

State of the region: Africa & Middle East

May 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
Saudi Arabia	-4.1	-4.6	-3.9	--
Nigeria	-1.8	-3.1	0.0	0.4
Egypt	0.1	-1.3	0.4	--
South Africa	-7.1	-6.1	-4.3	--
UAE	-5.9	--	--	--
Kenya	--	-1.5	--	--
Jordan	-1.6	-2.2	-1.6	--
World*	-3.6	-2.6	-1.3	2.4

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Mar-21	Apr-21	May-21
US\$ broad index	112.1	113.6	112.9	--
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	394.8	409.5	408.8	410.5
Egyptian pound (EGP)	15.7	15.7	15.7	15.7
Sth African rand (ZAR)	14.6	14.8	14.3	13.8
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	109.2	109.4	107.9	107.7
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Mar-21	Apr-21	May-21
Crude oil (Brent)	43.4	65.8	65.5	68.4
Jet fuel	46.3	69.0	69.1	73.4

Source: Platts, Eikon Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

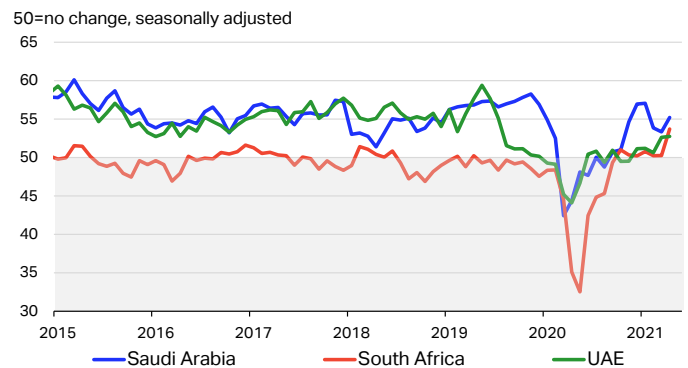
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Middle East	-72.1	-80.5	-81.7	-80.3
Africa	-69.3	-66.9	-70.9	-71.8
World	-65.9	-72.2	-74.9	-67.2
Routes (segment basis)				
Middle East - Asia	-73.6	-81.8	-82.0	-81.8
Middle East - Europe	-73.2	-81.1	-85.2	-84.2
Africa - Europe	-68.4	-68.4	-77.5	-77.0
Middle East - Nth America	-71.3	-76.8	-75.4	-70.4
Africa - Middle East	-72.3	-70.0	-71.6	-71.3
Africa - Asia	-79.7	-92.3	-91.7	-91.0

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

- Passenger traffic slightly improved in March amidst recovering domestic demand. Industry-wide revenue passenger-kilometers (RPKs) were 67.2% lower compared to the pre-crisis level (March 2019).
- Middle Eastern airlines reported an 80.3% RPK decline in March 2021 vs. March 2019 – the second weakest outcome amongst regions. Their high reliance on still muted international traffic (97% of RPKs in 2019) is one of the main reasons behind the slow recovery.

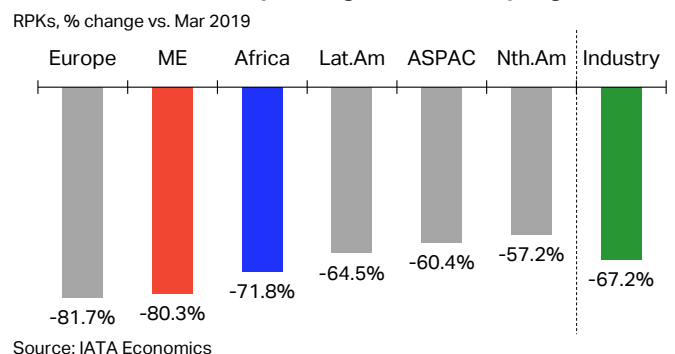
Business confidence - economy-wide PMIs



- The latest PMI results show that the economic backdrop continues to improve across the three key economies that we track for the AME region. In Saudi Arabia, economic activity was recovering already in H2 2020, but South Africa and the UAE started to see economic expansion only recently.
- Amongst the key regional currencies, the ZAR appreciated the most vs. the US\$ (up 3.8%), reflecting a current account surplus and improving global risk sentiment with which the currency is tightly correlated.
- Oil and jet fuel prices rebounded in May boosted by the global economic recovery and supply-side concerns despite surging COVID-19 cases in some regions.

- Carriers in Africa also posted a weak outcome since – similarly to the Middle Eastern airlines – they significantly rely on improvement in international demand. Their RPKs were 71.8% lower than before the pandemic – a modest deterioration from 70.9% contraction in the previous month.
- Looking ahead, slow vaccination rate will hinder air travel recovery in Africa while rebound in Middle Eastern RPKs will be adversely impacted by travel restrictions on international long-haul routes.

