

State of the region: Africa & Middle East

March 2020

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q2 2019	Q3 2019	Q4 2019
Saudi Arabia	2.3	0.5	-0.4	--
Nigeria	1.9	2.1	2.1	2.5
Egypt	5.2	5.4	4.5	--
South Africa	0.7	0.7	0.1	-0.6
UAE	1.7	--	--	--
Kenya	6.4	5.7	5.2	--
Jordan	2.0	1.8	1.9	--
World*	3.2	2.6	2.5	2.5

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2019	Dec-19	Jan-20	Feb-20
US\$ broad index	114.7	114.7	115.8	117.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	362.9	362.9	363.5	365.8
Egyptian pound (EGP)	16.0	16.0	15.8	15.6
Sth African rand (ZAR)	14.0	14.0	15.0	15.7
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	101.4	100.3	101.2
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Dec-19	Jan-20	Feb-20
Crude oil (Brent)	64.2	65.3	63.9	55.7
Jet fuel	79.6	80.1	76.2	65.1

Source: Platts, Datastream (monthly average data)

Market

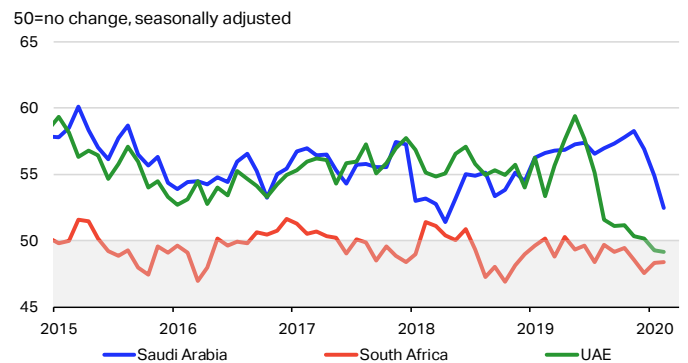
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
Middle East	2.3	7.4	5.4	5.9
Africa	4.9	3.5	5.4	5.2
World	4.2	3.2	4.6	2.4
Routes (segment basis)				
Middle East - Asia	3.5	7.5	5.2	5.2
Middle East - Europe	4.4	9.4	9.0	7.2
Africa - Europe	4.5	0.2	-3.3	1.3
Middle East - Nth America	0.0	10.1	7.5	2.4
Africa - Middle East	-1.7	-4.9	-1.5	0.6
Africa - Asia	5.0	10.7	7.9	4.3

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 2.4% year-on-year in Jan. This is the slowest growth outturn since Apr 2010 when European airspace was partly closed due to volcanic ash clouds.
- RPKs flown by Middle Eastern carriers expanded by ~6%yoy. This represents the 4th consecutive month of

Business confidence - economy-wide PMIs



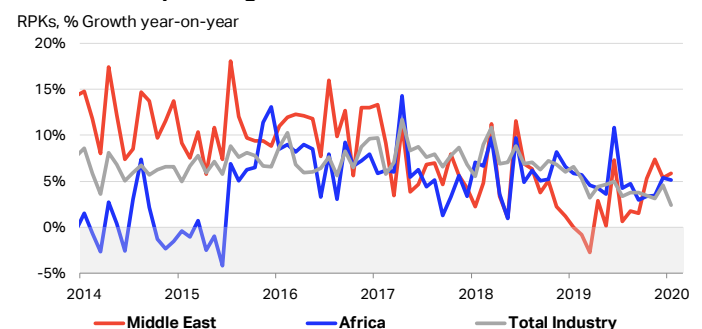
Source: Markit

- Disruptions related to COVID-19, particularly longer supplier delivery times and faltering production, weighed significantly on business confidence for each of the three AME economies that we regularly track.
- The US\$ rose again this month, up ~1.7% overall. Of the key regional currencies, the ZAR was the main mover in Feb, losing 5% against the US\$ (12%YTD) amidst concerns about the impact of the virus on South Africa's economy.
- The monthly average jet fuel and crude oil price collapsed following the COVID-19 outbreak in China. The jet fuel crack spread also narrowed as fuel demand from aviation was hit particularly hard by the crisis.

solid growth, supported by a robust performance on ME-Asia (5.2%) and ME-Europe routes (7.2%). In Jan, none of the main carriers in the region cancelled flights due to COVID-19.

- African airlines recorded solid RPK growth of just above 5%yoy in Jan. While demand recovered on Africa-Eur routes (up 1.3%yoy), the pace softened in the smaller Africa-Asia market. Flight disruptions recorded by region's carriers in late-Jan were minor.

