

# Focus Africa Media Briefing



**Willie Walsh** IATA's Director General

**Yvonne Makolo** CEO RwandAir, IATA's Chair-designate

**Kamil Al Awadhi** IATA's Regional VP for Africa & Middle East



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- Thank you for joining today's media with:
  - Willie Walsh IATA's Director General
  - Yvonne Makolo IATA's Chairperson-designate & CEO RwandAir
  - Kamil Al Awadhi IATA's Regional VP for Africa & Middle East

# Agenda

- Outlook
- Africa's Opportunities
- Challenges
- Focus Africa
- Q&A



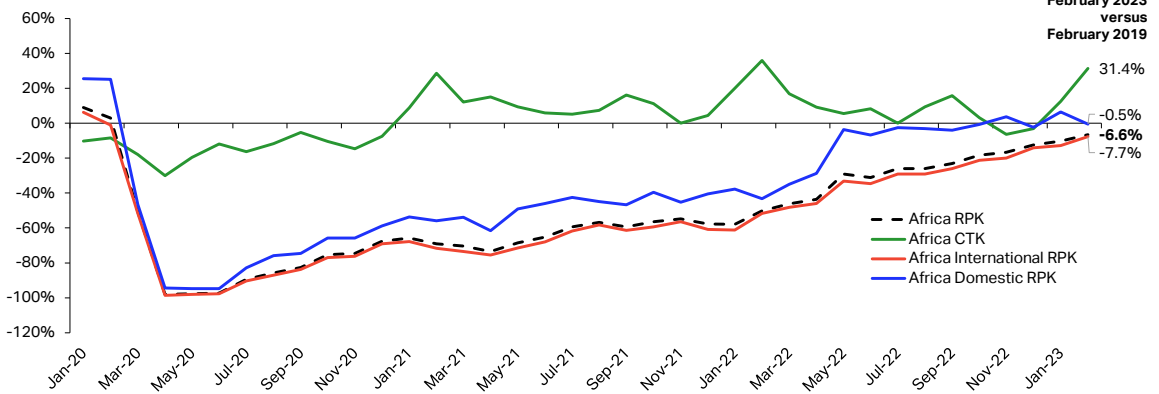
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- In today's briefing
  - Aviation's outlook with a specific focus on Africa
  - The potential for development in African aviation
  - And the challenges the industry is facing across the continent
- We will also announce the launch of Focus Africa - a new initiative to tackle some of the challenges facing aviation in the region
- There will also be time for a Q&A with our three speakers
- I will now hand over to Willie to give an update on performance in the industry

## Africa approaches full recovery

Revenue passenger kilometers (RPKs) are currently at 93% of 2019 level

Africa RPKs and CTks, change % from 2019



Note: RPKs: Revenue-Passenger Kilometers, CTks: Cargo-tonne Kilometers.

