Economic Impact of COVID-19 on African Aviation and Analysis of the Market Outlook

"Building Blocks for the Air Transport Industry Recovery"
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Benefits and challenges of Aviation in Africa
The aviation industry is a critical sector of the global economy:

- **Encompasses transportation of passengers and goods (cargo) as well as airport operations.**
- **Generates revenue to the economy**
- **Creates Jobs**

Source: AFRAA / IATA / ATAG 2019
Challenges facing the Aviation industry in Africa

- Imposition of high taxes and charges on the airlines by various governments compared to other regions,
- Poor intra-African connectivity coupled with market access limitations,
- Inflated price of jet fuel,
- Blocked funds,
- Rising number of foreign competitors,
- Unfavourable investment environment,
- More recently, COVID-19 outbreak resulting to halting of passenger air transport for a while.
African Airlines’ scheduled passengers 2020: 34.7 million (AFRAA estimations).

Estimated 63.7% year-on-year drop compared to 2019.

Source: AFRAA / IATA
ASK and RPK growth in 2020

- Majority of carriers grounded their aircrafts from end of March 2020.
- Drastic ASK and RPK drop of 85% and 94% in April.
- Traffic reduction continued until June, before reversing with the gradual opening of borders.

Source: AFRAA / OAG
The structure of Passenger traffic distribution changed from the period before and after the Covid-19 outbreak. The share of International that used to be dominant (42%) reduced in favor of Domestic market.

Source: AFRAA/OAG
Traffic repartition 2020

- **Domestic**: 15.1 million passengers (63.7%)
- **Intra-africa**: 6.4 million passengers (43%)
- **Intercontinental**: 7.2 million passengers (56%)
- **Middle East**: 1.0 million passengers

**Share of Domestic traffic**
- Europe: 7.2
- Asia: 4.2
- America: 0.9

**YoY Traffic drop compared to 2019**
- Europe: 15.1 to 6.4
- Asia: 4.2 to 2.0
- America: 0.9 to 0.0

**2% of the World’s traffic**

Source: AFRAA/OAG

**63.7%**
- Europe is the first intercontinental destination from Africa

**43%**
- Europe YoY drop on traffic share to Asia from 11% to 7%
Sub-regional insights: Northern Africa

Traffic repartition 2020

- 61% YoY Traffic drop compared to 2019
- 40.5% of the traffic directed to Europe
- 5% YoY traffic drop toward Europe
- 20% Share of Domestic traffic. Continental average is 43%

Source: AFRAA/OAG
Sub-regional insights: Eastern Africa

Traffic repartition 2020

- **Domestic**: 3.5 Million Passengers
- **Intra-Africa**: 1.9 Million Passengers
- **Intercontinental**: 5.0 Million Passengers

- **22.6%** of the Continental traffic
- **70%** Share of Domestic + Intra-African traffic
- **11%** YoY Increase on Domestic traffic share compared to 2019
- **6.2%** YoY drop on Intra-African traffic compared to 2019
- **12%** Share of Europe which is the first intercontinental destination

Source: AFRAA/OAG
Sub-regional insights: Southern Africa

Traffic repartition 2020

- Domestic: 5.2 million passengers
- Intra-African: 1.4 million passengers
- Intercontinental: 3.4% YoY

Source: AFRAA/OAG

- YoY traffic drop compared to 2019: 21.4%
- Share of Domestic traffic: 63.6%
- YoY Intra-African traffic drop compared to 2019: 1.2%
- YoY intercontinental traffic drop compared to 2019: 3.4%
**Sub-regional insights: Western and Central Africa**

Traffic repartition 2020:

- **Domestic**: 3.9 million passengers (51.0%)
- **Intra-Africa**: 1.8 million passengers (5.7%)
- **Intercontinental**: 5.0 million passengers (10.0%)
  - Europe: 3.1 million
  - Middle East: 0.1 million
  - Asia: 0.1 million
  - America: 0.3 million

20% of the Continental traffic

- Share of Domestic traffic in 2020: 51.0%
- YoY increase: 11.3%
- Drop on Intra-African traffic share compared to 2019: 2%
- Drop on traffic to Asia: 2.9%
- Share of traffic to Europe: 10%

Source: AFRAA/OAG
Key facts

Significant increase in Domestic traffic, particularly:
- +11.3% in Central and Western Africa
- +9.2% in Eastern Africa

On the contrary, the share of Intra-African traffic remained stable: only 1% increase

Europe is the first destination from all the regions in Africa.
Northern Africa is leading with 40.5% of its traffic directed to Europe

Due to the Covid crisis, the traffic to Asia and America dropped by 2.2% YoY.
Eastern Africa is the most impacted region as the traffic dropped from 11.1% to 7.7%

Source: AFRAA/OAG
Quarterly Revenue Loss 2020/2019

- **Q1 2020**: -0.61 Billion USD
- **Q2 2020**: -3.41 Billion USD
- **Q3 2020**: -3.47 Billion USD
- **Q4 2020**: -2.72 Billion USD

• **Estimated Revenue loss for 2020**: USD 10.21 billion
Intra-African connectivity

Quarterly Intra African connectivity 2020

- Sharp drop of 97% during the second quarter, due to the Covid crisis.
- By end of 2020, the level of intra-African connectivity was 90% under the level of quarter 1.
13 have direct flights to more than 20 other African countries. Ethiopia and Kenya lead with 30 direct flights and more to other countries within Africa.

Lesotho, Eritrea and Eswatini have direct flights to 3 or less other African countries

Top 10 best and worst connected countries in Africa

- Ethiopia
- Kenya
- Egypt
- South Africa
- Morocco
- Cote D’Ivoire
- Ghana
- Nigeria
- Cameroon
- Togo
- Seychelles
- South Sudan
- Guinea-Bissau
- Botswana
- Burundi
- Djibouti
- Libya
- Lesotho
- Eritrea
- Eswatini
2021 Projections
African airline’s capacity to reach 60% of 2019 levels.

Traffic to reach 45% of 2019 level (AFRAA estimations)

Source: AFRAA / OAG
Financial results

- **Estimated Revenue loss for 2021**: USD 8.35 billion

### Quaterly Revenue Loss

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2020</th>
<th>Q2 2020</th>
<th>Q3 2020</th>
<th>Q4 2020</th>
<th>Q1 2021</th>
<th>Q2 2021</th>
<th>Q3 2021</th>
<th>Q4 2021</th>
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<td>Revenue Loss (Billion USD)</td>
<td>-0.61</td>
<td>-3.41</td>
<td>-3.47</td>
<td>-2.72</td>
<td>-2.60</td>
<td>-2.55</td>
<td>-1.85</td>
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Intra-African connectivity globally improved during the first quarter of 2021 to reach 68% of the level of Q1 2020.

The connectivity level will continue to increase, but will not reach its initial level in 2021.
Conclusion
What to keep from this presentation?

- 2020 was a tough year for Aviation in Africa with the Covid19 Outbreak
- Capacity, Traffic, connectivity and Revenues felt drastically, compared to 2019
- 2021 is expected to be another difficult year: traffic recovery to reach only 65% of 2019 levels
- Estimated Passenger Revenue losses for African airlines in 2021: USD 8.35 billion
- Intra-African connectivity which was already poor will not reach the Pre-Covid level in 2021
- AFRAA has put in place a set of initiatives to assist member airlines to recover
THANK YOU

“Building Blocks for the Air Transport Industry Recovery”