State of the region: Africa & Middle East

May 2020

Economy

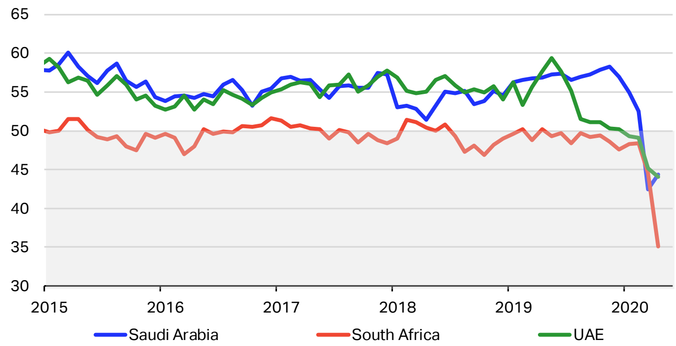
GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
Saudi Arabia	0.5	-0.4	0.4	--
Nigeria	2.2	2.1	2.5	2.0
Egypt	5.0	4.5	4.8	--
South Africa	0.1	0.1	-0.6	--
UAE	1.3	--	--	--
Kenya	5.4	5.2	5.3	--
Jordan	2.0	2.0	2.1	--
World*	**2.6**	**2.6**	**2.5**	**-1.7**

Source: Datastream * Market exchange rate basis

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

Exchange rates

end of period, # per US$	2019	Feb-20	Mar-20	Apr-20
US$ broad index	114.7	117.8	122.8	122.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.76	3.76
Nigerian naira (NGN)	362.9	365.8	381.5	384.0
Egyptian pound (EGP)	16.0	15.6	15.7	15.8
Sth African rand (ZAR)	14.0	15.7	17.9	18.3
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	101.2	105.1	107.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US$/barrel (period ave.)	2019	Feb-20	Mar-20	Apr-20
Crude oil (Brent)	64.2	55.7	33.9	26.8
Jet fuel	79.6	65.1	40.1	23.1

Source: Platts, Datastream (monthly average data)

- Operating conditions deteriorated further in South Africa & the UAE and – despite the modest improvement vs. March – remained challenging also in Saudi Arabia. As was the case elsewhere in the world, falling business activity in the region was reflecting disruptions from COVID-19.
- Trade weighted US$ index moved sideways in April, after a 4.3% gain in the previous month. Of the key regional currencies, the ZAR remained the main mover this month, losing 2.4% against the US$ (-30.2% YTD).
- Jet and crude oil price fell further in April, reflecting plummeting global fuel consumption and widespread concerns about the global economic outlook.

Market

Revenue passenger kilometers (RPKs)

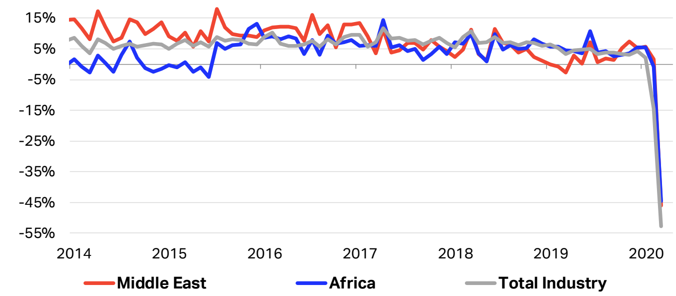
% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
Middle East	2.3	5.8	1.7	-46.0
Africa	4.7	5.4	-0.7	-44.6
World	4.2	2.2	-14.4	-52.9
Routes (segment basis)				
Middle East - Asia	3.5	5.2	-6.0	-51.9
Middle East - Europe	4.4	7.2	4.4	-49.1
Africa - Europe	4.5	1.3	2.4	-44.9
Middle East - Nth America	0.0	2.4	6.4	-47.7
Africa - Middle East	-1.7	0.6	-1.8	-57.2
Africa - Asia	5.0	4.3	-34.2	-64.7

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

- Industry-wide revenue passenger kilometres (RPKs) fell by an unprecedented 52.9% year-on-year in March, as the spread of the virus and related containment measures accelerated in most parts of the world.
- RPKs flown by African airlines contracted by almost 45% year-on-year. Historically well-performing Africa-Asia market (5% expansion in 2019) posted the fastest contraction for another month, with volumes down almost 65%yoy. Africa-Middle East routes were the second-most severely impacted (-57%yoy).
- Airlines based in the Middle East registered a 46%yoy shrinkage in passenger volumes compared to +1.7% expansion in February. ME-Asia and ME-Europe, which are the region's larger markets, halved their size compared to a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

