

State of the region: Africa & Middle East

June 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
Saudi Arabia	0.5	-0.4	0.4	--
Nigeria	2.2	2.1	2.5	2.0
Egypt	5.0	4.5	4.8	--
South Africa	0.1	0.1	-0.6	--
UAE	1.3	--	--	--
Kenya	5.4	5.2	5.3	--
Jordan	2.0	2.0	2.1	--
World*	2.5	2.5	2.4	-1.7

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Mar-20	Apr-20	May-20
US\$ broad index	114.7	122.8	122.7	121.3
Saudi Arabian riyal (SAR)	3.75	3.76	3.76	3.76
Nigerian naira (NGN)	362.9	381.5	384.0	386.6
Egyptian pound (EGP)	16.0	15.7	15.8	15.9
Sth African rand (ZAR)	14.0	17.9	18.3	17.6
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	105.1	107.3	106.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Mar-20	Apr-20	May-20
Crude oil (Brent)	64.2	33.9	26.8	32.4
Jet fuel	79.6	40.1	23.1	29.6

Source: Platts, Datastream (monthly average data)

Market

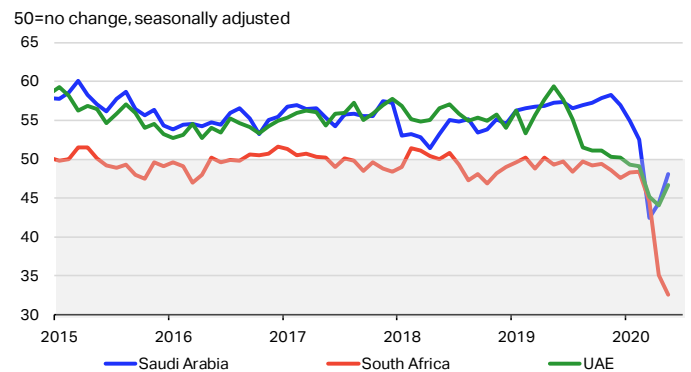
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Middle East	2.3	1.6	-50.3	-97.3
Africa	4.7	-0.7	-51.6	-98.3
World	4.2	-14.9	-55.4	-94.3
Routes (segment basis)				
Middle East - Asia	3.5	-6.2	-55.0	-98.6
Middle East - Europe	4.4	4.4	-49.3	-97.7
Africa - Europe	4.5	2.4	-44.9	-99.1
Middle East - Nth America	0.0	6.7	-47.2	-97.2
Africa - Middle East	-1.6	-1.7	-57.2	-99.5
Africa - Asia	5.0	-34.2	-64.7	-99.0

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

- Industry-wide revenue passenger kilometres (RPKs) fell by 94.3% year-on-year in April, the largest contraction in recent history amidst widespread border closures and lockdowns linked to COVID-19. A modest improvement is expected in coming months as countries start to lift their restrictions.

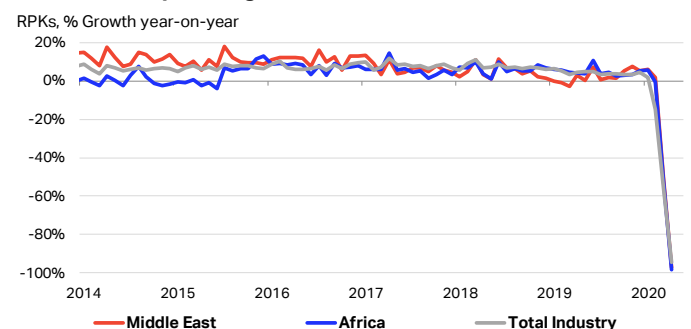
Business confidence - economy-wide PMIs



- Despite the modest improvement this month, operating conditions remain weak in the UAE and Saudi Arabia amidst falling exports and rising unemployment. Business sentiment fell further in South Africa, hinting at a sharp contraction in the country's Q2 GDP growth.
- The trade weighted US dollar index fell by 1.1% in May. Of the key regional currencies, the ZAR gained ~4% against the US\$ but remained almost 26% weaker in year-to-date terms. Other FX movements were muted.
- The crude oil price rose in May on OPEC+ supply cuts and slower growth in US shale oil production. The jet fuel price also picked up as some restrictions began to be lifted and fuel demand started to recover.

