

## SG's 2018 REPORT ON THE STATE OF THE INDUSTRY AND NEXT YEARS PRIORITIES

- **Distinguished guests,**
- **Ladies and gentlemen**

I have the honour to present to you the state of the African Aviation Industry for the year 2018 and our priorities for the coming years.

In 2018, the global economic growth moderated, from 3.1% in 2017 to 3%. Developing countries' economies remain the main drivers, while in advanced economies, the growth has slightly decelerated to 2.1%.

Oil prices have increased by 28.3% to US\$68 per barrel, compared to US\$53 in 2017.

Economic fundamentals in most African countries have improved, and inflation declined in countries with stable currency exchange rates.

Overall in Africa, after a decline in 2016, the economy recovered and recorded a growth rate of 3.6% in 2017 and 3.5% in 2018.

This upward trend is expected to continue in 2019 and 2020, with respective forecasts of 4% and 4.1%.

However, this projected growth remains unsatisfactory to reduce unemployment and poverty.

**North Africa** is expected to contribute up to 40% of the forecasted growth in Africa in 2018.

**East Africa** is the fastest-growing region with 5.7% of GDP growth in 2019.

In **West Africa**, many countries recorded economic growth of more than 5% especially Ghana and Ivory Coast who recorded growth rates above 8%.

**Central Africa** is on a recovery trend. The regional growth in that region remains below the continental average.

In **Southern Africa**, the growth is moderate due mainly to South Africa's performance.

Mauritius is performing well due to good public policies.

Economic growth, tourism, and Air Transport are closely linked:

According to UNWTO, international tourist arrivals reached 1.4 billion worldwide in 2018, representing an increase of 5.6%. The 2018 performance is lower than the particularly high rate of 7% reached in 2017.

Almost all regions recorded an increase in international arrivals. The growth was led by the Middle East and Africa with 10.3% and 7.3%, respectively.

In Africa, the number of tourists for the year 2018, was estimated to reach 67 million, representing 4.8% of the global number of international tourists.

Solid growth in many African destinations such as Tunisia, Morocco, Mauritius, Cabo Verde, and Kenya led to Africa's remarkable result.

➤ **Distinguished delegates,**

➤ **Ladies and gentlemen**

According to IATA, the global demand for air passenger services remained strong in 2018, with 4.38 billion passengers carried on scheduled services, representing a 6.9% year on year growth.

The global average load factor for 2018 was 81.9%.

Airfreight demand recorded a very weak performance with an FTKs growth rate dropping from a very good 9.7% in 2017 to a modest 3.4% in 2018.

The main cause of this decrease is a slowdown in world trade during the second part of the year.

The air traffic growth in Africa is consistently increasing since 2011. In 2018 African airlines scheduled operations carried 91.99 million passengers, representing a market share of 2.1% of the world market and an increase of 5.5% over the previous year.

Intercontinental plus intra-African traffic represented 61.4% of the total traffic of African carriers.

For AFRAA members, intercontinental market segment remains the biggest, with 51.05% of all passengers carried. The domestic market segment represented 22.41% while the intra-Africa market represented 27.62%.

**The top 5 passenger countries in Africa in 2018** are South Africa, Egypt, Morocco, Algeria, and Tunisia.

Nine South African domestic routes are part of **the top 10 domestic routes in Africa**. Only the Nairobi-Mombasa route is part of the top 10.

The potential for traffic growth is significant. Removal of traffic right restrictions and non-physical barriers for the movement of people, goods, and trade, reducing taxes and charges are a vital step to reduce the cost of travel in Africa and promote the emergence of low-cost carriers.

The low-cost market share represented only 9.6% for African carriers when it was up to 29.2% in Latin America, 28.7% in Europe, 24.1% in North America, and 19.9% in Asia Southwest Pacific.

### **Ladies and gentlemen**

The AFRAA member airlines, who carried more than 4 million passengers in 2018 include Ethiopian Airlines (11.515 million), EgyptAir (8.736 million), Royal Air Maroc (7.342 million), Air Algérie (6.595 million), South African Airways (4.755) and Kenya Airways (4.117 million).

In 2018, the average Passenger Load Factor recorded in Africa was 71.5%, which was still 10% lower than the industry average of 81.9%. Nouvelair Tunisie, Air Mauritius, Kenya Airways, Afriqiyah Airways,

Tunisair, Ethiopian Airlines, Air Algérie, and Royal Air Maroc have performed better than the above average load factor.

The highest Passenger Load Factor was in Europe with 84.6%, followed by North America (83.9%), Latin America (81.6%), Asia Pacific (81.5%).

Several constraints explain the low performance in load factors in Africa; they include the mismatch between capacity and demand, the limited commercial cooperation between local carriers, the non-coordination of intra-African networks, and the expensive costs of travels in the Region.

AFRAA member airlines in 2018, expanded their networks on both intra-Africa and intercontinental routes. Six (6) AFRAA member airlines launched a total of 23 new routes by. These new routes connected 14 intercontinental destinations and 9 cities within the continent.

