

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
Saudi Arabia	0.5	0.4	-1.0	--
Nigeria	2.2	2.5	2.0	-6.0
Egypt	5.0	4.8	5.0	--
South Africa	0.1	-0.6	-0.2	-17.7
UAE	1.3	--	--	--
Kenya	5.4	5.3	5.1	--
Jordan	2.5	4.1	2.1	--
World*	2.5	2.4	-1.7	-9.3

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Jun-20	Jul-20	Aug-20
US\$ broad index	114.7	120.9	117.6	116.1
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	362.9	386.6	386.3	385.5
Egyptian pound (EGP)	16.0	16.1	16.0	15.9
Sth African rand (ZAR)	14.0	17.4	17.0	17.0
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	106.6	107.8	108.2
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jun-20	Jul-20	Aug-20
Crude oil (Brent)	64.2	40.9	43.3	45.1
Jet fuel	79.6	41.8	45.5	45.4

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

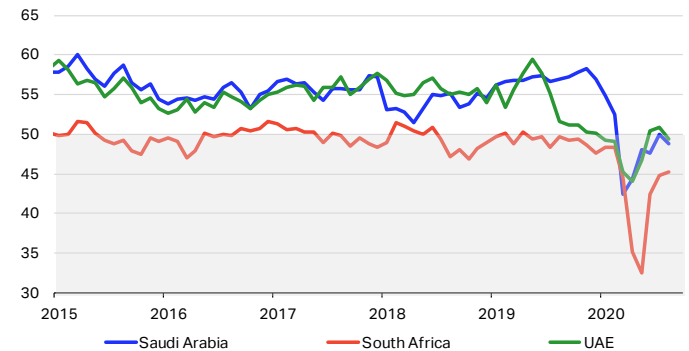
% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Middle East	2.3	-97.6	-95.5	-92.5
Africa	4.7	-98.2	-97.6	-93.7
World	4.1	-91.0	-86.6	-79.8
Routes (segment basis)				
Middle East - Asia	4.2	-98.7	-96.8	-93.3
Middle East - Europe	4.4	-98.2	-96.8	-93.6
Africa - Europe	4.5	-98.5	-97.0	-92.9
Middle East - Nth America	0.0	-97.5	-94.5	-90.3
Africa - Middle East	-1.6	-99.2	-98.3	-95.5
Africa - Asia	3.5	-99.1	-98.5	-97.6

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 79.8% year-on-year in July vs. an 86.6% fall in June. The gradual rise in demand continued to be largely driven by domestic markets.
- Airlines based in Africa and the Middle East recorded the weakest outcome of all regions for another month, with RPKs down 93.7%yoy and 92.5%yoy, respectively.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



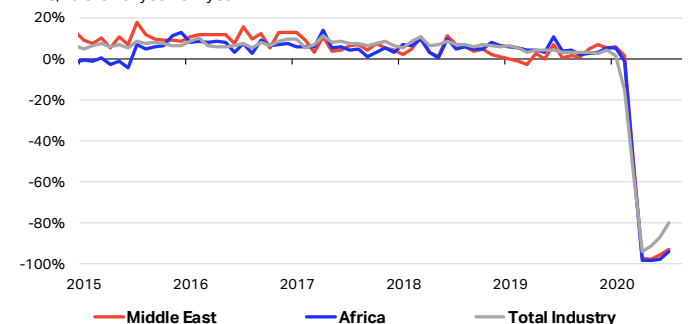
Source: Markit

- Business confidence ticked down in both the UAE and Saudi Arabia due to rising unemployment and an increase in the VAT, respectively. In South Africa, economic activity remains subdued, but some improvement is expected in the near term since the country eased virus-related restrictions in August.
- The trade-weighted US dollar depreciated further in August, down 1.2%. Of the key regional currencies, the EGP gained 0.8% against the US\$. Other exchange rate movements were relatively muted.
- Oil and jet fuel prices were stable in August, averaging ~45US\$/bbl. The average jet fuel crack spread narrowed as the second wave of COVID-19 in several regions raised concerns about the air travel outlook.

- Since the domestic markets within the region are generally relatively smaller than in other regions, the rebound in overall air passenger demand will largely depend mostly on how quickly international volumes start to recover.
- The region's international demand remains weak so far, with passenger volumes contracting by more than 90% annually on all of the key routes – little improvement from the low point of the crisis in April.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Middle East	-4.6	-25.1	-18.9	-14.9
Africa	7.4	-7.0	2.6	-4.0
World	-3.2	-19.8	-16.6	-13.5
Routes (segment basis)				
Middle East - Asia	-2.3	-20.0	-17.2	-14.3
Middle East - Europe	-5.2	-33.2	-26.5	-20.8
Africa - Europe	-1.9	-49.4	-38.2	-31.1
Middle East - Nth America	-7.0	-36.1	-25.4	-11.0
Africa - Middle East	-6.0	-52.7	-42.0	-45.2
Africa - Asia	12.6	3.0	20.1	5.4