3 Source: IATA S&E Economics, IATA Monthly Statistics

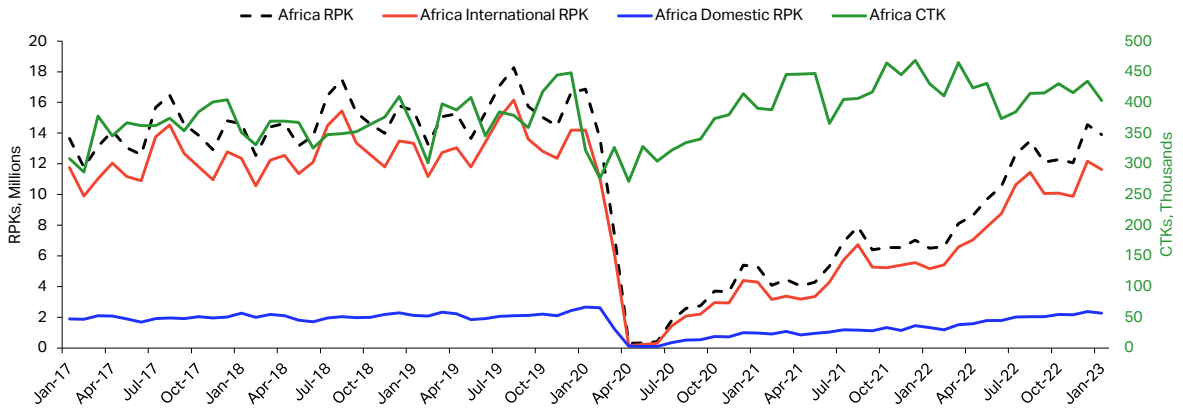


- Africa's passenger traffic has recovered in recent months and was within 7% of 2019 levels as of February 2023.
- As you'll see on the next slide, this recovery is largely driven by international passenger volumes, which sat only 7.7% below their 2019 levels.
- Since May 2022, domestic RPKs have mostly recovered to pre-crisis levels
- Cargo has performed remarkably well in Africa, maintaining volumes above 2019 levels since early 2021. CTks were an impressive 31% above 2019 levels in Feb 2023.

# Africa's traffic is driven by international activity

## Cargo tonne kilometers (CTKs) remain above 2019 level

Africa Revenue Passenger Kilometers (RPKs) and Cargo Tonne Kilometers (CTKs)



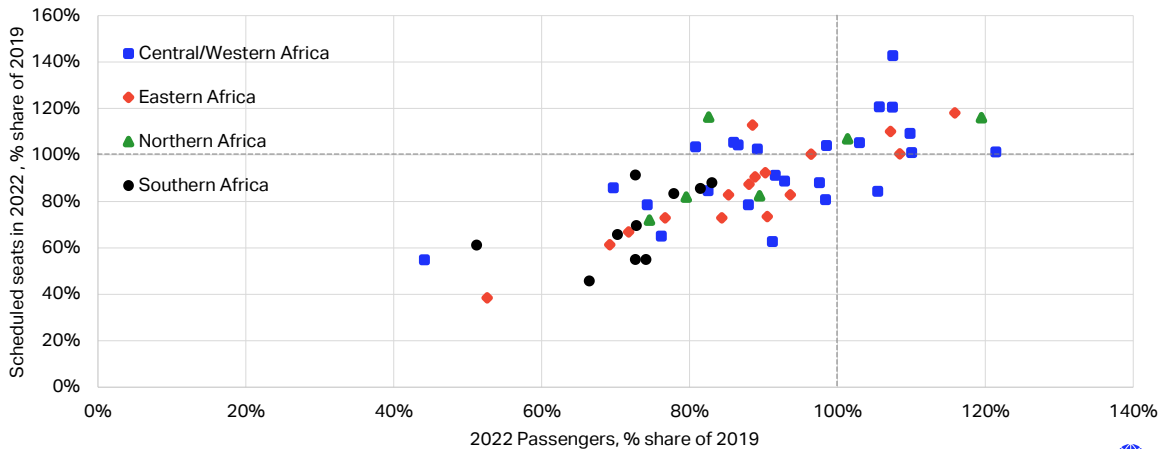
Note: RPKs: Revenue-Passenger Kilometers, CTKs: Cargo-tonne Kilometers.



4 Source: IATA S&E Economics, IATA Monthly Statistics

- Looking at traffic levels, this slide highlights the importance of international air travel in Africa
- International passenger traffic accounts for over 80% of the continent's total traffic and plays an important role in the recovery of air travel for the region.

