

State of the region: Africa & Middle East

July 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q3 2018	Q4 2018	Q1 2019
Saudi Arabia	2.3	2.5	3.6	1.7
Nigeria	1.9	1.8	2.4	2.0
Egypt	5.3	5.0	5.4	--
South Africa	0.7	0.5	0.1	-0.1
UAE	1.7	--	--	--
Kenya	6.3	6.4	5.8	5.6
Jordan	2.0	2.0	1.8	2.0
World*	3.2	3.1	2.9	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Apr-19	May-19	Jun-19
US\$ broad index	128.5	127.4	128.7	128.3
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	359.5	360.8	360.0
Egyptian pound (EGP)	17.9	17.2	16.7	16.7
Sth African rand (ZAR)	14.4	14.3	14.6	14.1
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	101.1	101.3	102.2
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	Apr-19	May-19	Jun-19
Crude oil (Brent)	71.7	71.5	70.4	63.2
Jet fuel	86.4	84.2	84.4	76.5

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Region (registration basis)				
Middle East	4.0	-3.0	3.0	0.7
Africa	2.3	2.0	1.7	2.2
World	6.5	3.1	4.4	4.5
Routes (segment basis)				
Middle East - Asia	4.4	0.5	3.6	1.5
Middle East - Europe	4.9	-2.0	4.6	-0.7
Africa - Europe	6.7	5.5	9.6	8.0
Middle East - Nth America	1.3	-8.6	-0.5	0.6
Africa - Middle East	3.3	-2.2	-3.5	-8.2
Africa - Asia	9.4	0.1	-0.5	2.5

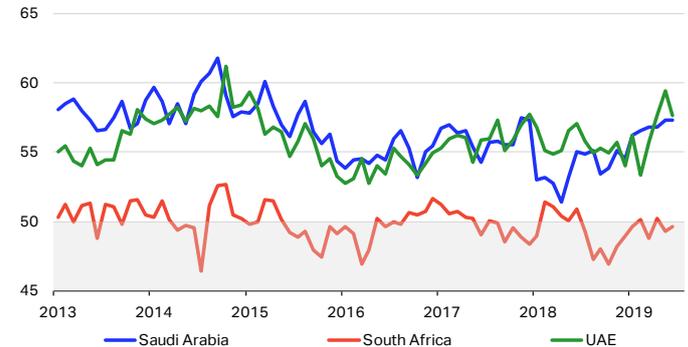
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide revenue passenger kilometres (RPKs) ticked marginally higher in May, up 4.5% in year-on-year terms. Although this represents a solid outcome – following a short-lived dip in activity in March – RPK growth remained below the long-term average (5.5%).
- Despite a modest uptick this month, growth in passenger volumes for African carriers continued to trend downwards amidst weaker economic conditions in some of the key countries in the region.

IATA Economics: www.iata.org/economics

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



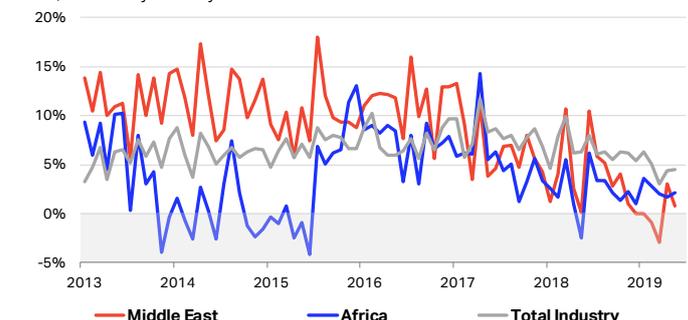
Source: Markit

- South Africa business confidence remained subdued in June despite some optimism resulting from the recent election outcome. By contrast, sentiment stayed elevated in the UAE and Saudi Arabia, indicating ongoing robust operating business conditions in both countries.
- On a trade-weighted basis, the US\$ fell by a modest 0.4% in June, following four consecutive monthly increases. Of the main regional currencies, the ZAR gained more than 3% against the US\$, while the KES lost almost 1%. Other FX movements were muted.
- The average crude oil and jet fuel price for June hides high data volatility; while prices eased early in the month on economic growth uncertainty, they recovered later amid concerns about tighter oil supply.

