



STATE OF THE REGION: AFRICA & MIDDLE EAST

JULY 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q3	2016Q4	2017Q1
Saudi Arabia	1.7	1.2	2.2	-0.5
Nigeria	-1.6	-2.4	-1.6	-0.6
Egypt	2.3	1.7	3.5	4.1
South Africa	0.5	1.0	0.5	0.8
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	5.1	4.9	5.3
Jordan	2.4	2.2	2.5	2.6
World*	2.3	2.3	2.6	2.6

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Apr-17	May-17	Jun-17
US\$ broad index	127.7	124.3	123.8	122.3
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.75
Nigerian naira (NGN)	315.0	307.4	326.1	314.7
Egyptian pound (EGP)	18.1	18.1	18.1	18.1
Sth African rand (ZAR)	13.7	13.3	13.1	13.1
UAE dirham (AED)	3.67	3.67	3.67	3.68
Kenyan shilling (KES)	102.4	103.1	103.2	103.7
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Apr-17	May-17	Jun-17
Crude oil (Brent)	52.4	52.3	50.3	46.4
Jet fuel	64.0	63.4	59.3	54.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

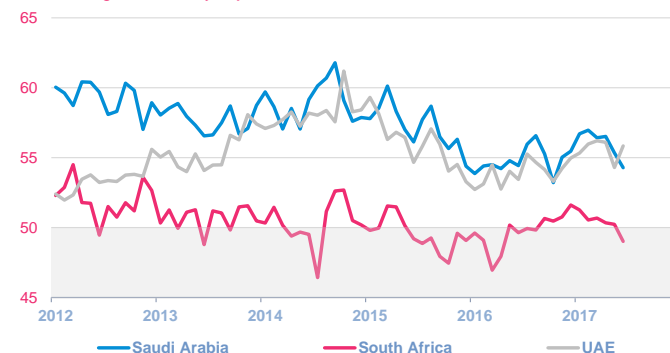
%change on a yr ago	2016	Mar-17	Apr-17	May-17
Region (registration basis)				
Middle East	11.2	2.9	10.8	3.8
Africa	6.5	5.8	15.4	10.4
World	6.4	6.7	10.9	7.7
Routes (segment basis)				
Middle East - Asia	9.0	4.5	10.0	6.0
Middle East - Europe	9.9	0.6	13.2	1.1
Africa - Europe	1.8	3.6	14.5	3.5
Middle East - Nth America	19.3	-2.8	-1.2	-6.4
Africa - Middle East	18.0	2.0	16.6	4.9
Africa - Asia	6.8	3.5	4.7	8.1

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

- ➔ After reaching a six-year high of 10.9% in April, growth in global RPKs slowed to (a still robust) 7.7%yoy pace in May. A similar pattern is evident in the regional data, where growth moderated to 3.8% for the Middle East carriers & 10.4% for the Africa airlines.
- ➔ RPK growth eased in all of the key international markets, with the exception of routes between Africa & Asia, where traffic volumes lifted to a very healthy 8.1%yoy.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

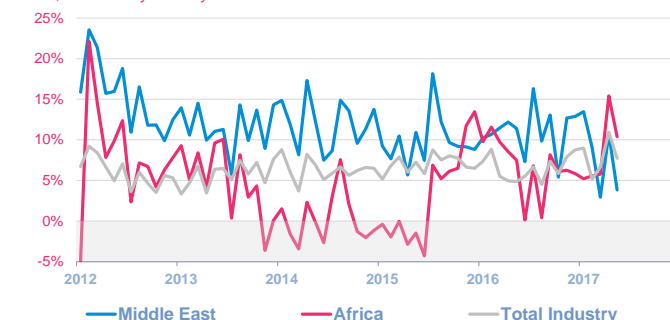


- ➔ Business sentiment in South Africa fell again this month, further into the region associated with deteriorating economic conditions. Sentiment data were mixed in the Middle East, with another fall in the measure for Saudi Arabia but a solid rebound for the UAE.
- ➔ On a trade-weighted basis, the US\$ fell further in June, down 1.3%. Of the regional currencies, the NGN was the key mover, recovering some of the ground lost last month with a 3.5% gain vs the US\$.
- ➔ Brent crude oil & jet fuel prices fell by 4-5% in June, with the former returning to below US\$50/bbl. Once again this month, supply-side considerations were the primary price drivers.

- ➔ The other main markets for the African carriers (Europe & the ME) are showing solid, if unspectacular, growth of 3.5% & 4.9%yoy, respectively.
- ➔ Traffic volumes on the ME-NthAm market fell further in May – the 3rd consecutive month – & are now down a sizeable 6.4%yoy. A softening in demand along with the impact of policy decisions (incl. the recently lifted PED ban) have both contributed to this weakness. On a more positive note for the ME carriers, the (largest) Asia market is growing at a solid 6.0%yoy pace.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Mar-17	Apr-17	May-17
Region (registration basis)				
Middle East	6.9	16.2	3.1	10.2
Africa	3.4	36.0	24.6	27.6
World	3.9	13.8	8.7	12.7
Routes (segment basis)				
Middle East - Asia	3.7	9.6	1.4	9.9
Middle East - Europe	7.1	30.4	15.5	20.4
Africa - Europe	-5.5	4.2	-1.8	5.5
Middle East - Nth America	17.0	16.8	2.5	8.1
Africa - Middle East	1.8	-0.9	-13.6	0.0
Africa - Asia	30.1	74.4	66.5	73.5

