



STATE OF THE REGION: AFRICA & MIDDLE EAST

OCT 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
Saudi Arabia	-0.9	-1.4	1.2	1.6
Nigeria	0.8	2.1	2.0	1.5
Egypt	4.2	4.8	5.3	5.3
South Africa	1.2	2.0	1.5	0.6
UAE	0.5 [†]	--	--	--
Kenya	4.8 [†]	5.2	5.9	6.3
Jordan	2.4	2.1	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	Jul-18	Aug-18	Sep-18
US\$ broad index	120.0	124.1	125.3	126.0
Saudi Arabian riyal (SAR)	3.74	3.75	3.75	3.76
Nigerian naira (NGN)	360.0	361.9	361.9	364.5
Egyptian pound (EGP)	17.8	17.9	17.8	17.9
Sth African rand (ZAR)	12.4	13.1	14.7	14.2
UAE dirham (AED)	3.66	3.68	3.68	3.68
Kenyan shilling (KES)	103.2	100.4	100.7	100.8
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	Jul-18	Aug-18	Sep-18
Crude oil (Brent)	54.2	74.3	72.5	78.9
Jet fuel	65.6	88.1	89.0	91.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

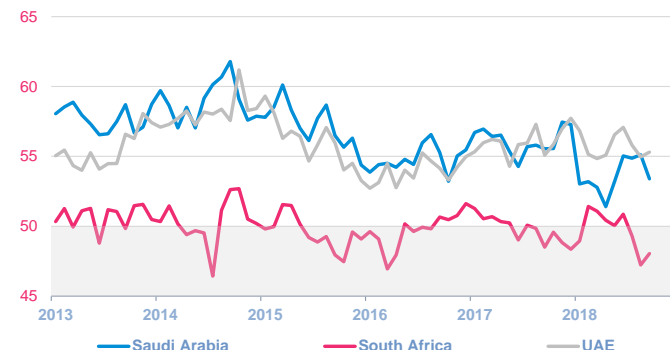
%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Region (registration basis)				
Middle East	6.4	10.5	5.9	5.0
Africa	6.4	6.4	3.6	3.4
World	7.6	7.9	6.1	6.4
Routes (segment basis)				
Middle East - Asia	7.3	8.1	4.7	3.6
Middle East - Europe	6.6	11.7	6.8	6.8
Africa - Europe	6.5	12.7	4.2	4.7
Middle East - Nth America	-1.4	7.9	2.8	1.4
Africa - Middle East	4.4	11.8	7.6	9.4
Africa - Asia	4.1	7.4	11.9	10.6

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

- ➔ Annual growth in industry-wide RPKs increased to 6.4%yoy in Aug, up from 6.1% in July. The latest data provide further evidence of solid RPK growth in the peak period of passenger demand, over the northern hemisphere summer.
- ➔ At the regional level, growth in pax volumes also moderated this month, to an even 5.0%yoy for the ME carriers & to 3.4%yoy for the African airlines.

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

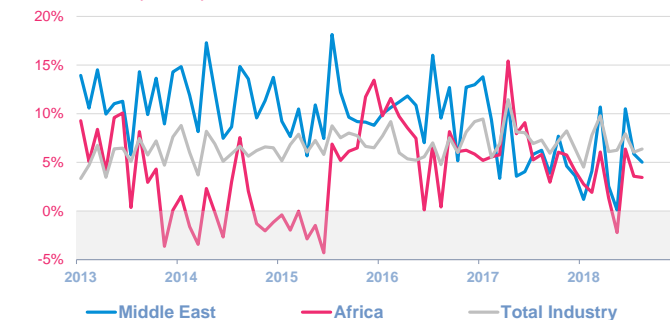


- ➔ Softer growth in output & new orders saw business confidence in Saudi Arabia dip to a 4mth low. Sentiment ticked up a little in Sth Africa, but remains at a low level amid ongoing political & economic challenges.
- ➔ On a trade-weighted basis, the US\$ rose by 0.6% in Sep, up 5% since the start of the year. The ZAR fell by another 3.6% this month vs the US\$, to be down ~15% from the start of the year. The NGN & EGP gained 0.5-0.7% against the US\$ in Sep.
- ➔ The Brent crude oil price surged in Sep, up ~9% to its highest level since 2014 on OPEC comments that it will not increase supply. The jet fuel price moved through the US\$90/bbl level to average US\$92 for the month.