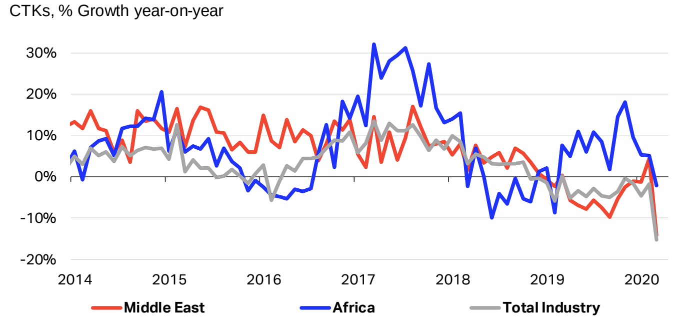
Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
Middle East	-4.6	-1.3	4.3	-14.1
Africa	7.4	5.4	5.1	-2.1
World	-3.2	-4.5	-1.7	-15.2
Routes (segment basis)				
Middle East - Asia	-2.7	-1.7	2.6	-16.9
Middle East - Europe	-5.2	-3.2	3.7	-18.2
Africa - Europe	-1.9	-6.4	-1.2	-22.2
Middle East - Nth America	-7.0	-1.1	9.5	-11.8
Africa - Middle East	-6.0	-5.0	4.9	-28.2
Africa - Asia	12.0	2.2	7.6	8.6

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

- Industry-wide cargo tonne kilometres (CTKs) contracted by 15.2%yoy in March – the worst outcome since 2009. Air cargo business was impacted to a lesser extent than the passenger side due to its crucial role in keeping global supply chains functioning.
- African airlines were the least affected by the COVID-19 disruptions, posting a 2.1% year-on-year contraction this month. The smaller Africa-Asia was the only market that continued to expand with cargo volumes up by 8.6%yoy.
- Middle Eastern carriers registered a 14.1%yoy CTK shrinkage – a significant deterioration from +4.3%yoy outcome in the previous month. Of the larger routes to/from the region, ME-Asia and ME-Europe recorded a sizeable decline of 17-18%yoy.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	Jan-20	Feb-20	Mar-20
Passenger					
Middle East	ASK	0.1	0.5	1.5	-33.6
	PLF	*76.2*	*78.5*	*72.5*	*59.9*
Africa	ASK	4.5	6.2	5.1	-34.4
	PLF	*71.8*	*70.3*	*66.8*	*60.9*
World	ASK	3.4	1.7	-9.0	-36.2
	PLF	*82.6*	*80.1*	*75.9*	*60.6*
Cargo					
Middle East	ACTK	1.1	3.0	6.0	-20.6
	CLF	*46.6*	*42.6*	*46.1*	*53.2*
Africa	ACTK	11.2	10.7	7.5	-10.9
	CLF	*36.2*	*33.6*	*34.9*	*42.5*
World	ACTK	2.2	0.5	-5.1	-22.7
	CLF	*46.7*	*44.6*	*46.5*	*54.5*

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

- Industry-wide RPKs continued to decline faster than capacity in March. As a result, the industry-wide passenger load factor fell by 21.4ppts yoy. African and ME airlines saw PLF down by 11ppts & 14ppts, respectively.
- By contrast, air cargo LF picked up both at the industry (+4.8ppts) and at the regional level (+4ppts in both Africa and the Middle East) as cargo capacity fell faster than demand amidst reductions in bellyhold capacity.
- Despite strict mitigation measures and cost reductions to limit the impact of COVID-19, the industry-wide EBIT margin turned negative at -10.5% of revenues in Q1 2020. The regional sample was too small to show the full impact of COVID-19 on airlines' profitability.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Industry	5.7	5.1	5.9	-10.5

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

- Base passenger yields denominated in US$ declined in annual terms across the majority of the key regional markets amidst collapsing air travel demand and falling load factors. ME-Europe routes posted the sharpest contraction in yields in March, down 15%yoy.

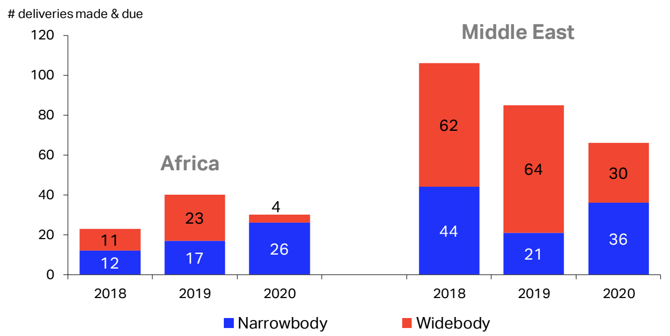
Passenger yields (US$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Middle East - Asia	7.3	4.7	-3.6	-9.5
Middle East - Europe	-5.5	0.5	-3.5	-15.0
Africa - Europe	-7.0	-0.7	0.0	-5.2
Middle East - Nth America	3.8	-0.1	-4.9	-6.5
Middle East - Sth America	-6.0	-1.1	-2.0	-9.2
Africa - Middle East	-5.0	-0.2	-5.6	-10.0
Africa - Nth America	-3.1	-1.0	-0.4	2.6
Within Middle East	3.0	-4.1	-4.1	-10.0
Within Africa	-8.7	-4.0	-4.6	-13.5

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

- The latest data indicate a fall in jet aircraft deliveries for airlines based in Africa and the Middle East in 2020 versus 2019.

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



Source: Cirium