

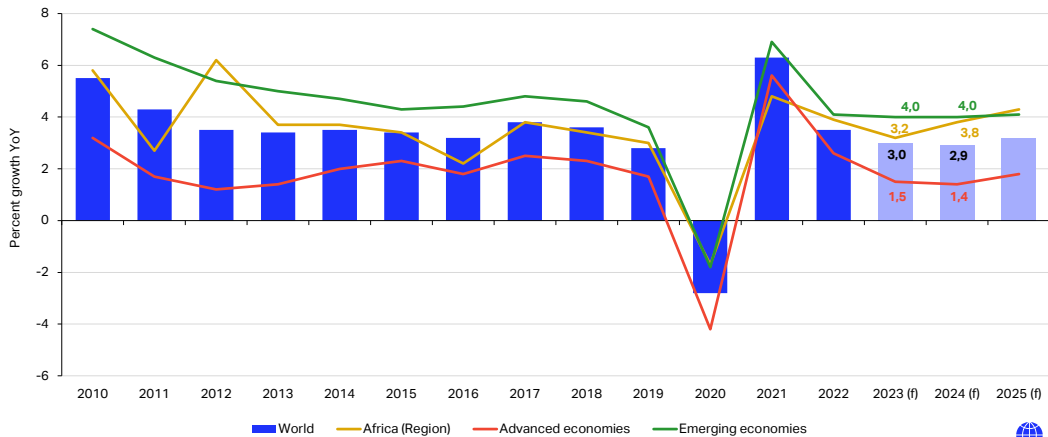
# IATA Media Briefing Africa

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Vice-President, Africa and  
Middle East



## Global economic activity has moderated Growth in Africa expected to increase to 3.8% in 2024

Real GDP growth, percent YoY



Source: IMF, World Economic Outlook, October 2023

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Good morning, good afternoon. Thank you for joining us for the Africa media briefing.

I will begin with an economic overview of the industry, followed by an update on Focus Africa.

At the global level, GDP growth has moderated from the post-Covid rebound in 2021.

The IMF are forecasting global economic growth of around 3% this year (2023) and next. This is broadly in line with the long-run average global growth rate.

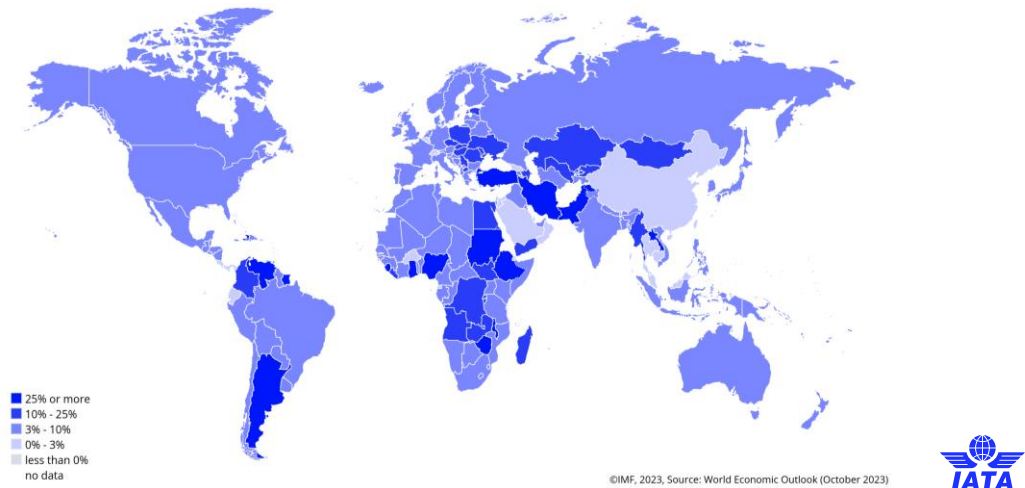
The world's emerging economies are forecast to grow at a quicker rate than the so-called 'advanced' economies – around 4% compared with around 1.5% this year, and similar next.

Growth in Africa is expected to increase to 3.8% in 2024, higher than the global average.

The business cycle is an important driver of air transport demand so this is a positive indicator for growth in Africa's air transport industry.

## Inflation has peaked, but remains elevated

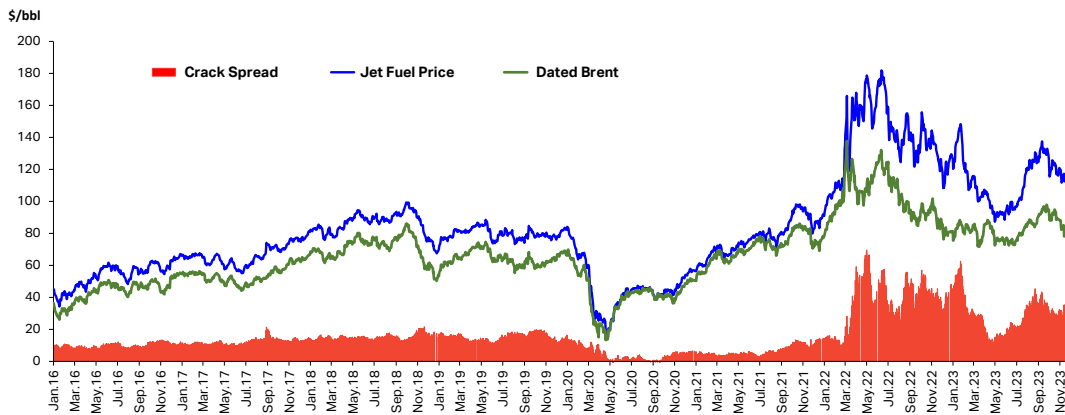
High inflation remains a challenge for a number of African countries



- High inflation was one of the major economic challenges last year for aviation.
- While we passed the peak in inflation, it remains relatively high and is still a challenge in many countries, including a number of African countries.
- In the context of aviation, high inflation means high cost for airlines and high cost for consumers which means they have less money to spend on air transport.

