



STATE OF THE REGION: AFRICA & MIDDLE EAST DECEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
Saudi Arabia	1.7	-0.5	-1.0	--
Nigeria	-1.6	-1.0	0.8	1.4
Egypt	2.3	4.3	4.8	--
South Africa	0.5	0.8	0.6	1.0
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	5.1	4.9	--
Jordan	2.4	2.6	2.6	--
World*	2.3	2.6	2.8	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Sep-17	Oct-17	Nov-17
US\$ broad index	127.7	117.9	120.0	120.3
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	315.0	358.5	360.0	359.5
Egyptian pound (EGP)	18.1	17.7	17.6	17.7
Sth African rand (ZAR)	13.7	13.5	14.1	13.7
UAE dirham (AED)	3.67	3.68	3.67	3.67
Kenyan shilling (KES)	102.4	103.2	103.8	103.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Sep-17	Oct-17	Nov-17
Crude oil (Brent)	52.4	56.2	57.5	62.7
Jet fuel	64.0	75.6	69.7	73.9

Source: Platts, EIA Monthly average data

Market

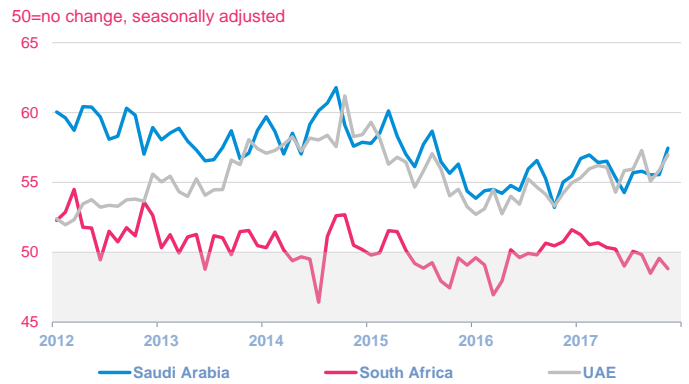
Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Middle East	10.9	6.3	3.9	6.8
Africa	6.5	5.8	2.8	5.7
World	6.7	7.3	6.0	7.2
Routes (segment basis)				
Middle East - Asia	9.3	8.3	4.9	9.2
Middle East - Europe	9.9	8.5	6.4	6.5
Africa - Europe	1.8	6.6	6.5	6.5
Middle East - Nth America	19.3	-3.8	-6.3	-1.1
Africa - Middle East	18.0	3.4	-1.3	1.7
Africa - Asia	6.8	2.4	3.2	4.7

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Oct, rebounding, as expected, from the hurricane-disrupted outcome in Sep. Overall, 2017 remains on track to be another year of above-trend passenger growth.
- At the regional level, RPK growth also accelerated in Oct, doubling to 5.7%yoy for the African carriers & rising to a robust 6.8% for ME airlines. For the ME, despite this month's improvement, the upward trend in (seasonally-

Business confidence - economy-wide PMIs

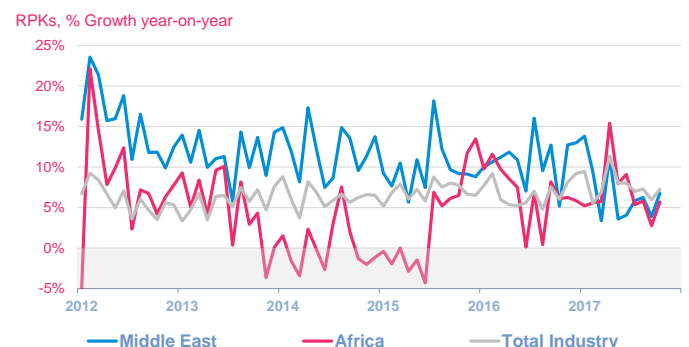


- Business confidence in the Middle East received a boost from higher oil prices this month, while the downward trend in business sentiment in South Africa over the course of 2017 was maintained.
- On a trade-weighted basis, the US\$ gained a modest 0.2% in Nov. Regional currency movements were generally muted, with the KES up 0.7% vs the US\$ & the ZAR recovering much of the ground lost last month.
- Brent crude oil prices averaged \$62.70/bbl in Nov, up 5% for the month & reaching a 17-month high along the way. Jet fuel prices rose by around 4%, to \$74. The agreement between OPEC members & Russia to extend production cuts supported prices this month.

adjusted) RPKs has slowed over recent months.

- RPKs for the ME-Asia market are the standout, up 9.2%yoy currently. But for ME-NthAm, yoy RPK growth fell for the 7th month in a row; it remains one of the few key international markets not to have grown in annual terms over the year to date.
- Robust performances in the Europe & Asia markets – where RPKs are up 6.5% & 4.7%yoy respectively – have bolstered the aggregate regional outcomes for the African carriers.

