



STATE OF THE REGION: AFRICA & MIDDLE EAST

APRIL 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
Saudi Arabia	1.7	-1.0	-0.4	-1.2
Nigeria	-1.6	0.8	1.4	--
Egypt	2.3	4.8	5.2	5.2
South Africa	0.6	0.8	1.1	1.8
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	4.8	4.2	--
Jordan	2.4	2.6	2.3	2.1
World*	2.5	2.9	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Jan-18	Feb-18	Mar-18
US\$ broad index	120.0	117.2	117.6	118.1
Saudi Arabian riyal (SAR)	3.74	3.74	3.74	3.75
Nigerian naira (NGN)	360.0	360.0	361.1	360.0
Egyptian pound (EGP)	17.8	17.7	17.7	17.7
Sth African rand (ZAR)	12.4	11.9	11.8	11.8
UAE dirham (AED)	3.66	3.67	3.67	3.68
Kenyan shilling (KES)	103.2	102.0	101.4	100.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

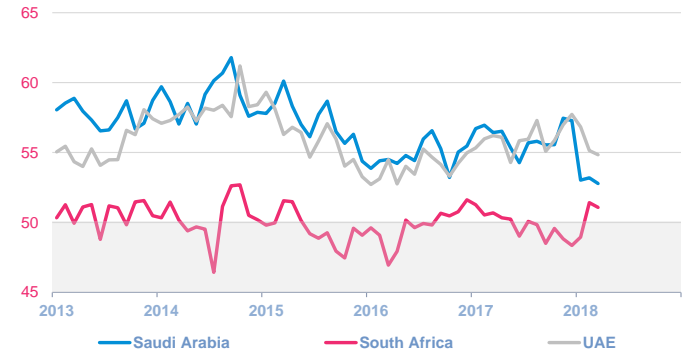
World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jan-18	Feb-18	Mar-18
Crude oil (Brent)	54.2	69.1	65.3	66.0
Jet fuel	65.6	82.0	77.7	78.0

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- ➔ Business confidence in South Africa consolidated the bulk of last month's strong gain, although economic conditions remain fragile. Business confidence dipped in both Saudi Arabia & the UAE this month, with suggestions that the recently introduced VAT has weighed upon both demand & business confidence.
- ➔ On a trade-weighted basis, the US\$ rose slightly again in Mar, up 0.4%. Amongst the main regional currencies, the NGN & KES rose 0.3% & 0.5%mom respectively vs the US\$, while the ZAR fell by 0.6%.
- ➔ Brent crude oil & jet fuel prices moved modestly higher in Mar, up around 1% & 0.5%mom, respectively. Prices stepped up in the latter part of the month & into April on OPEC production cuts & renewed geopolitical concerns.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
Middle East	6.4	3.6	0.6	3.7
Africa	6.4	4.1	2.8	2.1
World	7.6	6.5	4.5	7.6
Routes (segment basis)				
Middle East - Asia	7.3	3.5	3.5	5.8
Middle East - Europe	6.6	3.4	2.3	5.0
Africa - Europe	6.5	6.9	7.1	5.2
Middle East - Nth America	-1.4	-3.3	-6.1	2.3
Africa - Middle East	4.4	3.1	0.4	-3.9
Africa - Asia	4.1	7.3	4.5	13.5

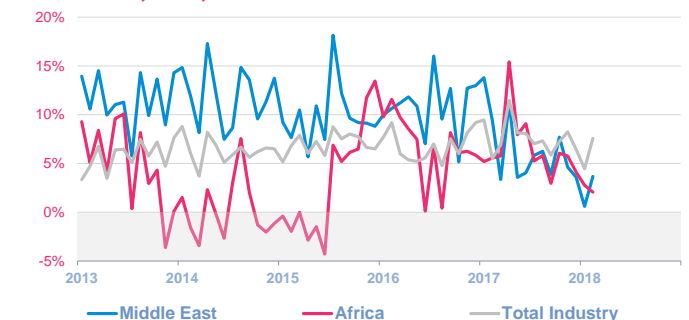
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ As expected, industry-wide RPKs rebounded strongly this month, following the Lunar New Year (LNY) disruption last month. Global RPKs are up 7.6%yoy in Feb, a full 3pp higher than the Jan outcome.
- ➔ At the regional level, yoy growth in pax volumes also recovered for the ME carriers this month, to 3.7% - in line with its Dec pace but only half the current rate of the industry as a whole.

- ➔ For the African carriers, RPK growth went against the global trend, slowing further, to 2.1%yoy; the only region where yoy growth slowed this month & the slowest pace for the region since mid-2016.
- ➔ Of the region's main international markets, RPKs are growing fastest for Africa-Asia, at a double-digit rate of 13.5%yoy. Pax volumes have fallen over the past year for the Africa-ME market (down 4%), while ME-NthAm returned to positive yoy growth for the 1st time in a year.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
Middle East	8.1	6.3	4.6	7.4
Africa	24.6	14.5	13.3	15.9
World	9.0	6.2	8.5	6.8
Routes (segment basis)				
Middle East - Asia	6.3	12.8	5.8	11.3
Middle East - Europe	11.0	-0.1	2.4	3.9
Africa - Europe	2.4	6.6	4.2	0.9
Middle East - Nth America	6.8	15.8	0.8	9.5
Africa - Middle East	1.2	-4.2	-9.2	-7.7
Africa - Asia	58.6	22.5	23.9	19.5

