

State of the region: Africa & Middle East

April 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
Saudi Arabia	-0.8	1.6	2.5	3.6
Nigeria	0.8	1.5	1.8	2.4
Egypt	4.2	5.3	5.3	5.4
South Africa	1.4	0.7	0.5	0.1
UAE	0.8	--	--	--
Kenya	4.9	6.2	5.9	--
Jordan	2.0	2.1	2.0	1.8
World*	3.2	3.4	3.1	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Jan-19	Feb-19	Mar-19
US\$ broad index	128.5	126.7	126.8	127.2
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	362.0	360.8	361.0
Egyptian pound (EGP)	17.9	17.7	17.5	17.3
Sth African rand (ZAR)	14.4	13.3	14.1	14.4
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	100.8	100.0	100.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jan-19	Feb-19	Mar-19
Crude oil (Brent)	71.7	59.9	64.4	66.9
Jet fuel	86.4	75.7	80.1	81.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
Middle East	4.0	0.0	0.0	-0.9
Africa	2.3	1.0	3.7	2.8
World	6.6	5.5	6.5	5.3
Routes (segment basis)				
Middle East - Asia	4.4	1.4	0.6	1.0
Middle East - Europe	4.9	2.9	2.8	2.4
Africa - Europe	6.7	6.3	5.3	6.1
Middle East - Nth America	1.2	-8.7	-4.4	-5.2
Africa - Middle East	3.3	2.7	1.3	-1.2
Africa - Asia	9.4	9.7	11.6	-1.1

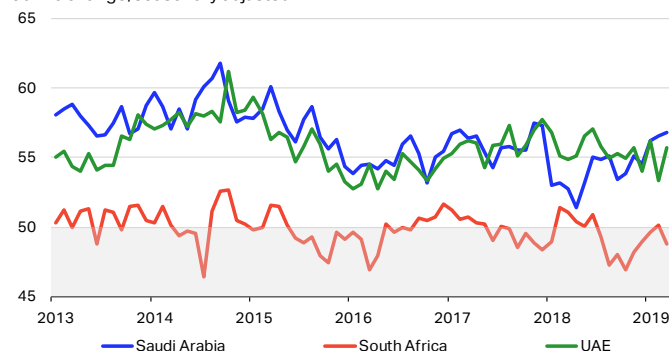
Source: IATA Statistics Note: historical data may be subject to revision

- Following a short-lived uptick to 6.5% last month, annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 5.3% in February, marking the slowest year-on-year growth rate in passenger volumes in more than a year.
- With volumes falling by 0.9% compared to their level in Feb 2018, airlines based in the Middle East showed the weakest growth performance of all regions this month. For African carriers, growth eased to 2.8%, although it remained 0.3ppt above its 12-month average.

IATA Economics: www.iata.org/economics

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

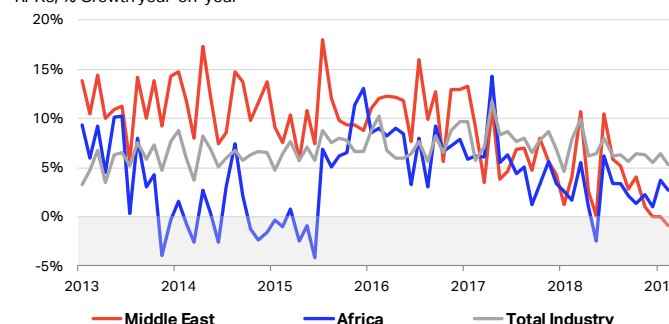


- Robust growth in new orders and output pushed business confidence up in the UAE and Saudi Arabia. By contrast, sentiment dipped back below 50-mark in South Africa amidst falls in new orders and power outages that slowed business activity in the country's private sector.
- On a trade-weighted basis, the US\$ rose by 0.3% in March, marking a second consecutive month of modest growth. The majority of the main regional currencies fell against the US\$ this month except for the EGP which gained 1.1%.
- OPEC supply cuts along with US sanctions imposed on Venezuela and Iran pushed oil and jet fuel prices higher for a third consecutive month.

- The performance was mixed across the key international markets in the region. Generally, larger markets performed better this month; the ME to Asia & Europe grew 1.0% and 2.4%yoy, respectively, while the Africa-Europe market posted the fastest growth in the region, 6.1%yoy.
- By contrast, all of the smaller markets recorded a negative pace of growth, a deterioration compared to the Jan outcome. The ME-NthAm remained the region's key underperformer so far in 2019.

