



# STATE OF THE REGION: AFRICA & MIDDLE EAST

APRIL 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
Saudi Arabia	4.1	1.5	0.9	1.2
Nigeria	2.7	-2.2	-2.3	-1.2
Egypt	2.5	2.3	1.7	3.5
South Africa	1.2	1.0	1.0	0.5
UAE	4.0	--	--	--
Kenya	6.3	6.7	5.3	--
Jordan	2.7	2.3	2.2	2.5
<b>World*</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Jan-17	Feb-17	Mar-17
US\$ broad index	127.7	127.6	125.8	125.3
Saudi Arabian riyal (SAR)	3.75	3.75	3.73	3.75
Nigerian naira (NGN)	315.0	305.5	317.0	316.5
Egyptian pound (EGP)	18.1	18.9	15.8	18.2
Sth African rand (ZAR)	13.7	13.5	13.1	13.4
UAE dirham (AED)	3.67	3.67	3.66	3.67
Kenyan shilling (KES)	102.4	103.8	102.9	103.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2016	Jan-17	Feb-17	Mar-17
Crude oil (Brent)	52.4	54.6	54.9	51.6
Jet fuel	64.0	63.6	65.0	60.7

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

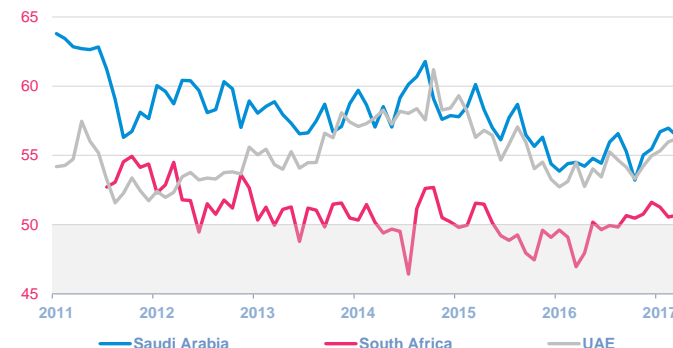
%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
<b>Region (registration basis)</b>				
Middle East	11.2	12.9	13.5	9.1
Africa	6.5	5.8	5.2	5.6
World	6.3	8.6	8.9	4.8
<b>Routes (segment basis)</b>				
Middle East - Asia	9.0	11.9	9.8	5.4
Middle East - Europe	9.9	12.7	10.3	7.7
Africa - Europe	1.8	6.8	3.3	4.7
Middle East - Nth America	19.3	16.6	13.6	7.5
Africa - Middle East	18.0	13.0	10.1	15.0
Africa - Asia	6.8	0.9	2.1	1.3

Source: IATA Statistics

- Growth in global RPKs fell sharply in Feb, to 4.8%yoy, from last month's 5yr high of 8.9%. Recall that at this time of year the data are more volatile than usual due to the impact of Chinese New Year &, on this occasion, the 2016 leap year.
- A similar step-down in growth was observed in most regions, including the ME, where RPK growth is now 9.1%yoy. African carriers are the exception, with growth

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

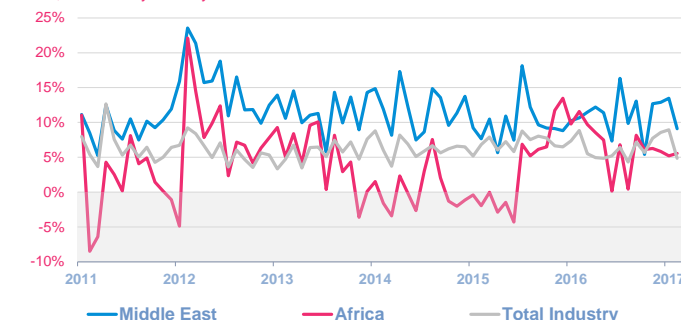
- Ongoing political & social disruption in Sth Africa continues to weigh upon business confidence, which remains lacklustre. In the Middle East, fiscal pressures have eased & the outlook has improved with the rise in oil prices over the past year.
- The US\$ eased slightly again in Mar, down 0.4% on a trade-weighted basis. Of the regional currencies, the EGP & ZAR both gave up most of last month's gains, the former falling 15% vs the US\$ & the latter a more modest 2.4%.
- Both Brent crude oil & jet fuel prices corrected sharply downwards in Mar, falling 6-6.5%, to US\$51.60/bbl & US\$60.70/bbl, respectively.

in pax volumes lifting this month, to a solid 5.6%yoy.

- Amongst the key markets, the (relatively) smaller Africa-ME market is showing the strongest RPK growth over the past year, maintaining its double-digit pace, up an even 15%yoy.
- The larger markets of ME-Europe & ME-NthAmerica are both showing robust growth of 7.5-7.7%yoy. The slowest growing market over the past year is Africa-Asia where RPKs are up just 1.3%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
<b>Region (registration basis)</b>				
Middle East	6.9	11.4	8.6	3.4
Africa	3.4	16.8	21.9	10.6
World	3.8	10.0	6.1	8.4
<b>Routes (segment basis)</b>				
Middle East - Asia	3.7	4.1	-0.8	-6.5
Middle East - Europe	7.1	19.5	17.9	11.4
Africa - Europe	-5.5	-1.2	-0.4	-0.9
Middle East - Nth America	17.0	20.2	1.9	2.0
Africa - Middle East	1.8	0.5	3.2	5.9
Africa - Asia	30.1	57.2	48.4	31.8

Source: IATA Statistics

- ➔ Global FTKs grew by a brisk 8.4%yoy in Feb, up from 6% last month & well above the 5yr average pace of ~3%, even without adjusting for the leap year or Chinese New Year impacts.
- ➔ For the region, FTK growth moved against the industry trend, slowing in yoy terms for both the African carriers (to 10.6%yoy) & ME carriers (now a modest 3.4%yoy).

