

State of the region: Africa & Middle East

April 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
Saudi Arabia	-4.1	-7.0	-4.6	-3.9
Nigeria	-1.8	-6.0	-3.1	0.0
Egypt	--	-3.1	-1.3	--
South Africa	-7.1	-17.6	-6.1	-4.3
UAE	1.7	--	--	--
Kenya	--	-5.0	-1.5	--
Jordan	-1.6	-3.6	-2.2	-1.6
World*	-3.6	-8.9	-2.7	-1.4

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Jan-21	Feb-21	Mar-21
US\$ broad index	112.1	111.8	112.3	113.6
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	394.8	394.8	411.8	409.5
Egyptian pound (EGP)	15.7	15.7	15.7	15.7
Sth African rand (ZAR)	14.6	15.1	15.1	14.8
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	109.2	110.2	109.8	109.4
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

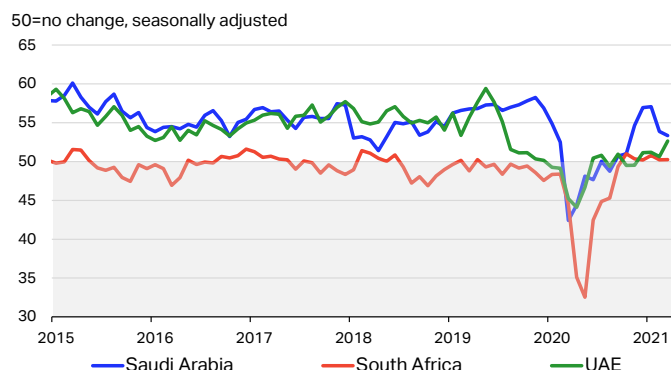
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Jan-21	Feb-21	Mar-21
Crude oil (Brent)	43.4	55.2	62.4	65.8
Jet fuel	46.3	59.6	66.9	69.0

Source: Platts, Eikon Datastream (monthly average data)

Business confidence - economy-wide PMIs



- The latest PMI surveys indicate that the economic backdrop improved in the UAE and Saudi Arabia although the rate of expansion was slower than before the crisis. In South Africa, the economic activity remains relatively weak due to supply chain disruptions and resulting increase in input costs.
- The trade-weighted US dollar index rose for the second consecutive month, up 1.2% in March. Of the key regional currencies, the ZAR ended the month up 2.4% vs. the US\$. Other FX movements were muted.
- Despite some volatility caused by European lockdowns and inflation concerns, average jet fuel and Brent crude oil price picked up in March, reflecting widespread optimism about the global economic recovery.

Market

Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Middle East	-72.1	-81.0	-80.5	-81.7
Africa	-68.9	-67.7	-63.9	-66.1
World	-65.9	-69.5	-72.2	-74.7
Routes (segment basis)				
Middle East - Asia	-73.6	-83.7	-81.7	-81.9
Middle East - Europe	-73.2	-79.9	-81.1	-85.2
Africa - Europe	-68.4	-66.8	-68.1	-74.6
Middle East - Nth America	-71.3	-79.5	-76.8	-75.4
Africa - Middle East	-72.5	-70.2	-70.1	-71.4
Africa - Asia	-80.1	-92.5	-93.2	-92.8

Source: IATA Economics. Note: historical data may be subject to revision

- Passenger traffic remained weak in February since new COVID-19 cases were elevated globally and governments maintained travel restrictions. Industry-wide revenue passenger-kilometres (RPKs) were 74.7% below pre-crisis levels in February 2019, compared to January's level which was 72.2% down.
- Airlines based in Africa reported 66.1% fewer RPKs in February 2021 compared with two years ago.

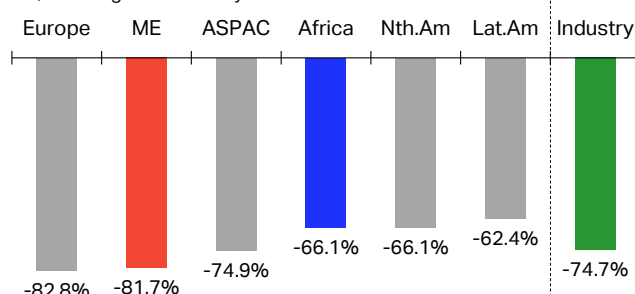
IATA Economics: www.iata.org/economics

International travel restrictions remained less strict than elsewhere, helping carriers based in the region to top the international RPK performance (-68.0% at the aggregated level).

- RPKs of Middle Eastern carriers fell by 81.7% compared to February 2019. The region continues to be impacted by the closure of its long-haul routes. Amongst the key international markets, Africa-Middle East posted the most resilient performance, with RPKs down 71.4% compared with two years ago.

