



STATE OF THE REGION: AFRICA & MIDDLE EAST

MAY 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	1.4	--	--
Egypt	4.2	4.8	5.2	--
South Africa	1.2	1.1	1.8	--
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	Feb-18	Mar-18	Apr-18
US\$ broad index	120.0	117.6	118.1	118.2
Saudi Arabian riyal (SAR)	3.74	3.74	3.75	3.75
Nigerian naira (NGN)	360.0	361.1	360.0	359.6
Egyptian pound (EGP)	17.8	17.7	17.7	17.7
Sth African rand (ZAR)	12.4	11.8	11.8	12.5
UAE dirham (AED)	3.66	3.67	3.68	3.67
Kenyan shilling (KES)	103.2	101.4	100.9	100.2
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	Feb-18	Mar-18	Apr-18
Crude oil (Brent)	54.2	65.3	66.0	72.1
Jet fuel	65.6	77.7	78.0	84.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

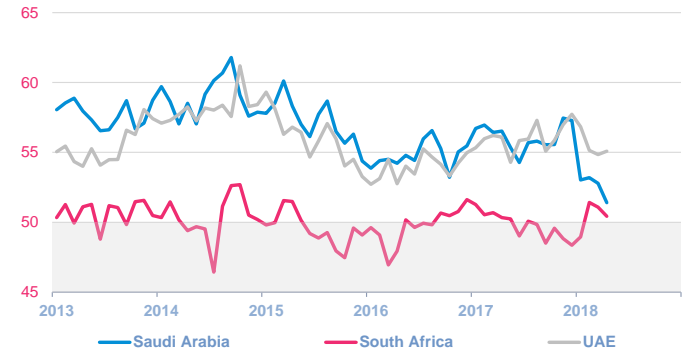
%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Middle East	6.4	1.2	4.1	10.6
Africa	6.4	2.8	1.9	6.1
World	7.6	4.5	7.7	9.5
Routes (segment basis)				
Middle East - Asia	7.3	3.4	5.7	9.3
Middle East - Europe	6.6	2.4	5.3	13.1
Africa - Europe	6.5	8.0	6.9	10.7
Middle East - Nth America	-1.4	-5.6	2.9	13.3
Africa - Middle East	4.4	0.4	-3.9	4.6
Africa - Asia	4.1	4.2	13.3	12.7

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

- Industry-wide RPK growth lifted again this month, building on last month's healthy rebound. Passenger volumes are 9.5% higher in March than their level of a year ago – the fastest rate of growth in a year & well above the 5-year average pace
- At the regional level, yoy growth in pax volumes also accelerated this month, to 10.6%yoy for the Middle East carriers & 6.1% for the African airlines, respectively.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

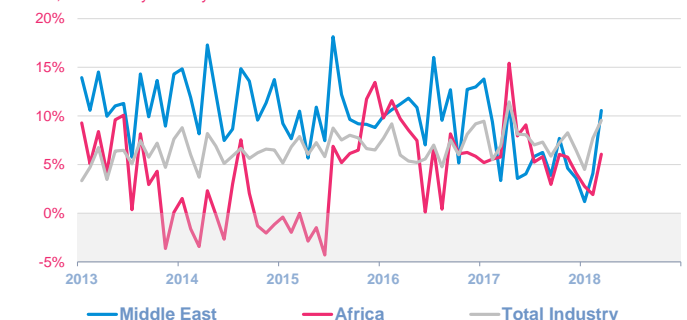


- Business confidence fell in both Saudi Arabia & Sth Africa this month. The former reflected softer domestic demand & new orders while the latter was due to factors including the listeria outbreak, strike activity & the VAT increase. Sentiment was largely unchanged in the UAE.
- On a trade-weighted basis, the US\$ was essentially unchanged in April. Amongst the main regional currencies, the KES rose 0.7% against the US\$ over the month while the ZAR fell by a sizeable 5%.
- Brent crude oil & jet fuel prices both surged this month, gaining more than US\$6/bbl & moving to their highest levels since 2014. Heightened geopolitical risks, along with supply tightening, were the key price drivers in April.

- With the exception of a modest easing for the Africa-Asia market, the pace of RPK growth lifted across each of the region's main international markets, with many now registering a double-digit rate of growth. Middle-East-Europe is the standout market currently, with RPK growth of 13.1%yoy.
- The decline in (yoy) pax volumes for the Africa-ME market which we observed last month proved to be short-lived, with growth rebounding to a solid 4.6% pace in these latest data.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Middle East	8.0	4.6	7.3	0.8
Africa	24.6	13.3	14.9	-3.4
World	9.1	8.5	6.7	1.7
Routes (segment basis)				
Middle East - Asia	6.3	5.9	11.6	-0.6
Middle East - Europe	11.0	2.4	4.1	0.4
Africa - Europe	2.4	4.1	0.2	0.2
Middle East - Nth America	6.8	2.3	11.0	-0.4
Africa - Middle East	1.2	-9.1	-7.3	-5.8
Africa - Asia	58.6	24.3	19.9	-4.9

