State of the region: Africa & Middle East

January 2021

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
Saudi Arabia	0.3	-1.0	-7.0	-4.6
Nigeria	2.2	2.0	-6.0	-3.1
Egypt	5.0	4.3	-3.1	-1.3
South Africa	0.1	-0.2	-18.3	-6.9
UAE	1.3	--	--	--
Kenya	5.4	5.0	-5.6	--
Jordan	3.7	1.3	-3.6	-2.2
World*	**2.5**	**-1.6**	**-9.0**	**-2.9**

Source: Datastream   * Market exchange rate basis

Exchange rates

end of period, # per US$	2019	Oct-20	Nov-20	Dec-20
US$ broad index	114.7	116.5	113.6	111.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	362.9	386.3	385.8	394.8
Egyptian pound (EGP)	16.0	15.7	15.7	15.7
Sth African rand (ZAR)	14.0	16.3	15.5	14.6
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	108.8	110.1	109.2
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

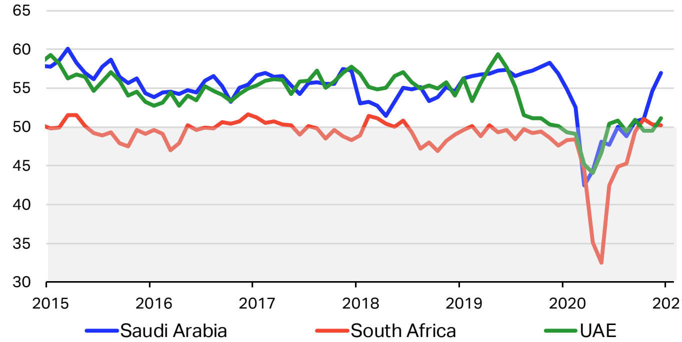
World oil and jet fuel price

US$/barrel (period ave.)	2019	Oct-20	Nov-20	Dec-20
Crude oil (Brent)	64.2	41.6	44.1	50.4
Jet fuel	79.6	43.5	47.7	55.4

Source: Platts, Datastream (monthly average data)

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

- Business sentiment soared in Saudi Arabia amidst low infection rate and vaccine rollout. The PMI ticked up also in the UAE, reflecting improving external demand. In South Africa, operating conditions were weak due to slow economic recovery and the virus resurgence.
- The trade-weighted US dollar index eased further in December (down 1.7%) as the global economy continued to recover from the crisis. Amongst the key regional currencies, the ZAR was the main mover for another month, gaining ~5.5% against the US$.
- Brent Crude oil and jet fuel price strengthened in December, reflecting vaccine optimism, stronger oil demand from Asia, and looser restrictions in some European countries before the holiday season.

Market

Revenue passenger-kilometers (RPKs)

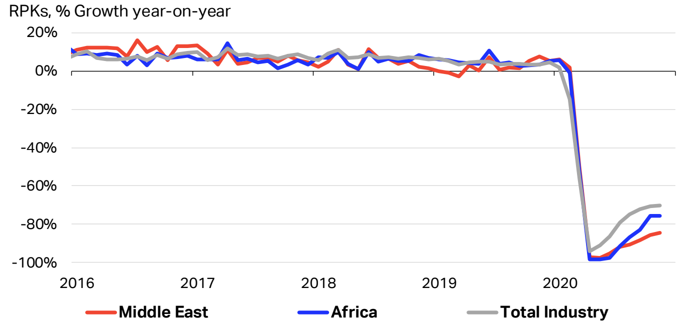
% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
Middle East	2.3	-88.1	-85.6	-84.5
Africa	4.7	-82.9	-75.4	-75.6
World	4.1	-72.2	-70.6	-70.3
Routes (segment basis)				
Middle East - Asia	4.2	-88.8	-86.9	-86.2
Middle East - Europe	4.4	-89.1	-87.5	-87.1
Africa - Europe	4.5	-83.0	-76.3	-79.1
Middle East - Nth America	0.0	-84.6	-82.1	-81.7
Africa - Middle East	-1.6	-86.8	-77.5	-74.1
Africa - Asia	3.5	-93.5	-93.1	-93.8

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

- The recovery in air travel has stalled amidst elevated COVID-19 cases and the re-introduction of travel restrictions in some regions. Industry wide-revenue passenger-kilometres fell by 70.3%yoy in November – a broadly unchanged decline from October.
- Carriers based in Africa reported a 75.6%yoy RPK contraction – a broadly unchanged outcome from the previous month.
- Middle Eastern airlines posted the weakest performance amongst all regions in November. They flew 84.5% fewer passenger volumes compared to the same period a year ago – little improvement from October due to muted long-haul traffic.
- Amongst the region's key international markets, the Africa-Middle East and Africa-Europe continued to post the most resilient outcomes, with RPKs down 74.1%yoy and 79.1%yoy, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

