

State of the region: Africa & Middle East

November 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
Saudi Arabia	2.3	1.7	0.5	--
Nigeria	1.9	2.1	2.0	2.1
Egypt	5.2	5.7	5.2	--
South Africa	0.7	-0.1	0.8	--
UAE	1.7	--	--	--
Kenya	6.3	5.5	5.7	--
Jordan	2.0	2.0	1.8	--
World*	3.2	2.8	2.6	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Aug-19	Sep-19	Oct-19
US\$ broad index	128.5	130.4	130.8	130.2
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	362.5	361.5	362.3
Egyptian pound (EGP)	17.9	16.5	16.3	16.1
Sth African rand (ZAR)	14.4	15.2	15.2	15.1
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	103.7	103.9	103.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Aug-19	Sep-19	Oct-19
Crude oil (Brent)	71.7	59.6	62.4	59.6
Jet fuel	86.4	76.1	79.8	78.7

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

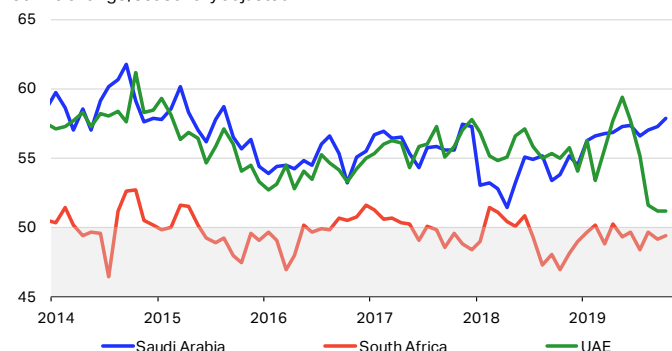
% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
Middle East	5.0	1.4	2.6	2.0
Africa	6.1	3.5	4.0	1.7
World	7.3	3.3	3.9	3.8
Routes (segment basis)				
Middle East - Asia	4.4	1.4	1.1	2.1
Middle East - Europe	4.9	3.6	4.7	4.9
Africa - Europe	7.4	7.4	6.4	5.3
Middle East - Nth America	1.3	-1.7	-2.0	0.3
Africa - Middle East	3.3	0.6	5.1	-6.8
Africa - Asia	9.4	1.4	3.4	6.2

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 3.8% over the year to September, a broadly unchanged pace from August. The moderate upward trend in underlying demand remains firmly in place.
- Although this month's RPK growth eased to 1.7%yoy for carriers based in Africa, Q3 growth remained solid at 3.1% year-on-year. For the Middle Eastern airlines, RPKs rose by 2%yoy, compared to 2.6% in the previous month. The region's performance continues

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

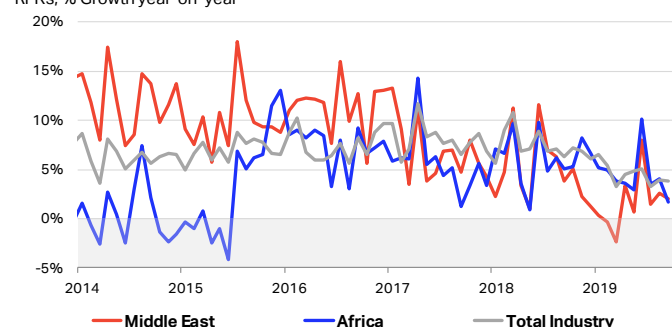
- Saudi Arabia's business sentiment ticked up for another month, supported by rising foreign demand and optimism around future sales. The manufacturing sector remains under pressure in South Africa amidst a weaker economy and stock shortages. In the UAE, sentiment continued falling, partly due to lower liquidity that negatively impacted business operations.
- The trade weighted US\$ index eased modestly in October, down 0.5% vs Sept. Of the main regional currencies, the EGP and ZAR gained 0.8% and 0.6% against the US\$, respectively.
- The average monthly jet and crude oil price eased in October on the back of robust global oil supply and softening demand.

to be impacted by a mix of structural challenges in some of the region's larger airlines, geopolitical risks and weaker business confidence in some countries.

- Key international markets in the region showed a mixed performance this month. While annual growth ticked up for the larger ME-Asia (2.1%) and ME-Eur (4.9%), it eased further in the Africa-Eur market, to 5.3%yoy.
- Africa-ME was the key underperformer in September with pax volumes down by 6.8%yoy. This unwinds the steep lift in growth (to 5.1%yoy) observed last month.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Region (registration basis)				
Middle East	4.6	-5.4	-6.5	-8.0
Africa	-0.3	10.9	8.0	2.2
World	3.7	-2.6	-4.2	-4.5
Routes (segment basis)				
Middle East - Asia	4.8	-3.6	-5.2	-4.6
Middle East - Europe	3.7	-5.5	-7.7	-10.1
Africa - Europe	0.0	0.0	-1.6	-7.0
Middle East - Nth America	-2.5	-7.3	-9.6	-4.4
Africa - Middle East	-5.7	-0.3	-4.6	-8.6
Africa - Asia	-4.0	14.6	17.7	22.8

