



STATE OF THE REGION: AFRICA & MIDDLE EAST

MAY 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q3	2016Q4	2017Q1
Saudi Arabia	4.1	0.9	1.2	--
Nigeria	2.7	-2.3	-1.2	--
Egypt	2.5	1.7	3.5	--
South Africa	1.2	1.0	0.5	--
UAE	4.0	--	--	--
Kenya	6.3	5.3	--	--
Jordan	2.7	2.2	2.5	--
World*	2.4	2.2	2.5	2.6

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Feb-17	Mar-17	Apr-17
US\$ broad index	127.7	125.8	125.3	124.3
Saudi Arabian riyal (SAR)	3.75	3.73	3.75	3.75
Nigerian naira (NGN)	315.0	317.0	316.5	307.4
Egyptian pound (EGP)	18.1	15.8	18.2	18.1
Sth African rand (ZAR)	13.7	13.1	13.4	13.3
UAE dirham (AED)	3.67	3.66	3.67	3.67
Kenyan shilling (KES)	102.4	102.9	103.1	103.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Feb-17	Mar-17	Apr-17
Crude oil (Brent)	52.4	54.9	51.6	52.3
Jet fuel	64.0	65.0	60.7	63.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

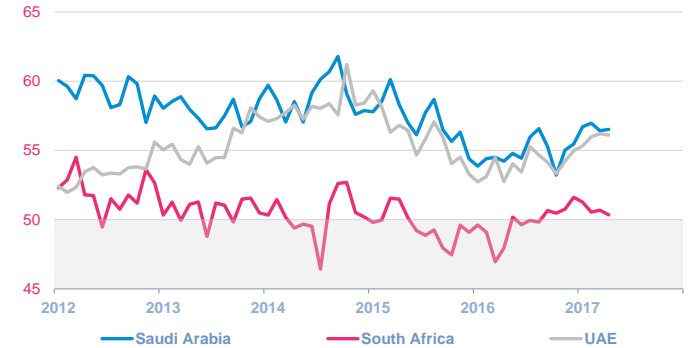
%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
Middle East	11.2	13.5	9.1	4.7
Africa	6.5	5.2	5.6	4.9
World	6.3	9.0	4.9	6.8
Routes (segment basis)				
Middle East - Asia	9.0	9.8	5.4	4.2
Middle East - Europe	9.9	10.3	7.7	0.9
Africa - Europe	1.8	3.3	4.7	4.0
Middle East - Nth America	19.3	13.6	7.5	-2.8
Africa - Middle East	18.0	10.1	15.0	1.8
Africa - Asia	6.8	2.1	1.3	3.5

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

- Growth in global RPKs retraced some of last month's fall, recovering to be 6.8% higher yoy in Mar. This completes a robust first quarter – industry-wide RPKs were 7.0% higher than in the same period a year ago, well ahead of the long-run average rate of ~5.5%.
- However, the pace of yoy RPK growth eased this month for both the Middle East & African carriers, to 4.7 & 4.9%, respectively.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



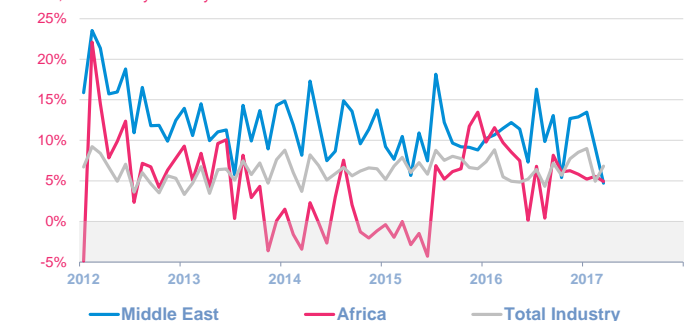
Source: Markit

- Recent trends in business confidence continued this month; general softness in Sth Africa, impacted by political concerns & weak economic indicators contrasting with a more robust performance in the Middle East, supported by the recovery in oil prices.
- The US\$ eased further on a trade-weighted basis in April, down 0.7%. Of the regional currencies, the NGN was the key mover this month, gaining a solid 3% in value against the US\$.
- Brent crude oil & jet fuel prices ended the month higher (the latter up a sizeable 4.5%), buoyed by statements of support from Russia & Saudi Arabia to extend the production cuts.

