

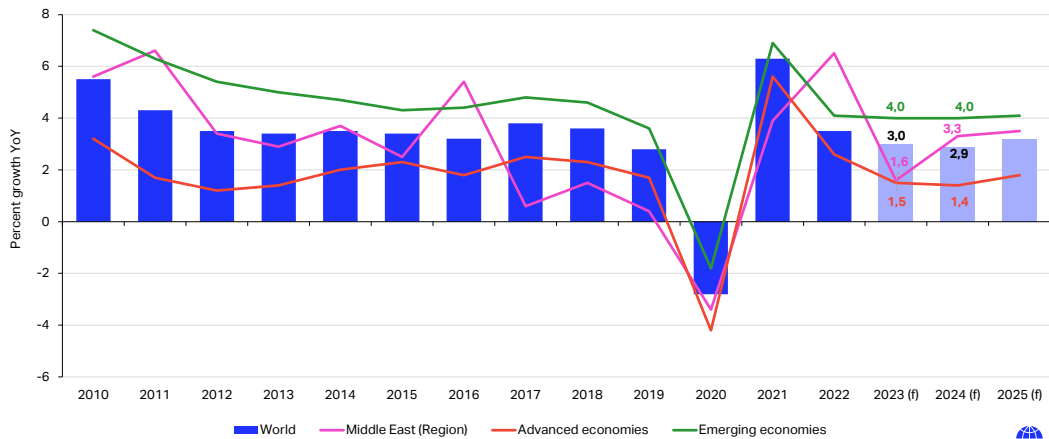
IATA Media Briefing Middle East

Kamil Alawadhi – Regional
Vice-President, Africa and
Middle East



Global economic activity has moderated Growth in Middle East expected to recover to 3.3% in 2024

Real GDP growth, percent yoy



Source: IMF, World Economic Outlook, October 2023

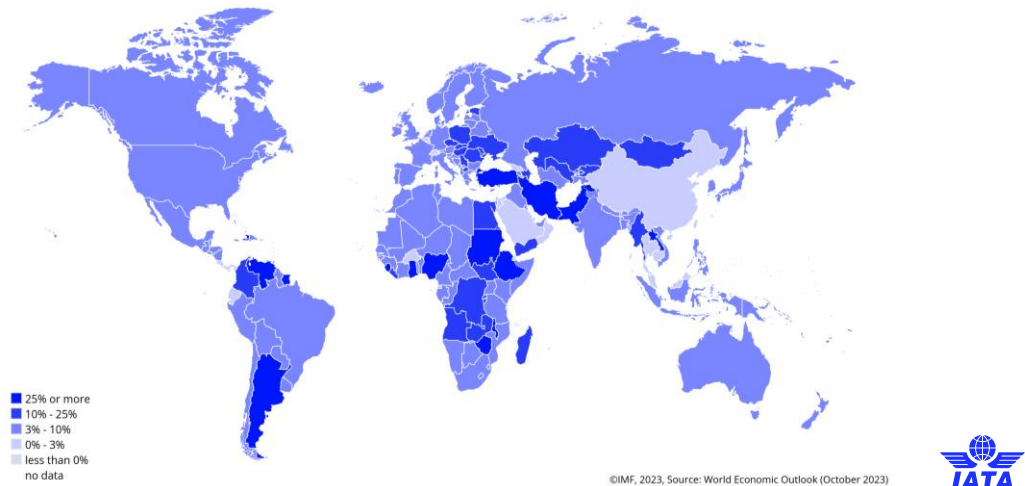
2



- GDP growth has moderated from the post-Covid rebound in 2021.
- The IMF are forecasting global economic growth of around 3% this year (2023) and next. This is broadly in line with the long-run average global growth rate.
- The world's emerging economies are forecast to grow at a quicker rate than the so called 'advanced' economies – around 4% compared with around 1.5% this year, and similar next
- Growth in Middle East expected to recover to 3.3% in 2024

