

# State of the region: Africa & Middle East

October 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
Saudi Arabia	2.3	3.6	1.7	0.5
Nigeria	1.9	2.4	2.1	2.0
Egypt	5.2	5.0	5.7	--
South Africa	0.7	0.1	-0.1	0.8
UAE	1.7	--	--	--
Kenya	6.3	5.9	5.5	5.7
Jordan	2.0	1.8	2.0	1.8
<b>World*</b>	<b>3.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Jul-19	Aug-19	Sep-19
US\$ broad index	128.5	127.8	130.4	130.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	362.3	362.5	361.5
Egyptian pound (EGP)	17.9	16.6	16.5	16.3
Sth African rand (ZAR)	14.4	14.2	15.2	15.2
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	104.1	103.7	103.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jul-19	Aug-19	Sep-19
Crude oil (Brent)	71.7	64.3	59.6	62.4
Jet fuel	86.4	80.4	76.1	79.8

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

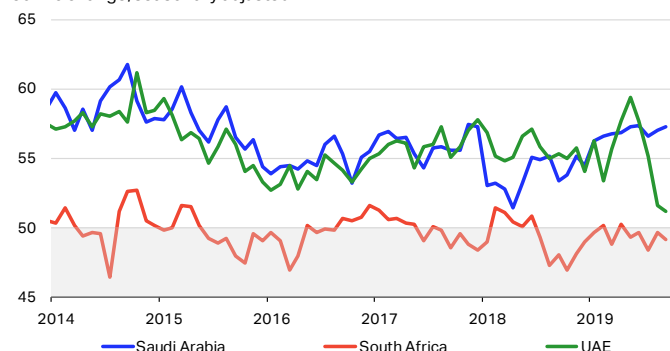
% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
<b>Region (registration basis)</b>				
Middle East	5.0	7.9	1.4	2.6
Africa	6.1	10.1	3.5	4.0
World	7.3	5.1	3.5	3.8
<b>Routes (segment basis)</b>				
Middle East - Asia	4.4	8.2	1.4	1.4
Middle East - Europe	4.9	11.1	3.6	4.7
Africa - Europe	7.4	14.2	7.4	6.4
Middle East - Nth America	1.3	4.5	-1.7	-2.0
Africa - Middle East	3.3	6.4	0.6	5.1
Africa - Asia	9.4	9.8	1.4	3.4

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) edged up to 3.8% in August. Despite difficult economic conditions in several key markets, the moderate upward trend in passenger traffic remains in place.
- At the regional level, year-on-year RPK growth picked up modestly for African carriers, underpinned by robust performance on Africa-Middle East routes. Middle-Eastern airlines also recorded an uptick in passenger

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

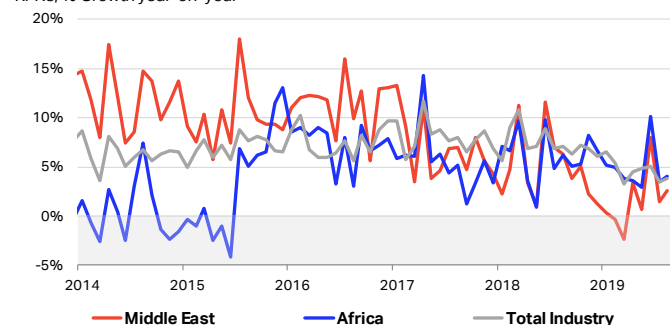
- Softer customer spending contributed to a further fall in UAE business confidence in September. By contrast, sentiment in Saudi Arabia remained elevated, reflecting the robust state of the non-oil private sector. In South Africa, confidence stayed in the territory associated with contraction for the 5<sup>th</sup> consecutive month.
- The trade weighted US\$ index rose slightly in September, up 0.3%. Of the main regional currencies, the EGP gained 1.7% against the US\$. Other currency movements were muted this month.
- The average monthly jet and crude oil price ticked up in September as attacks on oil fields in Saudi Arabia temporarily halted about 5% of global oil supply.

growth, however the pace remains well below the levels seen in the first part of 2018.

- Key international markets in the region showed mixed performances this month. While annual growth stabilized at 1.4% for the Middle East-Asia routes, Middle East-Europe RPKs increased faster in August compared to July. Meanwhile, Middle East-North America routes contracted for the second consecutive month by ~2%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
<b>Region (registration basis)</b>				
Middle East	4.6	-7.0	-5.4	-6.7
Africa	-0.3	3.8	10.9	8.0
World	3.7	-4.6	-2.4	-3.9
<b>Routes (segment basis)</b>				
Middle East - Asia	4.8	-4.7	-3.6	-4.9
Middle East - Europe	3.7	-6.9	-5.5	-7.9
Africa - Europe	0.0	-0.6	0.0	-1.6
Middle East - Nth America	-2.5	-3.4	-7.3	-10.0
Africa - Middle East	-5.7	-16.5	-0.3	-4.9
Africa - Asia	-4.0	7.3	14.6	17.7

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

- Industry-wide air freight tonne kilometres (FTKs) declined further in August (-3.9%yoy), facing headwinds from weakening global trade and softness in a number of key economic indicators.
- Slowing global trade, along with geopolitical risks and airlines' structural changes continue to weigh on the Middle Eastern FTK performance which was the weakest of all regions in August (-6.7%yoy decline).