Growth in air passenger volumes



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Middle East	6.8	14.2	9.2	4.6
Africa	3.4	27.8	17.9	30.3
World	3.6	11.8	9.2	5.9
Routes (segment basis)				
Middle East - Asia	3.7	14.3	10.7	3.0
Middle East - Europe	7.1	20.1	13.9	8.8
Africa - Europe	-5.5	3.5	1.3	3.6
Middle East - Nth America	17.0	19.6	10.3	12.2
Africa - Middle East	1.8	7.9	5.9	5.6
Africa - Asia	30.1	66.0	63.8	63.3

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

- Global FTK growth eased further in Oct, to 5.9%yoy, but remains well above its five & ten year average rates. Indeed, freight volumes look set to record their strongest year of growth since the post-GFC rebound in 2010.
- At the regional level, Oct saw a further moderation in the annual FTK growth rate for the ME airlines, to 4.6%yoy. For the African carriers, however, the growth rate lifted (the only region to do so), to 30%yoy this month.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2016	Aug-17	Sep-17	Oct-17
Passenger				
Middle East ASK	13.4	6.2	4.2	5.4
Middle East PLF	74.7	81.0	74.5	69.4
Africa ASK	6.4	2.9	0.0	2.2
Africa PLF	68.6	75.7	74.0	71.9
World ASK	6.7	6.4	5.4	6.2
World PLF	80.5	84.6	81.7	80.8
Freight				
Middle East AFTK	8.6	2.9	2.5	3.4
Middle East FLF	42.7	43.7	44.9	47.2
Africa AFTK	23.3	5.6	3.3	9.2
Africa FLF	22.2	22.5	24.1	26.8
World AFTK	5.4	4.4	4.3	3.7
World FLF	42.9	43.2	45.4	46.9

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

- Both the ME & African carriers have increased pax capacity more slowly than the overall industry in the past year. The Oct PLFs, however, remain well below the industry figure.
- The story is more mixed for freight, where the ME carriers have also increased AFTKs by less than the industry overall, but the African carriers are currently showing a strong 9.2%yoy increase. The ME FLF for Oct lifted substantially & is now above the industry outcome,

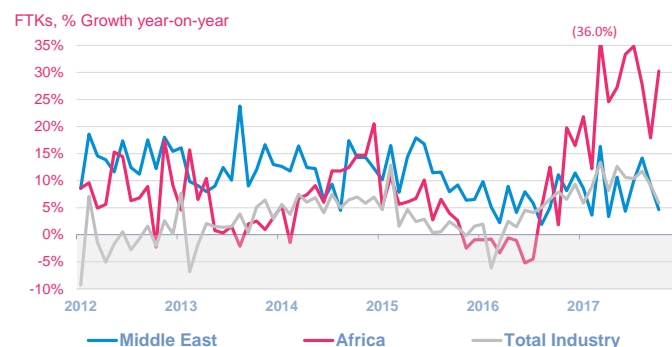
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q3	2017Q3
Africa & Middle East	2.2	2.0	15.0	15.0
Industry	8.5	8.8	15.9	15.7

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

- For the region's major international routes, FTK growth eased on the two largest markets of ME-Asia (to 3.0%) and ME-Europe (to a still strong 8.8%yoy). Double-digit growth was maintained for freight volumes between the ME & NthAmerica.
- Modest growth on the main African markets of Europe (3.6%yoy) & the ME (5.6%yoy) is overshadowed by the 60+% growth on the (smaller) market to/from Asia.

Growth in air freight volumes



Source: IATA Statistics

but the African carriers continue to lag by some margin.

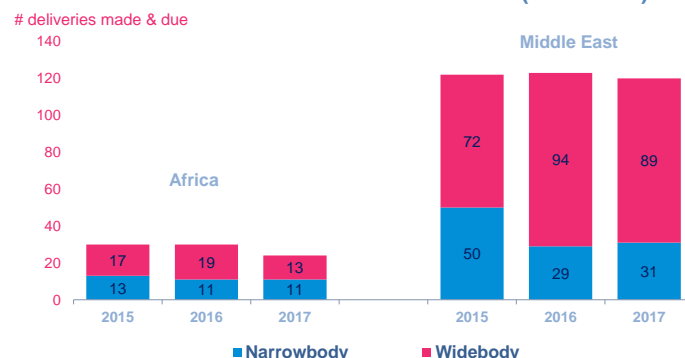
- The initial Q3 financials show a similar EBIT margin outcome for the region's airlines, both compared with Q3 last year as well as the current industry figure.
- The upward trend in global pax yields (in US\$ terms) has paused in the past few months, with a stronger US\$ & weather-related disruption both having impacting recent outcomes. For key regional markets, the yield performance over the past year remains quite mixed.

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

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Middle East - Asia	-10.5	6.4	-2.3	-2.1
Middle East - Europe	-12.0	7.7	0.3	-2.2
Africa - Europe	-8.4	5.6	-0.2	-1.2
Middle East - Nth America	-7.2	0.1	0.8	3.8
Middle East - Sth America	-13.2	21.6	12.4	17.6
Africa - Middle East	-13.7	1.4	-6.6	-0.2
Africa - Nth America	-7.1	13.1	1.1	5.9
Within Middle East	-4.8	-3.4	-5.3	-7.3
Within Africa	-12.1	0.8	-0.1	2.2

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

Aircraft deliveries to Africa & the Middle East (4Q17 data)



Source: Ascend