

STATE OF THE REGION: AFRICA & MIDDLE EAST

SEPT 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
Saudi Arabia	-0.9	-1.2	1.2	--
Nigeria	0.8	2.1	2.0	1.5
Egypt	4.2	4.8	5.3	--
South Africa	1.2	2.0	1.5	0.6
UAE	0.5 [†]	--	--	--
Kenya	4.8 [†]	5.2	5.9	--
Jordan	2.4	2.1	2.2	--
World*	3.2	3.2	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Jun-18	Jul-18	Aug-18
US\$ broad index	120.0	123.4	124.1	125.3
Saudi Arabian riyal (SAR)	3.74	3.76	3.75	3.75
Nigerian naira (NGN)	360.0	361.4	361.9	361.9
Egyptian pound (EGP)	17.8	17.9	17.9	17.8
Sth African rand (ZAR)	12.4	13.8	13.1	14.7
UAE dirham (AED)	3.66	3.68	3.68	3.68
Kenyan shilling (KES)	103.2	100.9	100.4	100.7
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

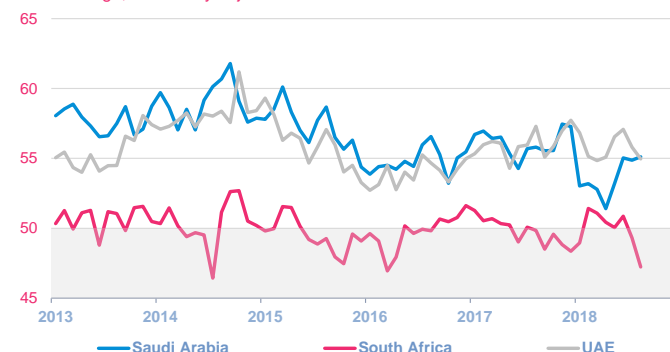
World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jun-18	Jul-18	Aug-18
Crude oil (Brent)	54.2	74.4	74.3	72.5
Jet fuel	65.6	87.8	88.1	89.0

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- ➔ A deteriorating political & economic backdrop saw business confidence in Sth Africa fall to its lowest level since early 2016 this month. Sentiment in the Middle East remains solid, supported by output & new orders.
- ➔ On a trade-weighted basis, the US\$ rose by 1.0% in Aug. to a level last seen in early 2017. The ZAR fell sharply vs the US\$, down 12% this month alone and almost 20% since the start of the year. Movements in other key regional currencies were muted.
- ➔ Brent crude oil prices fell by 2.3% in Aug while the price of jet fuel increased by 1%, reflecting a widening in the crack spread. The crude oil price averaged US\$72.5/bbl for the month & jet averaged US\$89.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
Middle East	6.4	0.1	10.5	4.5
Africa	6.4	-2.2	6.4	3.5
World	7.6	6.3	8.1	6.2
Routes (segment basis)				
Middle East - Asia	7.3	-0.8	8.2	4.7
Middle East - Europe	6.6	0.6	11.7	6.8
Africa - Europe	6.5	3.6	12.7	5.3
Middle East - Nth America	-1.4	0.1	7.9	2.8
Africa - Middle East	4.4	-1.6	11.8	7.7
Africa - Asia	4.1	4.7	7.4	11.9

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

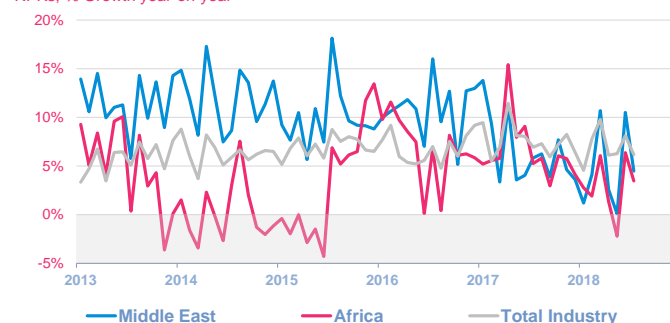
- ➔ Annual growth in industry-wide RPKs eased a little in July, to 6.2%yoy – down from 8.1% last month & returning to around the pace of growth in May. The July outcome marked a solid start to this year's peak passenger demand season.
- ➔ At the regional level, growth in pax volumes also moderated this month, particularly for the ME carriers where RPK growth slipped 6pp to 4.5%yoy. For the

African airlines, the slowdown was less pronounced, with growth currently running at a 3.5%yoy pace.

