# STATE OF THE REGION: AFRICA & MIDDLE EAST

**NOV. 2016**

## Economy

### GDP growth, selected countries

| *%change on a yr ago* | 2015 | 2016Q1 | 2016Q2 | 2016Q3 |
|---|---|---|---|---|
| Saudi Arabia | 3.0 | 1.5 | 1.4 | -- |
| Nigeria | 1.7 | -0.4 | -2.2 | -- |
| South Africa | 0.4 | -0.7 | 0.9 | -- |
| UAE | 3.9† | -- | -- | -- |
| Kenya | 5.6† | 7.2 | 6.7 | -- |
| Jordan | 2.8 | 2.7 | 2.3 | -- |
| MENA | 2.3 | -- | -- | -- |
| Sub-Saharan Africa | 3.4 | -- | -- | -- |
| **World*** | **2.3** | **2.2** | **2.1** | **2.2** |

Source: Datastream * Market exchange rate basis † Estimate

### Exchange rates

| *end of period, # per US$* | 2015 | Aug-16 | Sep-16 | Oct-16 |
|---|---|---|---|---|
| US$ broad index | 122.4 | 120.8 | 121.8 | 122.9 |
| Saudi Arabian riyal (SAR) | 3.75 | 3.76 | 3.75 | 3.75 |
| Nigerian naira (NGN) | 199.0 | 314.8 | 304.5 | 310.1 |
| Sth African rand (ZAR) | 15.5 | 14.7 | 13.7 | 13.5 |
| UAE dirham (AED) | 3.67 | 3.68 | 3.67 | 3.67 |
| Kenyan shilling (KES) | 102.3 | 101.2 | 101.1 | 101.5 |
| Jordanian dinar (JOD) | 0.71 | 0.71 | 0.71 | 0.71 |

Source: Datastream, XE

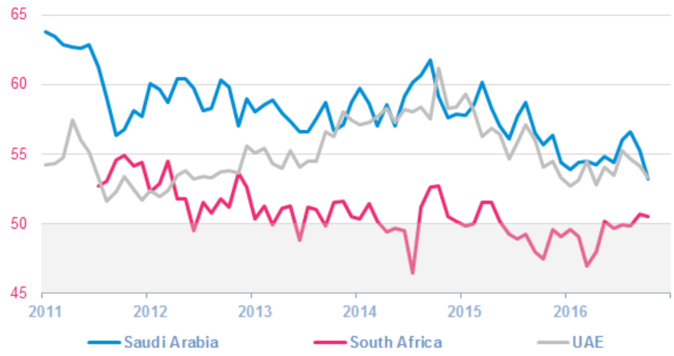
### World oil and jet fuel price

| *US$/barrel* | 2015 | Aug-16 | Sep-16 | Oct-16 |
|---|---|---|---|---|
| Crude oil (Brent) | 52.4 | 45.8 | 46.6 | 49.5 |
| Jet fuel | 64.0 | 54.4 | 55.4 | 61.2 |

Source: Platts, EIA Monthly average data

**Business confidence - economy-wide PMIs**

50=no change, seasonally adjusted




Source: Markit

- Fiscal austerity & regional tensions have weighed upon confidence in the Middle East, despite higher oil prices. Business confidence in Sth Africa has sustained its rise above the key 50-level, despite a modest easing.
- The US$ moved a little higher in Oct, rising 0.9% on a trade-weighted basis. Amongst the main regional currencies, the ZAR rose by 1.8% vs the US$, while the NGN eased back by a similar amount, following a strong performance in Sep.
- The world price of oil & jet fuel both rose substantially in Oct, up 6% & 10% respectively (or $3 & $6/bbl). Prices were lifted by declining US oil inventories & discussions to bring forward market rebalancing.

