



STATE OF THE REGION: AFRICA & MIDDLE EAST

APRIL 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q2	2015Q3	2015Q4
Saudi Arabia	3.4	4.6	3.6	3.6
Nigeria	2.7	2.3	2.8	1.8
South Africa	1.3	1.6	1.2	0.3
UAE	3.9 [†]	--	--	--
Kenya	5.6 [†]	2.4	7.3	--
Jordan	2.7	2.7	2.8	3.1
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
World*	2.4	2.5	2.5	2.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Jan-16	Feb-16	Mar-16
US\$ broad index	122.4	125.2	124.0	121.5
Saudi Arabian riyal (SAR)	3.75	3.78	3.74	3.74
Nigerian naira (NGN)	199.0	199.2	199.2	199.0
Sth African rand (ZAR)	15.5	16.0	15.8	14.7
UAE dirham (AED)	3.67	3.70	3.67	3.66
Kenyan shilling (KES)	102.3	102.3	101.5	101.4
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Jan-16	Feb-16	Mar-16
Crude oil (Brent)	52.4	30.7	32.2	38.2
Jet fuel	64.0	39.1	40.9	44.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
Region (registration basis)				
Middle East	10.1	9.0	10.2	11.0
Africa	3.1	13.5	9.9	11.6
World	6.5	5.7	7.1	8.6
Routes (segment basis)				
Middle East - Asia	9.8	10.5	7.5	9.0
Middle East - Europe	12.3	8.8	9.1	10.6
Africa - Europe	-0.1	2.5	2.6	6.8
Middle East - Nth America	26.2	15.8	18.9	16.5
Africa - Middle East	8.4	14.4	11.5	10.5
Africa - Asia	-1.2	6.9	11.3	11.5

Source: IATA Statistics

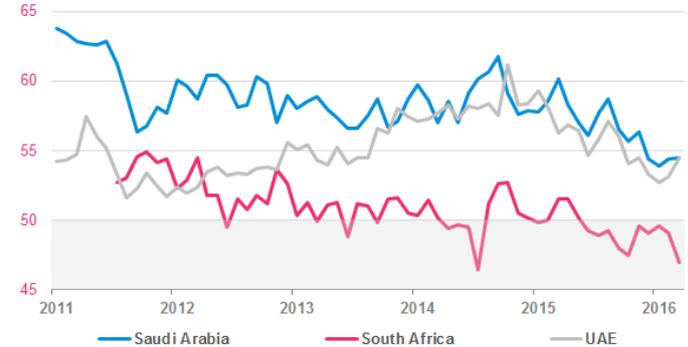
→ RPKs for the region's airlines (both Africa & Middle East carriers) are growing at a double-digit pace; 11.6% & 11.0%yoy, respectively. Both are well above the global industry rate of 8.6%.

→ Note that the leap year will have positively impacted the Feb monthly data.

→ At the inter-regional level, passenger volumes on a majority of the key routes are also increasing at a

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

→ Against the troubled economic & political backdrop, business confidence fell sharply in Sth Africa, this month. In the Middle East, confidence appears to have halted its trend decline, particularly in the UAE.

→ The US\$ fell by just over 2% in March, dipping below the level at which it ended 2015. Amongst the key regional bilateral rates, the main mover was the ZAR which gained another 6.6% against the US\$ this month.

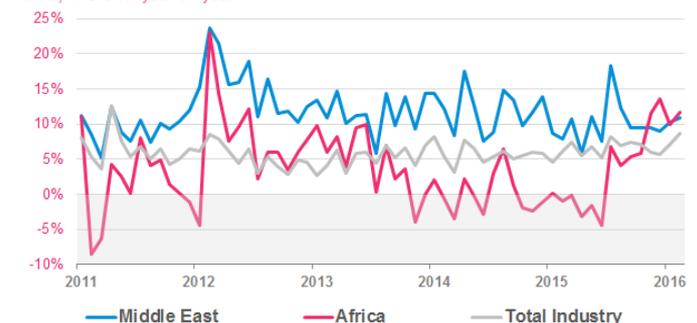
→ World oil & jet fuel prices surged in March, the former rising almost 20% (US\$6) to US\$38/bbl & the latter up 10% (US\$4) to US\$45/bbl. The upwards move was buoyed by speculation that agreement on production cuts may be reached amongst key oil producers.

double-digit rate compared with a year ago. The standout performer continues to be ME-North America, where, despite the pace of growth slowing over recent months, RPKs are still up a hefty 16.5%yoy.

