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# Q&A with Jaime Rowbotham

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We continue with our new 'Q&A with' – a series of concise interviews with our research analysts shedding light on the issues driving the world of economics and finance. This time we speak with Jaime Rowbotham, European Airlines Analyst who shares his insights.

**Q: Jaime, how is the war in Ukraine likely to impact the European airlines sector?**

A: The direct impacts should be manageable near term. Exposure to Russia is low (1% of 2019 revenue), while flying to North-East Asia (now avoiding Russian airspace) wasn't expected to recover in earnest anyway, due to pandemic related restrictions in the region. Airlines can use leased or older aircraft if there are production issues with new aircraft. We are more concerned about indirect impacts, such as a higher oil price (jet fuel accounted for 25-30% of 2019 opex), together with the negative macroeconomic consequences of the war.

**Q: Isn't the situation for airlines binary, ie, continued conflict bad; de-escalation good?**

A: We're not so sure it's that simple. Macroeconomic consequences stem from higher energy prices and inflation putting downward pressure on real disposable household income. Even if the conflict stops, Europe may still replace Russian gas imports. With production from other exporters committed on long-term contracts, EU utility bills may be higher for longer, which could weaken demand for travel.

**Q: Do you think the airlines can still enjoy a strong summer?**

A: Yes, we do. After many COVID-19 related travel restrictions in the UK and Europe were lifted early this year, commentary from airlines and travel agencies suggests bookings for spring and summer surged, with pricing for certain peak periods and routes surpassing pre-crisis levels. More of a concern is what happens in 2023, when pent-up demand for travel may have played out, and airlines may look for even bigger fare increases if oil prices are still high.



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Clients of Deutsche Bank Research can access more here: [European Airlines: Pricing in a more turbulent outlook](#)



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