

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
Saudi Arabia	2.3	1.7	0.5	-0.4
Nigeria	1.9	2.1	2.0	2.1
Egypt	5.2	5.3	5.4	4.5
South Africa	0.7	-0.1	0.7	0.2
UAE	1.7	--	--	--
Kenya	6.4	5.5	5.7	5.2
Jordan	2.0	2.0	1.8	1.9
<b>World*</b>	<b>3.2</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2019	Nov-19	Dec-19	Jan-20
US\$ broad index	114.7	117.1	114.7	115.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	362.9	362.7	362.9	363.5
Egyptian pound (EGP)	16.0	16.1	16.0	15.8
Sth African rand (ZAR)	14.0	14.7	14.0	15.0
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	102.6	101.4	100.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	Nov-19	Dec-19	Jan-20
Crude oil (Brent)	64.2	62.7	65.3	63.9
Jet fuel	79.6	78.2	80.1	76.2

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

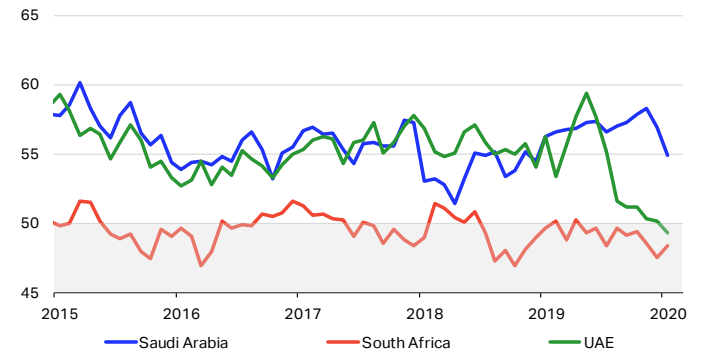
% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
<b>Region (registration basis)</b>				
Middle East	2.4	5.3	7.4	5.9
Africa	4.9	3.4	3.5	5.4
World	4.2	3.4	3.3	4.5
<b>Routes (segment basis)</b>				
Middle East - Asia	3.6	9.8	7.5	5.7
Middle East - Europe	4.3	8.2	9.4	9.0
Africa - Europe	4.5	-1.7	0.2	-3.3
Middle East - Nth America	0.0	1.5	10.1	7.4
Africa - Middle East	-1.7	-8.7	-4.9	-1.5
Africa - Asia	5.0	8.9	10.7	7.9

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

- Industry-wide revenue passenger kilometres (RPKs) expanded by 4.2% in 2019 as a whole, down from 7.3% in the previous year amidst slower economic growth and weaker international trade.
- Although ME carriers saw the slowest annual RPK expansion of all regions in 2019 (2.4%), their recent monthly year-on-year growth rates were topping our regional growth chart. The improved performance in

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

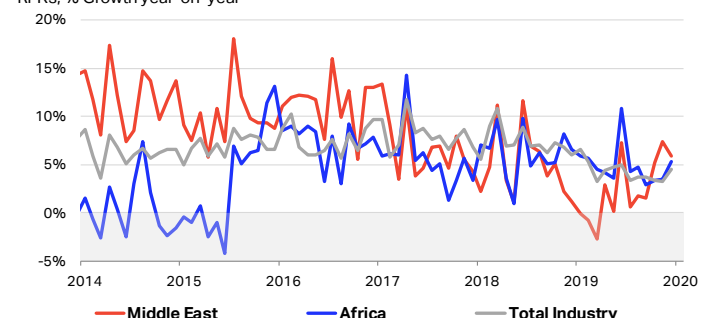
- Saudi Arabia's business confidence fell to the levels last seen in late-2018 amid softer growth in new businesses. The sentiment eased also in the UAE, driven by a fall in employment figures, and remained deteriorated in South Africa due to electricity shortages and weather disruptions in December.
- The US\$ broad index ended the month up ~1%. Of the key regional currencies, the ZAR lost almost 7% against the US\$, reflecting the adverse impact of the electricity disruptions on the domestic economy.
- Following the uptick in December, the jet fuel and crude oil price declined last month due to the concerns about the impact of the coronavirus outbreak on global oil demand.

late-2019 was underpinned by robust expansion on Middle East-Asia and Middle East-Europe routes.

- In Africa, RPKs increased by almost 5% in 2019. Region's carriers benefited from a generally supportive economic backdrop last year – including improved stability in a number of countries – as well as increases in air transport connectivity.
- Africa-Asia market expanded the fastest in 2019 (up 5%) amid strong business relations between the two regions. However, the pace was well below that in 2018 (9.4%).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
<b>Region (registration basis)</b>				
Middle East	-4.8	-5.3	-2.4	-3.4
Africa	7.4	12.2	19.8	10.3
World	-3.3	-3.7	-1.1	-2.7
<b>Routes (segment basis)</b>				
Middle East - Asia	-2.6	-2.6	0.6	1.2
Middle East - Europe	-5.2	-7.9	-5.7	-2.2
Africa - Europe	-1.9	-3.3	-4.9	-8.3
Middle East - Nth America	-7.0	-7.5	-4.5	-5.4
Africa - Middle East	-6.5	-3.4	-7.4	-7.8
Africa - Asia	12.4	20.1	38.9	17.0

