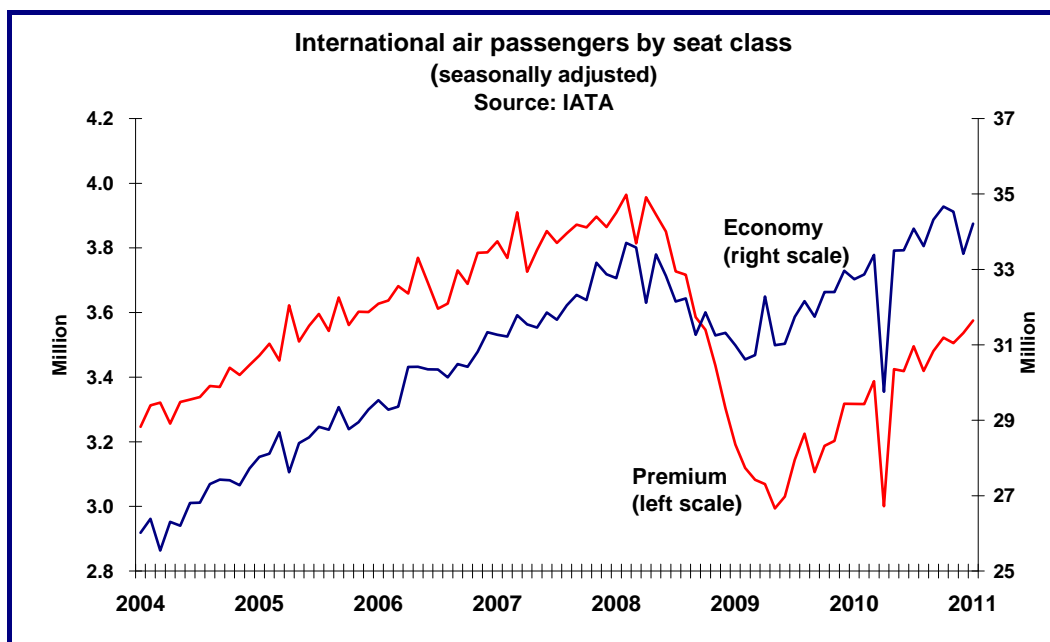


# PREMIUM TRAFFIC MONITOR

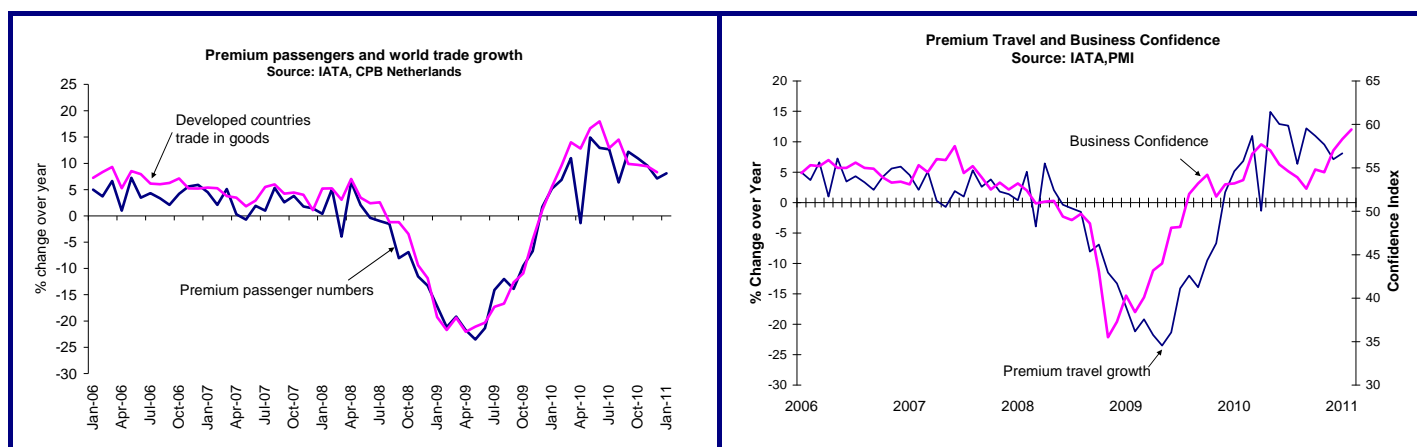
## JANUARY 2011

### KEY POINTS

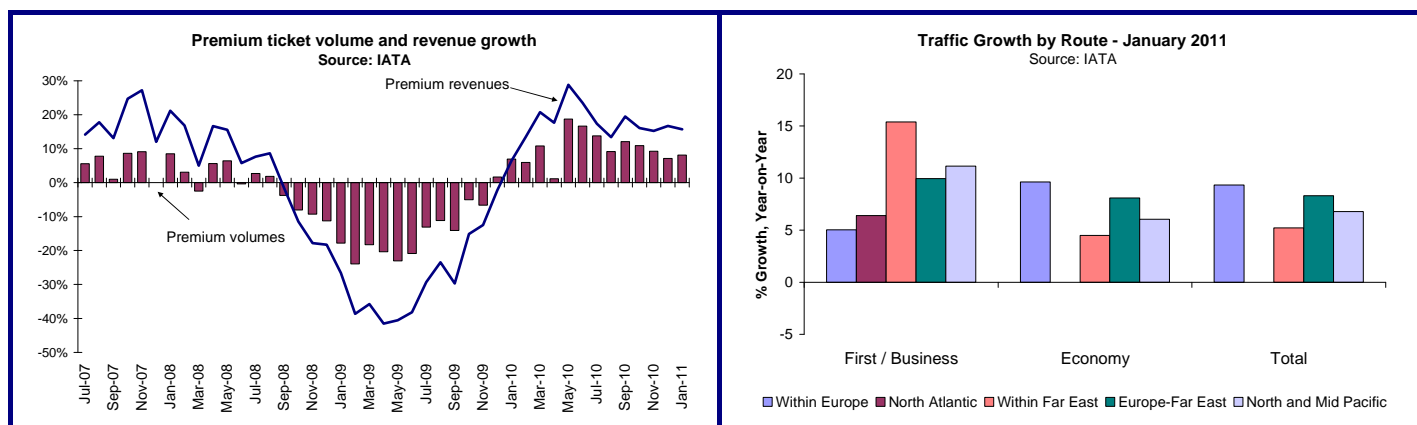
- Airline passenger numbers on international markets rebounded strongly in January, having fallen sharply in December as a result of unusually severe weather. Total passenger numbers were up 5.1% in January on a year earlier, compared to the 2.8% growth rate seen in December. Premium travel (business and first class) rose to a level 8.1% higher than a year ago, compared to a 7.1% growth rate in December.
- This rebound can be seen most clearly in chart below, which shows the rise between December and January of the seasonally-adjusted levels of passengers travelling on premium and economy tickets. Premium travel rose 1.1% in the month between December and January. Economy travel rose a stronger 2.4%, but this only partially restored the loss seen in December. The evidence of the last few months suggests that premium travel, driven by passengers travelling on business, is on the stronger trend. Over the past year we estimate that, smoothing out volatility, premium travel has been and continues to be on an underlying trend growth rate of around 7%. This is almost twice as fast as the pace at which this market expanded between 2004 and 2007.
- Economy travel had been expanding at an annualized rate of 6% until November, but that is less exceptional being almost exactly in line with the trend growth rate experienced between 2004 and 2007. The rebound in January has not yet restored economy or total passenger travel back to that prior trend. This contrasts with the earlier release of January RPK (Revenue Passenger Kilometer) data that showed a sharper rebound than the passenger numbers. The difference is due to the relative strength of longer haul markets, mostly those connected to Asia-Pacific and the Middle East. This higher proportion of business passengers on these long-haul markets emphasizes the important of business travel in driving air travel markets at this stage of the cycle.
- Premium travel markets have risen almost 20% from their mid-2009 low point but such was the earlier decline that the size of this market is still 10% smaller than before the recession. However, momentum was strong at the start of 2011 and rising business confidence points to further gains in the months ahead. The next two months data will however be negatively impacted by the unrest in the Middle East and the Japanese earthquake and tsunami.



