STATE OF THE REGION: AFRICA & MIDDLE EAST

FEB. 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†	--	--	--
Kenya	5.3†	4.2	2.4	7.3
Jordan	3.3	--	--	--
MENA	2.4	--	--	--
Sub-Saharan Africa	5.0	--	--	--
World*	**2.7**	**2.6**	**2.7**	**2.5**

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

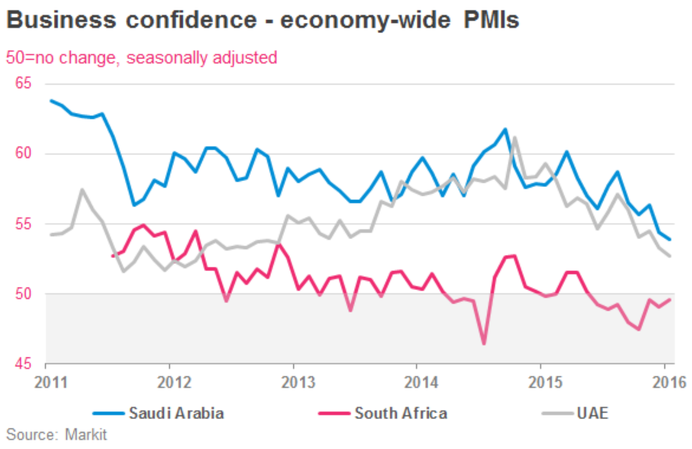
end of period, # per US$	2014	Nov-15	Dec-15	Jan-16
US$ broad index	111.3	121.1	122.4	125.2
Saudi Arabian riyal (SAR)	3.75	3.74	3.75	3.78
Nigerian naira (NGN)	183.0	199.1	199.0	199.2
Sth African rand (ZAR)	11.5	14.5	15.5	16.0
UAE dirham (AED)	3.67	3.66	3.67	3.70
Kenyan shilling (KES)	90.5	102.2	102.3	102.3
Jordanian dinar (JOD)	0.71	0.71	0.71	0.71

Source: Datastream, XE

World oil and jet fuel price

US$/barrel	2015	Nov-15	Dec-15	Jan-16
Crude oil (Brent)	52.4	44.3	38.0	30.7
Jet fuel	64.0	55.7	45.4	39.1

Source: Platts, EIA



- Business confidence indicators for the Middle East slid further this month on lower oil prices. The Sth African sentiment measure is showing tentative signs of stabilization, albeit at a low level.
- The US$ began 2016 where it left off, rising 2.3% in Jan. Amongst the key regional bilateral rates, the ZAR fell a solid 3.2% in the month vs the USD, while the SAR & AED were both down by a modest 0.7%.
- World oil & jet fuel prices maintained their downwards trajectory in Jan. Brent crude fell ~19% (US$7.30) & jet was down 14% (US$6.40) in the month. Compared with a year ago, prices are down ~50-55%, respectively.

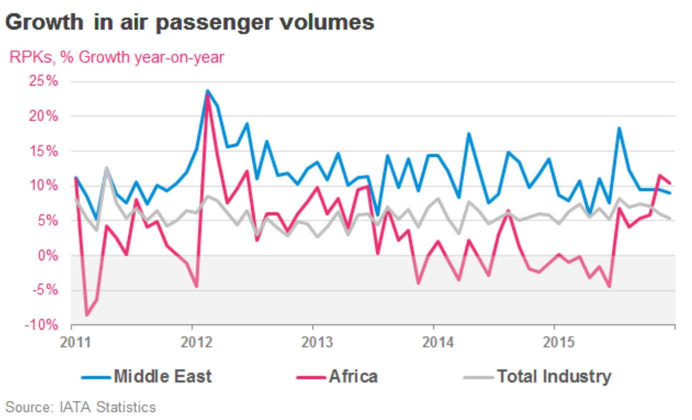
Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2014	Oct-15	Nov-15	Dec-15
Region (registration basis)				
Middle East	12.1	9.4	9.5	9.0
Africa	0.3	5.9	11.5	10.5
World	5.7	7.1	6.0	5.4
Routes (segment basis)				
Middle East - Asia	9.1	7.8	7.9	10.5
Middle East - Europe	8.9	11.1	8.0	8.8
Africa - Europe	0.4	2.0	1.4	2.5
Middle East - Nth America	32.1	19.8	21.4	15.8
Africa - Middle East	5.4	9.8	9.9	14.4
Africa - Asia	1.2	4.8	14.4	6.9

Source: IATA Statistics

- Passenger volumes for AME carriers ended 2015 on a strong note, with yoy growth significantly outpacing the global industry average.
- African carriers maintained their double-digit pace of growth in Dec, with RPKs up 10.5%yoy. ME carriers, despite a slight moderation, weren't far behind at 9.0%. Both were well-ahead of the global (industry-wide) average growth rate of 5.4%.
- At a segment level, RPK growth on routes between the ME & NthAm was up a very strong 15.8%yoy, with ME-Africa up more than 14%.
- The two largest inter-regional routes of ME-Asia & ME-Europe were up a robust 10.5% & 8.8% compared with the level of a year ago.
- For African carriers, RPKs on the main European routes ticked up to a moderate 2.5%yoy pace of growth in Dec, while routes with Asia showed solid growth of ~7%yoy.



