

State of the region: Africa & Middle East

September 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	--
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	5.8	5.6	--
Jordan	2.0	1.8	2.0	--
World*	3.2	2.8	2.8	2.6

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Jun-19	Jul-19	Aug-19
US\$ broad index	128.5	128.3	127.8	130.4
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	363.5	360.0	362.3	362.5
Egyptian pound (EGP)	17.9	16.7	16.6	16.5
Sth African rand (ZAR)	14.4	14.1	14.2	15.2
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.9	102.2	104.1	103.7
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jun-19	Jul-19	Aug-19
Crude oil (Brent)	71.7	63.2	64.3	59.6
Jet fuel	86.4	76.5	80.4	76.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

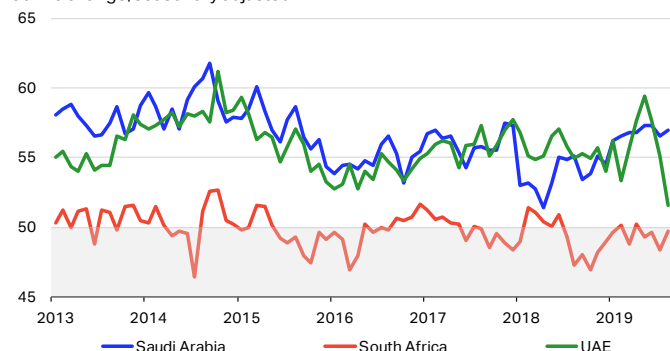
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
Middle East	5.0	0.6	7.9	1.3
Africa	6.1	2.9	10.1	4.0
World	7.3	4.8	5.1	3.6
Routes (segment basis)				
Middle East - Asia	4.4	1.6	8.2	1.7
Middle East - Europe	4.9	-0.7	11.1	4.2
Africa - Europe	6.7	8.0	14.6	7.8
Middle East - Nth America	1.3	0.6	4.5	-1.4
Africa - Middle East	3.3	-8.2	6.4	0.7
Africa - Asia	9.4	2.5	9.8	1.4

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) slowed to 3.6% in July, down from the 5.1% growth observed in June. The outcome marks a continuation of the weaker growth trend observed in recent months.
- At the regional level, following a short-lived improvement in June, the year-on-year RPK growth rate fell back towards the level observed in May, at

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

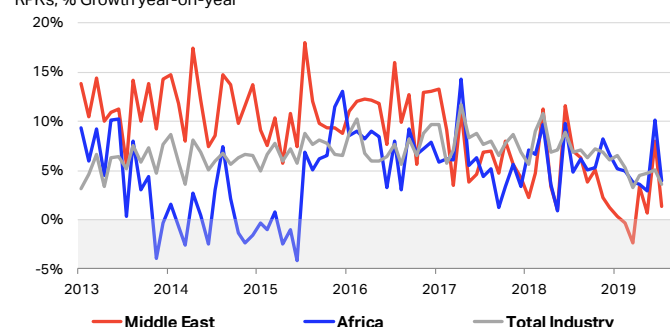
- UAE business confidence fell sharply in August to its lowest level since mid-2011 on signs of a further slowing in demand. By contrast, sentiment ticked-up in both Saudi Arabia and South Africa, although business conditions remained weak in the latter.
- The trade weighted US\$ index rose by 2% in August, marking the fastest month-on-month growth this year. The ZAR was the main FX mover in the region, losing 7% against the US\$ partly due to investor concerns about the country's National Budget deficit.
- Average monthly jet and crude oil prices fell in August on concerns regarding the global economic outlook, partly due to the (latest) US-China trade war escalation.

1.3% y-o-y for the Middle East carriers and 4.0% for the African airlines.

- The sharp unwind observed at the regional level was also evident on the majority of the key international routes. Growth remains weak for routes between the Middle East and each of Asia, North America and Africa.
- In contrast, the European market continues to outperform for both the Middle East and Africa, with growth of 4.2% y-o-y and 7.8% y-o-y, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
Middle East	4.6	-7.3	-7.0	-5.5
Africa	-0.3	12.1	3.8	10.9
World	3.7	-3.4	-4.8	-3.2
Routes (segment basis)				
Middle East - Asia	4.8	-6.7	-4.7	-3.9
Middle East - Europe	3.7	-7.1	-6.9	-5.6
Africa - Europe	-0.4	3.4	-0.6	0.0
Middle East - Nth America	-2.5	-5.5	-3.4	-7.3
Africa - Middle East	-5.7	-11.8	-16.5	-0.3
Africa - Asia	-4.0	12.0	7.3	14.6