Inflation has peaked, but remains elevated

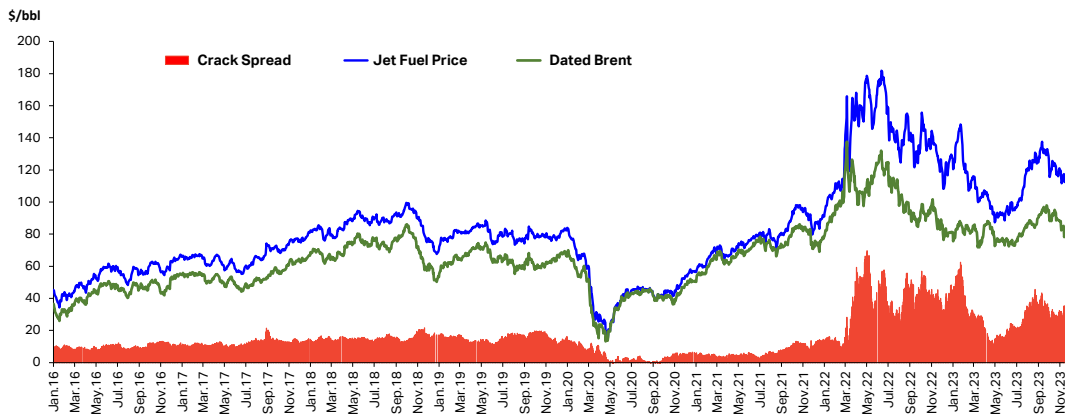
High inflation remains a challenge for several Middle East countries



- High inflation was one of the major economic challenges of last year for aviation.
- While we passed the peak in inflation, it remains relatively high and is still a challenge in many countries, including a number of Middle Eastern countries.
- In the context of aviation, high inflation means high cost for airlines and high cost for consumers which means a lower propensity to spend on air transport.

Fuel prices have risen from their Q2 lows And the crack spread has also widened, adding to fuel costs

Jet Fuel Price vs Crude Oil Price



Source: S&P Global Commodity Insights

4

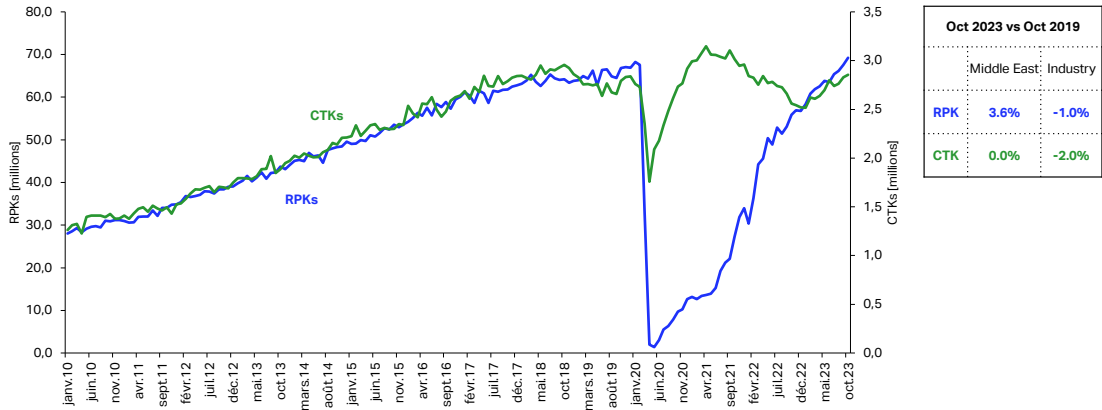


- Another key cost driver for airlines are fuel prices.
- Oil prices have risen from their low point in Q2.
- They moved higher again on the escalation of conflict in the Middle East, but have since retreated somewhat from those levels.
- At the same time, the crack spread has also widened, putting additional pressure on airline fuel costs.
- We expect an average jet fuel price of around USD115.5 this year and 113.8 next year.

