



# STATE OF THE REGION: AFRICA & MIDDLE EAST

AUGUST 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
Saudi Arabia	3.5	1.8	1.5	--
Nigeria	2.7	1.8	-0.4	--
South Africa	1.3	0.2	-0.6	--
UAE	3.9 <sup>†</sup>	--	--	--
Kenya	5.6 <sup>†</sup>	7.6	5.5	--
Jordan	2.7	3.1	2.7	--
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
<b>World*</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2015	May-16	Jun-16	Jul-16
US\$ broad index	122.4	120.8	121.2	121.9
Saudi Arabian riyal (SAR)	3.75	3.75	3.78	3.75
Nigerian naira (NGN)	199.0	199.0	282.7	318.3
Sth African rand (ZAR)	15.5	15.7	14.8	13.9
UAE dirham (AED)	3.67	3.67	3.70	3.67
Kenyan shilling (KES)	102.3	100.9	101.1	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	May-16	Jun-16	Jul-16
Crude oil (Brent)	52.4	46.7	48.3	45.0
Jet fuel	64.0	54.6	58.0	53.4

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
<b>Region (registration basis)</b>				
Middle East	10.1	12.2	11.4	7.3
Africa	3.1	8.6	7.5	3.2
World	6.5	4.8	4.8	5.2
<b>Routes (segment basis)</b>				
Middle East - Asia	6.9	6.5	5.9	0.7
Middle East - Europe	11.3	8.1	7.2	-0.1
Africa - Europe	-1.2	-0.2	-0.2	-7.2
Middle East - Nth America	26.7	22.6	16.9	20.3
Africa - Middle East	6.9	21.0	20.5	13.9
Africa - Asia	-1.2	7.8	5.5	9.5

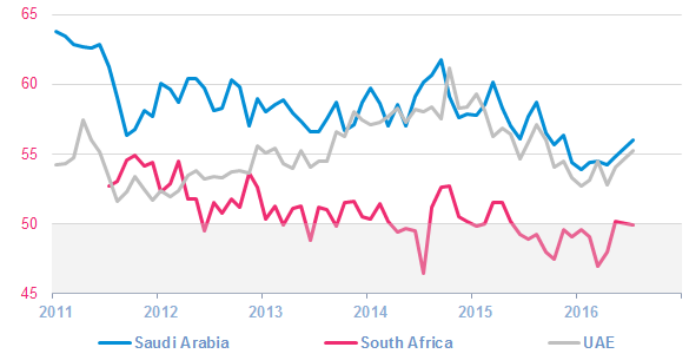
Source: IATA Statistics

- RPK growth for both the Middle East & African carriers eased in Jun, at odds with developments at the overall industry level. The impact of Ramadan is partly reflected in these data.
- For the ME, pax volumes are up 7.3% on their year-ago level, a robust pace & 2pp above the industry average, but also their slowest rate in more than 12 months. For Africa, growth slipped to a moderate 3.2% pace, now 2pp below the industry rate.

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

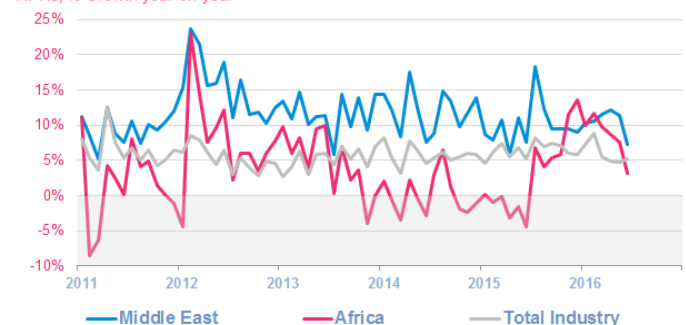
- Higher oil prices over the first part of the year have supported a recovery in business confidence in the ME. Confidence is more subdued in Sth Africa & a weak Q2 GDP outcome saw an edge back down this month.
- The (trade-weighted) US\$ ticked up a little again in Jul, gaining 0.6%. Amongst the main regional bilateral rates, the NGN was again the big mover, with the currency falling by a further 12% against the US\$ in Jul. The ZAR rose 6% in the month & is up ~10% vs the US\$ ytd.
- The world price of oil & jet fuel fell in Jul – the first month since Jan when oil prices reached a 12-year low. Prices fell 7-8% in the month on the back of rising inventories, to US\$45 & US\$53 for oil & jet respectively.

- In broad terms, on a segment basis, strong growth is evident across the smaller markets & weaker growth (or even contraction) is evident on the larger markets.

