# STATE OF THE REGION: AFRICA & MIDDLE EAST

**MARCH 2016**

## Economy

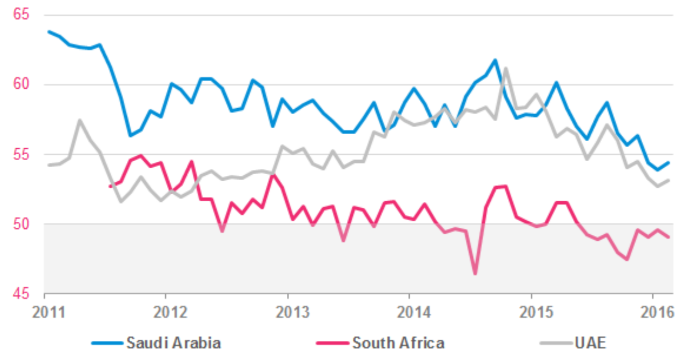
### GDP growth, selected countries

| *%change on a yr ago* | 2014 | 2015Q2 | 2015Q3 | 2015Q4 |
|---|---|---|---|---|
| Saudi Arabia | 3.6 | 4.6 | 3.6 | -- |
| Nigeria | 6.2 | 2.3 | 2.8 | 1.8 |
| South Africa | 1.5 | 1.6 | 1.2 | 0.3 |
| UAE | 3.6† | -- | -- | -- |
| Kenya | 5.3† | 2.4 | 7.3 | -- |
| Jordan | 3.3 | 2.7 | 2.8 | -- |
| MENA | 2.4 | -- | -- | -- |
| Sub-Saharan Africa | 5.0 | -- | -- | -- |
| **World*** | **2.7** | **2.6** | **2.5** | **2.3** |

Source: Datastream * Market exchange rate basis † Estimate

**Business confidence - economy-wide PMIs**

50=no change, seasonally adjusted




Source: Markit

### Exchange rates

| *end of period, # per US$* | 2014 | Dec-15 | Jan-16 | Feb-16 |
|---|---|---|---|---|
| US$ broad index | 111.3 | 122.4 | 125.2 | 124.0 |
| Saudi Arabian riyal (SAR) | 3.75 | 3.75 | 3.78 | 3.74 |
| Nigerian naira (NGN) | 183.0 | 199.0 | 199.2 | 199.2 |
| Sth African rand (ZAR) | 11.5 | 15.5 | 16.0 | 15.8 |
| UAE dirham (AED) | 3.67 | 3.67 | 3.70 | 3.67 |
| Kenyan shilling (KES) | 90.5 | 102.3 | 102.3 | 101.5 |
| Jordanian dinar (JOD) | 0.71 | 0.71 | 0.71 | 0.71 |

Source: Datastream, XE

### World oil and jet fuel price

| *US$/barrel* | 2014 | Dec-15 | Jan-16 | Feb-16 |
|---|---|---|---|---|
| Crude oil (Brent) | 99.0 | 44.3 | 38.0 | 30.7 |
| Jet fuel | 113.3 | 55.7 | 45.4 | 39.1 |

Source: Platts, EIA

- Notwithstanding the small uptick in Feb, business confidence indicators for the Middle East continue to trend lower. In Sth Africa sentiment appears to have broadly stabilized, albeit at a low level.
- The US$ eased a little in Feb, down ~1% overall. Amongst the key regional bilateral rates, movements were also largely subdued. Of note, the ZAR rose 1.2% against the USD, recovering some of last month's fall.
- World oil & jet fuel prices ended Feb down 6-7%, having dipped below the US$30 & US$40 benchmarks respectively. Prices have rebounded somewhat over recent weeks on expectations of tighter supply, but it remains to be seen whether the gains can be sustained.