RPK and CTK recovery in the region remains strong

RPK levels in the Middle East have now surpassed 2019 values

Middle East RPKs and CTKs



Source: IATA Monthly Statistics

5 7 December 2023

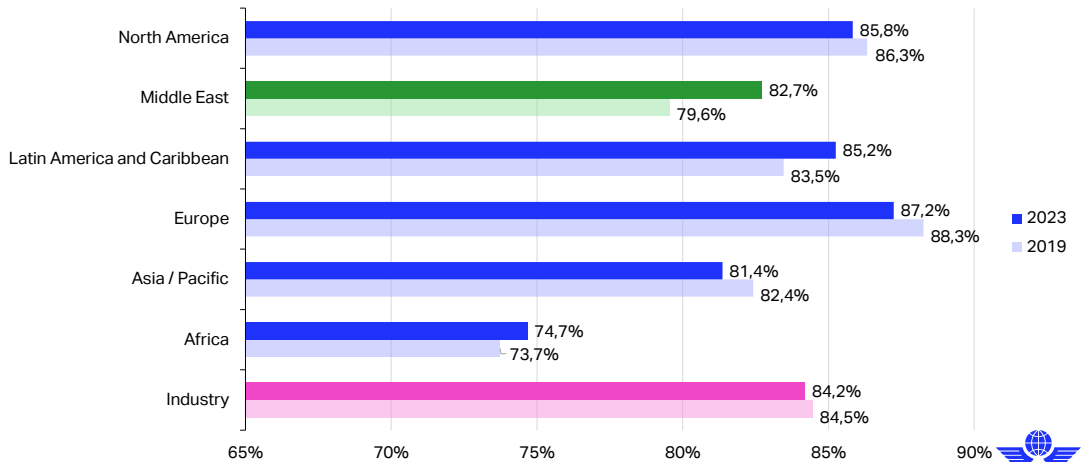


- Looking at the month of October this year in comparison with October of 2019, the Middle East has made a strong recovery.
- Passenger demand measured by RPKs have surpassed 2019 levels but there is a bit of a slowdown on the cargo side.

Middle East pax load factors have exceeded 2019

The industry rate has almost recovered to the pre-Covid level

Passenger load factor (PLF), % share of ASKs (Q3)



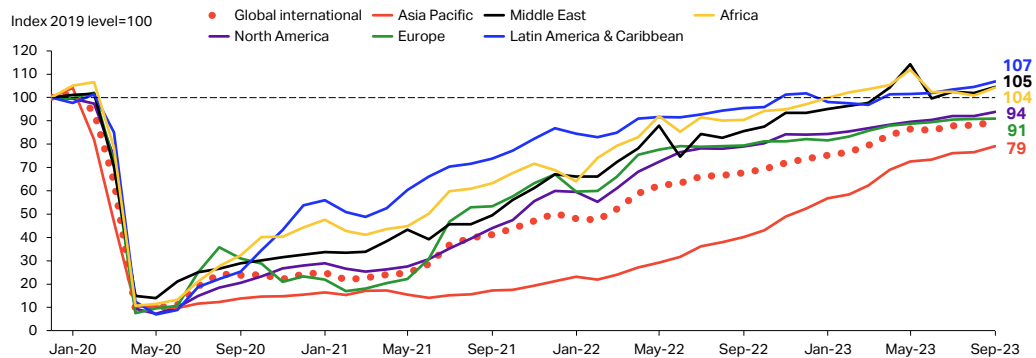
6 Source: IATA Sustainability & Economics, IATA Monthly Statistics



- When we think about the financial recovery an important part of that is that passenger load factors which have recovered quite well.
- At the industry level, Q3 of 2023 is pretty much in line with Q3 2019. Middle East 2023 load factors tell a more positive story, having exceeded 2019 levels by 3%.

Global international air connectivity in Sep 2023 at 90% of pre-crisis levels, Middle East is currently at 105%

IATA International Air Connectivity Index by region for all international routes, monthly Jan 2020-Sep 2023



IATA Connectivity Index using data from OAG

7

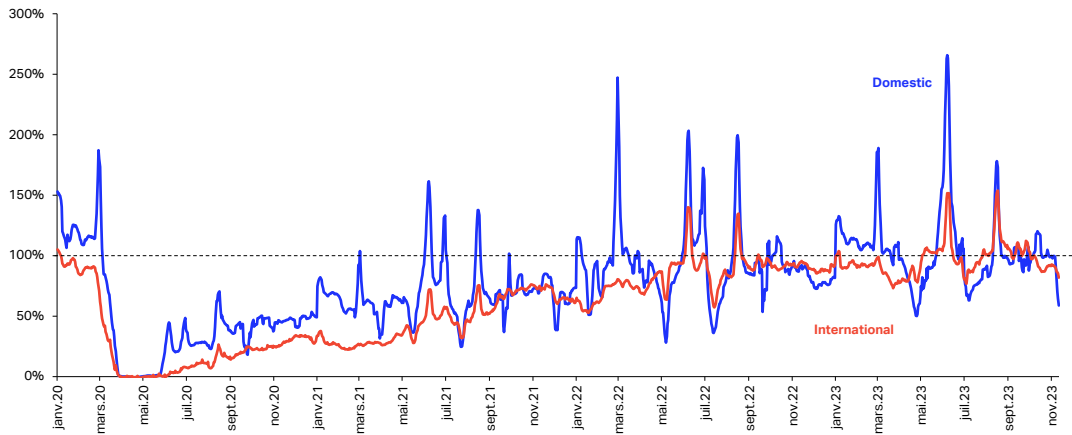


©2024 IATA. All rights reserved.