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	Jun-19	Jul-19	Aug-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Middle East	ASK	5.8	1.7	0.8	1.1
	PLF	74.5	76.4	81.3	82.1
Africa	ASK	4.3	6.4	5.9	6.1
	PLF	71.6	70.8	73.1	75.5
World	ASK	6.8	3.4	3.2	3.5
	PLF	82.0	84.4	85.6	85.7
<b>Freight</b>					
Middle East	AFTK	8.5	1.0	0.1	-0.8
	FLF	49.3	45.0	45.3	43.5
Africa	AFTK	1.9	16.2	17.1	17.1
	FLF	37.5	32.3	32.3	30.2
World	AFTK	5.2	2.0	3.2	2.0
	FLF	49.3	45.8	45.1	44.6

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 all-time high for the month of August as passenger demand continues to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.7ppt vs a year ago to 44.6%.
- Although Middle Eastern carriers posted another robust PLF, the FLF underperformed, posting a new all-time low for August (43.5%). African carriers recorded solid PLF (albeit still 1.5ppt lower than a year ago) while their FLF was close to the historical minimum for the month.

### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q2	2019Q2
Africa & Middle East	-2.3	-1.3	4.7	9.7
Industry	7.5	5.8	7.6	7.6

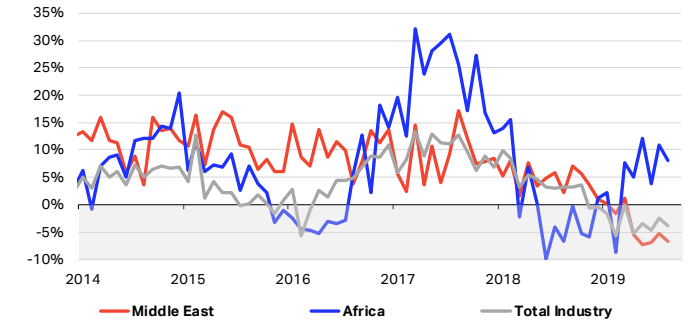
Source: Airline Analyst \* constant sample basis, not seasonally adjusted

By contrast, African airlines posted a robust 8% passenger growth, underpinned by ongoing expansion of the Africa-Asia market (17.7%yoy).

- Most of the key international trade lanes in the region continued to post y-o-y contraction in FTKs. The larger ME-Asia and ME-Europe markets recorded 5% and 8% annual declines, respectively, while Africa-Europe shrank by 1.6%.

### Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

- The final Q2 2019 airline financial data showed that industry-wide profitability was steady compared to the same quarter a year ago. At the regional level, EBIT margins picked up by 5ppt to almost 10% of revenues.
- Passenger yield developments were mixed across the key international markets in the region. The larger Middle East-Asia routes saw yields up almost 16% vs a year ago while both ME-Europe and Africa -Europe contracted by ~3-4% year-on-year.

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

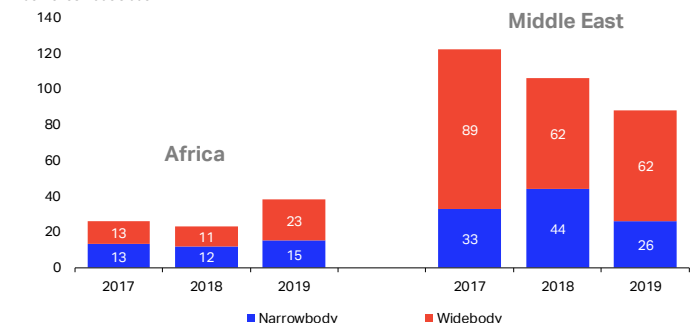
% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
Middle East - Asia	-0.6	7.7	13.8	15.9
Middle East - Europe	4.2	-5.9	-3.8	-4.1
Africa - Europe	4.0	-8.8	-7.2	-3.4
Middle East - Nth America	5.7	7.1	3.0	0.7
Middle East - Sth America	3.0	-3.7	-7.9	-10.7
Africa - Middle East	4.4	-7.4	-3.9	-3.1
Africa - Nth America	2.5	-4.3	-3.2	-3.0
Within Middle East	6.9	2.2	4.2	3.7
Within Africa	7.0	-9.2	-6.5	-4.4

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 Oct 2019)

# deliveries made & due



Source: Ascend