## Market

### Revenue passenger kilometers (RPKs)

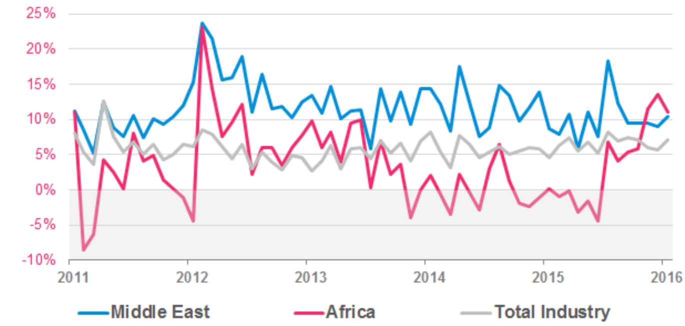
| *%change on a yr ago* | 2014 | Nov-15 | Dec-15 | Jan-16 |
|---|---|---|---|---|
| **Region (registration basis)** | | | | |
| Middle East | 12.1 | 9.5 | 9.0 | 10.5 |
| Africa | 0.3 | 11.5 | 13.5 | 11.0 |
| World | 5.7 | 6.0 | 5.7 | 7.1 |
| **Routes (segment basis)** | | | | |
| Middle East - Asia | 9.1 | 7.9 | 10.5 | 7.5 |
| Middle East - Europe | 8.9 | 8.0 | 8.8 | 9.1 |
| Africa - Europe | 0.4 | 1.4 | 2.5 | 2.6 |
| Middle East - Nth America | 32.1 | 21.4 | 15.8 | 18.9 |
| Africa - Middle East | 5.4 | 9.9 | 14.4 | 11.5 |
| Africa - Asia | 1.2 | 14.4 | 6.9 | 11.3 |

Source: IATA Statistics

- RPKs for the region's airlines (both Africa & Middle East carriers) are growing at a double-digit pace compared with their year-ago levels. And both are well above the global industry growth rate of 7.1%yoy.
- Amongst the IATA regions, AME currently has the strongest rate of RPK growth, just outpointing the Asia-Pacific (10.4%yoy) & well above the 4-5% rates of both Europe & the Americas.
- For the ME carriers, RPK growth on routes to NthAmerica remain the standout, still running at almost 20%yoy. The key markets of Asia & Europe are growing more slowly, but at a brisk 7.5% & 9%yoy, respectively.
- The recovery in African carrier RPKs since mid-2015 is stark & has been led by double-digit growth with both the Middle East & Asia. A recovery in traffic with the (larger) European market has also been important, although the pace of that growth is still only a modest 2.5%.

**Growth in air passenger volumes**

RPKs, % Growth year-on-year




Source: IATA Statistics

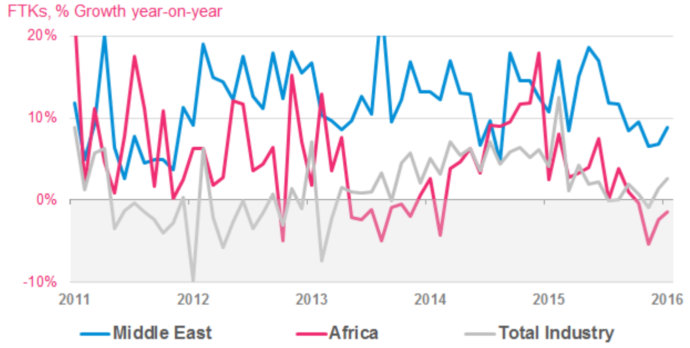
## Freight tonne kilometers (FTKs)

| *% change on a yr ago* | 2014 | Nov-15 | Dec-15 | Jan-16 |
|---|---|---|---|---|
| **Region (registration basis)** | | | | |
| Middle East | 12.4 | 6.6 | 6.8 | 8.8 |
| Africa | 7.2 | -5.3 | -2.3 | -1.4 |
| World | 5.5 | -0.9 | 1.4 | 2.7 |
| **Routes (segment basis)** | | | | |
| Middle East - Asia | 10.2 | 0.8 | 1.4 | 6.4 |
| Middle East - Europe | 2.7 | 9.0 | 14.4 | 6.4 |
| Africa - Europe | 6.4 | -9.7 | -4.4 | -7.9 |
| Middle East - Nth America | 46.2 | 11.8 | 5.8 | 26.3 |
| Africa - Middle East | 4.2 | 0.4 | 5.9 | 3.3 |
| Africa - Asia | 8.8 | -4.6 | -1.3 | 16.6 |

Source: IATA Statistics

- Air freight has been a challenging market for some time, with global FTK growth only recently halting a downward trend. Even so, industry FTKs are up just 2.7%yoy.
- In the region, the performance is mixed, with Middle East carriers growing freight volumes by almost 9%yoy, while African carrier volumes are down 1.4%yoy. The pace of decline in African FTKs has moderated over recent months, which is some small consolation.
- At the segment level, ME-NthAmerica is again the standout, with FTK growth surging to just above 26%yoy in Jan. The larger ME-carrier markets of Asia & Europe are growing at a healthy 6.4%yoy.
- In contrast, for African carriers, FTK growth in the key European market slipped back in Jan, to be down 8% compared with a year ago. Africa-Asia FTK growth has continued to recover & is now up a brisk 16%yoy.

