STATE OF THE REGION: AFRICA & MIDDLE EAST

DEC. 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
Saudi Arabia	3.5	1.5	1.4	--
Nigeria	2.7	-0.4	-2.2	-2.3
Egypt	2.8	4.2	4.5	--
South Africa	1.2	-0.7	1.0	1.1
UAE	4.0	--	--	--
Kenya	6.3	7.2	6.7	--
Jordan	2.7	2.7	2.3	--
World*	**2.3**	**2.2**	**2.1**	**2.2**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US$	2015	Sep-16	Oct-16	Nov-16
US$ broad index	122.4	121.8	122.9	125.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	199.0	304.5	310.1	314.6
Egyptian pound (EGP)	7.8	8.9	8.9	17.9
Sth African rand (ZAR)	15.5	13.7	13.5	14.1
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	102.3	101.1	101.5	101.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

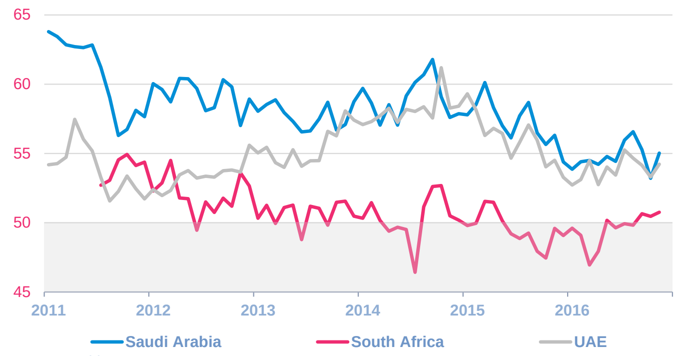
Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2015	Sep-16	Oct-16	Nov-16
Crude oil (Brent)	52.4	46.6	49.5	44.7
Jet fuel	64.0	55.4	61.2	57.0

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs



Source: Markit

- Modest gains were observed in the region's main business confidence indicators this month. Elsewhere, the IMF approved a 3-year, $12 billion loan to support the Egyptian government's economic reform plan.
- The US$ surged in Nov, rising a sizeable 2.4% on a trade-weighted basis. Amongst the key regional currencies, the EGP halved in value as the authorities adopted a floating exchange rate. The ZAR was the other main mover, down 4.5% in the month vs the US$.
- Oil prices were unsettled in Nov ahead of the OPEC meeting, ending the mth down ~US$5/bbl. The fall was short-lived, however; prices swiftly moved back above US$50 following the OPEC agreement on production.

Market

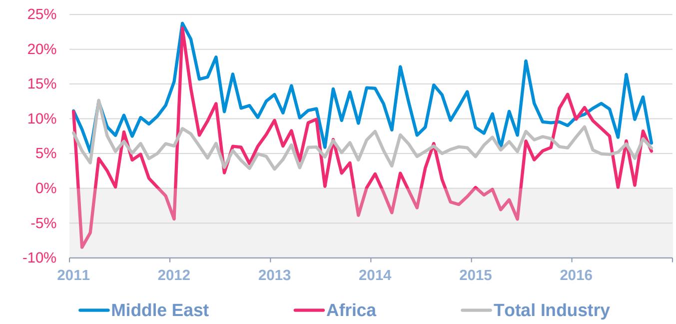
Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
Middle East	10.1	9.9	13.1	6.5
Africa	3.1	0.4	8.2	5.3
World	6.5	4.3	7.1	5.8
Routes (segment basis)				
Middle East - Asia	6.9	3.8	5.8	-0.8
Middle East - Europe	11.3	5.0	9.2	3.9
Africa - Europe	-1.1	-1.9	2.8	1.9
Middle East - Nth America	26.7	20.5	24.5	14.1
Africa - Middle East	6.9	18.0	24.6	14.4
Africa - Asia	-1.2	4.5	6.9	9.3

Source: IATA Statistics

- Annual growth in industry-wide RPKs eased back to 5.8%yoy in October, from above 7% in Sep. Regional outcomes followed a similar trend this month.
- For Middle East carriers, the pace of growth halved, slipping back to 6.5%yoy, its slowest rate in 18 months. Pax volume growth also slowed in Africa, albeit more moderately, down 3pp to 5.3%yoy.
- At the segment level, yoy RPK growth eased across all of the main Af/ME markets, with the exception of Africa-Asia, where growth improved to a very robust 9.3%yoy.
- For the key Middle East-Asia market, RPKs have contracted – albeit slightly – over the past year, down 0.8%. This 6½pp turnaround in growth from Sep weighed upon the Middle East aggregate.
- In contrast, the smaller markets between the Middle East & both Nth America & Africa continue to show double digit growth, currently a little above 14%yoy.

