

State of the region: Africa & Middle East

August 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
Saudi Arabia	2.3	3.6	1.7	--
Nigeria	1.9	2.4	2.0	--
Egypt	5.2	5.0	--	--
South Africa	0.7	0.1	-0.1	--
UAE	1.7	--	--	--
Kenya	6.3	5.8	5.6	--
Jordan	2.0	1.8	2.0	--
World*	3.2	2.8	2.7	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	May-19	Jun-19	Jul-19
US\$ broad index	128.5	128.7	128.3	127.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	360.8	360.0	362.3
Egyptian pound (EGP)	17.9	16.7	16.7	16.6
Sth African rand (ZAR)	14.4	14.6	14.1	14.2
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	101.3	102.2	104.1
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	May-19	Jun-19	Jul-19
Crude oil (Brent)	71.7	70.4	63.2	64.3
Jet fuel	86.4	84.4	76.5	80.4

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

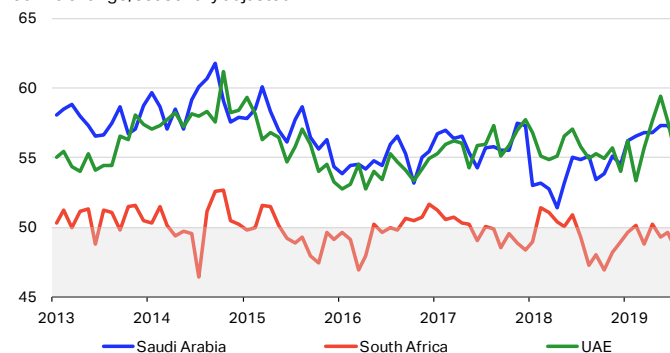
% change on a yr ago	2018	Apr-19	May-19	Jun-19
Region (registration basis)				
Middle East	4.0	3.0	0.5	7.8
Africa	2.3	1.7	4.8	11.7
World	6.9	4.3	4.7	5.0
Routes (segment basis)				
Middle East - Asia	4.4	3.6	1.6	8.1
Middle East - Europe	4.9	4.6	-0.7	11.1
Africa - Europe	6.7	9.6	8.0	14.6
Middle East - Nth America	1.3	-0.5	0.6	4.5
Africa - Middle East	3.3	-3.5	-8.2	6.4
Africa - Asia	9.4	-0.5	2.5	9.8

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

- Industry-wide revenue passenger kilometres (RPKs) increased by an even 5.0% over the 12 months to June, the best outcome since February. That said, the pace remained a little slower than the 20-year average growth rate of around 5.5%.
- Passenger volumes increased sharply in both Africa and Middle East in June, with RPKs up 11.7% and 7.8% year-on-year, respectively. Africa was the only region

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

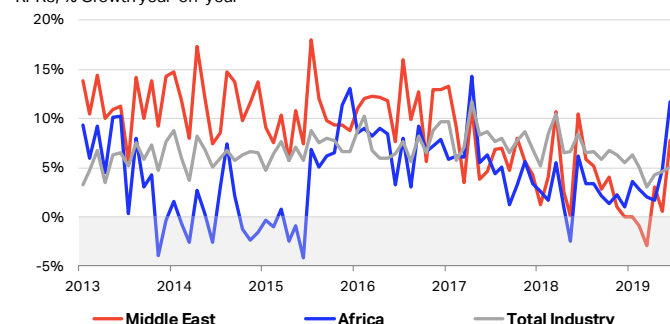
- In South Africa, business confidence deteriorated further despite slightly improved expectations for the economic outlook. Although sentiment eased this month in both the UAE and Saudi Arabia, it remains solidly in expansionary territory indicating ongoing robust operating business conditions in both countries.
- On a trade-weighted basis, the US\$ eased by 0.3%, its second consecutive monthly decrease. Of the main regional currencies, while KES lost 1.9% of value against USD, ZAR appreciated against USD following the sharp decline in June.
- Jet fuel and crude oil prices continued to be volatile following signs of weakening in the global economy and tensions in the Middle East.

to achieve a double-digit rate of growth amid a generally supportive economic backdrop across the region. For the Middle East carriers, the surge in y-o-y growth is partly related to the change in the timing of Ramadan this year.

