

State of the region: Africa & Middle East

November 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
Saudi Arabia	0.3	-1.0	-7.0	--
Nigeria	2.2	2.0	-6.0	-3.1
Egypt	5.0	4.3	-3.1	--
South Africa	0.1	-0.2	-17.7	--
UAE	1.3	--	--	--
Kenya	5.4	5.0	-5.6	--
Jordan	3.7	1.3	-3.6	--
World*	2.5	-1.7	-9.1	-3.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Aug-20	Sep-20	Oct-20
US\$ broad index	114.7	116.1	117.3	116.5
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	362.9	385.5	385.5	386.3
Egyptian pound (EGP)	16.0	15.9	15.8	15.7
Sth African rand (ZAR)	14.0	17.0	16.7	16.3
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	101.4	108.2	108.5	108.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream

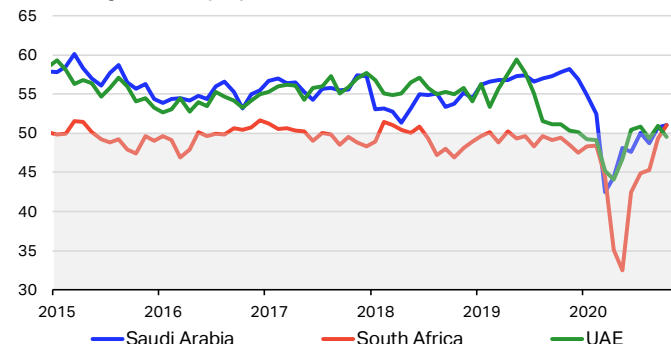
World oil and jet fuel price

US\$/barrel (period ave.)	2019	Aug-20	Sep-20	Oct-20
Crude oil (Brent)	64.2	45.1	41.9	41.6
Jet fuel	79.6	45.4	41.1	43.5

Source: Platts, Datastream (monthly average data)

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- Business environment improved for the first time since April 2019 in South Africa amidst relaxed COVID-19 restrictions. Operating conditions were more favorable also in Saudi Arabia, although firms remained cautious about economic recovery. In the UAE, slow economic recovery pushed PMI back into 'contraction' territory.
- The trade-weighted US dollar index ended the month down 0.7%. Of the key regional currencies, the ZAR gained 2.6% against the US\$. Other FX movements were muted.
- The Brent crude oil price fell further in October as renewed lockdowns weighed on global demand. The jet fuel price gained modestly compared with September but remained 45% lower compared with a year ago.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Middle East	2.3	-92.6	-91.2	-88.9
Africa	4.7	-91.7	-86.7	-85.6
World	4.1	-79.5	-75.3	-72.8
Routes (segment basis)				
Middle East - Asia	4.2	-93.3	-92.3	-90.0
Middle East - Europe	4.4	-93.7	-92.1	-90.0
Africa - Europe	4.5	-92.9	-85.9	-82.8
Middle East - Nth America	0.0	-90.5	-89.4	-85.6
Africa - Middle East	-1.6	-95.4	-92.7	-88.2
Africa - Asia	3.5	-97.6	-94.7	-93.6

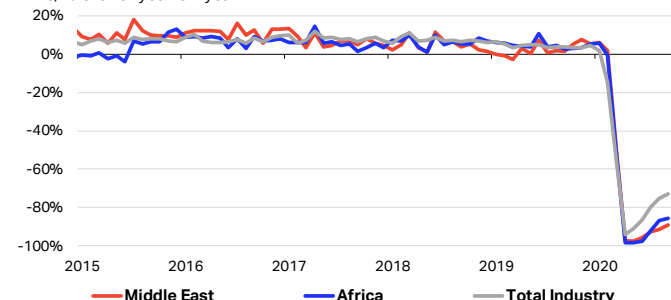
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.3% fall in August. The recovery remained mostly driven by domestic markets.
- Airlines based in Africa reported an 85.6%yoy decline in passenger demand in September, a ~1ppt improvement on contraction in August.

- Middle Eastern carriers posted the sharpest annual RPK fall amongst all regions for another month. They flew 88.9% less passenger volumes compared with September 2019.
- Improvements in the region's international travel since the start of the crisis have been slow. Routes to/from Europe and North America were the most resilient so far (down 83% and 86%yoy, respectively).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Cargo tonne kilometers (CTKs)

% change on a y ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Middle East	-4.6	-15.3	-6.7	-2.6
Africa	7.4	-4.0	-0.2	8.2
World	-3.2	-14.1	-12.1	-8.0
Routes (segment basis)				
Middle East - Asia	-2.3	-14.3	-3.1	1.8
Middle East - Europe	-5.2	-21.0	-16.1	-11.5
Africa - Europe	-1.9	-31.1	-29.8	-24.7
Middle East - Nth America	-7.0	-10.6	2.3	-3.7
Africa - Middle East	-6.0	-45.3	-37.8	-26.8
Africa - Asia	12.6	5.4	16.1	21.6

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

- Recovery in air cargo accelerated in September. Industry-wide cargo tonne-kilometres (CTKs) fell by 8.0% year-on-year, compared with 12.1% decline in August. Month-on-month, CTKs showed the fastest growth since May, at 3.7%.
- African carriers recorded a robust 8.2% expansion in air cargo volumes this month – the second-best outcome amongst all regions after North America.