- Following a short-lived improvement in April, growth in RPKs eased again for the Middle Eastern airlines partly as a result of some of the structural changes that are underway in the industry in that region.
- The pace of growth also softened across the larger markets in the region, most notably on ME-Europe routes (-0.7%). Amongst the smaller markets, performance was mixed; RPKs picked up in ME-NtAm and Africa-Asia markets while pressure on volumes intensified in Africa-ME.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

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Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Region (registration basis)				
Middle East	3.9	1.1	-5.6	-6.9
Africa	-0.8	7.7	5.0	8.0
World	3.5	-0.6	-5.6	-3.4
Routes (segment basis)				
Middle East - Asia	4.8	5.2	-4.0	-6.5
Middle East - Europe	3.7	5.3	-7.4	-7.2
Africa - Europe	-0.4	1.0	-0.1	3.4
Middle East - Nth America	-2.5	-12.2	-4.5	-5.5
Africa - Middle East	-5.7	-2.9	-6.1	-11.9
Africa - Asia	-4.0	5.7	10.9	12.0

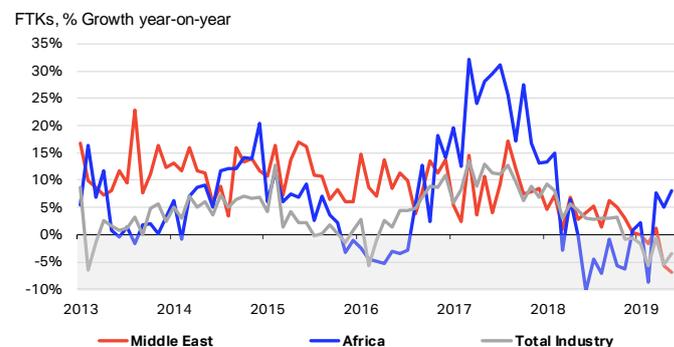
Source: IATA Statistics Note: historical data may be subject to revision

- Global trade tensions continued to weigh on air freight demand in May; annual growth in industry-wide FTKs remained in negative territory with Asia Pacific and the Middle East being the main contributors to the decline.
- In the Middle East, FTKs are down ~7%, the largest decline of any region this month. By contrast, Africa recorded the fastest FTK growth of all regions in May. That said, given the relatively small size of the market

(1.7% share), the result has only a small impact on the overall industry performance.

- Given the weaker outcome of the Middle East as a whole, it is unsurprising to see FTK growth under pressure on all of its key international markets. For Africa, the story is more positive with growth returning into positive territory on Africa-Europe routes and brisk pace in the Africa-Asia market (12% y-o-y).

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Mar-19	Apr-19	May-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	4.9	2.1	-1.6	-5.9
	PLF	74.8	73.9	80.6	73.2
Africa	ASK	1.0	1.6	0.6	0.3
	PLF	71.4	71.9	73.3	67.6
World	ASK	6.1	4.0	3.6	2.7
	PLF	81.9	81.9	82.9	81.5
Freight					
Middle East	AFTK	6.2	3.8	0.7	-1.6
	FLF	48.9	48.7	46.1	46.9
Africa	AFTK	1.8	14.5	12.6	13.4
	FLF	37.8	39.2	37.6	38.6
World	AFTK	5.2	2.5	2.0	1.3
	FLF	49.1	49.5	46.1	46.8

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

- The industry-wide passenger load factor (PLF) remained robust at 81.5% in May. The story was less positive for freight; despite the modest uptick this month, the LF has maintained its downwards trend.
- Although the passenger LF fell sharply compared to April for regional airlines, it still represented a record high outcome for Africa for the month of May. On the freight side, both Middle East and Africa LFs picked up modestly compared to April.
- 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 development was mixed across the key international markets in the region. While the largest Middle East-Asia continued to perform strongly, posting almost 15% y-o-y growth this month, volumes declined in annual terms in another larger ME-Europe market.

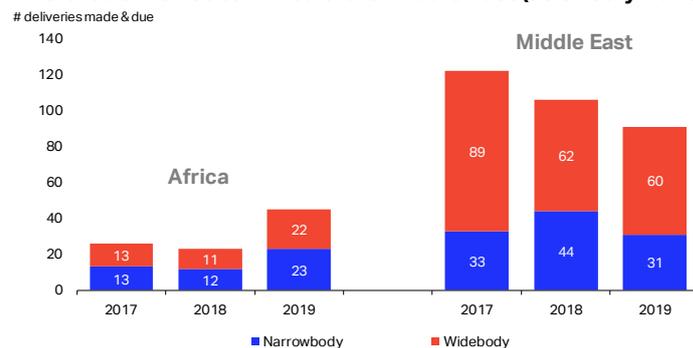
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
Middle East - Asia	-0.4	8.5	12.0	14.4
Middle East - Europe	3.6	-13.0	-3.8	-1.3
Africa - Europe	4.0	-11.7	-7.7	-9.7
Middle East - Nth America	6.0	6.4	3.6	2.8
Middle East - Sth America	2.9	-6.0	-12.4	-5.3
Africa - Middle East	4.4	-4.8	-2.0	-3.6
Africa - Nth America	2.5	-4.8	-2.7	-0.4
Within Middle East	8.4	6.7	3.8	3.4
Within Africa	6.9	-13.4	-13.1	-18.0

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

- The latest data indicate a modest uptick in jet aircraft deliveries for Africa 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 July 2019)



Source: Ascend