State of the region: Africa & Middle East

Economy

GDP growth, selected countries

<table>
<thead>
<tr>
<th>% change on a yr ago</th>
<th>2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>0.5</td>
<td>-0.4</td>
<td>0.4</td>
<td>--</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2.2</td>
<td>2.1</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Egypt</td>
<td>5.0</td>
<td>4.5</td>
<td>4.8</td>
<td>--</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.1</td>
<td>0.1</td>
<td>-0.6</td>
<td>--</td>
</tr>
<tr>
<td>UAE</td>
<td>1.3</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.4</td>
<td>5.2</td>
<td>5.3</td>
<td>--</td>
</tr>
<tr>
<td>Jordan</td>
<td>2.0</td>
<td>2.0</td>
<td>2.1</td>
<td>--</td>
</tr>
<tr>
<td>World*</td>
<td>2.5</td>
<td>2.5</td>
<td>2.4</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

Source: Datastream  * Market exchange rate basis

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

- Despite the modest improvement this month, operating conditions remain weak in the UAE and Saudi Arabia amidst falling exports and rising unemployment. Business sentiment fell further in South Africa, hinting at a sharp contraction in the country’s Q2 GDP growth.

- The trade weighted US dollar index fell by 1.1% in May. Of the key regional currencies, the ZAR gained ~4% against the US$ but remained almost 26% weaker in year-to-date terms. Other FX movements were muted.

- The crude oil price rose in May on OPEC+ supply cuts and slower growth in US shale oil production. The jet fuel price also picked up as some restrictions began to be lifted and fuel demand started to recover.

- Passenger volumes flown by African and Middle Eastern carriers also fell by almost 100% year-on-year – twice faster contraction compared to March.

- Unsurprisingly, all of the region’s key international markets posted a decline close to 100% in April. Overall since the start of the year, the smaller Africa-Asia market saw the sharpest decline in passenger volumes (~47% yoy) as it was one of the first to be impacted by the restrictions.

- Industry-wide revenue passenger kilometres (RPKs) fell by 94.3% year-on-year in April, the largest contraction in recent history amidst widespread border closures and lockdowns linked to COVID-19. A modest improvement is expected in coming months as countries start to lift their restrictions.
Cargo tonne kilometers (CTKs)

% change on a yr ago | 2019 | Feb-20 | Mar-20 | Apr-20
--- | --- | --- | --- | ---
Region (registration basis) | | | | |
Middle East | -4.6 | 4.3 | -14.1 | -36.3
Africa | 7.4 | 5.1 | -2.1 | -21.7
World | -3.2 | -1.6 | -14.7 | -27.7
Routes (segment basis) | | | | |
Middle East - Asia | -2.7 | 2.3 | -18.6 | -42.8
Middle East - Europe | -5.2 | 3.8 | -18.1 | -43.8
Africa - Europe | -1.9 | -1.4 | -22.2 | -60.1
Middle East - Nth America | -7.0 | 8.8 | -11.6 | -46.2
Africa - Middle East | -6.0 | 4.8 | -29.7 | -72.7
Africa - Asia | 12.0 | 6.9 | 8.6 | -1.0

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

- The decline in industry-wide cargo tonne kilometres (CTKs) accelerated to 27.7% year-on-year in April amidst subdued demand compounded by the disruption in global manufacturing activity from the COVID-19 shock.
- CTKs flown by African carriers plunged by 22% in April, an acceleration from the modest 2.1% contraction in March. The region has been relatively less impacted by the pandemic so far, with containment measures being also less strict than elsewhere in April. The smaller Africa-Asia market was the most resilient on this occasion – as has often been the case in recent period.
- Middle Eastern airlines registered a 36% annual decline in CTKs in April compared to a 14% fall in March. Traffic was muted on all key markets, with Africa-ME being the main underperformer (-73%yoy).

Growth in air cargo volumes

CTKs, % Growth year-on-year

Source: IATA Economics

- Q1 2020 results confirm the severity of COVID-19 for airline financials. The industry-wide EBIT margin was -12.3% of revenues, down from +5.1% in Q1 2019. The regional sample was too small to show the full impact of COVID-19 on airlines profitability.
- April passenger yield data (in US$) provided a less representative estimate than we would typically expect due to a dramatically smaller number of tickets being sold. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

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

% change on a yr ago | 2019 | Feb-20 | Mar-20 | Apr-20
--- | --- | --- | --- | ---
Region (registration basis) | | | | |
Middle East - Asia | 7.3 | -3.6 | -8.5 | 9.7
Middle East - Europe | -5.5 | -3.3 | -14.6 | 10.6
Africa - Europe | -7.0 | -0.1 | -4.6 | -0.3
Middle East - Nth America | 3.8 | -4.8 | -6.0 | 45.4
Middle East - Sth America | -6.0 | -2.1 | -9.6 | 25.0
Africa - Middle East | -5.0 | -5.6 | -10.6 | 28.1
Africa - Nth America | -3.1 | -0.4 | 1.8 | 27.8
Within Middle East | 3.0 | -4.0 | -10.1 | 17.9
Within Africa | -8.7 | -4.6 | -12.8 | 13.8

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

- The latest data show a fall in jet aircraft deliveries for African and Middle Eastern airlines in 2020 vs. 2019.

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

% revenues | 2018 | 2019E | 2019Q1 | 2020Q1
--- | --- | --- | --- | ---
Industry | 5.7 | 5.2 | 5.1 | -12.3

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

Industry

Capacity growth and load factors

ASK/ACTK % ch on a yr ago | 2019 | Feb-20 | Mar-20 | Apr-20
--- | --- | --- | --- | ---
LF: % of ASK/ACTK | | | | |
Passenger
Middle East | ASK | 0.1 | 1.5 | -37.7 | -92.4
PLF | 76.2 | 72.4 | 58.8 | 28.4
Africa | ASK | 4.5 | 5.1 | -39.3 | -88.4
PLF | 71.8 | 66.8 | 57.5 | 11.1
World | ASK | 3.4 | -9.4 | -38.2 | -87.0
PLF | 82.6 | 75.8 | 59.2 | 36.6
Cargo
Middle East | ACTK | 11.1 | 5.9 | -19.1 | -43.4
CLF | 46.6 | 46.1 | 52.2 | 52.5
Africa | ACTK | 11.2 | 7.5 | -12.0 | -38.7
CLF | 36.2 | 34.9 | 43.0 | 48.6
World | ACTK | 2.2 | -3.8 | -20.1 | -42.0
CLF | 46.7 | 45.9 | 53.1 | 58.0

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

- Although airlines placed around half of their fleet into storage in April, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor declined by 47ppt year-on-year. African and ME airlines saw PLF down by 63ppt and 52ppt, respectively.
- In contrast, cargo capacity fell significantly faster than demand due to the lack of belly capacity, and the cargo load factor rose by a record 11ppt for ME airlines. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

Airline operating (EBIT) margins*

% revenues | 2018 | 2019E | 2019Q1 | 2020Q1
--- | --- | --- | --- | ---
Industry | 5.7 | 5.2 | 5.1 | -12.3

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

Contact us via email at: economics@iata.org