## Market

### Revenue passenger kilometers (RPKs)

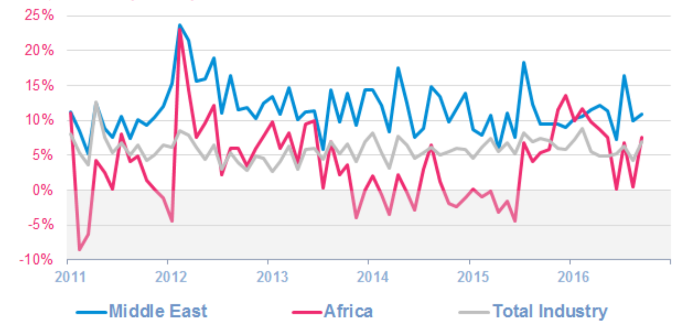
| *%change on a yr ago* | 2015 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|
| **Region (registration basis)** | | | | |
| Middle East | 10.1 | 16.4 | 9.9 | 11.0 |
| Africa | 3.1 | 6.8 | 0.4 | 7.5 |
| World | 6.5 | 6.4 | 4.3 | 7.0 |
| **Routes (segment basis)** | | | | |
| Middle East - Asia | 6.9 | 8.9 | 3.8 | 5.8 |
| Middle East - Europe | 11.3 | 10.8 | 5.0 | 9.2 |
| Africa - Europe | -1.1 | 2.8 | -1.9 | 2.8 |
| Middle East - Nth America | 26.7 | 30.2 | 20.5 | 24.5 |
| Africa - Middle East | 6.9 | 27.4 | 18.0 | 24.6 |
| Africa - Asia | -1.2 | 7.6 | 4.5 | 6.9 |

Source: IATA Statistics

- After a moderation last month, industry-wide RPKs stepped up in Sep, growing by a strong 7.0%yoy – its fastest pace in 7mths.
- A similar pattern of activity was observed in the region with growth in pax volumes returning to a brisk double-digit pace for the Middle East carriers (11%yoy) & surging to 7.5% for the African carriers.
- At the segment level, yoy RPK growth improved across all key markets this month.
- For the ME carriers, solid improvements in the key Asia & Europe markets underpinned the strong regional outcome, supported by ~25%yoy growth on the smaller NthAm & Africa markets.
- For African carriers, the key Europe market bounced back in Sep, returning to positive, albeit modest, growth of 2.8% after a short-lived yoy growth contraction in Aug. The Asia market also recovered, to ~7%yoy growth.

**Growth in air passenger volumes**

RPKs, % Growth year-on-year




Source: IATA Statistics

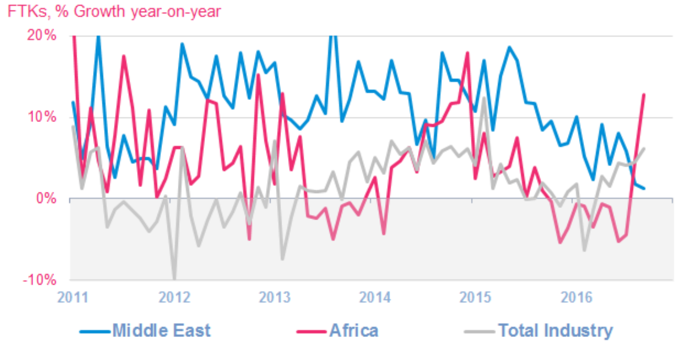
## Freight tonne kilometers (FTKs)

| *%change on a yr ago* | 2015 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|
| **Region (registration basis)** | | | | |
| Middle East | 11.6 | 5.9 | 1.8 | 1.2 |
| Africa | 1.7 | -4.4 | 4.6 | 12.7 |
| World | 2.2 | 4.1 | 4.5 | 6.1 |
| **Routes (segment basis)** | | | | |
| Middle East - Asia | 9.8 | 0.5 | -3.6 | 2.1 |
| Middle East - Europe | 8.2 | 4.7 | 3.8 | 4.6 |
| Africa - Europe | 0.4 | -10.7 | -5.6 | -4.4 |
| Middle East - Nth America | 29.5 | 24.9 | 8.6 | 19.0 |
| Africa - Middle East | 11.3 | 1.8 | -4.3 | -5.9 |
| Africa - Asia | 1.3 | 20.7 | 34.1 | 40.9 |

Source: IATA Statistics

- As with its pax counterpart, growth in industry-wide freight volumes moved higher in Sep, up 1½pp to 6.1%yoy. However, at the regional level, the outcome was mixed.
- For the ME carriers, freight volumes slowed further this month, with FTKs now just 1.2 higher than their level of a year ago & at their lowest rate since Jul 2009. Last month's strong recovery in growth for the African carriers continued in Sep, the rate rising a further 8pp, into double-digits, at 12.7%yoy.
- A similarly mixed performance is apparent across key markets, with RPKs contracting on routes between Africa & both the Middle East & Europe, but, in contrast, a very strong performance for ME-NthAm & Africa-Asia.

