

State of the region: Africa & Middle East

January 2020

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	--
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
World*	3.2	2.7	2.5	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Oct-19	Nov-19	Dec-19
US\$ broad index	128.5	130.2	129.9	129.4
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	362.3	362.7	362.9
Egyptian pound (EGP)	17.9	16.1	16.1	16.0
Sth African rand (ZAR)	14.4	15.1	14.7	14.0
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	103.3	102.6	101.4
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Oct-19	Nov-19	Dec-19
Crude oil (Brent)	71.7	59.6	62.7	65.3
Jet fuel	86.4	78.7	78.2	80.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

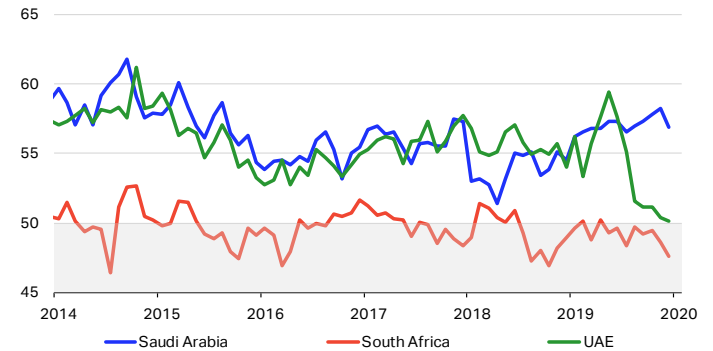
% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Region (registration basis)				
Middle East	5.0	1.5	5.2	7.2
Africa	6.1	2.9	3.4	3.5
World	7.3	3.6	3.3	3.3
Routes (segment basis)				
Middle East - Asia	4.4	2.4	9.8	7.2
Middle East - Europe	5.0	4.1	8.1	9.3
Africa - Europe	8.2	3.1	-1.7	0.2
Middle East - Nth America	1.3	0.2	1.4	9.7
Africa - Middle East	3.3	-6.7	-8.7	-4.8
Africa - Asia	9.4	6.2	8.9	10.7

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

- Industry-wide RPKs increased by 3.3% year-on-year in November. This latest outcome signals another month of only moderate performance for air passenger demand at the global level.
- Annual growth increased sharply for the second consecutive month for the Middle Eastern airlines (up 7.2% year-on-year), driven by a solid expansion on international routes.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



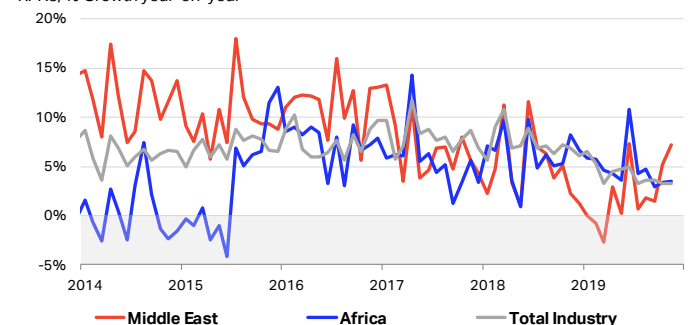
Source: Markit

- Despite the modest fall in Dec, Saudi Arabia's business confidence remained robust. By contrast, sentiment deteriorated further in South Africa amidst electricity supply issues & weather disruptions, and also eased this month in the UAE.
- Although the trade weighted US\$ index eased for the 3rd consecutive month in Dec, it was still 0.7% higher vs a year ago. Of the key regional currencies, the EGP was the main mover (and one of the strongest currencies globally) in 2019, gaining more than 10% vs the US\$.
- Average oil and jet fuel prices ticked higher in December amidst OPEC production cuts and optimism around US-China trade deal progress.

- Indeed, growth remained robust in the larger ME-Asia (7.2%yoy) and ME-Europe (9.3%) markets. Additional support came from sharp improvement in the ME-NthAm market where the pace of expansion surged to 9.7%yoy.
- For carriers based in Africa, year-on-year RPK growth stabilized at 3.5% in November, as better performance in the international markets offset the slowdown in the region's domestic market segment.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Region (registration basis)				
Middle East	4.6	-9.7	-5.7	-3.0
Africa	-0.3	2.2	12.2	19.8
World	3.7	-4.8	-3.8	-1.1
Routes (segment basis)				
Middle East - Asia	4.1	-6.9	-2.8	-0.5
Middle East - Europe	3.0	-11.8	-8.1	-5.3
Africa - Europe	0.0	-7.2	-3.3	-4.9
Middle East - Nth America	-3.4	-4.4	-7.8	-4.2
Africa - Middle East	-8.7	-11.5	-3.7	-7.6
Africa - Asia	-4.0	22.6	20.1	38.9

