

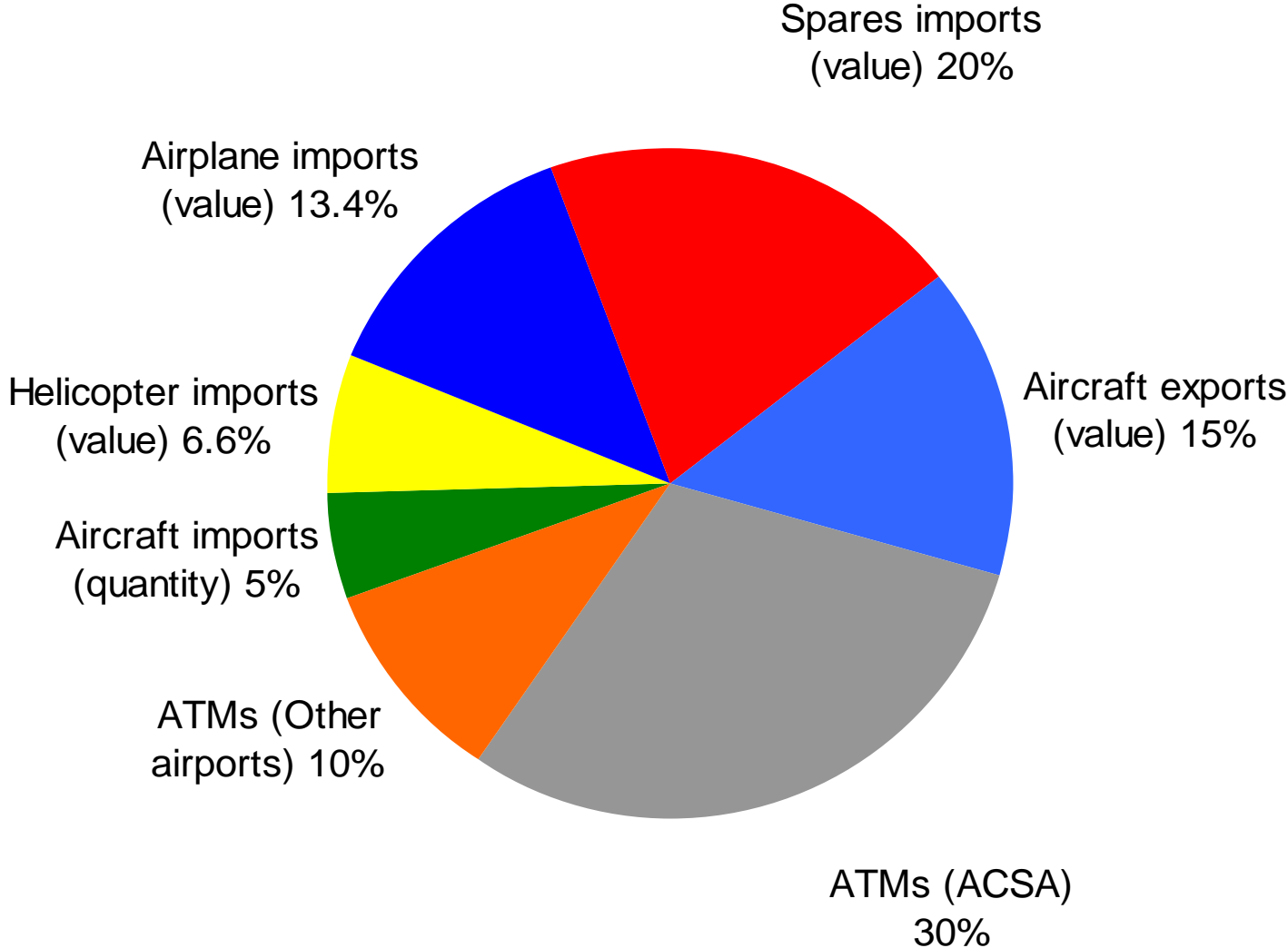


The CAASA
Aviation Activity Index
(CAAI)
1st quarter 2017

Methodology employed for the design of the Aviation Activity Index (AAI)