#### **Ladies and gentlemen**

The AFRAA member airlines that reported on freight performance together moved 799 tonnes in 2018, representing 82.2% of the scheduled freight by African carriers. 79% of the freight traffic was carried on intercontinental routes, while 21% of the freight traffic was carried on routes within Africa.

The level of intra Africa trade by exports is 17% compared to 59% in Asia and 69% in Europe.

In July 2019, the operational phase of the African Continental Free Trade Area (AfCFTA) was officially launched by the AU in Niamey (Niger). As of now, 54 out of the 55 member states of the African Union signed the agreement (except Eritrea), and 27 have complied with all the domestic requirements for the ratification.

The United Nations Economic Commission for Africa (UNECA) estimates that the operationalization of the AfCFTA could boost intra Africa trade by an additional 8% by 2022.

#### **Ladies and gentlemen**

The industry's profit represented US\$ 6.85 average per passenger in 2018, while Africa was the weakest region with an estimated US\$ 1.09 loss per passenger.

The strongest financial performance is being delivered by airlines in North America at US\$ 14.66 per passenger in 2018.

The weak performance by African airlines is mainly attributed to various challenges facing African airlines such as high fuel cost, blocked funds in some African States, currency fluctuation, and high taxes and charges.

According to ACI Africa, African airports carried 213.7 million passengers in 2018. Of these, 64.3% were international passengers.

The busiest airports are Johannesburg with 21.29 million passengers, Cairo (17.55 million), Addis Ababa (11.27 million), Cape Town (10.78 million), and Casablanca (9.73 million).

The main cargo hubs among the top 5 in the continent include Johannesburg (424,676 tonnes), Nairobi (342,579 tonnes), Cairo (323,713 tonnes), Addis Ababa (260,213 tonnes) and Lagos (231,740 tonnes).

Aircraft movements at African airports increased by 4.39% in 2018. The top 5 African airports ranked by aircraft movements in 2018 are Johannesburg, Cairo, Addis Ababa, Jomo Kenyatta, and Wilson Airport.

### **Ladies and gentlemen**

Africa airlines fleet is forecasted to grow by 4% annually over a 20-year period.

54% of aircraft in operation in Africa are single-aisle type, 18% regional jets, 20% widebodies and 8% freighters.

AFRAA member airlines with the largest fleet size are Ethiopian Airlines, Egyptair, Royal Air Maroc, Air Algérie, and Kenya Airways.

According to industry experts, African airlines will need 1,160 new airplanes over the next 20 years to accommodate the growing forecasted

traffic . Of this demand, 71% will be single-aisle type, 25% wide body, 3% regional jets and 1% freighters.

Africa will invest almost \$175 billion in new airplanes over the next 20 years.

The employment split for AFRAA members in 2018 is:

1. Pilots	: 5.98%
2. Engineers	: 15.39%
3. Cabin crew	: 13.20%
4. Traffic/Marketing	: 12.95%
5. Other	: 52.47%

In 2018, AFRAA member airline employee's productivity was 29% lower than the worldwide average. The low employee's performance revealed inflated personnel numbers of African airlines.

Human Capital development is critical to support the growth of air traffic demand.

Worldwide, 2018 airline accident statistics showed a total of 10 fatal accidents involving commercial airlines, resulting in 519 fatalities. 2018 safety result is an inferior performance compared to 2017, for which the number of fatalities was less.

The number of accidents in Africa dropped in 2018, from 9 to 5. There were two fatal accidents in Africa, both involving turboprops.

The low number of accidents in Africa is a continuation of a trend of improving safety standards in the continent due to the efforts by various stakeholders, including AFRAA, ICAO, IATA, civil aviation authorities, airports, ground handlers, and others.

These efforts need to continue to enhance aviation safety performance in Africa. We would like to see all eligible African airlines obtain IOSA or ISSA certification. Likewise, we want to see the ground handlers on ISAGO registry and assure the customers that African aviation adhere to industry best practices in safety, security, and operations.

As of September 2019, Africa had 46 airlines on the IOSA registry comprising almost all the major carriers on the continent.

## **Ladies and gentlemen**

For the next five (5) years, AFRAA has three main priorities:

1. Contributing to the implementation of the Single African Air Transport Market and its related work plan under the 6-pillars;
2. Tackling through AFRAA new strategic objectives the challenges faced by our members;
3. Raising the market share of African Airlines in the global air transport.

As we work on these priorities, our actions will include:

- Advocacy and lobbying
- Cooperation through joint projects
- Statistics and Data Intelligence

In this regard, we are launching the AFRAA Aviation Consulting Unit during this General Assembly which is aimed to assist our members in various areas of expertise.

## **CONCLUSION**

As I conclude this annual presentation, I wish to call upon all stakeholders to join their efforts towards the establishment of the SAATM (Single African Air Transport Market).

In this regard, AFRAA stands ready to coordinate the collective approach of stakeholders in identifying and addressing SAATM challenges.

SAATM implementation anchored on the African Continent Free Trade Agreement – AfCFTA will trigger and sustain the virtuous cycle of Air Transport Development in Africa.

Our mission as AFRAA is to promote and serve African airlines and to Champion Africa's aviation industry.

**“Better Skies for Africa,”** remains the pillar of all our actions.

**Thank you for your attention.**