



STATE OF THE REGION: AFRICA & MIDDLE EAST

JUNE 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
Saudi Arabia	-0.8	-0.4	-1.2	--
Nigeria	0.8	1.2	2.1	2.0
Egypt	4.2	4.8	5.2	--
South Africa	1.2	1.1	1.8	1.4
UAE	0.5 [†]	--	--	--
Kenya	4.8 [†]	4.7	4.7	--
Jordan	2.4	2.3	2.1	--
World*	3.1	3.2	3.2	3.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Mar-18	Apr-18	May-18
US\$ broad index	120.0	118.1	118.2	121.5
Saudi Arabian riyal (SAR)	3.74	3.75	3.75	3.75
Nigerian naira (NGN)	360.0	360.0	359.6	360.8
Egyptian pound (EGP)	17.8	17.7	17.7	17.9
Sth African rand (ZAR)	12.4	11.8	12.5	12.7
UAE dirham (AED)	3.66	3.68	3.67	3.67
Kenyan shilling (KES)	103.2	100.9	100.2	101.4
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	Mar-18	Apr-18	May-18
Crude oil (Brent)	54.2	66.0	72.1	77.0
Jet fuel	65.6	78.0	84.6	90.5

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

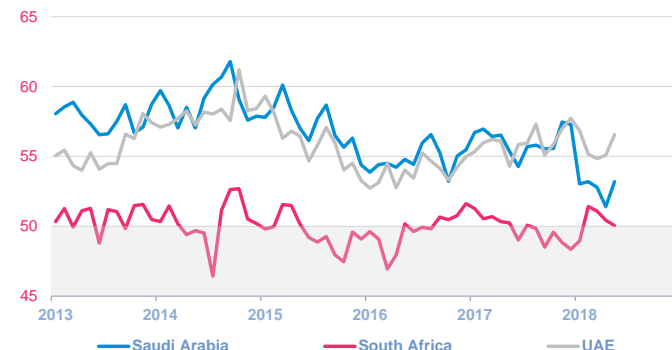
%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Middle East	6.4	4.1	10.7	3.9
Africa	6.4	1.9	6.1	0.9
World	7.6	7.8	9.7	6.2
Routes (segment basis)				
Middle East - Asia	7.3	5.7	9.3	4.4
Middle East - Europe	6.6	5.3	13.2	2.8
Africa - Europe	6.5	6.9	10.6	2.2
Middle East - Nth America	-1.4	2.9	13.3	2.2
Africa - Middle East	4.4	-3.9	4.6	-3.6
Africa - Asia	4.1	13.3	12.7	12.6

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

- ➔ Annual growth in industry-wide RPKs slowed to 6.2% in April, from a 12-month high of 9.7% in Mar. The slowdown largely reflects developments a year ago – incl. the late timing of Easter in 2017. Even so, the rate of growth remains above its long-run average pace.
- ➔ At the regional level, yoy growth in pax volumes also eased this month – by more than the industry-wide figures – to 3.9%yoy for the Middle East carriers and a

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



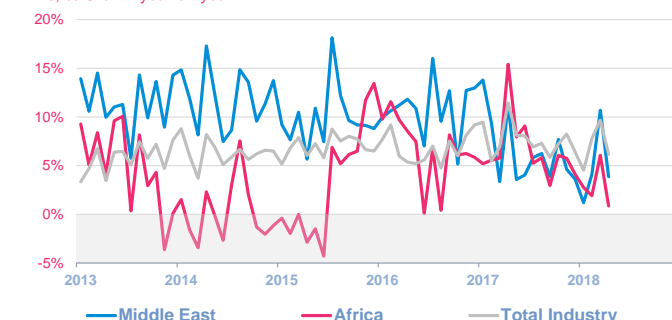
- ➔ Business confidence lifted in both Saudi Arabia & the UAE this month supported by both higher oil prices & firming demand conditions. In Sth Africa, sentiment eased for the 3rd consecutive month, following the post-election surge at the start of the year.
- ➔ On a trade-weighted basis, the US\$ rose by ~3% in May, benefitting from safe-haven inflows. The ZAR fell again this month vs the US\$, down a further 1.7% & the KES & EGP were both down 1.2-1.3%.
- ➔ Brent crude oil & jet fuel prices both rose further in May, by US\$5-6/bbl. Geopolitical concerns & supply tightening were key factors again this month. Prices are now more than 50% higher compared with a year ago.

modest 0.9% for the African airlines respectively.

