EUROCONTROL Seven-Year Forecast: Autumn 2019 Update
Flight Movements and Service Units 2019-2025

STATFOR
October 2019
**SUMMARY**

**Economic outlook revised downward**

Flight growth following Low forecast

-1.7pp

**Industry slowdown**

Downward revision of the forecasts

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**FEB 19 FORECAST**

<table>
<thead>
<tr>
<th></th>
<th>Thousands</th>
<th>Growth (compared to previous year)</th>
<th>AAGR 2019-2025</th>
<th>RP2 2015-2019 AAGR</th>
<th>RP3 2020-2024 AAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFR Flight Movements (ECAC)</td>
<td>H</td>
<td>11,448</td>
<td>11,922</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>11,002</td>
<td>11,308</td>
<td>11,646</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>11,132</td>
<td>11,329</td>
<td>- 1.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Total Service Units (CRCO16)</td>
<td>H</td>
<td>171,490</td>
<td>179,875</td>
<td>- 5.5%</td>
<td>4.9%</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>162,512</td>
<td>169,302</td>
<td>175,616</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>166,944</td>
<td>171,099</td>
<td>- 2.7%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

**OCT 19 FORECAST**

<table>
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<tr>
<th></th>
<th>Thousands</th>
<th>Growth (compared to previous year)</th>
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<th>RP3 2020-2024 AAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFR Flight Movements (ECAC)</td>
<td>H</td>
<td>11,158</td>
<td>11,591</td>
<td>1.4%</td>
<td>3.9%</td>
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<tr>
<td></td>
<td>B</td>
<td>11,002</td>
<td>11,118</td>
<td>11,373</td>
<td>3.8%</td>
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<td></td>
<td>L</td>
<td>11,071</td>
<td>11,124</td>
<td>- 0.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total Service Units (CRCO16)</td>
<td>H</td>
<td>167,599</td>
<td>174,707</td>
<td>- 3.1%</td>
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<td>167,085</td>
<td>171,766</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>166,490</td>
<td>168,652</td>
<td>- 2.4%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
THIS UPDATE REPLACES THE FEBRUARY 2019 FORECAST

- Forecast mainly relying on the inputs and assumptions detailed in the *seven-year forecast published in February 2019*.

- Some updated inputs:
  - Eroding flight growth trends (Actual data up to August 2019)
  - Downward revision of the economic forecast (Oxford Economics August 2019 release)
  - Forecast assumptions to account for recent/future events

- Next update will be issued in Spring 2020.
TRAFFIC TRENDS

• During Winter:
  • IFR movements, recorded dynamic growth rates (3%) but, first glimpse of slowdown (eg Germania’s failure)
  • Suggestions that 2019 economic outlook would deteriorate in Europe

• From March 2019:
  • Trade wars and Brexit have had increasing impact ➔ suggestions have become real
  • Economic forecasts have been revised downwards (-0.3pp for EU28)
  • Unexpected events such as the grounding of the B737 MAX, operational initiatives from airlines (additional standby aircraft)

• Summer traffic growth rates plummeted (+0.8%):
  • Accelerated decline of some domestic flows in Nordic States, Central Europe and Turkey
  • Recovery of tourist flows to Turkey, Tunisia and Egypt, at the expense of “classical” tourist flows towards South-West Europe resulted

➔ Supporting a slowdown in European flight growth across 2019
TRAFFIC TRENDS

Slowing growth in line with the low scenario of the February 2019 forecast.

Year-to-Date ECAC: Jan-Aug 2019 YTD

- High: +4.0%
- Base: +2.8%
- Low: +1.4%

IFR Flights/Day in ECAC

- 2018 Actual
- 2019 Wide Forecast
- 2019 Actual
- Sep 2019 Estimate

37,500
35,000
32,500
30,000
27,500
25,000

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
FORECAST INPUTS

European economy will grow less than initially expected this year

Downward revision until 2022 due to:
• significant slowdown of Germany
• possibility of ‘no-deal Brexit’
• political uncertainty
• continuous trade tensions with the U.S.

Source: Oxford Economics
The economic outlook for 2019 is revised downward for most of the States.

Change in GDP growth

Note: Absolute GDP changes lower than 0.05pp are not shown in the graph.

