



# STATE OF THE REGION: AFRICA & MIDDLE EAST

JULY 2018

## Economy

### GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
Saudi Arabia	-0.9	-0.4	-1.2	1.2
Nigeria	0.8	1.2	2.1	2.0
Egypt	4.2	4.8	5.2	5.3
South Africa	1.2	1.1	1.8	1.4
UAE	0.5 <sup>†</sup>	--	--	--
Kenya	4.8 <sup>†</sup>	4.7	5.2	5.9
Jordan	2.4	2.3	2.1	2.2
<b>World*</b>	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	Apr-18	May-18	Jun-18
US\$ broad index	120.0	118.2	121.5	123.4
Saudi Arabian riyal (SAR)	3.74	3.75	3.75	3.76
Nigerian naira (NGN)	360.0	359.6	360.8	361.4
Egyptian pound (EGP)	17.8	17.7	17.9	17.9
Sth African rand (ZAR)	12.4	12.5	12.7	13.8
UAE dirham (AED)	3.66	3.67	3.67	3.68
Kenyan shilling (KES)	103.2	100.2	101.4	100.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

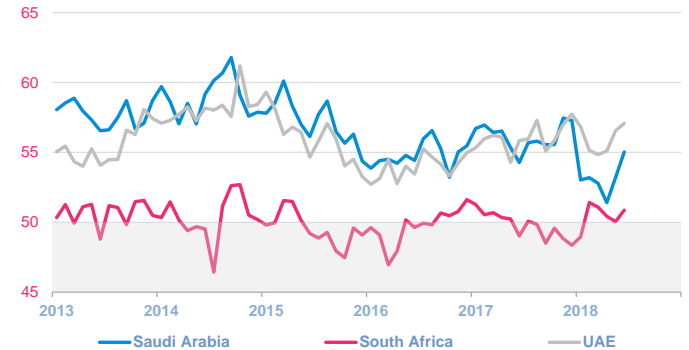
### World oil and jet fuel price

US\$/barrel (period ave.)	2017	Apr-18	May-18	Jun-18
Crude oil (Brent)	54.2	72.1	77.0	74.4
Jet fuel	65.6	84.6	90.5	87.8

Source: Platts, EIA Monthly average data

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- ➔ Business confidence surged in Saudi Arabia & also rose in the UAE – both to the highest level this year – on indications of a firmer demand outlook. A more modest uptick in Sth Africa (the 1<sup>st</sup> in four months) primarily reflected a gain in new orders.
- ➔ On a trade-weighted basis, the US\$ rose by 1.6% in June, a second consecutive solid monthly gain. The ZAR fell further vs the US\$ in June, down another 8.6%; the KES was the only currency with a (small) gain, up 0.5%.
- ➔ Brent crude oil & jet fuel prices both fell in June, by 3-3.5%, but only partly unwound the sizeable increase in May. Oil & jet fuel prices are still ~60% higher than their level of a year ago.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
<b>Region (registration basis)</b>				
Middle East	6.4	10.7	2.6	0.5
Africa	6.4	6.1	1.4	-0.8
World	7.6	9.8	6.0	6.1
<b>Routes (segment basis)</b>				
Middle East - Asia	7.3	9.3	4.4	-0.8
Middle East - Europe	6.6	13.2	2.8	0.6
Africa - Europe	6.5	10.6	2.2	3.6
Middle East - Nth America	-1.4	13.3	2.2	0.1
Africa - Middle East	4.4	4.6	-3.6	-1.6
Africa - Asia	4.1	12.7	12.6	4.7

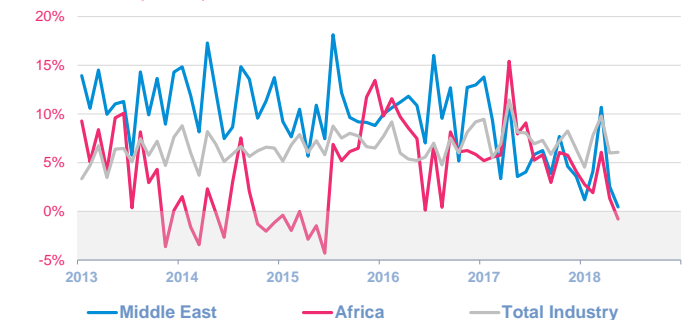
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Annual growth in industry-wide RPKs was broadly unchanged in May, at a solid 6.1%. While yoy growth remains above its long-run average rate, this year to date has seen a moderate slowing compared with the same period a year ago (6.3% vs 8.3% last year).
- ➔ At the regional level, growth in pax volumes eased again this month. RPKs are now up just 0.5%yoy for the ME carriers & have *fallen* by 0.8% over the past year for the African airlines.

