

State of the region: Africa & Middle East

June 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q3 2018	Q4 2018	Q1 2019
Saudi Arabia	2.2	2.5	3.6	--
Nigeria	1.9	1.8	2.4	2.0
Egypt	5.3	5.3	5.4	--
South Africa	0.7	0.5	0.1	-0.1
UAE	1.7	--	--	--
Kenya	6.3	6.5	5.8	--
Jordan	2.0	2.0	1.8	--
World*	3.2	3.1	2.9	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Mar-19	Apr-19	May-19
US\$ broad index	128.5	127.2	127.4	128.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	361.0	359.5	360.8
Egyptian pound (EGP)	17.9	17.3	17.2	16.7
Sth African rand (ZAR)	14.4	14.4	14.3	14.6
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	100.8	101.1	101.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

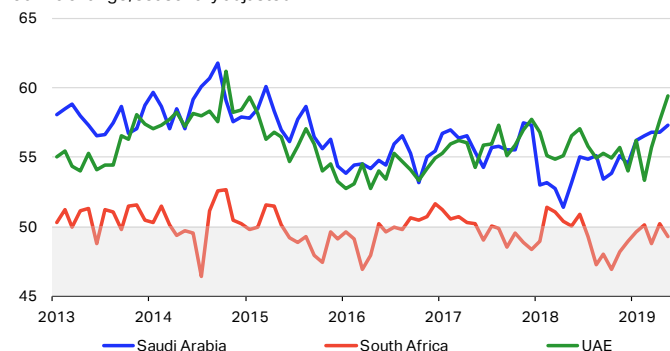
World oil and jet fuel price

US\$/barrel (period ave.)	2018	Mar-19	Apr-19	May-19
Crude oil (Brent)	71.7	66.9	71.5	70.4
Jet fuel	86.4	81.1	84.2	84.4

Source: Platts, Datastream (monthly average data)

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- The UAE business confidence rose sharply as lower pricing by firms supported new businesses and output. Sentiment ticked up also in Saudi Arabia, reflecting the country's solid operating conditions. By contrast, general elections and a weaker economic backdrop contributed to contracting PMI in South Africa.
- On a trade-weighted basis, the US\$ rose by 1.1%, in May, its 4th consecutive monthly increase. Of the main regional currencies, the EGP gained almost 3% against the US\$, while the ZAR ended the month down by 1.5%. Other FX movements were muted.
- Brent crude oil and jet fuel prices lost their strong upward momentum at the end of May as escalating US-China trade tensions reinforced concerns over a slowdown in global oil demand.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
Region (registration basis)				
Middle East	4.0	-0.9	-3.0	2.6
Africa	2.3	2.8	2.2	1.6
World	6.5	5.1	3.1	4.3
Routes (segment basis)				
Middle East - Asia	4.4	1.3	0.5	3.6
Middle East - Europe	4.9	2.4	-2.0	4.5
Africa - Europe	6.7	6.1	5.4	9.6
Middle East - Nth America	1.2	-5.3	-8.6	0.9
Africa - Middle East	3.3	-1.1	-2.5	-3.5
Africa - Asia	9.4	-1.1	-0.1	-0.8

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

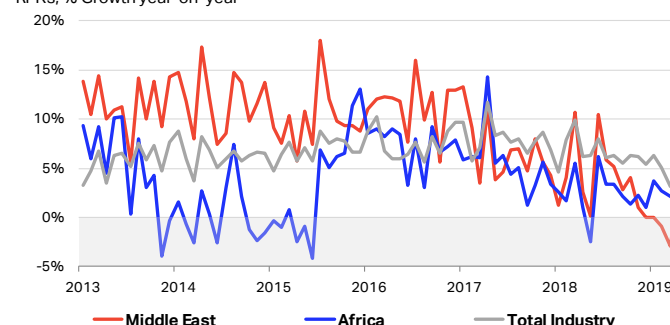
- Annual growth in industry-wide revenue passenger kilometres (RPKs) recovered to 4.3% in April, up from 3.1% in the previous month. The pace of demand remains steady but is well below the long-run average of around 5%.
- Year-on-year RPK growth for carriers based in the Middle East returned to positive territory after two consecutive months of decline. That said, it is too early to conclude that this month's outcome represents a

shift from recently observed downward RPK trend. For Africa, pax volumes grew by meager 1.6% amidst faltering business confidence and political uncertainty in some of the region's key economies.

- Of the key international markets in the region, the larger Africa-Europe remained the best performer in April, with volumes up by robust 9.6% vs a year ago. RPK growth recovered in ME-NthAm market, however, this improvement has more to do with weakness a year ago than any clear pick-up in the demand trend.

