



# STATE OF THE REGION: AFRICA & MIDDLE EAST

JULY 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
Saudi Arabia	3.5	4.0	1.8	1.5
Nigeria	2.7	2.8	1.8	-0.4
South Africa	1.3	1.1	0.2	-0.6
UAE	3.9 <sup>†</sup>	--	--	--
Kenya	5.6 <sup>†</sup>	6.1	7.6	5.5
Jordan	2.7	2.8	3.1	2.7
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
<b>World*</b>	<b>2.5</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2015	Apr-16	May-16	Jun-16
US\$ broad index	122.4	119.5	120.8	121.2
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.78
Nigerian naira (NGN)	199.0	199.0	199.0	282.7
Sth African rand (ZAR)	15.5	14.2	15.7	14.8
UAE dirham (AED)	3.67	3.67	3.67	3.70
Kenyan shilling (KES)	102.3	100.9	100.9	101.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

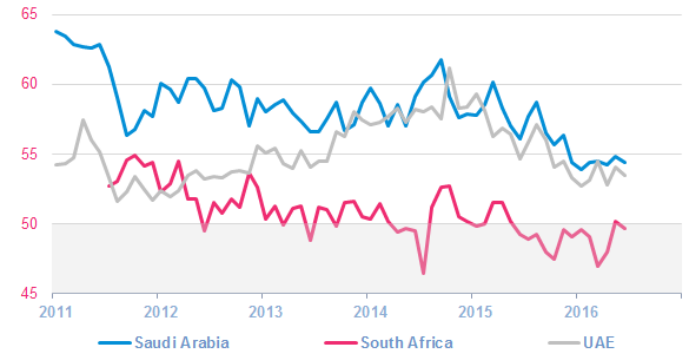
### World oil and jet fuel price

US\$/barrel	2015	Apr-16	May-16	Jun-16
Crude oil (Brent)	52.4	41.6	46.7	48.3
Jet fuel	64.0	48.2	54.6	58.0

Source: Platts, EIA Monthly average data

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- Solid, albeit moderating, Q1 GDP growth outcomes in each of Saudi Arabia, Kenya & Jordan provided some reassurance about their respective economic outlooks.
- The government of Nigeria ended the currency peg in June, prompting a swift & significant fall in the value of the NGN, which ended the month down ~40% vs the USD. The ZAR recovered some of the ground lost last month, rising 6% against the USD in June.
- The world price of oil & jet fuel moved higher again in June, up 1.5% & 3.5%, respectively, to US\$48.30 & US\$58 on concerns relating to supply outages. Even so, daily oil prices ended the month slightly below their starting level.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
<b>Region (registration basis)</b>				
Middle East	10.1	11.5	12.2	11.2
Africa	3.1	9.7	8.6	8.6
World	6.5	5.3	4.6	4.6
<b>Routes (segment basis)</b>				
Middle East - Asia	6.9	7.2	6.5	5.9
Middle East - Europe	11.3	11.8	8.1	7.2
Africa - Europe	-1.2	2.2	-0.2	-0.4
Middle East - Nth America	26.7	18.0	22.6	16.9
Africa - Middle East	6.9	21.4	21.0	20.0
Africa - Asia	-1.2	7.3	7.8	5.2

Source: IATA Statistics

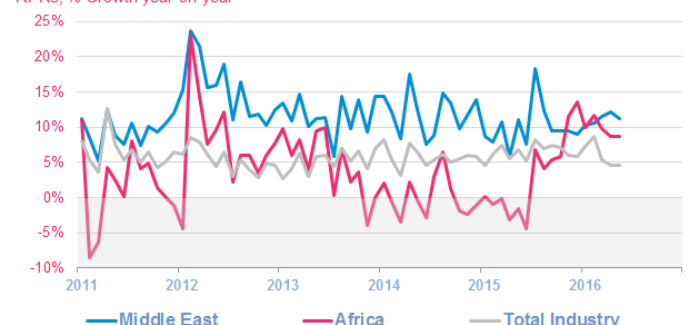
- Both African & Middle East (ME) airlines continue to increase pax volumes at a rate well above that of the industry overall.
- Over the past year, double digit growth for the ME carriers (11.2%) & brisk 8.6% growth for the African airlines easily exceeds the solid 4.6% industry-wide rate.
- At the industry level, the current pace of growth is in line with the 10yr average rate, however, it is noteworthy that

it is also the slowest pace since Jan 2015.