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

- ➔ Following a bring-forward in activity in Jan ahead of LNY, industry-wide FTK growth eased somewhat, to 6.8%yoy in Feb, from 8.5%. Taking Jan & Feb together, freight volumes are up 7.7%yoy, the fastest start to a year since 2015.
- ➔ Africa & the ME again went against the industry-wide trend, joining Latin America as the only regions where the yoy FTK growth rate picked up this month; to 7.4%

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Dec-17	Jan-18	Feb-18
Passenger					
Middle East	ASK	6.5	5.3	4.4	3.9
	PLF	74.6	76.0	76.5	74.0
Africa	ASK	3.0	2.5	2.4	0.2
	PLF	70.9	72.7	70.3	68.8
World	ASK	6.3	5.8	5.2	6.3
	PLF	81.5	80.9	79.6	80.4
Freight					
Middle East	AFTK	2.6	4.6	6.2	7.6
	FLF	44.9	44.3	41.2	44.2
Africa	AFTK	9.9	7.7	4.1	3.9
	FLF	25.6	31.7	25.0	28.5
World	AFTK	3.0	4.1	4.4	5.6
	FLF	45.4	46.6	43.4	44.4

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

- ➔ Over the past year, growth in industry-wide pax & freight capacity has lagged that of demand, with ASKs up 6.3% & AFTKs up 5.6%. The industry PLF moved back above 80% in Feb to 80.4% while the FLF also lifted, to 44.4%.
- ➔ Growth in pax capacity for the region's carriers lags that of the industry, as does the PLF, at 74% for the ME & 68.8% for the African carriers. The African FLF also lags the industry, substantially, at 28.5%, while that of the ME airlines is in line with the industry average, at 44.2%.

Airline operating (EBIT) margins*

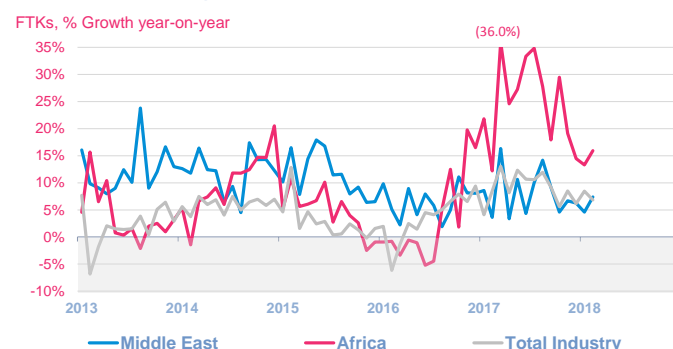
%revenues	2015	2016	2016Q4	2017Q4
Africa & Middle East	2.2	2.0	17.4	-3.1
Industry	8.5	8.8	8.8	8.7

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

for the ME carriers & 15.9% for Africa. For the 14th consecutive month, Africa remains the region with the strongest yoy FTK growth.

- ➔ Of the region's main international markets, freight volumes for the largest market, ME-Asia, returned to a double-digit pace of 11.3%yoy in Feb. The smaller Africa Asia market is also growing at a double-digit pace ~20%.
- ➔ FTK growth eased to just 0.6%yoy for the Africa-Europe market & are down almost 8%yoy for Africa-ME.

Growth in air freight volumes



Source: IATA Statistics

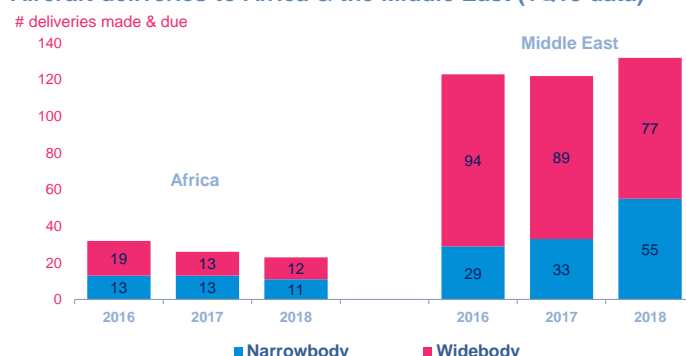
- ➔ The industry-wide financial performance is broadly on par with that of a year ago, with an EBIT margin of 8.6% currently. For the AME region, the margin is down sharply vs Q4 2016 but this largely reflects the potential volatility associated with a relatively small sample size.
- ➔ Passenger yields amongst the region's key markets are mixed. A number are showing a robust double-digit year-on-year increase, but for Middle East-Asia & Within ME markets, yields are lower than their level of a year ago.

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

%change on a yr ago	2016	Dec-17	Jan-18	Feb-18
Middle East - Asia	-10.7	0.5	1.3	-2.3
Middle East - Europe	-12.5	2.5	7.5	6.5
Africa - Europe	-8.9	2.2	6.6	10.3
Middle East - Nth America	-7.6	3.2	2.7	11.0
Middle East - Sth America	-13.7	26.0	8.4	15.5
Africa - Middle East	-13.0	8.4	14.2	12.3
Africa - Nth America	-6.9	3.6	2.1	6.9
Within Middle East	-4.6	-6.1	1.6	-1.5
Within Africa	-12.4	8.6	8.7	11.1

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

Aircraft deliveries to Africa & the Middle East (1Q18 data)



Source: Ascend