STATE OF THE REGION: AFRICA & MIDDLE EAST JANUARY 2018

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	Oct-17	Nov-17	Dec-17
US$ broad index	127.7	120.0	120.3	120.0
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.74
Nigerian naira (NGN)	315.0	360.0	359.5	360.0
Egyptian pound (EGP)	18.1	17.6	17.7	17.8
Sth African rand (ZAR)	13.7	14.1	13.7	12.4
UAE dirham (AED)	3.67	3.67	3.67	3.66
Kenyan shilling (KES)	102.4	103.8	103.1	103.2
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

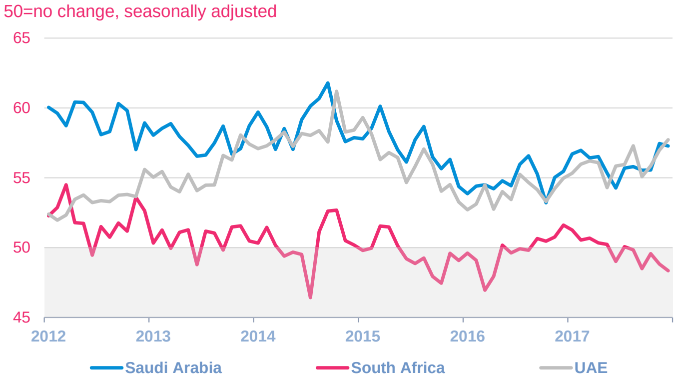
Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2016	Oct-17	Nov-17	Dec-17
Crude oil (Brent)	52.4	57.5	62.7	64.4
Jet fuel	64.0	69.7	73.9	76.3

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs



Source: Markit

- The year-end business confidence readings saw little change, leaving the recent trends in place. In broad terms, oil prices support the ME measures, but economic & political uncertainty weighs upon Sth Africa.
- On a trade-weighted basis, the US$ pared last month's gains, returning to its Oct level. The US$ index is down 6%yoy. In Dec, the ZAR was the key mover amongst regional currencies, gaining 9.5% vs the USD after the ANC election, to be up ~10% over the year. In contrast, the NGN is ~14% lower against the US$ in yoy terms.
- Oil & jet fuel prices trended higher in Dec, ending 2017 with a 3%mom gain to US$64 & US$76 respectively. Both prices are up more than 20% in yoy terms.

Market

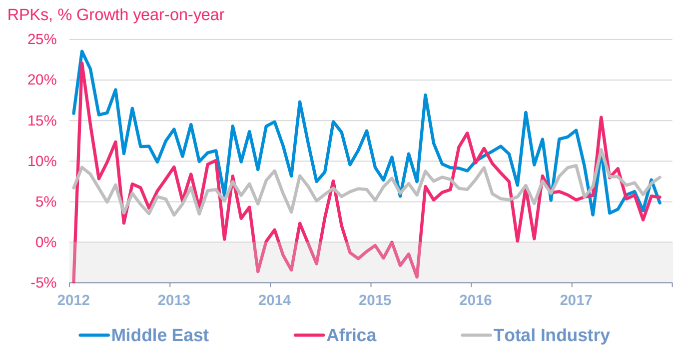
Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Region (registration basis)				
Middle East	10.9	3.9	7.7	4.8
Africa	6.5	2.8	5.7	5.6
World	6.7	5.9	7.3	8.0
Routes (segment basis)				
Middle East - Asia	9.3	4.9	9.2	9.3
Middle East - Europe	9.9	6.4	6.5	3.1
Africa - Europe	1.8	6.5	6.5	9.6
Middle East - Nth America	19.3	-6.3	-1.1	-4.1
Africa - Middle East	18.0	-1.3	1.7	1.3
Africa - Asia	6.8	3.2	4.7	2.0

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

- Industry-wide RPKs grew by 8.0%yoy in Nov – the fastest pace in 5 months & up from 7.3% in Nov. Pax volumes are carrying solid momentum into the year-end & look set to deliver another year of above-trend growth.
- At the regional level, RPK growth eased for the ME carriers, to 4.8%yoy, but was broadly unchanged for the African airlines, at 5.6%; both remaining solidly below the industry average pace.
- Amongst the main international markets for the region, Africa-Europe & ME-Asia are the two strongest performers currently, with RPK growth of 9.6% & 9.3%yoy, respectively.
- In contrast, passenger volumes for the ME-NthAm market are currently 4% lower than their level of a year ago. Of the key international markets that we track, this is the only one not to have grown in annual terms over the year to date.