- ➔ RPK growth is robust across most of the region's main international markets, with the main exception of ME-Nth America where annual growth eased further this month, to a modest 1.4%yoy.
- ➔ The two largest markets of the ME to Asia & Europe are growing at 3.6% & 6.8%yoy, respectively. The fastest growing market overall, however, is Africa-Asia where passenger volumes sustained their double-digit pace this month, at 10.6%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Region (registration basis)				
Middle East	8.0	4.1	5.2	2.2
Africa	24.6	-10.5	-5.8	-7.1
World	9.1	2.4	2.3	2.3
Routes (segment basis)				
Middle East - Asia	6.3	4.9	6.2	3.2
Middle East - Europe	11.0	5.6	4.3	0.1
Africa - Europe	2.4	-2.9	-1.2	-2.0
Middle East - Nth America	6.8	-8.6	0.1	-4.7
Africa - Middle East	1.2	-2.7	-8.6	-8.6
Africa - Asia	58.6	-14.6	-9.1	-9.4

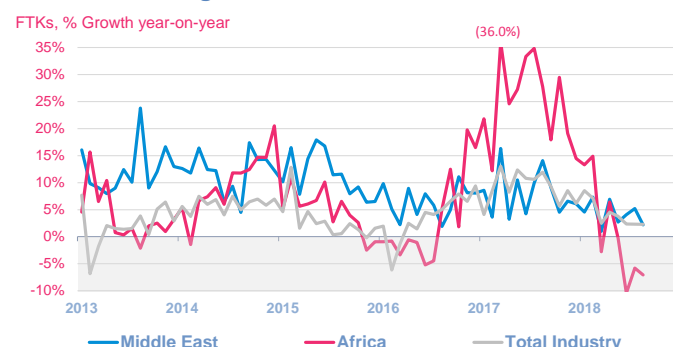
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Annual growth in industry-wide FTKs grew by 2.3%yoy in Aug, unchanged from the rate in July & less than half the 5yr average pace. Cargo volumes continue to trend modestly upward, despite mixed drivers.
- ➔ At the regional level, the story is less positive, with FTK growth slowing for both the ME & African carriers. For the former, freight volumes are just 2.2% higher than a

year ago & for the latter, volumes are now 7% lower in yoy terms. The growth weakness for African carriers partly reflects the surge in growth in 2016-17; FTK volumes remain elevated compared with 2014-16.

- ➔ The two largest markets for ME carriers (Asia & Europe) are showing moderate (3.2%yoy) & flat growth respectively; all other key markets for the Africa-ME region are showing a decline in yoy freight volumes.

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	Jun-18	Jul-18	Aug-18
Passenger				
Middle East ASK	6.5	7.5	6.7	5.8
Middle East PLF	74.6	71.2	80.7	80.4
Africa ASK	3.0	1.4	1.0	0.6
Africa PLF	70.9	68.3	75.8	77.9
World ASK	6.3	6.5	5.3	5.5
World PLF	81.5	82.9	85.2	85.3
Freight				
Middle East AFTK	2.6	4.5	6.3	7.9
Middle East FLF	44.9	43.9	42.8	41.4
Africa AFTK	9.9	-2.4	2.9	6.0
Africa FLF	25.6	24.6	20.9	19.7
World AFTK	3.6	3.8	3.9	4.5
World FLF	45.2	44.3	42.8	42.2

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

- ➔ The industry-wide PLF reached a record high in Aug, at 85.3%, up 0.7pp on a year ago. In contrast, the FLF has fallen by 0.9pp, to 42.2% currently.
- ➔ The PLFs for the region's airlines remain solid but somewhat below the industry average, at 80.4% for the ME & 77.9% for Africa. The FLF for the ME is broadly in line with the industry average (41.4%), but dipped below 20% for the African carriers this month (19.7%), less than half the overall industry rate.

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

- ➔ The final Q2 financial data confirm a decline in industry & regional performance vs a year ago. The industry-wide EBIT margin has slipped to 7.8% from 10.3% & the regional outcome is 0.9%, down from 6.4% in 2Q17.

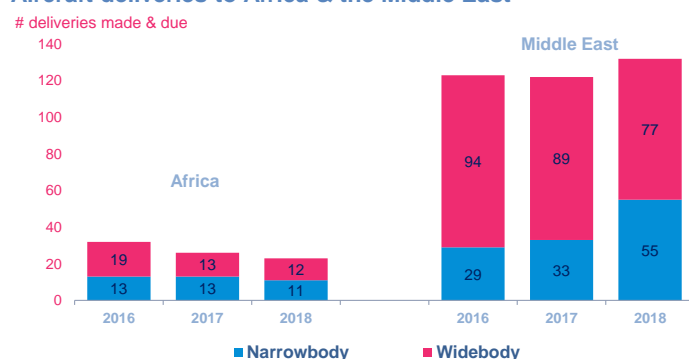
- ➔ Passenger yield developments for the region's key markets over the past year are mixed. The Nth America market is showing yield growth for both the ME (+12%) & Africa (+3%). Yields are also higher vs a year ago for the Within ME (+7%) & Within Africa (+3%) markets.

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

%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Middle East - Asia	-3.5	-4.0	-3.2	-0.1
Middle East - Europe	-2.7	2.9	1.1	-1.0
Africa - Europe	-5.0	8.5	4.8	2.6
Middle East - Nth America	-2.5	10.4	11.9	12.4
Middle East - Sth America	4.8	3.7	0.5	-1.9
Africa - Middle East	-5.8	0.0	-1.9	0.8
Africa - Nth America	2.2	0.3	0.6	3.0
Within Middle East	-6.0	4.4	3.5	7.3
Within Africa	1.5	5.5	2.3	3.1

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

Aircraft deliveries to Africa & the Middle East



Source: Ascend