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	Jul-20	Aug-20	Sep-20
Passenger					
Middle East	ASK	0.1	-84.7	-80.8	-77.2
	PLF	76.2	39.4	37.4	36.5
Africa	ASK	4.5	-84.7	-76.7	-72.4
	PLF	71.8	39.7	43.3	37.8
World	ASK	3.4	-69.8	-63.9	-63.0
	PLF	82.6	58.2	58.6	60.1
Cargo					
Middle East	ACTK	0.8	-28.3	-24.6	-23.6
	CLF	46.7	53.5	53.7	57.9
Africa	ACTK	11.2	-33.3	-37.2	-28.1
	CLF	36.2	47.7	49.7	50.7
World	ACTK	2.1	-30.8	-28.7	-25.2
	CLF	46.8	55.8	54.5	56.9

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

- Airlines slowed the return of capacity in Sept amidst rising COVID-19 cases. As a result, global passenger load factor improved slightly, reaching the highest level since Feb (but down 21.8ppts yoy). African and ME airlines reported 37.8% & 36.5% PLFs, respectively.
- The industry-wide cargo load factor reached a new all-time high for September at 56.9%, amidst continuous capacity crunch. At the regional level, African carriers posted the CLF up 17ppts while ME airlines registered 12.5ppts CLF increase vs. a year ago.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Africa & Middle East	-3.4	-4.0	24.2	-47
Industry	5.7	5.2	13.3	-63

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

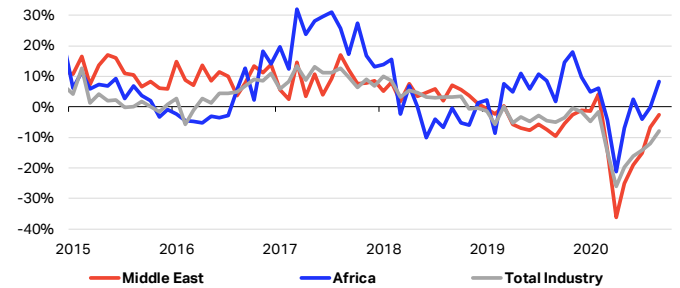
IATA Economics: www.iata.org/economics

That said, Africa's solid performance has been largely driven by Africa-Asia trade lanes (+21.6%yoy). Region's other key markets (to/from Europe & Middle East) remained deep in contraction territory.

- CTKs flown by Middle Eastern carriers fell by 2.6%yoy. The region was one of the most severely hit at the peak of the crisis. However, it has shown a sharp V-shaped recovery since then (see the chart below).

Growth in air cargo volumes

CTKs, % Growth year-on-year



Source: IATA Economics

- The initial sample of Q3 2020 financial results showed that airlines in all regions posted another quarter of negative EBIT margin due to the modest travel demand recovery in the summer quarter, which is seasonally the strongest period in normal times.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

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

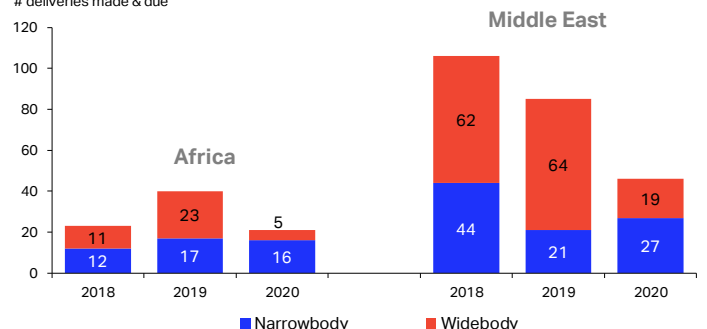
% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Middle East - Asia	7.3	51.5	30.8	29.8
Middle East - Europe	-5.5	48.5	49.2	74.6
Africa - Europe	-7.0	29.6	7.2	8.3
Middle East - Nth America	3.8	37.9	24.0	10.8
Middle East - Sth America	-6.0	59.2	38.6	17.1
Africa - Middle East	-5.0	44.7	2.0	41.8
Africa - Nth America	-3.1	0.3	-14.5	-12.2
Within Middle East	3.0	15.5	11.0	22.9
Within Africa	-8.7	20.7	19.6	17.3

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 Nov 2020)

deliveries made & due



Source: Ascend

Contact us via email at: economics@iata.org