

# STATE OF THE REGION: AFRICA & MIDDLE EAST

JAN. 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2014	2015Q1	2015Q2	2015Q3
Saudi Arabia	3.6	1.6	4.6	3.6
Nigeria	6.2	4.0	2.4	2.8
South Africa	1.5	2.0	1.6	1.2
UAE	3.6 <sup>†</sup>	--	--	--
Kenya	5.3 <sup>†</sup>	4.2	2.4	7.3
Jordan	3.3	--	--	--
MENA	2.4	--	--	--
Sub-Saharan Africa	5.0	--	--	--
<b>World*</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2014	Oct-15	Nov-15	Dec-15
US\$ broad index	111.3	119.3	121.1	122.4
Saudi Arabian riyal (SAR)	3.75	3.75	3.74	3.75
Nigerian naira (NGN)	183.0	199.1	199.1	199.0
Sth African rand (ZAR)	11.5	13.8	14.5	15.5
UAE dirham (AED)	3.67	3.67	3.66	3.67
Kenyan shilling (KES)	90.5	102.0	102.2	102.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2014	Oct-15	Nov-15	Dec-15
Crude oil (Brent)	99.0	48.4	44.3	38.0
Jet fuel	113.3	58.4	55.7	45.4

Source: Platts, EIA

## Market

### Revenue passenger kilometers (RPKs)

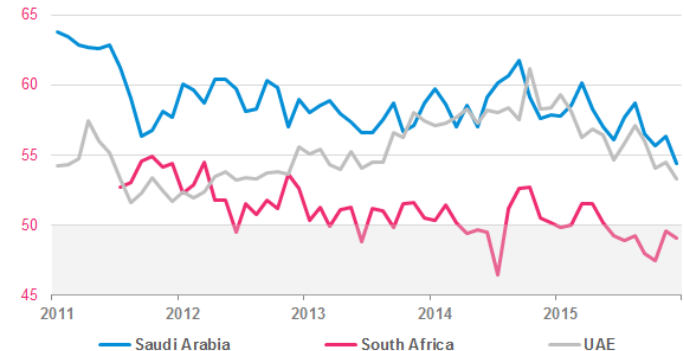
%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
<b>Region (registration basis)</b>				
Middle East	12.1	9.3	9.9	9.6
Africa	0.3	4.5	5.6	10.7
World	5.7	7.4	7.1	5.9
<b>Routes (segment basis)</b>				
Middle East - Asia	9.1	8.1	7.8	7.9
Middle East - Europe	8.9	12.6	11.1	7.9
Africa - Europe	0.4	4.3	2.0	0.7
Middle East - Nth America	32.1	12.0	19.8	21.4
Africa - Middle East	5.4	7.2	9.8	9.9
Africa - Asia	1.2	1.9	4.8	14.4

Source: IATA Statistics

- The yoy RPK growth of African carriers accelerated in Nov, now at a double-digit rate of 10.7% & exceeding that of the Middle East (9.6%). Both the regional rates sit well above the global average growth rate of 5.9%yoy.
- At a segment level, traffic growth with Europe was adversely impacted by the Lufthansa strike this month, contributing to a moderation in growth for both Africa (now 0.7%yoy) & the ME (now 7.9%yoy).

### Business confidence - economy-wide PMIs

50=no change, seasonally adjusted

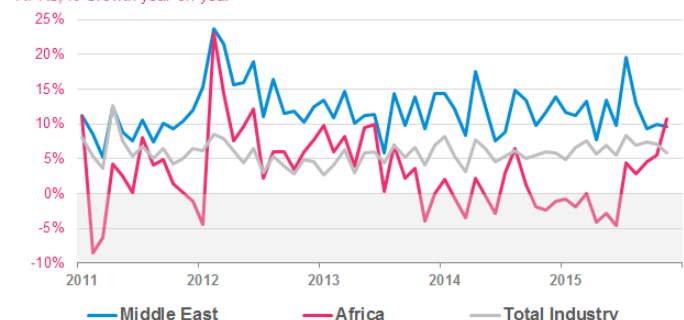


- Business confidence indicators for the Middle East continued their recent trend decline in Dec. while Sth Africa gave up some of its strong Nov. rebound.
- The US\$ rose 1.1% in Dec, finishing the year up an even 10%yoy. Amongst the key regional bilateral rates, the ZAR fell another 7% in the month vs the USD, ending the year down 34%. The value of the KES fell 13% & the NGN ~9% against the USD over the year.
- World oil & jet fuel prices fell sharply in Dec, down 16-18%mom & ~40%yoy. Concerns of oversupply & softer demand both contributed to the monthly decline which left crude & jet fuel prices at levels below the 2008/09 crisis-related lows.