- Amongst the key markets, Middle East-Asia & Africa-Europe are the strongest performers currently, with solid growth of 4.2% & 4.0%yoy.
- For the ME-NthAm market, RPK growth fell by 2.8%yoy in Mar – the first decline since the data began in 2010. Pax growth has been slowing for some months, but the so-called laptop ban & the proposed travel bans may be contributing factors. That said, we caution against reading too much into a single data point, especially given the inherent volatility in the monthly data.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
Middle East	6.9	8.6	3.6	16.3
Africa	3.4	21.9	12.6	33.5
World	3.8	6.2	8.4	14.0
Routes (segment basis)				
Middle East - Asia	3.7	-0.8	-6.5	9.2
Middle East - Europe	7.1	17.9	11.4	30.6
Africa - Europe	-5.5	-0.4	-1.0	4.0
Middle East - Nth America	17.0	1.9	2.0	16.8
Africa - Middle East	1.8	3.2	6.5	-1.0
Africa - Asia	30.1	48.4	34.9	74.4

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

- Global FTKs grew by 14.0%yoy in Mar – the fastest pace since October 2010. For Q1 overall, freight volumes rose almost 10% on the same period last year.
- At the regional level, FTK growth moved sharply higher for both the Middle East (up 16.3%yoy) &, in particular, the African (up 33.5%) carriers in Mar.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Jan-17	Feb-17	Mar-17
Passenger					
Middle East	ASK	13.5	11.2	6.9	9.3
	PLF	74.7	79.4	74.1	73.2
Africa	ASK	6.3	3.9	1.4	1.9
	PLF	68.6	70.1	67.6	69.4
World	ASK	6.3	7.3	2.8	6.1
	PLF	80.5	80.3	79.5	80.4
Freight					
Middle East	AFTK	8.4	3.3	-1.7	2.7
	FLF	42.8	42.1	44.6	47.6
Africa	AFTK	25.7	5.9	0.6	6.3
	FLF	22.2	22.9	25.6	28.9
World	AFTK	5.3	3.3	0.1	4.2
	FLF	43.0	41.9	43.4	47.4

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

- Middle East airlines have increased pax capacity by more, & freight capacity by less, than the overall industry-wide rate over the past year. The converse is true for the African carriers.
- Only the ME freight load factor exceeds the industry average figure this month, & then only narrowly. The gap in load factor performance against the industry outcome continues to be widest for the African FLF, at close to 20pp (28.9% vs 47.4%).

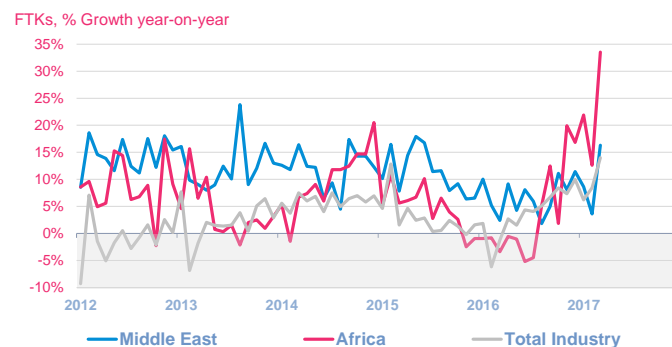
Airline operating (EBIT) margins*

%revenues	2015	2016	2015Q4	2016Q4
Africa & Middle East	2.2	2.0	7.4	16.1
Industry	8.5	8.8	9.3	8.3

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

- Of the largest markets, ME-Europe freight volumes are now up more than 30% on a year ago while ME-NthAm FTKs also stepped up significantly this month, to 16.8%yoy.
- The Africa-Europe market has returned to positive yoy growth (up 4.0%) & growth accelerated to a massive 74.4%yoy for the (smaller) Africa-Asia market.

Growth in air freight volumes



Source: IATA Statistics

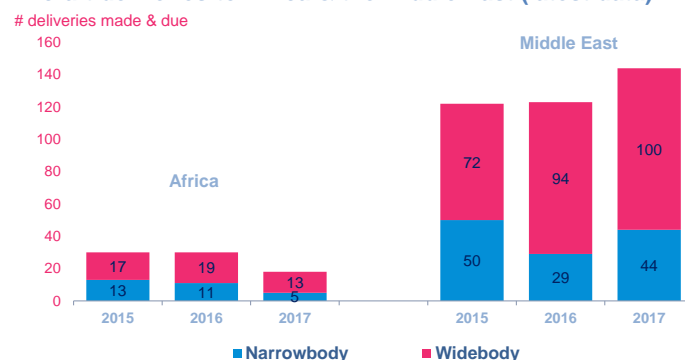
- With very limited Q1 data available, Q4 2016 financials showed a sizeable improvement in EBIT margin for the A-ME carriers vs a year ago; 16.1% vs 7.4%. The equivalent industry-wide figure eased by 1pp, to 8.3%.
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, yoy yields have clearly narrowed across most markets & have now risen for the Within Africa & Africa-Nth America markets.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Middle East - Asia	-10.5	-15.5	-11.6	-7.6
Middle East - Europe	-12.0	-14.8	-11.0	-6.1
Africa - Europe	-8.4	-12.4	-13.7	-10.5
Middle East - Nth America	-7.2	-10.3	-9.4	-5.5
Middle East - Sth America	-13.2	-6.5	-11.0	-5.4
Africa - Middle East	-13.7	-20.4	-18.2	-15.7
Africa - Nth America	-7.1	-5.5	-0.1	4.3
Within Middle East	-4.8	-10.2	-7.6	-7.1
Within Africa	-12.1	-8.0	-3.0	1.8

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

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



Source: Ascend