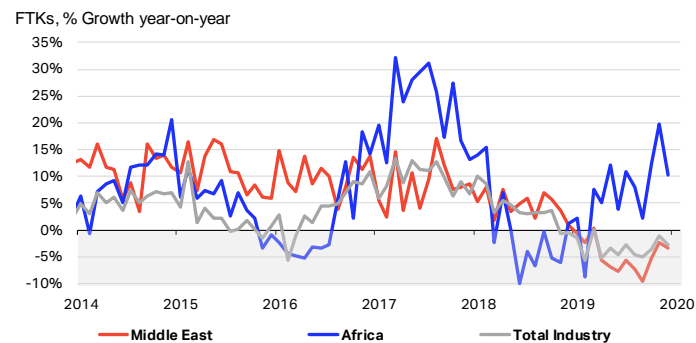
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) contracted by 3.3% in 2019. This represents the worst performance since the Global Financial Crisis and could be largely attributed to global weakness in trade.
- FTKs for African airlines grew by a robust 7.4% in 2019, up from -0.3% in 2018. The improved outcome has been driven by strong capacity growth and investment

linkages with Asia. Indeed, Africa-Asia routes posted double-digit FTK expansion last year (12.4%).

- FTKs for ME airlines fell by 4.8% in 2019. Supply chains were disrupted by developments in Asia & Europe and weak global trade. Airlines' restructuring also contributed to the decline. However, pressure on volumes eased in late-2019, partly due to higher demand in the larger ME-Asia market.

## Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2019	Oct-19	Nov-19	Dec-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Middle East	ASK	0.1	0.0	0.0	-0.4
	PLF	76.2	73.4	73.2	78.0
Africa	ASK	4.7	5.5	2.5	5.1
	PLF	71.7	69.9	70.8	72.4
World	ASK	3.4	2.2	1.8	2.1
	PLF	82.6	82.0	81.1	82.3
<b>Freight</b>					
Middle East	AFTK	0.7	1.6	2.6	1.9
	FLF	46.6	47.8	50.0	47.0
Africa	AFTK	13.3	14.4	13.7	10.0
	FLF	35.5	35.9	40.4	36.8
World	AFTK	2.1	2.4	2.6	2.8
	FLF	46.7	47.5	49.8	46.7

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

- Industry-wide seat capacity (ASKs) expanded by 3.4% in 2019 – about 1ppt slower pace than that of RPKs. As a result, the industry passenger load factor (PLF) reached a record-high 82.6% last year.
- For freight, capacity (AFTKs) rose by 2.1% against contracting demand. This has driven 2019 freight load factor down by 2.6ppt compared to 2018.
- African carriers posted their highest annual PLF in the history of our time series (71.7%) while ME carriers recorded five-year high LF. The performance was weaker on the freight side, with Africa and ME FLFs below that of a year ago.

### Airline operating (EBIT) margins\*

% revenues	2018	2019E	2018Q4	2019Q4
Africa & Middle East	-3.4	-4.0	14.2	17.3
Industry	5.7	5.1	8.3	9.0

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

- The initial financial data for Q4 indicate a higher industry-wide EBIT margin vs the same quarter a year ago. The performance improved also at the regional level with average margin up ~3ppt at 17.3%.
- Development in passenger yields (denominated in US\$) was mixed across the key markets in the region in 2019. While the larger ME-Asia expanded by 7.3%, another larger ME-Europe and Africa-Europe markets contracted by 5-7% over the same period.

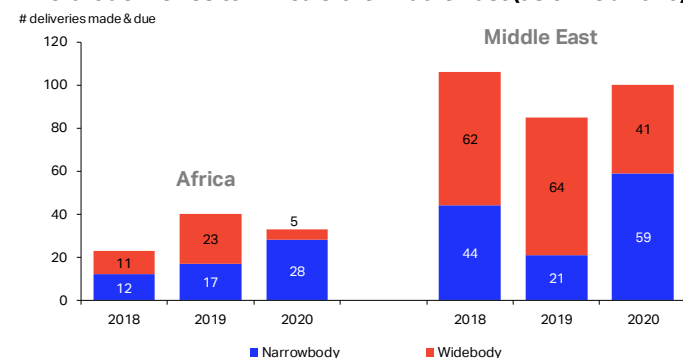
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
Middle East - Asia	7.3	4.7	2.3	1.4
Middle East - Europe	-5.5	-5.4	-8.0	-8.1
Africa - Europe	-7.0	-4.4	-3.3	-1.0
Middle East - Nth America	3.8	-3.5	2.1	-3.6
Middle East - Sth America	-6.0	-4.3	-6.6	10.7
Africa - Middle East	-5.0	-9.5	-8.0	-5.5
Africa - Nth America	-3.1	-5.2	1.2	-6.7
Within Middle East	3.0	-1.3	-4.8	-7.9
Within Africa	-8.7	-6.7	-6.9	-6.4

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

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

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



Source: Ascend