## Industry

### Capacity growth and load factors

%change on a yr ago, LF: %of ASK/AFTK		2016	Dec-16	Jan-17	Feb-17
<b>Passenger</b>					
Middle East	ASK	13.5	11.8	11.2	6.9
	PLF	74.7	77.3	79.4	74.1
Africa	ASK	6.3	5.3	3.9	1.4
	PLF	68.6	71.6	70.1	67.6
World	ASK	6.3	6.6	7.4	2.7
	PLF	80.5	80.6	80.2	79.5
<b>Freight</b>					
Middle East	AFTK	8.4	5.7	3.3	-1.7
	FLF	42.8	45.1	42.1	44.5
Africa	AFTK	25.7	7.5	5.9	1.0
	FLF	22.2	29.8	22.9	25.1
World	AFTK	5.3	3.5	2.9	-0.4
	FLF	43.0	46.1	42.0	43.5

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

- ➔ Pax & freight capacity growth (yoy) for the region's carriers straddles the industry-wide rate. ME carriers grew ASKs by ~7%yoy but reduced AFTKs by 1.7%. African carrier ASKs are up 1.4% & AFTKs by an even 1.0%. Industry-wide, pax capacity is up 2.7%yoy & freight capacity is slightly lower, down 0.4%yoy.
- ➔ ME carrier load factors underperformed the industry average for pax (74.1% vs 79.5%) but outperformed on freight (44.5% vs 43.5%). African carrier loads continue to underperform the industry outcomes on both market

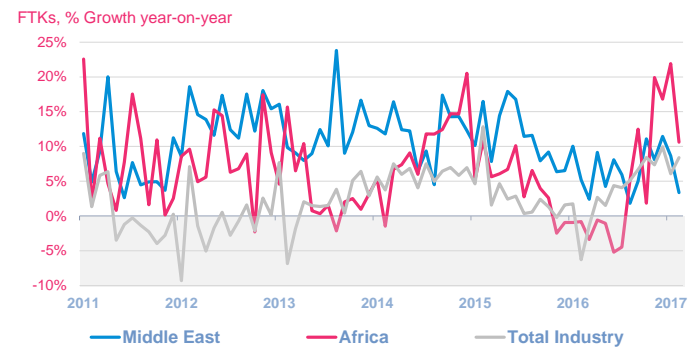
### Airline operating (EBIT) margins\*

%revenues	2014	2015	2015Q4	2016Q4
Africa & Middle East	0.5	1.6	7.4	16.1
Industry	4.7	8.3	9.3	8.3

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

- ➔ ME-Europe is the standout amongst the largest markets, with FTKs up 11.4%yoy. However, volumes have contracted over the past year for both ME-Asia (down a hefty 6.5%yoy) & Africa-Europe (down 0.9%yoy).
- ➔ The overall strongest growth currently is on the smaller Africa-Asia market where, despite easing sharply again this month, FTKs are still up more than 30%yoy.

### Growth in air freight volumes



Source: IATA Statistics

segments, by a considerable margin.

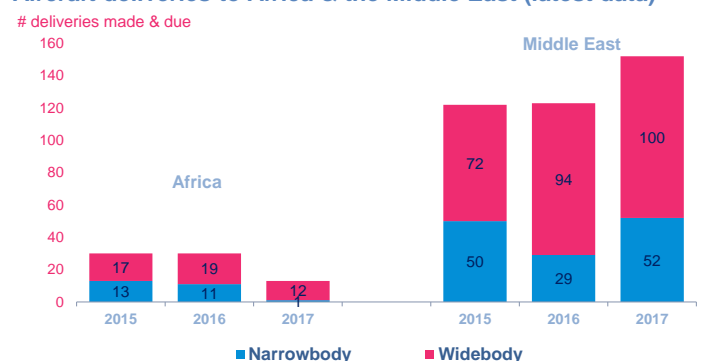
- ➔ The latest Q4 financials show a sizeable improvement in EBIT margin for the region's carriers vs a year previous; now 16.1%, up from 7.4%. The corresponding industry-wide figure has eased by 1pp, to 8.3%.
- ➔ Despite being 8-9%yoy lower, global average pax yields continue to show indications of having bottomed. At the regional level, yields across all key markets remain lower but with considerable variation across markets.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
Middle East - Asia	-10.5	-13.9	-15.5	-11.6
Middle East - Europe	-12.0	-13.0	-14.8	-11.0
Africa - Europe	-8.4	-12.1	-12.4	-13.7
Middle East - Nth America	-7.2	-6.1	-10.3	-9.4
Middle East - Sth America	-13.2	-17.5	-6.5	-11.0
Africa - Middle East	-13.7	-15.1	-20.4	-18.2
Africa - Nth America	-7.1	-4.0	-5.5	-0.1
Within Middle East	-4.8	-4.6	-10.2	-7.6
Within Africa	-12.1	-9.3	-8.0	-3.0

Source: IATA PaxIS

### Aircraft deliveries to Africa & the Middle East (latest data)



Source: Ascend