



STATE OF THE REGION: AFRICA & MIDDLE EAST

MARCH 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
Saudi Arabia	1.7	-1.0	-0.4	--
Nigeria	-1.6	0.8	1.4	--
Egypt	2.3	4.8	5.2	--
South Africa	0.6	0.8	1.1	1.8
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	4.8	4.2	--
Jordan	2.4	2.6	2.3	--
World*	2.4	2.9	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Dec-17	Jan-18	Feb-18
US\$ broad index	120.0	120.0	117.2	117.6
Saudi Arabian riyal (SAR)	3.74	3.74	3.74	3.74
Nigerian naira (NGN)	360.0	360.0	360.0	361.1
Egyptian pound (EGP)	17.8	17.8	17.7	17.7
Sth African rand (ZAR)	12.4	12.4	11.9	11.8
UAE dirham (AED)	3.66	3.66	3.67	3.67
Kenyan shilling (KES)	103.2	103.2	102.0	101.4
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

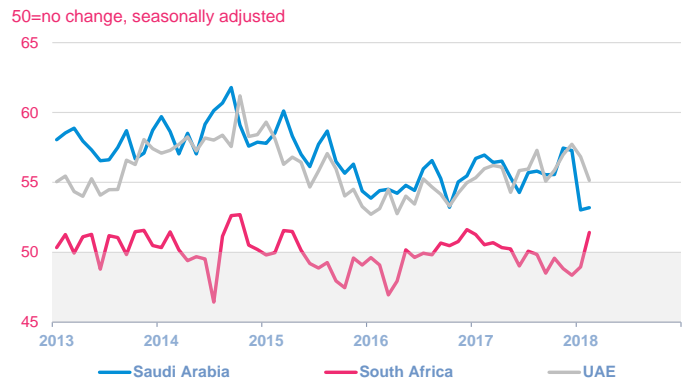
Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Dec-17	Jan-18	Feb-18
Crude oil (Brent)	54.2	64.4	69.1	65.3
Jet fuel	65.6	76.3	82.0	77.7

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs



- ➔ Business confidence in South Africa moved above the key index level of 50 for the 1st time in 6mths, buoyed by the improved political backdrop. The level of sentiment stabilized in Saudi Arabia, following the sizeable fall last month while softer demand in the UAE contributed to a dip in businesses confidence on this occasion.
- ➔ On a trade-weighted basis, the US\$ rose a modest 0.3% in Feb, after consecutive monthly declines. The largest moves amongst the main regional currencies were a 0.6% & 0.8% mom rise in the KES & ZAR vs the US\$.
- ➔ Brent crude oil & jet fuel prices retraced some of their recent gains in Feb, easing by close to 5.5% in the month. However, the broader picture is that both are currently ~20% higher than their level of a year ago.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
Middle East	6.4	4.6	3.6	0.8
Africa	6.4	5.8	4.1	2.8
World	7.6	8.3	6.4	4.6
Routes (segment basis)				
Middle East - Asia	7.4	9.3	3.7	3.8
Middle East - Europe	6.6	3.1	3.6	2.5
Africa - Europe	6.5	9.6	6.9	6.8
Middle East - Nth America	-1.3	-4.1	-3.0	-5.1
Africa - Middle East	4.4	1.3	3.1	0.4
Africa - Asia	4.1	2.0	7.3	4.5

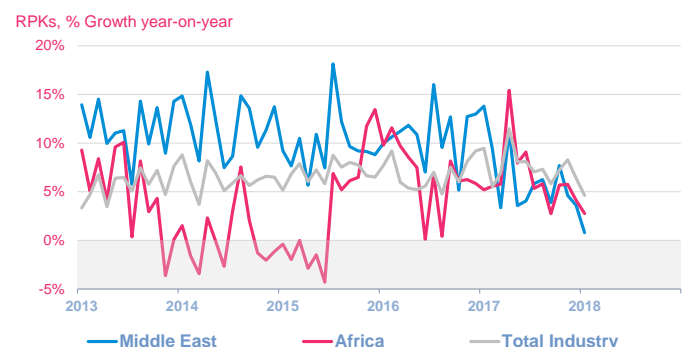
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Industry-wide RPKs grew by 4.6%yoy in Jan, down almost 2pp from Dec & its slowest pace in nearly four years. However, the later timing of Lunar New Year (LNY) appears to account for a good part of this result & a rebound could reasonably be expected next month.
- ➔ At the regional level, yoy growth in pax volumes also slowed – most notably for ME carriers, where RPKs are up just 0.8% on their level of a year ago; the slowest yoy

pace since late 2008. For the African airlines, RPKs grew by a moderate 2.8% in yoy terms in Jan, down from 4.1% in Dec.

- ➔ Amongst the main international markets for the region, Africa-Europe & Africa-Asia lead the way with pax volumes currently up 6.8% & 4.5%yoy, respectively.
- ➔ RPK growth for the ME-Nth America market remain very weak, softening further in Jan, to currently be 5.1% lower than a year ago.

