was impacted by the Russian ban on charter flights to Turkey last year.

The busiest airport pairs for low-cost flights during the Jun-Aug 2017 period were as follows (total daily flights in both directions):

Rank	Departure Airport	Arrival Airport	Average Daily Movements	Growth on 2016
1	Cologne-Bonn	Berlin-Tegel	33	18.3%
2	Istanbul Sabiha Gökcen	Antalya	31	4.9%
3	Barcelona	Palma De Mallorca	31	14.0%
4	Istanbul Sabiha Gökcen	Izmir	30	0.2%
5	Barcelona	Ibiza	30	5.4%
6	Dusseldorf	Berlin-Tegel	29	9.6%
7	Dusseldorf	Palma De Mallorca	29	-6.1%
8	Stuttgart	Berlin-Tegel	26	11.8%
9	London Gatwick	Barcelona	25	8.3%
10	Cologne-Bonn	Palma De Mallorca	24	-0.3%

Source: EUROCONTROL/STATFOR/SID

Cargo

Sustained by healthy euro-zone economic indicators, the all-cargo market segment recorded the fastest growth during the June-August 2017 period (vs. June-August 2016) and increased by 13% for flows within Europe. The busiest flows for all cargo flights were as follows (bi-directional flights):

Rank	Departure Country	Arrival Country	Average Daily Movements	Growth on 2016
1	Italy	Italy	40	77.0%
2	UK	UK	39	-21.8%
3	France	France	37	-1.2%
4	UK	Germany	30	-0.8%
5	Sweden	Sweden	24	2.8%
6	Germany	Germany	18	0.7%
7	Germany	France	16	0.9%
8	France	Germany	16	-1.3%
9	Norway	Norway	16	0.1%
10	Italy	Germany	19	8.9%

Source: EUROCONTROL/STATFOR/SID

Aircraft Manufacturing

Boeing has published its projected demand for new pilots, cabin crew and technicians between 2017 and 2036 and estimates that Europe will need 106,000 new pilots and 173,000 new cabin crew. Worldwide, the forecast is for 637,000 new pilots and 839,000 new cabin crew staff with the Asia-Pacific region having the largest share (69%) of the demand (Boeing, 24 July).

Oil

Oil prices averaged €44 per barrel in August up from €42 per barrel in July. Converted indices for Kerosene and Brent are shown in Figure 6 .

In its August short-term energy outlook, EIA forecasts Brent crude oil prices to average $51 per barrel in 2017 and $52 per barrel in 2018 (EIA, 8 August).

Economy

Euro area economy indicators updates:

- GDP rose by 2.2% during 2Q17 compared with 2Q16
- Annual inflation was 1.3% in July 2017 up from 0.2% in July 2016
- Unemployment rate was 9.1% in June 2017 down from 10.1% in June 2016

(Eurostat, July & August).

Fares

Ticket prices in Europe increased by 3.2% in July 2017 vs. July 2016. This is above the trend (12-month trailing average) shown in Figure 7. (Eurostat, 17 July).

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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