IATA

STATE OF THE REGION: AFRICA & MIDDLE EAST   SEPT 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
Saudi Arabia	1.7	2.2	-0.5	--
Nigeria	-1.6	-1.6	-1.0	0.6
Egypt	2.3	3.5	4.1	--
South Africa	0.5	0.5	0.8	0.5
UAE	2.7[†]	--	--	--
Kenya	6.0[†]	4.9	5.3	--
Jordan	2.4	2.5	2.6	--
World*	**2.3**	**2.6**	**2.6**	**2.8**

Source: Datastream   * Market exchange rate basis   [†] Estimate

Exchange rates

end of period, # per US$	2016	Jun-17	Jul-17	Aug-17
US$ broad index	127.7	122.3	120.7	119.3
Saudi Arabian riyal (SAR)	3.75	3.75	3.75	3.77
Nigerian naira (NGN)	315.0	314.7	315.2	361.0
Egyptian pound (EGP)	18.1	18.1	17.9	17.7
Sth African rand (ZAR)	13.7	13.1	13.2	13.0
UAE dirham (AED)	3.67	3.68	3.67	3.69
Kenyan shilling (KES)	102.4	103.7	104.0	102.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2016	Jun-17	Jul-17	Aug-17
Crude oil (Brent)	52.4	46.4	48.5	51.7
Jet fuel	64.0	54.4	59.5	65.6

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

Source: Markit

→ Business confidence in South Africa returned to levels typically associated with economic downturn, unable to maintain the move above the key 50 index level. Higher oil prices supported sentiment in the Middle East.

→ On a trade-weighted basis, the US$ eased further in Aug, slipping 1.1% in the month & continuing its recent downtrend. Of the main regional currencies, the NGN fell by around 14% vs the US$ as the country took steps to unify its multiple exchange rates.

→ Brent crude oil & jet fuel prices rose again in Aug, stepping up by 7-10%; the former moving back above US$50/bbl & the latter above US$65/bbl. The crack spread also widened further this month.

Market

Revenue passenger kilometers (RPKs)

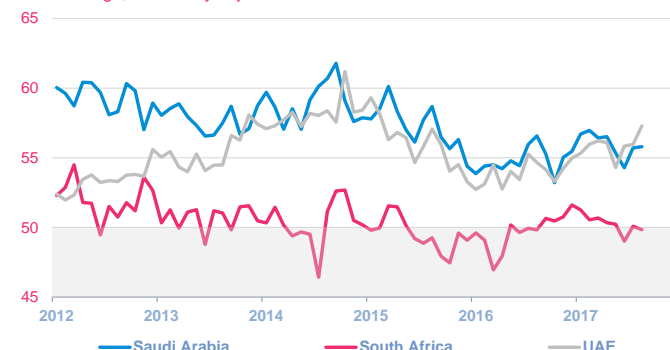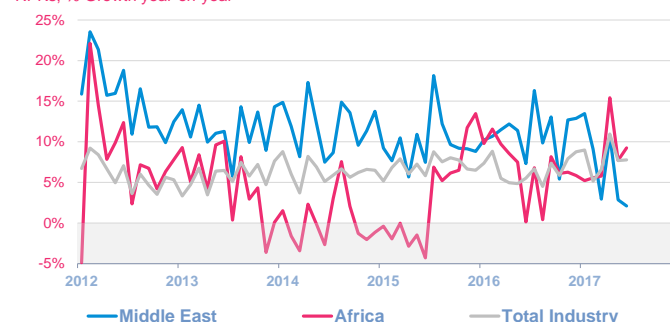| %change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
Middle East	11.2	2.9	3.5	4.6
Africa	6.5	7.7	9.1	5.9
World	6.4	7.6	7.7	6.8
Routes (segment basis)				
Middle East - Asia	9.0	6.7	5.0	6.6
Middle East - Europe	9.9	1.5	7.4	7.7
Africa - Europe	1.8	3.5	8.0	7.5
Middle East - Nth America	19.3	-4.6	-5.7	-4.7
Africa - Middle East	18.0	4.8	0.4	-0.3
Africa - Asia	6.8	8.1	4.8	5.1

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

→ Global RPKs grew by a robust 6.8%yoy in Jul, easing from 7.7% in Jun. At the regional level, RPK growth picked up modestly for the ME carriers & slowed for the African carriers. However, in both cases, the pace of growth – 4.6% & 5.9%yoy respectively – is now below that of the industry overall.

→ There is a mixed performance on the main international markets for the region. Europe – in particular – & Asia are performing strongly for both the ME & African carriers, with growth in the range of 5.1-7.7%yoy on these four markets.

