

Media statement
CAASA Aviation Activity Index (CAAI) – 4th Quarter 2018

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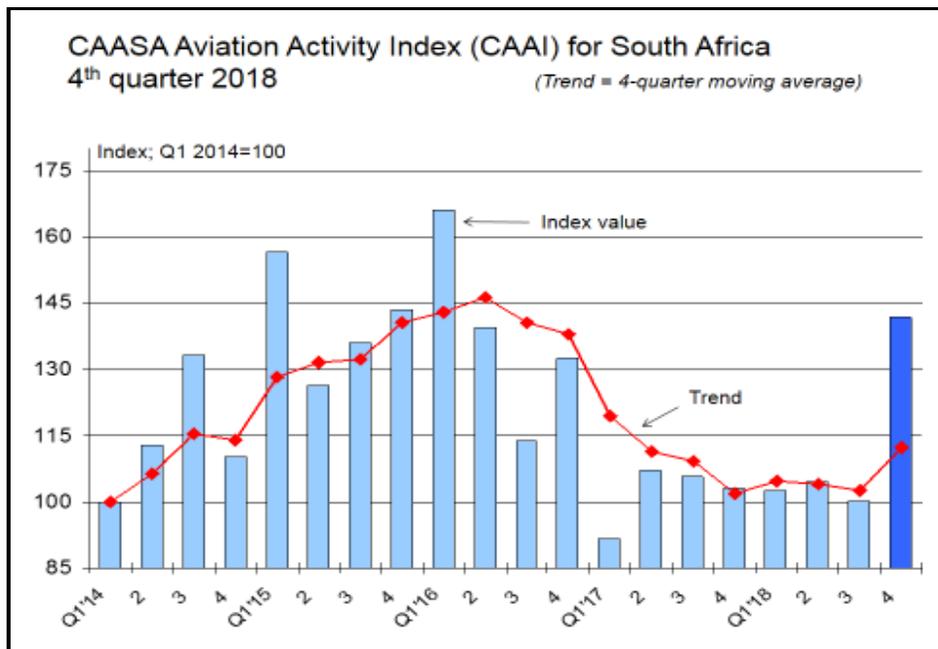
Introduction

The Commercial Aviation Association of Southern Africa (CAASA) is proud to announce the results of its composite index of aviation activity for the **4th quarter of 2018**.

The CAASA Aviation Activity Index (CAAI) is based on 25 different indicators and provides an objective & balanced gauge of economic activity in the commercial aviation industry. Due to the short-term volatility inherent in purchasing and selling aircraft, where units are small, but the currency values are very high, the CAAI includes a trend that is based on a 4-quarter moving average, as illustrated by the graph.

Summary of key trends depicted by the CAAI for the 4th quarter of 2018:

1. The CAAI index value recorded a sharp increase in the 4th quarter of 2018 to a level of 142, which represents an increase of 42% over the base period for the Index (the 1st quarter of 2014). In the process, the index value seems to have recovered to the average level that was recorded between mid-2014 and the end of 2016, after which a declining trend commenced that saw the index slip back to a level of 100.
2. A strong rise in the value of helicopter exports represented the main reason for the welcome recovery of the CAAI. Both categories (mass of below 2 tonnes and mass above 2 tonnes) recorded record high export values.



3. A second contributing factor to the stellar performance of the CAAI during the 4th quarter of 2018 was strong growth in import values for aeroplanes and helicopters.
4. An encouraging feature of the latest CAAI is the broad-based nature of recovery of commercial aviation activity, with a total of 16 of the 25 different indicators recording gains over the 4th quarter of 2017.
5. The declining trend in air traffic movements (ATMs) at two ACSA airports, namely Port Elizabeth and East London, is a point of concern, particularly due to the abundance of tourism facilities in their surrounding areas. Combined with low growth in ATMs at the larger ACSA airports, it is clear that inbound tourism from overseas has not yet recovered from the ill-conceived stricter visa regulations that were implemented during Mr Malusi Gigaba's term of office as Home Affairs Minister.
6. Care should nevertheless be taken with the interpretation of the CAAI results. Commercial aviation activity in South Africa has suffered the same fate as several other sectors of the economy over the past two years, namely insufficient demand, flowing from lethargic economic growth and low levels of business and consumer confidence.
7. Other reasons for the generally subdued levels of activity in commercial aviation since 2017 include high interest rates, higher fuel prices (until recently), and the effect of a volatile and undervalued currency. Combined with the lingering threat of land expropriation without compensation (EWC), this has not been conducive to investment in new productive capacity – a problem that exists in most of the country's economic sectors, as confirmed by a consistent declining trend in real capital formation. Hopefully, the reforms aimed at improving growth that have been promised by the country's new president, will start to bear fruit after the May elections.
8. The best performing indicators in Q4 2018 are listed in the table.

Best performing CAAI indicators in Q4 2018 (compared to average for Q4 since 2014)	
	% increase
Exports - Helicopters above 2t	147
Exports - Helicopters under 2t	129
Imports - Aeroplanes under 2t	22
Imports - Propellers	15.2
Imports - Other spares	14.5
ATMs - Rand airport	11.5
ATMs - Pietermaritzburg	11
Imports - aeroplanes >2t<15t	9.1
ATMs - Nelspruit	3.8
ATMs - OR Tambo	1.3
ATMs - Lanseria	1.2

Background

Three key considerations sparked the decision by the Board of CAASA to design the CAASA Aviation Activity Index (CAAI):

- *Firstly, the recognition of the indispensable role that commercial aviation plays in facilitating the rapid transport of decision-makers in all spheres of society.*
- *Secondly, individual data sets reflecting one or more areas of commercial aviation activity often contradict each other, particularly as a result of the capital intensive nature of the industry's asset base.*
- *Thirdly, CAASA has identified a need amongst its members and other stakeholders in aviation to contribute to the knowledge base of conditions in the aviation industry by forging a number of key indicators into a composite index, weighted in terms of their perceived contribution to the general trend in commercial aviation.*

Composition of the Index

A total of 25 different indicators were selected for inclusion in the CAAI, classified in terms of the following seven groups (weightings, trends and historical graphs are available on the CAASA website):

- *Value of imports of helicopters*
- *Value of imports of aeroplanes (of a mass less than 15t)*
- *Physical quantity of imported aircraft*
- *Value of imports of aircraft spares*
- *Value of exports of aircraft*
- *Air traffic movements at six ACSA airports*
- *Air traffic movements at seven non-ACSA airports*

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