STATE OF THE REGION: AFRICA & MIDDLE EAST

JAN. 2017

Economy

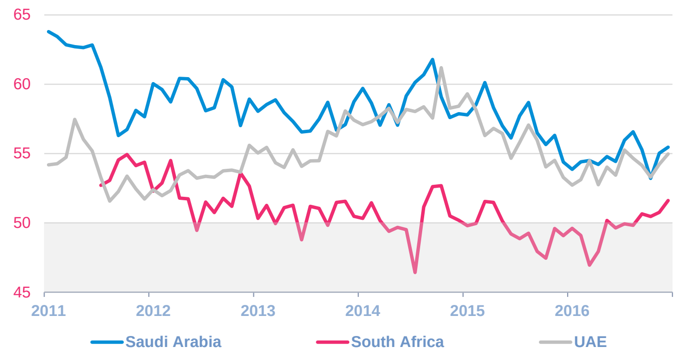
GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
Saudi Arabia	3.7	1.5	1.4	0.9
Nigeria	2.7	-0.4	-2.2	-2.3
Egypt	2.5	1.6	2.3	1.6
South Africa	1.2	-0.7	1.0	1.1
UAE	4.0	--	--	--
Kenya	6.3	7.2	6.7	5.3
Jordan	2.7	2.7	2.3	2.2
World*	**2.3**	**2.2**	**2.1**	**2.2**

Source: Datastream * Market exchange rate basis † Estimate

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

- Modest further gains were observed in each of the region's main business confidence indicators this month. In Sth Africa, the index is now at its highest level since a (short-lived) surge in early 2015.
- The US$ gained a further 1.5% in Dec, to end the year up 4.5% on a trade-weighted basis. Movements in the key regional currencies (vs the US$) were subdued over the month, with the ZAR rising almost 3% to end the year ~11% higher vs the US$.
- Oil & jet fuel prices surged in Dec, on the back of the commitment by the major oil producers to limit production. Despite the strong monthly gain, prices ended year broadly similar to their levels of a year ago

Exchange rates

end of period, # per US$	2015	Oct-16	Nov-16	Dec-16
US$ broad index	122.4	122.9	125.8	127.7
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	199.0	310.1	314.6	315.0
Egyptian pound (EGP)	7.8	8.9	17.9	18.1
Sth African rand (ZAR)	15.5	13.5	14.1	13.7
UAE dirham (AED)	3.67	3.67	3.67	3.67
Kenyan shilling (KES)	102.3	101.5	101.9	102.4
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2015	Oct-16	Nov-16	Dec-16
Crude oil (Brent)	52.4	49.5	44.7	53.3
Jet fuel	64.0	61.2	57.0	62.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

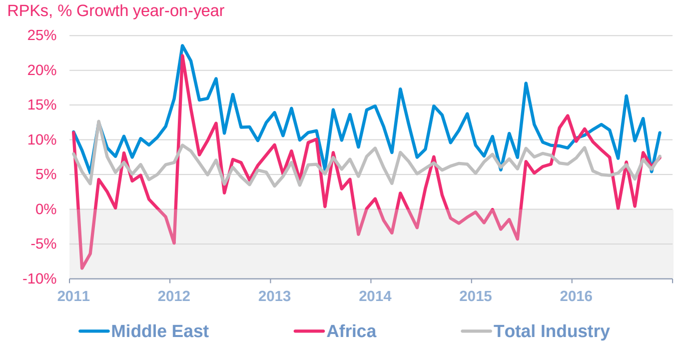
%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
Region (registration basis)				
Middle East	9.9	13.1	5.4	11.0
Africa	3.3	8.2	6.1	7.4
World	7.1	7.2	5.8	7.6
Routes (segment basis)				
Middle East - Asia	6.9	6.6	0.2	9.5
Middle East - Europe	11.3	9.2	3.9	9.8
Africa - Europe	-1.1	2.8	1.9	5.0
Middle East - Nth America	26.7	24.5	14.1	22.6
Africa - Middle East	6.9	24.6	14.4	22.4
Africa - Asia	-1.2	6.9	9.3	4.0

Source: IATA Statistics

- Following a modest easing in yoy growth in Oct, RPKs rebounded in Nov, with the global measure reaching a 9mth-high of 7.6%yoy. Gains were also observed at the regional level; RPKs for the Middle East carriers returned to double-digit growth of 11%yoy & for African carriers, growth lifted to 7.4%, broadly in line with the industry average pace.
- At the segment level, yoy RPK growth lifted across all of the main Af/ME markets, with the exception of Africa-Asia, where growth eased to 4.0%yoy.
- For the two largest markets (between the ME & each of Asia & Europe) RPKs have increased by a brisk 9.5% & 9.8%yoy respectively. However, it is notable that the load factor for these routes has fallen substantially over the course of 2016.
- In terms of the sheer pace of RPK growth recorded, the two smaller markets of ME-NthAm & ME-Africa are the standout, with both up ~22%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