## Many countries have exceeded 2019 traffic levels Southern Africa countries lag countries in other subregions

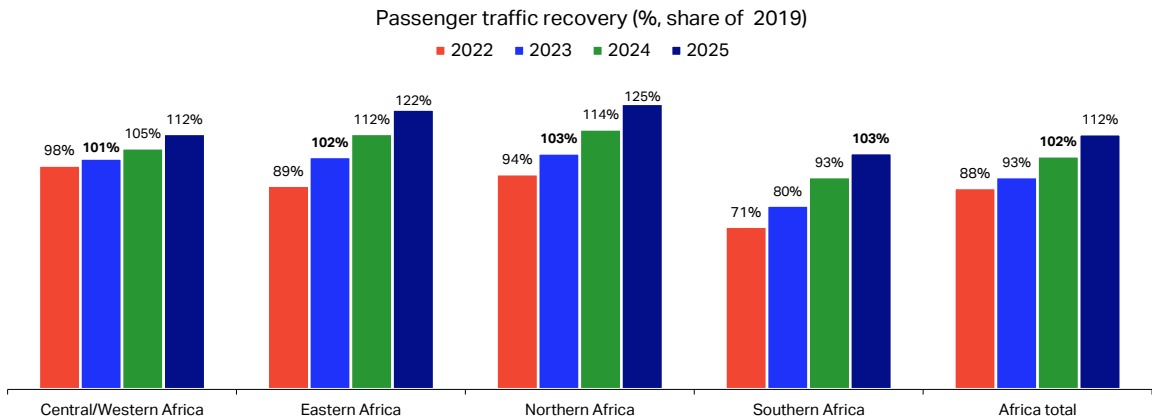


5 IATA S&E Economics, DDS, OAG data



- Countries in every region have seen their capacity and passenger traffic levels recover to pre-pandemic levels.
- However, recovery remains disparate among countries and Southern African countries lag behind countries in other regions.

## Southern Africa expected to fully recover in 2025 Mainly due to lag in recovery and economic slowdown in South Africa

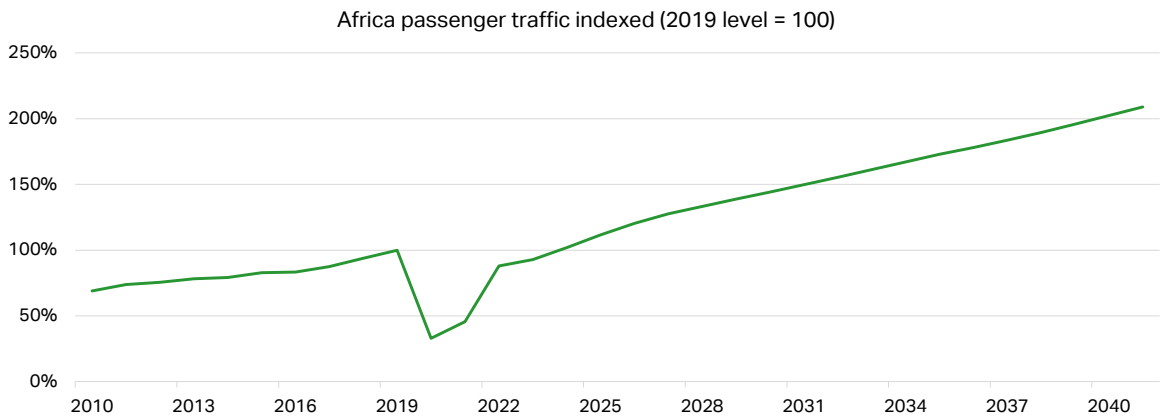


6 Source: IATA S&E Economics/ Tourism Economics



- Africa's recovery is in line with global recovery, expecting full passenger traffic recovery in 2024. (Vs 2025 previously).
- With the exception of Southern Africa, all sub-regions in Africa are also expected to fully recover their passenger traffic to pre-crisis levels by 2024
- Eastern and Northern Africa to lead the continent in the recovery and early growth phase of our outlook

