



The
voice of the
world's **airports**

An overview of the regional economic performance & trends – Economic challenges faced by Airports

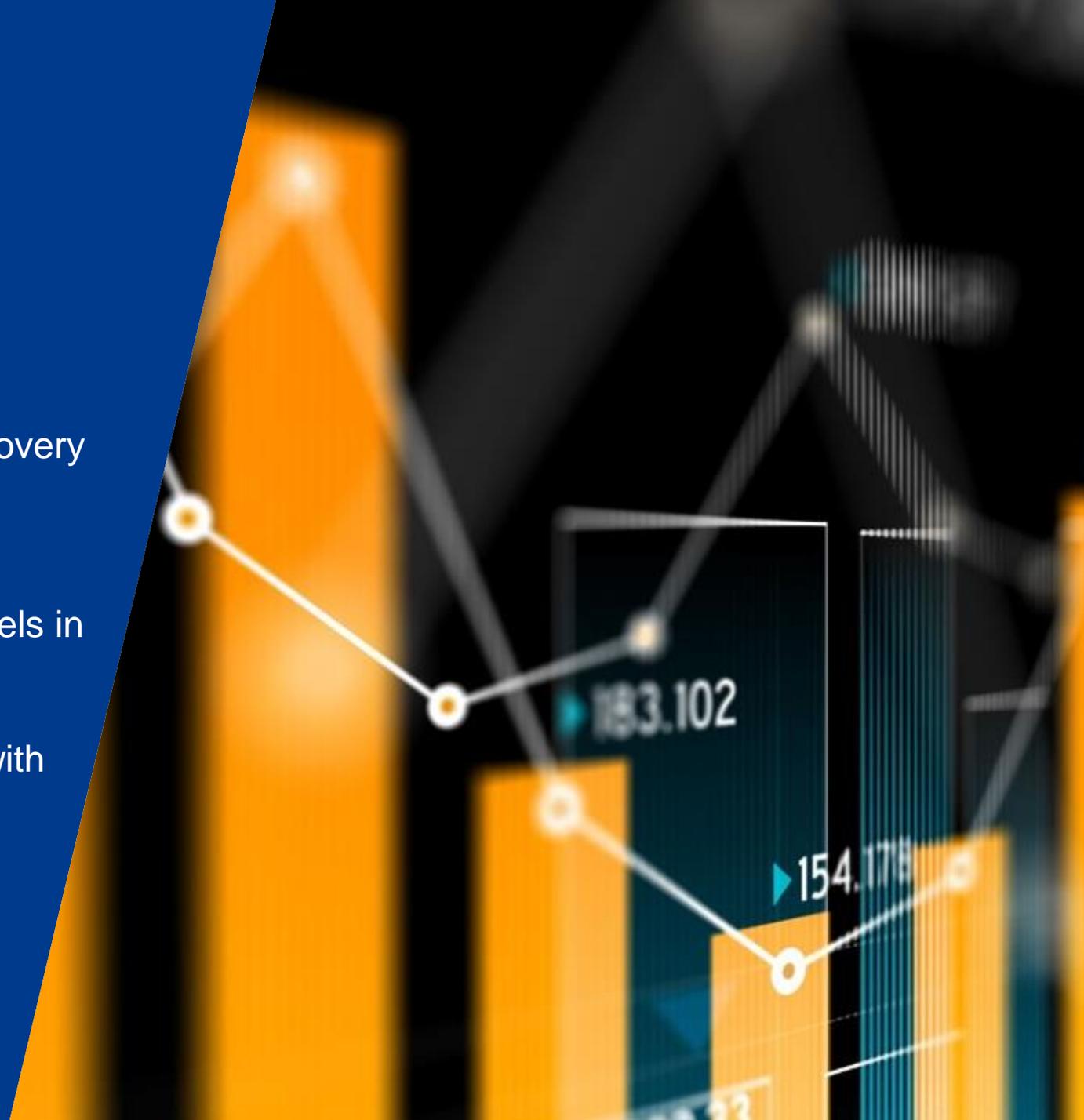
Patrick Lucas – Vice President and Chief Economist
ACI World

March 14th, 2023



Summary:

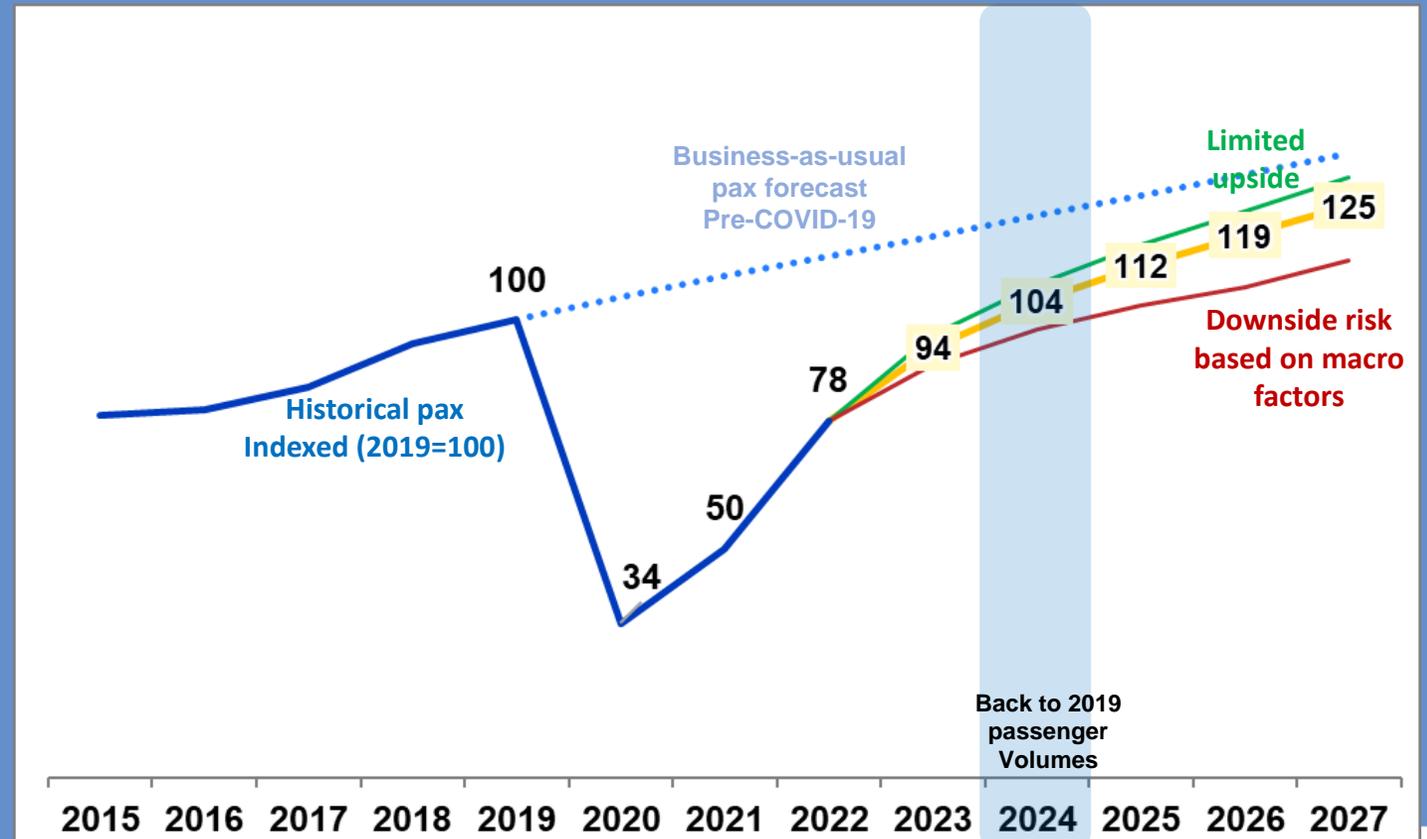
- Global and regional passenger traffic recovery
- Economics of airport size
- Airport management and ownership models in Africa
- SWOT Analysis on the airport business with special focus on Africa



