



STATE OF THE REGION: AFRICA & MIDDLE EAST NOVEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
Saudi Arabia	1.7	-0.5	-1.0	--
Nigeria	-1.6	-1.0	0.6	--
Egypt	2.3	4.3	4.8	--
South Africa	0.5	0.8	0.5	--
UAE	2.7 [†]	--	--	--
Kenya	6.0 [†]	5.1	4.9	--
Jordan	2.4	2.6	2.6	--
World*	2.3	2.6	2.8	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Aug-17	Sep-17	Oct-17
US\$ broad index	127.7	119.3	118.1	120.2
Saudi Arabian riyal (SAR)	3.75	3.77	3.75	3.75
Nigerian naira (NGN)	315.0	361.0	358.5	360.0
Egyptian pound (EGP)	18.1	17.7	17.7	17.6
Sth African rand (ZAR)	13.7	13.0	13.5	14.1
UAE dirham (AED)	3.67	3.69	3.68	3.67
Kenyan shilling (KES)	102.4	102.9	103.2	103.8
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Aug-17	Sep-17	Oct-17
Crude oil (Brent)	52.4	51.7	56.2	57.3
Jet fuel	64.0	65.6	75.6	69.6

Source: Platts, EIA Monthly average data

Market

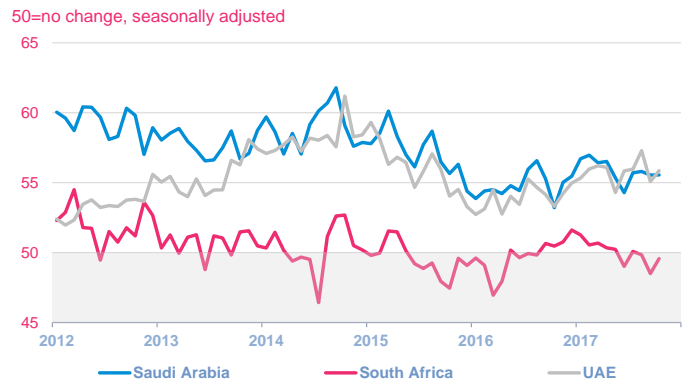
Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
Region (registration basis)				
Middle East	10.9	5.8	6.3	3.5
Africa	6.5	5.3	5.8	2.8
World	6.7	7.0	7.3	5.7
Routes (segment basis)				
Middle East - Asia	9.3	7.1	8.3	4.9
Middle East - Europe	9.9	7.8	8.5	6.4
Africa - Europe	1.8	7.5	6.5	6.4
Middle East - Nth America	19.3	-3.9	-3.8	-6.3
Africa - Middle East	18.0	-0.2	3.4	-1.3
Africa - Asia	6.8	5.1	2.4	3.2

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

- Industry-wide RPKs grew by a solid 5.7%yoy in Sep, easing somewhat from the pace of recent months but adversely impacted by hurricane-related disruption in a number of markets, notably the US. We would expect this impact to be temporary & unwound next month.
- At the regional level, RPK growth moderated in Sep, to 3.5%yoy for the ME carriers & a modest 2.8%yoy for the African carriers. Both remain solidly below the overall

Business confidence - economy-wide PMIs

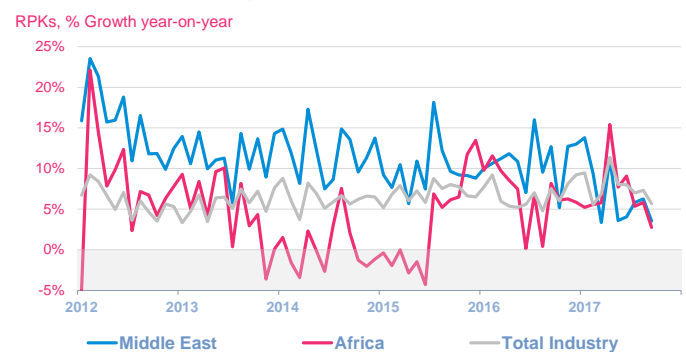


- Business confidence in South Africa recovered a little ground this month, but remains at a level typically associated with economic slowdown. Sentiment in the Middle East was broadly unchanged this month.
- On a trade-weighted basis, the US\$ reversed some of its recent decline in Oct, rising by 1.8%. Regional currency movements were generally muted, with a further 4.6% fall in the value of the ZAR vs the US\$ the exception.
- Brent crude oil prices moved above US\$60/bbl in Oct to average \$57.30 for the month. Jet fuel retraced some of its Sep surge, falling \$6 to average \$69.60 & narrowing the crack spread substantially. Tensions between Saudi Arabia & Iran continue to weigh on the market.

industry outcome again this month.

- The moderation in aggregate growth this month was widespread across the main international markets for the region's carriers; the smaller Africa-Asia market being the exception, where growth lifted to 3.2%yoy.
- Europe is the strongest market (for both Middle East & African carriers) with RPKs up a robust 6.4%yoy. In contrast, pax volumes between ME-Africa and ME-Nth America have both fallen in yoy terms, down 1.3% & a substantial 6.3%, respectively.