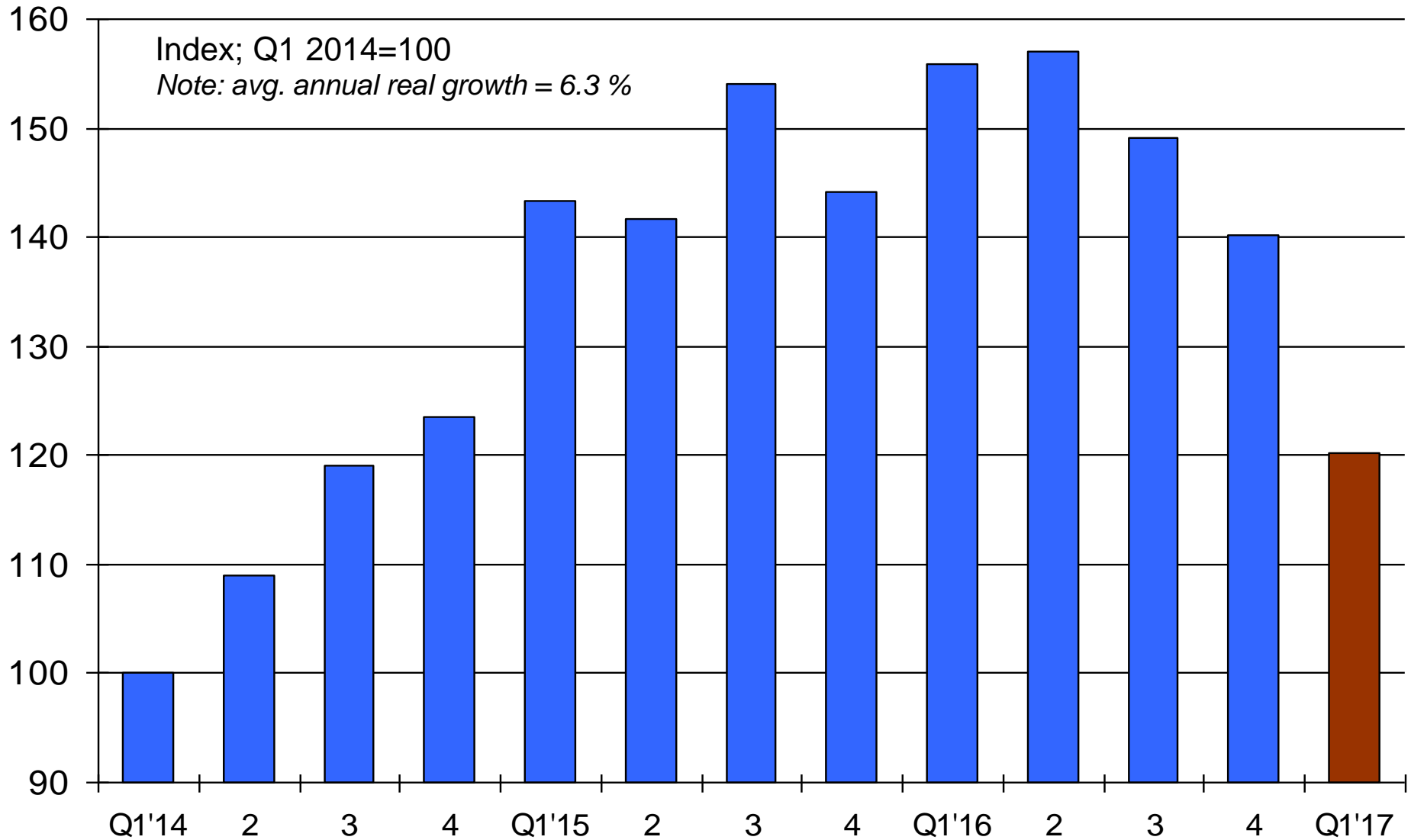
- The AAI is based on composite indexation technique, whereby a group of indicators representing different units is forged into a single value
- The different indicators are each assigned a weighting in terms of their perceived contribution to the trend that the index wishes to illustrate, namely the current & historical level of activity in the commercial aviation industry
- Changes over time in the different indicators are measured and then also expressed as changes to the weighted index
- A total of 25 different indicators comprise the AAI, emanating from the following seven groups:
 - (i) Value of imports of helicopters
 - (ii) Value of imports of aeroplanes (of a mass less than 15t)
 - (iii) Physical quantity of imported aircraft
 - (iv) Value of imports of aircraft spares
 - (v) Value of exports of aircraft (of a mass less than 15t)
 - (vi) Air traffic movements at ACSA airports
 - (vii) Air traffic movements at key non-ACSA airports
- Combined in an appropriately weighted index, these indicators provide an objective & balanced measure of economic activity in various spheres of the commercial aviation industry