African projected passenger traffic recovery

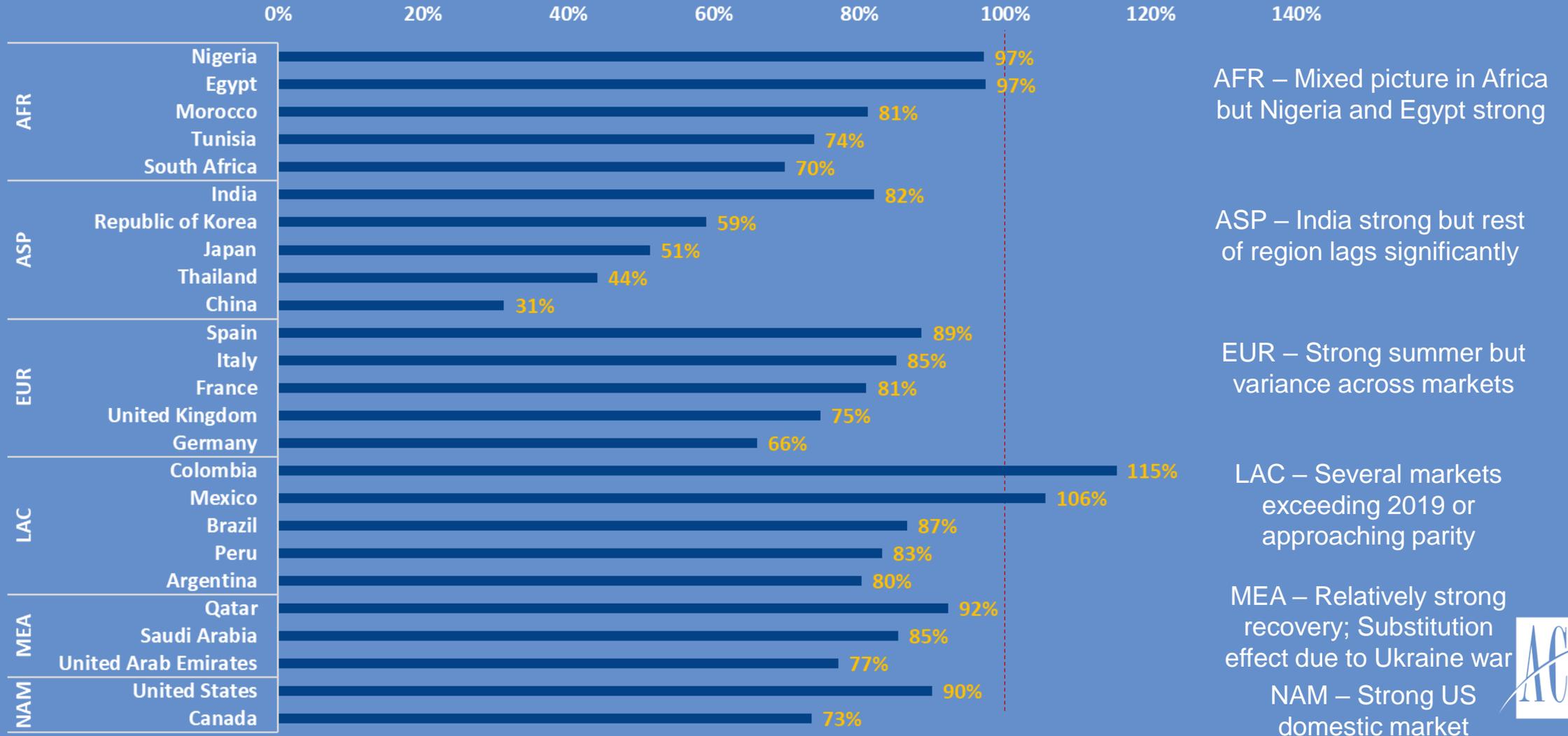
Short- Medium- and Long Term

		Indicators impacting the outlook	
Macro factors	Inflation rate	↔	👎
	Interest rates ↑ GDP ↓		👎
	War in Ukraine	↔	👎
	Unemployment rate	↓	👍
	Confidence levels	↓	👎
	Purchasing Mgr's index	↓	👎
	Yield curve (inversion)	↓	👎
Micro factors	Jet fuel prices	↔	👎
	Air fares	↔	👎
	Traveller sentiment (leisure) ↑		👍
	Slots and seat capacity ↑		👍
	China opening (traffic boost) ↑		👍👍



“Recovered” markets in 2022

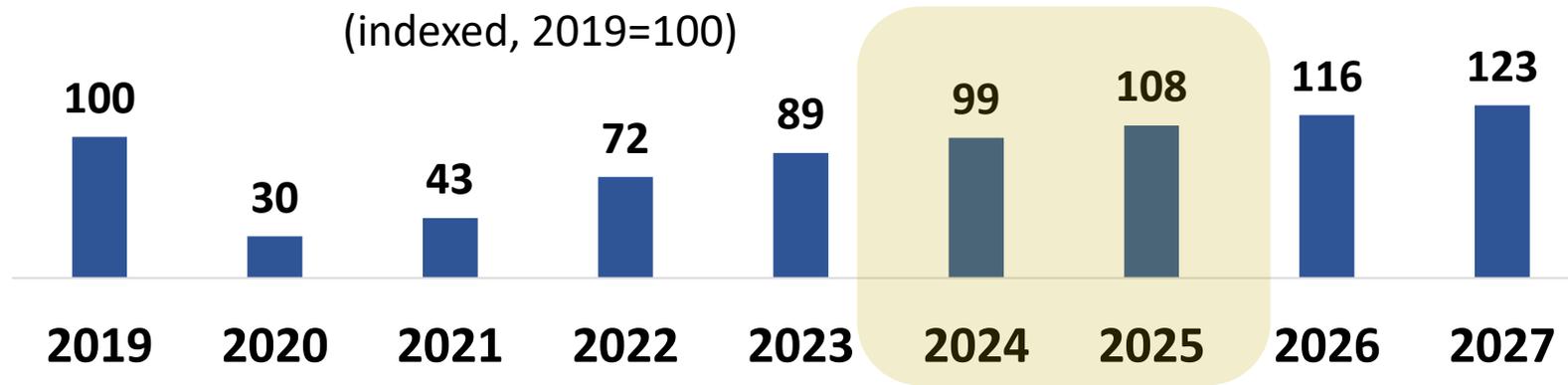
Selected countries by region – % of 2019



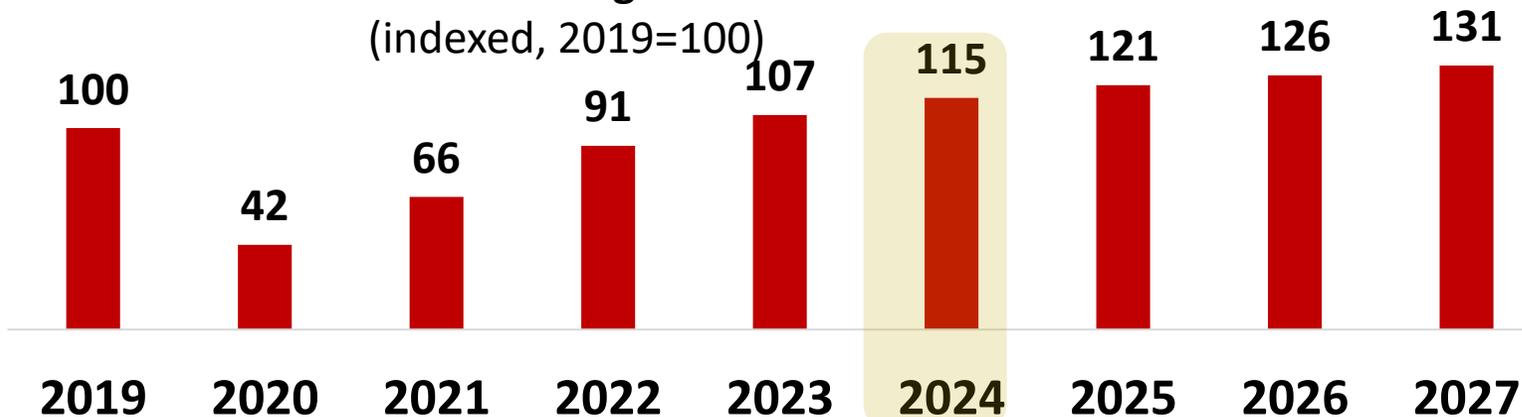
African outlook – International and domestic pax

2022 – 2027

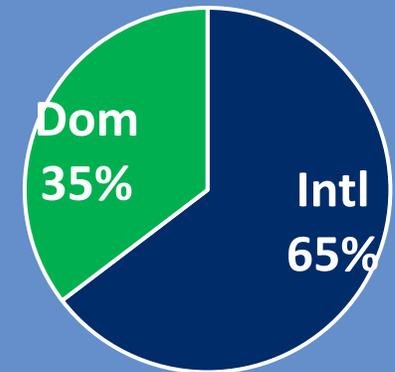
International Passenger Forecast
(indexed, 2019=100)



Domestic Passenger Forecast
(indexed, 2019=100)

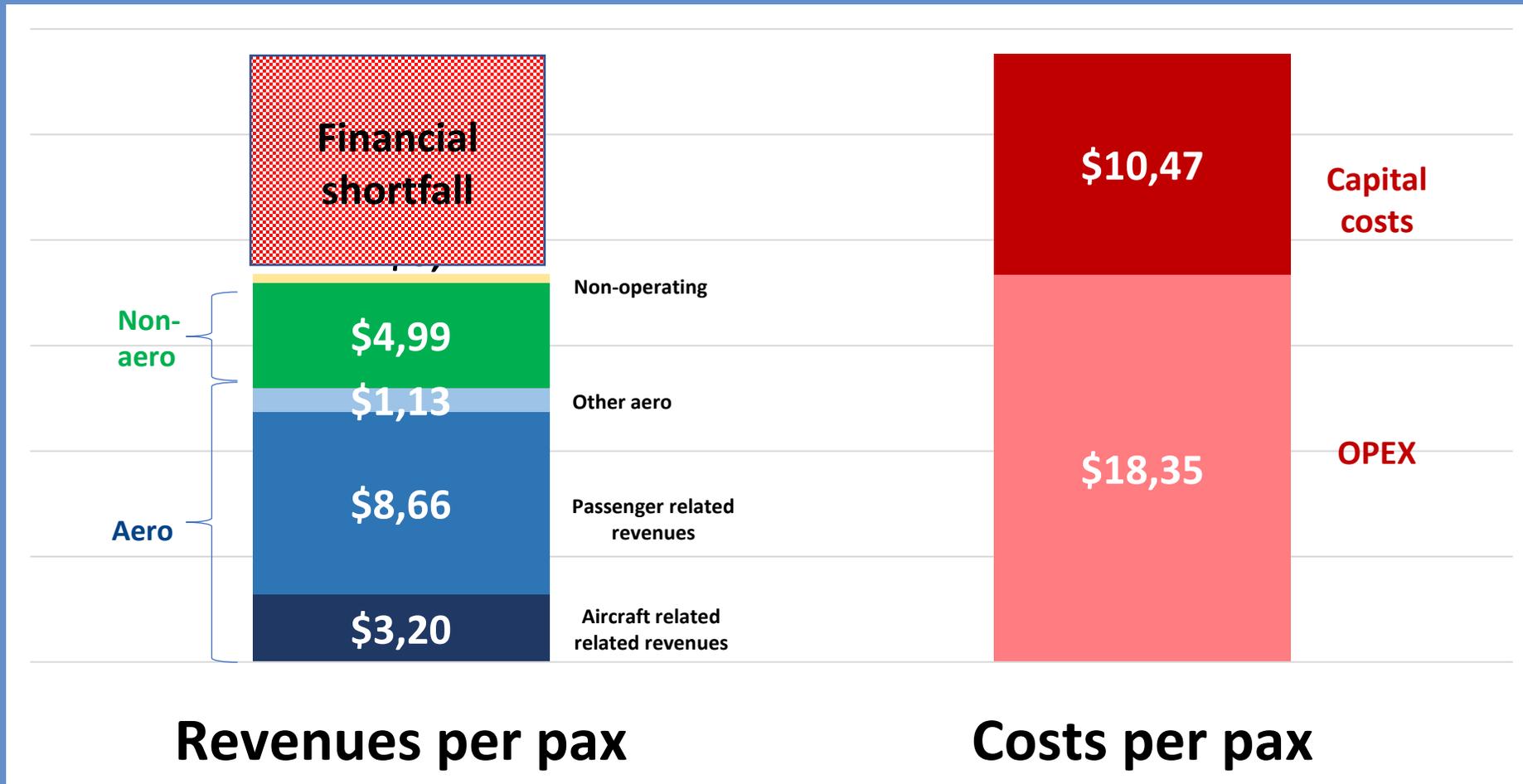


Projected market segment (2025)