- Passenger volumes flown by African and Middle Eastern carriers also fell by almost 100% year-on-year – twice faster contraction compared to March.
- Unsurprisingly, all of the region's key international markets posted a decline close to 100% in April. Overall since the start of the year, the smaller Africa-Asia market saw the sharpest decline in passenger volumes (-47%yoy) as it was one of the first to be impacted by the restrictions.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Middle East	-4.6	4.3	-14.1	-36.3
Africa	7.4	5.1	-2.1	-21.7
World	-3.2	-1.6	-14.7	-27.7
Routes (segment basis)				
Middle East - Asia	-2.7	2.3	-18.6	-42.8
Middle East - Europe	-5.2	3.8	-18.1	-43.8
Africa - Europe	-1.9	-1.4	-22.2	-60.1
Middle East - Nth America	-7.0	8.8	-11.6	-46.2
Africa - Middle East	-6.0	4.8	-29.7	-72.7
Africa - Asia	12.0	6.9	8.6	-1.0

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

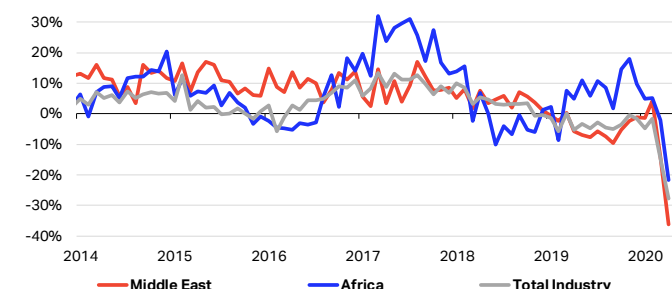
- The decline in industry-wide cargo tonne kilometres (CTKs) accelerated to 27.7% year-on-year in April amidst subdued demand compounded by the disruption in global manufacturing activity from the COVID-19 shock.
- CTKs flown by African carriers plunged by 22% in April, an acceleration from the modest 2.1% contraction in

March. The region has been relatively less impacted by the pandemic so far, with containment measures being also less strict than elsewhere in April. The smaller Africa-Asia market was the most resilient on this occasion – as has often been the case in recent period.

- Middle Eastern airlines registered a 36% annual decline in CTKs in April compared to a 14% fall in March. Traffic was muted on all key markets, with Africa-ME being the main underperformer (-73%yoy).

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	Feb-20	Mar-20	Apr-20
LF: % of ASK/ACTK					
Passenger					
Middle East	ASK	0.1	1.5	-37.7	-92.4
	PLF	76.2	72.4	58.8	28.4
Africa	ASK	4.5	5.1	-39.3	-88.4
	PLF	71.8	66.8	57.5	11.1
World	ASK	3.4	-9.4	-38.2	-87.0
	PLF	82.6	75.8	59.2	36.6
Cargo					
Middle East	ACTK	1.1	5.9	-19.1	-43.4
	CLF	46.6	46.1	52.2	52.5
Africa	ACTK	11.2	7.5	-12.0	-38.7
	CLF	36.2	34.9	43.0	48.6
World	ACTK	2.2	-3.8	-20.1	-42.0
	CLF	46.7	45.9	53.1	58.0

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

- Although airlines placed around half of their fleet into storage in April, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor declined by 47ppts year-on-year. African and ME airlines saw PLF down by 63ppts and 52ppts, respectively.
- In contrast, cargo capacity fell significantly faster than demand due to the lack of belly capacity, and the cargo load factor rose by a record 11.5ppts annually. At the regional level, the CLF rose by 11ppts for African carriers and 6ppts for ME airlines.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Industry	5.7	5.2	5.1	-12.3

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

- Q1 2020 results confirm the severity of COVID-19 for airline financials. The industry-wide EBIT margin was -12.3% of revenues, down from +5.1% in Q1 2019. The regional sample was too small to show the full impact of COVID-19 on airlines profitability.
- April passenger yield data (in US\$) provided a less representative estimate than we would typically expect due to a dramatically smaller number of tickets being sold. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

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

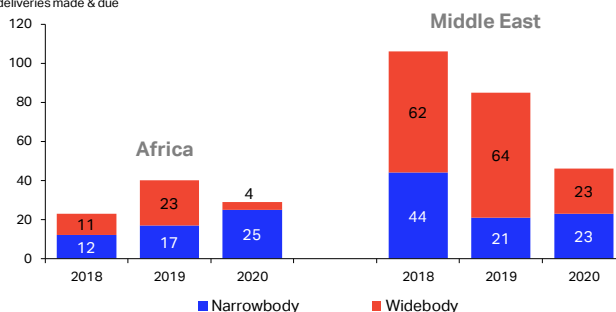
% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Middle East - Asia	7.3	-3.6	-8.5	9.7
Middle East - Europe	-5.5	-3.3	-14.6	10.6
Africa - Europe	-7.0	-0.1	-4.6	-0.3
Middle East - Nth America	3.8	-4.8	-6.0	45.4
Middle East - Sth America	-6.0	-2.1	-9.6	25.0
Africa - Middle East	-5.0	-5.6	-10.6	28.1
Africa - Nth America	-3.1	-0.4	1.8	27.8
Within Middle East	3.0	-4.0	-10.1	17.9
Within Africa	-8.7	-4.6	-12.8	13.8

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 June 2020)

deliveries made & due



Source: Ascend