Composition of the groups of indicators included in the CAAI



CAASA Aviation Activity Index (CAAI) for South Africa

(3-quarter moving average)



Notes on the latest trend (Q1 2017) in the CAASA Aviation Activity Index (AAI)

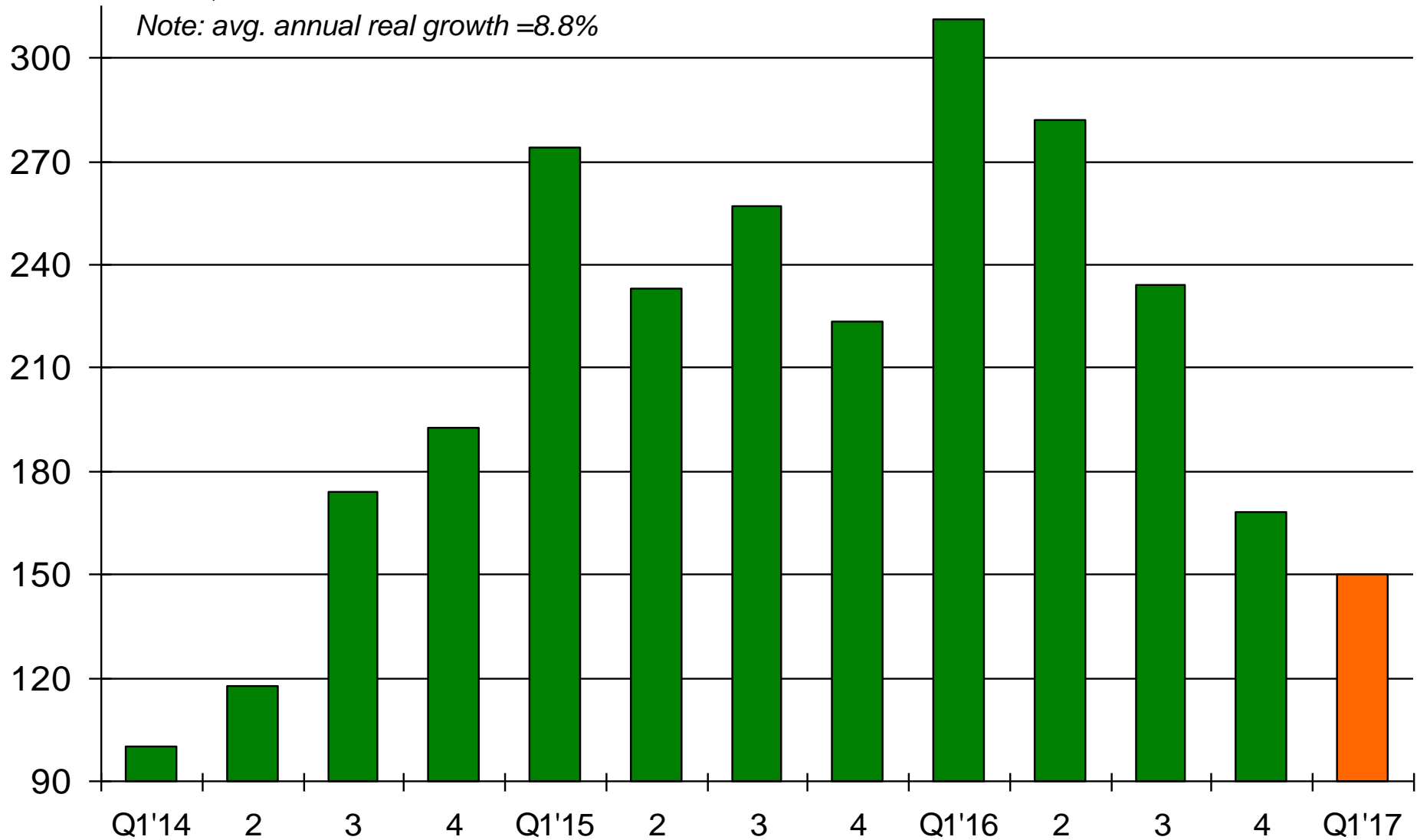
- The majority of indicators comprising the AAI disappointed in the first quarter of 2017, with the following declines having been recorded from the average quarterly values since 2014:
 - i. Imports of larger helicopters, down 43%
 - ii. Imports of small aeroplanes, down 80%
 - iii. Imports of aeroplanes between 2t and 15t, down 71%
 - iv. Imports of under-carriages, down 68%
 - v. ATMs at East London airport, down 27%
 - vi. Exports of smaller aeroplanes, down 70%
 - vii. Exports of medium-sized planes, down 62%
- Reasons for the drop in the AAI include the following:
 - i. Lethargic economic growth, with a recession only just having been avoided
 - ii. Declining levels of business confidence, as also reflected in a variety of surveys, including the Absa PMI and the latest SACCI Index
 - iii. High domestic interest rates, which have eroded the competitiveness of the domestic aviation industry via the high cost of capital
- Solid performers include:
 - i. Imports of smaller helicopters
 - ii. Imports of aircraft spares
 - iii. ATMs at Cape Town & Durban airports
 - iv. Exports of helicopters