African economic performance

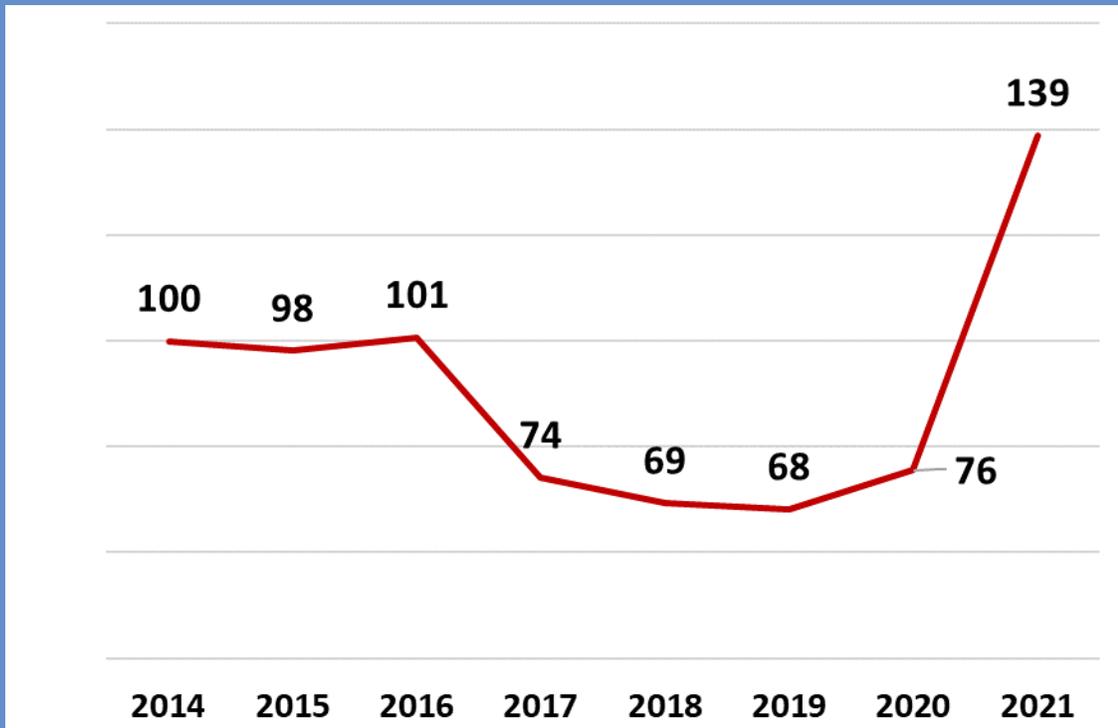
Unit revenues and unit costs (2021)



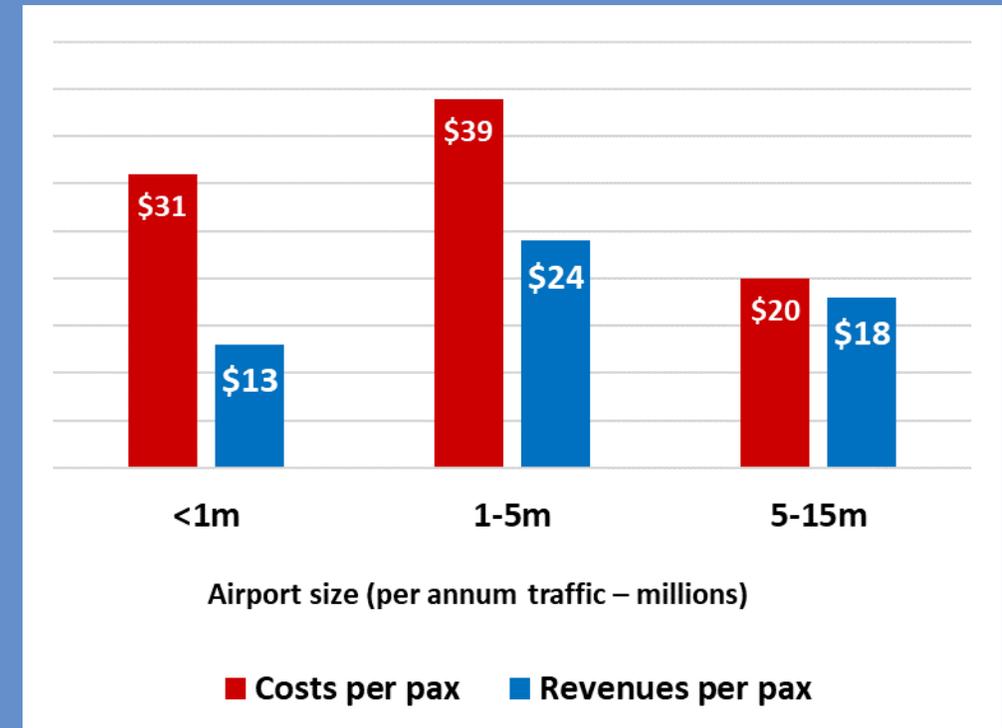
African airports unit costs and revenues

Achieving economies of scale to break even

Unit costs
(Indexed 2014=100)



Unit costs and unit revenues (US\$)
by airport size (2021)



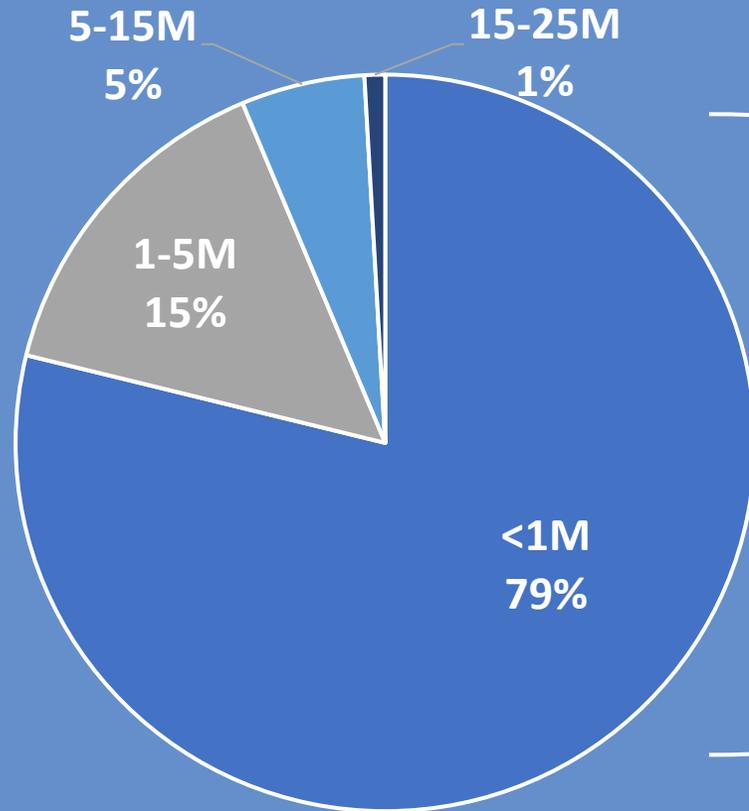
Source: ACI World Airport Economics Survey



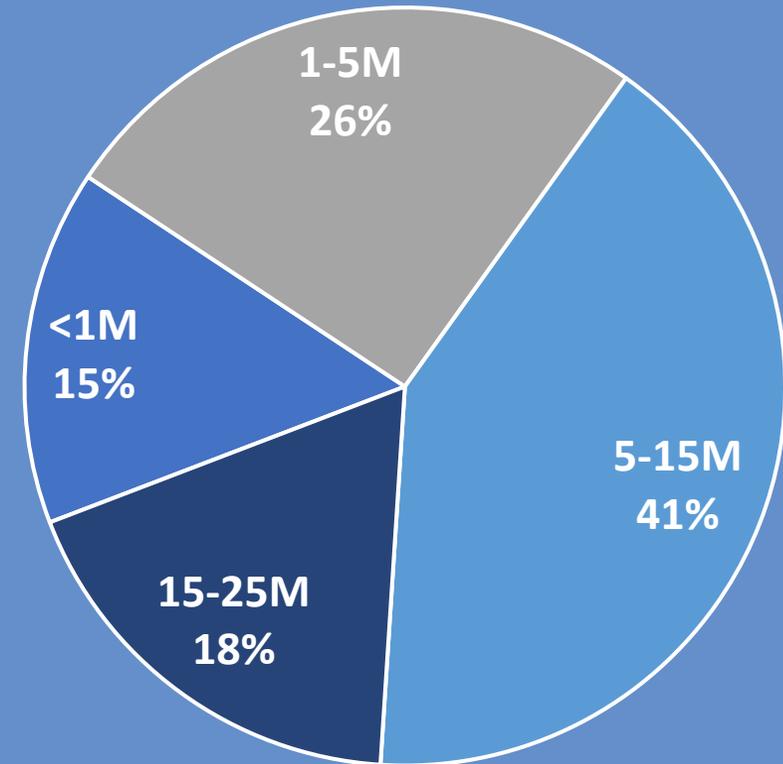
Airport size in Africa

Distribution of airports and traffic by size category (2019 passengers)