Growth in air passenger volumes

RPKs, % Growth year-on-year



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Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
Middle East	3.9	0.2	-0.1	-1.6
Africa	-0.8	0.8	1.0	-8.5
World	3.5	-0.5	-1.6	-4.7
Routes (segment basis)				
Middle East - Asia	4.8	2.5	1.3	-3.8
Middle East - Europe	3.6	-0.6	1.7	4.4
Africa - Europe	-0.8	-2.2	-1.6	0.1
Middle East - Nth America	-2.5	-2.4	-9.2	-10.8
Africa - Middle East	-5.7	-2.1	2.1	-3.8
Africa - Asia	-4.0	-4.2	-4.3	-22.0

Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) for February were 4.7% below their level of a year ago, reflecting the weakness observed in world trade, and an easing in some global economic indicators and key air freight demand drivers.
- African carriers saw a considerable decline in FTKs in Feb compared to a year ago; freight volumes were down more than 8%, the second weakest performance of all regions after the largest Asia Pacific market. For

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Dec-18	Jan-19	Feb-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	4.9	4.2	2.9	2.7
	PLF	74.8	73.6	74.9	72.6
Africa	ASK	1.0	1.3	2.0	1.1
	PLF	71.4	71.9	70.9	70.4
World	ASK	6.1	6.4	6.4	5.4
	PLF	81.9	80.3	79.6	80.6
Freight					
Middle East	AFTK	6.2	4.5	3.9	3.1
	FLF	48.8	48.8	44.1	46.6
Africa	AFTK	1.7	9.7	8.2	6.8
	FLF	37.8	37.5	35.4	36.3
World	AFTK	5.2	3.8	4.7	2.7
	FLF	49.1	48.8	44.9	44.7

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers

- The industry-wide passenger load factor (PLF) ticked-up to a solid 80.6% in Feb, up from 79.6% in the previous month. In contrast, a freight load factor (FLF) eased to 44.7%, the lowest level in about 3.5 years.
- PLFs for Africa and ME carriers continued to underperform the industry-wide outcome, at 70.4% & 72.6%, respectively. For freight, ME and African FLFs saw modest improvement vs Jan, although the latter remains below the industry average.

- The latest airline financial data from the final quarter of

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Africa & Middle East	4.2	3.3	-5.9	-5.1
Industry	8.5	7.7	7.2	4.7

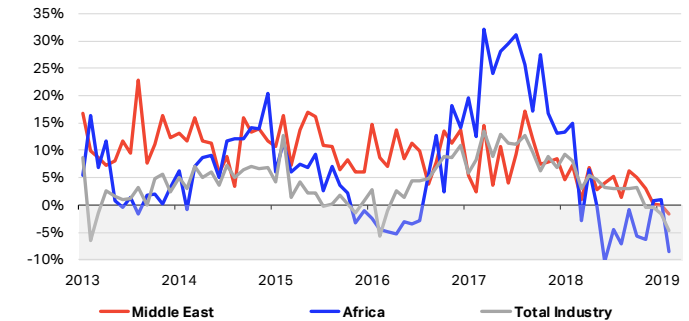
Source: Airline Analyst * constant sample basis, not seasonally adjusted

ME carriers, growth fell further into negative territory this month, at -1.6%yoy.

- Of the region's main international markets, volumes declined by 3.8% vs a year ago on the largest ME-Asia market for the first time since March 2018. In contrast, growth accelerated on the second-largest ME-Europe to a 5-month high (4.4%).
- The smaller Africa-Asia market was the key mover this month, with volumes down by 22% vs a year ago.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

2018 indicate a decline in industry performance vs a year ago; the industry-wide EBIT margin slipped to 4.7% from 7.2%. At the regional level, the margin remains negative, at -5.1% of revenues.

- Passenger yield developments remained mixed across the key markets in the region. While the largest ME-Asia market sustained positive yoy yield growth for a 4th consecutive month, yields fell further on the two other larger markets, ME-Europe & Africa-Europe at -7.9% & -13.0%, respectively.

Passenger yields (US\$, excl. surcharges & ancillaries)

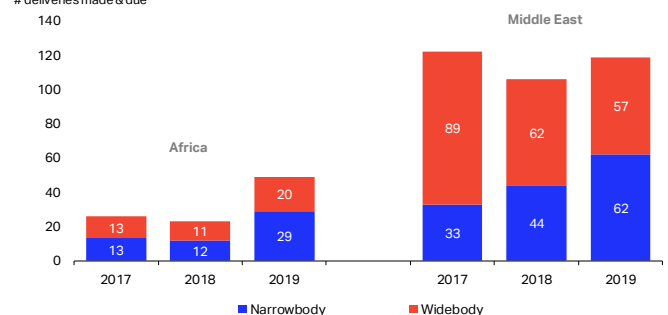
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Middle East - Asia	-0.4	4.6	5.1	4.2
Middle East - Europe	3.7	1.2	-5.7	-7.9
Africa - Europe	4.0	-7.1	-5.8	-13.0
Middle East - Nth America	6.0	10.2	9.4	6.2
Middle East - Sth America	3.2	-12.7	-12.1	-15.7
Africa - Middle East	4.3	0.3	1.0	-2.2
Africa - Nth America	2.5	-0.4	2.9	-8.9
Within Middle East	8.2	13.5	11.7	9.8
Within Africa	7.0	-2.2	-7.9	-12.2

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data indicate a pick-up in jet aircraft deliveries for the region's airlines in 2019 vs 2018.

Aircraft deliveries to Africa & the Middle East (1Q19 data)

deliveries made & due



Source: Ascend