**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* | | 2015 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|
| **Passenger** | | | | | |
| Middle East | ASK | 12.6 | 15.2 | 13.5 | 13.7 |
| | *PLF* | *76.7* | *81.3* | *81.1* | *73.9* |
| Africa | ASK | 1.4 | 5.3 | 2.6 | 7.3 |
| | *PLF* | *69.3* | *72.7* | *75.1* | *72.7* |
| World | ASK | 5.6 | 6.0 | 5.6 | 6.6 |
| | *PLF* | *80.2* | *84.1* | *83.7* | *81.1* |
| **Freight** | | | | | |
| Middle East | AFTK | 15.7 | 10.5 | 6.9 | 6.2 |
| | *FLF* | *42.9* | *39.1* | *38.9* | *41.0* |
| Africa | AFTK | 5.9 | 30.5 | 29.3 | 34.0 |
| | *FLF* | *29.8* | *20.0* | *21.7* | *23.8* |
| World | AFTK | 6.4 | 5.0 | 4.9 | 4.7 |
| | *FLF* | *44.1* | *41.1* | *40.7* | *43.7* |

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

- In terms of pax capacity, both ME (in particular) & African carriers have increased ASKs at a faster rate than the industry average over the past year. For the ME, growth is double that of the industry at 13.7% vs 6.6%yoy. This has contributed to the load factors for the region slipping well below the industry figure.
- Likewise, AFTKs have risen faster in the region than at the global level, with the 34%yoy growth for African carriers an eye-catching figure. As with pax, the freight load factors are also below the industry average (a whopping 20pp lower in the case of Africa).

## Airline operating (EBIT) margins*

| *%revenues* | 2014 | 2015 | 2015Q3 | 2016Q3 |
|---|---|---|---|---|
| Africa & Middle East | 0.5 | 1.6 | 6.9 | 11.1 |
| Industry | 4.7 | 8.3 | 16.0 | 15.2 |

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

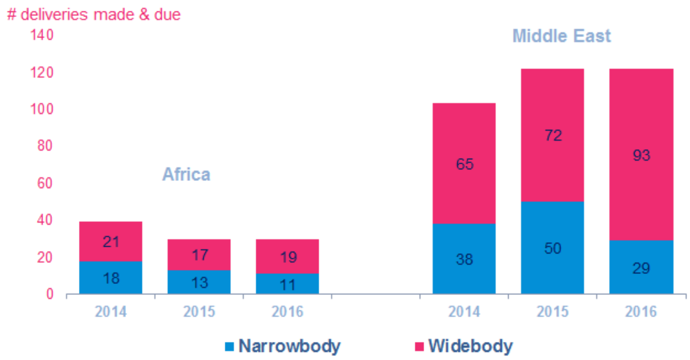
- The initial Q3 financial data show a robust improvement in the operating margin for the region's airlines, to 11.1% currently. Nonetheless, this lags the industry figure, which, despite moderating slightly compared with a year ago, remains a very healthy 15.2%.
- Passenger yields across all of the key markets for Africa & ME carriers remain well down on a year ago, despite the trend increase in oil prices observed over 2016.

## Passenger yields, excl. surcharges & ancillaries

| *%change on a yr ago* | 2015 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|
| Middle East - Asia | -7.6 | -8.8 | -10.5 | -8.5 |
| Middle East - Europe | -10.9 | -12.7 | -15.4 | -13.9 |
| Africa - Europe | -17.0 | -6.3 | -7.1 | -7.3 |
| Middle East - Nth America | -10.7 | -12.8 | -7.9 | -4.7 |
| Middle East - Sth America | -17.5 | -13.8 | -8.0 | -13.2 |
| Africa - Middle East | -10.0 | -14.6 | -12.4 | -11.7 |
| Africa - Nth America | -20.6 | -7.3 | -6.0 | -4.9 |
| Within Middle East | -5.6 | -5.9 | -5.0 | -5.5 |
| Within Africa | -15.2 | -11.3 | -9.7 | -9.9 |

Source: IATA PaxIS

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




Source: Ascend