% of airports by size category

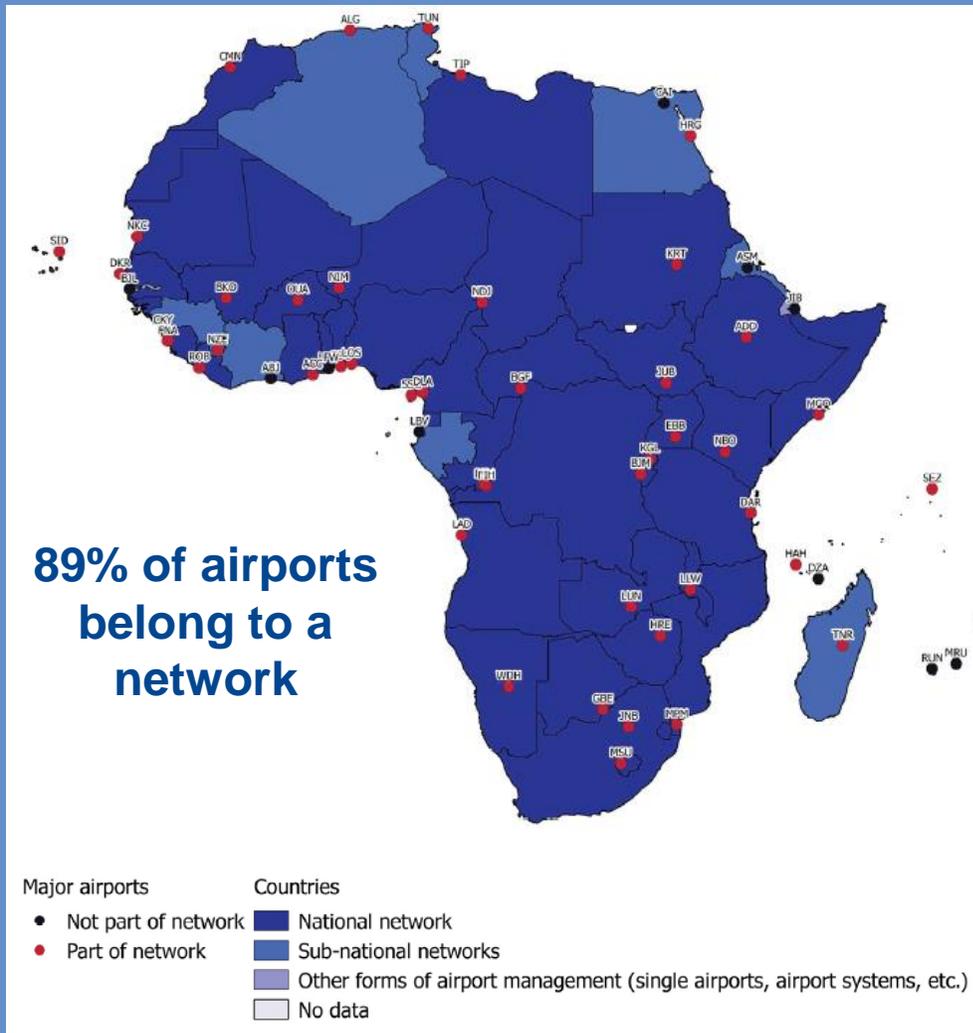


% of pax traffic handled by size category



Airport networks

Management models supporting the sustainability of small airports



- The airport network is a management model used to sustain small, economically non-viable airports and connectivity.
- Prior to the pandemic, 66% of the airports in the world operated at a net loss and that over 92% of the loss-making airports handle fewer than one million passengers per annum.
- Africa has an overwhelming majority of small airports belonging to airport networks (92%)

Ownership models – Airports with private stakes

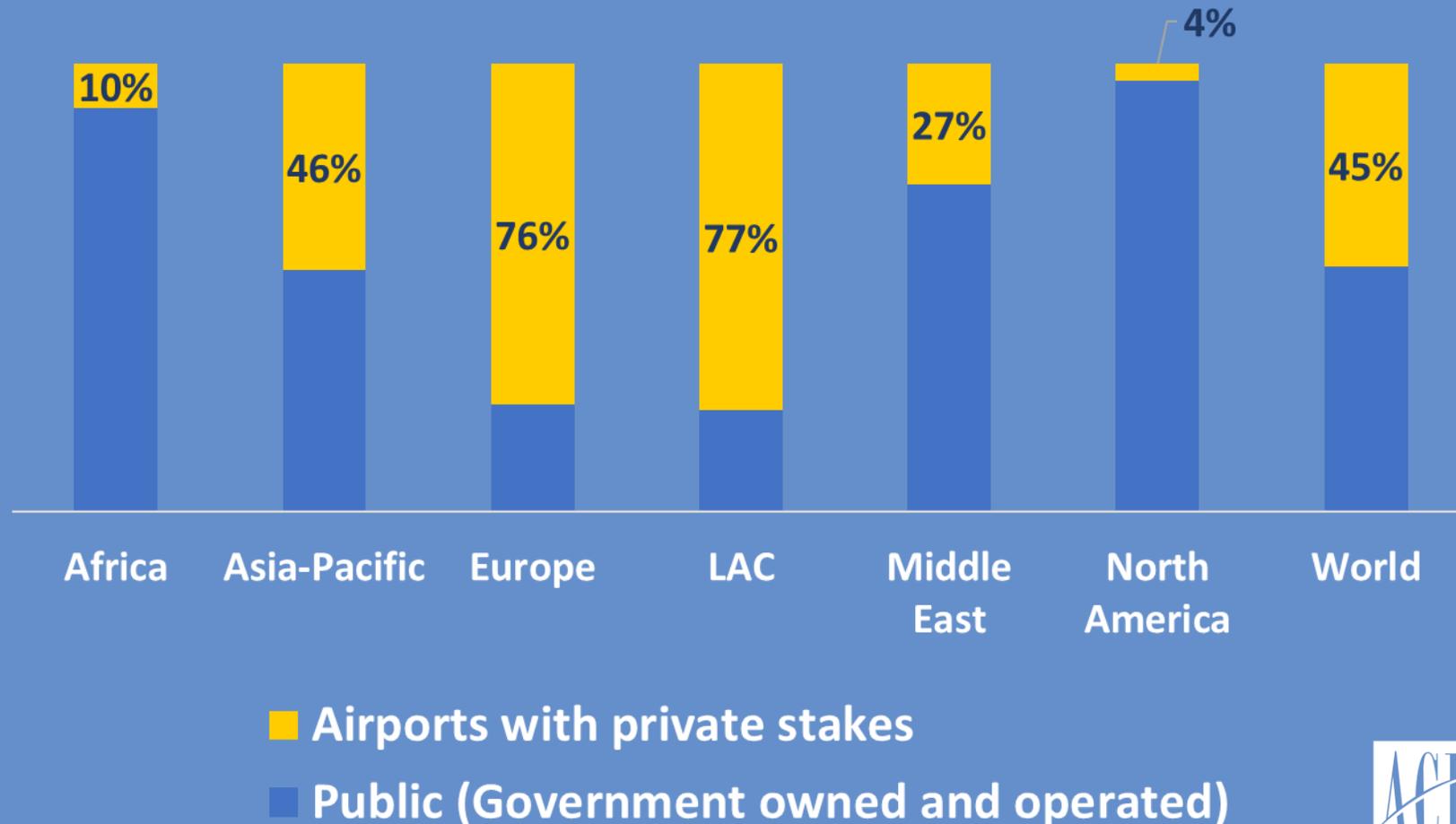
% of passenger traffic handled (2019)

2016: 614 airports; 40% of traffic

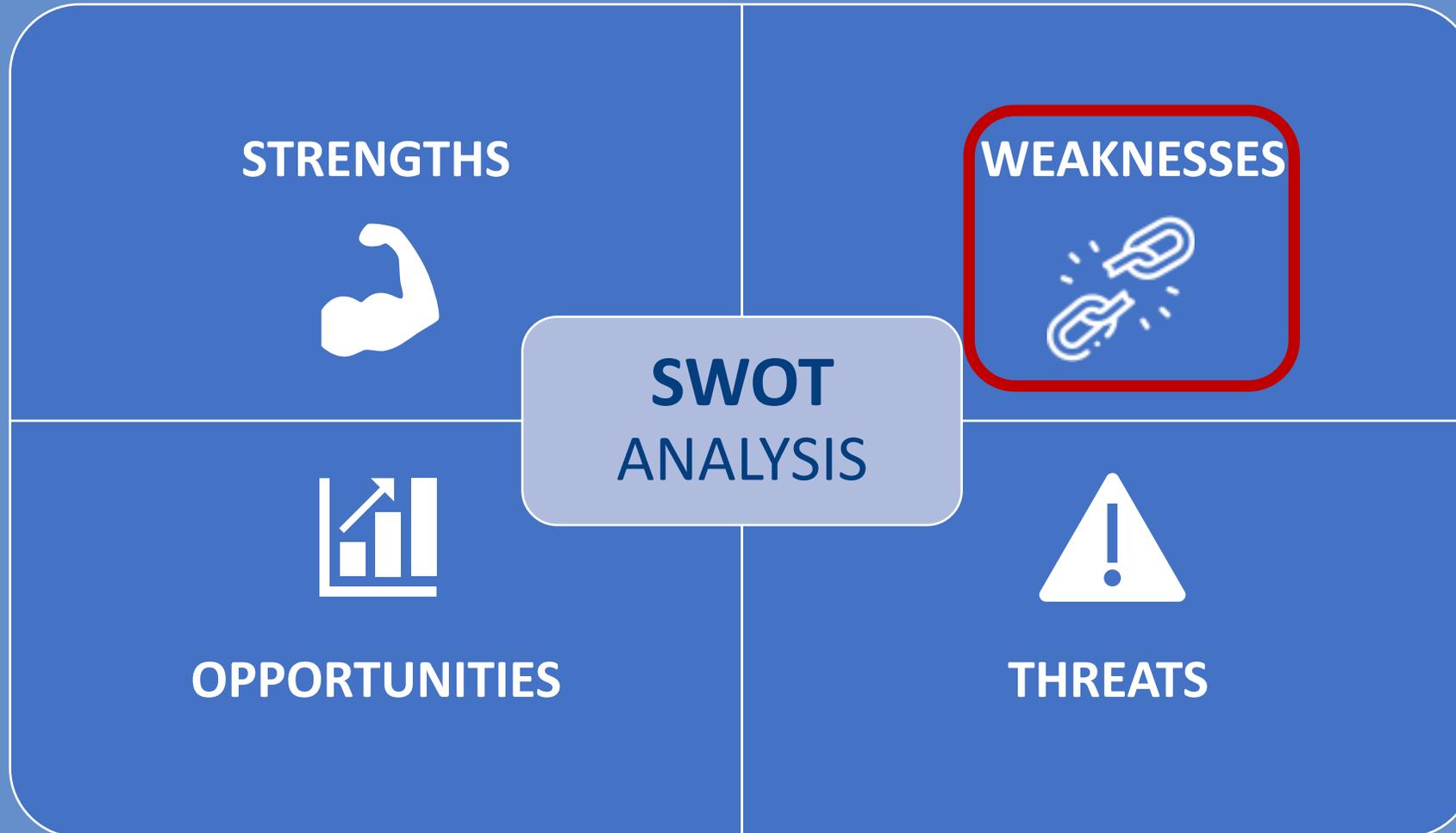
2022: 710 airports; 45% of 2019 traffic

Average duration of privatizations (in years)

- 9 – Management contracts
- 35 – Build-Operate-Transfer (BOT)
- 64 – Trade sales / leases