- The chart shows the drop in international air connectivity compared to the same month in 2019 (pre-crisis level).
- 2020-2023 months are compared with the same month in 2019. The metric is indexed where the 2019 level equals 100.
- This IATA measure of air connectivity is similar to the recovery profile of passenger and cargo demand.
- Key takeaway, Middle East is back above what it was pre-COVID.

Ticket sales are fluctuating around the 2019 levels Recovery in demand has been driven by large events in the region

Middle East - Ticket sales by type of travel (7 days moving avg) a % of the same period in 2019



Source: IATA Sustainability and Economics, DDS

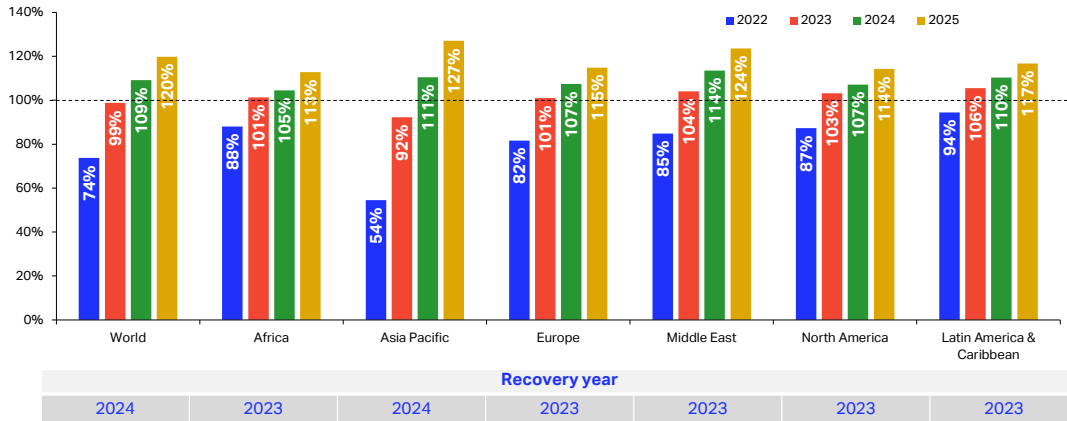
8



- Ticket sales is another forward-looking indicator. Ticket sales are fluctuating around the 2019 levels.
- Recovery in demand has been driven by large events in the region and that's why you see the spikes.

Global passenger traffic expected to recover in 2024 But most regions return to pre-Covid levels this year

Passenger traffic recovery (% share of 2019 levels)