## Fuel prices have risen from their Q2 lows And the crack spread has also widened, adding to fuel costs

Jet Fuel Price vs Crude Oil Price



Source: S&P Global Commodity Insights

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Another key cost driver for airlines are fuel prices.

Oil prices have risen from their low point in Q2.

They moved higher again on the escalation of conflict in the Middle East, but have since retreated somewhat from those levels.

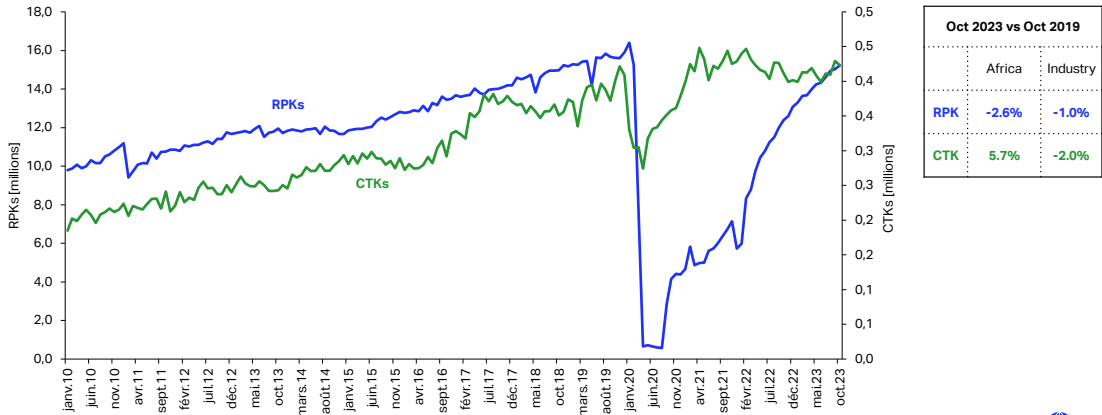
At the same time, the crack spread has also widened, putting additional pressure on airline fuel costs.

We expect an average jet fuel price of around USD115.5 this year and 113.8 next year.

# RPK and CTK recovery in the region remains strong

## RPK gap in Africa is expected to be closed in 2024

Africa RPKs and CTKs



Source: IATA Monthly Statistics

5 7 December 2023



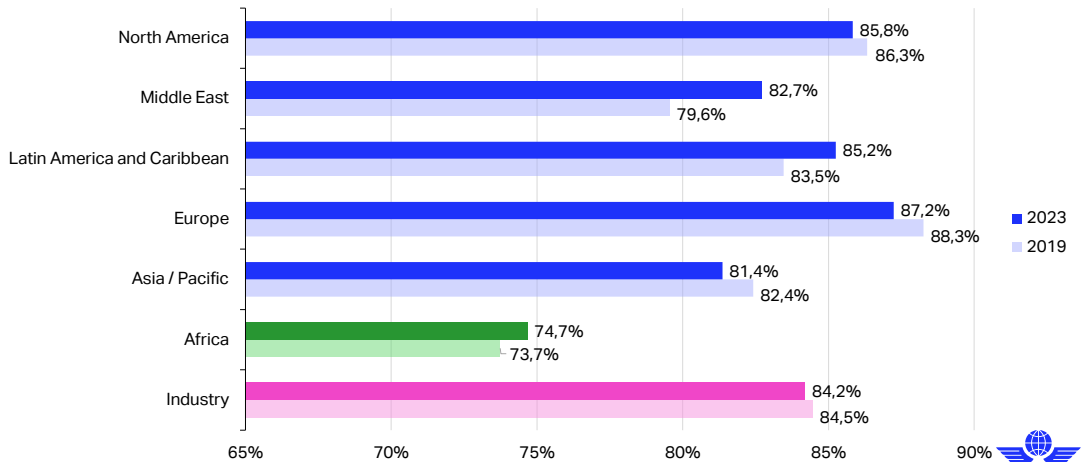
Looking at the month of October this year in comparison with October of 2019, Africa has made a strong recovery.

We are lagging a bit behind on the passenger demand measured in RPKs but Cargo demand measured in CTKs have surpassed 2019 levels.

## Africa pax load factors have exceeded 2019

### The industry rate has almost recovered to the pre-Covid level

Passenger load factor (PLF), % share of ASKs (Q3)



6 Source: IATA Sustainability & Economics, IATA Monthly Statistics



When we think about the financial recovery an important part of that is that passenger load factors which have recovered quite well.

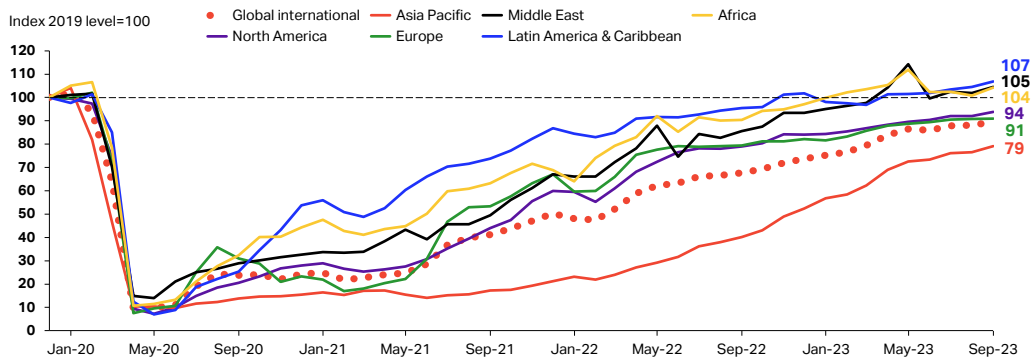
At the industry level, Q3 of 2023 is pretty much in line with Q3 2019. Africa's 2023 load factors tell a more positive story, having exceeded 2019 levels.

But this also means that there are capacity restraints, so there are less aircraft but they are fuller.