## Africa's passenger traffic will nearly double by 2035, eclipsing 260 million passengers



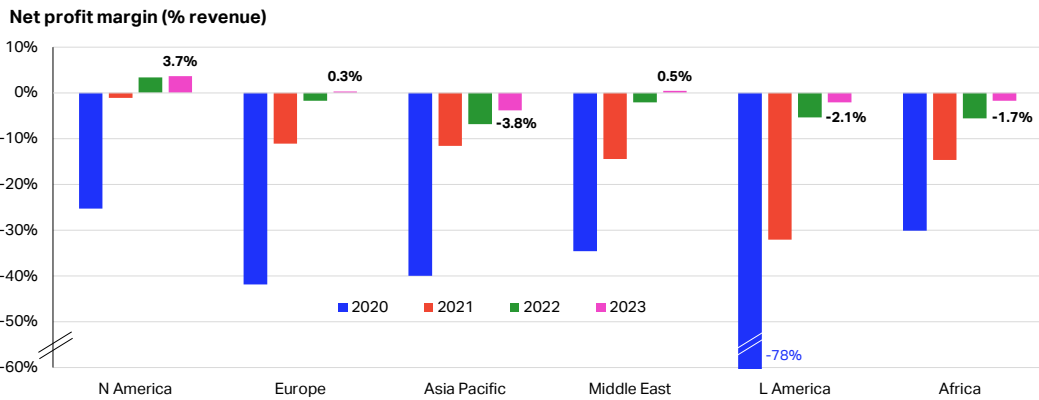
7 Source: IATA S&E Economics, Tourism Economics

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- Africa's passenger traffic will nearly double by 2035, eclipsing 260 million passengers (134 million for 2022 to 263 in 2035)
- Eastern, Central/Western Africa to bring further contribution to overall traffic growth in the region.

## Airline finances are vulnerable in Africa Net profit margin to remain negative in 2023



Source: IATA Sustainability & Economics



8 Source: IATA S&E Economics

- Airline finances are vulnerable in Africa. Net profit margin to remain negative in 2023.
- The continent's carriers suffered cumulative losses of \$3.5 billion for 2020-2022. Moreover, we estimate further losses of \$213 million in 2023.
- Cumulative profits 2010 -2019: -\$3.1billion – they only made profit in 2010.



## Africa's opportunities

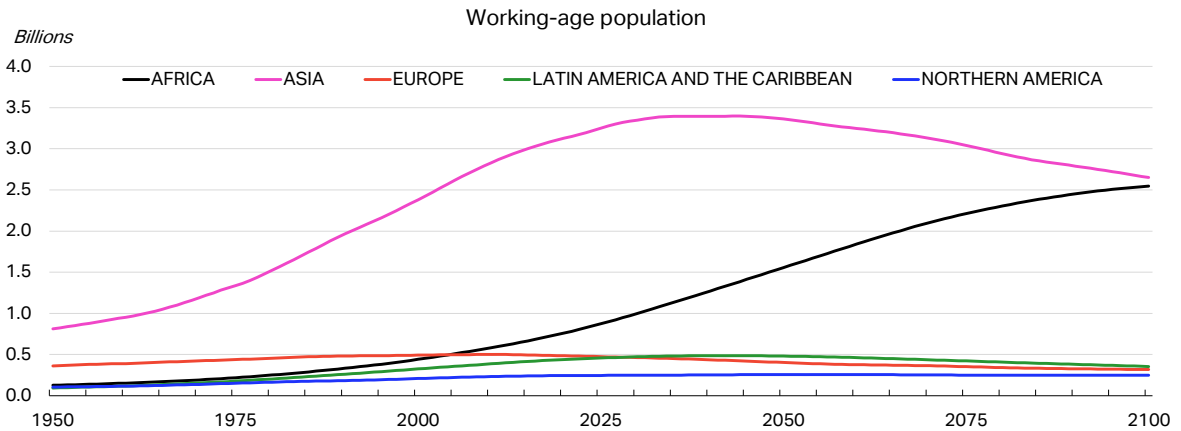
Africa is home to over 18% of the world's population, despite this Africa's presence in the aviation industry accounts for just 2.1% of air global passengers.



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- In a world where aviation continues to play a crucial role in connecting people and facilitating economic growth, Africa stands out as **the region with the greatest potential**.
- But despite being home to over a billion people (18%) of the world's population, **Africa's presence in the aviation industry remains limited**, accounting for just **2.1%** of air global passengers.
- This creates massive opportunity for the continent.