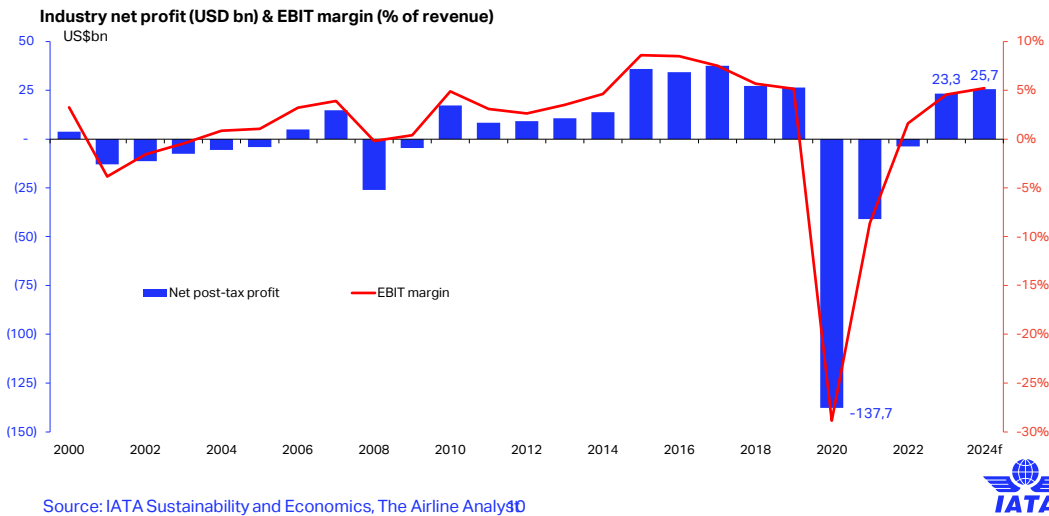
9

Source: IATA Sustainability & Economics, Tourism Economics



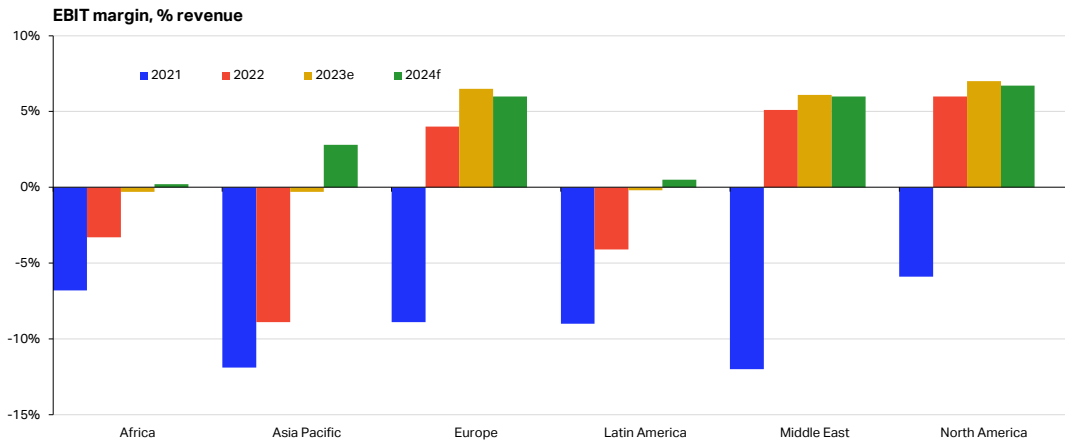
- Overall at the annual level, global air passenger numbers are expected to recover their 2019 level in 2024.
- At the regional level, all regions except Asia Pacific will recover this year (2023).

Industry financial recovery has exceeded expectations But per passenger net profit remains modest at just USD 5.45 in 2024



- Highlighting the resilience of the air transport industry, we are forecasting a return to profitability this year.
- Net post-tax profit is expected to be USD23.3bn – which is a remarkable turnaround from the losses of almost USD140bn in 2020, just three years ago!
- In 2024, net profit will rise a little to USD 25.7bn.
- Although this return to profitability is a welcome development, it is far from delivering financial sustainability for the industry.
- As a share of revenue, this equates to a net profit margin of 2.6% this year and 2.7% in 2024.
- On a per passenger basis, this equates to a modest USD5.44 in 2023 and a similar USD5.45 next year.
- A word of caution for policy makers is not to get carried away by these numbers with increases in taxes and charges. This would only put more strain on the recovery of the industry.

Regional financial performance remains mixed All regions to recover to a positive operating margin by 2024



Source: IATA Sustainability and Economics, The Airline Analyst



- At the regional level, operating profit margin is that financial improvement happened across all regions some regions recovered quicker but there's clear improvement.
- All regions come back to positive operating margin by 2024.

Profitability of airlines within the region remains strong Further improvements to profit per pax expected in 2024

- Airlines in the Middle East continue being profitable
- Per passenger profit is expected to reach USD 13.3 in 2024
- Profitability in 2023 has been driven by a 35% YoY RPK growth
- Financial performance is now noticeably stronger than in 2019
- Airlines have seen a drop in the breakeven load factor, when compared to 2019

Middle East	2019	2020	2021	2022	2023e	2024f
Net post-tax profit, \$bn	(1.5)	(9.6)	(4.9)	1.4	2.6	3.1
Per passenger, \$	(6.8)	(142.0)	(59.8)	7.1	11.2	13.3
% revenues	-7.9%	-59.9%	-27.0%	7.7%	10.3%	10.9%
RPK growth, %	2.3%	-72.1%	8.5%	144.6%	34.6%	6.3%
ASK growth, %	-3.3%	-61.7%	21.2%	67.2%	28.0%	10.7%
Load factor, % ATK	63.5%	54.7%	54.9%	62.9%	62.9%	63.4%
Breakeven load factor, % ATK	67.7%	68.3%	61.5%	59.7%	59.1%	59.6%

Source: IATA Sustainability and Economics, The Airline Analy⁹²



- In summary, airlines in the Middle East continue to be profitable
- Per passenger profit is expected to reach USD 13.3 in 2024
- Profitability in 2023 has been driven by a 35% year on year RPK growth
- Financial performance is now noticeably stronger than in 2019
- Airlines have seen a drop in the breakeven load factor, when compared to 2019.