The positive news is that less capacity and higher loads means higher yields.

## Global international air connectivity in Sep 2023 at 90% of pre-crisis levels, Africa is currently at 104%

IATA International Air Connectivity Index by region for all international routes, monthly Jan 2020-Sep 2023



IATA Connectivity Index using data from OAG

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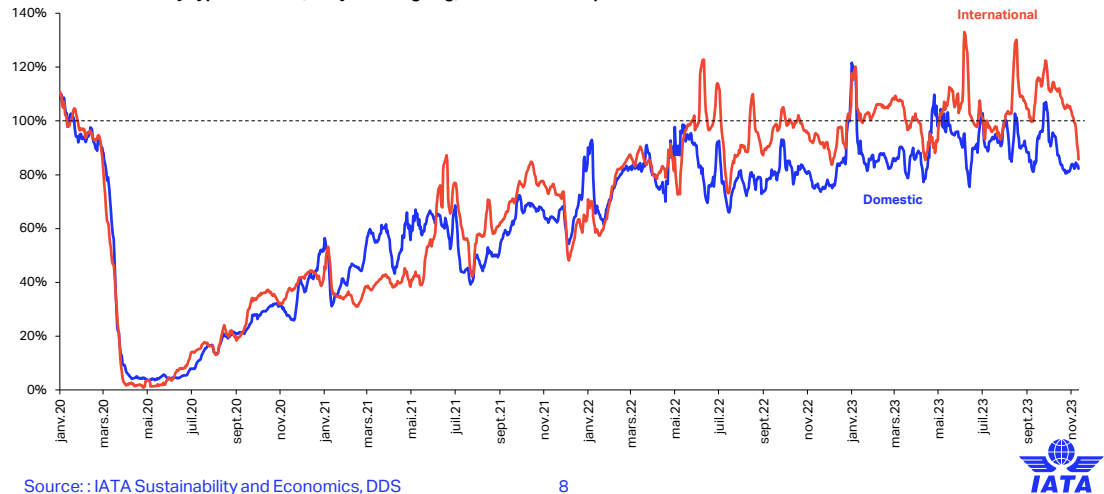
The chart shows the drop in **international** air connectivity compared to the same month in 2019 (pre-crisis level). 2020-2023 months are compared with the same month in 2019. The metric is indexed where the 2019 level equals 100.

This IATA measure of air connectivity is similar to the recovery profile of passenger and cargo demand.

Key takeaway, Africa is back above what it was pre covid but we have to remain mindful that Africa's connectivity was weak to begin with.

## Ticket sales are fluctuating around the 2019 levels Demand for international travel has been particularly strong

Africa - Ticket sales by type of travel (7 days moving avg) a % of the same period in 2019



Source: : IATA Sustainability and Economics, DDS

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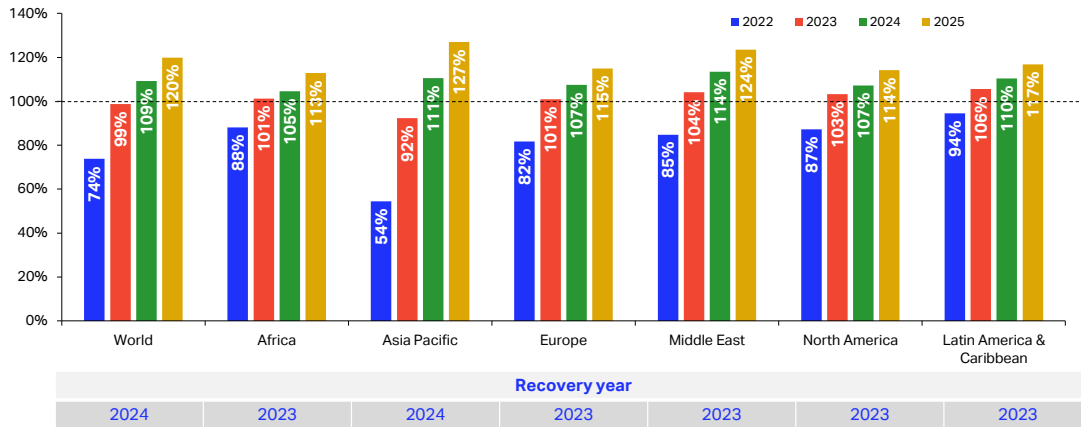


Ticket sales is another forward-looking indicator. For Africa, there's not a clear upwards trend but for the international side, we are pretty much back to where we were in 2019.



## Global passenger traffic expected to recover in 2024 But most regions return to pre-Covid levels this year

Passenger traffic recovery (% share of 2019 levels)



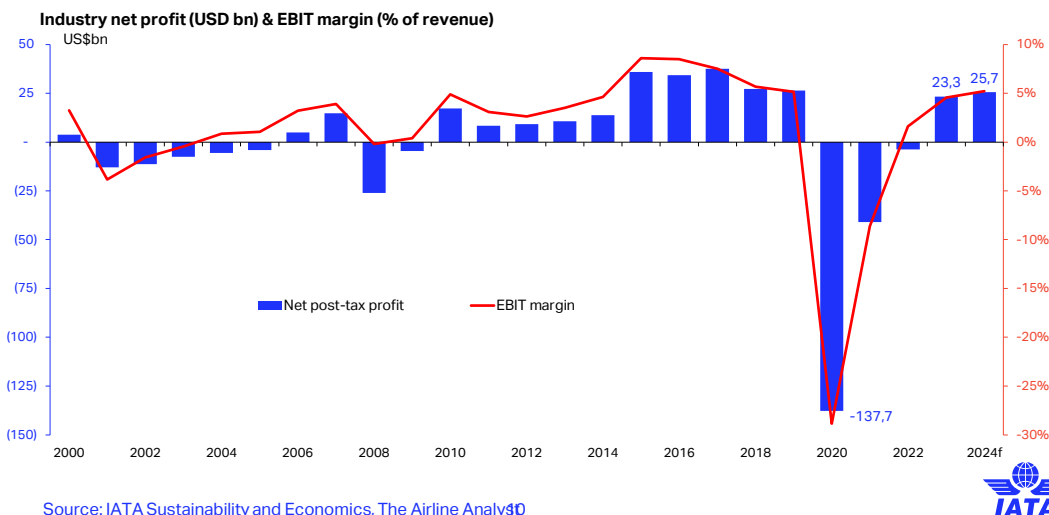
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Source: IATA Sustainability & Economics, Tourism Economics



- Overall at the annual level, global air passenger numbers are expected to recover their 2019 level in 2024.
- At the regional level, all regions except Asia Pacific will recover this year (2023).

