



STATE OF THE REGION: AFRICA & MIDDLE EAST

JUNE 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
Saudi Arabia	3.5	4.0	1.8	--
Nigeria	2.7	2.8	1.8	-0.4
South Africa	1.3	1.1	0.2	-0.6
UAE	3.9 [†]	--	--	--
Kenya	5.6 [†]	7.3	--	--
Jordan	2.7	2.8	3.1	--
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
World*	2.6	2.6	2.3	2.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Mar-16	Apr-16	May-16
US\$ broad index	122.4	121.5	119.5	120.8
Saudi Arabian riyal (SAR)	3.75	3.74	3.75	3.75
Nigerian naira (NGN)	199.0	199.0	199.0	199.0
Sth African rand (ZAR)	15.5	14.7	14.2	15.7
UAE dirham (AED)	3.67	3.66	3.67	3.67
Kenyan shilling (KES)	102.3	101.4	100.9	100.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Mar-16	Apr-16	May-16
Crude oil (Brent)	52.4	38.2	41.6	46.9
Jet fuel	64.0	44.9	48.2	54.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
Region (registration basis)				
Middle East	10.1	10.7	11.5	12.2
Africa	3.1	11.6	9.7	8.6
World	6.5	8.6	5.3	4.6
Routes (segment basis)				
Middle East - Asia	8.3	9.8	7.2	7.0
Middle East - Europe	11.9	10.4	11.6	8.4
Africa - Europe	-1.2	7.0	2.2	-0.2
Middle East - Nth America	24.6	16.1	17.4	22.6
Africa - Middle East	6.0	10.2	21.3	21.4
Africa - Asia	-1.2	11.5	7.3	7.8

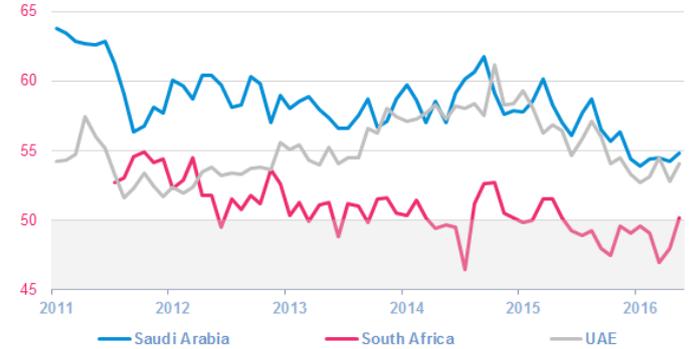
Source: IATA Statistics

→ Airlines in the AME region continue to increase RPKs at a rate well-ahead of the industry-wide average. Over the past year, RPKs are up 12.2% for the Middle East carriers (the strongest rate of all IATA regions) & 8.6% for African carriers. Global industry RPKs are up a more modest 4.6%yoy.

→ At the inter-regional level, passenger volumes are

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

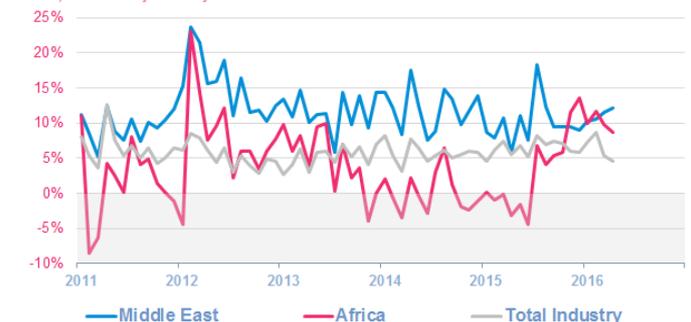
- Economic activity contracted in Q1 in both Nigeria & Sth Africa, highlighting the challenges facing policy-makers in both countries. The recent recovery in oil prices appears to have halted the downward trend in business confidence in Saudi Arabia & the UAE, despite a sovereign credit rating downgrade in the former.
- The US\$ recovered some of its April decline, rising an even 1.0% on a trade-weighted basis in May. Amongst the key regional bilateral rates, the ZAR underwent a significant depreciation against the US\$ this month, falling by more than 10%.
- The world price of oil & jet fuel continued its recent resurgence in May. The monthly average price (for both) rose by 12-13% (US\$5-6/bbl).

showing strong growth on all key routes, with the exception of Africa-Europe, where RPKs are down 0.2% on their level of a year ago.