Growth in air passenger volumes



Source: IATA Statistics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
Middle East	-4.6	-2.4	-1.1	-1.4
Africa	7.4	19.8	10.8	6.8
World	-3.2	-0.6	-1.4	-3.3
Routes (segment basis)				
Middle East - Asia	-2.7	0.6	1.0	-1.7
Middle East - Europe	-5.2	-5.7	-2.4	-3.2
Africa - Europe	-1.7	-4.9	-5.3	-6.4
Middle East - Nth America	-7.0	-4.5	-4.9	-1.1
Africa - Middle East	-6.5	-7.4	-7.8	-5.7
Africa - Asia	12.4	38.9	17.0	2.3

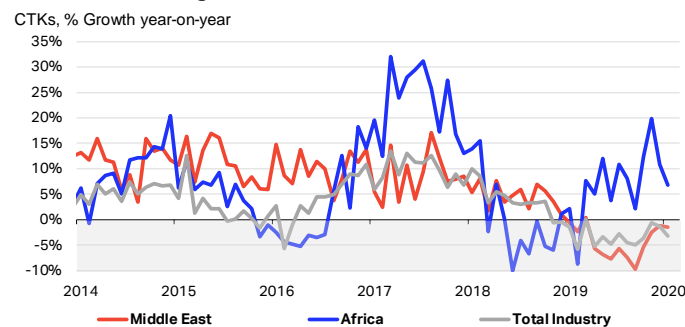
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide air cargo tonne kilometres (CTKs) contracted by 3.3%yoy in Jan. Since disruptions from COVID-19 partly coincided with Chinese New Year holiday when factories in China are typically closed, the initial impact of the virus on air cargo was muted.
- Although African carriers saw the fastest YoY CTK expansion of all regions in Jan, up 6.8%, the pace was

significantly slower than that seen in the previous month. This can be partly attributed to a sharp slowdown in the recently outperforming Africa-Asia market, which likely reflected COVID-19 disruptions.

- CTKs for ME airlines fell by 1.4 %yoy, only a moderately faster pace of contraction vs Dec. As an important connecting point for trade from Asia to the rest of the world, this region is expected to be impacted significantly by the virus.

Growth in air cargo volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Nov-19	Dec-19	Jan-20
LF: % of ASK/ACTK					
Passenger					
Middle East	ASK	0.1	0.0	-0.1	0.6
	PLF	76.2	73.2	77.3	78.5
Africa	ASK	4.7	2.5	5.1	6.1
	PLF	71.7	70.8	72.4	70.2
World	ASK	3.4	1.9	2.2	1.7
	PLF	82.6	80.9	82.2	80.3
Cargo					
Middle East	ACTK	1.1	2.6	5.6	2.9
	CLF	46.6	50.0	46.4	42.6
Africa	ACTK	13.3	13.7	10.0	5.9
	CLF	35.5	40.4	36.9	35.6
World	ACTK	2.2	3.2	3.8	0.9
	CLF	46.7	49.7	46.9	45.0

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

- Growth in industry-wide seat and cargo-tonne capacity (ASK/ACTK) slowed significantly in Jan amidst volatility around the Chinese New Year holiday and some preliminary COVID-19 related disruptions.
- The passenger load factor reached a record high for the month of Jan (80.3%). On the cargo side, the industry-wide LF softened by ~2ppts vs a year ago.
- ME and African carriers posted robust PLFs at 78.5% and 70.2%, respectively in Jan. By contrast, the CLFs were well below the historical maximum for the month.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2018Q4	2019Q4
Africa & Middle East	-3.4	-4.0	7.5	13.4
Industry	5.7	5.1	7.0	8.4

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

- Airline financial data for Q4 2019 point to a modestly higher industry-wide profitability vs a year ago (up 1.4ppts) ahead of global disruptions from COVID-19. At the regional level, the EBIT margin improved by ~6ppts.
- Developments in pax yields remained mixed across the key markets in the region. While ME-Asia yields increased by a solid 4.6%yoy, growth returned into contraction territory on ME-Sth.Am routes (-3.5%).

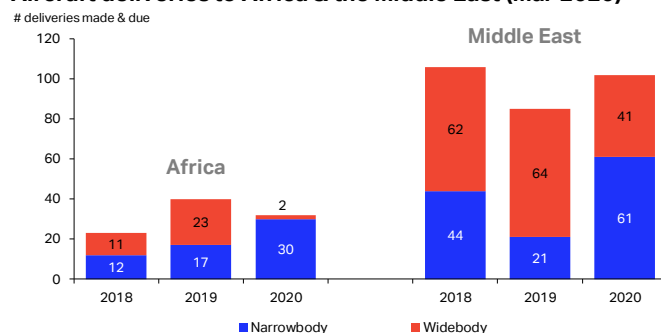
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Middle East - Asia	7.3	2.4	1.4	4.6
Middle East - Europe	-5.5	-7.5	-8.1	-0.2
Africa - Europe	-7.1	-4.1	-1.9	-1.3
Middle East - Nth America	3.8	2.2	-3.7	-0.4
Middle East - Sth America	-6.0	-6.6	10.7	-3.5
Africa - Middle East	-5.0	-8.1	-5.6	-0.6
Africa - Nth America	-3.1	1.1	-6.8	-1.0
Within Middle East	3.0	-4.8	-7.9	-6.8
Within Africa	-8.7	-7.0	-6.5	-4.4

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

- The latest data indicate a fall in jet aircraft deliveries for African airlines but a rise for carriers based in the Middle East in 2020 vs 2019.

Aircraft deliveries to Africa & the Middle East (Mar 2020)



Source: Ascend