## Industry financial recovery has exceeded expectations But per passenger net profit remains modest at just USD 5.45 in 2024



Highlighting the resilience of the air transport industry, we are forecasting a return to profitability this year.

Net post-tax profit is expected to be USD23.3bn – which is a remarkable turnaround from the losses of almost USD140bn in 2020, just three years ago!

In 2024, net profit will rise a little to USD 25.7bn.

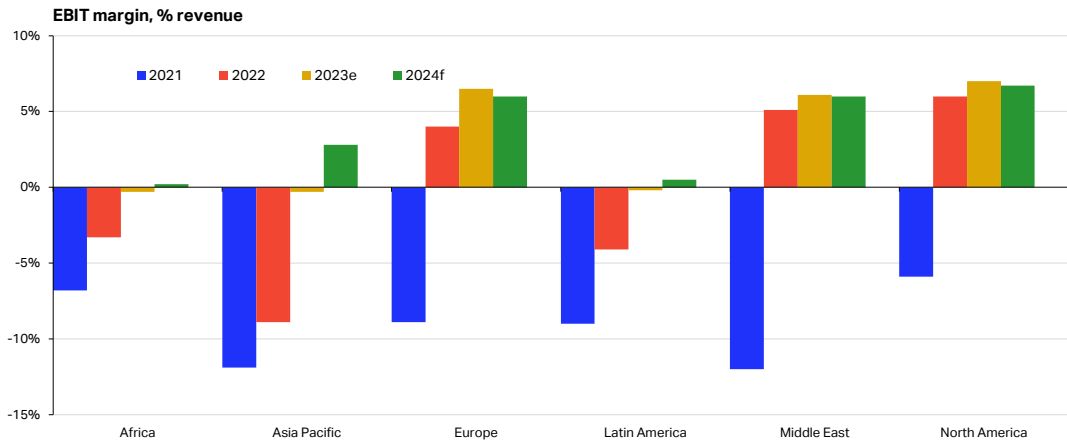
Although this return to profitability is a welcome development, it is far from delivering financial sustainability for the industry.

As a share of revenue, this equates to a net profit margin of 2.6% this year and 2.7% in 2024.

On a per passenger basis, this equates to a modest USD5.44 in 2023 and a similar USD5.45 next year.

A word of caution for policy makers is not to get carried away by these numbers with increases in taxes and charges. This would only put more strain on the recovery of the industry.

## Regional financial performance remains mixed All regions to recover to a positive operating margin by 2024



Source: IATA Sustainability and Economics, The Airline Analyst



At the regional level, operating profit margin is that financial improvement happened across all regions some regions recovered quicker but there's clear improvement.

All regions come back to positive operating margin by 2024.

In Africa net profit is still negative in 2024 but a positive operating profit in 2024.

## Profitability of airlines within the region remains poor Only minor improvements in net profit margins expected in 2024

- Airlines in Africa are expected to remain loss making in 2024.
- RPKs are expected to reach 2019 levels in 2024, with a strong improvement in load factors.
- Nonetheless, due to high cost, a small gap between load factor and breakeven load factor is expected to remain, resulting in a positive operating result, but a modest post-tax loss in 2024.

Africa	2019	2020	2021	2022	2023e	2024
Net post-tax profit, \$bn	(0.3)	(1.8)	(1.1)	(0.8)	(0.5)	(0.4)
Per passenger, \$	(2.7)	(58.0)	(24.7)	(10.2)	(5.1)	(4.5)
% revenues	-0.8%	-46.8%	-21.4%	-10.4%	-3.7%	-2.5%
RPK growth, %	4.7%	-68.2%	17.0%	84.8%	40.1%	7.3%
ASK growth, %	4.5%	-62.1%	18.5%	51.5%	38.4%	9.4%
Load factor, % ATK	59.6%	51.4%	53.3%	62.2%	63.7%	63.0%
Breakeven load factor, % ATK	55.6%	60.1%	57.0%	64.2%	63.9%	62.9%

Source: IATA Sustainability and Economics, The Airline Analy92



- In summary, airlines in Africa are expected to remain loss making in 2024.
- RPKs are expected to reach 2019 levels in 2024, with a strong improvement in load factors.
- Nonetheless, due to high cost, a small gap between load factor and breakeven load factor is expected to remain, resulting in a positive operating result, but a modest post-tax loss in 2024.
- A key message here for governments is to continue supporting the growth of Africa's aviation industry as an economic enabler.

## Focus Africa



- I would now like to provide a quick overview of Focus Africa and where we are at since the launch in June.

## Focus Africa Priority Areas

- **Safety:** Improve operational safety through a data driven, collaborative program to reduce safety incidents and accidents, in the air and on the ground.
- **Infrastructure:** Facilitate the growth of efficient, secure, and cost-effective aviation infrastructure.
- **Connectivity:** Promote the liberalization of intra-African market access through the Single African Air Transport Market (SAATM).
- **Finance and Distribution:** Accelerate the implementation of secure, effective and cost-efficient financial services and adoption of modern retailing standards.
- **Sustainability:** Assist Africa's air transport industry to achieve the "Net Zero by 2050" emissions targets agreed to by industry and the UN's International Civil Aviation Organisation (ICAO).
- **Future Skills:** Promote aviation-related career paths and ensure a steady supply of diverse and suitably skilled talent to meet the industry's future needs.



