



# STATE OF THE REGION: AFRICA & MIDDLE EAST

OCTOBER 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
Saudi Arabia	1.7	2.2	-0.5	-1.0
Nigeria	-1.6	-1.6	-1.0	0.6
Egypt	2.3	3.5	4.3	4.8
South Africa	0.5	0.5	0.8	0.5
UAE	2.7 <sup>†</sup>	--	--	--
Kenya	6.0 <sup>†</sup>	4.9	5.1	4.9
Jordan	2.4	2.5	2.6	2.6
<b>World*</b>	<b>2.3</b>	<b>2.6</b>	<b>2.6</b>	<b>2.8</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Jul-17	Aug-17	Sep-17
US\$ broad index	127.7	120.7	119.3	118.1
Saudi Arabian riyal (SAR)	3.75	3.75	3.77	3.75
Nigerian naira (NGN)	315.0	315.2	361.0	358.5
Egyptian pound (EGP)	18.1	17.9	17.7	17.7
Sth African rand (ZAR)	13.7	13.2	13.0	13.5
UAE dirham (AED)	3.67	3.67	3.69	3.68
Kenyan shilling (KES)	102.4	104.0	102.9	103.2
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

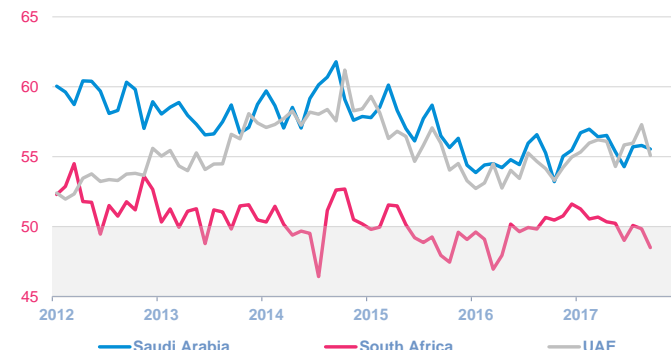
### World oil and jet fuel price

US\$/barrel	2016	Jul-17	Aug-17	Sep-17
Crude oil (Brent)	52.4	48.5	51.7	56.2
Jet fuel	64.0	59.5	65.6	75.6

Source: Platts, EIA Monthly average data

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in South Africa fell again this month, further into the region typically associated with economic downturn. Sentiment in the Middle East more than unwound last month's modest gains despite the oil price increase (see below).
- On a trade-weighted basis, the US\$ eased by another 1% in Sep, continuing its recent downtrend. Regional currency movements were generally muted, with a 3.8% fall in the value of the ZAR vs the US\$ the exception.
- Brent crude oil & jet fuel prices surged in Sep, the former up 9% (reaching a 26mth high in the process), the latter up 15% & leading to a sharp widening in the crack spread. Supply-side issues again drove the movements.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
<b>Region (registration basis)</b>				
Middle East	11.1	4.1	5.5	5.4
Africa	6.5	9.1	5.3	5.7
World	6.5	8.0	7.0	7.2
<b>Routes (segment basis)</b>				
Middle East - Asia	9.3	5.3	7.1	8.1
Middle East - Europe	9.9	7.4	7.8	8.5
Africa - Europe	1.8	8.0	7.5	6.5
Middle East - Nth America	19.3	-5.7	-3.9	-4.1
Africa - Middle East	18.0	0.4	-0.2	3.3
Africa - Asia	6.8	4.8	5.1	2.4

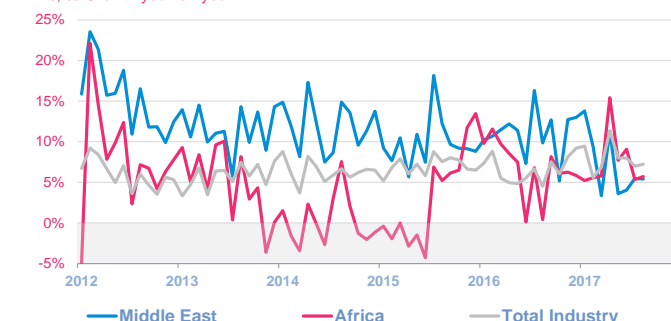
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide RPKs grew by a robust 7.2%yoy in Aug, up slightly from July, & completing a solid performance during the peak northern-hemisphere summer period.
- At the regional level, RPK growth was largely unchanged for the ME carriers (at 5.4%yoy) & picked up modestly for the African carriers (to 5.7%yoy). Both remain solidly below the overall industry outcome again this month.

- Performance remains mixed amongst the main international markets for the region. The three biggest markets (ME-Asia, ME-Europe & Africa-Europe) are all showing robust RPK growth of between 6.5-8.5%yoy.
- Pax volumes for the smaller markets of Africa-ME & Africa-Asia are growing more slowly, at 3.3% & 2.4%, respectively. RPK growth for the ME-NthAm market, which has been beset by various issues all year, remains in negative territory for the 5<sup>th</sup> consecutive month (currently -4.1%yoy).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
<b>Region (registration basis)</b>				
Middle East	6.9	4.3	10.0	14.1
Africa	3.4	33.4	34.8	29.4
World	3.8	10.8	10.9	12.1
<b>Routes (segment basis)</b>				
Middle East - Asia	3.7	2.6	9.6	14.5
Middle East - Europe	7.1	14.3	18.0	20.9
Africa - Europe	-5.5	4.2	7.9	3.5
Middle East - Nth America	17.0	-10.3	-7.9	18.1
Africa - Middle East	1.8	-2.0	-0.7	7.8
Africa - Asia	30.1	79.7	82.4	66.0