- On a segment basis, performance is mixed across the main inter-regional routes. For the ME carriers, a strong performance across all key routes underpins the overall increase in RPKs.
- For African carriers, however, the strong overall growth performance comes despite a (modest) yoy decline in RPKs to/from the most significant European market.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
<b>Region (registration basis)</b>				
Middle East	11.6	2.4	9.1	3.2
Africa	1.7	-3.4	-0.6	0.3
World	2.2	-1.5	2.6	0.9
<b>Routes (segment basis)</b>				
Middle East - Asia	9.8	6.1	7.8	3.3
Middle East - Europe	8.2	-3.9	7.8	2.7
Africa - Europe	0.4	-5.9	-4.7	-10.4
Middle East - Nth America	29.5	10.1	21.4	20.1
Africa - Middle East	11.3	8.2	15.5	4.5
Africa - Asia	1.3	19.8	18.0	18.1

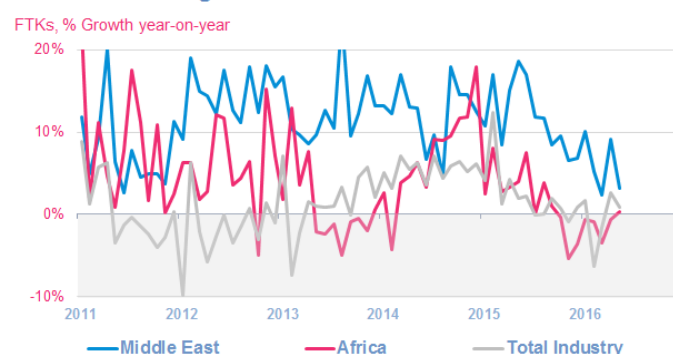
Source: IATA Statistics

- At the global level, air freight growth remains subdued, with the annual growth in industry-wide FTKs slipping to just 0.9%yoy in May. At the regional level, African carrier FTKs struggled back into positive territory, rising by just 0.3%yoy. ME carrier growth was stronger, but still relatively moderate, up 3.2% on the level of a year ago.
- As we have noted previously, the headwinds to the industry-wide cargo performance include the broadly sideways trend in world trade growth & a very patchy

global economic performance. There are few indications that a near-term turnaround is in the offing.

- On key inter-regional routes, ME carriers have increased FTKs across the board over the past year. Routes to NthAm are the standout, up 20%yoy.
- For African carriers, a double digit decline in FTKs on routes to/from the largest market (again, Europe) has weighed heavily on the overall yoy performance.

## 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	Mar-16	Apr-16	May-16
<b>Passenger</b>					
Middle East	ASK	12.6	13.4	14.6	15.4
	PLF	76.7	76.7	75.8	72.1
Africa	ASK	1.4	8.2	9.5	9.4
	PLF	69.3	68.2	67.7	65.7
World	ASK	5.6	5.7	4.9	5.5
	PLF	80.2	79.8	79.2	78.7
<b>Freight</b>					
Middle East	AFTK	15.7	10.8	12.2	9.5
	FLF	42.9	41.0	41.9	40.9
Africa	AFTK	5.4	23.5	23.6	22.2
	FLF	29.9	25.6	25.2	25.5
World	AFTK	6.3	6.9	6.1	4.9
	FLF	44.1	43.7	43.4	41.9

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

- Capacity growth for both African & ME airlines continues to easily outpace that of the industry overall – for both pax & freight. This growth contributes to the lower load factors for the region's carriers compared with the industry-wide figures.
- With growth >20%, freight capacity continues to outstrip demand for the African carriers; the FLF is down 6pp on a year ago & is half the level of the Asia-Pac carriers.

### Airline EBIT margins\*

%revenues	2014	2015	2015Q1	2016Q1
Africa & Middle East	0.5	1.6	5.1	8.7
Industry	4.7	8.3	5.8	8.0

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

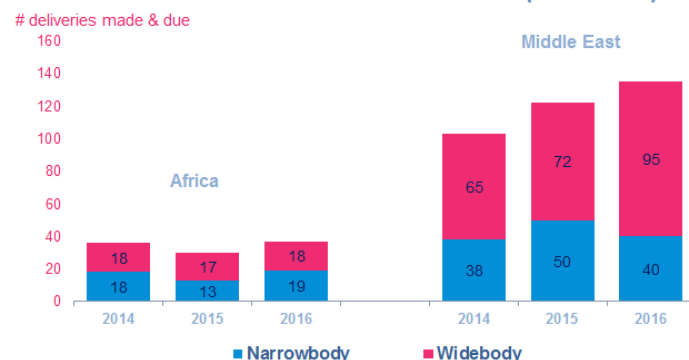
- The latest Q1 data show an operating margin of 8.7% for AME carriers, a solid improvement on the level of a year ago & slightly above the overall industry rate (8.1%).
- Passenger yields all key routes continue to show widespread declines, despite the recent reversal of trends in both oil/jet fuel prices & the US\$.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Mar-16	Apr-16	May-16
Middle East - Asia	-7.6	-9.8	-11.6	-12.0
Middle East - Europe	-10.9	-11.8	-10.4	-8.4
Africa - Europe	-17.0	-10.4	-5.7	-5.5
Middle East - Nth America	-10.7	-2.2	-7.6	-9.8
Middle East - Sth America	-17.5	-6.4	-7.9	-12.8
Africa - Middle East	-10.0	-12.8	-13.1	-13.2
Africa - Nth America	-20.6	-12.0	-8.2	-10.2
Within Middle East	-5.6	-4.5	-6.6	-5.0
Within Africa	-15.2	-16.6	-14.0	-11.7

Source: IATA PaxIS

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



Source: Ascend