State of the region: Africa & Middle East

January 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q1 2018	Q2 2018	Q3 2018
Saudi Arabia	-0.9	1.2	1.6	2.5
Nigeria	0.8	2.0	1.5	--
Egypt	4.2	5.3	5.3	5.3
South Africa	1.2	1.5	0.6	0.6
UAE	0.5†	--	--	--
Kenya	4.8†	5.9	6.2	5.9
Jordan	2.4	2.2	2.5	--
World*	**3.1**	**3.2**	**3.2**	**2.9**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2017	Oct-18	Nov-18	Dec-18
US$ broad index	120.0	126.9	128.3	128.5
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	360.0	363.0	364.0	363.5
Egyptian pound (EGP)	17.8	17.9	17.9	17.9
Sth African rand (ZAR)	12.3	14.8	13.9	14.4
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	103.3	102.1	102.5	101.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

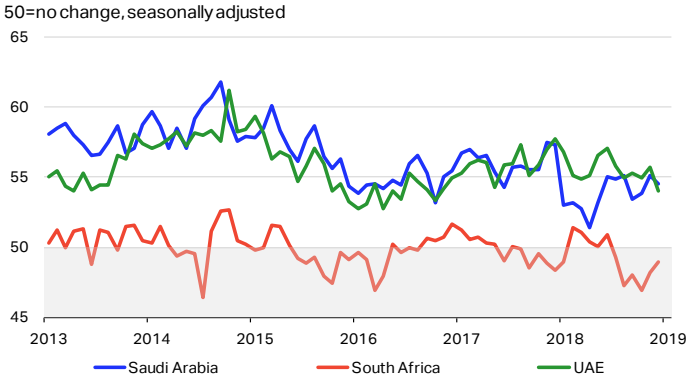
Source: Datastream, XE

World oil and jet fuel price

US$/barrel (period ave.)	2017	Oct-18	Nov-18	Dec-18
Crude oil (Brent)	54.2	81.0	64.8	57.4
Jet fuel	65.6	94.4	81.7	71.2

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs



Source: Markit

- Business confidence fell in the UAE and also ticked down in Saudi Arabia, notwithstanding a recent surge in oil prices. In South Africa, despite an improvement this month, sentiment remains at a level typically associated with decreasing output.
- The US$ rose by 0.2% in Dec, up ~7% over the course of the year. The ZAR lost some of last month's gain, falling 3.8% in the month vs the $US and ~17% for the year overall. Other FX movements were relatively muted on this occasion.
- Brent crude oil & jet fuel prices plunged in Q4 as market concerns moved to oversupply, but have recovered partially since then amid signs of new supply cuts.

Market

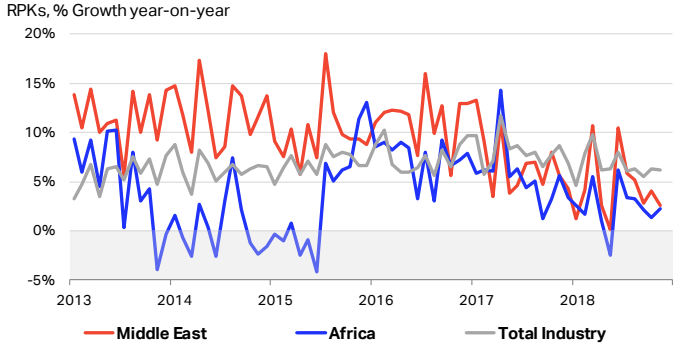
Revenue passenger kilometers (RPKs)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Region (registration basis)				
Middle East	6.8	2.9	4.0	2.6
Africa	5.5	2.1	1.3	2.2
World	8.0	5.5	6.3	6.2
Routes (segment basis)				
Middle East - Asia	7.0	3.5	5.9	4.7
Middle East - Europe	8.9	0.5	2.9	3.8
Africa - Europe	10.0	6.4	10.0	6.7
Middle East - Nth America	-1.1	4.0	3.1	-5.8
Africa - Middle East	3.3	2.4	6.4	2.4
Africa - Asia	3.7	9.7	5.8	9.9

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

- Industry-wide revenue passenger kilometers (RPK) grew by 6.2% year-on-year in Nov, a slight deceleration from 6.3% in the previous month. While the result remains above the 10-year average RPK growth rate (6.0%), some slowing is evident in recent months.
- At the regional level, growth in pax volumes bounced back modestly for African airlines, to 2.2%yoy in Nov. By contrast, RPKs in the Middle East slowed to 2.6% amid ongoing geopolitical tensions in the region.
- The RPK growth performance is mixed across the key international markets for the region. The smaller Africa-Asia recovered from a slowdown in Oct, and became the best performer in Dec, growing 10%yoy. Africa-Europe & Middle East-Asia followed with 6.7% and 4.7% annual growth, respectively.
- Passenger volumes fell to below their level of a year ago for the Middle East-North America market, although this more reflects monthly data volatility than any clear shift in trend.