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

- Industry-wide freight tonne kilometres (FTKs) declined by 3.2% year-on-year in July, reflecting the widespread softness in world trade and a number of global economic indicators.
- The air freight market in the Middle East remained under pressure, posting the worst growth performance of all regions this month (-5.5%y-o-y). By contrast, Africa continued to top the FTK growth chart

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	May-19	Jun-19	Jul-19
LF: % of ASK/AFTK					
Passenger					
Middle East	ASK	5.8	-5.8	1.7	0.8
	PLF	74.5	73.0	76.4	81.2
Africa	ASK	4.3	1.2	6.4	5.8
	PLF	71.6	67.8	70.8	73.5
World	ASK	6.8	2.7	3.4	3.2
	PLF	82.0	81.8	84.4	85.7
Freight					
Middle East	AFTK	8.5	-1.6	1.0	0.2
	FLF	49.3	47.1	45.0	45.3
Africa	AFTK	1.9	13.8	16.2	17.0
	FLF	37.5	39.6	32.3	32.3
World	AFTK	5.2	1.0	1.8	2.6
	FLF	49.3	47.1	45.8	45.0

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

- The industry-wide passenger load factor reached a new all-time high of 85.7% in July. The story was less positive on the freight side with the load factor almost 3ppt below the level seen in July 2018.
- Although Middle Eastern airlines showed robust PLF in July, they underperformed on the freight side with the FLF marking a new all-time low for the month of July. For African carriers, load factors picked up compared to June but were still 1-2ppt lower vs a year ago.
- The latest Q2 financial results confirm a modest improvement in industry-wide profitability vs a

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q2	2019Q2
Africa & Middle East	-2.3	-1.3	3.8	11.9
Industry	7.5	5.8	8.0	8.3

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

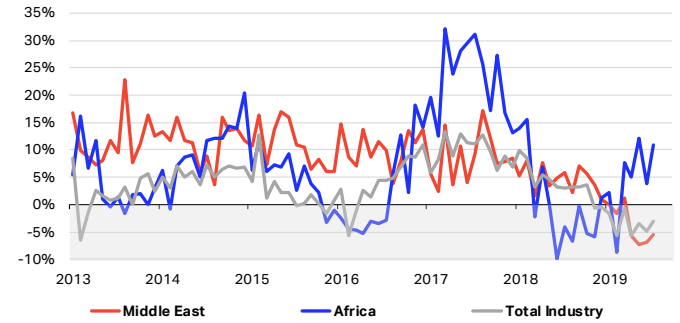
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with cargo volumes supported by the strong inbound investment flows, especially from Asia Pacific.

- Most of the key international tradelines in the region continued to post y-o-y contraction in FTKs. That said, the downward pressure eased in some of the markets, including the larger Middle East-Asia and Middle East-Europe. The smaller Africa-Asia remained the outlier this month with volumes up 14.6% vs July 2018.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

year ago. Although the increase in profit margins was even more distinct at the regional level (12% in Q2 2019 vs 3.8% in Q2 2018), it is important to take into account that the regional result was based on a relatively small sample of airlines.

- Passenger yield developments remained mixed across the key international markets in the region. While yields continued to decline in the ME-Europe market (-4% y-o-y), growth picked up sharply on the largest ME-Asia routes, to a robust 13.6% y-o-y.

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

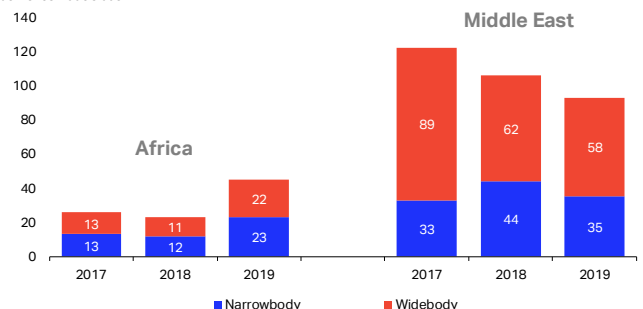
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Middle East - Asia	-0.4	14.5	7.5	13.6
Middle East - Europe	3.6	-1.0	-6.1	-4.1
Africa - Europe	4.0	-10.1	-9.6	-8.0
Middle East - Nth America	6.0	3.7	7.5	2.9
Middle East - Sth America	2.9	-5.3	-3.8	-7.9
Africa - Middle East	4.4	-3.7	-7.5	-3.9
Africa - Nth America	2.5	-0.4	-4.3	-3.2
Within Middle East	8.4	0.0	-2.0	0.1
Within Africa	6.9	-18.0	-9.2	-5.9

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

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

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

deliveries made & due



Source: Ascend

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