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

- After a robust start to the year, the industry-wide FTK growth rate slowed to just 1.7%yoy in March. For Q1 overall, freight volumes are up 5.4%yoy, but a softening in the seasonally adjusted trend has become more apparent in recent months.
- After a very strong performance over the past 18mths or so, FTK growth for the African carriers went into reverse in March, with volumes 3.4% lower than a year ago.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2017	Jan-18	Feb-18	Mar-18
Passenger				
Middle East ASK	6.5	4.9	3.9	4.2
PLF	74.6	76.6	74.3	76.6
Africa ASK	3.0	2.4	0.1	2.7
PLF	70.9	70.3	68.7	71.6
World ASK	6.3	5.2	6.3	6.4
PLF	81.5	79.6	80.6	82.4
Freight				
Middle East AFTK	2.6	6.3	7.5	4.9
FLF	44.9	41.1	44.2	45.3
Africa AFTK	9.9	28.1	27.8	25.0
FLF	25.6	20.3	23.0	22.6
World AFTK	3.0	5.4	6.3	4.4
FLF	45.5	43.0	44.0	46.4

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 more slowly than the 6.4% pace of the industry overall. Both the ME & African carriers continue to record lower pax load factors than the industry average of 82.4% currently.
- For freight, the African carriers have increased AFTKs by 25%yoy, far outstripping the 4.9% increase of the ME carriers & the 4.4% overall industry figure. Similarly, the freight load factor of the African airlines, at just 22.6%,

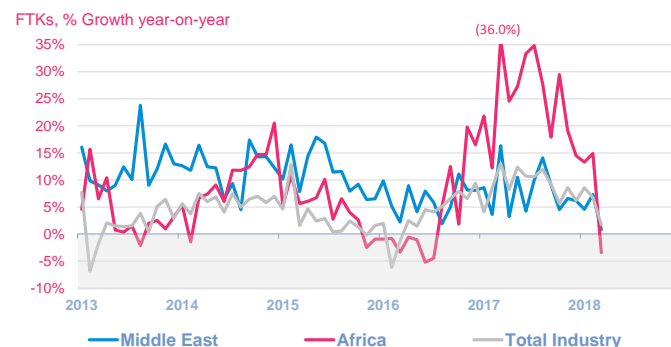
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Africa & Middle East	2.2	2.0	17.4	-3.1
Industry	8.5	8.8	8.8	8.7

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

- However, this appears to relate more to a very strong monthly outcome a year ago & we would expect a rebound in the growth rate in April.
- FTK growth also slowed for the Middle East carriers, but managed to at least remain in positive territory, at a modest 0.8%yoy.
- The softness freight volume growth is widespread across all of the region's key international markets.

Growth in air freight volumes



Source: IATA Statistics

sits well below that of both the ME carriers (45.3%) & the latest industry-wide outcome (46.4%).

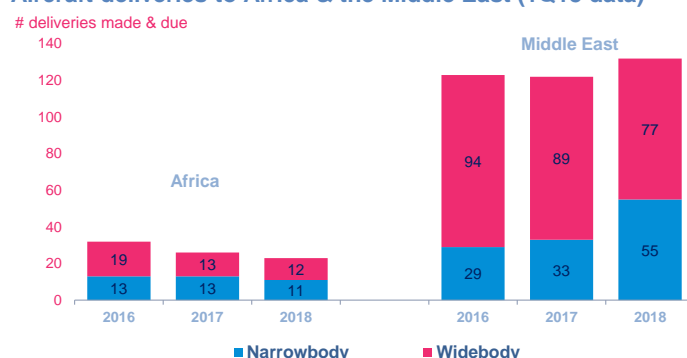
- With no Q1 data available for the region's carriers at the time of writing, the final Q4 data confirm a sharply lower EBIT margin outcome for the region vs a year ago.
- Passenger yield developments for the region's key markets remain mixed. Africa-Europe is the strongest performer, with yields up 12.6%yoy. However, yoy pax yields are lower for ME-Asia, Within ME & Africa-NthAm.

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

%change on a yr ago	2016	Jan-18	Feb-18	Mar-18
Middle East - Asia	-10.7	1.3	-2.3	-3.6
Middle East - Europe	-12.5	7.5	6.5	4.0
Africa - Europe	-8.9	6.6	10.3	12.6
Middle East - Nth America	-7.6	2.7	11.0	6.0
Middle East - Sth America	-13.7	8.4	15.5	6.1
Africa - Middle East	-13.0	14.2	12.3	9.4
Africa - Nth America	-6.9	2.1	6.9	-1.1
Within Middle East	-4.6	1.6	-1.5	-1.5
Within Africa	-12.4	8.7	11.1	8.2

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

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



Source: Ascend