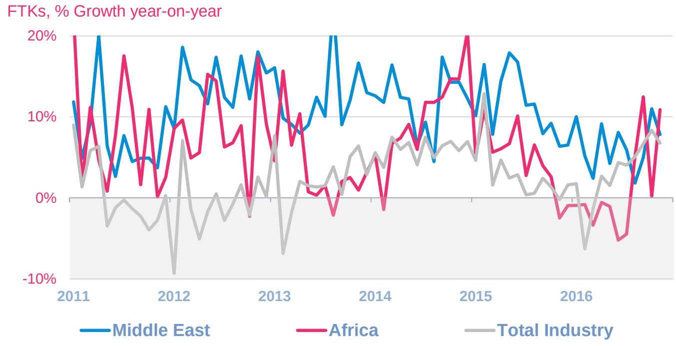
Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
Region (registration basis)				
Middle East	11.2	5.0	11.0	7.8
Africa	4.5	12.5	0.2	10.9
World	2.7	6.7	8.4	6.8
Routes (segment basis)				
Middle East - Asia	9.8	2.2	9.6	5.2
Middle East - Europe	8.2	4.6	16.1	16.3
Africa - Europe	0.4	-4.4	-4.4	-0.4
Middle East - Nth America	29.5	19.0	16.2	1.6
Africa - Middle East	11.3	-5.9	0.0	4.4
Africa - Asia	1.3	40.9	40.3	59.3

Source: IATA Statistics

- Global FTKs grew by a robust 6.8%yoy in Nov, easing from 8.4% in Oct. but still well above the average pace over the past decade.
- At the regional level, FTK growth exceeds the industry rate, with volumes for the African carriers up ~11%yoy (rebounding sharply from a subdued outcome last month) & for ME carriers, up almost 8%.
- Of the main markets, the recent pick-up in growth for ME-Europe is stark, with FTKs ~16% higher yoy. In contrast, ME-NthAm growth has tailed off significantly, now just 1.6%yoy from ~20% just two months ago.
- For Africa, improved growth was seen in each of the key markets in Nov, although freight volumes to/from Europe remain slightly lower than a year ago (down 0.4%).

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	Sep-16	Oct-16	Nov-16
Passenger					
Middle East	ASK	12.6	14.0	10.0	11.3
	PLF	*76.3*	*74.8*	*68.6*	*68.8*
Africa	ASK	2.0	7.3	3.9	4.5
	PLF	*68.3*	*72.0*	*69.5*	*67.8*
World	ASK	6.2	6.7	6.2	6.5
	PLF	*80.3*	*81.3*	*80.1*	*78.9*
Freight					
Middle East	AFTK	13.9	6.4	5.0	5.1
	FLF	*43.4*	*42.2*	*46.7*	*47.5*
Africa	AFTK	10.4	34.8	24.9	26.9
	FLF	*27.1*	*21.1*	*22.3*	*25.3*
World	AFTK	7.7	4.6	3.7	4.4
	FLF	*43.7*	*43.6*	*46.2*	*47.2*

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

- The ME carriers have increased pax capacity by a sizeable 11.3% over the year to Nov, double the pace of the industry overall (6.5%). African carriers have increased ASKs by a more moderate 4.5%yoy. Notwithstanding the difference in the pace of ASK growth, the PLF for African & ME carriers are similar, ~68-69%, both well below the industry average of 79%.
- For freight, the region's carriers have increased capacity by more than the overall industry in the past year; 5.1% for the ME carriers & a whopping 27% for the African carriers vs 4.4% industry-wide. On loads, the ME carrier FLF (47.5%) is in line with the industry figure (47.2%), while the African carrier load factor sits at just 25.3%.

Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q3	2016Q3
Africa & Middle East	0.5	1.6	13.0	15.9
Industry	4.7	8.3	15.3	14.8

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

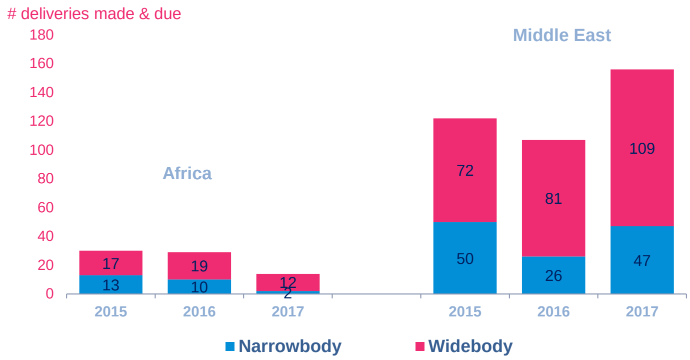
- The latest Q3 data show an improved operating margin for the region's airlines – up 3pp to 15.9% & currently above the industry-wide outcome of 14.8%.
- Passenger yields across all of the key markets for Africa & ME carriers remain lower than a year ago, notwithstanding rising input costs over 2016.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
Middle East - Asia	-7.6	-8.5	-11.7	-12.0
Middle East - Europe	-10.9	-13.9	-13.4	-11.5
Africa - Europe	-17.0	-7.3	-10.4	-10.6
Middle East - Nth America	-10.7	-4.7	-7.6	-7.0
Middle East - Sth America	-17.5	-13.2	-21.8	-14.9
Africa - Middle East	-10.0	-11.7	-13.4	-12.1
Africa - Nth America	-20.6	-4.9	-2.2	-4.9
Within Middle East	-5.6	-5.5	-4.8	-3.1
Within Africa	-15.2	-9.9	-11.5	-8.5

Source: IATA PaxIS

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



Source: Ascend