Growth in air passenger volumes



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
Region (registration basis)				
Middle East	6.8	10.0	14.2	8.9
Africa	3.4	34.8	27.8	17.7
World	3.7	10.3	11.6	9.2
Routes (segment basis)				
Middle East - Asia	3.7	9.6	14.3	10.6
Middle East - Europe	7.1	18.0	20.7	14.5
Africa - Europe	-5.5	7.9	3.5	1.3
Middle East - Nth America	17.0	-7.9	19.6	10.2
Africa - Middle East	1.8	-0.7	7.9	5.9
Africa - Asia	30.1	82.4	66.0	63.8

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

- Global FTK growth slowed to a 5-month low of 9.2%yoy in Sep, but remains well above its 5 & 10-year average rates of growth. While weather may have also impacted freight outcomes, this comes amidst broader & ongoing signs that FTKs have passed the cyclical growth peak.
- At the regional level, annual FTK growth also moderated this month, to 8.9% for the ME carriers & 17.7% for the African airlines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Jul-17	Aug-17	Sep-17
Passenger					
Middle East	ASK	13.4	5.1	6.2	4.5
	PLF	74.7	81.3	81.0	74.0
Africa	ASK	6.4	1.2	2.9	0.0
	PLF	68.6	73.9	75.7	74.0
World	ASK	6.7	6.4	6.4	5.3
	PLF	80.5	84.7	84.6	81.6
Freight					
Middle East	AFTK	8.6	0.9	2.9	2.6
	FLF	42.7	43.2	43.7	44.7
Africa	AFTK	23.3	3.8	5.6	2.6
	FLF	22.2	22.8	22.5	24.2
World	AFTK	5.4	3.1	4.2	3.9
	FLF	42.9	43.4	43.2	45.5

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

- A mixed performance in load factors this month, with the PLF falling but a gain for the FLF at both the industry-wide level and for the region's carriers.
- The ME PLF dropped sharply to 74.0%, matching that of the African carriers, with both well down on the industry average of 81.6%. The ME FLF is 44.7%, down a little on the industry figure of 45.5%; both are substantially higher than the 24.2% outcome for the African carriers.
- At the time of writing, no financial data were available for

Airline operating (EBIT) margins*

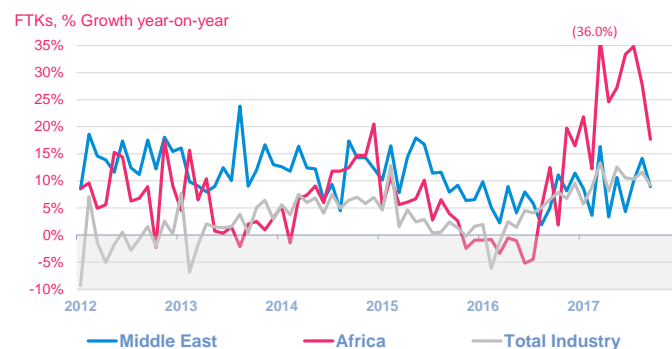
%revenues	2015	2016	2016Q2	2017Q2
Africa & Middle East	2.2	2.0	10.2	8.6
Industry	8.5	8.8	9.8	9.0

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

- For the region's major international routes, FTK growth is generally very healthy, with the main exception of Africa-Europe where growth slowed further in Sep, to just 1.3%yoy.

- The key ME markets of Asia, Europe & Nth America are all still showing freight volume growth in the double-digits, while the smaller Africa-Asia remains the overall fastest growing, with FTKs up more than 60%yoy.

Growth in air freight volumes



Source: IATA Statistics

the region's carriers for Q3. For Q2, a modest decline in EBIT margin is evident at both the regional & industry wide level, to 8.6% & 9.0%, respectively, vs a year ago.

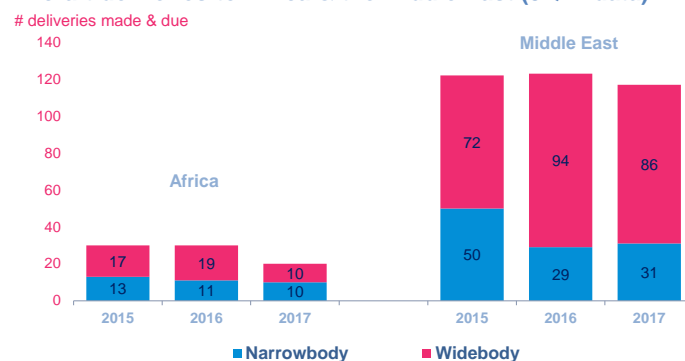
- The upward trend in global pax yields (in US\$ terms) paused in Sep, with mixed results evident across key regional markets. ME-Sth America is the standout with yields up more than 12% vs a year ago. In contrast, Africa-ME yields are down 6.6%yoy.

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

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
Middle East - Asia	-10.5	2.5	0.8	-2.3
Middle East - Europe	-12.0	-0.8	3.0	0.3
Africa - Europe	-8.4	-2.5	-1.1	-0.2
Middle East - Nth America	-7.2	-2.9	-7.8	0.8
Middle East - Sth America	-13.2	10.6	1.1	12.4
Africa - Middle East	-13.7	-0.6	-1.0	-6.6
Africa - Nth America	-7.1	4.1	-1.1	1.1
Within Middle East	-4.8	1.3	-3.7	-5.3
Within Africa	-12.1	4.3	2.4	-0.1

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

Aircraft deliveries to Africa & the Middle East (3Q17 data)



Source: Ascend