



# STATE OF THE REGION: AFRICA & MIDDLE EAST

FEB. 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
Saudi Arabia	4.1	1.5	0.9	--
Nigeria	2.7	-2.2	-2.3	-1.2
Egypt	2.5	2.3	1.6	--
South Africa	1.2	1.0	1.0	0.5
UAE	4.0	--	--	--
Kenya	6.3	6.7	5.3	--
Jordan	2.7	2.3	2.2	--
<b>World*</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Nov-16	Dec-16	Jan-17
US\$ broad index	127.7	125.8	127.7	127.6
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	315.0	314.6	315.0	305.5
Egyptian pound (EGP)	18.1	17.9	18.1	18.9
Sth African rand (ZAR)	13.7	14.1	13.7	13.5
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	102.4	101.9	102.4	103.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2016	Nov-16	Dec-16	Jan-17
Crude oil (Brent)	52.4	44.7	53.3	54.6
Jet fuel	64.0	57.0	62.6	63.6

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

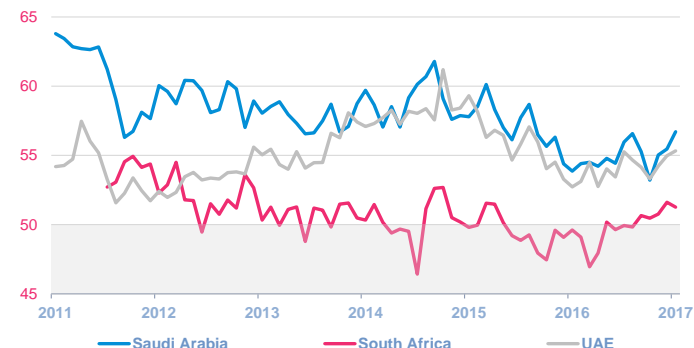
%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
<b>Region (registration basis)</b>				
Middle East	11.2	5.4	12.7	12.9
Africa	6.5	6.1	6.3	5.8
World	6.3	5.8	7.8	8.8
<b>Routes (segment basis)</b>				
Middle East - Asia	6.7	0.2	9.5	9.8
Middle East - Europe	8.0	3.9	9.8	10.6
Africa - Europe	1.8	1.9	5.0	6.8
Middle East - Nth America	20.3	14.1	22.6	17.6
Africa - Middle East	18.1	14.4	22.4	13.1
Africa - Asia	6.8	9.3	4.0	0.9

Source: IATA Statistics

- Industry-wide traffic volumes increased to a 10-month high of 8.8%yoy in Dec, up from 7.8%yoy in Nov. For 2016 as a whole, volumes increased by 6.3%, well ahead of the long-run average growth rate, even allowing for the additional trading day from the leap year.
- Traffic volumes for the Middle East carriers ended the year on a strong note, delivering double-digit growth, well ahead of the overall industry performance.

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



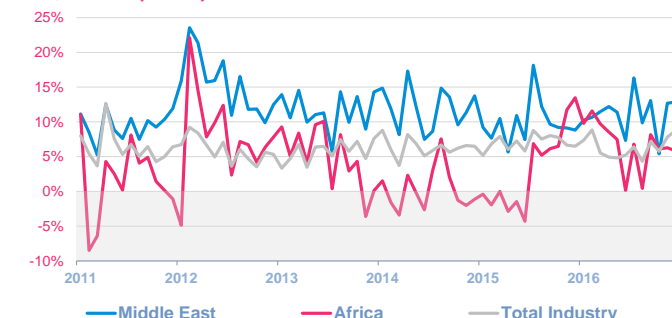
Source: Markit

- Further modest oil price gains (see below) have helped to support business confidence in the Middle East again this month. However, confidence dipped in Sth Africa, after posting a 2-year high last month.
- The US\$ was broadly unchanged on a trade-weighted basis in Jan. Amongst the main regional currencies, the biggest movements were in the NGN which gained a solid 3% against the US\$ this month, and the EGP which fell by another 4%.
- Oil & jet fuel prices edged higher in Jan, consolidating the outsized gain observed in Dec. The price of Brent crude rose 2.4% in Jan to average US\$54.60 & jet rose 1.5% to US\$63.60.

- However, the performance of the African carriers was mixed; year-on-year growth moderated into the year-end (5.8%yoy to Dec), but a strong start to the year resulted in a growth rate for 2016 overall (6.5%) which just exceeded the industry-wide outcome.
- The two largest of the key markets (ME-Asia & ME-Europe) delivered annual RPK growth of 6.7% & 8.0%, respectively. But it was two of the smaller markets (ME-NthAm & Africa-ME) which posted the strongest growth, both ~20%, for the year as a whole.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
<b>Region (registration basis)</b>				
Middle East	6.9	11.0	8.1	11.2
Africa	3.1	1.8	19.9	13.6
World	3.8	8.4	7.2	9.8
<b>Routes (segment basis)</b>				
Middle East - Asia	4.8	9.6	5.2	10.0
Middle East - Europe	6.8	16.1	16.3	21.9
Africa - Europe	-5.5	-4.4	-2.5	-1.2
Middle East - Nth America	19.9	16.2	1.6	13.6
Africa - Middle East	3.1	0.0	3.8	4.3
Africa - Asia	30.1	40.3	57.7	57.2

