

State of the region: Africa & Middle East

July 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
Saudi Arabia	-4.1	-4.6	-3.9	-3.0
Nigeria	-1.8	-3.1	0.0	0.4
Egypt	0.1	-1.3	0.4	--
South Africa	-7.1	-6.1	-4.4	-3.0
UAE	-5.9	--	--	--
Kenya	--	-1.5	--	--
Jordan	-1.6	-2.2	-1.6	0.3
World*	-3.6	-2.6	-1.3	2.6

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Apr-21	May-21	Jun-21
US\$ broad index	112.1	112.9	111.5	111.9
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	394.8	408.8	410.5	410.0
Egyptian pound (EGP)	15.7	15.7	15.7	15.7
Sth African rand (ZAR)	14.6	14.3	13.8	14.3
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	109.2	107.9	107.7	107.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

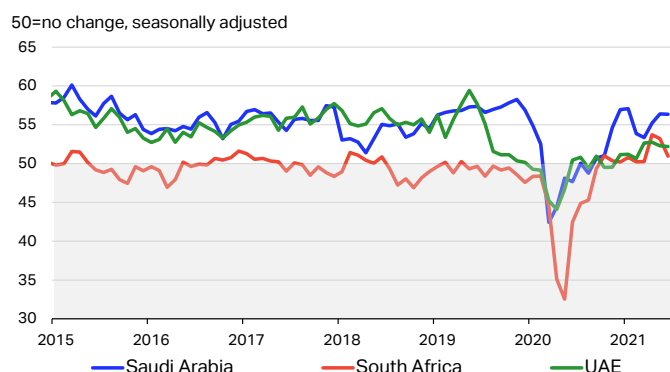
Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Apr-21	May-21	Jun-21
Crude oil (Brent)	43.4	65.5	68.4	73.5
Jet fuel	46.3	69.1	73.4	77.6

Source: Platts, Eikon Datastream (monthly average data)

Business confidence - economy-wide PMIs



- Renewed lockdown measures weighed on South Africa's business activity that expanded at the slowest pace since March 2021. Economic growth eased slightly also in the UAE due to weaker demand. In contrast, Saudi Arabia's business environment remains robust, reflecting successful relaxation of restrictions.
- Of the key regional currencies, the ZAR was the main mover in June, losing 3.6% against the US\$. Other FX movements were muted.
- Oil and jet fuel prices trended upwards in June amidst improving economic fundamentals. Looking ahead, rising fuel bill might shadow airlines' recovery as air travel restarts.

Market

Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
Region (registration basis)				
Middle East	-72.1	-80.3	-81.6	-79.6
Africa	-69.3	-71.8	-74.5	-69.4
World	-65.9	-66.8	-65.2	-62.7
Routes (segment basis)				
Middle East - Asia	-73.6	-81.8	-83.3	-83.8
Middle East - Europe	-73.2	-84.2	-85.8	-82.4
Africa - Europe	-68.4	-77.0	-75.1	-71.5
Middle East - Nth America	-71.3	-70.4	-69.9	-70.4
Africa - Middle East	-72.3	-71.3	-72.4	-67.0
Africa - Asia	-79.7	-91.0	-90.9	-91.2

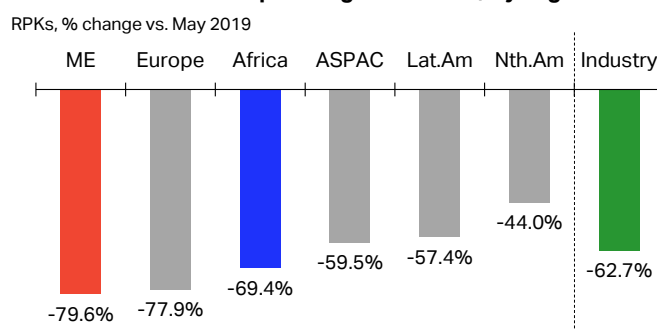
Source: IATA Economics. Note: historical data may be subject to revision

- Air passenger demand continued to slowly recover in May. Industry-wide revenue passenger-kilometers (RPKs) fell by 62.7% compared with May 2019 – a modest improvement on the 65.2% contraction in the previous month.
- African airlines flew 69.4% fewer RPKs in May compared with the same month in 2019. Region's international traffic performed relatively better compared with the other parts of the world due to less

strict travel restrictions. That being said, Africa's international RPKs were on average still only at 29% of pre-crisis levels.

- Carriers based in the Middle East posted the largest RPK contraction amongst regions in May, at -79.6%. Their high reliance on still muted international traffic continues to hinder faster air travel demand recovery. Of the key international markets, Middle East-North America had been the most resilient (RPKs down 70.4% vs. May 2019).