## Africa will be leading the growth in the working-age population in the 21<sup>st</sup> century



10 Source: United Nations, World Population Prospects 2022



- Africa **is also home to the world's youngest population** and will be leading the growth in the working-age population in the 21<sup>st</sup> century
- This also creates massive opportunity for aviation on the continent

## Growth potential in Africa's aviation sector is undeniable – 2035 projections



**260+ million passengers by 2035**



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- However, the potential for growth in Africa's aviation sector is undeniable.
- Today the industry is estimated to support **\$63 billion** in economic activity and **7.7 million jobs**, with projections suggesting that the scale of aviation's jobs and GDP footprint in Africa could **triple** in the next two decades.
- By 2035, it is expected that the number of passengers traveling to, from, and within Africa could reach **over 260 million**.
- This growth translates into jobs, economic activity and socio-economic development.

## Challenges

- Infrastructure constraints
- High costs
- Lack of connectivity
- Safety
- Access to secure and cost-efficient financial services
- Currency repatriation



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- But this potential is being limited by infrastructure constraints, high costs, lack of connectivity, regulatory impediments, slow adoption of global standards and skills shortages are among other factors.

# Challenge: Infrastructure

## Air transport infrastructure pillar ranking

Western Africa	Global rank 2019	Global rank 2021
Cape Verde	57	77
Ghana	93	88
Benin	111	96
Senegal	82	80
Côte d'Ivoire	94	87
Nigeria	89	76
Cameroon	108	112
Sierra Leone	115	115
Mali	103	100
Chad	114	114

Southern Africa	Global rank 2019	Global rank 2021
South Africa	47	43
Botswana	112	110
Zambia	84	95
Lesotho	102	101

Northern Africa	Global rank 2019	Global Rank 2021
Egypt	41	32
Morocco	51	50
Tunisia	74	83
Algeria	41	32

Eastern Africa	Global rank 2019	Global rank 2021
Mauritius	39	61
Kenya	67	57
Tanzania	81	71
Rwanda	99	91
Malawi	113	113

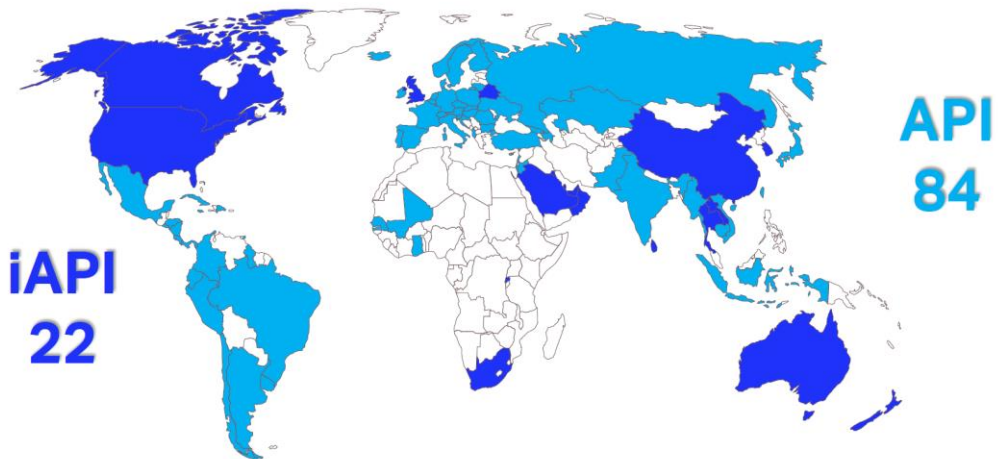
The World Economic Forum's Travel and Tourism Competitiveness Report assesses the set of factors and policies that enable the sustainable development of the Travel and Tourism sector, which in turn contributes to the development and competitiveness of a country.



13 Source: IATA S&E Economics, WEF

- Starting with air transport infrastructure. This is still a challenge in many African countries. On the screen you can see the global air transport infrastructure ranking of a number of countries in Africa. While progress is being made, it is slow.
- Many Airports in Africa have systems and processes which do not offer a good passenger experience, for example Lagos Murtala Muhammad International Airport suffers from underinvestment in the passenger experience, processing capacity and bottlenecks in service levels at various touch points.
- As well airports such as NBO in Kenya have multiple layers of airport access, perimeter and terminal security which often poses a challenge for passengers and airlines.