Growth in air passenger volumes



Source: IATA Statistics

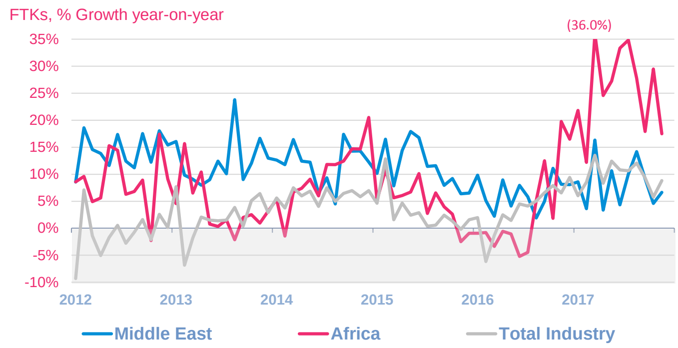
Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Region (registration basis)				
Middle East	6.5	9.2	4.6	6.6
Africa	3.4	17.9	29.5	17.5
World	3.7	9.3	5.8	8.8
Routes (segment basis)				
Middle East - Asia	3.7	10.7	3.1	6.7
Middle East - Europe	7.1	13.9	8.9	1.8
Africa - Europe	-5.5	1.3	3.6	6.3
Middle East - Nth America	17.0	10.3	12.8	16.0
Africa - Middle East	1.8	5.9	5.8	7.8
Africa - Asia	30.1	63.8	63.3	45.8

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

- Global FTK growth accelerated to 8.8%yoy in Nov, up from 5.8% in Oct. Freight volumes remain on track to record their strongest year of growth since the post-GFC rebound in 2010.
- At the regional level, ME carrier FTKs lifted to 6.6%yoy in Nov, while growth for the African carriers eased to (a still very strong) 17.5%. The A-ME region has both the strongest and weakest performers in terms of yoy FTK growth this month.
- For the region's major international routes, FTK growth recovered for ME-Asia, to 6.7%yoy, but dipped for ME-Europe, to just 1.8%. For African carriers, the European market improved, with growth lifting to 6.3%yoy after a subdued (yoy) performance in recent months.
- The smaller markets, notably Africa-Asia (46%yoy) & ME-NthAm (16%) are, overall, the fastest growing.

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	Sep-17	Oct-17	Nov-17
Passenger					
Middle East	ASK	13.4	4.2	5.1	4.4
	PLF	*74.7*	*74.5*	*70.2*	*70.2*
Africa	ASK	6.4	0.0	2.2	2.0
	PLF	*68.6*	*74.0*	*71.9*	*69.4*
World	ASK	6.7	5.4	6.1	6.3
	PLF	*80.5*	*81.6*	*80.9*	*80.2*
Freight					
Middle East	AFTK	8.6	2.5	3.4	3.1
	FLF	*42.6*	*44.9*	*47.2*	*49.2*
Africa	AFTK	23.3	3.3	9.5	24.0
	FLF	*22.2*	*24.1*	*26.6*	*25.9*
World	AFTK	5.4	3.4	2.8	4.0
	FLF	*42.9*	*45.8*	*47.2*	*49.1*

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

- ME airlines have increased both pax & freight capacity only modestly over the year to Nov. The same is true for the African carrier ASKs, while AFTKs are up 24%yoy. Apart from the ME freight figure (in line with the industry average), load factors for the region's airlines sit well below that of the industry overall.
- The latest Q3 financial data indicates that the A-ME carriers have improved their EBIT margin performance over the past year (now 17% vs 14.7% a year ago) & outperformed the industry-wide figure in Q3.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q3	2017Q3
Africa & Middle East	2.2	2.0	14.7	17.0
Industry	8.5	8.8	15.0	14.7

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

- The pax yield performance remains mixed compared with a year-ago. Yields on routes between ME & Sth America are up a strong 13.5%yoy, while Within ME are still a sizeable 7% lower.

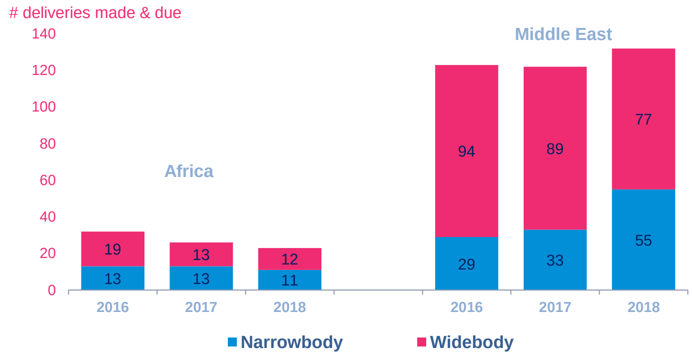
Passenger yields (US$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Sep-17	Oct-17	Nov-17
Middle East - Asia	-10.5	-2.3	-2.1	-1.8
Middle East - Europe	-12.0	0.3	-2.2	-0.1
Africa - Europe	-8.4	-0.2	-1.2	-0.5
Middle East - Nth America	-7.2	0.8	3.8	-1.9
Middle East - Sth America	-13.2	12.4	17.6	13.5
Africa - Middle East	-13.7	-6.6	-0.2	2.1
Africa - Nth America	-7.1	1.1	5.9	2.5
Within Middle East	-4.8	-5.3	-7.3	-6.9
Within Africa	-12.1	-0.1	2.2	5.6

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

- The latest data point to a pick-up in the number of jet aircraft deliveries expected for the ME carriers, but a slight reduction for African airlines, in 2018 vs 2017.

Aircraft deliveries to Africa & the Middle East (1Q18 data)



Source: Ascend

Contact: Andrew Matters – economics@iata.org