**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 | Nov-15 | Dec-15 | Jan-16 |
|---|---|---|---|---|---|
| **Passenger** | | | | | |
| Middle East | ASK | 10.9 | 11.8 | 10.4 | 12.8 |
| | *PLF* | *78.5* | *69.5* | *76.8* | *77.9* |
| Africa | ASK | 2.5 | 9.0 | 8.1 | 7.1 |
| | *PLF* | *68.3* | *66.8* | *72.4* | *71.3* |
| World | ASK | 5.5 | 4.3 | 5.4 | 5.6 |
| | *PLF* | *79.6* | *78.0* | *78.9* | *78.8* |
| **Freight** | | | | | |
| Middle East | AFTK | 12.4 | 9.2 | 9.9 | 9.8 |
| | *FLF* | *44.5* | *46.1* | *42.9* | *39.2* |
| Africa | AFTK | 1.0 | 7.8 | 19.5 | 19.4 |
| | *FLF* | *30.9* | *31.8* | *28.7* | *22.6* |
| World | AFTK | 4.4 | 4.5 | 6.9 | 7.0 |
| | *FLF* | *45.8* | *47.0* | *44.0* | *41.3* |

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

- Over the past year, AME carriers have increased both pax & freight capacity by more than the overall industry average. Regional load factors for Jan remain below industry rates.
- Of particular note, African airlines have increased AFTKs by almost 20% in yoy terms & the FLF fell to just 22.6% in Jan, significantly underperforming the industry average of ~41%.

## Airline EBIT margins*

| *% revenues* | 2013 | 2014 | 2014Q4 | 2015Q4 |
|---|---|---|---|---|
| Africa & Middle East | -0.8 | 1.3 | 3.7 | 9.7 |
| Industry | 4.1 | 5.2 | 7.1 | 10.9 |

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

- At 9.7%, the Q4 EBIT margin of AME carriers is well up on last year, but slightly below the 10.9% industry figure.
- Pax yields on key routes all remain negative in yoy terms, with most in double-digit decline. Yields have been affected by shifts in both oil prices & the US$.

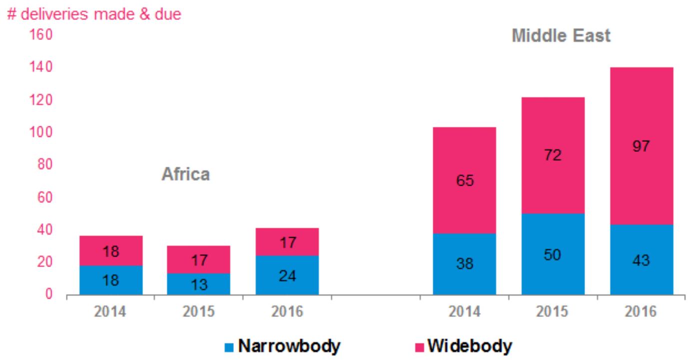
## Passenger yields, excl. surcharges & ancillaries

| *% change on a yr ago* | 2014 | Nov-15 | Dec-15 | Jan-16 |
|---|---|---|---|---|
| Middle East - Asia | -4.9 | -7.3 | -6.7 | -8.3 |
| Middle East - Europe | -5.6 | -10.5 | -10.8 | -10.2 |
| Africa - Europe | -2.9 | -16.6 | -13.8 | -12.8 |
| Middle East - Nth America | -0.7 | -6.1 | -10.1 | -7.0 |
| Middle East - Sth America | -3.5 | -11.1 | -9.7 | -15.8 |
| Africa - Middle East | -7.0 | -13.3 | -11.7 | -15.6 |
| Africa - Nth America | -7.2 | -18.6 | -17.6 | -13.9 |
| Within Middle East | -1.8 | -4.2 | -5.7 | -6.6 |
| Within Africa | -6.6 | -15.7 | -16.4 | -16.0 |

Source: IATA PaxIS

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

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




Source: Ascend



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