- ➔ With the main exception of ME-Nth America where growth is a modest 2.8%yoy, the main markets for the region's airlines are showing solid RPK growth.
- ➔ The two largest markets of the ME to Asia & Europe are growing at 4.7% & 6.8%yoy, respectively. The fastest growing market overall is Africa-Asia where growth is running at a double-digit pace of 12%yoy, supported by business & investment flows.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
Middle East	8.0	2.7	4.1	5.4
Africa	24.6	-0.2	-10.5	-8.3
World	9.1	3.8	2.5	2.1
Routes (segment basis)				
Middle East - Asia	6.3	2.8	4.9	6.2
Middle East - Europe	11.0	4.1	5.6	4.3
Africa - Europe	2.4	-4.8	-2.9	-3.6
Middle East - Nth America	6.8	-11.5	-8.6	0.1
Africa - Middle East	1.2	-3.9	-2.7	-8.9
Africa - Asia	58.6	-0.7	-14.6	-9.1

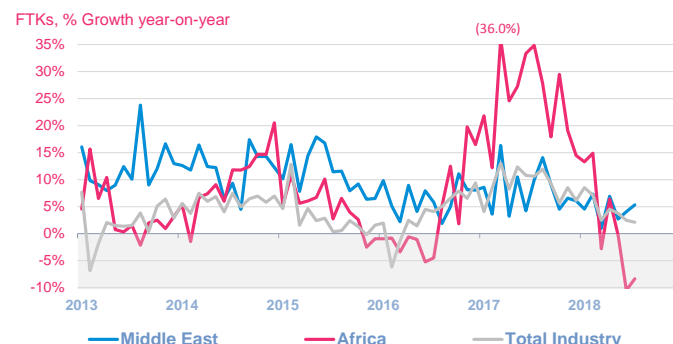
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Annual growth in industry-wide FTKs eased to 2.1% in July, down from 2.5% in June, to its slowest pace since May 2016. In year-to-date terms, industry-wide FTKs have grown by a solid 4.3% in the first 7 months of the year vs the same period a year ago.
- ➔ At the regional level, a modest improvement in FTK growth was observed this month. For the ME carriers

freight volumes lifted to a solid 5.4%yoy pace. For the African airlines annual growth also improved this month, but remains negative, with FTKs currently 8.3% lower than their level of a year ago.

- ➔ The two largest markets for ME carriers (Asia & Europe) are showing healthy growth of 6.2% & 4.3%yoy respectively. However, all of the main markets for Africa are showing a sizeable decline in yoy freight volumes.

Growth in air freight volumes



Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2017	May-18	Jun-18	Jul-18
Passenger				
Middle East ASK	6.5	3.2	7.5	6.1
Middle East PLF	74.6	67.3	71.2	80.1
Africa ASK	3.0	-1.9	1.4	0.8
Africa PLF	70.9	66.6	68.3	75.9
World ASK	6.3	6.1	6.7	5.5
World PLF	81.5	80.0	82.9	85.2
Freight				
Middle East AFTK	2.6	3.4	4.5	6.3
Middle East FLF	44.9	45.0	43.9	42.8
Africa AFTK	9.9	-2.6	-2.4	-0.7
Africa FLF	25.6	26.7	24.6	21.1
World AFTK	3.6	5.0	3.8	3.8
World FLF	45.2	44.9	44.3	42.7

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

- ➔ With annual growth in passenger demand outstripping capacity, the industry-wide PLF has increased by 0.6pp, to 85.2% currently. The converse holds for freight, with the FLF down 0.7pp over the past year, to 42.7%.
- ➔ The PLFs for the region's airlines improved considerably this month, to 80% & 76% for ME & African carriers respectively, but continue to lag the industry-wide outcome. The ME FLF remains broadly in line with that of the industry, but for African airlines, at just 21.1%, the FLF is less than half that of the overall 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	10.6	7.5

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

IATA Economics: www.iata.org/economics

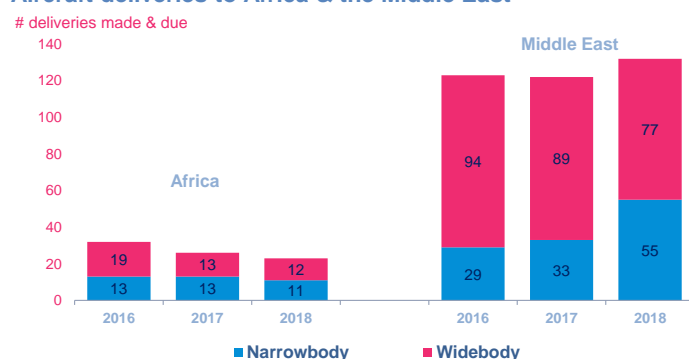
- ➔ The latest data for Q2 confirm a decline in industry financial performance vs a year ago. The EBIT margin is currently 7.5% industry-wide (from 10.6% a year ago) & just 0.9% for the region's carriers (from 6.4% in 2Q17).
- ➔ Passenger yield developments for the region's key markets over the past year are mixed. Yields are lower for ME-Asia (down 3.2%yoy) & Africa-ME (down 1.9%) while ME-Nth America is the strongest performing market currently, with yields up 12% vs a year ago.

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

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Middle East - Asia	-3.5	-6.9	-4.0	-3.2
Middle East - Europe	-2.7	-1.6	2.9	1.1
Africa - Europe	-5.0	7.7	8.5	4.8
Middle East - Nth America	-2.5	3.3	10.4	11.9
Middle East - Sth America	4.8	8.3	3.7	0.5
Africa - Middle East	-5.8	4.2	0.0	-1.9
Africa - Nth America	2.2	-1.5	0.3	0.6
Within Middle East	-6.0	0.1	4.4	3.5
Within Africa	1.5	10.5	5.5	2.3

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

Aircraft deliveries to Africa & the Middle East



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