## Global API / iAPI Implementation Status



API: 73 UN States – 11 Territories  
iAPI: 20 UN States – 2 Territories

### Legend

■ iAPI in force (total: 22)  
■ API in force (total: 84)

Source: IATA API PNR World Tracker



- Africa as a continent also has the slowest adoption of passenger data (API) programs globally with only a handful of Governments that have implemented passenger data programs. API programs, when implemented using Industry guidance and best practice, can strengthen borders, but also supports airports and Governments to move towards advanced processing capabilities.
- Passenger Data (API) is also important as it strengthens borders, and potentially paves the way for enabling additional efficiencies such as contactless and off-airport processing of passengers.

Note:

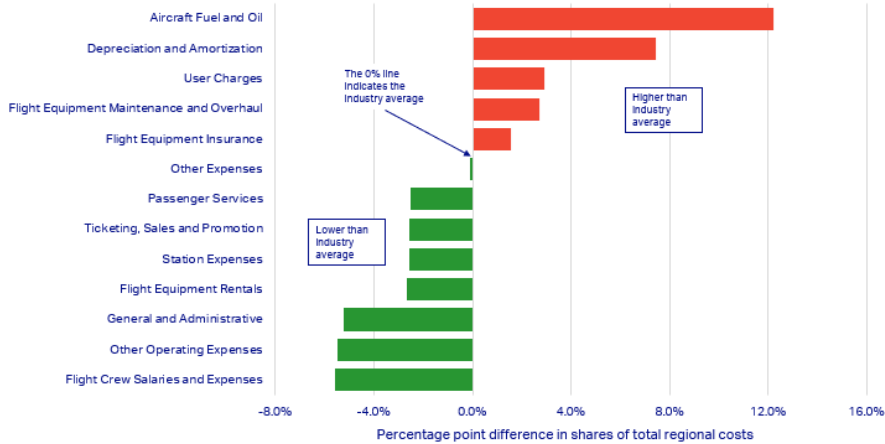
### **Advance Passenger Information (API) and Interactive API (iAPI)**

- API refers to a passenger's identity such as full name, date of birth and nationality. API is typically obtained from travel documents such as passports
- iAPI provides opportunities for governments to communicate an instant response to carriers based on vetting results

# Challenge: High Costs

In 2021, African carriers had excessive costs in several areas

Differences in cost sources: Africa vs. Industry



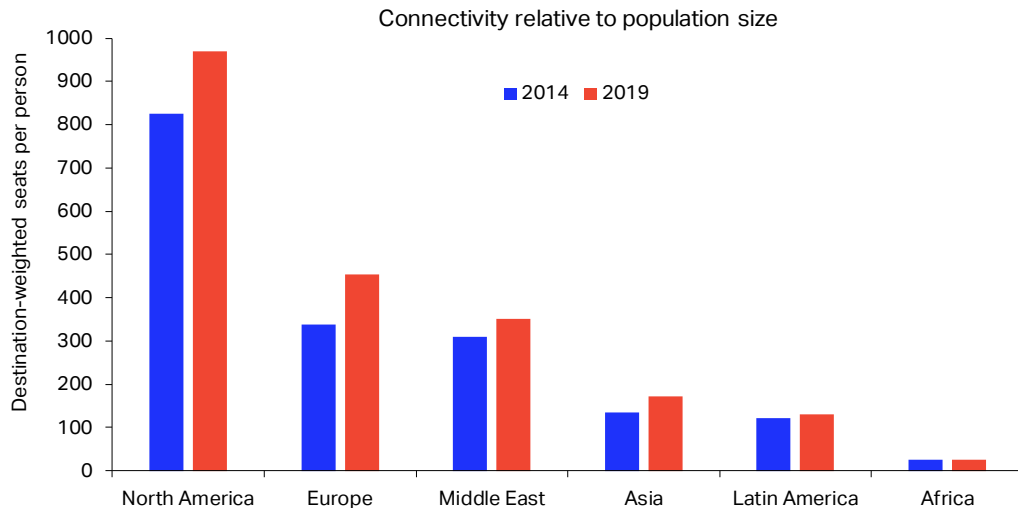
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Source: IATA S&E Economics, IATA Statistics