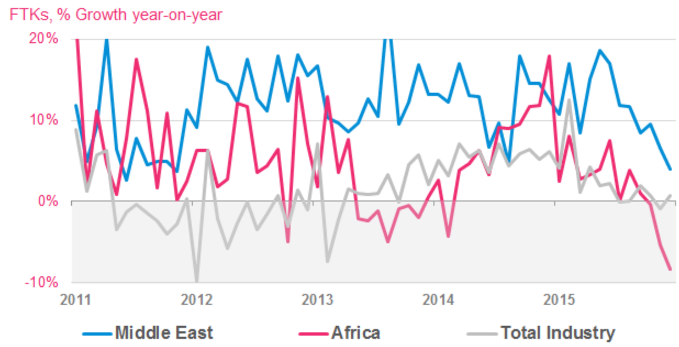
Freight tonne kilometers (FTKs)

% change on a yr ago	2014	Oct-15	Nov-15	Dec-15
Region (registration basis)				
Middle East	12.4	9.5	6.6	4.0
Africa	7.2	-0.4	-5.3	-8.4
World	5.5	0.7	-0.8	0.8
Routes (segment basis)				
Middle East - Asia	10.2	5.9	0.8	1.4
Middle East - Europe	2.7	9.6	9.0	14.4
Africa - Europe	6.4	-4.1	-9.7	-3.4
Middle East - Nth America	46.2	4.0	11.8	5.8
Africa - Middle East	4.2	7.1	0.4	5.3
Africa - Asia	8.8	-5.5	-4.6	-1.4

Source: IATA Statistics

- In contrast, the performance of the air freight market into the year-end was soft. Globally, freight volumes were up just 0.8%yoy in Dec.
- For ME carriers, FTKs ended 2015 up 4.0%yoy – the slowest rate since 2011 & less than half the rate of just two months ago. In Africa, growth eased further, following the sizeable step-down last month, with RPKs now more than 8% lower over the past year.
- On a segment basis, ME-Europe RPKs lifted to a hefty 14.4%yoy growth in Dec, ending the year well ahead of the pack. Volumes for ME-NthAm eased back to 5.8%yoy, broadly in line with ME-Africa which climbed to 5.3%.
- Growth was subdued at just 1.4% on the significant ME-Asia market & contracted for both Africa-Asia & Africa-Europe (down 1.4% & 3.4%yoy, respectively).

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		2014	Oct-15	Nov-15	Dec-15
Passenger					
Middle East	ASK	10.9	12.3	11.8	10.3
	PLF	*78.5*	*72.4*	*69.5*	*76.8*
Africa	ASK	2.5	3.9	9.0	7.8
	PLF	*68.3*	*69.1*	*66.8*	*70.6*
World	ASK	5.5	5.3	4.3	5.3
	PLF	*79.6*	*80.4*	*78.0*	*78.8*
Freight					
Middle East	AFTK	12.4	11.6	9.2	9.9
	FLF	*44.5*	*44.0*	*46.1*	*41.8*
Africa	AFTK	1.0	6.8	7.8	17.6
	FLF	*30.9*	*30.5*	*31.8*	*27.4*
World	AFTK	4.4	6.4	4.6	6.5
	FLF	*45.8*	*44.6*	*47.0*	*43.9*

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

- ME carriers ended the year with ASKs up more than 10%yoy, a solid 2.5pp above the African carriers & almost double the 5.3% global average. The Dec PLF for the region's carriers – both ME & African – lags the global average of 78.8%, at 76.8% & 70.6% respectively.
- For freight, African carriers have increased AFTKs by a very strong 17.6%yoy, almost double the pace of the ME carriers (9.9%) & 3x that of the industry average (6.5%). The Dec FLF for African carriers slipped below 30%, & is significantly lower than the ME and industry figures of 41.8% & 43.9%,respectively.

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

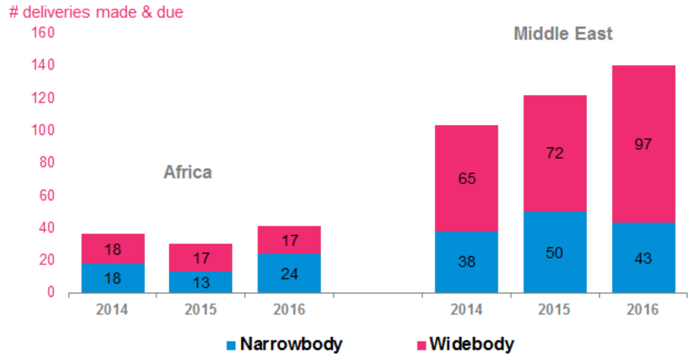
- At 11.3%, the Q3 EBIT margin of AME carriers shows a healthy improvement on the level of a year previous, but even so, it continues to trail the 14.2% industry figure.
- Key pax yields remain negative in yoy terms, in part, reflecting trends in oil prices & the US$ over the year.

Passenger yields, excl. surcharges & ancillaries

% change on a yr ago	2014	Oct-15	Nov-15	Dec-15
Middle East - Asia	-4.9	-8.9	-7.3	-6.7
Middle East - Europe	-5.6	-11.0	-10.5	-10.8
Africa - Europe	-2.9	-18.1	-16.6	-13.8
Middle East - Nth America	-0.7	-10.6	-6.1	-10.1
Middle East - Sth America	-3.5	-9.7	-11.1	-9.7
Africa - Middle East	-7.0	-13.4	-13.3	-11.7
Africa - Nth America	-7.2	-21.8	-18.6	-17.6
Within Middle East	-1.8	-5.6	-4.2	-5.7
Within Africa	-6.6	-14.7	-15.7	-16.4

Source: IATA PaxIS

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



Source: Ascend

Contact: Andrew Matters – mattersa@iata.org