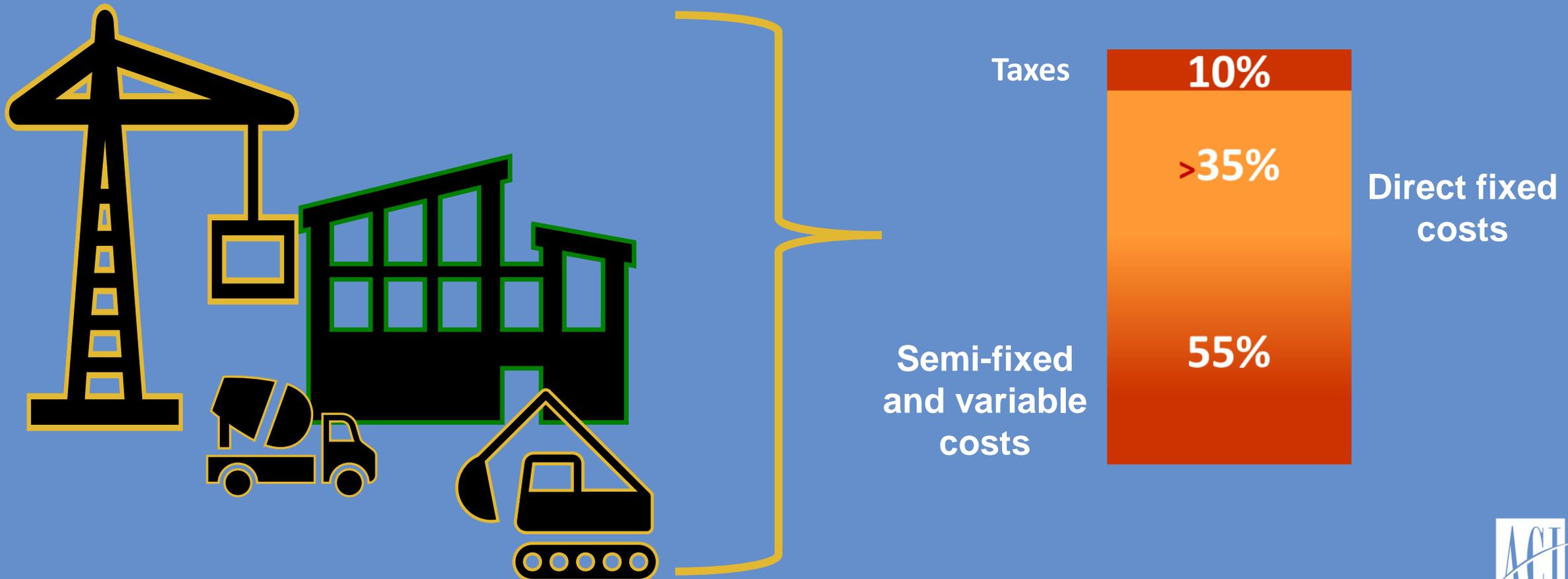


SWOT analysis of the airport business model



Airports face high fixed costs

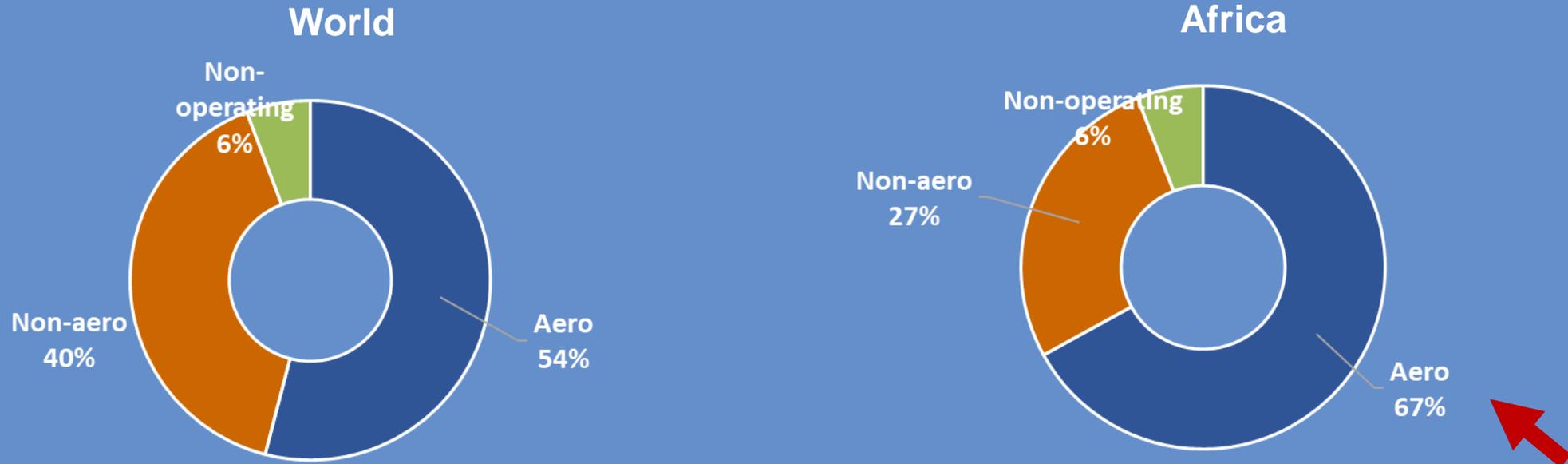
Distribution % of airport costs (2019)



Revenues are heavily reliant on passenger traffic



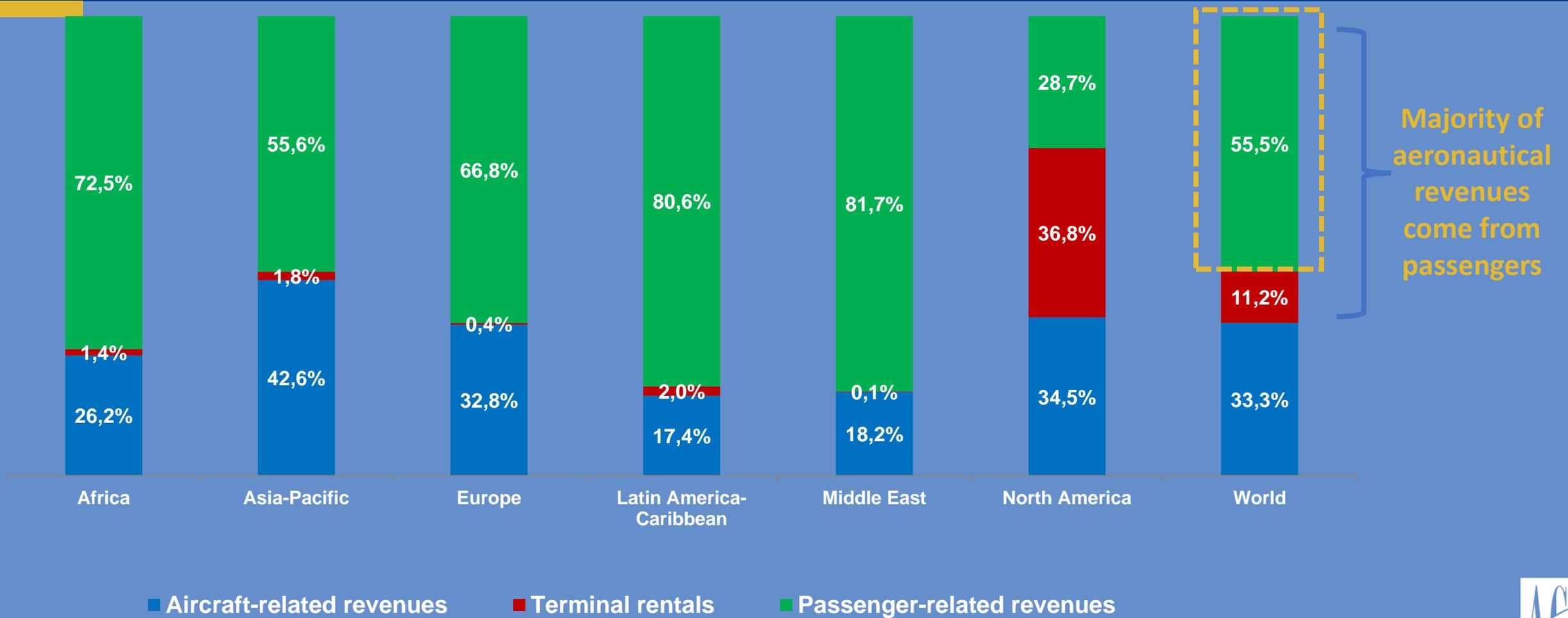
Distribution of TOTAL airport revenues (2019)



- Across most jurisdictions the majority of revenues are linked directly to passengers either via aeronautical charges or sales revenues on the commercial (non-aero) side of the business.
- >70% of non-aeronautical revenues are directly linked to passengers

Aeronautical revenues distribution

Distribution of airport AERONAUTICAL revenues BY REGION



SWOT analysis of the airport business model



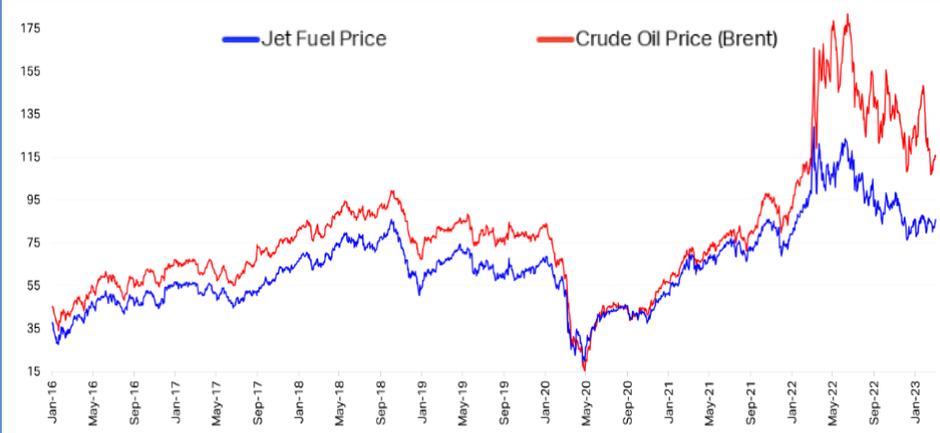
Exogenous shocks – Demand side



Managing the “known unknowns”



>50% probability of recession



Source: IATA based on S&P Global, Refinitiv Eikon

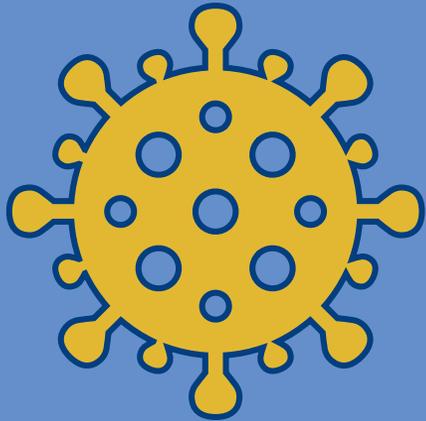


Exogenous threats – Demand side

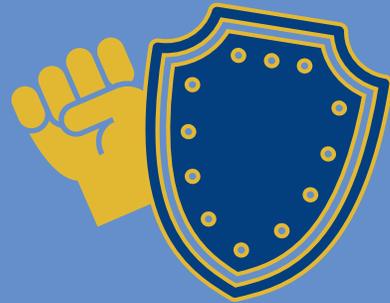
Managing the “known unknowns”