MENA Priorities

Safety

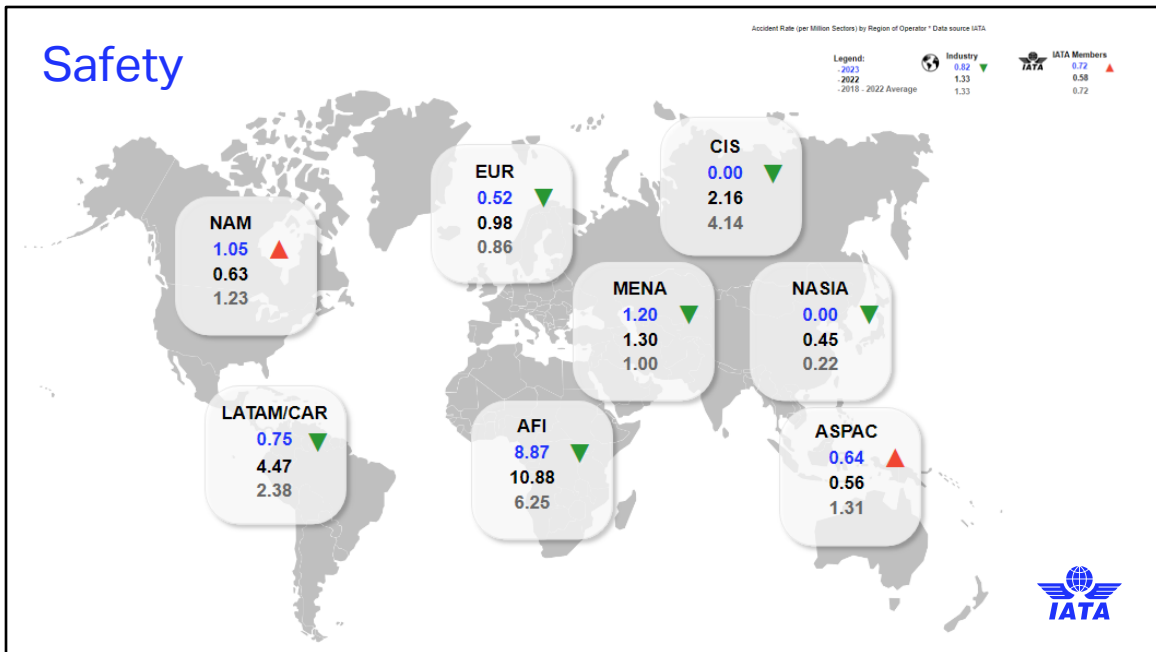
Passenger Rights

Sustainability

Clearing Blocked Funds



- **Four priorities in the Middle East region:**
 - Sustainability
 - Passenger Rights
 - Clearing blocked funds
 - Safety



- Let's start with safety. The region is tracking in the first half of 2023 at 1.2 accidents per million flights—slightly higher than the global average but is tracking towards an improvement on the region's full year 2022 performance which was 1.3 accidents per million flights.
- Aviation is incredibly safe. And the performance of the region's carriers is no exception. The goal must always to be to improve. And at these very high levels of safety performance, the best way to improve performance is through detailed data analysis.'
- Through our Global Aviation Data Management (GADM) initiative, we are creating the world's most comprehensive database for aviation safety . We don't yet have a comprehensive picture of the MENA region due to limited contribution by airlines from this region, but as more airlines contribute to the GADM, we will have a complete picture of safety performance and enable us to analyse trends and events that may not yet be evident.
- A good example of this data at work is our analysis of GPS signal loss. We have numerous reports from carriers operating in the region on GPS signal loss, which could potentially be a result of GPS jamming or GPS signal interference. Knowing this from contributed data is helping our work with ICAO and others in finding solutions.
- Looking ahead, the priorities for us in the region are to see enhancement to the Contingency Coordination Framework, continue working with the States to ensure we have an infrastructure that meets the needs of the airspace user with due regard to those of the provider; increasing access to more efficient and flexible routes through continued development of Civil Military coordination for the Flexible use of Airspace, further development of Free Route Airspace and Regional ATFM implementation.

