

# State of the region: Africa & Middle East

August 2020

## 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	-0.3	--
UAE	1.3	--	--	--
Kenya	5.4	5.3	5.1	--
Jordan	2.5	4.1	2.1	--
<b>World*</b>	<b>2.5</b>	<b>2.4</b>	<b>-1.7</b>	<b>-9.2</b>

Source: Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2019	May-20	Jun-20	Jul-20
US\$ broad index	114.7	121.3	120.9	117.6
Saudi Arabian riyal (SAR)	3.75	3.76	3.75	3.75
Nigerian naira (NGN)	362.9	386.6	386.6	386.3
Egyptian pound (EGP)	16.0	15.9	16.1	16.0
Sth African rand (ZAR)	14.0	17.6	17.4	17.0
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	106.8	106.6	107.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

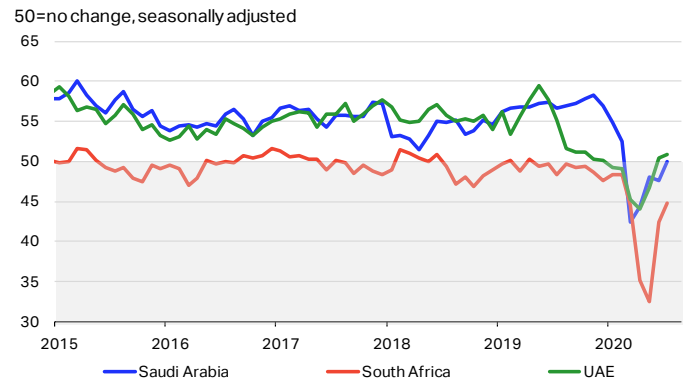
Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	May-20	Jun-20	Jul-20
Crude oil (Brent)	64.2	32.4	40.9	43.3
Jet fuel	79.6	29.6	41.8	45.5

Source: Platts, Datastream (monthly average data)

### Business confidence - economy-wide PMIs



Source: Markit

- Business sentiment rose further in the UAE and Saudi Arabia, indicating that the countries' economic activity has continued in recovery from the crisis. Business confidence picked up also in South Africa but remained weaker compared with the pre-COVID period.
- Uncertainty around the virus developments in the US pushed trade-weighted US dollar index down for the fourth consecutive month (-2.7%). South African ZAR was the main mover of the key regional currencies, gaining 2.4% against the USD.
- Oil and jet fuel price continued to recover from the low point in April. However, oil demand outlook is downbeat amidst uncertainty about when the pandemic subsides.

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
<b>Region (registration basis)</b>				
Middle East	2.3	-97.2	-97.6	-95.5
Africa	4.7	-98.2	-98.3	-96.5
World	4.1	-94.1	-91.0	-86.5
<b>Routes (segment basis)</b>				
Middle East - Asia	4.2	-98.4	-98.7	-96.8
Middle East - Europe	4.4	-97.7	-98.2	-96.8
Africa - Europe	4.5	-98.6	-98.5	-96.9
Middle East - Nth America	0.0	-97.2	-97.5	-94.5
Africa - Middle East	-1.6	-99.5	-99.2	-98.3
Africa - Asia	3.5	-99.0	-99.1	-98.5

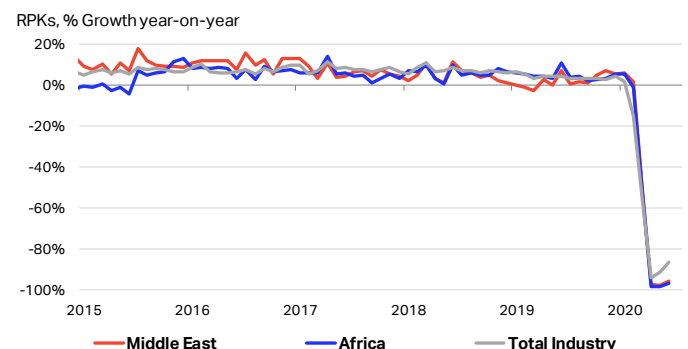
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with a 91.0% contraction in May. The rebound continued to be dominated by rising demand in domestic markets.
- Carriers based in Africa and the Middle East recorded the weakest outcome of all regions that we regularly track, down 96.5%yoy and 95.5%yoy, respectively. The region does not have any large domestic markets, and

therefore its recovery in the overall demand will depend predominantly on how quickly international volumes rebound.

- Consistent with the regional aggregate, all of the region's key international routes registered sharp contraction. Improvement from the low-point in April has been very limited.

