



STATE OF THE REGION: AFRICA & MIDDLE EAST

AUGUST 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
Saudi Arabia	1.7	2.2	-0.5	--
Nigeria	-1.6	-1.6	-0.6	--
Egypt	2.3	3.5	4.1	--
South Africa	0.5	0.5	0.8	--
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	4.9	5.3	--
Jordan	2.4	2.5	2.6	--
World*	2.3	2.6	2.6	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	May-17	Jun-17	Jul-17
US\$ broad index	127.7	123.8	122.3	120.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	315.0	326.1	314.7	315.2
Egyptian pound (EGP)	18.1	18.1	18.1	17.9
Sth African rand (ZAR)	13.7	13.1	13.1	13.2
UAE dirham (AED)	3.67	3.67	3.68	3.67
Kenyan shilling (KES)	102.4	103.2	103.7	104.0
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	May-17	Jun-17	Jul-17
Crude oil (Brent)	52.4	50.3	46.4	48.5
Jet fuel	64.0	59.3	54.4	59.5

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

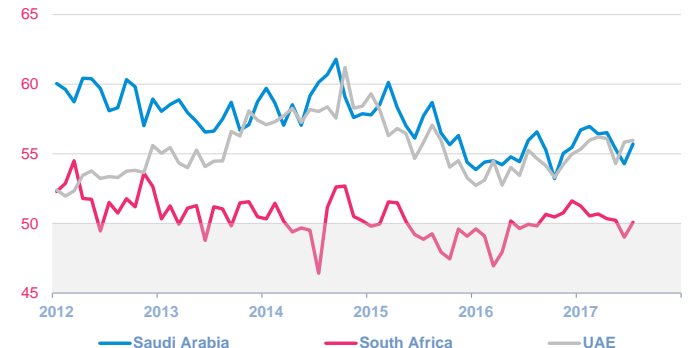
%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
Middle East	11.2	10.8	2.9	2.1
Africa	6.5	15.4	7.7	9.2
World	6.4	11.0	7.7	7.8
Routes (segment basis)				
Middle East - Asia	9.0	10.0	6.0	4.6
Middle East - Europe	9.9	13.2	1.1	7.0
Africa - Europe	1.8	14.5	3.5	8.0
Middle East - Nth America	19.3	-1.2	-6.4	-6.8
Africa - Middle East	18.0	16.6	4.9	0.4
Africa - Asia	6.8	4.7	8.1	4.8

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

- At the industry-wide level, RPKs grew by a brisk 7.8%yoy in June & by a similar rate (7.9%) in 1H17 as a whole – the fastest first half in 12 years (since 2005).
- At the regional level, the performance remains mixed. RPK growth slowed further for the Middle East carriers, with pax volumes now up just 2.1% on their level of a year ago. In Africa, the growth rate lifted to 9.2%, sitting solidly above the industry-wide pace.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



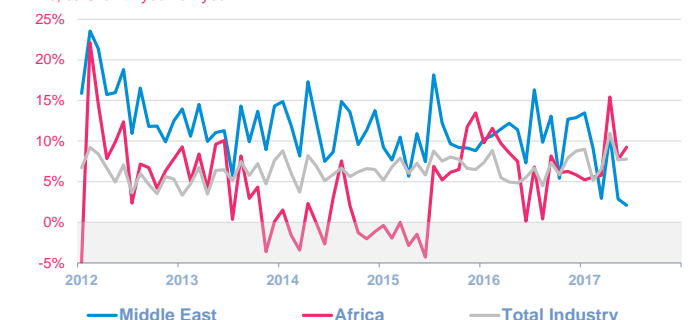
Source: Markit

- Business confidence lifted this month across each of the three key markets we follow. However the sizeable divergence in the level of sentiment in South Africa vs the Middle East remains clear.
- The US\$ repeated last month's performance, ending July 1.3% lower on a trade-weighted basis. Of the main regional currencies, the EGP rose by a moderate 1.2% against the US\$ but the ZAR slipped back, down 0.8%.
- Brent crude oil & jet fuel prices both rose in July, the former up 4.5% to US\$48.50/bbl, & the latter up a hefty 9.4%, returning to almost US\$60/bbl. The global oil market continues to be strongly influenced by supply-side considerations.

- Of the main international markets for the region, Europe is the standout for both African & ME airlines, where RPKs are up 8% & 7%yoy, respectively. The Asian market is also performing solidly, with pax volumes up ~4½%yoy for both Africa & ME carriers.
- The weakest of the key markets continues to be ME-NthAmerica, where RPK growth has fallen for the 4th consecutive month. Passenger volumes are now down a sizeable 6.8% on their level of a year ago, impacted by a combination of factors incl. the recently-lifted PED ban.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
Middle East	6.9	3.1	10.4	3.7
Africa	3.4	24.6	27.2	31.6
World	3.9	8.6	12.7	11.0
Routes (segment basis)				
Middle East - Asia	3.7	1.4	10.1	2.3
Middle East - Europe	7.1	9.3	14.5	13.5
Africa - Europe	-5.5	-1.7	6.0	4.2
Middle East - Nth America	17.0	2.5	8.0	-10.6
Africa - Middle East	1.8	-13.6	-0.6	-1.7
Africa - Asia	30.1	66.5	72.9	79.7