→ In contrast, ME-Nth America remains lackluster, with yoy RPK growth improving slightly, but remaining in negative territory (down a solid 4.7%) for the 5th consecutive month. Pax volume growth for the Africa-ME market has also slipped below zero, with RPKs now 0.3% lower than their level of a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year

Source: IATA Statistics

Freight tonne kilometers (FTKs)

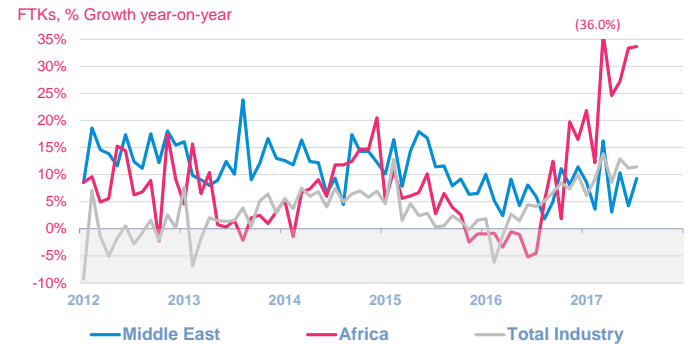| %change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
Middle East	6.9	10.4	4.2	9.3
Africa	3.4	27.2	33.4	33.7
World	3.9	12.9	11.2	11.4
Routes (segment basis)				
Middle East - Asia	3.7	10.4	2.6	9.3
Middle East - Europe	7.1	14.9	14.3	17.8
Africa - Europe	-5.5	6.0	4.2	7.9
Middle East - Nth America	17.0	7.8	-10.3	-8.5
Africa - Middle East	1.8	-0.6	-2.0	-0.8
Africa - Asia	30.1	72.9	79.7	82.4

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

→ Global FTK growth ticked up slightly in Jul, to 11.4%yoy – recording a double-digit annual growth rate for the 4th time in 5 months.

→ Again, developments at the regional level were mixed. Despite returning to a near double-digit pace (9.3%yoy), the ME carrier FTK growth rate remains below that of the industry overall, while, at 33.7%, the African airlines are growing freight volumes at almost 3x the overall industry rate of growth.

→ Across the main international routes for the region, FTK growth for ME-Europe is strong at 17.8%yoy, but ME-Nth America is down by 8.5%. Although much smaller, the performance on the Africa-Asia market cannot go unremarked, where FTKs are up more than 80%yoy.

Growth in air freight volumes

FTKs, % Growth year-on-year

Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	May-17	Jun-17	Jul-17
Passenger					
Middle East	ASK	13.5	5.7	3.7	4.1
	PLF	74.7	69.5	69.5	81.2
Africa	ASK	6.4	4.5	5.9	1.5
	PLF	68.6	66.6	65.1	74.1
World	ASK	6.4	6.2	6.4	6.1
	PLF	80.5	80.0	81.9	84.7
Freight					
Middle East	AFTK	8.4	1.7	1.9	-0.4
	FLF	42.8	45.7	44.7	43.6
Africa	AFTK	25.0	14.9	7.8	4.5
	FLF	22.2	26.0	26.8	22.5
World	AFTK	5.4	4.9	4.8	3.7
	FLF	43.0	45.4	45.2	43.7

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

→ The industry-wide pax load factor increased to a strong 84.7% in Jul. The PLF for the region's carriers surged this month, jumping ~10-12pp, to 81.2% for the ME & 74.1% for the African carriers.

→ On the freight side, the load factor performance of the ME carriers is in line with the industry-wide outcome (43.7%). The FLF for the African carriers slipped back to just 22.5% this month – only around half the level of the industry overall.

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	10.2	9.5

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

→ The latest Q2 financial data further suggest that the squeeze on industry margins has eased somewhat from Q1. At the industry level, the EBIT margin is currently 9.5%, down from 10.2% in 2Q16. From a similar level a year ago, the margin for the region's carriers is 8.6%.
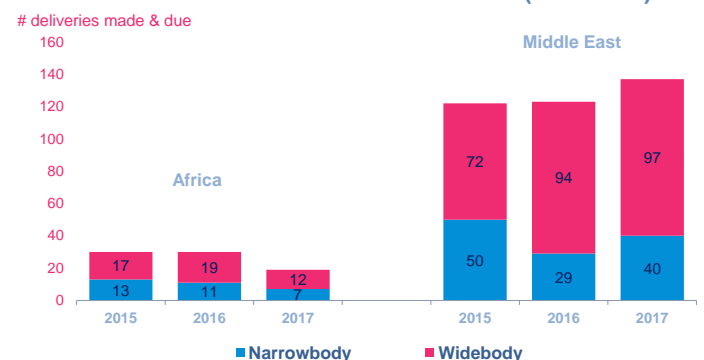
→ Global pax yields (in US$ terms) have continued to trend modestly upwards in recent months. This trend is broadly reflected at the regional level, with numerous markets now reporting higher yields vs a year ago.

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

%change on a yr ago	2016	May-17	Jun-17	Jul-17
Middle East - Asia	-10.5	0.8	1.4	2.5
Middle East - Europe	-12.0	-1.5	-0.3	-0.8
Africa - Europe	-8.4	-5.7	-2.5	-2.5
Middle East - Nth America	-7.2	5.4	1.3	-2.9
Middle East - Sth America	-13.2	1.1	2.7	10.6
Africa - Middle East	-13.7	-5.9	-1.8	-0.6
Africa - Nth America	-7.1	2.8	5.4	4.1
Within Middle East	-4.8	-1.0	-3.2	1.3
Within Africa	-12.1	-1.0	2.1	4.3

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

Aircraft deliveries to Africa & the Middle East (2Q17 data)

deliveries made & due

Source: Ascend