- Infrastructure in Africa also comes with a high price tag in many countries. User charges are 8% higher than the industry average.
- In addition, African carriers had excessive costs in several areas.
  - For example, 2021, aircraft fuel & oil cost accounted for 31.2% of total airline expenses for African carriers and Flight Equipment maintenance and overhaul accounted for 20.2%

## Challenge: Connectivity in Africa is limited



16 Source: IATA S&E Economics, OAG and UN data



- Another challenge facing aviation in Africa that you will all be familiar with is the lack of connectivity.
- Travel in Africa is a challenge. Distances that should take a few hours can take days simply because the connectivity does not exist. For example, the route between Kigali and Luanda which currently takes anywhere between 9 and 20 hours would take only 3 hours on a direct flight.
- This inefficiency leads to high costs: Intra Africa travel is 45% higher than Europe.



## Challenges: Safety at State Level

### **Governments need to step up:**

Implementation of ICAO Standards for safety needs to be improved:

- 21 States in Africa remain below the Effective Implementation (EI) of State Safety Programs

### **Opportunities with:**

- Communication, Navigation, Surveillance (CNS)
- Aeronautical Information
- ATM
- Data-sharing

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- Significant work has been undertaken to improve safety across Africa but there are still improvements to be made.
- For example, implementation of ICAO standards needs to be improved - 21 States in Africa fall below the state safety program effective implementation (EI).
- Opportunities to improve in CNS, AI, ATM, Data Sharing
- Investment in infrastructure in safety and flight operations is essential.

## Challenges: Finance and Distribution

### **Blocked funds:**

- 10% increase from Jan – Feb
- 1.6 billion total amount of blocked funds in Africa in Feb
- 66% of all blocked funds are in Africa

### **Opportunities with:**

Improving access to international settlement systems for more rapid cash flow support and modernization of aviation across the continent



- The main challenges the industry faces in finance and distribution in Africa are the repatriation of airline funds and improving access to international settlement systems for more secure, effective and cost-efficient financial services.

## 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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- To help overcome these challenges, IATA is launching Focus Africa is a new collaborative initiative, pooling together resources from across the aviation value chain, to urgently address critical challenges hindering the advancement of aviation across Africa.
- The initiative seeks to strengthen and build on decades of partnerships and engagement with African countries and aviation stakeholders to meet clear and measurable objectives.
- Focus Africa seeks to develop a safer, more secure, and better-connected continent, driven by a diverse, skilled workforce to unleash aviation's potential and unlock the commercial and economic opportunities that will help grow the industry across the continent.
- To enable tangible and sustainable progress in response to African aviation's most pressing challenges, Focus Africa will intensify efforts and step-up activity in six key areas.
- Attached to each focus area is a series of initiatives each designed to achieve the overall goal.
- Each focus stream will be led by an industry expert, supported by a team of subject matter experts who will meet regularly to manage and review progress.

## Example Focus Africa Initiatives

- Formation of a Collaborative Aviation Safety Improvement Program (CASIP)
- Airport Master Planning
- Expansion of Financial Settlement Systems (ISS)
- Promote the Increase of Sustainable Aviation Fuel (SAF) Production