Growth in air passenger volumes

RPKs, % Growth year-on-year



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Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
Region (registration basis)				
Middle East	3.9	-1.7	1.3	-6.2
Africa	-0.8	-8.5	7.8	4.4
World	3.5	-5.1	-0.5	-4.7
Routes (segment basis)				
Middle East - Asia	4.8	-4.0	4.8	-4.3
Middle East - Europe	3.6	4.5	5.3	-8.3
Africa - Europe	-0.8	0.1	1.3	0.0
Middle East - Nth America	-2.5	-11.8	-12.2	-3.4
Africa - Middle East	-5.7	-3.6	-3.3	-2.4
Africa - Asia	-4.0	-22.0	4.9	10.2

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

- Industry-wide FTK growth declined again in April, remaining in negative territory for the sixth consecutive month. Air freight volumes are currently 4.7% lower than their year-ago level.
- Structural changes along with global headwinds contributed to declining FTK growth for airlines based in the Middle East. Africa was the second strongest performer of all regions in terms of freight demand this month, recording FTKs up by 4.4% vs a year ago.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	Feb-19	Mar-19	Apr-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	4.9	2.8	2.1	-1.6
	PLF	74.8	72.6	73.9	80.3
Africa	ASK	1.0	1.1	1.9	0.6
	PLF	71.4	70.4	71.8	73.3
World	ASK	6.1	5.2	4.2	3.6
	PLF	81.9	80.6	81.8	82.8
Freight					
Middle East	AFTK	6.2	3.1	3.8	0.7
	FLF	48.8	46.5	48.8	45.8
Africa	AFTK	1.7	6.8	15.0	12.6
	FLF	37.8	36.3	39.1	37.4
World	AFTK	5.1	2.7	2.9	2.6
	FLF	49.1	44.5	49.4	46.3

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

- Industry-wide passenger load factor (PLF) picked-up to 82.8%, a record high outcome for the month of April. By contrast, the freight load factor (FLF) eased to 46.3%, following a strong performance in March (49.4%).
- The PLF rose sharply for carriers based in the Middle East and also ticked up for African airlines in April. On the freight side, the load factor performance deteriorated modestly for both regions vs March.
- The latest financial data for Q1 2019 confirm a decline in industry profitability vs the same period a year ago;

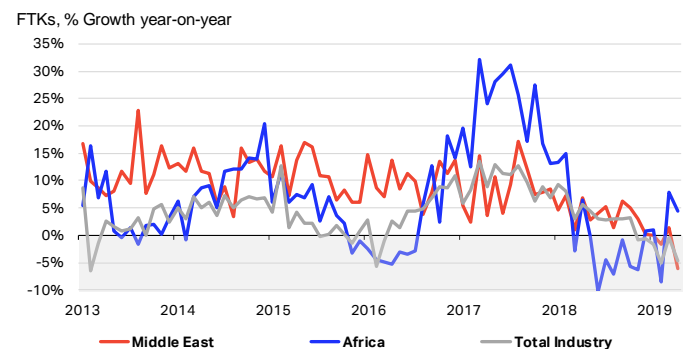
Airline operating (EBIT) margins*

% revenues	2016	2017	2018Q1	2019Q1
Africa & Middle East	1.9	-2.3	3.2	1.1
Industry	8.5	7.5	4.2	2.3

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

- FTK growth remains under pressure on most of the key international routes in the region. Following a short-term improvement in March, the largest Middle East-Asia market saw volumes falling by more than 4% vs a year ago this month. Middle East-Europe – another larger market – recorded a negative growth (down 8.3%), the weakest performance since mid-2014.
- This month's best performer, Africa-Asia, has shown a high volatility over the recent months, not a surprising outcome given its relatively small market size.

Growth in air freight volumes



Source: IATA Statistics

the EBIT margin fell to 2.3%, from 4.2% in Q1 2018. The story is similar at the regional level with the EBIT margin easing to 1.1% of revenues.

- Growth in pax yields remained under downward pressure on most of the key regional routes in April – an outcome consistent with the observed squeeze in profit margins. That said, there were some exceptions including the larger ME-Asia market that has been showing a solid growth performance in yields this year.

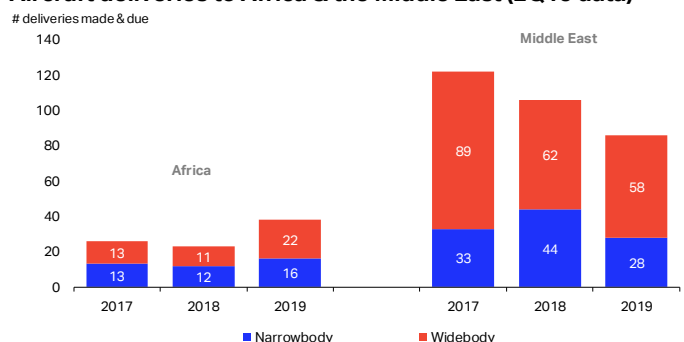
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
Middle East - Asia	-0.4	5.4	8.3	12.1
Middle East - Europe	3.7	-7.9	-13.0	-4.4
Africa - Europe	4.0	-12.7	-11.7	-7.7
Middle East - Nth America	6.0	6.2	6.1	3.4
Middle East - Sth America	3.2	-16.0	-6.0	-12.5
Africa - Middle East	4.3	-1.9	-4.7	-2.0
Africa - Nth America	2.5	-8.9	-4.9	-2.7
Within Middle East	8.2	10.6	6.7	3.8
Within Africa	7.0	-12.2	-13.4	-13.1

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 (2Q19 data)



Source: Ascend