- ➔ Africa-Europe was the only one of the region's key markets to deliver a higher growth rate this month, with RPKs lifting to a moderate 3.6%yoy pace.
- ➔ The largest market of ME-Asia saw growth in pax volumes slip into negative territory (down 0.8%yoy), joining Africa-ME (down 1.6%yoy).
- ➔ The strongest performer is the smaller Africa-Asia market where, despite slowing from a double-digit pace, RPKs remain 4.7% higher than a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
<b>Region (registration basis)</b>				
Middle East	8.0	1.0	6.9	2.4
Africa	24.6	-2.8	6.4	-2.0
World	9.1	2.5	5.2	4.2
<b>Routes (segment basis)</b>				
Middle East - Asia	6.3	-0.6	6.3	2.7
Middle East - Europe	11.0	0.5	9.9	4.1
Africa - Europe	2.4	-0.1	-0.6	-4.8
Middle East - Nth America	6.8	-0.4	-9.8	-11.7
Africa - Middle East	1.2	-5.8	1.8	-3.9
Africa - Asia	58.6	-4.9	4.1	-0.7

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

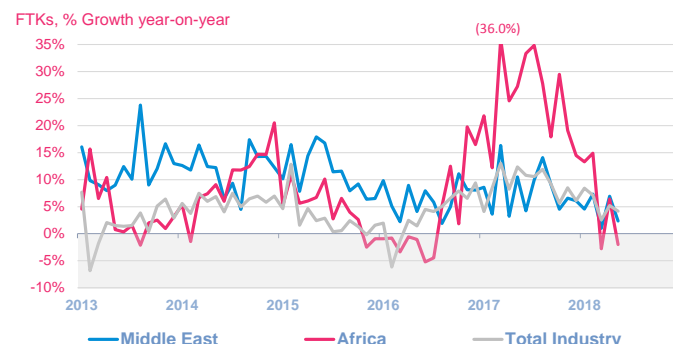
→ Annual growth in industry-wide FTKs slowed to 4.2% in May, from 5.2% in Apr. Against a weaker world trade backdrop, demand momentum has also softened; FTKs have risen at an annualized pace of ~4% over the past 6mths or so, around ⅓ the pace of mid-2017.

→ At the regional level, FTK growth followed a similar path, easing this month to 2.4%yoy for the ME airlines &

returning to negative territory for the African carriers (down 2.0%yoy).

→ Performance is mixed across the region's key internat. markets, with only ME-Asia (up 2.7%) & ME-Europe (up 4.1%) showing positive growth in freight volumes compared with a year ago. The ME-NthAm market remains the key underperformer at present, with FTKs down 11.7%yoy.

### 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	2017	Mar-18	Apr-18	May-18
<b>Passenger</b>				
Middle East ASK	6.5	4.2	2.8	3.3
Middle East PLF	74.6	76.7	76.2	67.5
Africa ASK	3.0	2.7	1.5	-0.9
Africa PLF	70.9	71.6	73.1	66.8
World ASK	6.3	6.6	5.9	5.9
World PLF	81.5	82.5	82.2	80.1
<b>Freight</b>				
Middle East AFTK	2.6	5.0	4.6	3.3
Middle East FLF	44.9	45.4	44.3	44.9
Africa AFTK	9.9	24.7	22.5	20.4
Africa FLF	25.6	22.8	21.5	21.2
World AFTK	3.5	5.4	6.1	6.2
World FLF	45.2	46.3	44.9	44.6

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

→ The latest industry-wide PLF marked the first time on record that the 80% level was exceeded in a May month. In contrast, the PLF for the region's airlines was considerably lower, at around 67%.

→ For freight, the FLF performance of the ME carriers in May edged above the overall industry outcome, at 44.9% & 44.6%, respectively. As on the pax side, the FLF for the African carriers remains considerably lower than the industry average, at just 21.2%.

### Airline operating (EBIT) margins\*

%revenues	2016	2017	2017Q1	2018Q1
Africa & Middle East	1.9	3.1	1.4	3.1
Industry	8.5	7.5	4.9	5.6

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

→ The latest financial data for Q1 confirm an improvement in the EBIT margin at both the industry-wide level & for the region's carriers. The former is up 0.7pp to 5.6% & the latter up a solid 1.7pp to 3.1% currently.

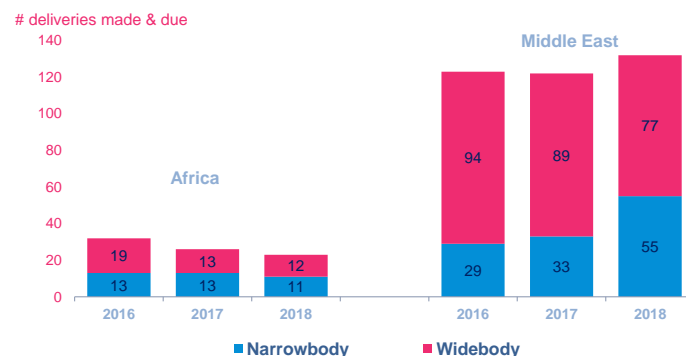
→ Passenger yield developments for the region's key markets over the past year remain mixed. The Within Africa market has seen a double-digit yield increase over the past year (10.5%), but in contrast, yields are almost 7% lower for the ME-Asia market.

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

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Middle East - Asia	-3.5	-3.8	-5.0	-6.9
Middle East - Europe	-2.7	4.4	5.5	-1.6
Africa - Europe	-5.0	12.7	13.8	7.7
Middle East - Nth America	-2.5	7.0	18.5	3.3
Middle East - Sth America	4.8	6.0	5.3	8.3
Africa - Middle East	-5.8	9.4	5.2	4.2
Africa - Nth America	2.2	-1.3	1.0	-1.5
Within Middle East	-6.0	-1.6	0.2	0.1
Within Africa	1.5	8.2	14.7	10.5

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

### Aircraft deliveries to Africa & the Middle East



Source: Ascend