

State of the region: Africa & Middle East

May 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	--
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	Feb-19	Mar-19	Apr-19
US\$ broad index	128.5	126.8	127.2	127.4
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	360.8	361.0	359.5
Egyptian pound (EGP)	17.9	17.5	17.3	17.2
Sth African rand (ZAR)	14.4	14.1	14.4	14.3
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	100.0	100.8	101.1
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	Feb-19	Mar-19	Apr-19
Crude oil (Brent)	71.7	64.4	66.9	71.5
Jet fuel	86.4	80.1	81.1	84.2

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Jan-19	Feb-19	Mar-19
Region (registration basis)				
Middle East	4.0	0.0	-0.9	-3.0
Africa	2.3	3.7	2.8	2.6
World	6.5	6.2	5.1	3.1
Routes (segment basis)				
Middle East - Asia	4.4	0.7	1.3	0.6
Middle East - Europe	4.9	2.7	2.4	-2.0
Africa - Europe	6.7	5.3	6.1	5.4
Middle East - Nth America	1.2	-4.4	-5.3	-8.5
Africa - Middle East	3.3	1.2	-1.1	-2.5
Africa - Asia	9.4	11.6	-1.1	-0.1

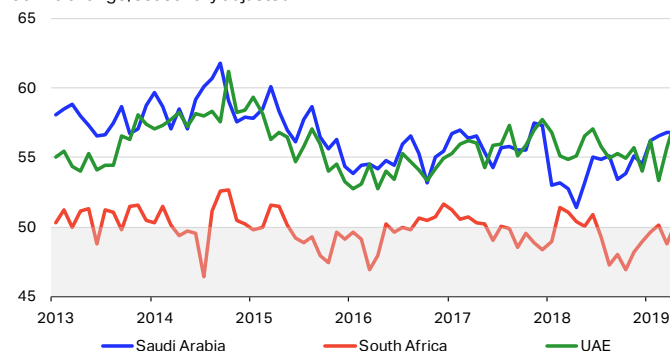
Source: IATA Statistics Note: historical data may be subject to revision

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) eased to 3.1%; the weakest annual outcome since early-2010. That said, this month's result was affected by the earlier timing of the 2018 Easter holiday, which boosted demand in March last year; a rebound is likely next month.
- The Middle East was the only market where RPKs were lower this month compared to a year ago (down 3%). The ongoing fall in demand observed since around mid-2018 reflects broader structural changes in the

IATA Economics: www.iata.org/economics

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

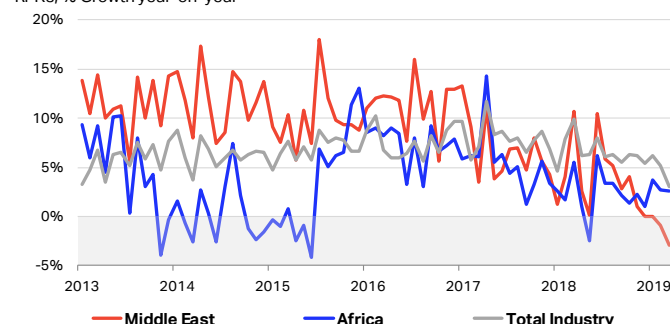
- Business confidence rose above the 50-mark in April in South Africa, as output recovered from power outages in the previous month. Supported by higher oil prices, sentiment improved in the UAE – also reflecting solid demand outcomes – and remained broadly unchanged in Saudi Arabia.
- On a trade-weighted basis, the US\$ rose by 0.1% in April, marking the 3rd consecutive month of modest growth. Of the main regional currencies, the EGP and ZAR ended the month up against the US\$ by 0.8% & 0.6%, respectively. By contrast, the KES lost 0.3%.
- Oil and jet fuel prices remain under upward pressure amidst fears of supply disruption augmented by heightened tensions in the Middle East.

industry in that region. In Africa, RPK growth eased modestly to 2.6%yoy but remained broadly in line with its 12-month average.

- In March, the RPK growth performance deteriorated vs the previous month across most of the key international markets in the region; growth eased to 0.6%yoy after a short-lived improvement in Feb for ME-Asia and turned negative for ME-Europe (-2.0%yoy).
- Of the smaller markets, Middle East-NthAm remained the key underperformer in the region with volumes down a sizeable 8.5% vs a year ago.

