



STATE OF THE REGION: AFRICA & MIDDLE EAST DECEMBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2018Q1	2018Q2	2018Q3
Saudi Arabia	-0.9	1.2	1.6	--
Nigeria	0.8	2.0	1.5	--
Egypt	4.2	5.3	5.3	--
South Africa	1.2	1.5	0.6	0.6
UAE	0.5 [†]	--	--	--
Kenya	4.8 [†]	5.9	6.3	--
Jordan	2.4	2.2	2.5	--
World*	3.1	3.2	3.2	3.0

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Sep-18	Oct-18	Nov-18
US\$ broad index	120.0	126.0	126.9	128.3
Saudi Arabian riyal (SAR)	3.74	3.76	3.75	3.76
Nigerian naira (NGN)	360.0	364.5	364.5	363.0
Egyptian pound (EGP)	17.8	17.9	17.9	17.9
Sth African rand (ZAR)	12.4	14.2	14.8	13.8
UAE dirham (AED)	3.66	3.68	3.67	3.68
Kenyan shilling (KES)	103.2	100.8	102.1	102.5
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

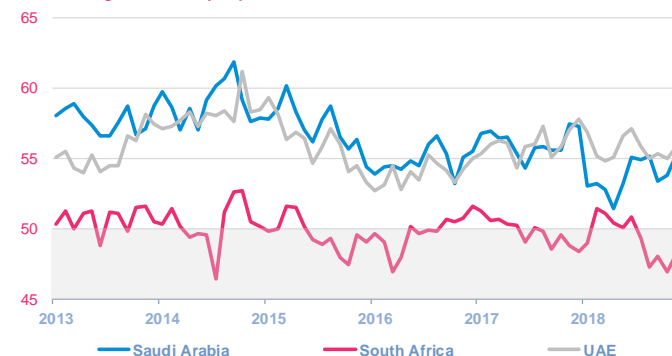
World oil and jet fuel price

US\$/barrel (period ave.)	2017	Sep-18	Oct-18	Nov-18
Crude oil (Brent)	54.2	78.9	81.0	64.8
Jet fuel	65.6	91.9	94.4	81.7

Source: Platts, EIA Monthly average data

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



- ➔ Business confidence lifted sharply in Saudi Arabia & also rose in South Africa, although in the latter case it remained at low levels, reflecting concerns over the country's challenging economic situation. In the UAE, sentiment also ticked up, driven by growth in new orders.
- ➔ On a trade-weighted basis, the US\$ rose by 1.1% in Nov, and is up 9% since the start of the year. The ZAR recovered from Oct, gaining 6.5% vs the US\$. The KES was down a modest 0.4%, while the NGN gained a similar amount this month.
- ➔ Brent crude oil & jet fuel prices both fell sharply in November, by ~ 20% and 13.5%, respectively, following increased concerns of oversupply.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Region (registration basis)				
Middle East	6.8	5.2	2.9	3.9
Africa	5.5	3.3	2.1	1.7
World	8.0	6.3	5.5	6.3
Routes (segment basis)				
Middle East - Asia	7.0	3.6	3.5	5.9
Middle East - Europe	8.9	6.8	0.5	2.9
Africa - Europe	10.0	4.7	6.4	10.0
Middle East - Nth America	-1.1	1.4	4.0	3.1
Africa - Middle East	3.3	9.4	2.4	6.4
Africa - Asia	3.7	10.6	9.7	5.8

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

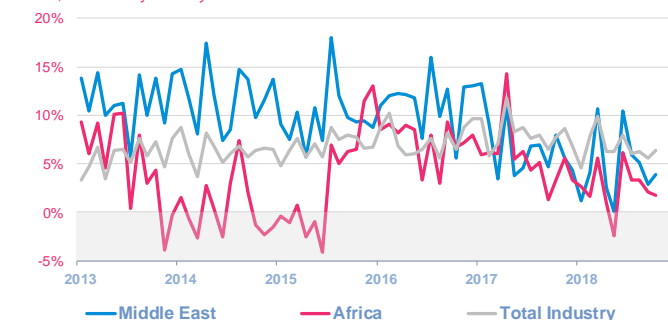
- ➔ Annual growth in industry-wide RPKs recovered to 6.3% in Oct, up from an eight-month low of 5.5% in Sep. That said, the upward passenger demand trend has softened a little over the past six months.
- ➔ At the regional level, the annual growth in pax volumes recovered to 3.9% for the Middle Eastern carriers. In contrast, RPK growth eased further to 1.7%yoy for the African airlines, reflecting ongoing challenges in the

economic backdrop in the region.