- The standout performer is still ME-NthAmerica where RPKs are up ~20%yoy. Africa-ME also deserves mention with 14% growth. In contrast, traffic from Af/ME to Europe is weak, with the recent terrorist acts likely weighing on demand. The largest ME-Asia market has only grown by 0.7% over the past year.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

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## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
<b>Region (registration basis)</b>				
Middle East	11.6	9.1	4.3	8.0
Africa	1.7	-0.6	-1.1	0.4
World	2.2	2.7	1.5	4.3
<b>Routes (segment basis)</b>				
Middle East - Asia	9.8	7.8	3.3	3.8
Middle East - Europe	8.2	7.8	2.7	0.8
Africa - Europe	0.4	-4.7	-11.7	-9.0
Middle East - Nth America	29.5	21.4	20.1	44.1
Africa - Middle East	11.3	15.5	4.6	3.5
Africa - Asia	1.3	18.0	18.5	21.8

Source: IATA Statistics

- Industry-wide air freight growth accelerated in Jun to 4.3%yoy – its fastest pace in more than a year. For African carriers, FTKs returned to a positive growth rate in Jun, now 0.4% higher than a year ago. Growth bounced back in the ME also, following a soft month, with FTKs now up a robust 8.0%yoy.
- Despite this pick-up in growth, the outlook for air freight continues to face the now familiar headwinds including ongoing sluggish economic growth & heightened risks in

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2015	Apr-16	May-16	Jun-16
<b>Passenger</b>				
Middle East ASK	12.6	14.6	15.6	14.4
PLF	76.7	75.8	72.1	70.3
Africa ASK	1.4	9.5	9.3	5.9
PLF	69.3	67.7	65.0	65.0
World ASK	5.6	5.1	5.6	5.6
PLF	80.2	79.2	78.8	80.7
<b>Freight</b>				
Middle East AFTK	15.7	12.2	9.5	8.7
FLF	42.9	41.9	41.3	42.7
Africa AFTK	5.4	23.6	22.6	19.9
FLF	29.9	25.2	25.1	25.6
World AFTK	6.3	5.7	4.5	4.9
FLF	44.1	43.6	42.4	43.1

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

- Double-digit ASK growth (14.4%yoy) for the ME carriers well-outpaces that of the African carriers (5.9%) & the industry average (5.6%). The region PLFs are both below the industry figure which ticked above 80% in Jun.
- AFTK growth for Af/ME carriers also both exceed the industry average of 4.9%. The 20% freight capacity growth for African carriers contributes to a current FLF of just 25%, compared to the industry-wide 43.1%.

### Airline EBIT margins\*

%revenues	2014	2015	2015Q1	2016Q1
Africa & Middle East	0.5	1.6	5.1	8.7
Industry	4.7	8.3	5.8	8.0

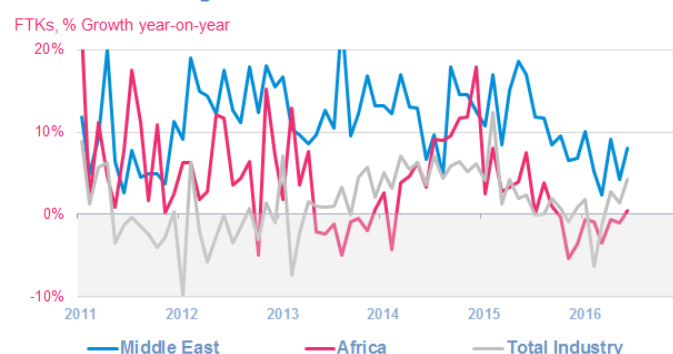
Source: Airline Analyst \* constant sample basis, not seasonally adjusted

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the aftermath of the Brexit vote, as well as broader weakness in world trade.

- On a segment basis, ME-NthAM FTKs surged to 44%yoy in Jun, with solid, if unspectacular, growth of 3.8%yoy on the major ME-Asia market.
- For African carriers, the sizeable 9.0% decline in FTKs on routes to/from the largest market (Europe) continues to exert a drag on the overall freight performance.

### Growth in air freight volumes



Source: IATA Statistics

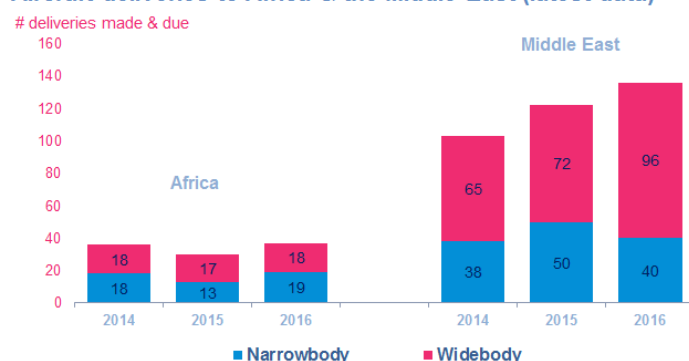
- The latest Q1 data show an operating margin of 8.7% for Af/ME carriers, a solid gain on the level of a year ago & slightly above the overall industry rate (8.0%).
- Passenger yields on all key routes remain well down on a year ago, many in, or close to, double-digit decline, despite the recent reversal of trends in both oil/jet fuel prices & the US\$.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Apr-16	May-16	Jun-16
Middle East - Asia	-7.6	-11.6	-12.0	-12.6
Middle East - Europe	-10.9	-10.4	-8.4	-13.4
Africa - Europe	-17.0	-5.7	-5.5	-6.3
Middle East - Nth America	-10.7	-7.6	-9.8	-9.6
Middle East - Sth America	-17.5	-7.9	-12.8	-15.2
Africa - Middle East	-10.0	-13.1	-13.2	-14.3
Africa - Nth America	-20.6	-8.2	-10.2	-9.0
Within Middle East	-5.6	-6.6	-5.0	-6.1
Within Africa	-15.2	-14.0	-11.7	-12.8

Source: IATA PaxIS

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



Source: Ascend

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