Growth in air passenger volumes



Source: IATA Statistics

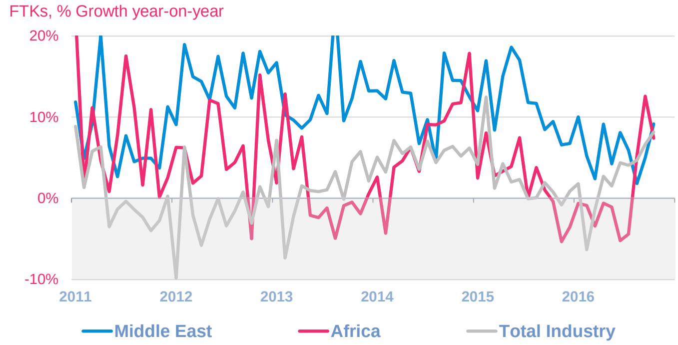
Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
Middle East	11.6	1.8	5.0	9.2
Africa	1.7	5.2	12.6	7.4
World	2.2	4.7	6.6	8.2
Routes (segment basis)				
Middle East - Asia	9.8	-3.6	2.1	9.5
Middle East - Europe	8.2	3.8	4.6	16.1
Africa - Europe	0.4	-5.6	-4.4	-5.4
Middle East - Nth America	29.5	8.6	19.0	16.2
Africa - Middle East	11.3	-4.3	-5.9	0.3
Africa - Asia	1.3	34.1	40.9	39.9

Source: IATA Statistics

- Global FTK growth moved higher in Oct, building on last month's gain, & is now up 8.2% on a year ago; the strongest rate in more than 18mths.
- However, at the regional level, outcomes were mixed. For the ME carriers, freight volumes lifted to 9.2%yoy but for African carriers, growth eased from a double-digit pace to a (still very healthy) 7.4% rate.
- FTKs for ME-Europe surged in Oct, now up 16%yoy & on par with the ME-Nth America growth rate. The sizeable ME-Asia market also stepped up sharply, continuing its recent trend (growth) recovery.
- For Africa, the key Europe market remains soft, with FTKs having contracted by 5.4%yoy. The much smaller Africa-Asia market continues to grow at ~40%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		2015	Aug-16	Sep-16	Oct-16
Passenger					
Middle East	ASK	12.6	13.5	14.0	10.0
	PLF	*76.7*	*81.1*	*75.1*	*70.0*
Africa	ASK	1.4	2.6	7.3	3.9
	PLF	*69.3*	*75.1*	*73.2*	*70.1*
World	ASK	5.6	5.6	6.6	6.3
	PLF	*80.2*	*83.7*	*81.2*	*80.1*
Freight					
Middle East	AFTK	14.3	6.7	6.4	4.2
	FLF	*43.5*	*38.9*	*42.5*	*46.2*
Africa	AFTK	4.8	30.3	34.3	24.7
	FLF	*30.1*	*22.0*	*24.1*	*27.0*
World	AFTK	7.0	4.6	4.4	3.6
	FLF	*43.8*	*40.6*	*43.7*	*46.2*

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

- Industry-wide ASKs are up a hefty 6.3%yoy, straddled by the region's performance; ME carrier ASKs are up 10%yoy but Africa is up a more subdued 3.9%. Pax loads are near identical for the region, at ~70%, a full 10pp below the global average.
- For freight, the region's AFTK growth outpaces the industry figure, at 4.2%yoy (ME) & 24.7% (Africa) vs 3.6% (global). The ME carrier FLF is in line with the industry average at 46.2%, both well ahead of the 27.0% figure for the African carriers.

Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q3	2016Q3
Africa & Middle East	0.5	1.6	12.2	14.0
Industry	4.7	8.3	16.1	15.9

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

- The latest Q3 financials show an operating margin of 14% for the region's airlines – an improvement on a year ago, but still somewhat below the industry-wide 15.9%.
- Passenger yields across all of the key markets for Africa & ME carriers remain lower than a year ago, notwithstanding rising input costs over 2016.

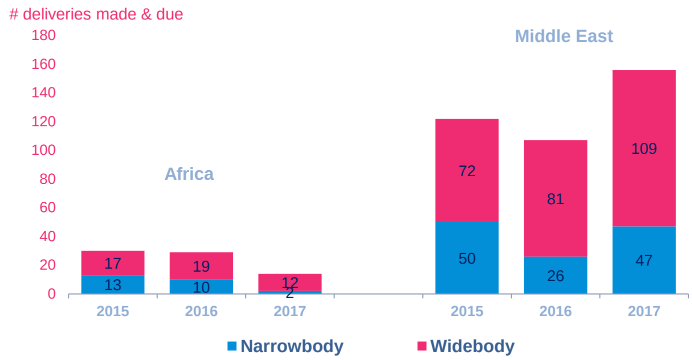
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Middle East - Asia	-7.6	-10.5	-8.5	-11.7
Middle East - Europe	-10.9	-15.4	-13.9	-13.4
Africa - Europe	-17.0	-7.1	-7.3	-10.4
Middle East - Nth America	-10.7	-7.9	-4.7	-7.6
Middle East - Sth America	-17.5	-8.0	-13.2	-21.8
Africa - Middle East	-10.0	-12.4	-11.7	-13.4
Africa - Nth America	-20.6	-6.0	-4.9	-2.2
Within Middle East	-5.6	-5.0	-5.5	-4.8
Within Africa	-15.2	-9.7	-9.9	-11.5

Source: IATA PaxIS

- The current aircraft delivery schedule points to a strong rebound in ME deliveries in 2017, but fewer deliveries for Africa next year.

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



Source: Ascend

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