Growth in passenger volumes, by region

RPKs, % change vs. February 2019



Source: IATA Economics

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Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Middle East	-9.5	2.3	6.7	8.7
Africa	1.8	6.3	21.1	42.3
World	-9.1	1.2	4.1	9.0
Routes (segment basis)				
Middle East - Asia	-7.0	6.9	16.9	26.7
Middle East - Europe	-18.1	-10.6	-7.1	-9.0
Africa - Europe	-21.7	-10.9	-18.5	-8.6
Middle East - Nth America	-8.5	12.3	15.1	16.5
Africa - Middle East	-31.5	-16.6	-22.0	-18.4
Africa - Asia	8.6	4.0	38.5	107.2

Source: Economics. Note: historical data may be subject to revision

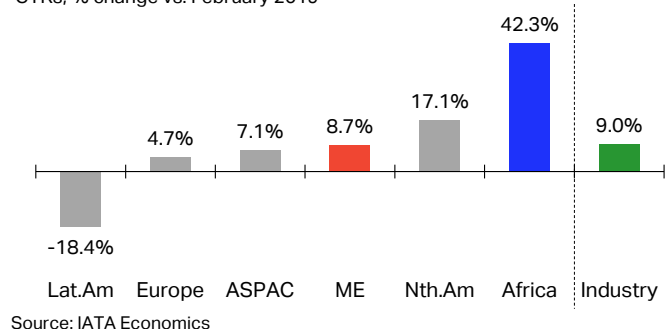
- Strong air cargo growth continued in February, supported by the wider economic recovery. Industry-wide cargo tonne-kilometres expanded by 9% compared with February 2019 – a robust improvement on a 4.1% growth in the previous month.
- African carriers posted the fastest CTK expansion amongst regions (up 42.3% vs. the pre-crisis level in Feb 2019) due to robust growth on Africa-Asia trade-

lanes. However, note that the Africa market is relatively small compared to the rest of the industry (~2% CTK share) and therefore even small changes in cargo volumes result in outsized growth volatility.

- CTKs of Middle Eastern carriers rose by 8.7% compared with the pre-crisis period. Of the region's key international markets, ME-Asia and ME-Nth.Am performed the strongest for another month (up 27% and 17% vs. Feb 2019, respectively).

Growth in cargo volumes, by region

CTKs, % change vs. February 2019



Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Dec-20	Jan-21	Feb-21
Passenger					
Middle East	ASK	-63.3	-67.2	-65.8	-66.8
	PLF	57.8	44.6	42.6	39.8
Africa	ASK	-61.1	-57.5	-53.0	-53.6
	PLF	57.5	54.9	54.4	51.6
World	ASK	-56.7	-57.2	-59.2	-63.1
	PLF	65.1	58.5	54.3	55.4
Cargo					
Middle East	ACTK	-20.9	-18.2	-17.2	-14.8
	CLF	53.4	59.8	57.2	59.8
Africa	ACTK	-15.0	-14.7	-5.2	6.6
	CLF	43.4	46.4	45.2	47.6
World	ACTK	-21.2	-14.6	-16.6	-14.9
	CLF	53.9	56.2	58.5	57.5

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

- Industry-wide available seat-kilometres (ASKs) were 63.1% lower than pre-crisis outcomes in February 2019, after a 59.2% fall in January. ASKs of African airlines contracted by 53.6% while Middle Eastern carriers reported ASKs down 66.8%.
- February was another month of record-low passenger load factors, with the industry-wide metric down 25.3 percentage points compared with February 2019, at 55.4%. The PLF of African and ME airlines was at 51.6% and 39.8%, respectively.
- The recovery in global cargo capacity remained adversely impacted by the groundings of passenger aircraft. Industry-wide available seat-kilometres (ACTKs) fell by 15% compared with two years ago. At the regional level, capacity developments were mixed.

While ME ACTKs fell by ~15%, the cargo capacity of African airlines rose above pre-crisis levels (+6.6% vs. Feb 2019).

- The global CLF reached 57.5%, a record high outcome for any February in our time series. African carriers saw the CLF at 47.6% while ME airlines at ~60%.

Airline operating (EBIT) margins*

% revenues	2019	2020	2019Q4	2020Q4
Africa & Middle East	-4.0	-19	9.4	-49
Industry	5.2	-28	8.2	-45

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

- Our latest sample of airline financial results shows further substantial losses in Q4 2020. The resurgence of virus cases and the renewed restrictive measures weighed on travel demand during the quarter.
- As of April 2021, aircraft deliveries scheduled by airlines based in Africa and the Middle East are expected to increase vs. 2020 as the pandemic gets under better control. However, they will most likely not reach 2019 levels when the number of deliveries was adversely impacted by Max 737 groundings.

Aircraft deliveries to Africa & the Middle East (as of April 2021)

deliveries made & due