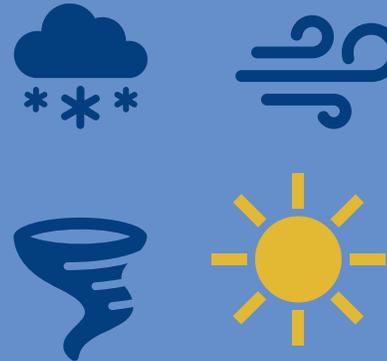
Pandemics



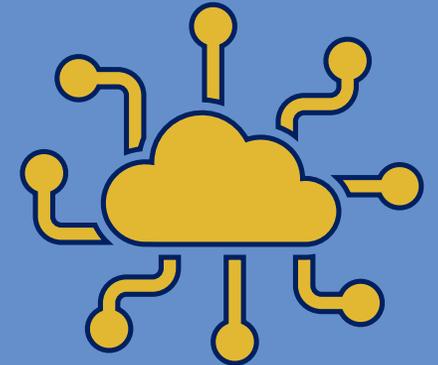
Geopolitical
conflicts



Environmental
calamities



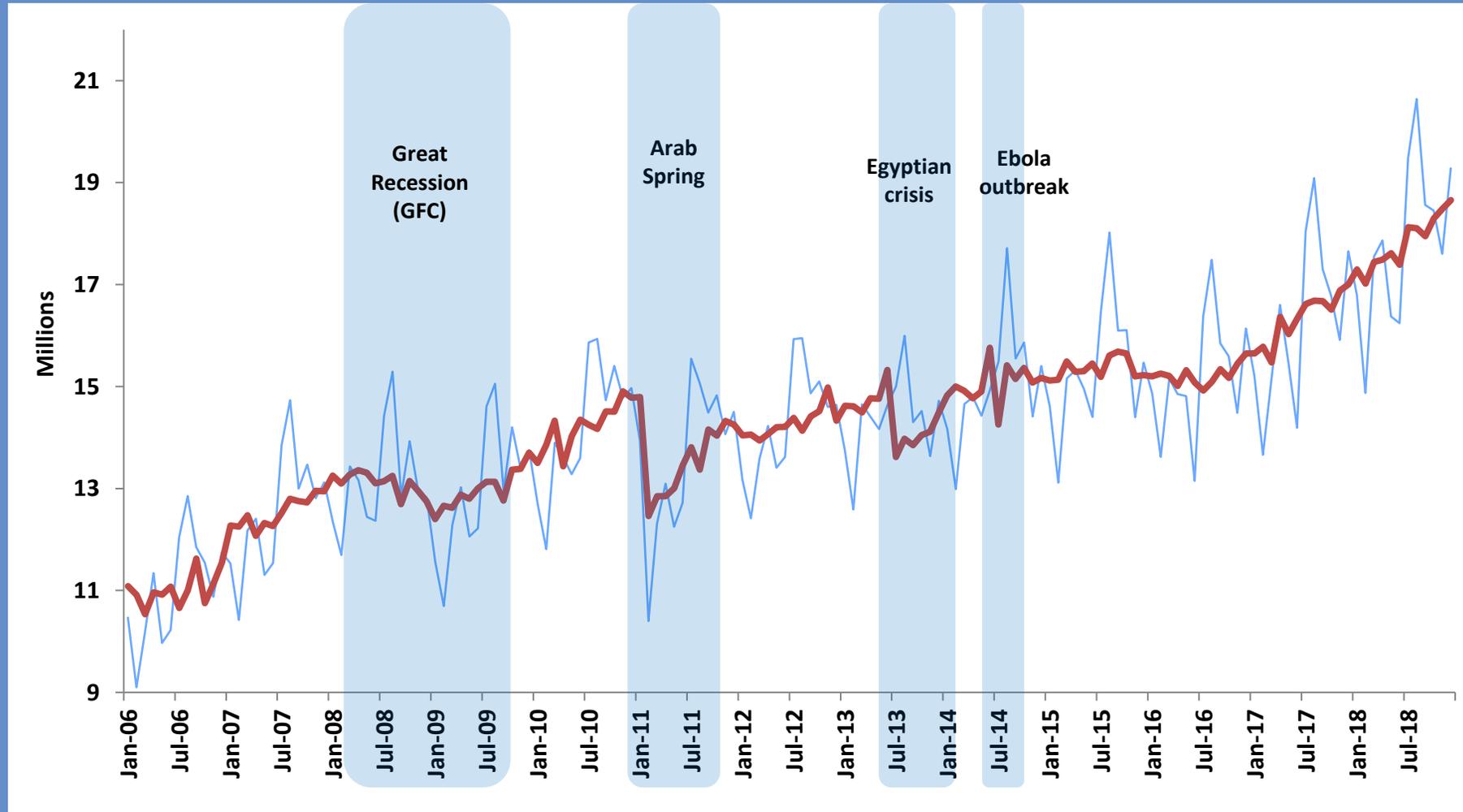
Cyber threats



Etc.

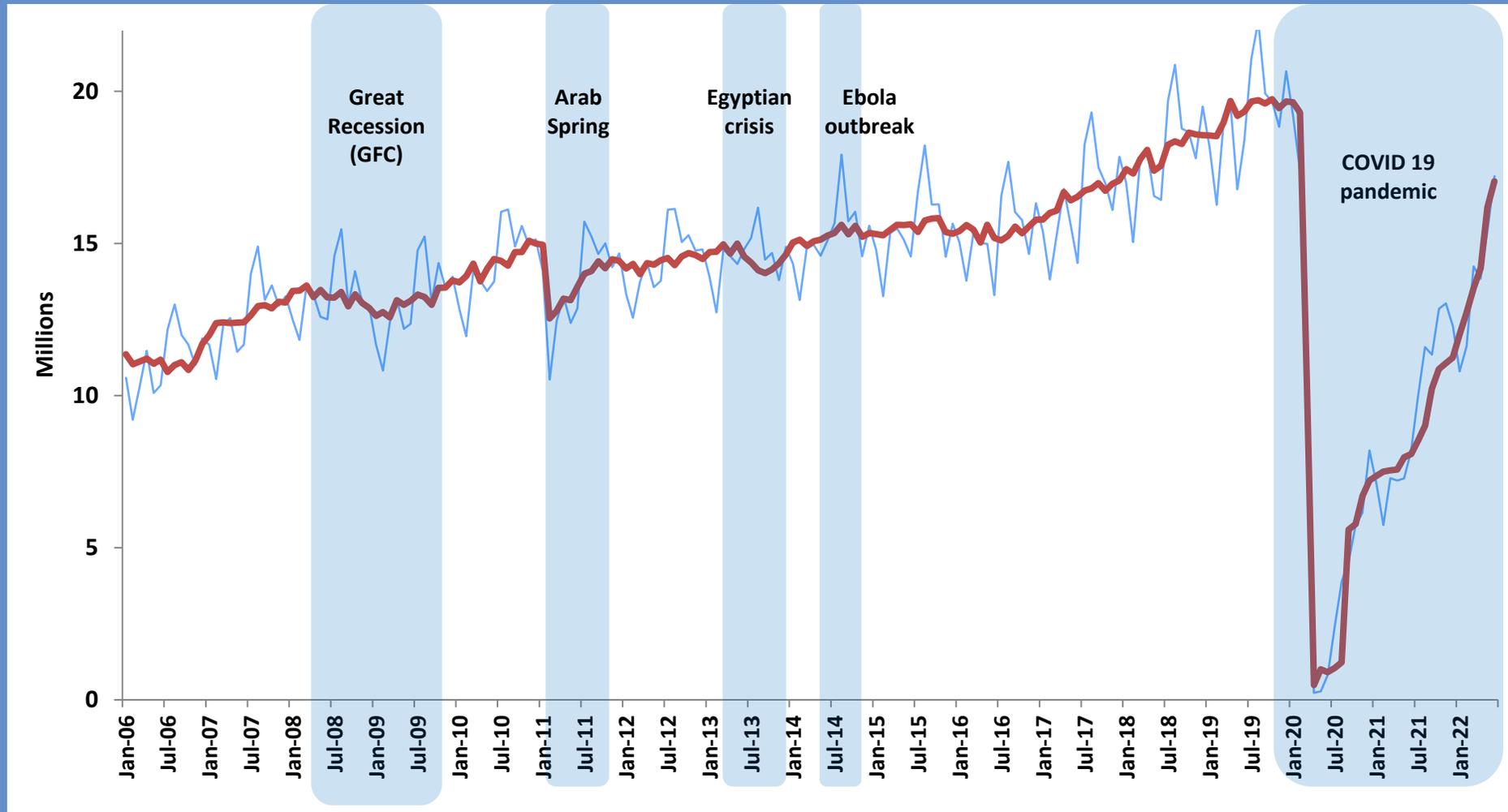
Exogenous threats – African traffic

Evolution of monthly passenger traffic in Africa (2006–2019)