CAAI group index for the value of aircraft exports

(3-quarter moving average)

Index; Q1 2014=100

Note: avg. annual real growth =8.8%

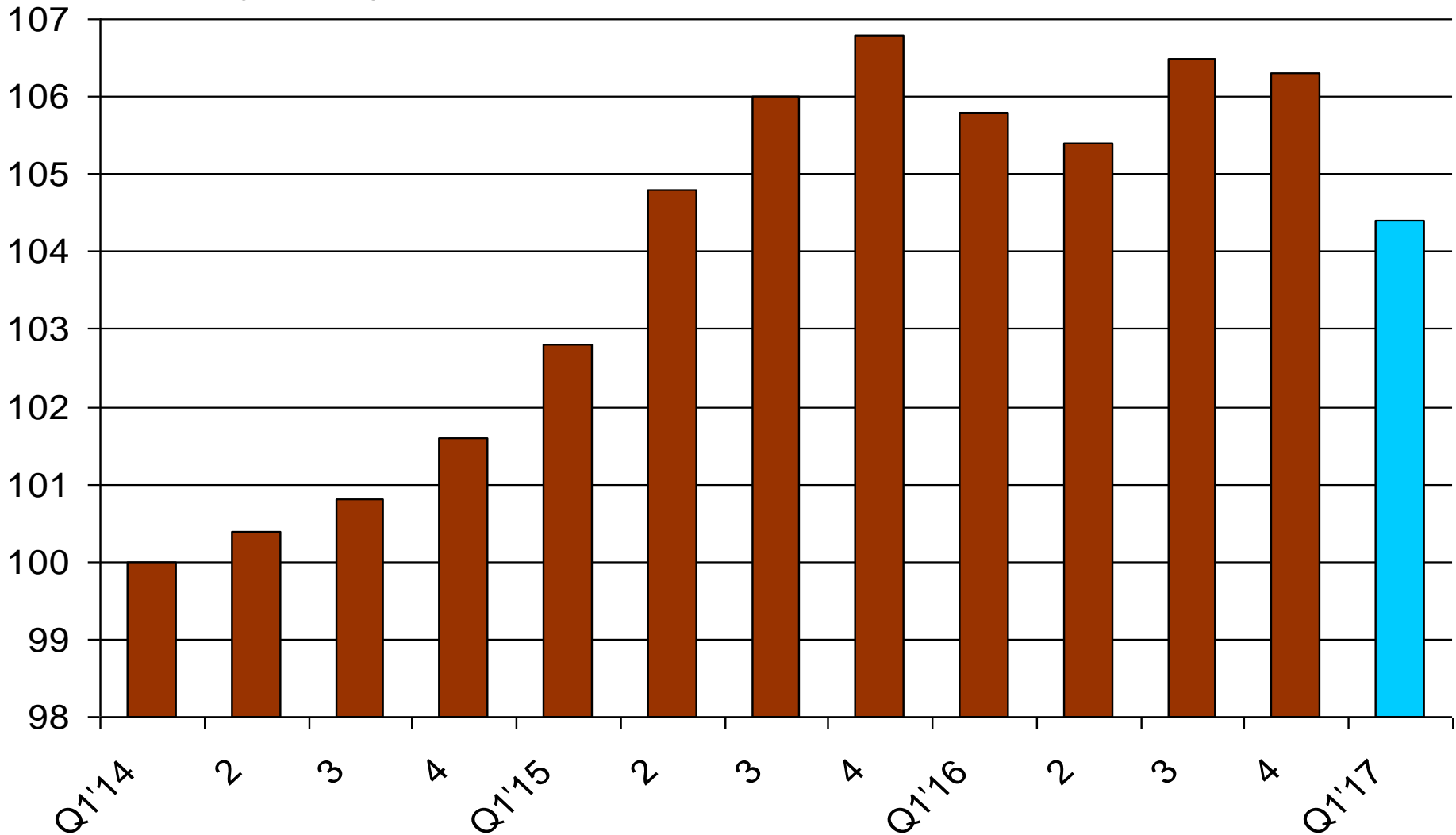


CAAI Group index for air traffic movements at major airports

(Source: ACSA)