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- **Formation of a Collaborative Aviation Safety Improvement Program (CASIP) -** CASIP will bring together a group of experts across varying disciplines committed to working cooperatively to lead Africa to the highest level of commercial aviation safety through a focused, disciplined, data-driven approach. The objective is to enhance safety throughout the continent to reduce the number of accidents and incidents. CASIP will be launched in July.
- **Airport Master Planning -** Adequate and efficient airports are critical to the success of the air transport industry. Targeting key hub airports with increasingly growing traffic, IATA will work with civil aviation authorities to conduct a consultation and program overview on Airport Masterplan Processes, and subsequently provide advisory support for the implementation of the vision, strategy and master plan of each respective airport. Targeting 3 countries in 2023.
- **Expansion of Financial Settlement Systems (ISS) -** 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%. IATA seeks to expand the geographical coverage of ISS services in Africa to support growth and modernization of aviation across the continent. We are targeting 5 countries in 2023.
- **Promote the Increase of Sustainable Aviation Fuel (SAF) Production -** Sustainable Aviation Fuel has been identified as one of the key elements in helping achieve the industry's net zero 2050 carbon goal. Africa holds significant potential. For example, a comprehensive research study headed by WWF found that South Africa has the immediate technical potential to produce 3,2 to 4.5 billion litres of SAF annually, following the strictest sustainability requirements.  
This is enough to replace the use of conventional jet-fuel domestically up to a maximum blending threshold of 1,2 billion litres per annum, while also providing 2 to 3,3 billion litres for export. This initiative aims to engage with a wide range of industry and policy stakeholders on all SAF topics and facilitate cooperation and promote partnerships between them. Focus areas include providing policy support for the commercialization of SAF and removing barriers to the realization of a cost competitive SAF.

# Partnerships are critical



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- Many, but not all, of the challenges facing Africa's air transport industry are uniquely African and require African solutions and remedies.
- But there are lessons we can learn from other regions that faced and overcame similar challenges
- The best way to tackle the issues is through a partnership including industry and all its stakeholders.
- This Focus Africa initiative is not something invented by IATA and being prescribed for Africa. It has been defined both through broad consultation as well as by the policies and realities that characterise our industry in Africa.
- We see IATA as being ideally placed to bring together all of the relevant stakeholders and role-players across industry to help achieve change.

## Value of aviation in Africa



Jobs supported by aviation	<b>7.7 million jobs</b>
Total GDP supported by aviation	<b>\$63 billion</b>
Tourism catalytic GDP supported	<b>\$44 billion</b>
Annual passengers	<b>115 million</b>
% of global passenger traffic	<b>2.1%</b>
Annual air freight	<b>1 million tonnes</b>

Source: IATA / ATAG ABBB Report 2020



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- By overcoming the challenges Willie and Kamil have mentioned, airlines will be able to accelerate their growth.
- They will fuel inter-continental trade, tourism and other socio-economic activities.
- And in doing so, create opportunities to invest in people, starting with education and skills development, but crucially in creating sustainable and meaningful jobs, attracting talent and retaining it.
- We know the value our industry is capable of unlocking in Africa. The numbers on this slide describe the situation before COVID. Many thousands of jobs and billions in GDP contribution were lost with the seismic shifts on the African airline landscape over the past three years.

- With the right enabling policy and regulatory environment, appropriate and affordable infrastructure and a pipeline of appropriately skilled talent we will be able to exceed those historical benchmark contributions.

## SUSTAINABLE DEVELOPMENT GOALS



Aviation contributes to UN SDG's Africa of lifting 50 million people out of poverty by 2030 and reducing poverty levels by two-thirds by 2050.



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- The stakes have never been higher – we are seeing unprecedented population growth, with the UN predicting a trebling in the number of African inhabitants from 1,44 billion today to almost 4 billion by the end of this century.
- It calls for Governments, communities and societies to think beyond the horizons of the next elections and to implement plans to become economically resilient.
- We know that Governments in Africa have many priorities that demand their time and attention: reducing poverty, providing housing and clean water, improving education and healthcare among them.
- Our message to governments is that a strong air transport sector will help them in dealing with these fundamental challenges.



- Air transport creates opportunities for economic and social development. But it needs a supportive regulatory environment. And it needs governments to think long term.
- They will be short-changing themselves if they see aviation as cash cow to be milked at every opportunity. But if they create the opportunity for aviation to thrive, the entire economy will benefit and grow as connectivity improves. The value proposition of Focus Africa for governments is empowering aviation to contribute to achieving the SDGs.

Thank you  
Q&A

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