Passenger Rights

Governments must work closely with industry to ensure regulations are aligned with industry recommendations and ICAO principles.



- Several of the region's governments are looking into passenger rights regulations. We want to make sure that they understand the potential pitfalls of even the most best-intentioned regulatory efforts in this area.
- It is not a new issue. We are 20 years since the establishment of EU 261. Regrettably, over that time, European courts have interpreted the regulation ever-more broadly. And while politicians and regulators see this as a positive development, the truth is that passengers have borne the cost of compensation but have not seen any benefit, because delays have actually increased.
- Why? Because the causes of most delays are not in the control of airlines. Europe's failure to implement the Single European Sky measures have left Europe's air traffic management with substandard systems and national fragmentation.
- Regrettably the EU 261 approach is becoming something of a contagion. Both Canada and the US are looking at EU 261 copycat regulations and imposing penalties on airlines even if the fault is elsewhere.
- In the region we have been very active with Saudi Arabia, Morocco and Oman on this topic. These countries are at various stages of developing or updating their own regulations—with Saudi Arabia having recently published its regulation. Our key message is to understand the mistakes made by Europe and insist on proportionality which is clearly not the case under EU 261. After all why should airlines compensate passengers for failures that are not of their own making?

Airlines will achieve carbon net zero by 2050

Meaning a **sustainable future** ensuring people have the freedom to explore, learn, trade, build markets, appreciate cultures and connect with others the world over.

We have a plan

To abate 21.2 Gt* of CO₂ through:

- Sustainable aviation fuels
- New aircraft technology
- More efficient operations and infrastructure
- New zero-emissions energy sources such as electric and hydrogen power

*estimated cumulative total 2021-2050

7 December 2023

FLY NET ZERO

- Sustainability has become a key priority for the industry.
- The industry has committed to achieving Net Zero carbon emissions by 2050. With ICAO agreeing to the Long-Term Aspirational Goals at the 41st Assembly, we now have a framework under which governments can support this effort.
- **Importantly, the commitment is backed by almost all the world’s airlines, aircraft operators, airports, air traffic management providers and supported by the major names across the supply chain.**
- **The commitment outlines that the goal will be underpinned by: a transition away from fossil fuels by mid-century; the research, development and deployment of both evolutionary and revolutionary technologies; continued improvements in operational efficiency; and the use of carbon removals to deal with any residual emissions in 2050.**

Sustainability

IEnvA

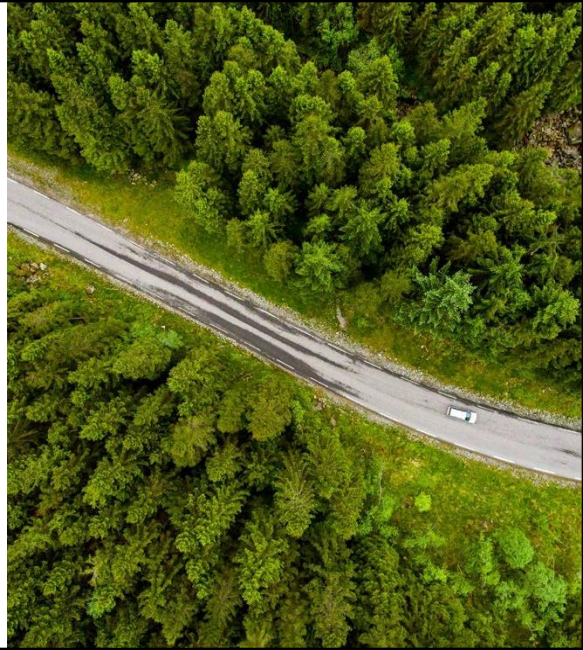
- Airlines: Emirates, Etihad, Qatar Airways, Royal Jordanian, Royal Air Maroc
- Ground: Dnata (DXB, DWC, SHJ), Qatar Aviation Services

