



STATE OF THE REGION: AFRICA & MIDDLE EAST

OCT. 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
Saudi Arabia	3.0	1.8	1.5	1.4
Nigeria	1.7	1.8	-0.4	-2.2
South Africa	0.4	0.0	-0.7	0.9
UAE	3.9 [†]	--	--	--
Kenya	5.6 [†]	7.6	7.2	6.7
Jordan	2.8	3.1	2.7	2.3
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
World*	2.3	2.4	2.2	2.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Jul-16	Aug-16	Sep-16
US\$ broad index	122.4	122.0	120.8	121.8
Saudi Arabian riyal (SAR)	3.75	3.75	3.76	3.75
Nigerian naira (NGN)	199.0	318.3	314.8	304.5
Sth African rand (ZAR)	15.5	13.9	14.7	13.7
UAE dirham (AED)	3.67	3.67	3.68	3.67
Kenyan shilling (KES)	102.3	101.4	101.2	101.1
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Jul-16	Aug-16	Sep-16
Crude oil (Brent)	52.4	45.0	45.8	46.6
Jet fuel	64.0	53.4	54.4	55.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
Middle East	10.1	7.3	16.4	9.9
Africa	3.1	0.1	6.8	1.0
World	6.5	5.2	6.4	4.6
Routes (segment basis)				
Middle East - Asia	6.9	0.7	8.9	3.8
Middle East - Europe	11.3	0.0	10.8	5.0
Africa - Europe	-1.1	-7.2	2.8	-1.9
Middle East - Nth America	26.7	20.3	30.2	20.5
Africa - Middle East	6.9	13.8	27.4	18.0
Africa - Asia	-1.2	5.7	7.6	4.5

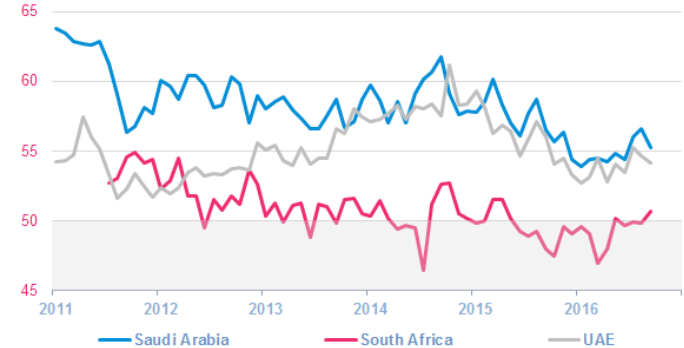
Source: IATA Statistics

→ In year-on-year terms, growth in RPKs moderated in Aug. after a sharp but short-lived surge last month. For Middle East carriers, growth slipped back into single figures (just) at 9.9%yoy while African carriers saw RPK growth drop to just 1.0% above the year-ago level. For the industry overall, RPK growth also eased in Aug, to a solid 4.6%yoy.

→ At the segment level, a similar pattern is evident, with

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



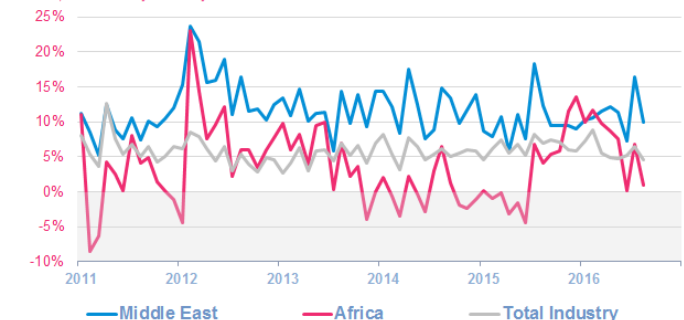
- Business confidence in Sth Africa moved clearly above 50 for the first time since early 2015. Despite a recent modest correction, higher oil prices have supported improved conditions & confidence in the Middle East.
- The US\$ drifted slightly higher in Sep, rising 0.8% on a trade-weighted basis. Amongst the main regional currencies, the ZAR more than recovered last month's loss, up 6.6% vs the US\$ in Sep, while the NGN gained a further 3.3% this month.
- The world price of oil & jet fuel both rose by another 1½-2% in Sep. Markets remain cautious, sensitive to issues of global oversupply as well as discussions taking place within OPEC & elsewhere to limit production.

moderating RPK growth across all main route pairings. Even so, double-digit growth remains in place on routes to/from the Middle East & both Nth America & Africa.