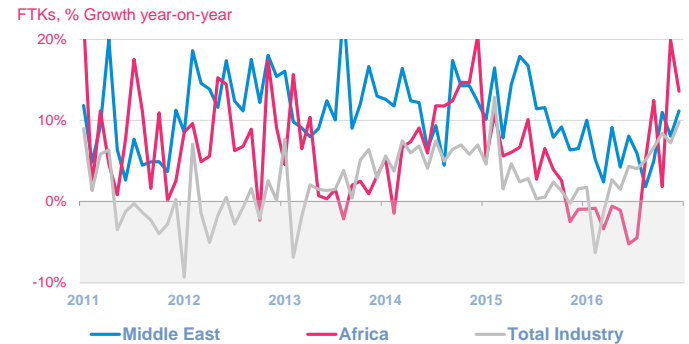
Source: IATA Statistics

- Growth in global FTKs increased to 9.8%yoy in Dec, following a strong second half performance. The soft start to the year, however, weighed upon the annual average growth rate of 3.8%. Even so, the latter is almost double its five-year average pace of 2.0%.
- At the regional level, FTK growth ended the year at a double-digit pace; 11.2% & 13.6% for ME & African carriers respectively. Reflecting the different profile of

growth over the course of the year, the 2016 growth rates straddled the industry performance; a hefty 6.9% for ME carriers & 3.1% for their African counterparts.

- Of the largest markets to/from the region, ME-Europe & ME-Asia generated robust FTK growth over the year. However, freight volumes *contracted* by a sizeable 5.5% for Africa-Europe. The smaller Africa-Asia & ME-Nth America markets grew FTKs very strongly in 2016.

### 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	Oct-16	Nov-16	Dec-16
<b>Passenger</b>					
Middle East	ASK	13.5	10.0	11.0	11.6
	PLF	74.7	68.6	70.0	77.4
Africa	ASK	6.3	3.9	4.5	5.3
	PLF	68.6	69.5	67.1	71.6
World	ASK	6.2	6.2	6.5	6.6
	PLF	80.5	80.1	79.1	80.6
<b>Freight</b>					
Middle East	AFTK	8.4	5.0	5.0	5.9
	FLF	42.8	46.7	47.7	44.9
Africa	AFTK	25.5	25.7	27.2	5.3
	FLF	22.2	22.5	27.4	29.6
World	AFTK	5.3	3.8	4.7	3.2
	FLF	43.0	46.2	47.2	46.1

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

- Very strong annual growth of 13.5% in pax capacity from the ME carriers was more than double the rate of African carriers & the industry overall (both 6.2-6.3%). The industry PLF averaged above 80% in 2016, substantially above the outcomes for both ME (74.7%) &, in particular, African (68.6%) airlines.
- The industry-wide FLF lifted to 43% in 2016, with a capacity increase of 5.3%. The ME carriers generated a similar FLF but grew AFTKs by 8.4%. African carriers

increased freight capacity by an outsized 25.5% in 2016 – a pace which exceeded the FLF outcome (22.2%).

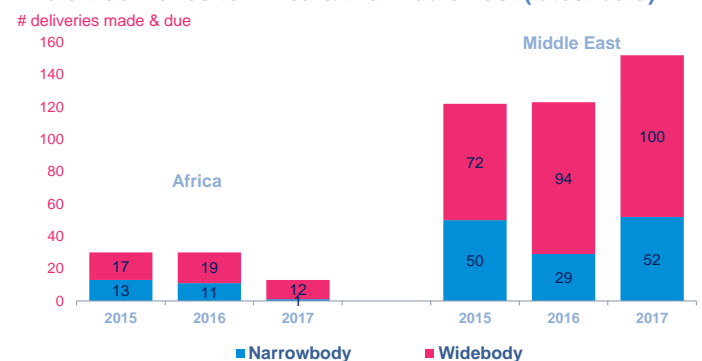
- Initial Q4 data show a moderation in the industry-wide EBIT margin to 9.7%, from 14.7% in Q4 2015. At the time of publishing, no data were available for the region.
- Passenger yields across all of the key markets for Africa & ME carriers remain lower than a year ago, despite rising input costs over 2016.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Oct-16	Nov-16	Dec-16
Middle East - Asia	-10.5	-11.7	-12.0	-13.9
Middle East - Europe	-12.0	-13.4	-11.5	-13.0
Africa - Europe	-8.4	-10.4	-10.6	-12.1
Middle East - Nth America	-7.2	-7.6	-7.0	-6.1
Middle East - Sth America	-13.2	-21.8	-14.9	-17.5
Africa - Middle East	-13.7	-13.4	-12.1	-15.1
Africa - Nth America	-7.1	-2.2	-4.9	-4.0
Within Middle East	-4.8	-4.8	-3.1	-4.6
Within Africa	-12.1	-11.5	-8.5	-9.3

Source: IATA PaxIS

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



Source: Ascend

### Airline operating (EBIT) margins\*

%revenues	2014	2015	2015Q4	2016Q4
Africa & Middle East	0.5	1.6	--	--
Industry	4.7	8.3	14.7	9.7

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