

# State of the region: Africa & Middle East

March 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
Saudi Arabia	-0.9	1.6	2.5	--
Nigeria	0.8	1.5	1.8	2.4
Egypt	4.2	5.3	5.3	5.5
South Africa	1.4	0.7	0.5	0.1
UAE	0.5 <sup>†</sup>	--	--	--
Kenya	4.8 <sup>†</sup>	6.2	5.9	--
Jordan	2.0	2.1	2.0	--
<b>World*</b>	<b>3.1</b>	<b>3.2</b>	<b>2.9</b>	<b>2.7</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Dec-18	Jan-19	Feb-19
US\$ broad index	128.5	128.5	126.7	126.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	363.5	362.0	360.8
Egyptian pound (EGP)	17.9	17.9	17.7	17.5
Sth African rand (ZAR)	14.4	14.4	13.3	14.1
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	101.9	100.8	100.0
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	Dec-18	Jan-19	Feb-19
Crude oil (Brent)	71.1	57.4	59.4	64.0
Jet fuel	84.7	71.2	74.9	80.4

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

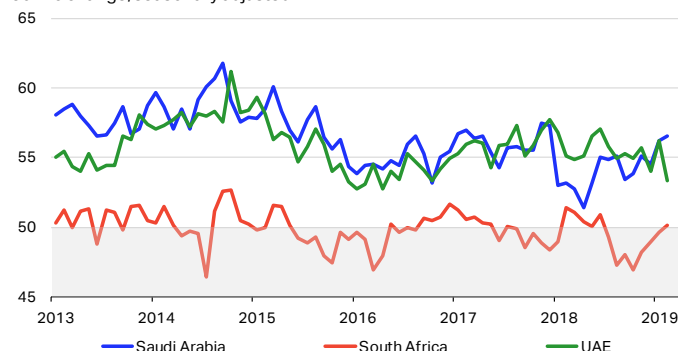
% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
<b>Region (registration basis)</b>				
Middle East	4.0	1.0	0.0	1.5
Africa	2.3	2.2	1.0	3.7
World	6.6	6.2	5.4	6.5
<b>Routes (segment basis)</b>				
Middle East - Asia	4.4	4.7	1.4	0.6
Middle East - Europe	4.9	3.8	2.9	2.8
Africa - Europe	6.7	6.7	6.3	5.3
Middle East - Nth America	1.2	-5.7	-8.7	-4.4
Africa - Middle East	3.3	2.4	2.7	1.2
Africa - Asia	9.4	10.0	9.7	11.6

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

- Industry-wide revenue passenger kilometers (RPKs) started the year on a positive note, increasing by 6.5% year-on-year, the fastest pace since mid-2018. That said, it is too soon to think that this month's pick-up represents a shift in growth moderation seen over the second half of last year.
- At the regional level, passenger demand ticked up to 1.5% yoy for ME carriers after a flat outcome in Dec and rose by a solid 3.7%yoy for airlines based in Africa.

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



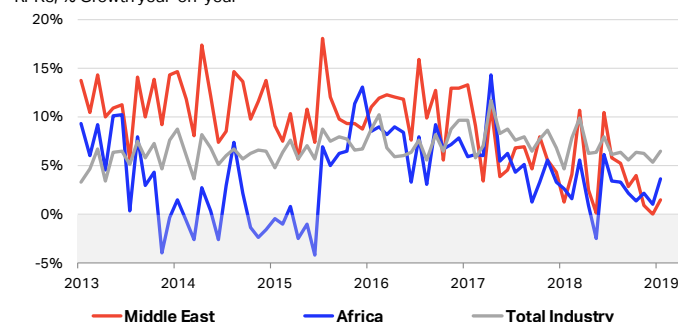
Source: Markit

- Business confidence moved up for both Saudi Arabia and South Africa, in the latter case overcoming the 50-mark associated with contraction for the first time since June 2018. By contrast, sentiment dipped down in UAE amidst softer growth in new export orders.
- On a trade-weighted basis, the US\$ rose by 0.1% this month, following a sharp decline in Jan. Of the main regional currencies, the ZAR was the key mover, losing 6% against the US\$. Other FX movements were relatively muted on this occasion.
- Brent crude and jet fuel prices trended upwards for a second consecutive month amidst OPEC's supply cuts and sanctions imposed on Iran and Venezuela.

- Amongst the larger international markets in the region, demand in Africa-Europe rose the fastest in Jan, posting 5.3% year-on-year growth, followed by ME-Europe (2.8%). That said, both results lag behind the average growth rate seen over the past 12 months (6.6% for Africa-Europe and 5.0% for ME-Europe).
- Although smaller, the Africa-Asia market recorded the fastest growth in Jan, ticking up from 9.7% in the previous month, to a solid 11.6%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
<b>Region (registration basis)</b>				
Middle East	3.9	2.9	0.2	-4.5
Africa	-0.8	-6.4	0.8	1.0
World	3.5	-0.5	-0.5	-1.8
<b>Routes (segment basis)</b>				
Middle East - Asia	4.8	3.9	2.5	1.3
Middle East - Europe	3.6	4.2	-0.6	1.6
Africa - Europe	-0.8	-1.6	-2.2	-1.6
Middle East - Nth America	-2.5	-3.1	-2.4	-9.7
Africa - Middle East	-5.7	-7.6	-2.1	2.1
Africa - Asia	-4.0	-17.6	-4.2	-4.3

