



STATE OF THE REGION: AFRICA & MIDDLE EAST

JUNE 2017

Economy

GDP growth, selected countries

| %change on a yr ago | 2016 | 2016Q3 | 2016Q4 | 2017Q1 |
|---------------------|------------------|------------|------------|------------|
| Saudi Arabia | 1.4 | 0.9 | 1.2 | -- |
| Nigeria | -1.6 | -2.4 | -1.6 | -0.6 |
| Egypt | 2.3 | 1.7 | 3.5 | -- |
| South Africa | 0.5 | 1.0 | 0.5 | 0.8 |
| UAE | 2.7 [†] | -- | -- | -- |
| Kenya | 6.0 [†] | 5.3 | -- | -- |
| Jordan | 2.4 | 2.2 | 2.5 | -- |
| World* | 2.3 | 2.3 | 2.6 | 2.6 |

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

| end of period, # per US\$ | 2016 | Mar-17 | Apr-17 | May-17 |
|---------------------------|-------|--------|--------|--------|
| US\$ broad index | 127.7 | 125.3 | 124.3 | 123.8 |
| Saudi Arabian riyal (SAR) | 3.75 | 3.75 | 3.75 | 3.75 |
| Nigerian naira (NGN) | 315.0 | 316.5 | 307.4 | 326.1 |
| Egyptian pound (EGP) | 18.1 | 18.2 | 18.1 | 18.1 |
| Sth African rand (ZAR) | 13.7 | 13.4 | 13.3 | 13.1 |
| UAE dirham (AED) | 3.67 | 3.67 | 3.67 | 3.67 |
| Kenyan shilling (KES) | 102.4 | 103.1 | 103.1 | 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 | Mar-17 | Apr-17 | May-17 |
|-------------------|------|--------|--------|--------|
| Crude oil (Brent) | 52.4 | 51.6 | 52.3 | 50.3 |
| Jet fuel | 64.0 | 60.7 | 63.4 | 59.3 |

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

| %change on a yr ago | 2016 | Feb-17 | Mar-17 | Apr-17 |
|------------------------------------|------|--------|--------|--------|
| Region (registration basis) | | | | |
| Middle East | 11.2 | 9.1 | 2.9 | 10.8 |
| Africa | 6.5 | 5.6 | 5.8 | 15.4 |
| World | 6.3 | 5.1 | 6.5 | 10.7 |
| Routes (segment basis) | | | | |
| Middle East - Asia | 9.0 | 5.7 | 4.5 | 10.0 |
| Middle East - Europe | 9.9 | 7.4 | 0.6 | 13.2 |
| Africa - Europe | 1.8 | 4.6 | 3.6 | 14.5 |
| Middle East - Nth America | 19.3 | 7.5 | -2.8 | -1.2 |
| Africa - Middle East | 18.0 | 15.0 | 2.0 | 16.6 |
| Africa - Asia | 6.8 | 1.3 | 3.5 | 4.7 |

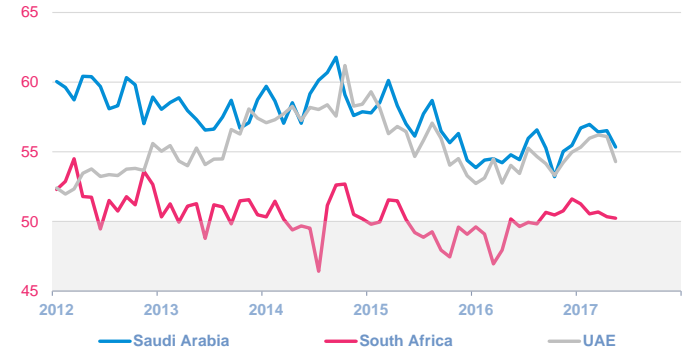
Source: IATA Statistics Note: historical data may be subject to revision

→ Global RPKs stepped up in Apr, growing by a brisk 10.7%yoy – the fastest rate in six years. The pace of growth also accelerated at the regional level; RPKs are up 10.8%yoy for the Middle East carriers, in line with their industry-wide counterpart, & a very strong 15.4% for African airlines.