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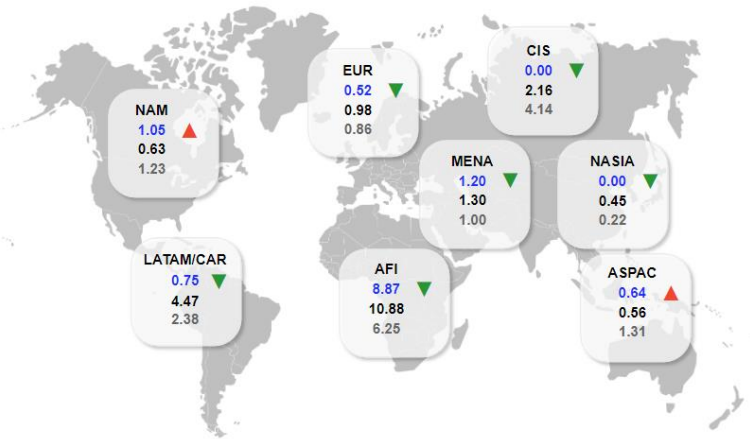
As you know, Focus Africa was launched as a collaborative initiative to address Africa's aviation challenges where partners pool together resources to strengthen and step-up our work in the continent.

We have kicked off a number of projects with several partners and are laying the groundwork for many others. The road ahead is long but together I am confident we will make positive contributions.

Over the next few slides I will give you a brief update on a few of our initiatives.

# Safety

Safety is improving in Africa but our goal as an industry is to always ensure the conditions for a safe and efficient aviation



Accident Rate (per Million Sectors) by Region of Operator \* Data source IATA

Legend: 2023 (blue), 2022 (orange), 2018-2022 Average (grey). Industry: 0.82 (green), 1.33 (orange), 1.33 (grey). IATA Members: 0.72 (green), 0.59 (orange), 0.72 (grey).

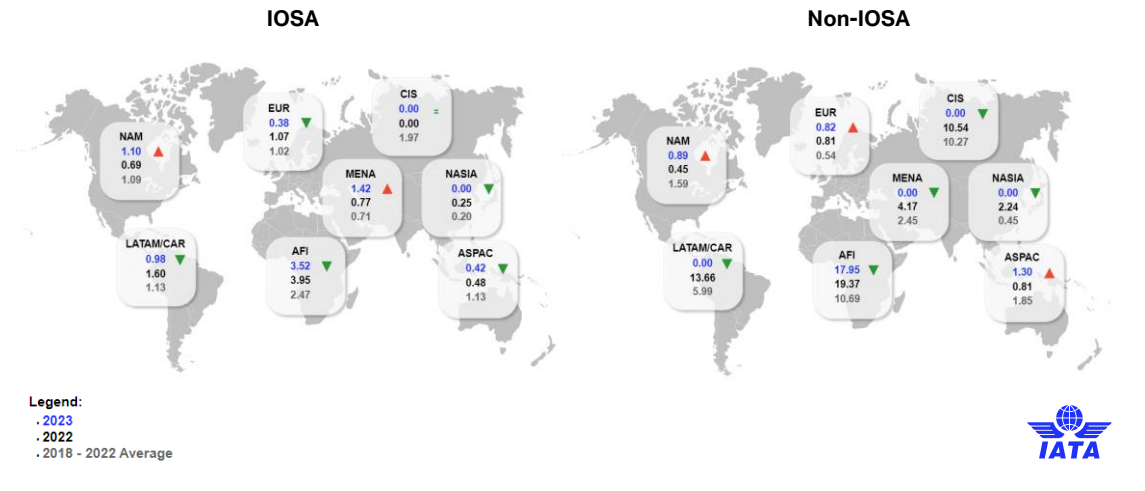


\*Note that 2023 only covers the first 6 months of the year.

- I'll start with safety and set the scene for us.
- Safety is the core value of our industry and our number one priority.
- If we look at the first 6 months of 2023, we have recorded an improvement in the accident rate at the global level, with a 0.82 accident rate per million sectors compared with 1.33 in 2022.
- African airlines experienced zero fatal accidents in the first half of 2023 and the accident rate for the 6 months improved compared to the full year 2022. Nevertheless, the region's overall accident rate is well above the global average.
- Our priority for Africa continues to be the implementation of global standards in all areas related to safety to ensure the conditions for a safe aviation industry are always there.

# IOSA versus non-IOSA

Accident Rate (per Million Sectors) by Region of Operator \* Data source IATA



- If we look at the accident rate of IOSA registered airlines in Africa vs non-IOSA, you will see a significant difference in performance.
- IOSA registered carriers had a 3.52 accident rate in the first 6 months of 2023 versus a 17.95 accident rate for non-IOSA carriers.
- We continue to work with airlines in Africa to support their registration in IATA's global safety auditing programs, IOSA or ISSA.
- The IATA Standard Safety Assessment (ISSA) is a voluntary evaluation program, produced at the request of the industry, to extend the benefits of operational safety and efficiency that emanated from IOSA to the operators of smaller aircraft that are not eligible for the IOSA program.
- The priority for Africa continues to be the implementation of global standards in all areas related to safety.
- This includes operational efficiency, information management, airspace management, and aerodrome infrastructure among others.
- To address these areas in a focused and collaborative way, we have launched the Collaborative Aviation Safety Improvement Program (CASIP)



as part of the Focus Africa initiative.

# CASIP – A Program Built for Africa

## **Collaborative Aviation Safety Improvement Program (CASIP) - A Partnership Program**

Bringing together the expertise of global aviation specialists invested in working under a framework of trust, cooperation and collaboration to deliver safety improvement across the continent of Africa bringing Africa to within the Global Safety Standards.

