

# State of the region: Africa & Middle East

February 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
Saudi Arabia	-0.9	1.6	2.5	--
Nigeria	0.8	1.5	1.8	2.4
Egypt	4.2	5.3	5.3	5.5
South Africa	1.2	0.6	0.6	--
UAE	0.5 <sup>†</sup>	--	--	--
Kenya	4.8 <sup>†</sup>	6.2	5.9	--
Jordan	2.4	2.2	2.5	--
<b>World*</b>	<b>3.1</b>	<b>3.2</b>	<b>2.9</b>	<b>2.8</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Nov-18	Dec-18	Jan-19
US\$ broad index	128.5	128.3	128.5	126.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	364.0	363.5	362.0
Egyptian pound (EGP)	17.9	17.9	17.9	17.7
Sth African rand (ZAR)	14.4	13.9	14.4	13.3
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	102.5	101.9	100.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

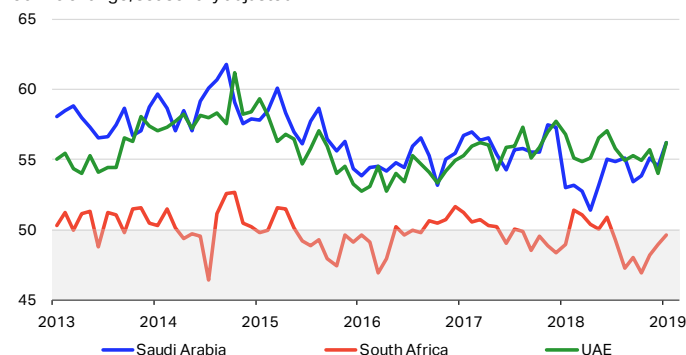
### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Nov-18	Dec-18	Jan-19
Crude oil (Brent)	71.1	64.8	57.4	59.4
Jet fuel	84.7	81.7	71.2	74.9

Source: Platts, EIA Monthly average data

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence lifted sharply in both Saudi Arabia & UAE, driven by new orders and in the latter case also by faster output growth. In South Africa, despite another improvement this month, sentiment remains at a level associated with decreasing output.
- On a trade-weighted basis, the US\$ ticked down by 1.4%, falling for the first time since early-2018. Amongst the main regional currencies, the ZAR recovered from Dec, gaining a solid 7.8% against the US\$, while the KES & EGP ended the month up ~1.2%. Other FX movements were relatively muted.
- Brent crude and jet fuel prices have been volatile in recent months; after the sharp fall in Q4 2018, they picked up again in January, reacting to supply cuts from OPEC countries.

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
<b>Region (registration basis)</b>				
Middle East	6.8	4.0	1.0	0.0
Africa	5.5	1.3	2.2	2.1
World	8.0	6.3	6.1	5.3
<b>Routes (segment basis)</b>				
Middle East - Asia	7.0	5.9	4.7	1.4
Middle East - Europe	8.9	2.9	3.8	2.9
Africa - Europe	10.0	10.0	6.7	6.3
Middle East - Nth America	-1.1	3.1	-5.7	-8.7
Africa - Middle East	3.3	6.4	2.4	2.7
Africa - Asia	3.7	5.8	10.0	9.7

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

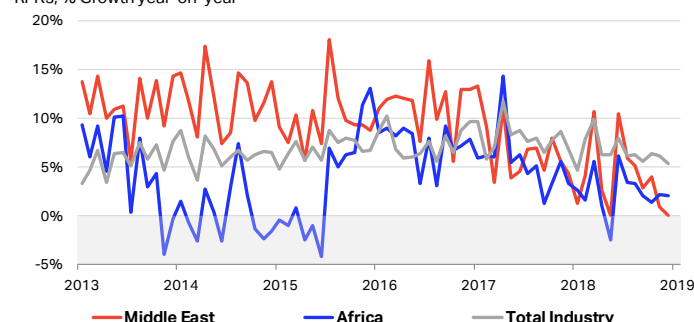
- The upward trend in industry-wide revenue passenger kilometres (RPKs) has softened over the past 6 months alongside signs of slowing global economic expansion. This translated into passenger growth moderating to 5.3%yoy in Dec, the slowest pace since early-2018.
- At the regional level, yoy growth in pax demand remained largely unchanged vs Nov for African carriers, at 2.1%yoy. The Middle East airlines saw a flat

growth outcome in Dec, consistent with seasonally adjusted RPKs trending broadly sideways over recent months.