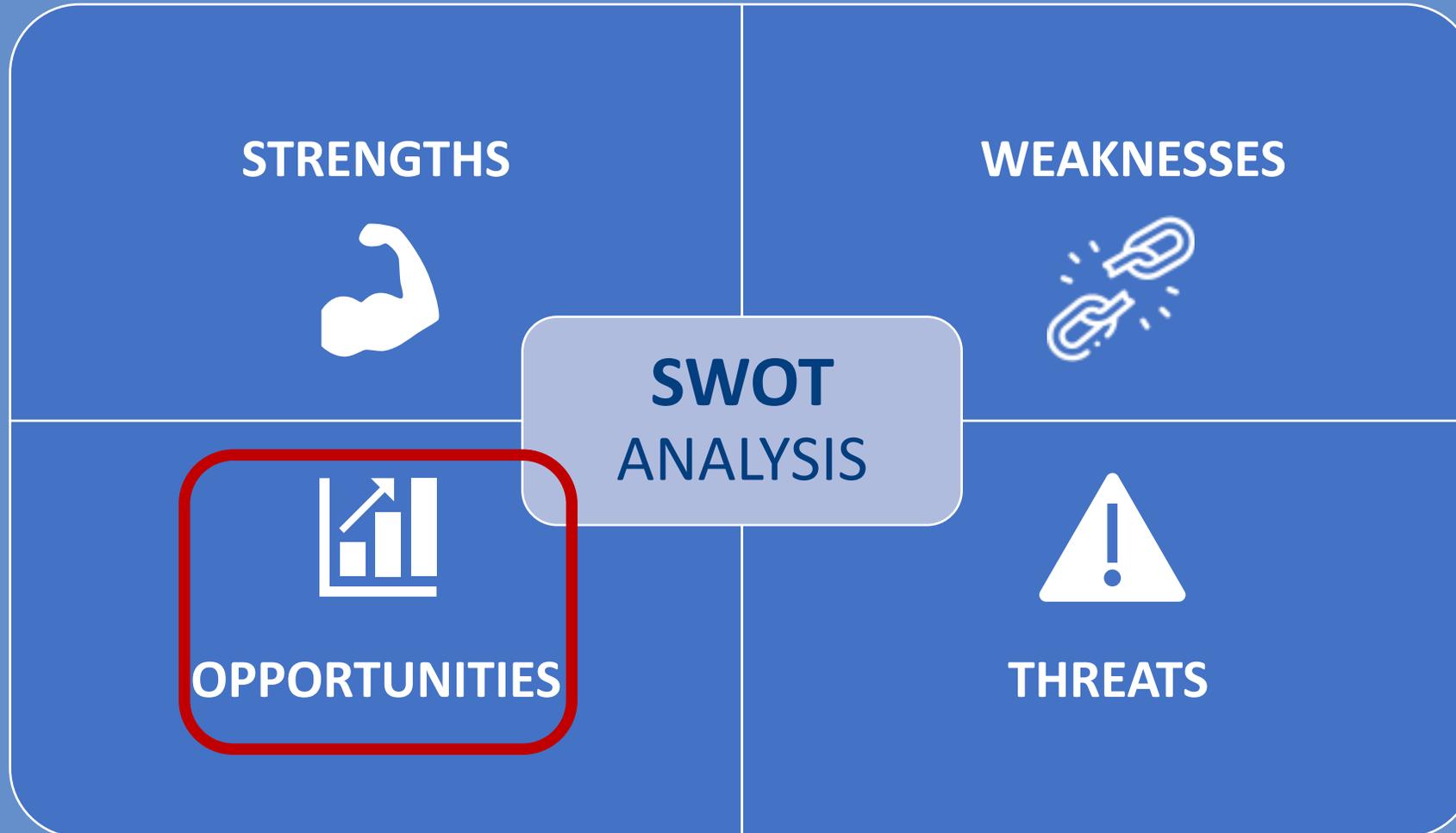


Exogenous threats – African traffic

Evolution of monthly passenger traffic in Africa (2006–2022)



SWOT analysis of the airport business model

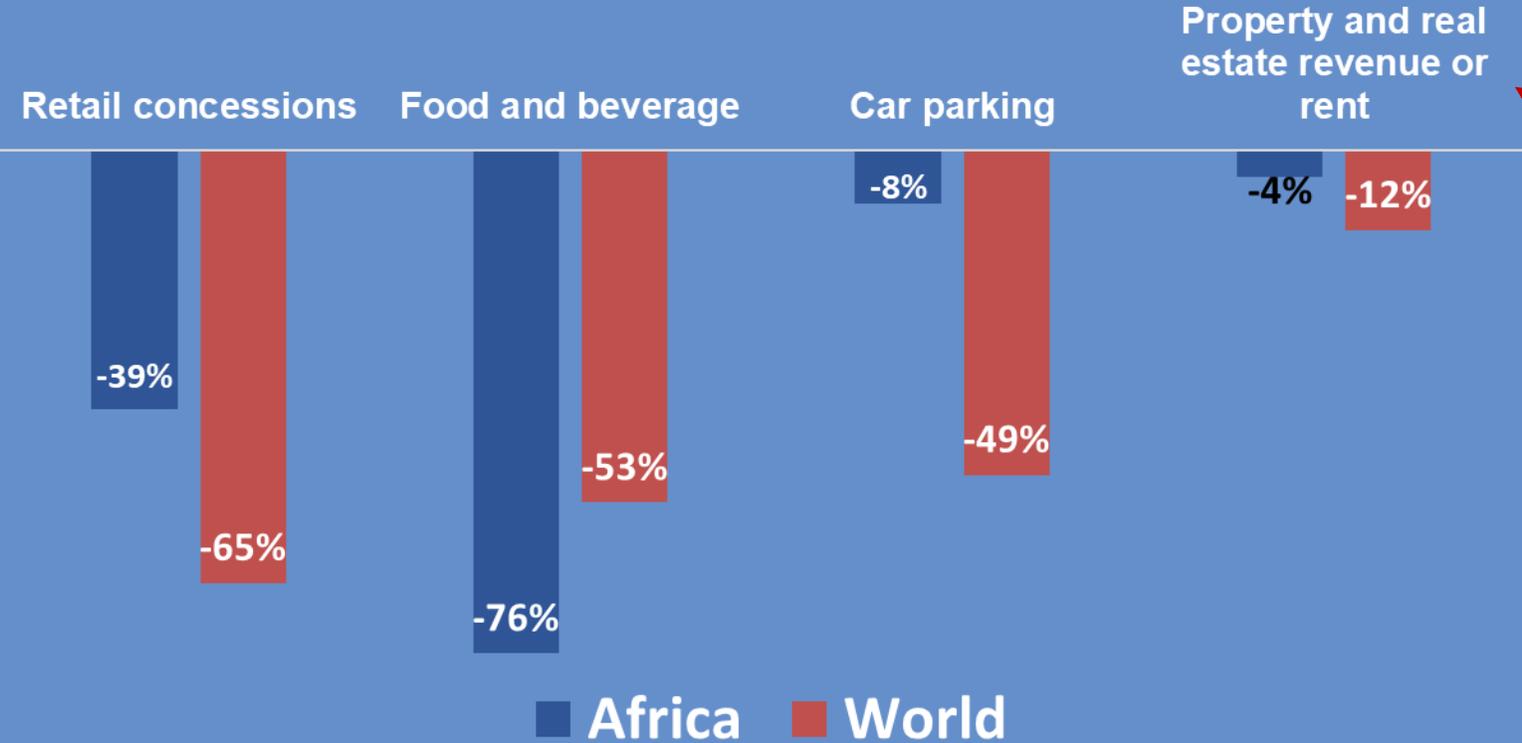


Managerial levers – Revenue diversification



Minimizing the impact of downside traffic risk

Non-aeronautical revenues 2020/2019 % change



Source: ACI World Airport Economics Survey



Managerial levers – Customer experience

Enhancing customer experience to boost revenues



1% increase in customer satisfaction



1.5% increase in non-aeronautical spending



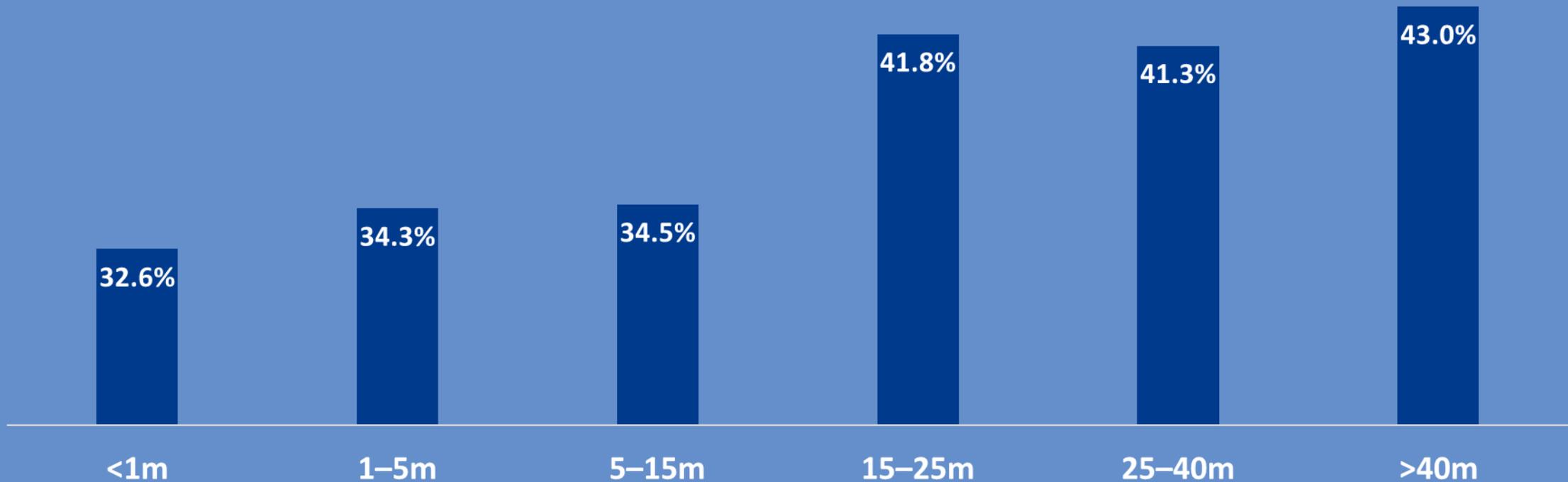
Technology, dwell time and experiential retail/activities

Size matters

As traffic increases, non-aeronautical revenues increases



Non-aeronautical revenues % of total revenues (2019)