→ The strong growth of ME carriers is not a new theme, reflecting their global network & capacity expansion. But for the African carriers, such strong growth is unusual. After a number of difficult years it suggests that carriers are regaining market share on travel to/from the region.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
Region (registration basis)				
Middle East	11.6	6.8	10.0	3.7
Africa	1.7	-3.5	-2.8	-1.7
World	2.2	1.0	2.3	-5.6
Routes (segment basis)				
Middle East - Asia	7.0	1.4	6.5	-2.3
Middle East - Europe	11.2	14.4	6.4	4.7
Africa - Europe	0.2	-4.4	-6.9	-1.0
Middle East - Nth America	19.0	5.8	26.3	14.1
Africa - Middle East	9.2	5.9	2.9	0.4
Africa - Asia	1.3	-1.3	17.7	5.6

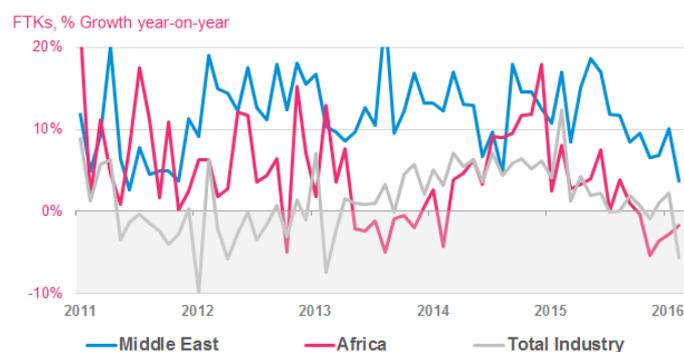
Source: IATA Statistics

- The freight performance, both globally & for the region's carriers has been softer than on the pax side. ME carrier FTKs are up a modest 3.7%yoy, but FTKs have fallen for African carriers (-1.7%) & the industry overall (-5.6%).
- Freight volumes are significantly impacted at this time of the year by the Lunar New Year. This is readily apparent in the ~10pp turnaround in growth rates for ME-Asia & Africa-Asia in Feb.
- On this occasion, the global figure is also adversely

affected by the one-off boost to air freight volumes a year ago following the disruption at sea ports on the US west coast.

- Such disruptions make it difficult to draw many firm conclusions about the underlying state of the regional freight market. That said, it remains the case that the fundamental demand drivers for the global air freight industry remain subdued, pointing to challenging conditions continuing for some time.

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		2015	Dec-15	Jan-16	Feb-16
Passenger					
Middle East	ASK	12.6	10.4	12.9	16.7
	PLF	76.7	76.8	77.7	73.3
Africa	ASK	1.4	8.1	7.1	11.9
	PLF	69.3	72.4	70.6	65.7
World	ASK	5.6	5.3	5.6	9.6
	PLF	80.2	78.9	78.9	77.8
Freight					
Middle East	AFTK	15.7	9.9	9.8	12.3
	FLF	42.9	42.9	39.6	41.0
Africa	AFTK	5.4	19.3	19.8	26.2
	FLF	29.9	28.4	22.2	25.0
World	AFTK	6.2	6.8	6.2	7.5
	FLF	44.2	43.8	41.5	41.0

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

- AME carriers have increased ASKs more quickly than the overall industry – esp. the ME carriers (+16.7%yoy). However, the regional PLFs both lag the industry rate.
- AME carrier FTKs have also easily outpaced industry growth over the past year. African carrier growth (26.2%yoy) exceeds the current regional FLF (25.0%) & is well below the 41% FLF of the industry & ME carriers.

Airline EBIT margins*

%revenues	2013	2014	2014Q4	2015Q4
Africa & Middle East	-0.8	1.3	3.7	9.7
Industry	4.1	5.2	6.3	9.7

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

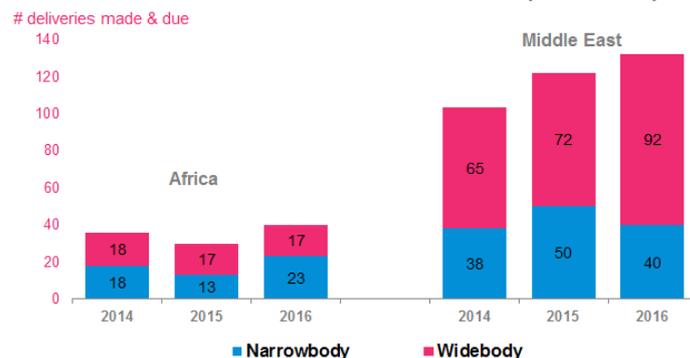
- At 9.7%, the latest Q4 EBIT margin of AME carriers is up a hefty 6pp on last year, bringing it into line with the overall industry outcome.
- Pax yields on key routes all remain negative in yoy terms, with most in double-digit decline. Yields have been affected by shifts in both oil prices & the US\$.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Dec-15	Jan-16	Feb-16
Middle East - Asia	-7.6	-6.7	-8.3	-10.1
Middle East - Europe	-10.9	-10.8	-10.2	-10.5
Africa - Europe	-17.0	-13.8	-12.8	-11.5
Middle East - Nth America	-10.7	-10.1	-7.0	-0.9
Middle East - Sth America	-17.5	-9.7	-15.8	-9.3
Africa - Middle East	-10.0	-11.7	-15.6	-16.7
Africa - Nth America	-20.6	-17.6	-13.8	-14.5
Within Middle East	-5.6	-5.7	-6.6	-4.3
Within Africa	-15.2	-16.4	-16.0	-19.6

Source: IATA PaxIS

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



Source: Ascend