- Pax demand showed mixed results across the main international markets in the region. The smaller Africa-Asia remained the key performer, with volumes rising by 9.7%yoy, followed by Africa-Europe (6.3%yoy).
- Pax volumes remained subdued for the ME-NthAm market, with RPKs easing further to be 8.7% below their level of a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
<b>Region (registration basis)</b>				
Middle East	8.6	5.0	2.9	0.1
Africa	22.9	-5.7	-9.4	-2.2
World	9.7	3.3	-0.3	-0.5
<b>Routes (segment basis)</b>				
Middle East - Asia	8.1	7.1	3.9	2.4
Middle East - Europe	12.2	3.5	4.2	-0.6
Africa - Europe	2.8	-4.2	-1.6	-1.8
Middle East - Nth America	8.9	0.2	-3.1	-2.3
Africa - Middle East	1.2	-10.9	-7.6	-2.2
Africa - Asia	57.8	-3.8	-17.6	-4.2

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

- Industry-wide freight tonne kilometres (FTKs) ended 2018 on a soft note, with year-on-year volumes down 0.5% compared to their level of Dec 2017. The moderation appears to reflect the end of the global restocking cycle as well as signs of weakness in key demand drivers.
- At the regional level, annual FTK growth for the Middle-East carriers slowed for the third consecutive month, to 0.1%yoy. For African airlines, FTK growth recovered

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Oct-18	Nov-18	Dec-18
<b>Passenger</b>					
Middle East	ASK	6.2	5.8	4.7	4.2
	PLF	75.4	70.0	68.6	73.6
Africa	ASK	2.2	1.1	1.2	1.6
	PLF	70.5	70.9	69.8	72.4
World	ASK	6.6	6.4	6.7	6.1
	PLF	81.5	81.0	80.0	80.4
<b>Freight</b>					
Middle East	AFTK	4.3	8.8	8.4	4.5
	FLF	49.9	50.6	51.7	48.8
Africa	AFTK	5.2	3.7	-8.8	4.9
	FLF	38.8	36.8	38.9	38.1
World	AFTK	5.0	5.6	4.4	3.8
	FLF	49.9	50.4	51.3	48.8

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

- While the industry-wide passenger load factor (PLF) ticked up to 80.4% this month, a modest improvement vs Nov, the freight load factor (FLF) eased to 48.8%.
- At the regional level, the PLF for both Africa and Middle East airlines lifted a little vs last month but remains ~7-8pp below the industry rate. The FLF for the ME moved in line with the industry wide outcome (48.8%) and eased modestly for the African carriers (38.1%).

### Airline operating (EBIT) margins\*

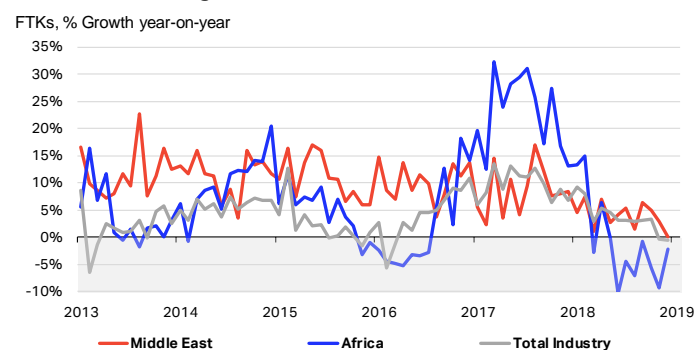
% revenues	2016	2017	2017Q3	2018Q3
Africa & Middle East	1.9	3.1	5.7	1.8
Industry	8.5	7.5	14.2	10.7

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

from a distinct slump in Nov (-9.4%yoy) but remains negative at -2.2%yoy.

- Freight volumes declined across all key international markets in the region with the exception of the largest Middle East-Asia that showed a modest growth of 2.4%yoy in Dec (but still a 1.5pp slowdown from Nov).
- Although the smaller Africa-Asia remained a key underperformer in Dec with FTKs down 4.2% vs last year, its underperformance was less distinct from the other markets than in the previous month.

### Growth in air freight volumes



Source: IATA Statistics

- The final Q3 financial data confirm the squeeze on industry financial performance, with an EBIT margin of 10.7% vs 14.2% a year ago. At the regional level, the outcome is 1.8%, down from 5.7% in Q3 2017.
- Passenger yield growth either moderated or remained negative across the region's key markets with the exception of Within Middle East where yields increased by a solid 11.6% vs a year ago.

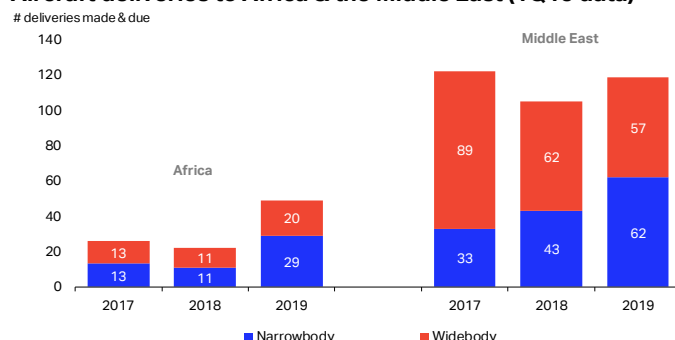
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Middle East - Asia	-3.5	-1.9	1.5	1.4
Middle East - Europe	-2.7	-0.9	-2.9	-1.4
Africa - Europe	-5.0	0.4	-1.2	-3.9
Middle East - Nth America	-2.5	3.0	9.2	2.9
Middle East - Sth America	4.8	-10.1	-10.1	-17.8
Africa - Middle East	-5.8	-4.4	-2.4	-3.1
Africa - Nth America	2.2	-1.8	-2.0	-1.5
Within Middle East	-6.0	5.8	6.7	11.6
Within Africa	1.5	2.4	-1.4	-3.0

Source: IATA PaxIS 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)



Source: Ascend