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

- Growth in industry-wide air freight tonne kilometres (FTKs) remained weak in September, declining by 4.5% in annual terms. The contraction was widespread, with annual FTKs falling across majority of the regions.
- Middle Eastern airlines posted 8% annual decline in FTKs this month – the weakest outcome since the Global Financial Crisis. Air freight growth slowed also

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Jul-19	Aug-19	Sep-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	5.8	0.8	1.1	0.3
	PLF	74.5	81.3	82.1	75.0
Africa	ASK	4.3	5.9	6.1	3.4
	PLF	71.6	73.1	75.5	72.1
World	ASK	6.8	3.1	3.6	3.3
	PLF	82.0	85.6	85.7	81.9
Freight					
Middle East	AFTK	8.5	0.1	-0.8	-0.4
	FLF	49.3	45.3	43.6	45.9
Africa	AFTK	1.9	17.1	17.1	9.4
	FLF	37.5	32.3	30.2	32.9
World	AFTK	5.2	3.3	2.2	2.1
	FLF	49.3	44.9	44.3	46.4

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

- The industry-wide passenger load factor (PLF) reached a new record high for the month of September as RPKs continued to grow faster than ASKs. On the freight side, the load factor (FLF) softened by 3.2ppt vs a year ago, to 46.4%.
- The Middle Eastern PLF outperformed last year's result but was still 4ppt below the historical maximum for the month. The region's FLF eased by 3.8ppt vs a year ago to 45.9%. For Africa, both the PLF and FLF fell modestly vs last year to 72% and 33%, respectively.

Airline operating (EBIT) margins*

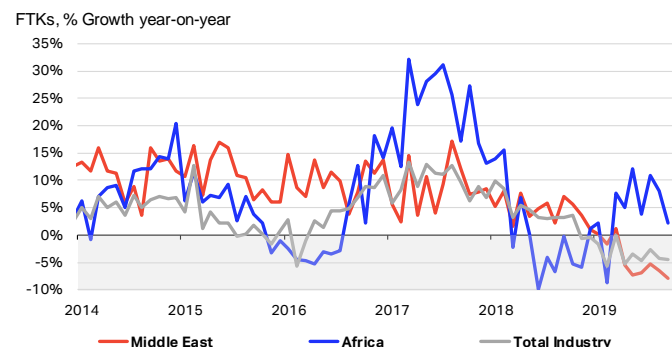
% revenues	2017	2018	2018Q3	2019Q3
Africa & Middle East	-2.3	-1.3	15.4	16.7
Industry	7.5	5.8	13.1	13.7

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

for carriers based in Africa, although it remained in positive territory.

- Consistent with the aggregate result, most of the key international trade lanes in the region posted a y-o-y contraction in FTKs in Sept. The larger ME-Europe was the key underperformer with annual freight volumes down 10%. As was the case in the previous months, Africa-Asia's growth was in double-digits, underpinned by robust investment flows from Asia to Africa.

Growth in air freight volumes



Source: IATA Statistics

- The initial Q3 2019 airline financial data indicate a slight improvement in industry-wide profitability compared to Q3 2018 (13.7% vs 13.1%). At the regional level, the EBIT margin also increased, to 16.7%.
- Passenger yield developments remain mixed across the key international markets in the region. Following 10 months of growth, yields contracted by 2.8%yoy on the larger ME-Asia routes due to slowdown in the average fare growth.

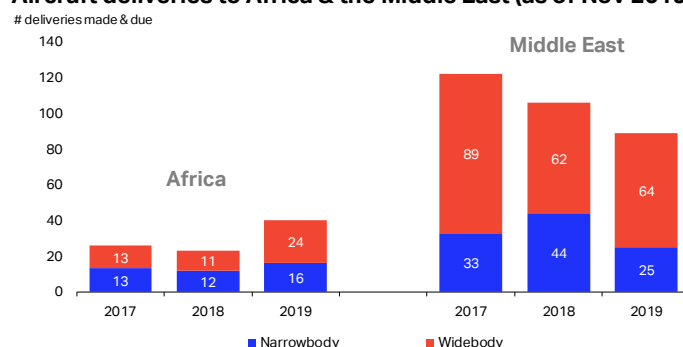
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
Middle East - Asia	-0.6	14.0	15.8	-2.8
Middle East - Europe	4.2	-3.6	-3.7	-5.3
Africa - Europe	4.0	-7.7	-3.6	-8.7
Middle East - Nth America	5.7	3.0	0.7	3.8
Middle East - Sth America	3.0	-7.8	-10.7	-3.2
Africa - Middle East	4.4	-3.9	-3.1	-10.3
Africa - Nth America	2.5	-3.2	-3.0	-4.7
Within Middle East	6.9	4.2	3.8	2.8
Within Africa	7.0	-6.5	-4.4	-1.1

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

- The latest data point to an increase in jet aircraft deliveries for African airlines and a fall in deliveries for carriers based in the Middle East in 2019 vs 2018.

Aircraft deliveries to Africa & the Middle East (as of Nov 2019)



Source: Ascend