

STATE OF THE REGION: AFRICA & MIDDLE EAST

MAY 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q2	2015Q3	2015Q4
Saudi Arabia	3.4	4.6	3.6	3.6
Nigeria	2.7	2.3	2.8	1.8
South Africa	1.3	1.6	1.2	0.3
UAE	3.9 [†]	--	--	--
Kenya	5.6 [†]	2.4	7.3	--
Jordan	2.7	2.7	2.8	3.1
MENA	2.3	--	--	--
Sub-Saharan Africa	3.4	--	--	--
World*	2.4	2.5	2.5	2.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2015	Feb-16	Mar-16	Apr-16
US\$ broad index	122.4	124.0	121.5	119.5
Saudi Arabian riyal (SAR)	3.75	3.74	3.74	3.75
Nigerian naira (NGN)	199.0	199.2	199.0	199.0
Sth African rand (ZAR)	15.5	15.8	14.7	14.2
UAE dirham (AED)	3.67	3.67	3.66	3.67
Kenyan shilling (KES)	102.3	101.5	101.4	100.9
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Feb-16	Mar-16	Apr-16
Crude oil (Brent)	52.4	32.2	38.2	41.6
Jet fuel	64.0	40.9	44.9	48.2

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

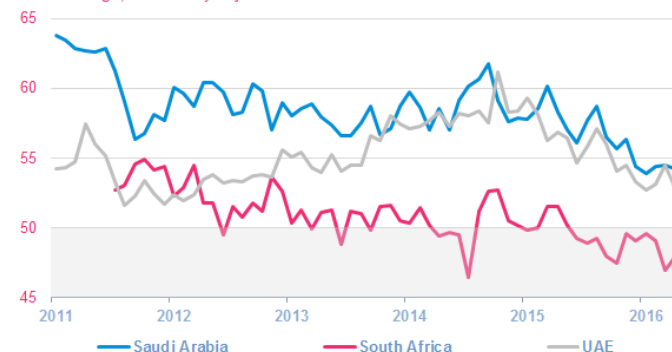
%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
Region (registration basis)				
Middle East	10.1	10.2	10.7	11.5
Africa	3.1	9.9	11.6	9.7
World	6.5	7.2	8.6	5.3
Routes (segment basis)				
Middle East - Asia	8.3	8.1	9.8	7.2
Middle East - Europe	11.9	9.1	10.4	11.6
Africa - Europe	-0.1	2.6	6.8	2.1
Middle East - Nth America	24.6	17.8	16.1	17.4
Africa - Middle East	6.0	10.3	10.2	21.3
Africa - Asia	-1.2	11.3	11.5	7.3

Source: IATA Statistics

- RPKs for the region's airlines continue to easily outstrip the rate of the industry overall. Growth in traffic volumes ticked higher for the ME carriers in March (now 11.5%yoy) & eased a little for African carriers (9.7%yoy). Both compare favourably with the industry rate of 5.3%.
- At the inter-regional level, passenger volumes on a number of the key routes are also increasing at double-

Business confidence - economy-wide PMIs

50=no change, seasonally adjusted



Source: Markit

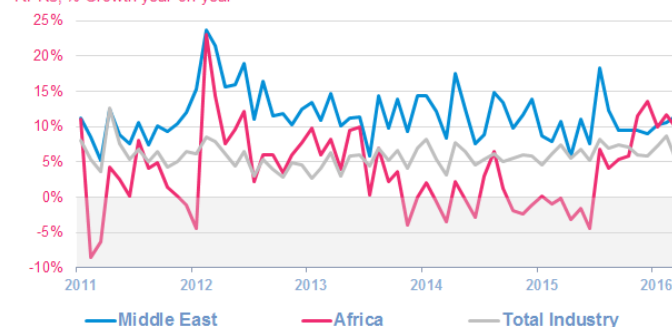
- The recent recovery in oil prices appears to have halted the downwards trend in business confidence in Saudi Arabia & the UAE. Confidence in Sth Africa remains subdued, despite a modest gain this month.
- The US\$ eased further in April, down another 1½% on a trade-weighted basis. Amongst the key regional bilateral rates, the ZAR was the big mover, gaining more than 3% against the US\$ in the month (up 8%ytd). The KES gained 0.5% while the SAR fell slightly, down 0.2%.
- World oil & jet fuel prices continued their upwards movement in April, with the monthly average price of both rising by a little over US\$3/bbl. Analysts pointed to the lower US\$ & speculation that the glut of oil supply will ease as contributing factors.

digit rates compared with a year ago.