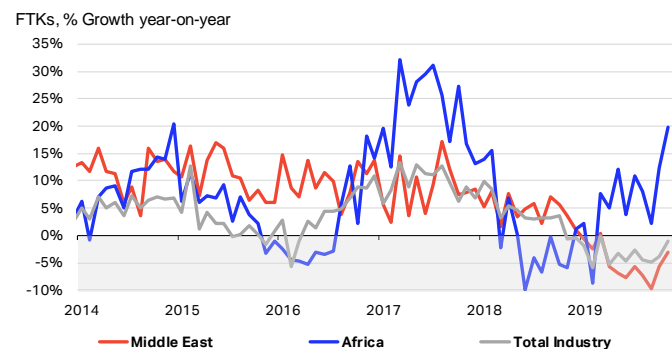
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) were 1.1% lower in November compared with their level of a year ago. The monthly data are, however, showing some modest improvement in freight volumes.
- FTK growth for airlines based in the Middle East are an even 3.0% lower than a year ago. While still a weak outcome, this represents a clear improvement

compared with outcomes from earlier in the year. The signs of improvement in the larger Asia and Europe markets is a welcome development.

- By contrast, FTKs for African airlines continued to expand in double-digits (~20%yoy) – a performance supported by brisk growth in the smaller Africa-Asia market (~40%yoy in November).

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Sep-19	Oct-19	Nov-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	5.8	-0.2	0.0	-0.1
	PLF	74.5	75.0	73.4	73.2
Africa	ASK	4.3	4.3	5.5	2.5
	PLF	71.6	72.4	69.9	70.8
World	ASK	6.8	3.2	2.1	1.8
	PLF	82.0	81.9	82.1	81.1
Freight					
Middle East	AFTK	8.5	-1.2	1.6	2.6
	FLF	49.3	45.5	47.6	49.7
Africa	AFTK	1.9	9.7	14.4	13.7
	FLF	37.5	32.8	35.9	40.4
World	AFTK	5.2	2.4	2.2	2.9
	FLF	49.3	46.1	47.5	49.6

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

- As was the case in recent months, the industry-wide passenger load factor (PLF) achieved a record monthly high, at 81.1%. By contrast, the industry freight LF fell by a sizeable 2ppts vs a year ago as capacity continued to grow (2.9%yoy) against contracting FTKs.
- The PLF for ME airlines improved by 5ppts vs a year ago amidst stronger demand growth and stabilized capacity. African airlines also performed solidly, posting a record high PLF for Nov. The freight LF improved for African airlines (up 2.1ppts vs a year ago) but was lower for the ME carriers (down ~3ppts).
- The final financial data for Q3 confirmed that industry-

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Africa & Middle East	-2.3	-3.4	12.6	14.5
Industry	7.5	5.7	11.7	11.9

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

-wide operating profitability improved modestly. The performance was better also at the regional level, with Africa & ME airlines recording profit margins on average up ~2ppt vs Q3 2018.

- Yield performance was mixed across the key markets for the region. Growth softened in the larger ME-Asia routes to 2.4%yoy and yields declined further in ME-Europe (-7.8%). In contrast, yields recovered for the ME to NthAm market (up 2.1%yoy).

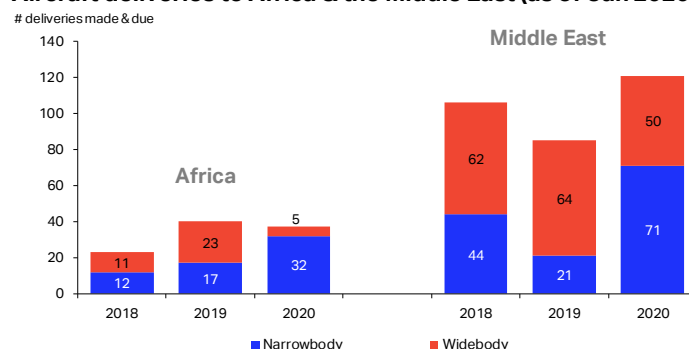
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Middle East - Asia	-0.6	-2.6	5.3	2.4
Middle East - Europe	4.2	-6.4	-4.9	-7.8
Africa - Europe	4.0	-9.1	-4.6	-3.1
Middle East - Nth America	5.7	5.1	-3.5	2.1
Middle East - Sth America	3.0	-2.5	-4.4	-6.5
Africa - Middle East	4.4	-10.3	-9.1	-6.8
Africa - Nth America	2.5	-4.7	-5.2	1.2
Within Middle East	6.9	2.8	2.7	-0.4
Within Africa	7.0	-1.1	-6.4	-6.6

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

- The latest data indicate a stabilization in jet aircraft deliveries for African airlines and a sharp lift for carriers based in the Middle East in 2020 vs 2019.

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



Source: Ascend