

State of the region: Africa & Middle East

April 2020

Economy

GDP growth, selected countries

% change on a y ago	2019	Q2 2019	Q3 2019	Q4 2019
Saudi Arabia	0.5	0.5	-0.4	0.4
Nigeria	2.2	2.1	2.1	2.5
Egypt	5.0	5.4	4.5	4.8
South Africa	0.1	0.7	0.1	-0.6
UAE	1.3	--	--	--
Kenya	6.4 [†]	5.7	5.2	--
Jordan	1.9 [†]	1.8	1.9	--
World*	2.6	2.6	2.5	2.5

Source: Datastream * Market exchange rate basis † 2018

Exchange rates

end of period, # per US\$	2019	Jan-20	Feb-20	Mar-20
US\$ broad index	114.7	115.8	117.8	122.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.76
Nigerian naira (NGN)	362.9	363.5	365.8	381.5
Egyptian pound (EGP)	16.0	15.8	15.6	15.7
Sth African rand (ZAR)	14.0	15.0	15.7	17.9
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	100.3	101.2	105.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jan-20	Feb-20	Mar-20
Crude oil (Brent)	64.2	63.9	55.7	33.9
Jet fuel	79.6	76.2	65.1	40.1

Source: Platts, Datastream (monthly average data)

Market

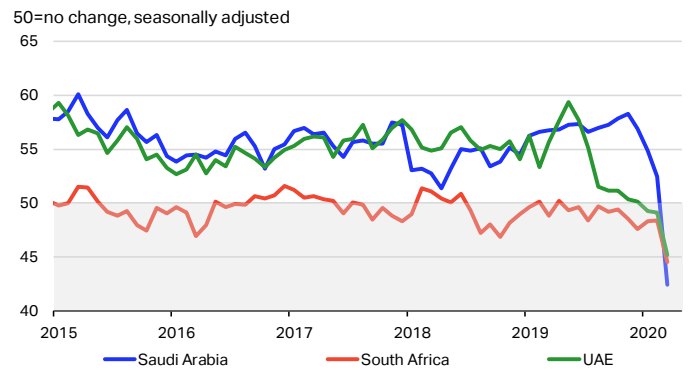
Revenue passenger kilometers (RPKs)

% change on a y ago	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
Middle East	2.3	5.4	5.8	1.7
Africa	4.9	5.4	5.5	-0.7
World	4.2	4.5	2.5	-14.1
Routes (segment basis)				
Middle East - Asia	3.5	5.2	5.2	-6.1
Middle East - Europe	4.4	9.0	7.2	4.4
Africa - Europe	4.5	-3.3	1.3	2.4
Middle East - Nth America	0.0	7.5	2.4	6.4
Africa - Middle East	-1.7	-1.5	0.6	-1.8
Africa - Asia	5.0	7.9	4.3	-34.2

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

- Industry-wide revenue passenger kilometres (RPKs) contracted by 14.1%yoy in February as the COVID-19 outbreak weighed significantly on the China and Asia-Pacific markets in particular.
- After four months of solid outcomes (averaging 6%yoy), growth in RPKs recorded by the Middle Eastern carriers fell to 1.7%yoy. This result was driven

Business confidence - economy-wide PMIs

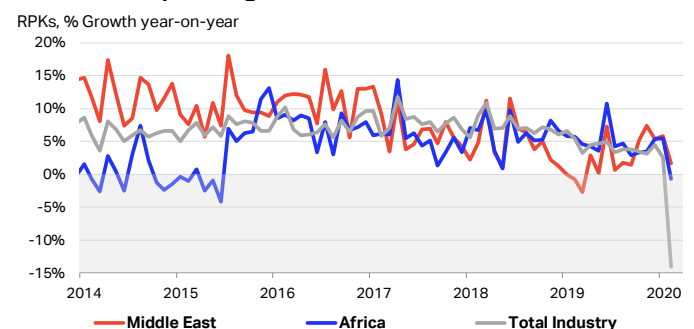


- Business sentiment deteriorated significantly this month across the three key economies that we regularly track in Africa & Middle East. Some indicators of economic activity fell at a record-high pace amid COVID-19 related disruptions.
- The COVID-19 outbreak also had an impact on March's FX movements. The US\$ strengthened by a significant 4.3%, reflecting high demand for dollar liquidity. All of the key regional currencies fell against the US\$, most notably the ZAR (down ~13.5%).
- The monthly average jet fuel and crude oil price plunged by ~40% in March amidst the negative impact of COVID-19 on global demand along with the oil price war between Saudi Arabia and Russia.

by a decline on ME-Asia routes (-6.1%yoy vs +5.2%yoy in January) as flight cancellations and travel restrictions took effect.