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

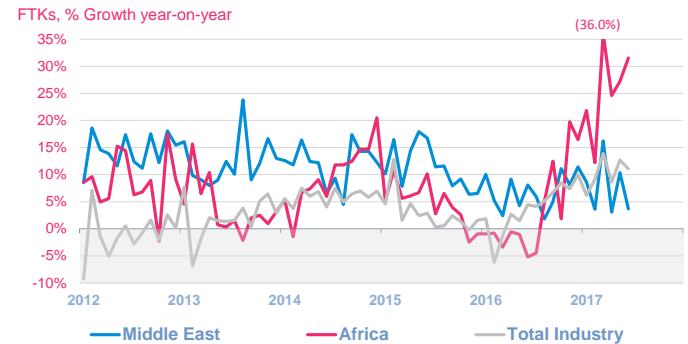
→ Global FTK growth slowed a little in June, but maintained its double-digit pace, up 11.0%yoy. For 1H17 overall, FTKs grew by 10.4%yoy – the strongest 1st half-year since the rebound from the financial crisis in 2010.

→ Again, developments at the regional level were mixed. FTK growth for the ME carriers slowed, returning to a more modest 3.7%yoy pace, but growth lifted further for

the African airlines, to 32%yoy – almost 3x the overall industry rate of growth.

→ Across the main international routes for the region, FTK growth for ME-Europe is strong at 13.5%yoy, but ME-Nth America is down by 10.6%. Although much smaller, the performance on the Africa-Asia market cannot go unremarked, where FTKs are up a massive 80%yoy.

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		2016	Apr-17	May-17	Jun-17
Passenger					
Middle East	ASK	13.5	9.1	5.7	3.3
	PLF	74.7	76.3	69.5	68.8
Africa	ASK	6.4	5.6	4.5	6.6
	PLF	68.6	73.2	66.6	64.8
World	ASK	6.4	7.2	6.2	6.5
	PLF	80.5	82.1	80.0	81.9
Freight					
Middle East	AFTK	8.4	0.8	1.7	2.2
	FLF	42.8	43.7	45.7	44.4
Africa	AFTK	25.0	17.0	14.9	7.6
	FLF	22.2	23.5	26.0	26.5
World	AFTK	5.4	3.7	4.8	5.2
	FLF	43.0	45.1	45.3	45.0

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

→ Middle East airlines have increased both pax & freight capacity only modestly over the past year (up 3% & 2%yoy respectively), around half the industry rate. At 6.6%, African airlines have increased ASKs in line with the industry average while AFTKs have grown at a moderately faster pace (7.6% vs 5.2%).

→ With the exception of the ME carrier FLF, the load factor performance of the region's carriers lags the industry average by a considerable margin.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q1	2017Q1
Africa & Middle East	2.2	2.0	-4.1	-10.8
Industry	8.5	8.8	8.7	4.5

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

→ The latest Q1 data (Q2 data were not available at the regional level) confirm the softer EBIT margins vs a year previous. Industry-wide, the margin is now 4.5% (from 8.7%) & for AME carriers is now -10.8% (from -4.1%).

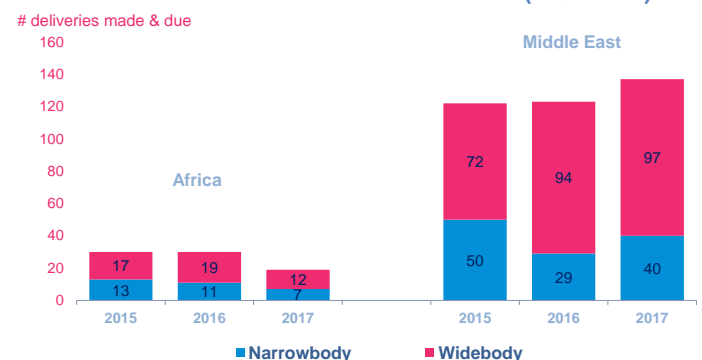
→ Global pax yields are currently around their level of a year ago. At the regional level, yoy yields have shown a general narrowing & have now risen modestly in a number of markets; Africa-Nth America being the best performer currently, with pax yields up 5.4%.

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

%change on a yr ago	2016	Apr-17	May-17	Jun-17
Middle East - Asia	-10.5	-4.3	0.8	1.4
Middle East - Europe	-12.0	-6.1	-1.5	-0.3
Africa - Europe	-8.4	-10.5	-5.7	-2.5
Middle East - Nth America	-7.2	-1.5	5.4	1.3
Middle East - Sth America	-13.2	-2.7	1.1	2.7
Africa - Middle East	-13.7	-9.1	-5.9	-1.8
Africa - Nth America	-7.1	1.8	2.8	5.4
Within Middle East	-4.8	-1.0	-1.0	-3.2
Within Africa	-12.1	-1.8	-1.0	2.1

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

Aircraft deliveries to Africa & the Middle East (2Q17 data)



Source: Ascend