Source: ACI World Airport Economics Survey



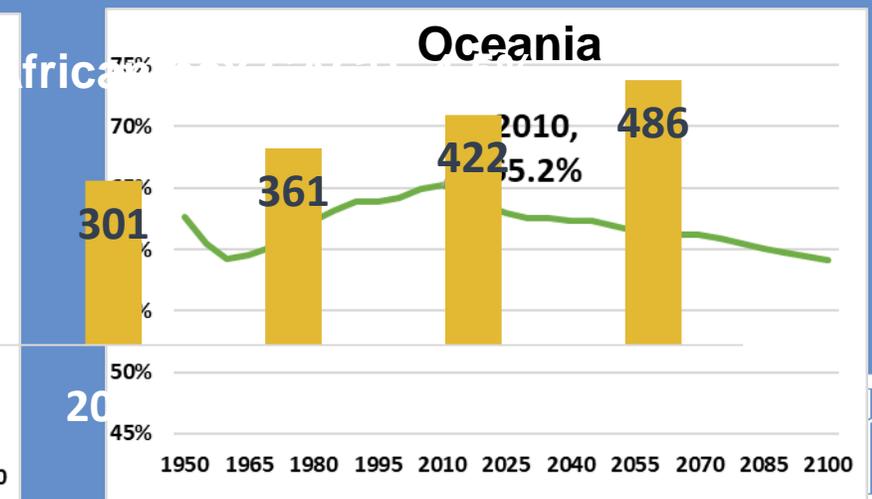
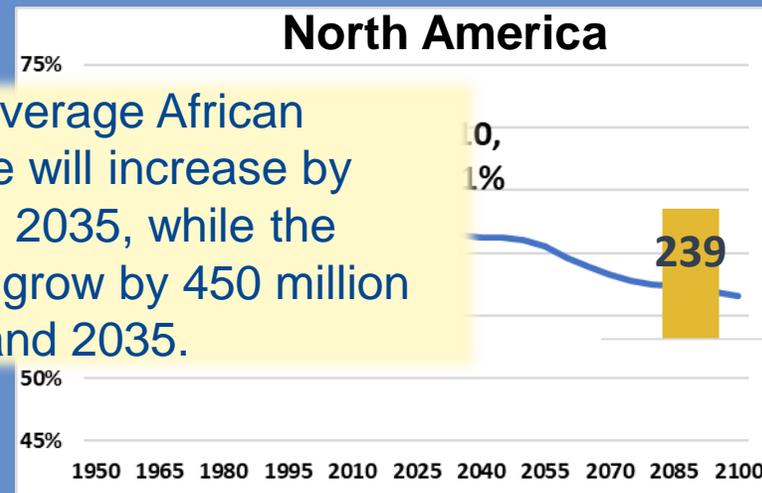
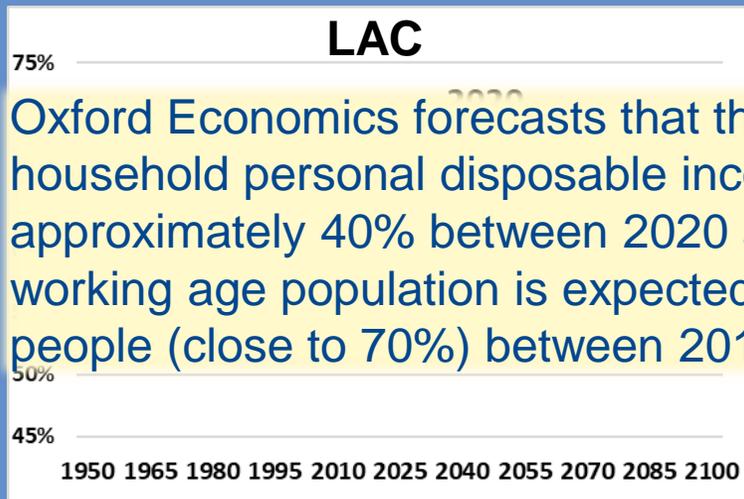
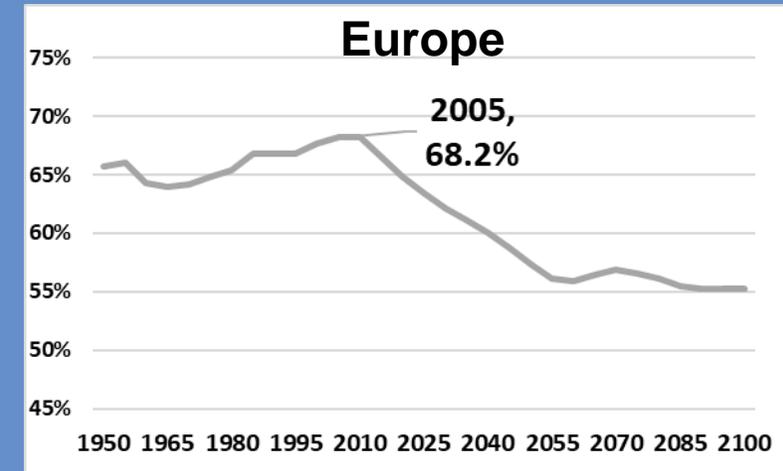
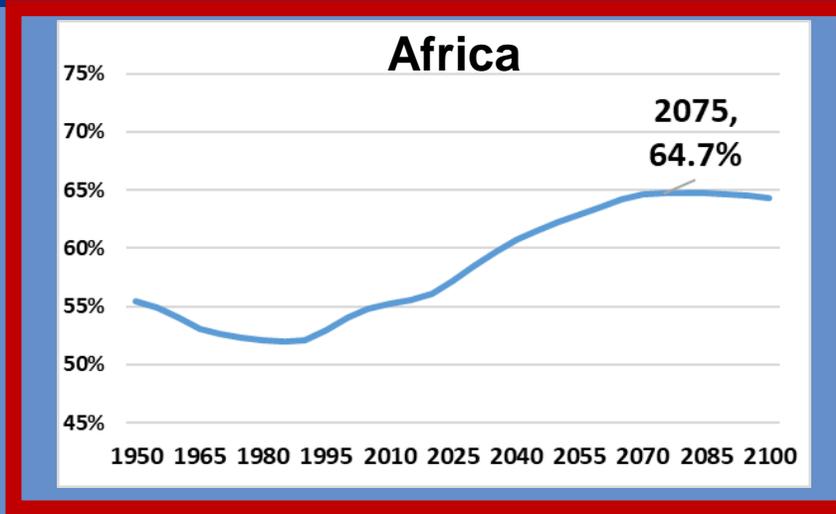
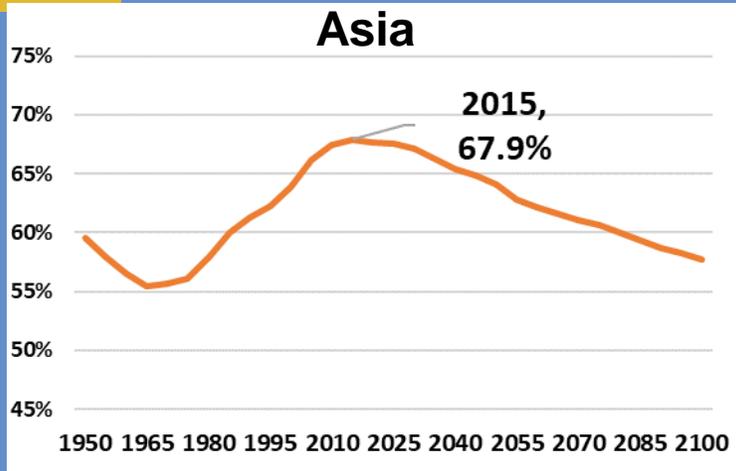
SWOT analysis of the airport business model



The demographic dividend and the propensity to travel



Share of working age population by region (1950-2100)



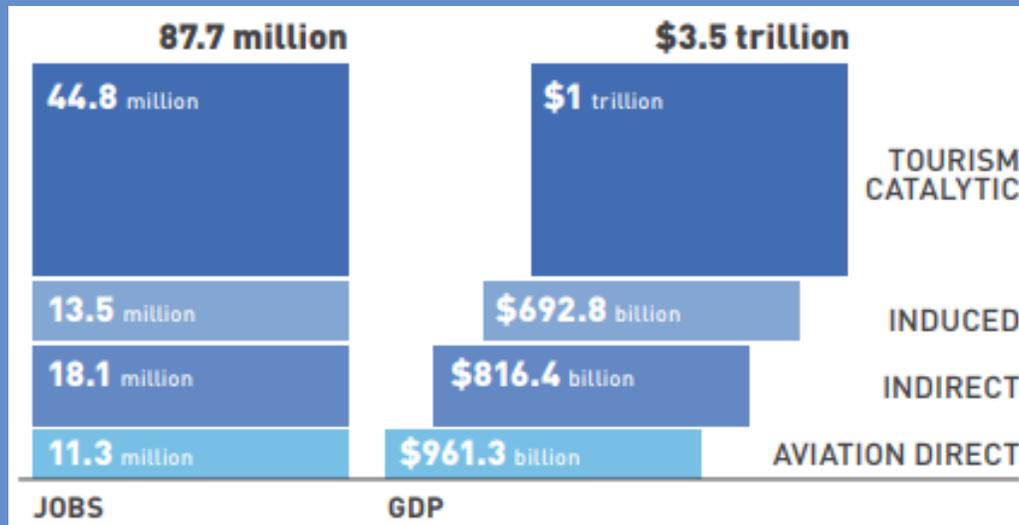
Oxford Economics forecasts that the average African household personal disposable income will increase by approximately 40% between 2020 and 2035, while the working age population is expected to grow by 450 million people (close to 70%) between 2015 and 2035.

Aviation benefits (pre-COVID)

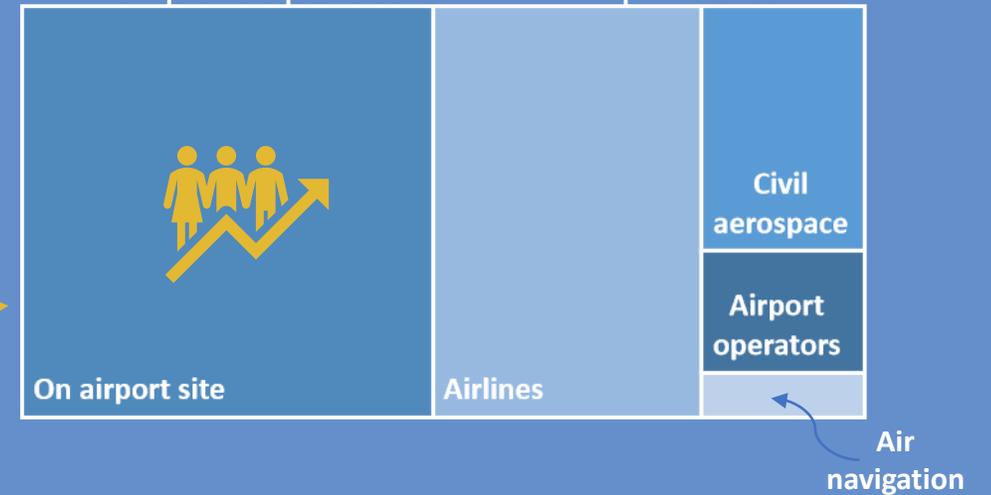


The socio-economic multiplier of aviation and airport infrastructure

In “business-as-usual times”, 57% of tourists arrive by air



55% of direct aviation jobs with airport operators or on airport site



Equates to the GDP of Indonesia and the Netherlands.



Summary

Discussion points



Air transport demand

- Strong recovery in many African markets in 2022
- Full recovery expected by 2024 due to lagging international traffic

Ensuring greater economic resilience in business model:

- How do we diversify airport revenue streams and cost base?

Conundrum – Need to grow non-aero revenues but this requires growth in traffic first and foremost

- SAATM plays an important role

Exogenous threats – Managing and mitigating future risks

- Known unknowns

Aviation and airport infrastructure – Strong underlying fundamentals remain

- African aviation and the demographic dividend