Growth in air passenger volumes



Source: IATA Statistics

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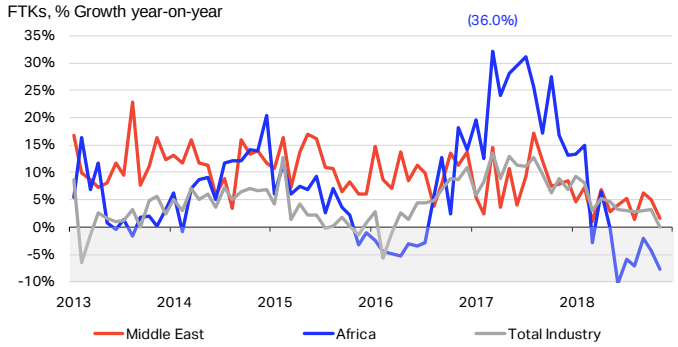
Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Region (registration basis)				
Middle East	8.6	6.3	5.0	1.7
Africa	22.9	-2.1	-4.3	-7.8
World	9.7	3.0	3.2	0.0
Routes (segment basis)				
Middle East - Asia	8.1	5.7	7.1	3.7
Middle East - Europe	12.2	6.6	3.5	4.3
Africa - Europe	2.8	4.7	-3.0	-2.2
Middle East - Nth America	8.9	-1.5	0.2	-3.7
Africa - Middle East	1.2	-4.5	-8.0	-7.9
Africa - Asia	57.8	-11.8	-3.6	-15.9

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

- Industry-wide FTKs were unchanged in annual terms in Nov, marking the slowest growth rate since early 2016. All told, freight volumes rose by 3.9% year-on-year between Jan and Nov, compared to 10% over the same period a year ago.
- At the regional level, annual FTK growth for African carriers remained in negative territory (-7.8%) for the seventh month in a row. For the Middle East carriers, freight volumes dropped further to 1.7%yoy, down from 5.0% in Oct.
- The two largest markets for ME carriers (Asia & Europe) showed relatively solid FTK growth of ~4%yoy in Nov. That said, the remaining international markets have volumes lower than a year ago with the smaller Africa-Asia being the key underperformer (-16% vs last year) .

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Sep-18	Oct-18	Nov-18
Passenger					
Middle East	ASK	6.2	4.6	5.8	5.2
	PLF	*75.4*	*74.1*	*70.0*	*69.4*
Africa	ASK	2.2	1.4	1.1	1.2
	PLF	*70.5*	*73.3*	*70.9*	*69.8*
World	ASK	6.6	5.9	6.3	6.8
	PLF	*81.5*	*81.4*	*81.0*	*80.0*
Freight					
Middle East	AFTK	4.3	8.1	8.8	7.8
	FLF	*49.9*	*49.2*	*50.6*	*51.4*
Africa	AFTK	5.2	5.5	5.3	-7.4
	FLF	*38.8*	*35.6*	*36.8*	*39.0*
World	AFTK	5.0	4.6	5.5	4.3
	FLF	*49.9*	*49.5*	*50.4*	*51.5*

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

- The industry-wide passenger load factor eased to 80% in Nov as capacity continues to trend upwards at a faster pace than demand. In contrast, the freight load factor lifted by 1pp to 51.5% this month.
- At the regional level, the PLF for both Africa and Middle East carriers eased a little vs last month, remaining ~1pp below the industry rate. The FLF for the ME is broadly in line with the industry wide outcome (51.4%) and it lifted modestly for the African carriers to 39%, but is still well below the overall industry rate.

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q3	2018Q3
Africa & Middle East	1.9	3.1	5.7	1.8
Industry	8.5	7.5	14.2	10.7

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

- The final Q3 financial data confirm the squeeze on industry financial performance, with an EBIT margin of 10.7% vs 14.2% a year ago. At the regional level, the outcome is 1.8%, down from 5.7% in Q3 2017.
- Passenger yield developments over the past year across region's key markets are mixed. Middle East–NthAm and Within Middle East show a solid yield growth; 9.2% & 6.7%yoy, respectively. In contrast, yields in Middle East-SthAm remain 10% lower vs last year.

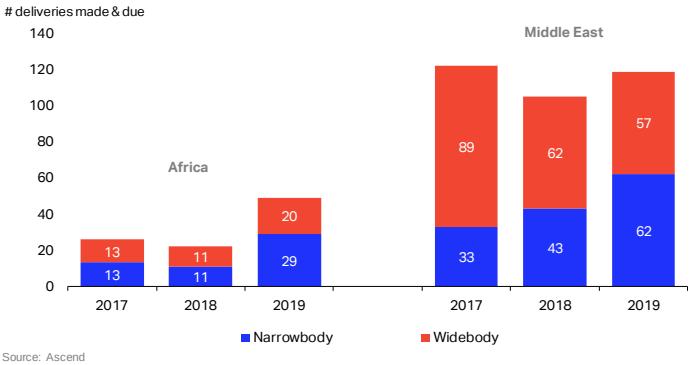
Passenger yields (US$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
Middle East - Asia	-3.5	-4.9	-1.9	1.5
Middle East - Europe	-2.7	-2.5	-0.9	-2.9
Africa - Europe	-5.0	2.5	0.4	-1.2
Middle East - Nth America	-2.5	3.0	3.0	9.2
Middle East - Sth America	4.8	-8.9	-10.1	-10.1
Africa - Middle East	-5.8	0.6	-4.4	-2.4
Africa - Nth America	2.2	6.6	-1.8	-2.0
Within Middle East	-6.0	4.5	5.8	6.7
Within Africa	1.5	3.8	2.4	-1.4

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

- The latest data indicate a pick-up in jet aircraft deliveries for the region's airlines in 2019 vs 2018.

Aircraft deliveries to Africa & the Middle East (1Q19 data)



Source: Ascend