Growth in passenger volumes, by region



Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
Region (registration basis)				
Middle East	-8.8	10.6	15.5	13.9
Africa	1.2	26.7	32.6	23.1
World	-8.7	4.6	11.3	9.4
Routes (segment basis)				
Middle East - Asia	-7.0	16.9	20.5	15.7
Middle East - Europe	-18.1	-10.6	0.6	-1.5
Africa - Europe	-20.2	-8.8	-8.9	-10.4
Middle East - Nth America	-8.5	28.2	33.9	32.9
Africa - Middle East	-31.5	-15.1	-20.2	-18.9
Africa - Asia	9.0	39.9	28.9	19.1

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

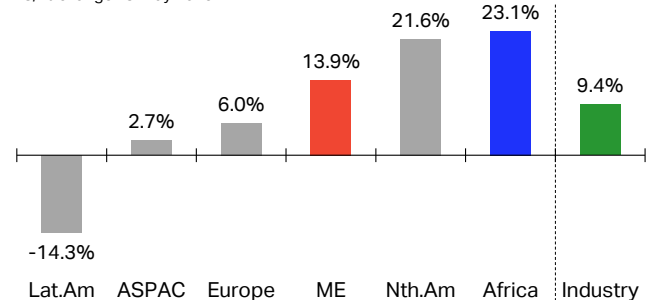
- Air cargo continued to perform well in May 2021, with industry-wide cargo tonne-kilometres (CTKs) rising by 9.4% compared to pre-crisis levels. Supply-chain conditions and economic activity remain supportive for air cargo developments.
- Growth in cargo volumes registered by African airlines moderated to a still robust 23.1% in May. The slow-

down was largely driven by a deceleration in the strong trade flows between Africa and Asia, from 29% vs. 2019 in April 2021, to 19% in May 2021.

- Middle Eastern airlines flew 13.9% more CTKs vs. May 2019. This represents a modestly weaker outcome compared with the 15.5% expansion in the previous month. The softer figures were observed across the majority of the region's key trade lanes.

Growth in cargo volumes, by region

CTKs, % change vs. May 2019



Source: IATA Economics

Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Mar-21	Apr-21	May-21
Passenger					
Middle East	ASK	-63.3	-65.6	-63.4	-61.6
	PLF	57.8	42.1	40.4	38.9
Africa	ASK	-62.3	-61.6	-63.9	-60.9
	PLF	58.5	53.0	52.2	53.0
World	ASK	-56.7	-56.4	-54.6	-53.7
	PLF	65.1	62.3	63.7	65.8
Cargo					
Middle East	ACTK	-20.1	-10.9	-11.1	-7.5
	CLF	53.2	61.0	60.7	58.9
Africa	ACTK	-13.5	-3.4	-1.2	-1.8
	CLF	42.4	50.7	51.1	50.2
World	ACTK	-21.2	-11.5	-10.4	-9.7
	CLF	54.2	58.8	57.9	57.2

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

- Global available seat capacity (ASKs) contracted by 53.7% vs. May 2019 – a broadly unchanged decline from April (-54.6%). African and Middle Eastern airlines reported 60.9% and 61.6% ASK declines, respectively.
- Although passenger load factors (PLF) continued to improve with the strength in domestic demand they remained well below the pre-crisis levels. The industry-wide metric was at 65.8% - down almost 16ppts vs. May 2019. The PLF of African carriers was at 53%, while that of Middle Eastern airlines at 38.9% - the lowest amongst regions.
- Air cargo capacity crunch has been slowly unwinding. Indeed, industry-wide available cargo tonne-kilometers were down 9.7% in May 2021 vs. May 2019, after a 10.4% decline in April. However, while the cargo

capacity of Middle Eastern airlines improved, ACTK contraction accelerated in Africa.

- Despite some capacity improvements in some markets, cargo load factors remain well above their pre-crisis levels. The industry-wide cargo load factor (CLF) was 10ppts above May 2019, at 57.2%. African airlines reported the CLF at 50.2% while Middle Eastern carriers at 58.9%.
- In Q1 2021, the industry-wide operating EBIT margin was at -58% of revenues – broadly unchanged outcome from Q4 2020 since passenger demand remained muted.

Airline operating (EBIT) margins*

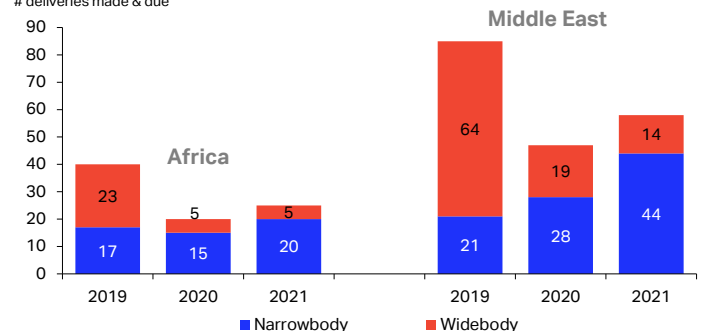
% revenues	2019	2020	2020Q1	2021Q1
Industry	5.2	-28	-12.3	-58

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

- As of July 2021, African carriers are expected to receive 25% more aircraft deliveries in 2021 vs. 2020 while Middle Eastern airlines should get 23% more deliveries. In both regions, the number of deliveries will most likely not reach 2019 levels.

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

deliveries made & due



Source: Cirium Fleet Analyzer