SAF Airline Readiness Workshops

- October in Amman with 15 airlines

CAAF/3

- Continues work with airlines, states and regional associations



- **IEnvA:**

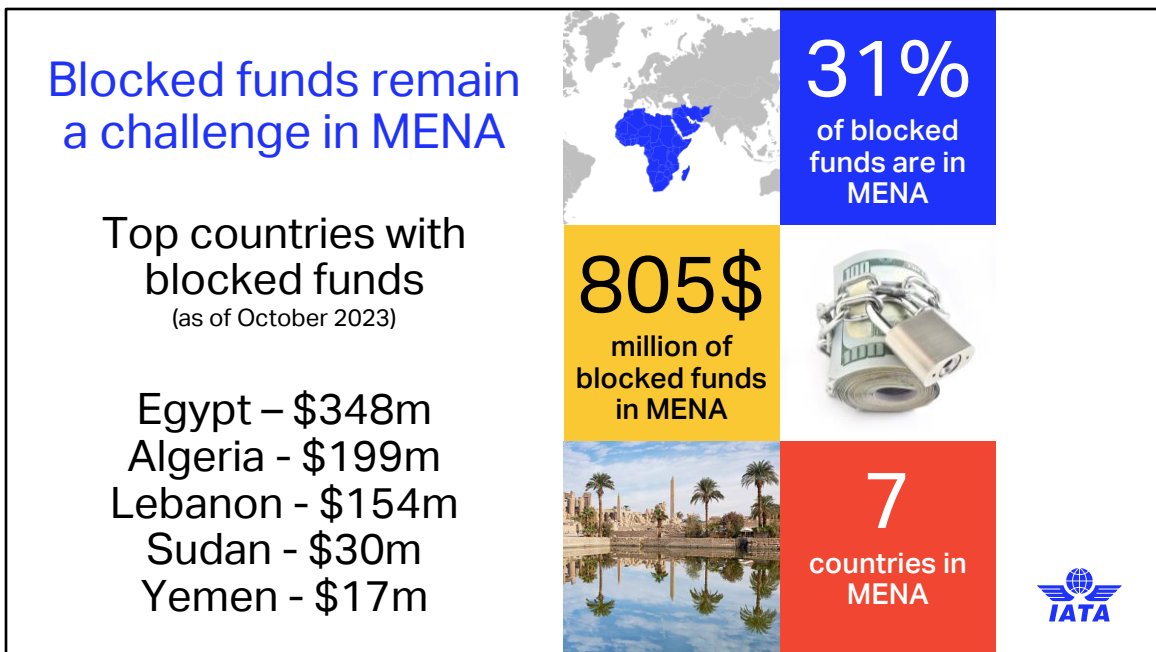
- IATA Environmental Assessment (IEnvA) is a certification program, developed to independently assess the commitment of aviation stakeholders such as airlines, airports, cargo handling facilities, freight forwarders, and ramp handlers, to continuously improve their environmental and sustainability performance.

- **SAF Airline Readiness Workshops:**

- Following the SAF Readiness Survey conducted last year which reflected the need for developing capacity of airlines on Sustainable Aviation Fuels, IATA in collaboration AASA hosted the SAF Readiness Workshop which covered technical certification, SAF Feedstock, Productions pathways, SAF purchasing and offtake agreements, SAF Accounting and much more.

- **CAAF/3**

- The third ICAO Conference on Aviation and Alternative Fuels (CAAF/3) defined a long-term goal on SAF and LCAF uptake by 2050 in support of Long Term Aspirational Goal. CAAF/3 delivered agreement on a global framework to promote Sustainable Aviation Fuel (SAF) production in all geographies around the world. The aim is that aviation fuel in 2030 is 5% less carbon intensive than fossil fuel used today by the industry.
- To ensure a unified industry approach in CAAF/3, IATA worked with regional associations, states and airlines and helped draft and supports the WPs submitted by ATAG.



Finally, I would like to address a major challenge and obstacle to the development of the MENA region's aviation industry and that is blocked funds.

- Total global blocked fund are \$2.57 billion. **\$805m in MENA**
- 84% of blocked funds are in AME and 31% are in MENA.
- 7 countries in MENA accounts for **\$805 million**
- Cash flow is key for airlines' business sustainability - when airlines are unable to repatriate their funds, it severely impedes their operations and limits the number of markets they can serve.
- The consequences of reduced air connectivity include the erosion of that country's competitiveness, diminished investor confidence and reputational harm caused by a perception that it is a high-risk place to do business.
- Strong connectivity is an economic enabler and generates considerable economic and social benefits.
- We call on governments to prioritise aviation in the access to foreign exchange on the basis that air connectivity is a vital key economic catalyst for the country.

Thank you



Event #hashtag