- Routes connecting Middle East and Africa to Europe were the top growth performers. Amongst the smaller markets, only RPK growth in ME-North America was below the industry level rate.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Apr-19	May-19	Jun-19
Region (registration basis)				
Middle East	3.9	-5.6	-7.3	-7.0
Africa	-0.8	5.0	12.0	3.8
World	3.6	-5.6	-3.5	-4.8
Routes (segment basis)				
Middle East - Asia	4.8	-4.0	-6.7	-4.7
Middle East - Europe	3.7	-7.4	-7.1	-7.0
Africa - Europe	-0.4	-0.1	3.4	-0.6
Middle East - Nth America	-2.5	-4.5	-5.5	-4.3
Africa - Middle East	-5.7	-6.1	-11.8	-16.5
Africa - Asia	-4.0	10.9	12.0	7.3

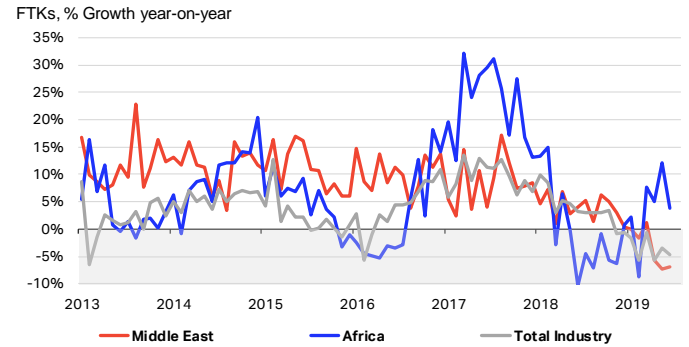
Source: IATA Statistics Note: historical data may be subject to revision

- Additional tariff increases in the ongoing US-China trade war that came into effect on June 1st are likely to have contributed to further fall in annual FTK growth rate in June (volumes down 4.8% y-o-y).
- In the Middle East, FTKs were down by 7% while Africa continued to record positive FTK growth to be the

strongest performing region on this occasion.

- For the Middle East, FTKs were under pressure in all of key international markets. For African carriers, the story was more positive, particularly for the Africa-Asia market where freight volumes are a strong 7.3% y-o-y higher.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Apr-19	May-19	Jun-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	4.9	-1.6	-5.9	1.5
	PLF	74.8	80.6	73.1	76.7
Africa	ASK	1.0	0.6	2.7	7.7
	PLF	71.4	73.3	67.7	70.6
World	ASK	6.5	3.3	2.7	3.3
	PLF	81.9	83.0	81.6	84.4
Freight					
Middle East	AFTK	6.2	0.7	-1.4	2.7
	FLF	48.9	46.1	46.6	44.0
Africa	AFTK	1.9	12.6	13.8	16.6
	FLF	37.8	37.6	39.9	32.4
World	AFTK	4.9	1.7	1.4	2.6
	FLF	49.3	46.3	46.8	45.4

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

- The industry saw a record-high passenger load factor (PLF) for the month of June as the pace of capacity growth continued to be slower than that of demand. The story was less positive on the freight side with the FLF well below that of June 2018 (48.9%).
- On the passenger side, the PLF for both the Middle East and Africa increased this month, representing an historical record high for Africa for any June month. On the freight side, both Middle East and Africa LF's declined compared to May.
- Our final data for Q1 2019 (sample of 81 airlines) confirm the industry-wide decline in profitability vs a

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q1	2019Q1
Africa & Middle East	-2.3	-1.3	3.1	1.1
Industry	7.5	5.8	4.6	2.9

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

year ago, with Africa and ME following the same pattern; the EBIT margin is currently 2ppt lower compared to Q1 2018 at the regional level.

- Passenger yield developments were mixed across the key international markets in the region. While the yields continued to decline even at a faster pace in annual terms in the ME-Europe market, the largest ME-Asia maintained its outperformance, posting a 7.5% y-o-y increase in yields in June.

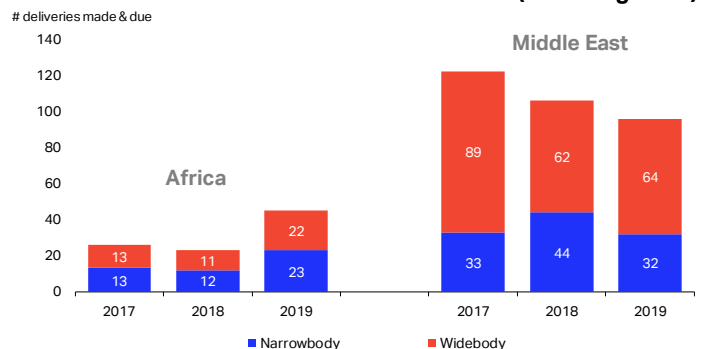
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Apr-19	May-19	Jun-19
Middle East - Asia	-0.4	12.0	14.4	7.5
Middle East - Europe	3.6	-3.3	-1.0	-6.1
Africa - Europe	4.0	-7.7	-10.1	-9.7
Middle East - Nth America	6.0	3.8	3.4	7.2
Middle East - Sth America	2.9	-12.4	-5.3	-3.7
Africa - Middle East	4.4	-2.0	-3.6	-7.5
Africa - Nth America	2.5	-2.6	-0.4	-4.3
Within Middle East	8.4	1.0	0.0	-2.0
Within Africa	6.9	-13.1	-18.0	-9.2

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

- The latest data point to doubling of jet aircraft deliveries for African airlines and fall in deliveries for carriers based in the Middle East in 2019 vs 2018.

Aircraft deliveries to Africa & the Middle East (as of Aug 2019)



Source: Ascend