



STATE OF THE REGION: AFRICA & MIDDLE EAST

NOV. 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2018Q1	2018Q2	2018Q3
Saudi Arabia	-0.9	1.2	1.6	--
Nigeria	0.8	2.0	1.5	--
Egypt	4.2	5.3	5.3	--
South Africa	1.2	1.5	0.6	--
UAE	0.5 [†]	--	--	--
Kenya	4.8 [†]	5.9	6.3	--
Jordan	2.4	2.2	2.5	--
World*	3.1	3.2	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Aug-18	Sep-18	Oct-18
US\$ broad index	120.0	125.3	126.0	126.9
Saudi Arabian riyal (SAR)	3.74	3.75	3.76	3.75
Nigerian naira (NGN)	360.0	361.9	364.5	363.0
Egyptian pound (EGP)	17.8	17.8	17.9	17.9
Sth African rand (ZAR)	12.4	14.7	14.2	14.8
UAE dirham (AED)	3.66	3.68	3.68	3.67
Kenyan shilling (KES)	103.2	100.7	100.8	102.1
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	Aug-18	Sep-18	Oct-18
Crude oil (Brent)	54.2	72.5	78.9	81.0
Jet fuel	65.6	89.0	91.9	94.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

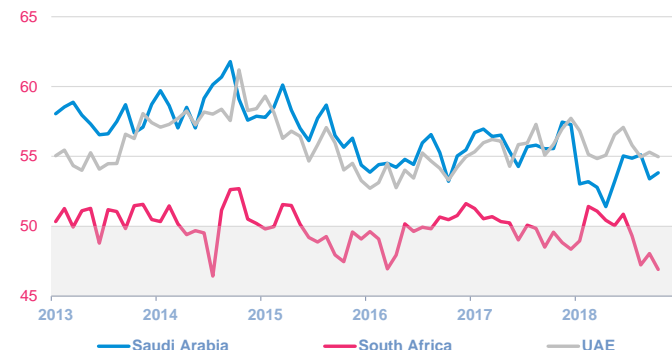
%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Region (registration basis)				
Middle East	6.4	5.9	5.2	1.4
Africa	6.4	3.6	3.4	2.3
World	7.6	6.2	6.4	5.5
Routes (segment basis)				
Middle East - Asia	7.3	4.7	3.6	3.5
Middle East - Europe	6.6	6.8	6.8	0.5
Africa - Europe	6.5	4.2	4.7	6.5
Middle East - Nth America	-1.4	2.8	1.4	4.0
Africa - Middle East	4.4	7.6	9.4	2.4
Africa - Asia	4.1	11.9	10.6	9.7

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

- ➔ Annual growth in industry-wide RPKs eased to 5.5% in Sept, the slowest rate in 8mths. The monthly outcome was impacted in part by adverse weather disruptions, although the upward traffic trend also slowed in Q3.
- ➔ At the regional level, growth in pax volumes moderated further this month, to a modest 1.4%yoy for the ME and 2.3%yoy for the carriers in Africa, with both remaining well below the overall industry growth rate.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

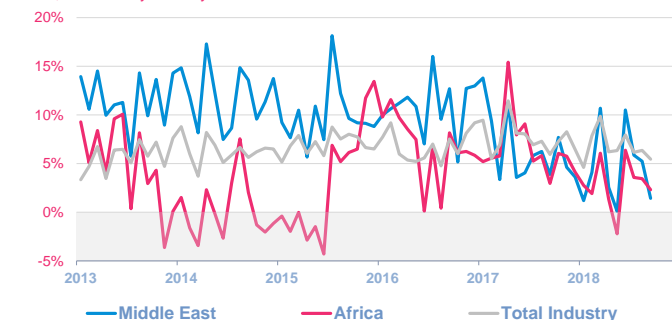


- ➔ Business confidence in Saudi Arabia recovered some of last month's decline on an improvement in new orders. Sentiment declined in Sth Africa to its lowest level since mid-2014 amid ongoing political & economic challenges.
- ➔ On a trade-weighted basis, the US\$ rose by 0.7% in Oct, the 9th consecutive monthly gain. The ZAR fell by 4.4% this month vs the US\$ & the KES was down 1.3%. The SAR, NGN & AED all made modest gains in Oct, up 0.4%mom.
- ➔ The monthly average Brent crude oil & jet fuel price rose further in Oct, mainly due to supply cut announcements from Saudi Arabia. In recent weeks, however, the oil & jet fuel price has corrected sharply lower.