### CASIP Objectives

- Increase collaboration at continent level to enhance safety.
- Promote Safety Leadership and Safety Culture.
- Deliver safety training and workshops continent wide.
- Promote the adoption of industry recognized best programs and practices.
- Support State Safety Programs (SSP) implementation.
- Create a data rich environment for aviation safety data information and exchange.
- Identify deficiencies in infrastructure and be part of the solution to drive Safety Improvement Initiatives (SII).
- Create a program to fund developments in aviation safety.
- New approach to solve complex and innovative problems while respecting recognized best practices.
- Support delivery of safety enhancement initiatives.

- CASIP aims to improve operational safety through a data-driven, collaborative approach to reduce safety incidents and accidents across Africa.
- It is critical to ensure the success of CASIP of this industry driven Collaborative Safety team that the program complements rather than replaces or competes with programs and initiatives across Africa that are already established at various levels of maturity.
- A program that supports the 'delivery' of Safety improvement. Under the umbrella of CASIP, pooling resources, prioritising safety work programs, and having the resource to analyse data, delivering training and workshops that will enable States, Operators and ANSPs to effectively meet the goals and priorities for the Regional Aviation Safety Plan for Africa in line with ICAO Global Safety Plan (GASP) and Industry safety initiatives.

# CASIP launched with 12 partners

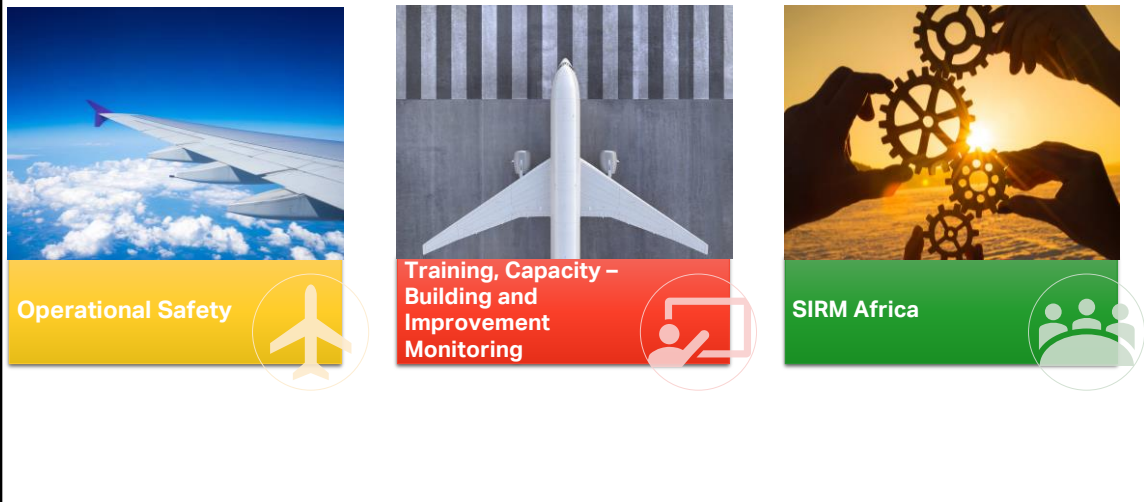
## Boeing elected as Chair

ICAO | AFRAA | AFCAC | IFALPA | Boeing | Airbus | FAA |  
Flight Safety Foundation | AASA | CANSO | UN WFP |  
EASA



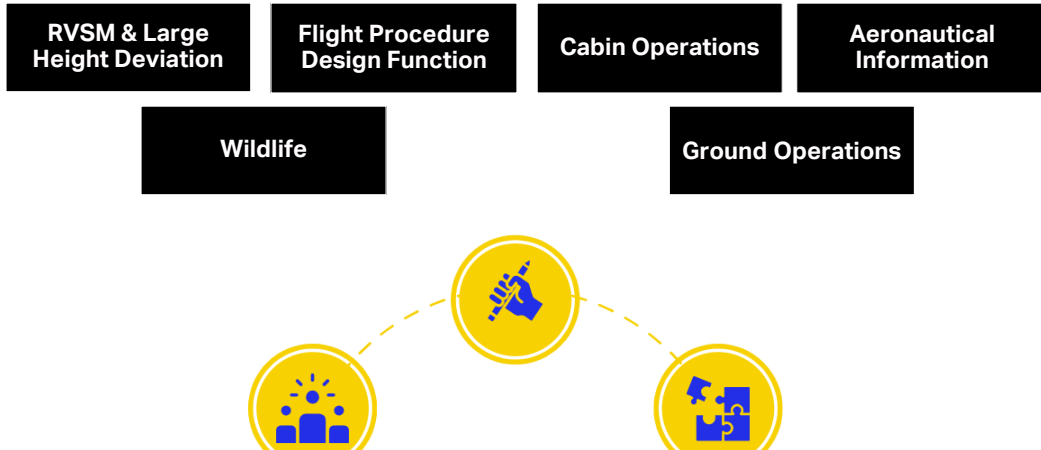
- Since the announcement of the program in June, we have launched CASIP in October with 12 industry partners.
- CASIP of course wouldn't be complete without our member airlines, we have brought airline representation from African, European, American, And Middle East carriers to support the work of the CASIP, and the ChairPersons of our Regional Safety and Flight Operations Groups in AFI and MENA to ensure IATA is suitably representing members priorities
- At the inaugural CASIP meeting, Boeing was elected Chair of the CASIP and the two primary workstreams were identified: Operational Safety and Training, Capacity-Building and Improvement Monitoring.
- The two work streams will commence activities in January 2024.

## CASIP Work Streams



- Under the Training, Capacity Building and Improvement monitoring workstream, you will see IATA drive the agenda for bringing Safety Leadership and Safety Culture to the forefront as an aviation safety Priority across Africa.
- Accident investigations have identified that a positive safety culture is a critical factor in the prevention of accidents and incidents.
- It is also recognized that enabling a strong organizational safety culture requires continual application of all employees at every level, but especially commitment from top executives, as leadership thoughts and actions cascade down the organization and impact the actions of all employees. This is why providing greater visibility to the importance of Safety Leadership and Safety Culture in a safety-critical industry, such as aviation, is a priority.