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

- Global FTK growth stepped up again in Aug, rising to 12.1%yoy, the 5<sup>th</sup> month of double-digit annual growth in the past 6 months.
- Although the pace of FTK growth lifted for the ME carriers (to a very robust 14.1%yoy), it remains just half the growth rate of the African carriers, which, despite easing by 5pp in Aug, is still 29.4%yoy. Both are currently outperforming the industry overall.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Jun-17	Jul-17	Aug-17
<b>Passenger</b>					
Middle East	ASK	13.5	4.4	5.1	5.4
	PLF	74.7	69.4	81.1	81.1
Africa	ASK	6.4	5.9	1.2	3.1
	PLF	68.6	65.1	73.9	75.6
World	ASK	6.5	6.8	6.4	6.3
	PLF	80.5	81.8	84.6	84.5
<b>Freight</b>					
Middle East	AFTK	8.5	3.3	0.9	2.8
	FLF	42.8	44.2	43.3	43.8
Africa	AFTK	25.0	7.8	3.8	5.9
	FLF	22.2	26.8	22.8	22.7
World	AFTK	5.4	4.9	3.5	4.7
	FLF	42.9	45.0	43.5	43.3

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

- Load factors were generally quite stable this month. The industry-wide PLF held its ground at 84.5% & the FLF dipped only slightly, to 43.3%.
- At the regional level, the key movements were a 1.5pp rise in the PLF for African carriers, to 75.6%, & a 0.5pp gain in the ME FLF to 43.8%. However, in all cases, the load factors for the region's carriers remain below those of the industry overall.
- The latest Q2 financial data show a modest decline in

### Airline operating (EBIT) margins\*

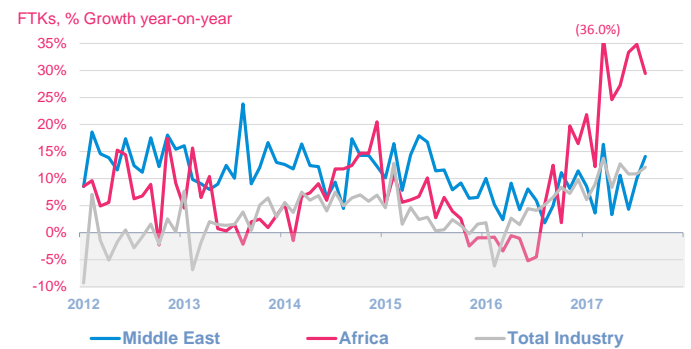
%revenues	2015	2016	2016Q2	2017Q2
Africa & Middle East	2.2	2.0	10.2	8.6
Industry	8.5	8.8	9.8	9.0

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- For the region's main international routes, FTK growth for ME-Europe & ME-Nth America are both up ~20%yoy. For the latter, Aug marks a sizeable turnaround, with growth lifting from a *fall* of 8% last month, as a sharp but short-lived fall in Aug 2016 drops out of the calculation.
- FTKs for ME-Asia, returned to double-digit growth (14.5%yoy) while the performance on the smaller Africa-Asia market remains remarkable, with FTKs up 66%yoy.

### Growth in air freight volumes



Source: IATA Statistics

the EBIT margin for both AME carriers & the industry overall, vs a year ago. Industry-wide, the EBIT margin is currently 9.0%, down from 9.8% in 2Q16. For the region's airlines, the margin is now 8.6%, from 10.2%.

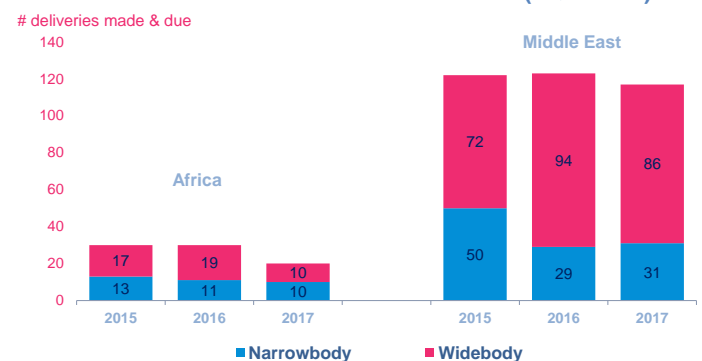
- Global pax yields (in US\$ terms) have continued to trend modestly upwards in recent months. Compared with their levels of a year ago, yield developments at the regional level are showing more mixed outcomes.

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

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
Middle East - Asia	-10.5	1.4	2.5	0.8
Middle East - Europe	-12.0	-0.3	-0.8	3.0
Africa - Europe	-8.4	-2.5	-2.5	-1.1
Middle East - Nth America	-7.2	1.3	-2.9	-7.8
Middle East - Sth America	-13.2	2.7	10.6	1.1
Africa - Middle East	-13.7	-1.8	-0.6	-1.0
Africa - Nth America	-7.1	5.4	4.1	-1.1
Within Middle East	-4.8	-3.2	1.3	-3.7
Within Africa	-12.1	2.1	4.3	2.4

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

### Aircraft deliveries to Africa & the Middle East (3Q17 data)



Source: Ascend

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