- ➔ RPK growth is generally sound across the region's key international markets, with the main exception of ME-Europe where annual growth dipped to a subdued 0.5%yoy pace in Sept.
- ➔ RPK growth was steady in the largest ME-Asia market at 3.5% & lifted to a sturdy 6.5% for Africa-Europe. A solid improvement was also seen in growth for the ME-Nth America market, to 4.0%yoy in Sept, from 1.4% last month. Once again, the fastest growing market overall is Africa-Asia where passenger volumes are up 9.7%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Region (registration basis)				
Middle East	8.0	5.2	1.4	6.6
Africa	24.6	-5.8	-7.1	-2.1
World	9.1	2.2	1.9	2.0
Routes (segment basis)				
Middle East - Asia	6.3	6.2	3.3	5.5
Middle East - Europe	11.0	4.3	0.2	6.3
Africa - Europe	2.4	-1.2	-2.0	4.5
Middle East - Nth America	6.8	0.1	-4.7	-1.9
Africa - Middle East	1.2	-8.6	-8.5	-4.6
Africa - Asia	58.6	-9.1	-9.4	-11.8

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

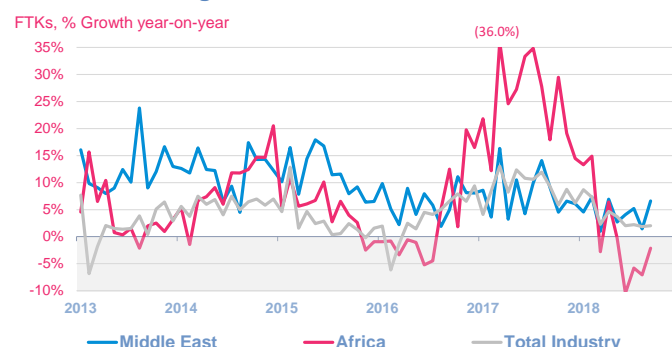
→ Annual industry-wide FTKs increased by 2.0%yoy in Sept, more than 3pp below the five-year average pace. The moderation in annual growth is consistent with the typical pattern seen after inventory-led upturns (as we saw in 2017) in the past.

→ The ME recorded the fastest FTK growth of all regions this month (6.6%yoy), more than double the growth of

the #2 placed Lat.Am. The continued weakness in growth for Africa (-2.1%yoy) is more a reflection of the surge in growth a year ago; air freight volumes have been growing – albeit moderately – over recent months.

→ The largest ME markets, Asia & Europe, are showing robust growth (5.5% & 6.3%yoy respectively) while Africa's largest market, Europe, ended a 6mth decline in yoy FTK growth, with freight volumes now up 4.5%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	Jul-18	Aug-18	Sep-18
Passenger				
Middle East ASK	6.5	6.7	5.6	4.8
PLF	74.6	80.7	80.7	72.1
Africa ASK	3.0	1.0	0.6	1.4
PLF	70.9	75.8	77.9	74.5
World ASK	6.3	5.3	5.5	5.8
PLF	81.5	85.3	85.3	81.4
Freight				
Middle East AFTK	2.6	6.3	7.9	7.7
FLF	44.9	42.8	41.1	44.4
Africa AFTK	9.9	2.9	6.0	6.2
FLF	25.6	20.9	19.7	22.2
World AFTK	3.6	4.0	4.5	3.2
FLF	45.2	42.7	42.1	44.8

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

→ The industry-wide PLF dropped to 81.4% in Sept, down from 85.3% in Aug. In contrast, the FLF lifted by almost 3pp this month to 44.8%.

→ The PLFs for the region's carriers declined to 72.1% and 74.5% for the ME & Africa, respectively, both well below the industry average. By contrast, the regional FLFs both increased in Sept, levelling at 44.4% for the ME and 22.2% for Africa.

→ The final Q2 financial data confirm a decline in industry

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Africa & Middle East	1.9	3.1	6.4	0.9
Industry	8.5	7.5	10.3	7.8

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

& regional performance vs a year ago. The industry-wide EBIT margin has slipped to 7.8% from 10.3% while the regional outcome is just 0.9%, down from 6.4% in 2Q17.

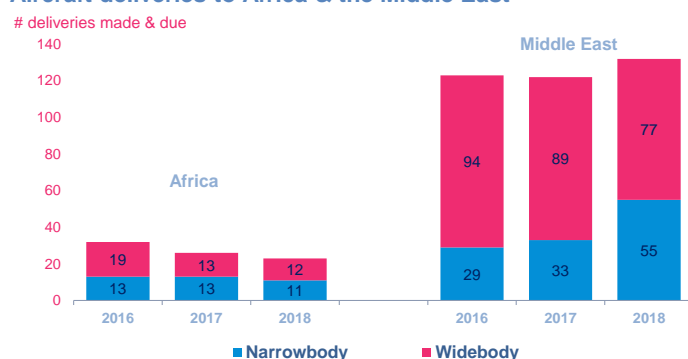
→ Passenger yield developments for the region's key markets over the past year remain mixed. The Nth America market is showing yield growth for both the ME (+3%) & Africa (+6.6%). Yields are also higher vs a year ago for both the Within ME (+4.5%) & Within Africa (+3.8%) markets.

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

%change on a yr ago	2017	Jul-18	Aug-18	Sep-18
Middle East - Asia	-3.5	-3.2	-0.1	-4.9
Middle East - Europe	-2.7	1.1	-1.0	-2.5
Africa - Europe	-5.0	4.8	2.6	2.5
Middle East - Nth America	-2.5	11.9	12.4	3.0
Middle East - Sth America	4.8	0.5	-1.9	-8.9
Africa - Middle East	-5.8	-1.9	0.8	0.6
Africa - Nth America	2.2	0.6	3.0	6.6
Within Middle East	-6.0	3.5	7.3	4.5
Within Africa	1.5	2.3	3.1	3.8

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

Aircraft deliveries to Africa & the Middle East



Source: Ascend