- Economy travel suffered a much smaller decline in 2008 and 2009, partly as passengers switched from the front to the back of many flights. As a result the 12% rise in economy travel from its 2009 low point has taken this segment to new highs. Ground was lost in December and January but the size of the international economy travel markets is still 1-2% higher than before the recession. Forward momentum appears to have been interrupted for this market segment in recent months but, with the later Chinese New year and other distortions, it will not be for another couple of months before any new trend in economy travel is apparent from the data.
- Premium travel volume growth continues to move closely with one key coincident indicator – trade in exports and imports. Business travel also takes place for financial transactions, consultancy and other activities. However, the cycle in these activities is likely to be proxied fairly well by movements in world trade. World trade has been slowing from its 2010Q2 peak but there was a significant uptick in trade volumes in Q4 last year. The impact on the year-on-year growth was disguised by the strong post-recession rise at the same time in 2009. This looks positive for business travel momentum.
- The impetus from strong world trade is backed up by purchasing managers world-wide (with the notable exception of China) reporting record confidence levels in February. This business confidence measure has proved to be a good leading indicator for premium travel growth. The renewed rise in confidence over the past six months points to somewhat faster growth in premium travel in the months ahead.



- Fares, including fuel surcharges, are still rising – now in order to partially recover higher fuel costs. Load factors and supply-demand conditions have been slipping since their 2010Q2 peak but remain close to historic highs. Average fares and yields have been rising as a result. Premium fares are still estimated to be around 15% below their pre-recession levels but have rebound significantly from the 2009 low and are still rising at a single figure pace. We estimate that premium revenues rose by around 15% in January, compared with January 2009.



## PREMIUM TRAFFIC BY MAJOR ROUTE

- The strongest of the larger premium markets continue to be those connected to the Asia-Pacific region. Within Far East premium travel was up 15.4% in January, albeit boosted a little by the later Chinese New Year. North and Mid Pacific markets saw an 11.1% rise in premium travel. Europe to Far East was up 9.9%. Economic growth in non-Japan Asia continues to be strong and international trade has been particularly strong recently. There will have been a lot of business travel associated with these trade and financial flows.
- South America is another strong growth region, albeit smaller than Asia. Within the region premium travel was up 11.9% and premium travel flow between North and South America was up 9.8%. Central American passenger numbers continue to be negatively affected by the bankruptcy of Mexicana.
- Middle Eastern flight segments also continue to be strong for premium travel. Part of this strength represents the increasing share of Europe-Far East and Europe-Australasia markets by airline connecting passengers through Middle Eastern hubs, as well as economic development in the region itself. Europe-Middle East premium traffic was up 15.1% in January, Middle East-Far East was up 15.3%.
- At the other end of the growth spectrum were markets connected with Europe. Recession and continuing economic problems in the periphery of Europe have significantly dampened outbound leisure travel. However, weak exchange rates have helped boost exports and business travel. Within Europe premium travel looks to be back on its structural decline trend, with a 5% increase compared with a 9.6% rise in economy travel. The North Atlantic is still the largest international premium travel market by revenue but growth in premium passenger numbers were up by just 6.4% in January.
- African markets, still relatively small, have also been outperforming the industry average. The 27% increase in premium travel between Africa and the Far East reflects the foreign direct investment and increasingly developed trade relations between these regions. Within the continent of Africa growth in premium travel of 19.1% is indicative of business travel between a number of strong economies. The unrest in Egypt, Libya and other North African nations will have sharply reduced travel in the regions during February. African airlines carry about 4% of international RPKs but all the markets connected with Africa represent around 6% of the premium revenue market. The ongoing political problems are certainly large enough to put a dent into the February passenger data.
- Japan has been a relatively slow growth mature economy in the Asia-Pacific region but premium travel is significant since Japan is still the third largest economy in the world (and was second largest until recently). Japanese markets represent 6-7% of the global total. It is too soon to judge how the Japanese earthquake and tsunami in March will affect air travel, but the market is large enough to have a materially adverse impact on the international total for that month.