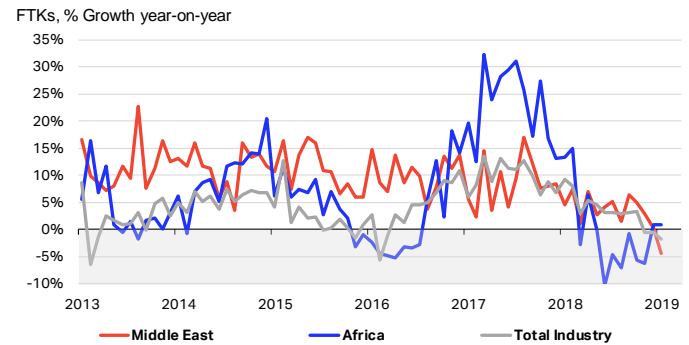
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide FTK growth started 2019 where it ended last year, on a soft note. Air cargo volumes in January were 1.8% lower than their level of a year ago, posting the slowest pace in about three years.
- At the regional level, the ME airlines saw the softest outcome of all regions in Jan, with a 4.5% FTK *decline* vs a year ago; the first negative growth outcome since the period immediately following the global financial crisis. African airlines showed a positive, albeit modest

growth rate of 1.0%yoy, following an extended period of negative outcomes in the second half of 2018.

- Of the key international markets in the region, the smaller Africa-ME was the best-performer in Jan, with year-on-year FTK growth of 2.1%, followed by the larger ME-Europe (1.6%) & ME-Asia (1.3%) markets.
- The remaining key international routes saw volumes falling vs early 2018, most notably on the ME-NthAm market, where growth rate slumped to the lowest level since May 2018 (down 9.7%yoy).

### Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Nov-18	Dec-18	Jan-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Middle East	ASK	4.9	4.8	4.2	3.0
	PLF	74.8	68.6	73.6	76.0
Africa	ASK	1.0	1.2	1.3	2.0
	PLF	71.4	69.8	71.9	70.9
World	ASK	6.1	6.9	6.3	6.4
	PLF	81.9	80.0	80.3	79.6
<b>Freight</b>					
Middle East	AFTK	6.2	8.4	4.5	4.1
	FLF	48.8	51.7	48.8	42.1
Africa	AFTK	1.7	-6.3	9.7	8.2
	FLF	37.8	39.1	37.5	35.4
World	AFTK	5.4	3.8	3.6	4.0
	FLF	49.1	51.5	48.9	45.1

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

- The industry-wide passenger load factor (PLF) eased slightly vs Dec, to 79.6%. For freight, the load factor (FLF) fell more sharply to 45.1%, from 48.9% in Dec.
- The load factor performance of the region's airlines, in particular the African carriers, remained below the industry average in Jan for both pax and freight.
- The latest airline financial data from the final quarter of 2018 indicate that the intense downward pressure on industry-wide EBIT margin has moderated recently.

### Airline operating (EBIT) margins\*

% revenues	2016	2017	2017Q4	2018Q4
Africa & Middle East	1.9	3.1	3.2	10.2
Industry	8.5	7.5	8.4	6.0

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

At the regional level, the profit margin was up 7pp vs Q4 2017, to 10.2% of revenues.

Passenger yields showed mixed results on the key international routes in the region. While yields in the larger ME-Asia rose by a solid 5.4%yoy, they fell by roughly the same proportion for the second and third largest ME-Europe & Africa-Europe markets.

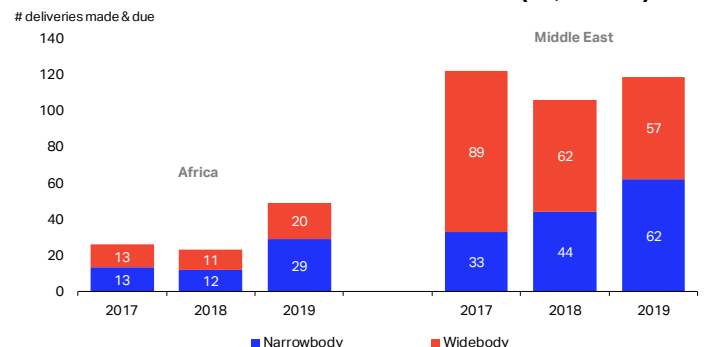
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
Middle East - Asia	-0.3	7.8	5.0	5.4
Middle East - Europe	3.7	-1.5	1.3	-5.5
Africa - Europe	4.1	-3.2	-6.3	-5.3
Middle East - Nth America	6.0	6.9	10.2	9.4
Middle East - Sth America	3.2	0.9	-12.7	-12.1
Africa - Middle East	4.3	-2.3	0.4	0.9
Africa - Nth America	2.5	0.9	-0.4	2.9
Within Middle East	8.2	9.1	13.5	11.7
Within Africa	7.0	5.5	-2.2	-7.9

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

- The latest data indicate a pick-up in jet aircraft deliveries for the region's airlines in 2019 vs 2018.

### Aircraft deliveries to Africa & the Middle East (1Q19 data)



Source: Ascend