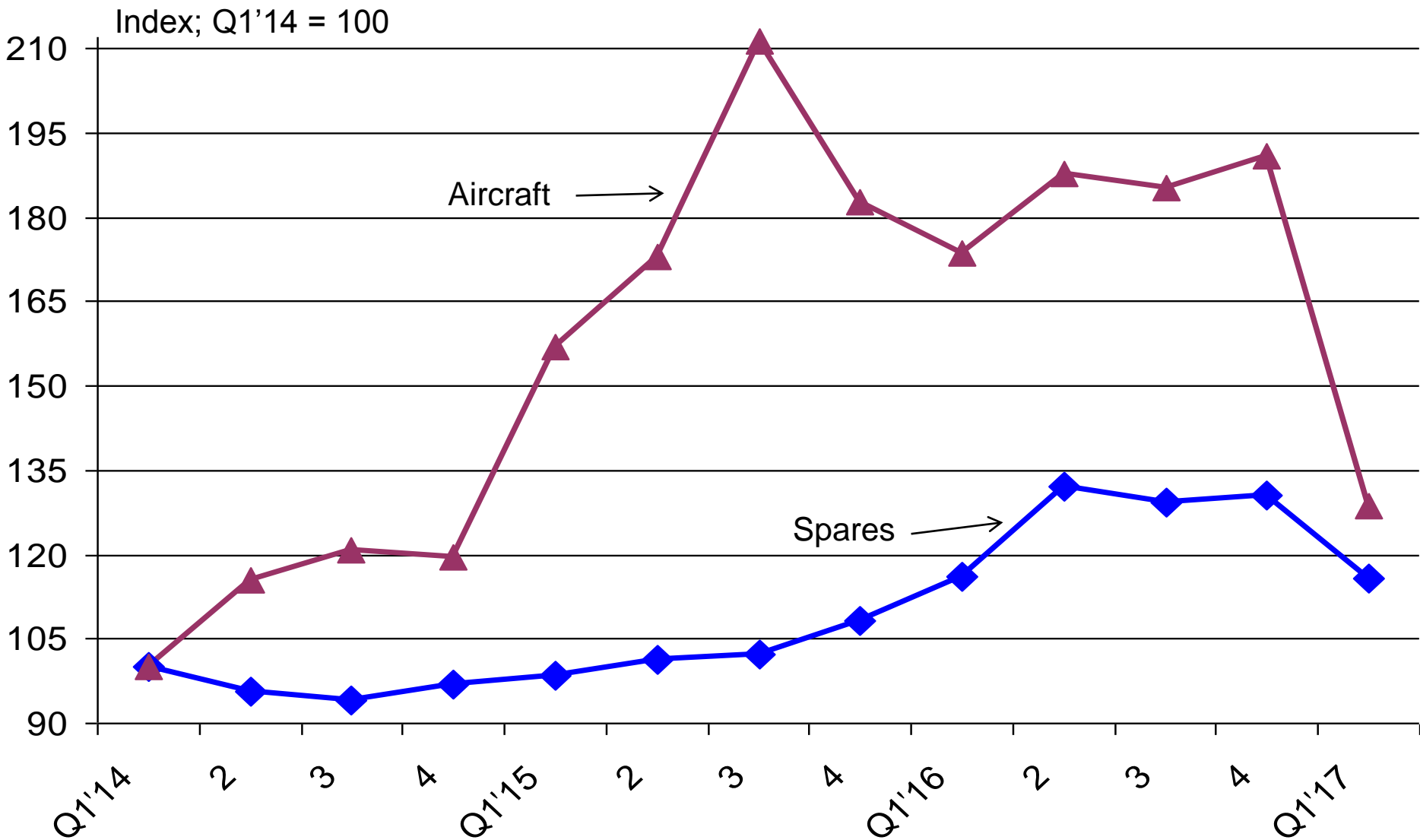
Index; Q1'14 = 100

Note: avg. annual growth = 1.4%



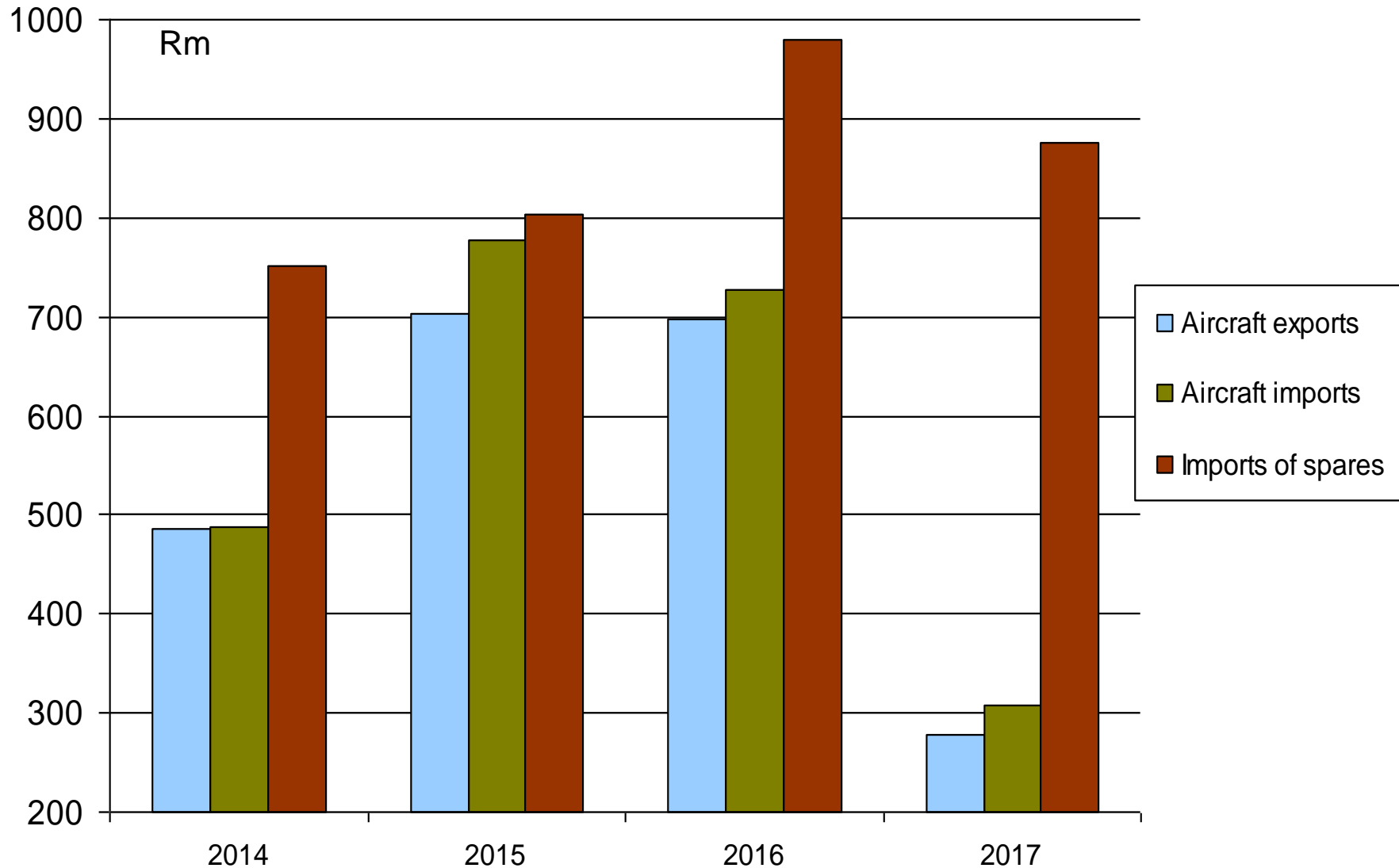
CAAI group indices for value of imports of aircraft & spares

(3-quarter moving average)



Average quarterly value of spares imports and aircraft imports & exports (under 15t)

(Sources: SARS: own calculations)



% Increase in ATM's 2014 – 2016 top-8 airports (included in the CAAI)

(Sources: Acsa; CAASA; own calculations)