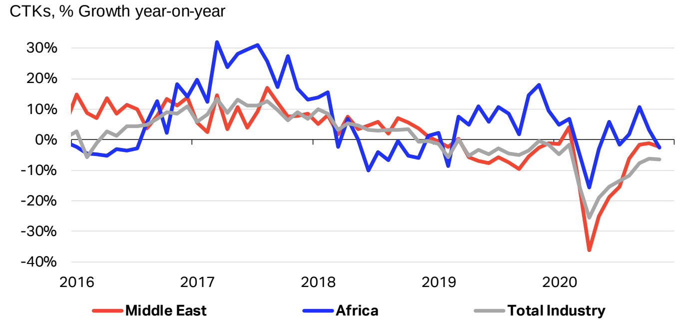
Cargo tonne-kilometers (CTKs)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
Middle East	-4.6	-1.5	-1.2	-2.3
Africa	7.4	10.7	3.2	-2.6
World	-3.2	-7.6	-6.2	-6.6
Routes (segment basis)				
Middle East - Asia	-2.3	0.2	3.9	1.4
Middle East - Europe	-5.2	-12.6	-8.8	-12.6
Africa - Europe	-6.0	-21.7	-12.9	-15.5
Middle East - Nth America	-7.0	-3.9	-2.0	5.0
Africa - Middle East	-6.0	-26.7	-29.5	-29.5
Africa - Asia	12.6	23.6	4.2	-4.5

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

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.6% year-on-year in November vs. a 6.2% fall in October. The softer growth outcome this month can be, however, entirely attributed to a strong month of November 2019.
- After three consecutive months of positive year-on-year growth, cargo volumes of African carriers fell by 2.6%yoy in November. The weakness was primarily driven by a deteriorating performance on the Asia-Africa routes (CTKs down 4.5%yoy).
- Cargo volumes flown by carriers in the Middle East fell by 2.3%yoy in November, a slight deterioration from October (a 1.2%yoy fall). Same as on the passenger side, the lack of international connectivity has been hurting airlines in the region.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	Sep-20	Oct-20	Nov-20
Passenger					
Middle East	ASK	0.1	-75.4	-71.3	-69.5
	PLF	*76.2*	*36.3*	*36.8*	*37.2*
Africa	ASK	4.5	-73.0	-64.6	-63.6
	PLF	*71.8*	*46.0*	*48.6*	*47.4*
World	ASK	3.4	-62.3	-59.8	-58.6
	PLF	*82.6*	*60.4*	*60.1*	*58.0*
Cargo					
Middle East	ACTK	0.8	-25.5	-21.3	-18.7
	CLF	*46.7*	*60.1*	*59.9*	*60.0*
Africa	ACTK	11.0	-24.9	-18.8	-20.7
	CLF	*36.2*	*49.7*	*48.4*	*49.6*
World	ACTK	2.0	-25.3	-22.4	-20.0
	CLF	*46.8*	*57.1*	*57.5*	*58.2*

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

- The passenger load factor (PLF) remained at record lows across most regions and at the industry-wide level (58%) in Nov. Airlines in Africa reported the PLF at 47.4%, while Middle Eastern carriers posted the PLF at 37.2% – the lowest result amongst the regions.
- On the freight side, demand continued to outpace supply, which resulted in a new record-high industry-wide load factor (CLF) for any month of November in our series. African & Middle Eastern carriers recorded the CLF up 9.2ppts and 10.1ppts, respectively.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Africa & Middle East	-3.4	-4.0	17.0	-83
Industry	5.7	5.2	12.1	-45

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

- Our final Q3 financial results indicate that airlines continued to suffer from very weak travel demand and burnt cash, albeit at a slower rate compared to Q2 with the help of cost-cutting measures and robust cargo revenues.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

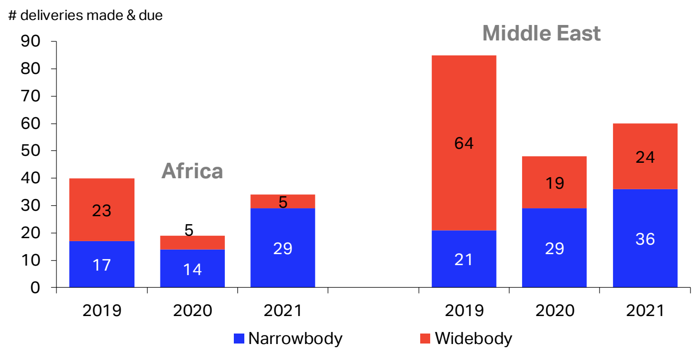
Passenger yields (US$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Middle East - Asia	7.3	29.8	46.8	38.6
Middle East - Europe	-5.5	76.0	78.3	77.1
Africa - Europe	-7.0	9.1	1.7	-2.2
Middle East - Nth America	3.8	10.7	22.8	6.1
Middle East - Sth America	-6.0	20.0	16.3	4.8
Africa - Middle East	-5.0	41.8	40.6	33.6
Africa - Nth America	-3.1	-12.0	-14.7	-20.0
Within Middle East	3.0	26.6	37.6	31.8
Within Africa	-8.7	17.0	12.7	9.0

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

- Carriers based in Africa and the Middle East received 53% and 44% fewer aircraft deliveries in 2020 compared with a year ago, respectively.

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



Source: Ascend