- The two largest inter-regional pairs (ME-Asia & ME-Europe) are growing at a robust pace of 7.0% & 8.4%yoy respectively.
- The relatively smaller ME-NthAm & ME-Africa markets both have RPK growth currently exceeding 20%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
Region (registration basis)				
Middle East	11.6	5.2	2.4	7.7
Africa	1.7	-0.9	-3.4	0.0
World	2.3	-6.3	-1.7	3.2
Routes (segment basis)				
Middle East - Asia	7.0	-2.3	2.9	4.5
Middle East - Europe	11.3	4.8	-0.5	11.4
Africa - Europe	0.4	0.8	-5.9	-2.9
Middle East - Nth America	18.7	14.1	-1.8	9.3
Africa - Middle East	9.2	-0.5	5.6	13.7
Africa - Asia	1.3	5.0	19.8	18.0

Source: IATA Statistics

- Global FTK growth returned to positive territory after two consecutive months of yoy contraction, as the effect of the disruptions from early 2015 (incl the US west coast seaport strikes) unwinds. Global FTKs are now a moderate 3.2% higher than a year ago.
- Improvement was also observed at the regional level, moving FTK growth of the ME carriers up to a brisk 7.7% pace. But for African carriers, the 3.4pp improvement only returned FTKs to the same level of a year ago.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Feb-16	Mar-16	Apr-16
Passenger					
Middle East	ASK	12.6	16.9	13.4	14.7
	PLF	76.7	73.0	76.7	75.7
Africa	ASK	1.4	11.9	8.2	9.5
	PLF	69.3	65.7	68.2	67.7
World	ASK	5.6	9.7	5.8	4.9
	PLF	80.2	77.7	79.8	79.1
Freight					
Middle East	AFTK	15.7	12.5	10.8	11.0
	FLF	42.9	41.5	41.0	41.8
Africa	AFTK	5.4	25.7	23.5	24.3
	FLF	29.9	25.3	25.6	25.2
World	AFTK	6.2	7.5	6.8	6.6
	FLF	44.2	40.6	43.7	43.5

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

- AME carriers have grown both pax & freight capacity quicker than the industry overall. At the same time, the load factors for the region's carriers are lower – again, both pax & freight – than the industry-wide outcomes.
- AFTKs for the African carriers are still growing by ~25%yoy – a rate similar to the freight load factor at present. Putting this into context, the African FLF is almost 20pp lower than the industry average.

Airline EBIT margins*

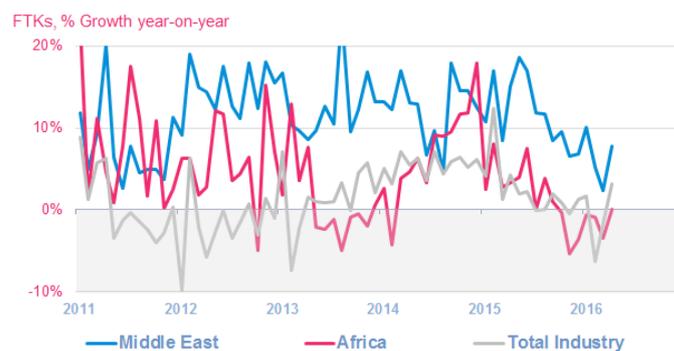
%revenues	2013	2014	2015Q1	2016Q1
Africa & Middle East	-0.8	1.3	5.2	8.7
Industry	4.1	5.2	5.9	8.1

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

IATA Economics: www.iata.org/economics

- At the segment level, growth rates also showed widespread gains. Freight volumes on routes between ME-Europe & ME-NthAm were the standout with an 11-12pp turnaround in the growth rate between Mar & Apr.
- The largest freight market for the ME carriers (Asia) showed a modest improvement, taking growth up to 4.5%yoy. Despite a strong performance on other routes, the key European market for African carriers remains subdued, with FTKs still 3% lower than a year ago.

Growth in air freight volumes



Source: IATA Statistics

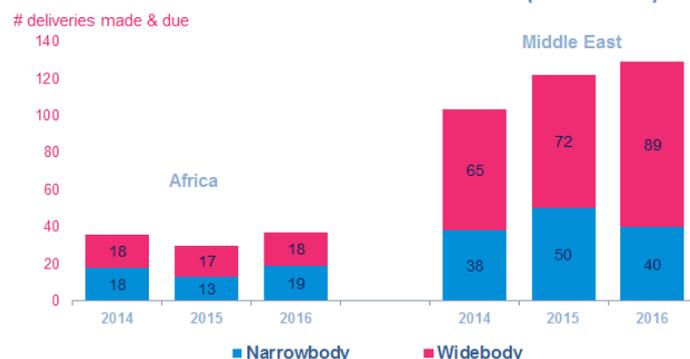
- The initial Q1 data show an operating margin of 8.7% for AME carriers, a full 3.5pp improvement on a year ago, & a little above the overall industry average (8.1%).
- Mixed results this month in terms of pax yield developments. Notwithstanding the recent reversal of trend in oil/jet fuel prices & the US\$, yields on all key routes remain well down on their year-ago level.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
Middle East - Asia	-7.6	-8.8	-9.8	-11.7
Middle East - Europe	-10.9	-10.1	-11.8	-10.5
Africa - Europe	-17.0	-10.0	-10.4	-5.8
Middle East - Nth America	-10.7	-1.4	-2.2	-7.5
Middle East - Sth America	-17.5	-9.7	-6.4	-8.4
Africa - Middle East	-10.0	-15.4	-12.8	-13.6
Africa - Nth America	-20.6	-13.3	-12.0	-8.3
Within Middle East	-5.6	-2.7	-4.5	-8.1
Within Africa	-15.2	-18.0	-16.6	-14.8

Source: IATA PaxIS

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



Source: Ascend

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