- Passenger volumes flown by African carriers contracted by 0.7%yoy in February, the weakest outcome since mid-2015. The deterioration reflected a 34%yoy RPK fall in the Africa-Asia market which had previously been one of the main contributors to the region's growth.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
Middle East	-4.6	-1.1	-1.3	4.3
Africa	7.4	10.8	6.5	6.2
World	-3.2	-1.6	-3.9	-1.4
Routes (segment basis)				
Middle East - Asia	-2.7	1.0	-1.7	2.7
Middle East - Europe	-5.2	-2.4	-3.2	3.7
Africa - Europe	-1.7	-5.3	-6.4	-0.1
Middle East - Nth America	-7.0	-4.9	-1.1	9.5
Africa - Middle East	-6.5	-7.8	-5.7	4.4
Africa - Asia	12.4	17.0	2.3	8.8

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

- Industry-wide cargo tonne kilometres were 1.4% lower than their level of February 2019. However, the relatively moderate decline largely reflects the weak outcome observed a year ago. Indeed, in month-on-month terms, CTKs fell by 9.1% amid the virus crisis.
- CTKs reported by carriers in the Middle East grew by 4.3%yoy in February - an improvement over the weaker

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Dec-19	Jan-20	Feb-20
LF: % of ASK/ACTK					
Passenger					
Middle East	ASK	0.1	0.0	0.5	1.5
	PLF	76.2	77.3	78.5	72.5
Africa	ASK	4.7	5.1	6.2	5.1
	PLF	71.7	72.4	70.3	66.8
World	ASK	3.4	2.2	1.7	-8.7
	PLF	82.6	82.2	80.4	75.9
Cargo					
Middle East	ACTK	1.1	5.6	2.8	6.0
	CLF	46.6	46.5	42.7	46.1
Africa	ACTK	13.3	10.0	9.3	3.0
	CLF	35.5	36.9	34.4	36.8
World	ACTK	2.3	4.2	0.8	-4.4
	CLF	46.7	46.6	44.7	46.4

Source: IATA Statistics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- With RPKs falling at almost twice the rate of capacity, the industry-wide passenger load factor (PLF) dropped by 4.8ppts yoy, to 75.9%. The PLF recorded by African carriers also eased (down 3.9ppts yoy) while ME airlines posted a PLF broadly unchanged from a year ago.
- The cancellation of passenger flights due to COVID-19 removed considerable bellyhold capacity from the cargo market. With ACTKs falling faster than CTKs, the industry-wide cargo LF picked up by 1.5ppts vs a year ago. At the regional level, the CLF for African airlines rose by 1.1ppts but fell by 0.7ppts for the ME carriers.

Airline operating (EBIT) margins*

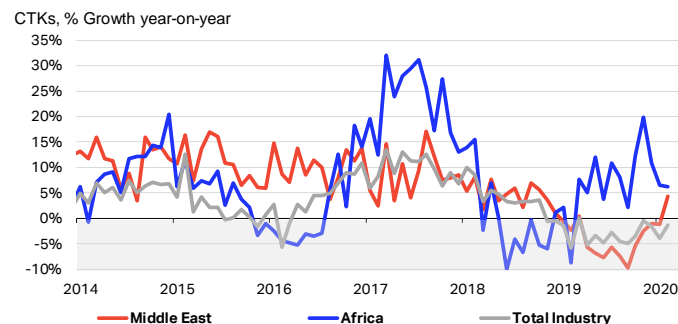
% revenues	2018	2019E	2018Q4	2019Q4
Africa & Middle East	-3.4	-4.0	7.5	13.4
Industry	5.7	5.1	5.9	7.0

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

results of previous months. The growth uptick was driven by a robust expansion on the ME-Nth.Am trade lanes (up 9.5%yoy), but also a faster pace of growth on ME-Asia and ME-Europe routes.

- YoY CTK growth of African airlines (6.2%) was broadly unchanged in February from that in January. The pace picked up to a solid 8.8%yoy on the smaller Africa-Asia trade lanes, but remained well below levels in H2 2019. Africa-ME CTK growth also improved (up 4.4%yoy).

Growth in air cargo volumes



Source: IATA Statistics

- The Q4 2019 airline financial data show a slightly higher industry-wide profit outcome ahead of the COVID-19 outbreak. At the regional level, the EBIT margin rose to a robust 13.4% of revenues.
- Base passenger yields (excluding ancillaries and surcharges) declined in year-on-year terms across the majority of the region's key routes. Africa-Middle East was the main mover this month, posting yields down almost 6% vs February 2019.

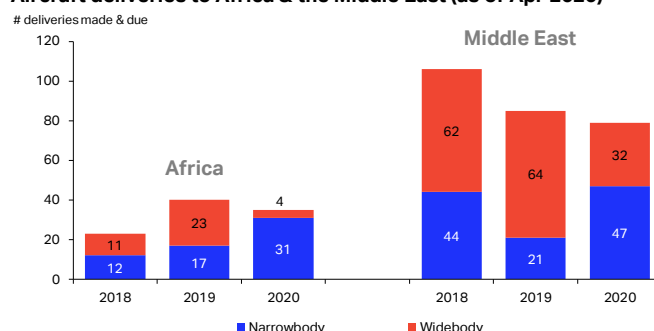
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Middle East - Asia	7.3	1.4	4.6	-2.9
Middle East - Europe	-5.5	-7.9	0.4	-3.5
Africa - Europe	-7.0	-1.0	-0.7	0.1
Middle East - Nth America	3.8	-3.7	-0.2	-4.9
Middle East - Sth America	-6.0	10.8	-1.1	-2.2
Africa - Middle East	-5.0	-5.1	-0.1	-5.7
Africa - Nth America	-3.1	-6.8	-1.0	-0.4
Within Middle East	3.0	-5.3	-4.1	-4.2
Within Africa	-8.7	-6.2	-4.0	-4.6

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

- The latest data indicate a modest fall in jet aircraft deliveries for airlines based in Africa and the Middle East in 2020 vs 2019.

Aircraft deliveries to Africa & the Middle East (as of Apr 2020)



Source: Cirium