- Africa-ME (21.3%) & ME-Nth America (17.4%) are the two standouts currently, with ME-Europe (11.6%) worthy of a notable mention as well.
- While African carriers account for only a small share of total traffic, the strong growth performance, underpinned by network expansion, suggests that carriers are regaining market share on travel to/from the region.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
Region (registration basis)				
Middle East	11.6	10.0	5.2	2.4
Africa	1.7	-0.6	-0.9	-3.1
World	2.2	1.7	-6.0	-2.0
Routes (segment basis)				
Middle East - Asia	7.0	6.5	-2.2	3.1
Middle East - Europe	11.3	6.3	4.8	-0.5
Africa - Europe	0.4	-7.0	0.8	-5.9
Middle East - Nth America	18.7	26.3	14.1	-1.8
Africa - Middle East	9.2	2.9	-0.5	5.6
Africa - Asia	1.3	17.7	5.0	19.8

Source: IATA Statistics

- Having slowed considerably over recent months, & at a modest 2.4%yoy, the freight volume growth for the ME carriers is nonetheless the strongest across all regions at present. African carrier FTKs are down 3%yoy while the industry-wide figure is down 2% on a year ago.
- At the segment level, outcomes are mixed. The largest market for ME carriers (Asia) is showing solid FTK growth of 3.1%yoy but the largest market for African carriers (Europe) is down ~6% over the same period.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Jan-16	Feb-16	Mar-16
Passenger					
Middle East	ASK	12.6	12.9	16.9	13.4
	PLF	76.7	77.7	73.0	76.7
Africa	ASK	1.4	7.1	11.9	8.2
	PLF	69.3	70.6	65.7	68.2
World	ASK	5.6	5.6	9.8	5.9
	PLF	80.2	78.9	77.6	79.6
Freight					
Middle East	AFTK	15.7	9.9	12.5	10.8
	FLF	42.9	39.6	41.5	41.0
Africa	AFTK	5.4	20.0	25.7	22.7
	FLF	29.9	22.7	25.3	25.9
World	AFTK	6.2	5.9	7.4	6.9
	FLF	44.2	41.3	40.8	43.5

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

- AME carriers have grown both pax & freight capacity more quickly than the industry overall. At the same time, the load factors for the AME carriers are lower – again, both pax & freight – than the overall industry outcomes.
- Most notably, the African carriers have grown AFTKs by more than 20% over the past year, more than 3 times the industry average rate. At ~26%, the FLF for African carriers is less than half that of the Asia-Pacific carriers.

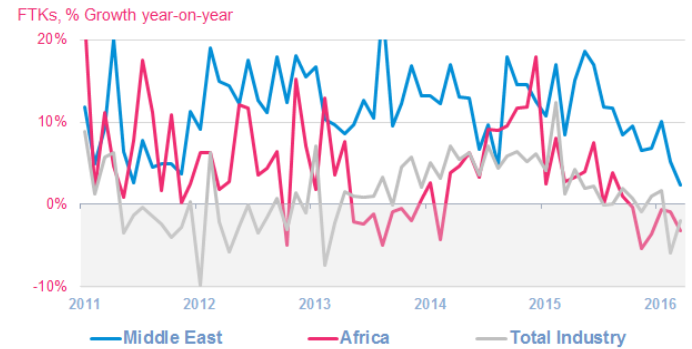
Airline EBIT margins*

%revenues	2013	2014	2014Q4	2015Q4
Africa & Middle East	-0.8	1.3	3.7	9.7
Industry	4.1	5.2	6.3	9.7

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

- As the effect of the US west coast port strikes from early 2015 drops out of the calculations (improving the global FTK growth figure in the process) & we move beyond the Lunar New Year disruption, a clearer picture of the underlying state of the air freight segment will emerge.
- Even so, with a soft demand backdrop & global trade volumes remaining subdued, wholesale improvement in the air freight market appears unlikely anytime soon.

Growth in air freight volumes



Source: IATA Statistics

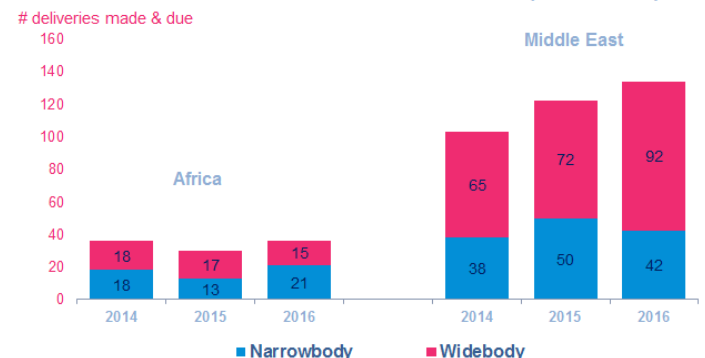
- At 9.7%, the latest Q4 2015 EBIT margin of AME carriers is up a hefty 6pp on a year previous, bringing it into line with the overall industry outcome.
- Despite some recent reversal in fuel prices & the US\$, passenger yields on key routes all remain negative in yoy terms, with many registering double-digit declines.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jan-16	Feb-16	Mar-16
Middle East - Asia	-7.6	-6.5	-8.7	-9.9
Middle East - Europe	-10.9	-9.3	-9.9	-11.7
Africa - Europe	-17.0	-11.2	-9.5	-9.9
Middle East - Nth America	-10.7	-6.2	-1.7	-2.5
Middle East - Sth America	-17.5	-14.5	-9.3	-6.9
Africa - Middle East	-10.0	-15.4	-15.5	-13.0
Africa - Nth America	-20.6	-11.2	-13.0	-11.3
Within Middle East	-5.6	-5.1	-2.3	-4.4
Within Africa	-15.2	-14.9	-17.8	-16.3

Source: IATA PaxIS

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



Source: Ascend