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

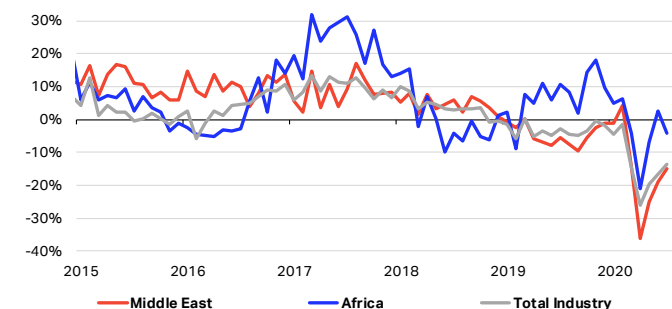
- Industry-wide cargo tonne-kilometres (CTKs) fell by 13.5% year-on-year in July 2020, the slowest rate of annual decline since February, when COVID-19 was still mostly impacting Asia.
- The overall recovery in the air cargo business has been slower than rebound in economic indicators such as manufacturing output and new export orders so far. The weak outcome can be partly explained by the

ongoing shortage in air cargo capacity.

- CTKs for African and Middle Eastern airlines contracted by 4% and 14.9%, respectively in July. The Africa-Asia market remained the most resilient although its CTK growth slowed by 14.5ppts, to 5.4%yoy. This sharp unwind can be partly attributed to the outsized volatility that has been historically seen in this smaller market.

Growth in air cargo volumes

CTKs, % Growth year-on-year



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	May-20	Jun-20	Jul-20
LF: % of ASK/ACTK					
Passenger					
Middle East	ASK	0.1	-93.6	-90.4	-84.7
	PLF	76.2	27.0	35.7	39.6
Africa	ASK	4.5	-95.1	-93.1	-84.3
	PLF	71.8	24.5	24.4	29.6
World	ASK	3.3	-85.9	-80.3	-70.1
	PLF	82.6	52.0	57.7	57.9
Cargo					
Middle East	ACTK	0.8	-26.0	-25.9	-27.3
	CLF	46.7	48.4	49.5	53.0
Africa	ACTK	11.2	-9.6	-18.0	-35.0
	CLF	36.2	41.2	42.3	48.9
World	ACTK	2.0	-33.8	-33.4	-31.2
	CLF	46.8	57.2	57.5	56.4

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

- Since recovery in demand (RPKs) remained slower than the rebound in capacity (ASKs), passenger load factors stayed at or close to record lows at the industry level (57.9%) as well as for both African (29.6%) and Middle Eastern airlines (39.6%).
- In contrast, the industry-wide air cargo load factor (CLF) reached a new record high for July, as available capacity in the market remained limited. Carriers in Africa and the Middle East posted a CLF up 15.8ppts and 7.7ppts vs. a year ago, respectively.

- The latest financial results from the second quarter of

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Africa & Middle East	-3.4	-4.0	6.6	-49
Industry	5.7	5.2	10.0	-97

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

2020 confirmed the severe impact of the pandemic on airline industry. Losses were widespread across all regions despite the implementation of stringent cost cutting programs. The industry quarterly net post-tax loss (US\$31.6bn) surpassed the annual industry-wide loss in the 2008 financial crisis.

- Note that the passenger yield data during the lockdown period should be interpreted with caution due to the dramatic fall in the volume of tickets being sold.

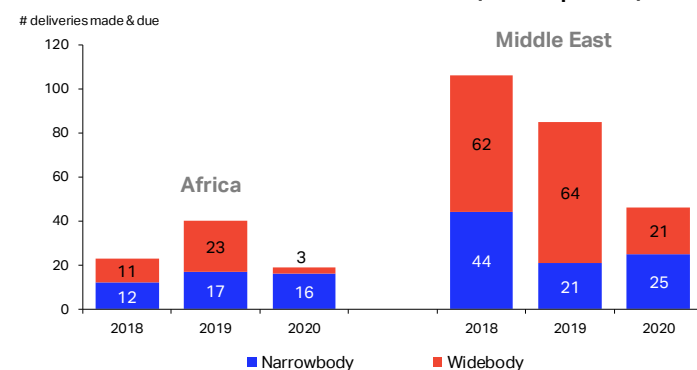
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Middle East - Asia	7.3	8.8	34.2	56.4
Middle East - Europe	-5.5	49.3	36.0	54.8
Africa - Europe	-7.0	-5.3	19.6	22.1
Middle East - Nth America	3.8	78.0	48.9	38.0
Middle East - Sth America	-6.0	39.8	27.3	59.0
Africa - Middle East	-5.0	45.1	50.1	43.0
Africa - Nth America	-3.1	12.5	13.0	1.2
Within Middle East	3.0	31.1	23.7	13.7
Within Africa	-8.7	32.8	38.0	20.1

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

- The latest data show a fall in jet aircraft deliveries for African and Middle Eastern airlines in 2020 vs. 2019.

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



Source: Ascend