IATA Economics  
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## PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Jan 11 vs. Jan 10	2010 vs. 2009
Africa - Middle East	1.2%	0.9%	7.0%	12.7%
Africa - SW Pacific	0.0%	0.0%	71.9%	6.9%
C America-S America	0.5%	0.2%	1.4%	14.4%
Europe - Far East	9.3%	15.0%	9.9%	12.2%
Europe – Middle East	5.4%	6.7%	15.1%	10.7%
Europe - SW Pacific	0.1%	0.4%	-3.8%	-9.8%
Africa - Far East	0.2%	0.3%	27.4%	17.2%
Within Africa	0.5%	0.1%	19.1%	2.4%
Within Central America	0.1%	0.0%	-52.9%	-18.9%
Within Far East	12.0%	3.3%	15.4%	21.1%
Within Middle East	2.0%	0.6%	10.9%	8.8%
Within North America	1.0%	0.3%	-8.3%	2.4%
Within SW Pacific	0.4%	0.1%	-7.5%	-4.0%
Within South America	1.6%	0.3%	11.9%	19.9%
Mid Atlantic	1.4%	2.9%	4.9%	11.0%
Middle East - Far East	3.4%	2.5%	15.3%	22.8%
Middle East-SW Pacific	0.5%	1.1%	6.3%	14.9%
North Atlantic	15.4%	24.9%	6.4%	5.2%
N America-C America	7.1%	2.6%	0.2%	6.9%
Europe – Africa	3.9%	4.7%	3.7%	1.5%
N America - S America	3.6%	4.7%	9.8%	19.3%
Far East - SW Pacific	2.3%	3.7%	11.0%	12.2%
North and Mid Pacific	6.6%	13.9%	11.1%	14.3%
South Pacific	0.6%	1.8%	16.0%	18.1%
South Atlantic	2.7%	4.6%	7.0%	10.3%
Within Europe	18.3%	4.4%	5.0%	3.0%

**Total International**

**100.0%**

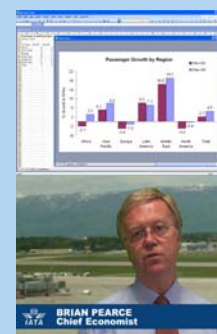
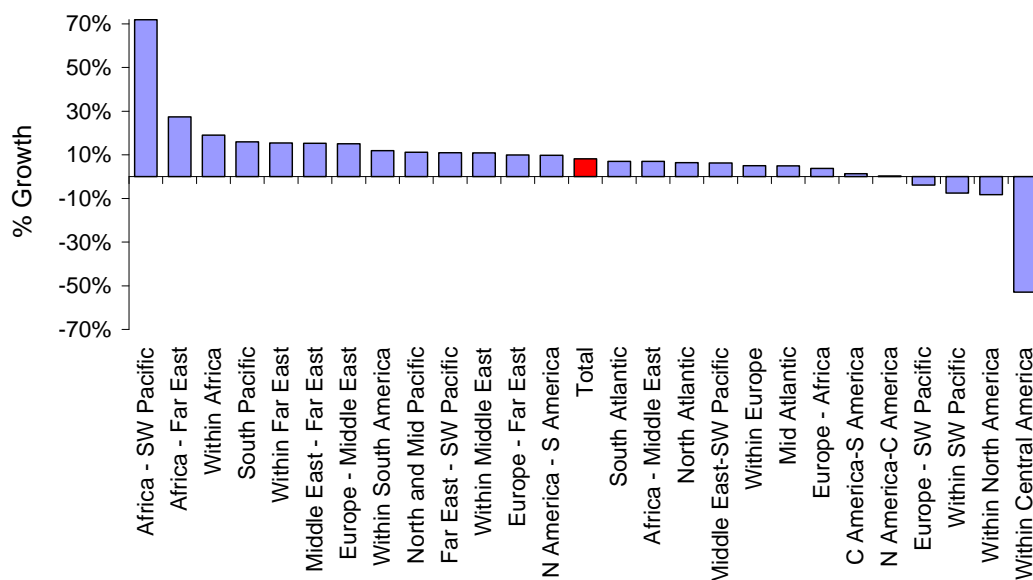
**100.0%**

**8.1%**

**9.1%**

**International Premium Traffic Growth by Route - January 2011**

Source: IATA



**FURTHER ANALYSIS AND DATA**

Access video commentary and chart data related to this briefing through the Enhanced Edition:  
[www.iata.org/premium-traffic](http://www.iata.org/premium-traffic)