Growth in passenger volumes, by region



Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Middle East	-9.5	6.7	9.1	9.1
Africa	1.4	24.7	46.5	23.1
World	-9.1	3.8	9.2	4.4
Routes (segment basis)				
Middle East - Asia	-7.0	16.9	26.9	16.9
Middle East - Europe	-18.1	-7.1	-8.1	-10.4
Africa - Europe	-20.6	-12.9	-5.6	-9.0
Middle East - Nth America	-8.5	15.1	16.5	28.2
Africa - Middle East	-31.5	-22.0	-18.6	-16.0
Africa - Asia	9.0	38.2	111.2	38.7

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

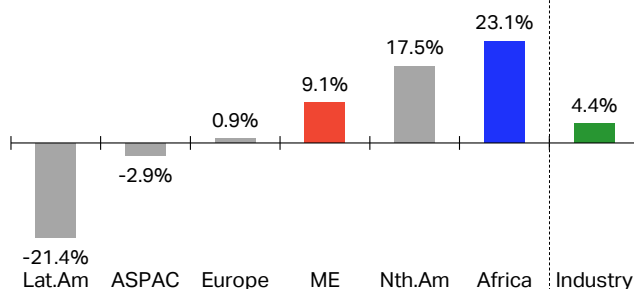
- Global cargo volumes reached the highest level in the history of our time series in March although their growth softened modestly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by 4.4% vs. the pre-crisis levels and by 0.4% m-o-m.
- African airlines performed the strongest of all regions, with CTKs up just over 23% compared with the pre-

crisis levels in March 2019. As was the case throughout 2020, Africa-Asia market remained the key driver behind the swift recovery.

- Carriers based in the Middle East also performed well, with CTKs up 9.1% in March – well above the industry average. Region's trade segments connecting Asia with North America continue to expand robustly on the back of booming US e-commerce demand for goods made in Asia.

Growth in cargo volumes, by region

RPKs, % change vs. Mar 2019



Source: IATA Economics

Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Jan-21	Feb-21	Mar-21
Passenger					
Middle East	ASK	-63.3	-65.8	-66.8	-65.6
	PLF	57.8	42.6	39.8	42.2
Africa	ASK	-62.3	-57.8	-60.2	-61.6
	PLF	58.5	55.4	51.7	53.0
World	ASK	-56.8	-59.4	-63.3	-56.8
	PLF	65.2	54.5	55.2	62.3
Cargo					
Middle East	ACTK	-20.9	-17.2	-14.8	-12.5
	CLF	53.4	57.2	60.0	61.3
Africa	ACTK	-13.4	-2.9	4.0	-4.6
	CLF	42.4	45.4	50.3	49.9
World	ACTK	-21.2	-17.1	-15.3	-11.7
	CLF	54.0	58.7	57.9	58.8

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

- Global available seat capacity continued to recover in March. Industry-wide ASKs fell by 56.8% vs. March 2019 – an improvement on a 63.3% decline in February. African and Middle Eastern airlines posted 61.6% and 65.6% contractions, respectively.
- The industry-wide passenger load factor (PLF) was at 62.3% in March, 19.7 ppts lower compared with March 2019. The PLFs of AME airlines reached a record low for any month of March in the history of our time series.
- Global cargo capacity has been recovering from the temporary fall in early-2021 when some airlines grounded passenger aircraft amidst new virus spikes. Industry-wide available cargo tonne-kilometres picked up by 5.6% m-o-m in March and were ~12% below the

pre-crisis levels. ACTKs of African and Middle Eastern carriers were down 4.6% and 12.5%, respectively.

- Cargo load factors were elevated across all regions since cargo capacity was lagging the recovery in CTKs.

Airline operating (EBIT) margins*

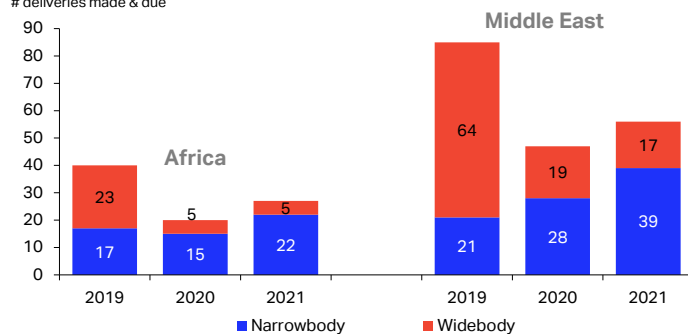
% revenues	2019	2020	2020Q1	2021Q1
Industry	5.2	-28.0	-11.8	-60

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

- Initial Q1 2021 results indicate that at the global level the airline industry continued to post net losses similar to those in Q4. Looking ahead, financial performance will vary by region depending on the size of domestic markets and the pace of vaccine rollout. Higher fuel prices will be a challenge to a return to profitability for airlines when the traffic rebounds
- As of May 2021, African carriers are expected to receive 35% more aircraft deliveries in 2021 vs. 2020 while Middle Eastern airlines should get 19% more deliveries. In both regions, the number of deliveries will most likely not reach 2019 levels.

Aircraft deliveries to Africa & the Middle East (as of May 2021)

deliveries made & due



Source: Ascend