→ Amongst the key international markets, yoy growth in RPKs improved across the board in Apr. Despite the

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

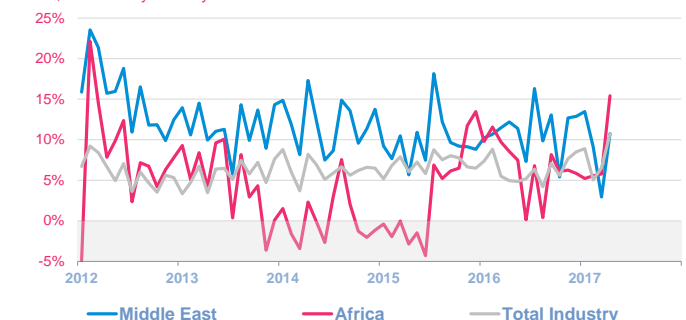
- Recent oil market developments (more below) have weighed upon business confidence in the Middle East, while a 2nd consecutive quarter of negative GDP growth places Sth Africa in technical recession.
- On a trade-weighted basis, the US\$ eased a little in May, down 0.4%, & is now 3% lower than the start of the year. Of the regional currencies, the NGN more than unwound its April rise, falling by a sizeable 6.1% vs the US\$ while the ZAR gained a solid 1.5%.
- Brent crude oil & jet fuel prices fell by US\$2 & US\$4/bbl in May, reaching their lowest level in ~5mths & both more than unwinding the April gain. The moves were mainly driven by strong supply & inventories data.

(modest) improvement, RPKs for the ME-NthAm market remain lower than their level of a year ago, to some extent perhaps reflecting the impact of various recent policy measures.

- The three largest markets (ME-Asia & Europe to both the ME & Africa) are all showing a double-digit pace of RPK growth.
- The same can be said for Africa-ME, where pax volumes are up 16.6%yoy – the strongest performer at present.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

| %change on a yr ago | 2016 | Feb-17 | Mar-17 | Apr-17 |
|------------------------------------|------|--------|--------|--------|
| Region (registration basis) | | | | |
| Middle East | 6.9 | 3.6 | 16.2 | 3.1 |
| Africa | 3.4 | 12.2 | 36.0 | 26.0 |
| World | 3.8 | 8.7 | 13.4 | 8.5 |
| Routes (segment basis) | | | | |
| Middle East - Asia | 3.7 | -6.2 | 9.4 | 1.4 |
| Middle East - Europe | 7.1 | 11.3 | 30.4 | 15.5 |
| Africa - Europe | -5.5 | -1.0 | 4.2 | -1.8 |
| Middle East - Nth America | 17.0 | 2.0 | 16.8 | 2.5 |
| Africa - Middle East | 1.8 | 6.5 | -0.9 | -13.6 |
| Africa - Asia | 30.1 | 34.9 | 74.4 | 66.5 |

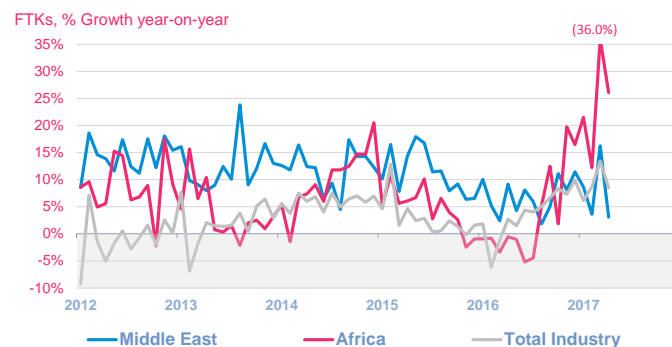
Source: IATA Statistics Note: historical data may be subject to revision

- Global FTKs grew by 8.5%yoy in Apr, dipping from the very strong 13.4% pace of last month. Despite the robust start to 2017, the upward trend in the seasonally adjusted data has slowed to a more modest 4% annualized pace since the end of last year.
- At the regional level, FTK growth also slowed this month, to 26.0%yoy for the African carriers & a more modest

3.1% for the Middle East.

- Of the largest ME markets, freight volumes are up a sizeable 15.5%yoy for Europe, well ahead of Asia (1.4%) & NthAm (2.5%).
- For the African markets, FTKs have fallen for both Europe & the ME (down 1.8% & 13.6%yoy, respectively) but are up a massive 67% on the smaller Asia market.