Source: Oxford Economics
FORECAST INPUTS
Forecast assumptions updated for recent and future events

- **Recent airline failures**: Assume progressive recovery of empty slots by other airlines as of Summer 2020.
  - Aigle Azur and XL Airways: Adjustment of Arrivals/Departures of France
  - Thomas Cook UK: Adjustment of Arrivals/Departures of UK, Canary Islands, Egypt and Tunisia
  - Adria Airways: Adjustment of Arrivals/Departures of Slovenia, Albania, North Macedonia and Bosnia-Herzegovina

- **eNM/ANSPs initiatives till end of October 2019**: Based on traffic since start of ‘eNM/ANSPs RAD measures’. Similar initiatives assumed for 2020.

- **Solidarity Tax increase in France as of 2020**: Based on information received from France.

- Other adjustments already included in the **February 2019 Forecast: Sport events** (EURO2020, EURO2024 and OLYMPICS2024)
The uncertainty of this forecast is enlarged up to 2022 (wider low-to-high ranges) due to the increased number of risk factors:

• The risk of a no-deal Brexit is included in the Low scenario not only for UK, but also for other states: Ireland, Poland and the Czech Republic that have tight economic relationships with the UK

• The economic outlook remains fragile ➔ risk of a further downward revision of the economic forecast

• The recovery of the empty slots of the bankrupt airlines could either be faster or slower than assumed, representing both an upside and downside risk. Moreover, some airlines are showing signs of weakening.

• For other risks, please see the report of February 2019 forecast
FLIGHT FORECAST
2019 Forecast per State (Base scenario)

- Base scenario: downward revision of -1.7pp compared to February 2019 forecast
- Significant downward revision of main contributors of traffic (Germany, Spain, France and Turkey) as well as Scandinavian States
- Upward revision of States in the Adriatic area
FLIGHT FORECAST
2020 Forecast per State (Base scenario)

• Downward revision of -0.7pp compared to February 2019 base forecast
• Same States revised downward than in 2019
• Uncertainty for 2020 wider than in the February forecast
Base scenario: downward revision of \(-0.2\text{pp}\) compared to February 2019 forecast.

During RP3 (2020-2024), the AAGR is expected to stand at 2\%: same growth as February forecast but with a slightly wider uncertainty (±0.1pp).

**FLIGHT FORECAST**

Average annual growth (AAGR) per State between 2018 and 2025
**EN-ROUTE SERVICE UNIT FORECAST**

2019 Forecast per State (Base Scenario)

- **Base scenario:** downward revision of -1.4pp compared to February 2019 forecast
- **Revision in line with that of the flights**
- **Increased average weights due to lower short-haul traffic limit the revision**

Growth based on M2 data, solely
EN-ROUTE SERVICE UNIT FORECAST
Calculation change to use Model 3 from 2020

• This publication includes a forecast with the usual Model 2 (M2) en-route service units AND a forecast of en-route service units calculated with Model 3 (M3)

• The M3 forecast is independent from the usual M2 forecast: it uses a similar approach with a different history
  • The M3 forecast is based on estimated monthly M3 en-route service unit per state from January 2013 to August 2019,
  • It takes into consideration CRCO ratios M3/M2 published between November 2017 and May 2019,
  • The M3 forecast is available from 2019 (an estimation of what the service units would be if Model 3 data were used) to 2025.
  • For 2019, the ratios between the M3 forecast and the usual forecast per state are in line with the average ratios published by the CRCO

• Combining M2 forecast in 2019 and M3 forecast from 2020 enables to take into account the impact of the change in method (M2→M3)
**EN-ROUTE SERVICE UNIT FORECAST**

2020 Forecast per State (Base Scenario)

- Figures account for the change of method to calculate the en-route service units from January 2020.
- The uncertainty for 2020 is 0.7pp wider than that of February 2019.
- A pure M2 forecast shows a downwards revision of -0.9pp compared to February 2019 forecast (base).

**Eurocontrol Seven-Year Forecast Update 2019-2025**

Document Confidentiality Classification: White
EN-ROUTE SERVICE UNIT FORECAST
Average Annual Growth (AAGR) 2019-2025

- Accounts for the change of method to calculate the en-route service units from January 2020
- The AAGR is expected to stand at 2.5%
- Despite the change in calculation, CRCO16 AAGR is similar to what was published in February 2019 forecast
- Statement not valid at individual state level
USEFUL LINKS

• **Current traffic statistics**
  Connect to the STATFOR Interactive Dashboard [SID]

• **Traffic Region Definition**
  A presentation of the geographical definitions can be found in Annex - Traffic Region Definitions

• **Forecast per State**
  The forecast per state can be found in Annex - Detailed Traffic Forecast

• **For further info, please contact the forecasting team** statfor.info@eurocontrol.int