- ➔ RPK growth remains broadly solid across the main international markets. Africa-Europe was the best performer in Oct, growing 10%yoy, followed by Africa-Middle East & Asia-Middle East with 6.4% and 5.9%yoy growth, respectively.
- ➔ Notably, the pace of growth in the Africa-Asia market, the highest achiever in Aug and Sep, slowed by almost half in Oct to 5.8%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Region (registration basis)				
Middle East	8.6	1.4	6.3	5.0
Africa	22.9	-7.1	-2.1	-4.2
World	9.7	2.8	2.5	3.1
Routes (segment basis)				
Middle East - Asia	8.1	3.3	5.7	7.1
Middle East - Europe	12.2	0.2	6.6	3.5
Africa - Europe	2.8	-1.9	4.7	-3.0
Middle East - Nth America	8.9	-4.7	-1.5	0.2
Africa - Middle East	1.2	-8.5	-4.5	-8.0
Africa - Asia	57.8	-9.4	-11.8	-3.6

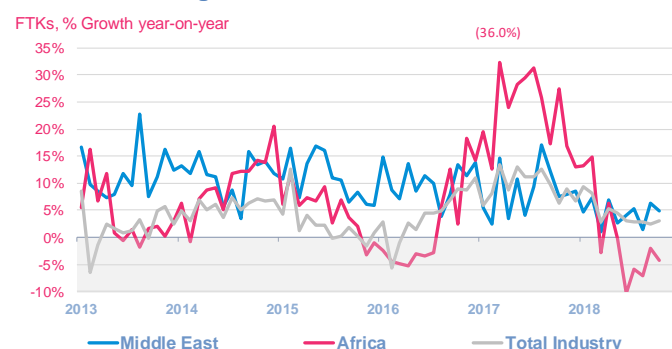
Source: IATA Statistics Note: historical data may be subject to revision

- Annual industry-wide growth in FTKs recovered to 3.1% in Oct, reflecting traditionally stronger demand for air freight in Q4. That said, the growth rate remains markedly slower vs last year, which is consistent with the typical pattern seen after inventory restocking cycles.
- At the regional level, annual FTK growth softened to 5.0% for the ME airlines, down from 6.3% in the previous month. That said, the overall growth trend has shown signs of improvement recently. For the African carriers,

freight volumes weakened further to be -4.2% lower compared to a year ago.

- Across the key international markets, performance remains mixed. The largest Middle East-Asia market continues to grow the fastest at 7.1%yoy. In contrast, growth in Africa-Europe fell back into negative territory (-3.0%) after a short-lived gain in Sep. The key underperformer this month was Africa-Middle East where volumes were down by 8.0% vs last year.

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	Aug-18	Sep-18	Oct-18
Passenger				
Middle East ASK	6.2	5.7	4.6	5.8
Middle East PLF	75.4	81.2	74.1	70.0
Africa ASK	2.2	0.6	1.4	1.3
Africa PLF	70.5	77.0	73.3	71.1
World ASK	6.6	5.4	5.9	6.3
World PLF	81.5	85.3	81.4	81.1
Freight				
Middle East AFTK	4.3	7.8	8.1	8.8
Middle East FLF	49.9	45.7	49.2	50.6
Africa AFTK	5.2	5.5	5.5	5.4
Africa FLF	38.8	32.9	35.6	36.8
World AFTK	5.0	5.4	4.1	5.4
World FLF	49.9	46.9	49.5	50.4

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

- The industry-wide PLF eased to 81.1% in Oct, the lowest level since May. In contrast, the FLF rose for the second month in a row to 50.4%, up from 49.5% in Sep.
- At 70% and 71.1% for the ME and African airlines respectively, the region's PLFs are ~10 pp below the industry-wide average. As for freight, the African FLF also lags at just 36.8% while the outcome for the ME carriers is broadly in line with the industry-wide result.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q3	2018Q3
Africa & Middle East	1.9	3.1	5.7	1.8
Industry	8.5	7.5	15.1	11.5

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

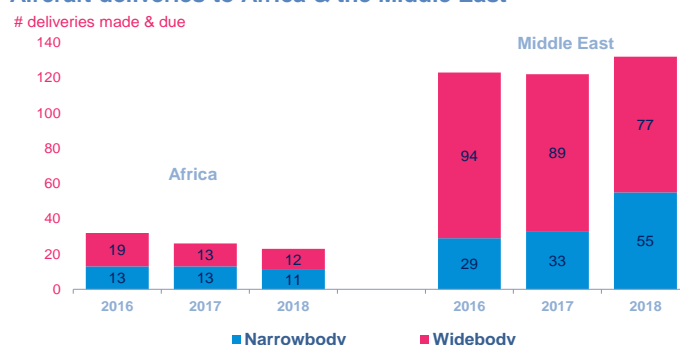
- The latest Q3 financial data confirm a decline in both industry & regional performance vs a year ago. The industry-wide EBIT margin softened to 11.5% in Q3, while at the regional level the margin was just 1.8%.
- Passenger yield developments over the past year across region's key markets remain mixed. Outcomes range between a sizeable 10%yoy fall in yields for ME-Sth America to a solid 6%yoy rise for the Within ME market.

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

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Middle East - Asia	-3.5	-0.1	-4.9	-1.9
Middle East - Europe	-2.7	-1.0	-2.5	-0.9
Africa - Europe	-5.0	2.6	2.5	0.4
Middle East - Nth America	-2.5	12.4	3.0	3.0
Middle East - Sth America	4.8	-1.9	-8.9	-10.1
Africa - Middle East	-5.8	0.8	0.6	-4.4
Africa - Nth America	2.2	3.0	6.6	-1.8
Within Middle East	-6.0	7.3	4.5	5.8
Within Africa	1.5	3.1	3.8	2.4

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

Aircraft deliveries to Africa & the Middle East



Source: Ascend