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 | | 2016 | Feb-17 | Mar-17 | Apr-17 |
|---|------|------|--------|--------|--------|
| Passenger | | | | | |
| Middle East | ASK | 13.5 | 6.9 | 8.9 | 9.1 |
| | PLF | 74.7 | 74.1 | 72.2 | 76.3 |
| Africa | ASK | 6.4 | 1.5 | 2.9 | 5.6 |
| | PLF | 68.6 | 67.5 | 69.3 | 73.2 |
| World | ASK | 6.2 | 2.8 | 6.2 | 7.1 |
| | PLF | 80.5 | 79.6 | 80.1 | 82.0 |
| Freight | | | | | |
| Middle East | AFTK | 8.4 | -1.7 | 2.6 | 0.8 |
| | FLF | 42.8 | 44.6 | 47.6 | 43.7 |
| Africa | AFTK | 25.1 | 4.6 | 11.6 | 17.7 |
| | FLF | 22.2 | 24.6 | 28.1 | 23.6 |
| World | AFTK | 5.3 | 0.2 | 4.1 | 3.9 |
| | FLF | 43.0 | 43.4 | 47.2 | 45.0 |

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

- ME carrier ASKs are up 9.1%yoy, outstripping both the industry rate & that of the African carriers (7.1% & 5.6%, respectively). But it is the African carriers with stronger AFTK growth, at almost 18%yoy, vs 3.9% for the industry & just 0.8% for ME airlines.
- Both pax & freight load factors for the region's carriers are underperforming that of the industry overall this month. The widest gap, at more than 20pp continues to be for the African carrier freight loads (23.6% vs 45.0%).

Airline operating (EBIT) margins*

| %revenues | 2015 | 2016 | 2016Q1 | 2017Q1 |
|----------------------|------|------|--------|--------|
| Africa & Middle East | 2.2 | 2.0 | -4.8 | -8.2 |
| Industry | 8.5 | 8.8 | 8.3 | 4.0 |

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

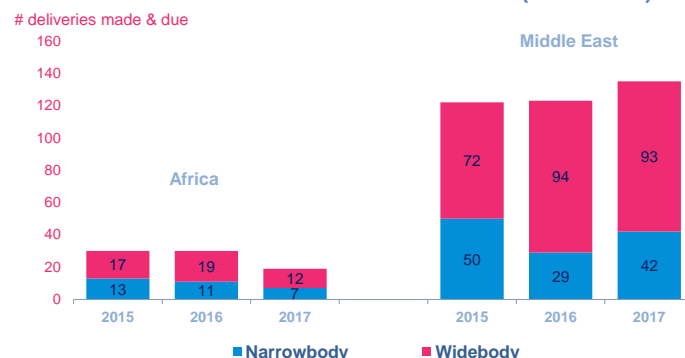
- Q1 financial data highlight the degree of margin squeeze in the industry; the EBIT margin is more than 4pp lower at both the industry level & for the AME carriers compared with the first quarter of 2016.
- Global pax yields are still down 3-5%yoy, but continue to show signs of having possibly bottomed. Yield developments on key routes for AME carriers show a mixed performance, but generally point to a trend narrowing across most markets.

Passenger yields, excl. surcharges & ancillaries

| %change on a yr ago | 2016 | Feb-17 | Mar-17 | Apr-17 |
|---------------------------|-------|--------|--------|--------|
| Middle East - Asia | -10.5 | -11.6 | -7.6 | -4.1 |
| Middle East - Europe | -12.0 | -11.0 | -6.1 | -6.5 |
| Africa - Europe | -8.4 | -13.7 | -10.5 | -11.2 |
| Middle East - Nth America | -7.2 | -9.4 | -5.5 | -1.6 |
| Middle East - Sth America | -13.2 | -11.0 | -5.4 | -5.8 |
| Africa - Middle East | -13.7 | -18.2 | -15.7 | -8.6 |
| Africa - Nth America | -7.1 | -0.1 | 4.3 | 2.2 |
| Within Middle East | -4.8 | -7.6 | -7.1 | -0.6 |
| Within Africa | -12.1 | -3.0 | 1.8 | -2.0 |

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

Aircraft deliveries to Africa & the Middle East (latest data)



Source: Ascend