- ➔ The annual rate of RPK growth slowed across all of the main international markets, with the exception of Africa-Asia which was steady at 12.6%yoy & easily the strongest of all the main markets for the region.
- ➔ Passenger volumes for the Africa-Middle East market returned to negative territory in Apr, following a short-lived recovery in Mar. RPKs are currently 3.6% lower than their level of a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Middle East	8.0	7.3	1.0	7.3
Africa	24.6	14.9	-2.8	5.6
World	9.1	6.8	1.8	4.1
Routes (segment basis)				
Middle East - Asia	6.3	11.6	-0.6	6.0
Middle East - Europe	11.0	4.1	0.5	9.6
Africa - Europe	2.4	0.2	-0.1	-0.6
Middle East - Nth America	6.8	11.0	-0.4	-10.4
Africa - Middle East	1.2	-7.3	-5.8	1.6
Africa - Asia	58.6	19.9	-4.9	4.1

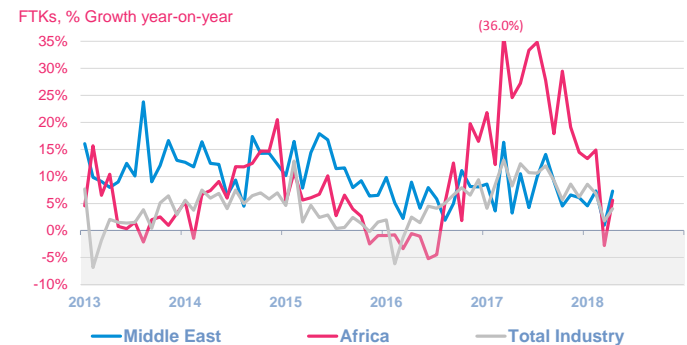
Source: IATA Statistics Note: historical data may be subject to revision

- After falling to a 23-month low in Mar, annual growth in industry-wide FTKs recovered to a solid 4.1% in Apr. In seasonally-adjusted terms, FTK volumes have been trending broadly sideways since August last year.
- At the regional level, FTK growth rebounded strongly for both the Middle East (to 7.3%yoy from 1.0% in Mar) &

African carriers (to 5.6%yoy, following a solid 2.8%yoy fall last month).

- Across the key international markets, the sharp drop in growth rate for the ME-NthAm market this month largely reflects developments of a year ago. The Europe market remains lackluster for Africa (FTKs are down 0.6%yoy) but robust for the ME (up a strong 9.6%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	Feb-18	Mar-18	Apr-18
Passenger				
Middle East ASK	6.5	3.9	4.2	2.8
PLF	74.6	74.3	76.7	77.1
Africa ASK	3.0	0.1	2.7	0.9
PLF	70.9	68.7	71.6	73.1
World ASK	6.3	6.4	6.5	5.9
PLF	81.5	80.5	82.5	82.3
Freight				
Middle East AFTK	2.6	7.5	5.0	4.8
FLF	44.9	44.2	45.4	44.4
Africa AFTK	9.9	27.8	24.7	23.0
FLF	25.6	23.0	22.8	21.3
World AFTK	3.0	6.7	4.8	5.1
FLF	45.5	43.9	46.3	44.8

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

- On the passenger side, over the past year the region's carriers have increased capacity considerably more slowly than the 6% pace of the overall industry. Both the ME & African carriers continue to record lower pax load factors than the industry average of 82.3% currently.
- For freight, the African carriers have increased AFTKs by 23%yoy, far outstripping the ~5% increase of both the ME carriers & the overall industry. Similarly, the freight load factor of the African airlines, at just 21.3%, sits well below that of both the ME carriers & the latest industry-

wide outcome (44.4% & 44.8%, respectively).

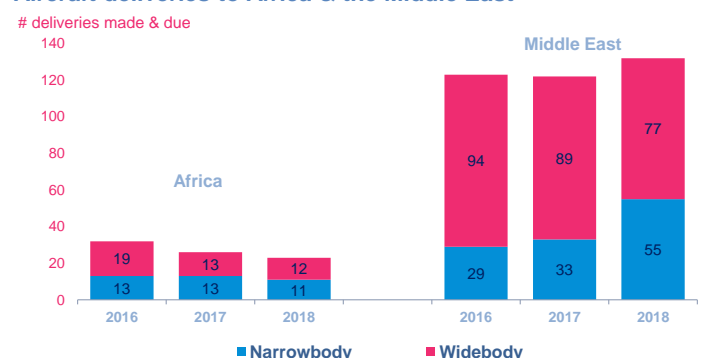
- The latest financial data for Q1 show a 1pp improvement in the overall industry EBIT margin compared with a year ago, to 5.7% currently. While remaining below the industry outcome, there is a solid improvement in the EBIT margin of the region's carriers, to 3.2% currently.
- Passenger yield developments for the region's key markets remain mixed. Double-digit yield increases over the past year for ME-NthAm, Within Africa & Africa-Europe contrast with a sizeable decline for ME-Asia.

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

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Middle East - Asia	-3.5	-2.3	-3.6	-4.9
Middle East - Europe	-2.7	6.5	4.0	5.0
Africa - Europe	-5.0	10.3	12.6	13.7
Middle East - Nth America	-2.5	11.0	6.0	16.6
Middle East - Sth America	4.8	15.5	6.1	5.5
Africa - Middle East	-5.8	12.3	9.4	5.3
Africa - Nth America	2.2	6.9	-1.1	1.3
Within Middle East	-6.0	-1.5	-1.5	0.1
Within Africa	1.5	11.1	8.2	14.7

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

Aircraft deliveries to Africa & the Middle East



Source: Ascend

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Africa & Middle East	1.9	3.1	1.4	3.2
Industry	8.5	7.5	4.7	5.7

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