



# STATE OF THE REGION: AFRICA & MIDDLE EAST

AUGUST 2018

## Economy

### GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
Saudi Arabia	-0.9	-1.2	1.2	--
Nigeria	0.8	2.1	2.0	1.5
Egypt	4.2	4.8	5.3	--
South Africa	1.2	1.8	1.4	--
UAE	0.5 <sup>†</sup>	--	--	--
Kenya	4.8 <sup>†</sup>	5.2	5.9	--
Jordan	2.4	2.1	2.2	--
<b>World*</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	May-18	Jun-18	Jul-18
US\$ broad index	120.0	121.5	123.4	124.1
Saudi Arabian riyal (SAR)	3.74	3.75	3.76	3.75
Nigerian naira (NGN)	360.0	360.8	361.4	361.9
Egyptian pound (EGP)	17.8	17.9	17.9	17.9
Sth African rand (ZAR)	12.4	12.7	13.8	13.1
UAE dirham (AED)	3.66	3.67	3.68	3.68
Kenyan shilling (KES)	103.2	101.4	100.9	100.4
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	May-18	Jun-18	Jul-18
Crude oil (Brent)	54.2	77.0	74.4	74.3
Jet fuel	65.6	90.5	87.8	88.1

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

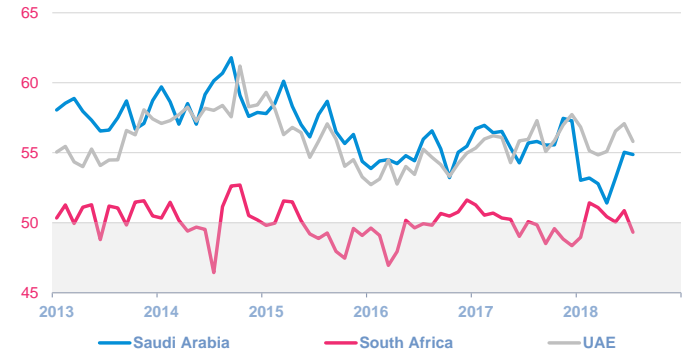
%change on a yr ago	2017	Apr-18	May-18	Jun-18
<b>Region (registration basis)</b>				
Middle East	6.4	2.6	0.1	10.3
Africa	6.4	1.4	-2.2	6.3
World	7.6	6.0	6.0	7.8
<b>Routes (segment basis)</b>				
Middle East - Asia	7.3	4.4	-0.8	8.1
Middle East - Europe	6.6	2.8	0.6	11.7
Africa - Europe	6.5	2.2	3.6	12.7
Middle East - Nth America	-1.4	2.2	0.1	7.9
Africa - Middle East	4.4	-3.6	-1.6	11.8
Africa - Asia	4.1	12.6	4.7	7.4

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

- Industry-wide RPKs stepped up to a brisk 7.8% year-on-year pace in June, from an even 6.0% in both April and May. The first 6mths of the year produced RPK growth of 7.0% – a robust, above-trend performance, but down somewhat on the 8.3% pace of the same period in 2017.
- At the regional level, growth in pax volumes bounced back strongly in June, to 10.3%yoy for the ME carriers and 6.3% for the African carriers, following a short-lived decline in yoy growth last month.

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

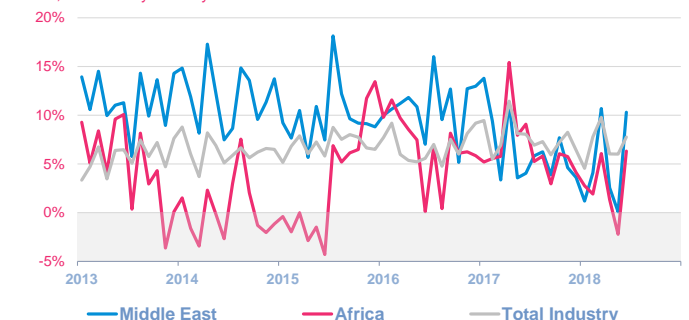


- Business confidence consolidated last month's surge in Saudi Arabia, but eased in both the UAE & Sth Africa. The latter has returned to the region typically associated with falling private sector output, as higher input cost pressures align with softening domestic demand.
- On a trade-weighted basis, the US\$ rose by a modest 0.5% in June, its 6th consecutive monthly increase. The ZAR recovered some of last month's decline, rising 4.7% in the month vs the US\$, but is still 6% lower since the start of the year. Other FX movements were muted.
- Brent crude oil & jet fuel prices were largely unchanged across July, consolidating their moderate June decline. Oil & jet fuel prices are ~50% higher than a year ago.