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

- Global FTKs bounced-back in May, returning to a brisk double-digit pace of growth, at 12.7%yoy; more than three times the 5-year average growth rate.
- Again, developments in the global aggregate were mirrored in the regional results; the growth rate returned to a double-digit pace for the ME carriers (10.2%yoy) & lifted modestly to a hefty 27.6% for the African airlines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Mar-17	Apr-17	May-17
Passenger					
Middle East	ASK	13.5	8.9	9.1	5.9
	PLF	74.7	72.2	76.3	70.0
Africa	ASK	6.4	2.9	5.6	4.6
	PLF	68.6	69.3	73.2	68.2
World	ASK	6.4	6.3	7.2	6.1
	PLF	80.5	80.2	82.1	80.1
Freight					
Middle East	AFTK	8.4	2.6	0.8	1.7
	FLF	42.8	47.6	43.7	45.6
Africa	AFTK	25.0	11.6	17.0	14.7
	FLF	22.2	28.1	23.5	26.2
World	AFTK	5.4	3.9	4.0	5.2
	FLF	43.0	47.4	45.1	45.2

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

- At the industry level, robust demand conditions combined with moderate capacity increases have resulted in a strong performance for both pax & freight load factors over the course of the year so far.
- With the exception of the FLF for ME carriers, the load factor performance of the A-ME airlines is well below that of the industry overall. The PLF (for both sub-regions) is 10-12pp lower than the industry average & the African FLF lags by almost 20pp.

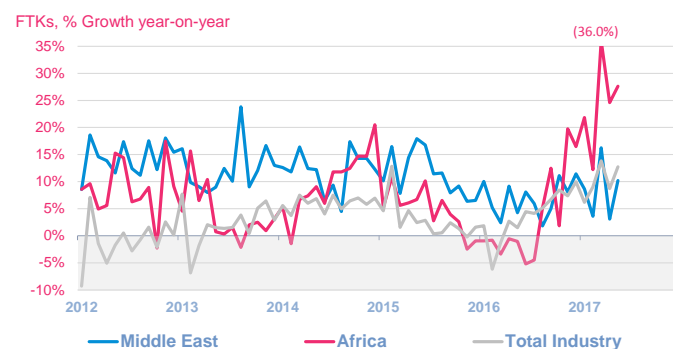
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q1	2017Q1
Africa & Middle East	2.2	2.0	-4.1	-10.8
Industry	8.5	8.8	8.7	4.5

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

- For the ME carriers, freight volumes are growing strongly in the two largest markets of Asia & Europe, up ~10% & 20%yoy, respectively.
- FTKs for the largest African market, Europe, are up a solid 5.5%yoy, while volumes are unchanged over the past year for the ME market. Both are dwarfed by the massive 73%yoy growth on the (smaller) Asia market.

Growth in air freight volumes



Source: IATA Statistics

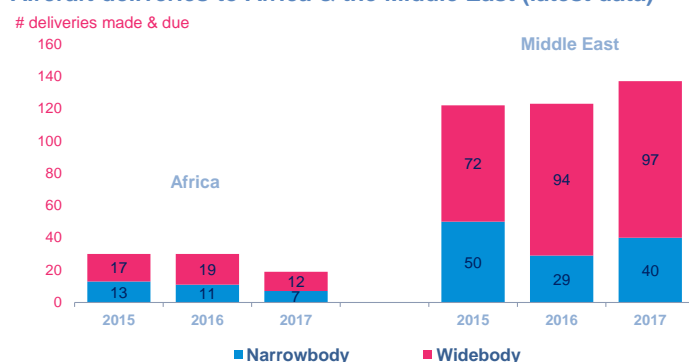
- The latest Q1 data confirm the softer EBIT margins vs a year ago. Industry-wide, the margin is now 4.5% (from 8.7%) & for AME carriers is now -10.8% (from -4.1%). [Note that these data are not seasonally adjusted.]
- Global pax yields are ~4.5% lower than a year ago, but are showing signs of having possibly bottomed. At the regional level, there is a general narrowing, with the ME markets of Asia, & Nth & Sth America, along with Africa-Nth America currently showing positive yoy growth.

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

%change on a yr ago	2016	Mar-17	Apr-17	May-17
Middle East - Asia	-10.5	-7.5	-4.3	0.8
Middle East - Europe	-12.0	-5.9	-6.1	-1.5
Africa - Europe	-8.4	-9.8	-10.5	-5.7
Middle East - Nth America	-7.2	-6.2	-1.5	5.4
Middle East - Sth America	-13.2	-4.1	-2.7	1.1
Africa - Middle East	-13.7	-16.5	-9.1	-5.9
Africa - Nth America	-7.1	3.7	1.8	2.8
Within Middle East	-4.8	-7.5	-1.0	-1.0
Within Africa	-12.1	2.0	-1.8	-1.0

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

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



Source: Ascend