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	Jan-19	Feb-19	Mar-19
Region (registration basis)				
Middle East	3.9	0.0	-1.7	1.3
Africa	-0.8	1.0	-8.5	6.0
World	3.8	-1.6	-4.9	0.1
Routes (segment basis)				
Middle East - Asia	4.8	1.5	-4.0	4.7
Middle East - Europe	3.6	1.8	4.5	5.3
Africa - Europe	-0.8	-1.6	0.1	1.3
Middle East - Nth America	-2.5	-9.3	-11.8	-11.1
Africa - Middle East	-5.7	2.1	-3.6	-3.5
Africa - Asia	-4.0	-4.3	-22.0	4.9

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

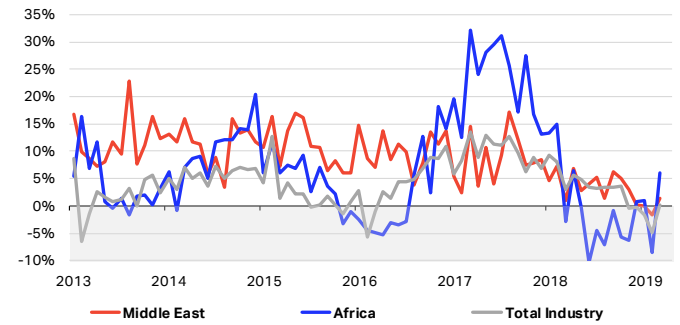
- Industry-wide FTK growth returned to positive territory in March, albeit only just. FTKs were up 0.1% vs their level a year ago, following a fall of 4.9%yoy in Feb. Given the data volatility early in the year, and based on fundamentals, we suspect this gain may be shortlived.
- A sizeable 14.5 ppt turnaround from last month for African carriers saw the region becoming the strongest performer in March, with FTKs currently up a brisk 6.0%yoy. For ME airlines, growth ticked up to 1.3%yoy,

but the downward trend in seasonally adjusted volumes remains in place.

- Of the region's main international markets, freight volumes to and from Europe and Asia were growing over the year to March but the second consecutive month of double-digit decline for the NthAm market highlights challenges for the region's carriers.
- The larger Middle East-Europe market was the best performer this month with FTK volumes up by 5.3%.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	Jan-19	Feb-19	Mar-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	4.9	3.0	2.8	2.1
	PLF	74.8	74.9	72.6	73.9
Africa	ASK	1.0	2.0	1.1	2.0
	PLF	71.4	70.9	70.4	72.0
World	ASK	6.1	6.2	5.3	4.2
	PLF	81.9	79.6	80.5	81.7
Freight					
Middle East	AFTK	6.2	4.0	3.1	3.8
	FLF	48.8	44.1	46.5	48.8
Africa	AFTK	1.7	8.2	6.8	15.2
	FLF	37.8	35.4	36.3	38.4
World	AFTK	5.3	3.7	2.9	3.1
	FLF	49.2	45.3	44.5	49.5

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

- At 81.7%, the industry-wide passenger load factor (PLF) was down 0.9ppt from its record high March 2018 but remained elevated in historical terms. For freight, the load factor (FLF) increased to 49.5%, slightly above its average for 2018 overall.
- Despite a modest uptick in March, both the PLF and FLF for the Middle East and Africa were all below the industry-wide outcome. That said, the 72% PLF for Africa was the highest March outcome since 1990.
- Financial data from the final quarter of 2018 (the latest

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Africa & Middle East	4.2	3.3	-5.9	-5.1
Industry	8.5	7.7	7.2	4.7

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

available) indicate a decline in industry performance vs a year ago; the industry-wide EBIT margin slipped to 4.7%, from 7.2%. At the regional level, the margin remained negative, at -5.1% of revenues.

- Passenger yield developments remained mixed across the key markets in the region. The larger Middle East-Europe and Africa-Europe markets saw yields falling by more than 10% compared to a year ago. However, Middle East-Asia performed solidly this month, posting the strongest growth in yields since Nov 2018.

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

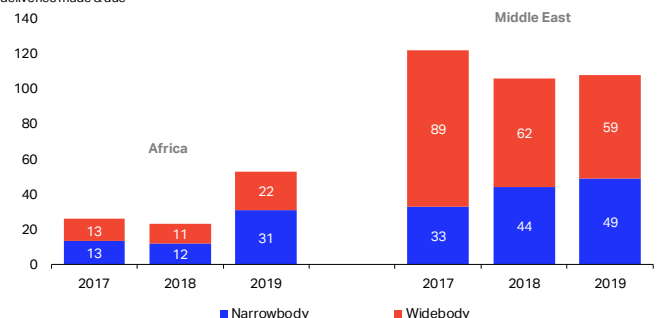
% change on a yr ago	2018	Jan-19	Feb-19	Mar-19
Middle East - Asia	-0.4	4.9	4.4	7.3
Middle East - Europe	3.7	-5.8	-7.8	-13.4
Africa - Europe	4.0	-5.9	-13.0	-12.4
Middle East - Nth America	6.0	9.5	6.2	6.2
Middle East - Sth America	3.2	-12.1	-15.7	-6.0
Africa - Middle East	4.3	0.9	-2.1	-4.9
Africa - Nth America	2.5	2.9	-8.8	-4.8
Within Middle East	8.2	12.0	10.7	6.9
Within Africa	7.0	-7.9	-12.2	-13.3

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

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

Aircraft deliveries to Africa & the Middle East (2Q19 data)

deliveries made & due



Source: Ascend