- Part of the volatility being observed recently is a reflection of developments from 2017 along with the different timing of events like Ramadan, rather than fundamental changes in the recent industry trends.
- The improved RPK growth performance this month is broad-based across the region's key markets; three are currently showing double-digit annual growth in passenger volumes, namely ME-Europe, Africa-Europe & Africa-ME. The largest market (ME-Asia) is showing robust RPK growth of 8.1% vs a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Apr-18	May-18	Jun-18
<b>Region (registration basis)</b>				
Middle East	8.0	6.9	2.7	3.8
Africa	24.6	6.4	-0.2	-8.5
World	9.1	4.5	3.8	2.7
<b>Routes (segment basis)</b>				
Middle East - Asia	6.3	6.3	2.8	4.8
Middle East - Europe	11.0	9.9	4.1	5.5
Africa - Europe	2.4	-0.6	-4.8	-2.9
Middle East - Nth America	6.8	-9.8	-11.5	-8.6
Africa - Middle East	1.2	1.8	-3.9	-2.8
Africa - Asia	58.6	4.1	-0.7	-14.6

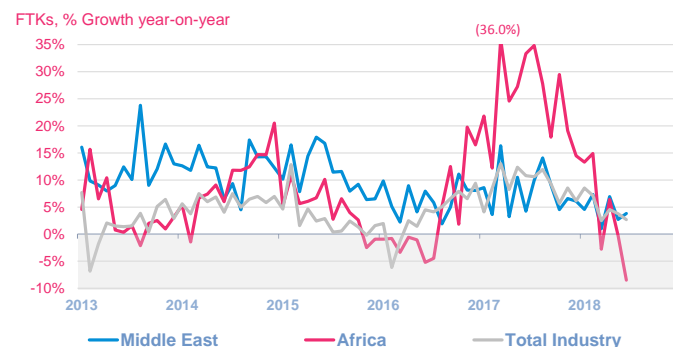
Source: IATA Statistics Note: historical data may be subject to revision

- Annual growth in industry-wide FTKs slowed further in June, to 2.7% from 3.8% in May, and are only around half the 5yr-year average rate. The loss of momentum in air freight demand is consistent with the broad moderation in export orders since the start of the year.
- At the regional level, the performance was mixed this month. FTK growth moved higher for the ME carriers (to

a moderate 3.8%yoy), but fell away further for the African airlines, with FTKs now down a hefty 8.5%yoy.

- A clear downward trend in FTKs is in place for Africa, unwinding the strong performance of last year and reflecting widespread softness across key markets. Performance is more positive for ME markets, with the exception of Nth America where FTK volumes are still 8.6% lower than their level of a year ago.

### 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	2017	Apr-18	May-18	Jun-18
<b>Passenger</b>				
Middle East ASK	6.5	2.8	3.2	7.5
Middle East PLF	74.6	76.2	67.3	71.1
Africa ASK	3.0	1.5	-1.9	1.8
Africa PLF	70.9	73.1	66.6	68.0
World ASK	6.3	6.0	5.9	6.5
World PLF	81.5	82.2	80.0	82.8
<b>Freight</b>				
Middle East AFTK	2.6	4.6	3.4	4.5
Middle East FLF	44.9	44.3	45.0	43.7
Africa AFTK	9.9	-0.2	-2.6	-1.4
Africa FLF	25.6	26.5	26.7	24.9
World AFTK	3.6	4.7	5.0	4.1
World FLF	45.2	45.2	44.9	44.3

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

- The industry-wide passenger load factor (PLF) is 1pp higher than its year ago level, at 82.8%. However, the freight load factor (FLF) has eased moderately, down 0.6pp vs a year ago, to 44.3% currently.
- At 68% & 71% for the African & ME airlines respectively, the region's PLFs sit well below the industry average figure. On the freight side, the African FLF outcome also lags at just 25%, but the latest result for the ME airlines is broadly in line with the industry outcome, at 43.7%.

### Airline operating (EBIT) margins\*

%revenues	2016	2017	2017Q2	2018Q2
Africa & Middle East	1.9	3.1	4.5	10.5
Industry	8.5	7.5	11.6	9.2

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

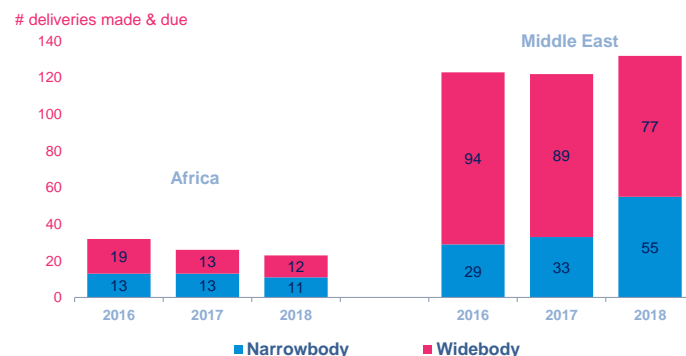
- The latest financial data for Q2 show a modest easing in the industry EBIT margin outcome compared with that of a year ago; 9.2% currently vs 11.6% in 2Q17. In contrast, the region's carriers are showing a sharp improvement, to 10.5% currently, from 4.5% a year ago.
- Passenger yield developments for the region's key markets over the past year are generally sound, with the exception of ME-Asia (down 4%yoy). ME-Nth America & Africa-Europe are currently the strongest performers.

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

%change on a yr ago	2017	Apr-18	May-18	Jun-18
Middle East - Asia	-3.5	-5.0	-6.9	-4.0
Middle East - Europe	-2.7	5.5	-1.6	2.9
Africa - Europe	-5.0	13.8	7.7	8.5
Middle East - Nth America	-2.5	18.5	3.3	10.4
Middle East - Sth America	4.8	5.3	8.3	3.7
Africa - Middle East	-5.8	5.2	4.2	0.0
Africa - Nth America	2.2	1.0	-1.5	0.3
Within Middle East	-6.0	0.2	0.1	4.4
Within Africa	1.5	14.7	10.5	5.5

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

### Aircraft deliveries to Africa & the Middle East



Source: Ascend