Growth in air passenger volumes



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
Middle East	8.1	6.7	6.3	4.4
Africa	24.6	19.1	14.5	12.9
World	9.0	8.5	5.8	8.0
Routes (segment basis)				
Middle East - Asia	6.3	6.9	12.8	5.7
Middle East - Europe	11.0	1.8	-0.1	2.2
Africa - Europe	2.4	6.3	6.6	3.5
Middle East - Nth America	6.8	16.8	15.8	0.4
Africa - Middle East	1.2	7.9	-4.2	-9.4
Africa - Asia	58.6	45.8	22.5	23.9

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

- Although mindful of the potential LNY distortions for air freight also at year-start, industry-wide FTKs stepped up in Jan, increasing by a robust 8.0%yoy, vs 5.8% in Dec.
- Africa & the ME went against the industry-wide trend, as the only two regions where the yoy FTK growth rate slowed this month; to 4.4% for the ME carriers & 12.9% for Africa. Despite slowing again on this occasion, Africa remains the region with the strongest FTK growth.

Industry

Capacity growth and load factors

%ch on a yr ago, LF: %of ASK/AFTK		2017	Nov-17	Dec-17	Jan-18
Passenger					
Middle East	ASK	6.5	4.4	5.3	4.5
	PLF	74.6	70.1	76.0	76.6
Africa	ASK	2.9	2.5	2.5	2.4
	PLF	70.9	69.2	72.7	70.3
World	ASK	6.4	6.4	5.8	5.3
	PLF	81.5	80.4	80.8	79.6
Freight					
Middle East	AFTK	2.6	3.1	4.6	6.3
	FLF	44.9	49.2	44.3	41.0
Africa	AFTK	9.9	25.2	7.7	5.3
	FLF	25.6	26.0	31.7	24.6
World	AFTK	3.0	4.4	3.6	4.2
	FLF	45.5	48.8	46.7	43.3

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

- Industry-wide, annual pax capacity grew faster than demand for the first time in 15 months in Jan. The industry-wide PLF slipped below 80%, to 79.6%, but remains well above that of both the ME & African carriers (at 76.6% & 70.3%, respectively).
- The overall industry FLF also eased somewhat in Jan, to 43.3%, but even so, still exceeds the performance of the region's carriers; 41.0% for ME & 24.6% for Africa.

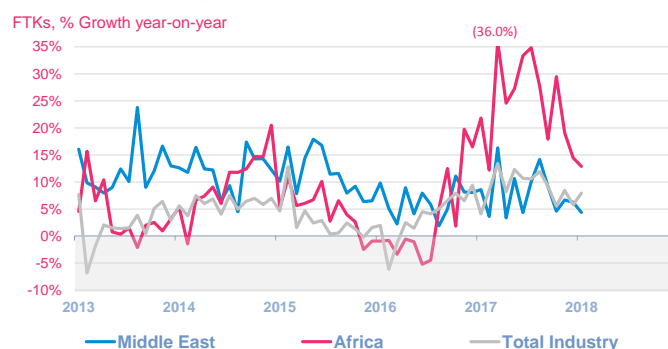
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Africa & Middle East	2.2	2.0	-4.7	1.8
Industry	8.5	8.8	8.9	8.6

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

- For the region's main international markets, a very weak start to the year saw the FTK growth rate for ME-NthAm slip to just 0.4%yoy. The largest market, ME-Asia continues to perform solidly, with growth of 5.7%yoy & ME-Europe freight volumes returned to positive growth this month, at 2.2%yoy.
- Africa-Asia is (still) the fastest growing region, with FTKs up 24%yoy, while Africa-ME is the weakest, with freight volumes now more than 9% lower than a year ago.

Growth in air freight volumes



Source: IATA Statistics

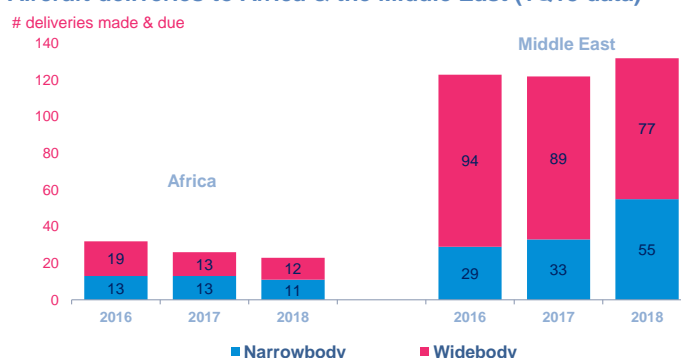
- The initial Q4 financial data shows a strong turnaround in the EBIT margin for the region's airlines. However, at just 1.8% currently, it remains both fragile & well below the overall industry outcome of 8.6%.
- Industry-wide passenger yields continue to broadly trend sideways as they have done for more than 12 months now. For the region's key markets, however, all yields are now higher than their level of a year ago; Africa-ME being the strongest performer, with yields up 14%yoy.

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

%change on a yr ago	2016	Nov-17	Dec-17	Jan-18
Middle East - Asia	-10.7	-1.8	0.5	1.3
Middle East - Europe	-12.5	-0.1	2.5	7.5
Africa - Europe	-8.9	-0.5	2.2	6.6
Middle East - Nth America	-7.6	-1.9	3.2	2.7
Middle East - Sth America	-13.7	13.5	26.0	8.4
Africa - Middle East	-13.0	2.1	8.4	14.2
Africa - Nth America	-6.9	2.5	3.6	2.1
Within Middle East	-4.6	-6.9	-6.1	1.6
Within Africa	-12.4	5.6	8.6	8.7

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

Aircraft deliveries to Africa & the Middle East (1Q18 data)



Source: Ascend