- Solid growth, of 3.8% & 5.0%yoy, on the key ME routes of Asia & Europe has, however, been accompanied by solid falls in load factors over the course of the year.
- For African carriers, RPKs on the key market to/from Europe have fallen by ~2%yoy, weighing heavily on the overall performance of the region's carriers.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
Middle East	11.6	8.1	5.9	1.8
Africa	1.7	-5.2	-4.4	3.7
World	2.2	4.4	4.0	3.9
Routes (segment basis)				
Middle East - Asia	9.8	3.8	0.5	-3.6
Middle East - Europe	8.2	0.8	4.7	3.8
Africa - Europe	0.4	-9.0	-10.7	-6.6
Middle East - Nth America	29.5	44.1	24.9	8.6
Africa - Middle East	11.3	3.4	1.8	-3.4
Africa - Asia	1.3	21.8	20.7	31.8

Source: IATA Statistics

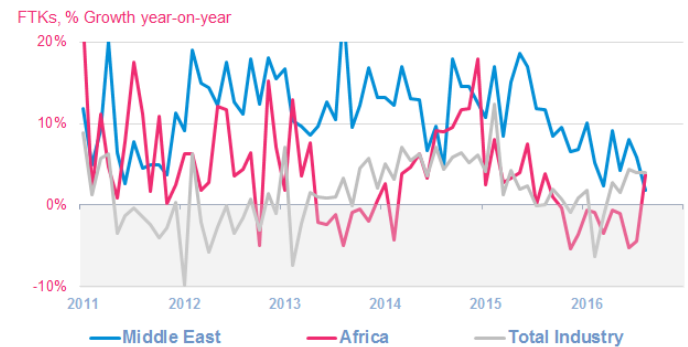
→ In terms of freight volumes, Aug brought a mixed performance. For the ME carriers, FTKs slowed further this month, with growth now just 1.8%yoy. In contrast African carrier FTK growth rebounded strongly, with an 8pp turnaround, to 3.7%. At the industry level, growth was essentially unchanged in Aug at 3.9%yoy.

→ A similarly mixed performance is apparent at the segment level. For the African carriers, a large part of the overall regional improvement came from the Europe

market. However, there is little cause for celebration as FTKs remain a hefty 6.6% lower yoy for this key market. Africa-Middle East FTKs also slipped into negative territory, down 3.4% on their level of a year ago.

→ Growth slowed on all of the main Middle East markets, with ME-Asia FTKs also slipping into negative growth (down 3.6%yoy). ME-Europe is holding up with solid 3.8%yoy growth & ME-Nth America is up 8.6%yoy but has slowed sharply from above 40% just 2 months ago.

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	Jun-16	Jul-16	Aug-16
Passenger					
Middle East	ASK	12.6	14.4	15.2	13.5
	PLF	76.7	70.3	81.3	81.1
Africa	ASK	1.4	3.9	5.3	2.4
	PLF	69.3	64.4	72.7	75.7
World	ASK	5.6	5.5	6.0	5.8
	PLF	80.2	80.8	84.1	83.8
Freight					
Middle East	AFTK	15.7	8.7	10.5	6.9
	FLF	42.9	42.7	39.1	38.8
Africa	AFTK	5.9	22.3	30.5	29.2
	FLF	29.8	23.7	20.0	21.6
World	AFTK	6.3	5.0	4.4	4.1
	FLF	44.1	43.1	41.3	40.8

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

→ ME carriers have grown both pax (especially) & freight capacity at a faster rate than the industry average over the past year. For African carriers, subdued ASK growth is overshadowed by the near-30% rise in AFTKs.

→ Load factors for both ME & African carriers are across-the-board below the industry averages. Most notable is the FLF at just 21.6% for the African carriers in Aug.

→ The latest Q2 data point to an improved financial

Airline EBIT margins*

%revenues	2014	2015	2015Q2	2016Q2
Africa & Middle East	0.5	1.6	6.8	10.1
Industry	4.7	8.3	10.7	10.8

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

IATA Economics: www.iata.org/economics

performance compared with a year ago. The current operating margin is a robust 10.1%, well up on a year ago & broadly in line with the overall industry outcome.

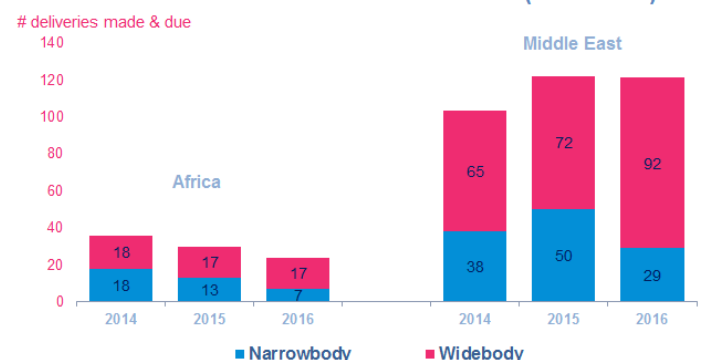
→ Passenger yields remain under considerable pressure. Across the key markets for Africa & the ME carriers, yields are all lower than their level of a year ago, many remaining in, or returning to, double-digit decline.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Middle East - Asia	-7.6	-12.4	-8.8	-10.5
Middle East - Europe	-10.9	-13.3	-12.7	-15.4
Africa - Europe	-17.0	-5.6	-6.3	-7.1
Middle East - Nth America	-10.7	-9.8	-12.8	-7.9
Middle East - Sth America	-17.5	-15.3	-13.8	-8.0
Africa - Middle East	-10.0	-13.7	-14.6	-12.4
Africa - Nth America	-20.6	-7.3	-7.3	-6.0
Within Middle East	-5.6	-5.8	-5.9	-5.0
Within Africa	-15.2	-12.4	-11.3	-9.7

Source: IATA PaxIS

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



Source: Ascend

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