## Safety Issue Review Meeting (SIRM) Africa



Under the CASIP framework, IATA also held its first Africa dedicated Safety Issue Review Meeting.

The Safety Issue Review Meeting (SIRM) has historically been a forum which is held on a Global Scale, but with the recognition of regional variance in the types of issues, a decision was taken to supplement the global session with more targeted and focused meetings at regional level.

Six topics were identified and discussed as priority issues for Africa, which will be addressed through the CASIP.



**Industry commitment:**

**TO ACHIEVE NET ZERO  
CARBON EMISSIONS BY 2050**

Target aligned with Paris Agreement goal  
to keep global warming under 1.5 °C

Aimed at keeping the benefit of global  
connectivity for future generations

Transition to SAF and cleaner energies is critical  
to achieving this goal

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Sustainability is a key priority for the industry.

The industry has committed to achieving Net Zero carbon emissions by 2050. With ICAO agreeing to the Long-Term Aspirational Goals at the 41st Assembly, we now have a framework under which governments can support this effort.

# Sustainability

## Focus Africa Goal:

Assist Africa's air transport industry to achieve the "Net Zero by 2050" emissions targets agreed to by industry and the UN's International Civil Aviation Organisation (ICAO).



Our goal with Focus Africa is to assist Africa's air transport industry to achieve the "Net Zero by 2050" emissions targets agreed to by industry and ICAO.

Our work in this area is centered around two areas:

- **Level up knowledge and resources on sustainability** - The level up initiative is designed to support airlines and governments in the region on their journey to net-zero, sustainable aviation. It provides unique access to resources and seeks to support airlines develop reduction programs in line with the industry's 2050 CO2 emissions strategy. -> Demonstrated in the SAF Readiness Workshop and collaboration with regional associations that are Focus Africa parenters (AFRAA and AASA) on advancing knowledge on SAF
- **Encourage countries in AME to incentivize and develop SAF production** - Sustainable Aviation Fuels and cleaner energies will be the biggest contributor to decarbonization of the industry, and the AME region has the potential to become one of the biggest SAF producers. The region has unique feedstocks, vast land area, access to seawater, and significant solar potential provide opportunities for both biomass feedstocks and renewable non-biomass feedstocks like solar and wind power-to-liquid (PtL) solutions. Governments in AME should be jumping over themselves to be first in line for the job creation, local economic stimulus, and biodiversity protection that SAF production brings—significant benefits for both developed and developing economies alike.

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# Sustainability

## EcoHub

- Rwandair

## IEnvA

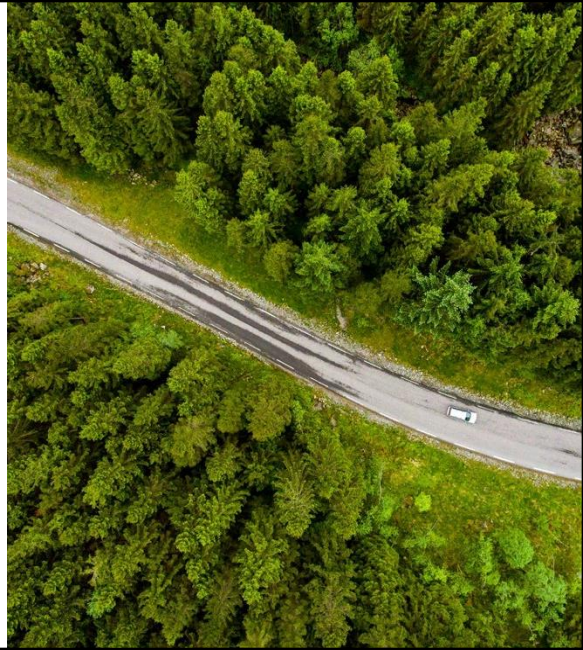
- Airlink
- South African Airways

## SAF Airline Readiness Workshops

- October in Johannesburg in collaboration with AASA

## CAAF/3

- Continues work with airlines, states and regional associations



IATA has developed solutions to support airlines on their journey towards net zero carbon emissions. We are looking at the needs of African airlines and supporting with solutions that meet those needs and ensure the airlines readiness.

**EcoHub:** RwandAir became one of the pioneer airlines in Africa to join Ecohub, the single access point for airline environmental data management, reporting, and compliance. By streamlining processes, EcoHub empowers airlines to efficiently fulfil their environmental commitments.

**IEnvA:** IATA Environmental Assessment (IEnvA) is a certification program, developed to independently assess the commitment of aviation stakeholders such as airlines, airports, cargo handling facilities, freight forwarders, and ramp handlers, to continuously improve their environmental and sustainability performance.

**SAF Airline Readiness Workshops:** Following the SAF Readiness Survey conducted last year which reflected the need for developing capacity of airlines on Sustainable Aviation Fuels, IATA in collaboration AASA hosted the SAF Readiness Workshop which covered technical certification, SAF Feedstock, Productions pathways, SAF purchasing and offtake agreements, SAF Accounting and much more

**CAAF/3:** The third ICAO Conference on Aviation and Alternative Fuels (CAAF/3) defined a long-term goal on SAF and LCAF uptake by 2050 in support of Long Term Aspirational Goal. CAAF/3 delivered agreement on a global framework to promote Sustainable Aviation Fuel (SAF) production in all geographies around the world. The aim is that aviation fuel in 2030 is 5% less carbon intensive than fossil fuel used today by the industry. To ensure a unified industry approach in CAAF/3, IATA worked with regional associations, states and airlines and helped draft and supports the WPs submitted by ATAG.