- RPK growth for the Middle East-NthAm accelerated to 21.4%yoy in Nov as the main ME carriers continue to grow their networks & develop the region's role as a global hub. ME-Asia growth held up, at ~8%yoy in Nov. after a modest easing over recent months.
- For Africa, the standout regional pairing is with Asia, which surged in Nov to 14.4%yoy (although this smaller market can exhibit sizeable monthly volatility). Traffic with the ME has grown by ~10% over the past year.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
<b>Region (registration basis)</b>				
Middle East	12.4	8.5	9.5	5.4
Africa	7.2	1.2	-0.2	-6.0
World	5.5	1.9	0.4	-1.2
<b>Routes (segment basis)</b>				
Middle East - Asia	10.2	3.0	5.9	0.8
Middle East - Europe	2.7	9.2	9.6	9.0
Africa - Europe	6.4	2.4	-4.1	-9.7
Middle East - Nth America	46.2	-0.4	4.0	11.8
Africa - Middle East	4.2	5.2	7.1	0.4
Africa - Asia	8.8	-9.3	-5.5	-4.6

Source: IATA Statistics

- The trend for African carriers in the freight segment contrasts with the RPK performance over recent months; African FTKs have been trending lower for some time & have now fallen to 6% below their level of a year ago.
- ME carrier FTKs have also moderated, albeit from very high levels, to be a still solid 5.4% higher yoy.
- Highlighting the general malaise in the global air freight market, industry-wide FTKs are now 1.2% lower yoy.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2014	Sep-15	Oct-15	Nov-15
<b>Passenger</b>					
Middle East	ASK	10.9	12.3	12.2	11.3
	PLF	78.5	75.9	72.8	69.8
Africa	ASK	2.5	3.0	4.2	8.5
	PLF	68.3	72.1	68.7	66.6
World	ASK	5.5	6.5	5.4	4.2
	PLF	79.6	80.9	80.4	78.0
<b>Freight</b>					
Middle East	AFTK	12.4	12.6	11.6	9.2
	FLF	44.5	43.0	44.0	45.6
Africa	AFTK	1.0	7.4	6.8	6.6
	FLF	30.9	28.3	30.6	31.9
World	AFTK	4.4	7.0	6.3	4.5
	FLF	45.8	43.2	44.5	46.8

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

- Over the year to Nov. both African & ME carriers have increased pax & freight capacity by a rate in excess of the industry in aggregate. The difference is particularly evident on the passenger side.
- Load factors – both pax & freight – for the AME region's carriers remain below the global industry average. For the African carriers, the FLF improved modestly again in Nov, but is still relatively low at just 32%.

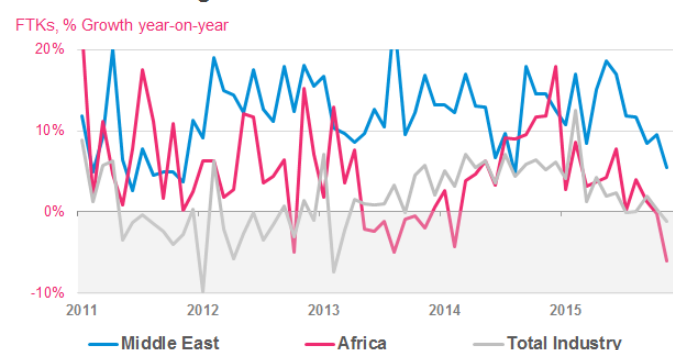
### Airline EBIT margins\*

%revenues	2013	2014	2014Q3	2015Q3
Africa & Middle East	-0.8	1.3	4.8	11.3
Industry	4.1	5.2	10.5	14.2

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

- On a segment basis, ME-NthAm is the standout, with FTK growth rising to 11.8%yoy in Nov. ME-Asia, however, fell away to just 0.8%yoy, although this may reflect some growth 'payback' from a strong Oct outturn.
- For Africa, FTKs with the key European market are down almost 10%yoy in Nov (although part of this is likely to be transitory, as noted previously). Africa-Asia FTK growth improved slightly but volumes remain 4.6% lower than a year ago.

### Growth in air freight volumes



Source: IATA Statistics

- At 11.3%, the Q3 EBIT margin of AME carriers is well up on last year, but slightly below the 14.2% industry figure.
- Pax yields on key routes all remain negative in yoy terms, with declines impacted by the US\$ appreciation.

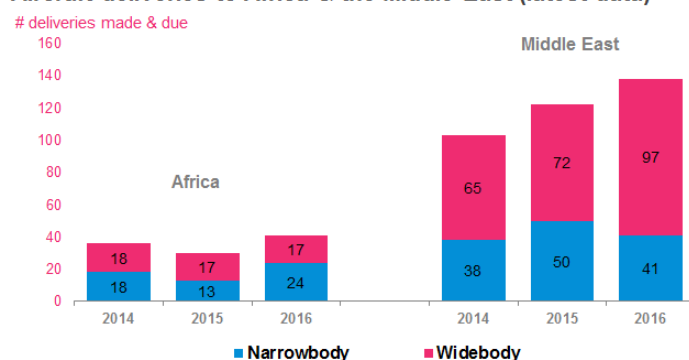
### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
Middle East - Asia	-4.8	-7.8	-9.2	-7.1
Middle East - Europe	-5.7	-7.6	-11.2	-10.4
Africa - Europe	-2.5	-18.9	-17.8	-16.5
Middle East - Nth America	-1.3	-16.5	-10.6	-6.2
Middle East - Sth America	-2.8	-15.3	-10.2	-10.7
Africa - Middle East	-6.9	-11.5	-13.3	-13.4
Africa - Nth America	-6.3	-23.6	-21.4	-18.3
Within Middle East	-1.7	-6.4	-6.0	-4.8
Within Africa	-6.5	-15.9	-14.4	-15.4

Source: IATA PaxIS

- Aircraft deliveries are expected to rise in 2016 compared with 2015 for both the ME & Africa regions, pointing to optimism for the industry outlook.

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



Source: Ascend