

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

## SLIDE 1

- Distinguished guests,
- Ladies and gentlemen

I have the honour to present the African Aviation Industry's state for the year 2019 and our priorities for the coming years.

## SLIDE 3

### Global economic performance

Global economic activity decelerated in 2019. From 3% in 2018, the world's GDP growth rate fell to 2.4%, mainly due to the trade tensions caused by the tariff war between the United States and China.

Both advanced economies and Emerging ones have been affected by slowing growth.

### Africa's economic performance

While the projections were around 4%, the economic growth in Africa was 3.4% in 2019, according to the African Development Bank (AfDB).

The lower than expected growth of the continent's top economies (Algeria, Egypt, Morocco, Nigeria, and South Africa) instigated Africa's slower growth rate.

### GDP per Capita

The GDP per capita improved in the continent from \$1900 in 2018 to \$2000, even if it is very low compared to the world's average.

### Jet fuel price

In 2019, the jet fuel price averaged at USD 79.7 per barrel, lower than the average \$86.1 in 2018.

## SLIDE 4

### International tourism

The travel and tourism sector suffered from this depressing economic environment. International tourists' arrivals reached 1.46 million worldwide, a 3.6% year on year growth versus 5.7% in 2018.

### Tourism in Africa

The same trend applied to the African region. UNWTO reported a 5.4% increase in international tourist arrivals, far from the performance of 8.4% in 2018. The continent received 72.4 million tourists, 5% of the global number of tourists, generating USD 38.3 billion.

## SLIDE 5

### Airlines Global performance

The weak economic environment affected the airline industry, which realized a performance below the projection: industrywide, the RPK grew by 4.2%, which is the lowest rate since 2010.

### African airlines performance

African airlines carried 95.6 million passengers, which is 3.66 million more than in 2018. Unfortunately, the total RPKs growth slackened at 4.2% compared to 6.1% in 2018. The Passenger load factor of 71.6% is the lowest among all the regions and is 10% lower than the industry average.

### Freight

All the regions experienced negative growth in freight traffic, except Africa. African airlines moved a total of 1.047 million tons of freight in scheduled operations, representing 7.8% growth compared to 2018.

## SLIDE 6

In terms of profitability, while the global industry posted positive Net post-tax profits of \$26.4 billion and \$5.8 profit per passenger, African airlines continued to post losses with \$300 million negative after-tax profit and \$2.67 loss per passenger.

## **SLIDE 7**

Safety is continuously improving. In 2019, African airlines experienced two fatal accidents. However, the most serious that caused 157 fatalities involved more the manufacturer than the operator. The accident rate remains high compared to the industry average but is improving over the years.

## **SLIDE 8**

For the airline industry, the COVID19 pandemic is an unprecedented health crisis. As the pandemic is not yet mastered, the real impact on the global economy remains uncertain.

## **SLIDE 9**

### **COVID 19 impact global**

The estimated impact of the COVID19 on the world GDP growth is -5.2% in 2020.

Many countries applied travel bans and lockdown policies, forcing airlines worldwide to stop operations or limit their air services to domestic flights or cargo flights.

## **SLIDE 10**

### **COVID 19 impact Africa**

The economic recession due to Covid19 will also affect Africa. According to the African Development Bank (AfDB), the GDP may experience a recession of 3.4% in the worst-case scenario, while forecasts were anticipating an increase of 3.9% before the outbreak.

## **SLIDE 11**

With the reopening of borders in July, the traffic restarted with an unprecedented activity-drop after the second quarter.

For August 2020, the capacity (ASK) is 30% the level for August 2019, and the average load factor is 32.75% only. The revenues per passenger are at very low levels.

For 2020, AFRAA estimates the revenue loss for African Airlines at USD 9 billion compared to 2019.

## **SLIDE 12**

Since July, the restart is slow, and Airlines are adapting their network plans to the demand pattern.

In October, African airlines reopened 70.8% of the international routes existing before the COVID19 pandemic.

## **SLIDE 13**

The airline industry's recovery will require coordinated efforts and a collaborative approach with all stakeholders to ensure the industry's survival and Business continuity.

Complementing SAATM, the other AU Agenda 2063 flagship projects that foresee an integrated Africa with seamless borders to support African airlines' recovery post-COVID-19 are the African Continental Free Trade Area (AfCFTA) and the Free Movement Protocol.

Along with the revision of the African Civil Aviation Policy, these projects shall be successfully carried out.

## **SLIDE 14**

We look forward to undertaking this African aviation journey together with our member airlines, partner organizations, African States, and other stakeholders' multiplicity.

The various appeals to governments and Development Financial Institutions to support the industry led to the disbursement by some states of substantial amounts to support their airlines. We encourage other kinds of

financial reliefs for airlines. We are confident that all those actions will help our industry rebound after this unprecedented crisis.

The "New Normal" of COVID19 will profoundly impact the air transport environment and the way the industry will operate.

A critical factor for the rebound and recovery post-COVID-19 is collaboration and cooperation among airlines.

Implementation by states of harmonized and mutually recognized health screening measures is crucial for seamless and trusted travel and will bring both passengers and stakeholders confidence.

Technology will play an essential role in shaping the 'new normal' of the industry in ensuring a smooth, efficient, and safe passengers' journey. With more focus on digitalization, airlines will optimize operations, save costs, and contribute to a more sustainable aviation future.

## **SLIDE 15**

The African continent will need to focus on aviation as one of the critical drivers for socio-economic recovery and development.

AFRAA intends to play a pivotal role in navigating African airlines out of these turbulent skies by charting a sustainable path in support of rejuvenating the continent's aviation industry through specific support measures.

The AFRAA 5-Years Strategic Development Plan 2021-2025 aligns with the Association's Vision, Mission, and Values to meet its aspirations. The Plan revolves and is anchored on five strategic pillars of transformation.

## **SLIDE 16**

### **CONCLUSION**

As I conclude this annual presentation, I also wish to express my appreciation to our members and partners for their AFRAA support.

Our mission 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.**