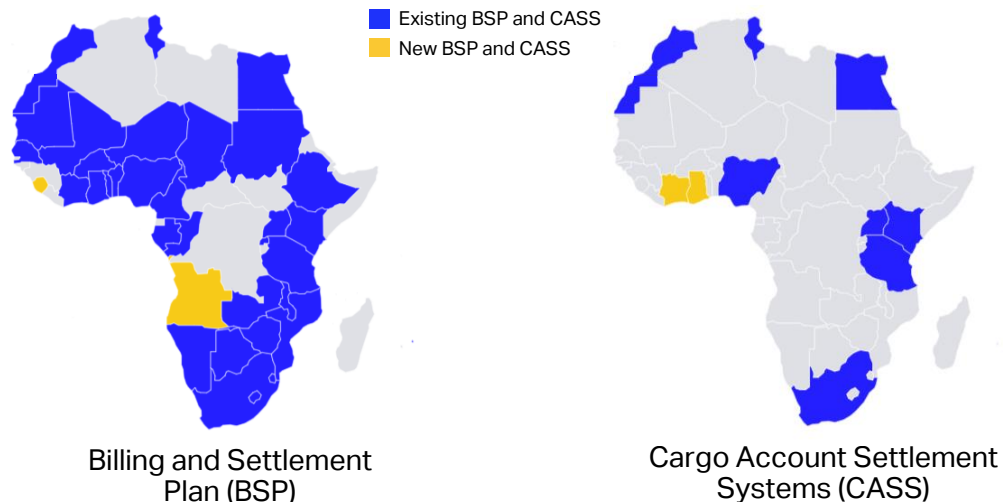
## Finance and Distribution

### Goal:

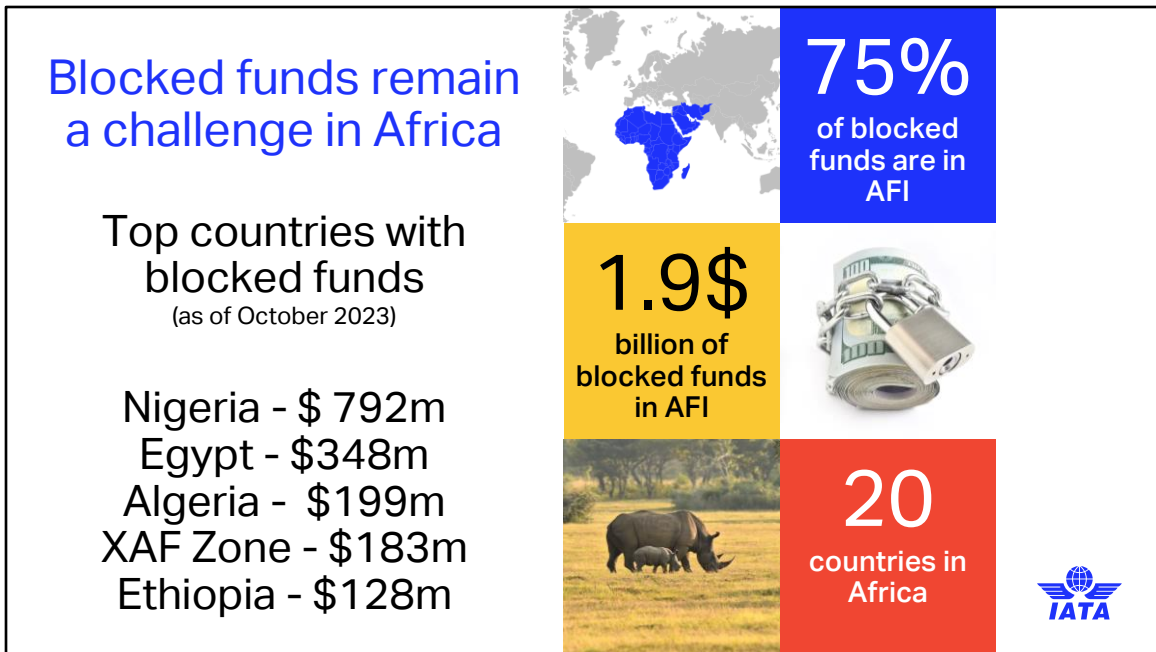
Accelerate the implementation of secure, effective and cost-efficient financial services and adoption of modern retailing standards.



## Expansion of Financial Services across Africa



- The BSP and CASS are part of IATA's Settlement Systems (ISS), the backbone of the airline industry.
- ISS is designed to facilitate and simplify the selling, reporting and remitting procedures between IATA accredited travel agents and participating airlines, for more rapid cash flow with a secured collection rate of 99.9%.
- We are actively expanding the geographical coverage of ISS services in Africa, and have welcomed Angola and Sierra Leone to the BSP this year and Cote d'Ivoire and Ghana to the CASS.
- This will contribute towards the growth of aviation and the economy in Africa to support growth and modernization of aviation across the continent.



Finally, I would like to address a major challenge and obstacle to the development of Africa's aviation industry and that is blocked funds.

- Total global blocked fund are \$2.57 billion.
- 84% of blocked funds are in AME. **75% in Africa**
- 20 countries in Africa account for **\$1.943 billion**
- And Nigeria alone accounts for almost half at \$792million.
- It is the most amount blocked by any single African country. This having a negative socio-economic impact on the country through:
  - Reduction of airlines capacity in Nigeria
  - Reduction of connectivity to Nigeria
  - Negative perception about Nigerian business environment
  - Higher ticket price
  - Discouraging investors into the Nigerian economy
  - Impact on Foreign Direct investment
  - Closing travel agency business
- Cash flow is key for airlines' business sustainability - when airlines are unable to repatriate their funds, it severely impedes their operations and limits the number of markets they can serve.
- The consequences of reduced air connectivity include the erosion of that country's competitiveness, diminished investor confidence and reputational harm caused by a perception that it is a high-risk place to do business.
- Strong connectivity is an economic enabler and generates considerable economic and social benefits.
- We call on governments to prioritise aviation in the access to foreign exchange on the basis that air connectivity is a vital key economic catalyst for the country.

Thank you



Event #hashtag