### Growth in air passenger volumes



Source: IATA Economics

## Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
<b>Region (registration basis)</b>				
Middle East	-4.6	-36.3	-25.1	-19.0
Africa	7.4	-21.2	-8.4	-14.8
World	-3.2	-26.1	-20.1	-17.6
<b>Routes (segment basis)</b>				
Middle East - Asia	-2.3	-31.8	-20.0	-17.2
Middle East - Europe	-5.2	-45.7	-33.3	-26.7
Africa - Europe	-1.9	-60.1	-49.5	-38.3
Middle East - Nth America	-7.0	-41.2	-36.1	-25.4
Africa - Middle East	-6.0	-64.0	-52.7	-42.0
Africa - Asia	12.6	1.3	3.0	20.1

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

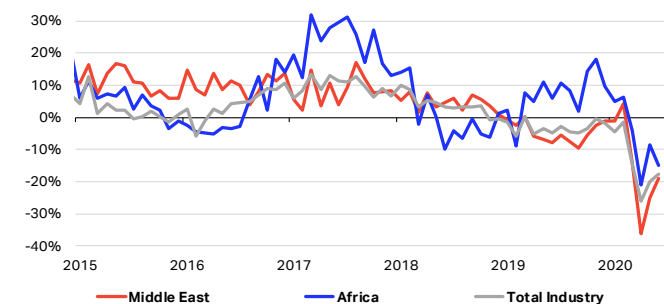
- Industry-wide cargo tonne-kilometres (CTKs) declined by 17.6%yoy in June, after falling 20.1% in May. Air cargo has been losing market share of total world trade in recent months, as buyers are turning to cheaper but slower means of transport.
- Cargo volumes of Middle Eastern airlines contracted by 19%yoy in June. This marks the second consecutive

month of recovery in the region, partly driven by more aggressive operational strategies of local carriers.

- African airlines reported a 14.8%yoy decline in CTKs in June – a deterioration from an 8.4% fall in May. The Asia-Africa trade lane continues to expand swiftly (+20.1%yoy), however, the escalation of the pandemic in the region in July might hinder growth in the period ahead.

## 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	Apr-20	May-20	Jun-20
<b>LF: % of ASK/ACTK</b>					
<b>Passenger</b>					
Middle East	ASK	0.1	-92.3	-93.6	-90.4
	PLF	76.2	28.9	27.0	35.7
Africa	ASK	4.5	-88.4	-80.1	-84.5
	PLF	71.8	11.1	5.9	16.2
World	ASK	3.3	-86.7	-85.7	-80.1
	PLF	82.6	37.1	51.2	57.6
<b>Cargo</b>					
Middle East	ACTK	0.8	-43.1	-26.0	-25.9
	CLF	46.7	52.2	48.4	49.4
Africa	ACTK	11.2	-39.3	-40.5	-47.4
	CLF	36.2	49.4	61.6	54.7
World	ACTK	2.0	-41.8	-34.8	-34.1
	CLF	46.8	59.2	57.8	57.3

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

- RPKs continued to fall faster than the industry-wide capacity (ASKs). As a result, the global passenger load factor reached an all-time low for the month of June, at 57.6%. At the regional level, the PLF of Middle Eastern and African airlines fell by 40.7ppts & 54.9ppts compared with June 2019, respectively.
- In contrast, the industry-wide air cargo load factor remained close to record high levels for another month amidst ongoing capacity crunch. Middle Eastern carriers posted the smallest annual increase in LF (+4.2ppts) while African airlines registered the most significant CLF uptick this month (+20.9ppts).

### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q2	2020Q2
Industry	5.7	5.2	9.2	-130

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

- Q2 2020 financial results show the extension of the severe negative impact of the pandemic on airline financials for another quarter. Profitability deteriorated sharply as all regions were affected by groundings and travel restrictions for the entire quarter.
- Note that the yield data during the lockdown period should be interpreted with caution due to the dramatic fall in tickets being sold.

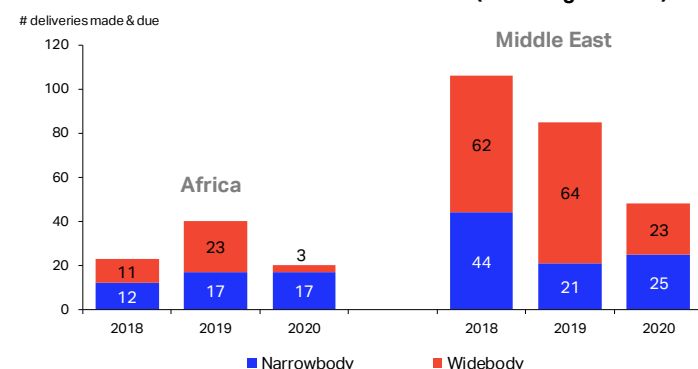
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Middle East - Asia	7.3	5.2	8.7	34.6
Middle East - Europe	-5.5	16.5	47.8	34.2
Africa - Europe	-7.0	1.2	-7.8	19.6
Middle East - Nth America	3.8	57.4	77.6	50.4
Middle East - Sth America	-6.0	32.9	39.7	29.5
Africa - Middle East	-5.0	28.9	45.0	49.9
Africa - Nth America	-3.1	30.4	11.3	15.3
Within Middle East	3.0	18.2	31.1	23.7
Within Africa	-8.7	16.6	33.2	38.5

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 August 2020)



Source: Ascend