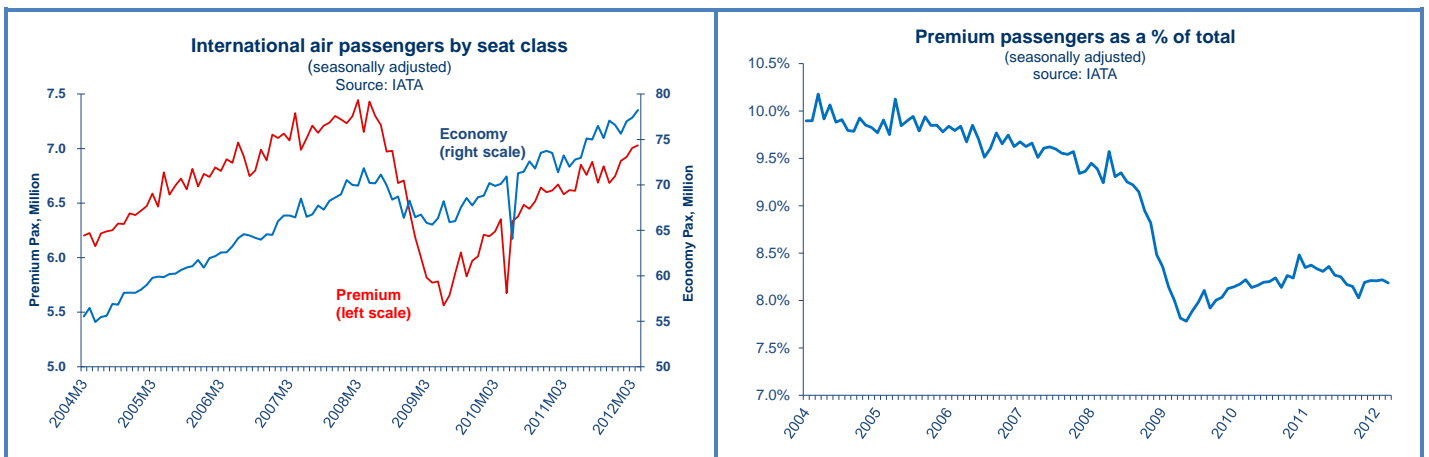


PREMIUM TRAFFIC MONITOR

MARCH 2012

KEY POINTS

- Premium and economy air travel were both up significantly in March from a year ago, when unexpected events in Japan and MENA negatively affected air transport markets. The number of passengers travelling in business and first class on international markets was up 8.6% in March compared to the same month in 2011. Economy class travel also showed significant growth, increasing 8.9% on a year ago.
- Although the March growth rates are exaggerated by the events of a year ago, air travel still looks strong. We estimate that premium travel was about 4% points higher this March than it would have been in the absence of the Arab Spring and Japan earthquake – but that still has the market growing at a solid rate of over 4% in March. In fact, looking at the first chart below showing the seasonally adjusted trends in air travel, it is evident that the rate of growth in premium market has increased significantly since the end of 2011. Over the last 4 months, premium travel has been increasing at an annualized rate of over 6%, above the annual growth of 5.5% in 2011.
- The performance in economy class travel has also been strong. After adjusting for the impacts of the events in Japan and MENA a year ago, which we estimate to be worth about 2% points, year-on-year growth in March would have otherwise been close to 7%. The seasonally adjusted trend for economy travel has also picked up this year, with annualized growth of about 7.5% between January and March, well above performance in 2011 when economy travel increased 5.1%.
- Growth in air travel on routes not impacted by the events in MENA and Japan was promising. Both premium and economy travel across the North Atlantic were strong in March compared to a year ago, expanding 4.9% and 6.7% respectively, consistent with positive economic indicators from the US and Germany. Travel within Europe also showed similar degrees of improvement in March, particularly for premium travel, which increased by 3.1% from a year ago, up on the February contraction of 0.8%. This result, however, is in contrast to the weak economic backdrop in Europe, where business confidence continues to decline and economic growth contracted for a second consecutive quarter.
- Overall, continued improvements in the global business environment are supporting air transport, and particularly premium travel markets. Leading indicators of business travel are showing further increase, with the Purchasing Managers' Index signaling a modest expansion in business confidence for the fifth consecutive month. World trade, which softened in February compared to January, is still up almost 2% on a year ago, providing support to export/import-related business travel.

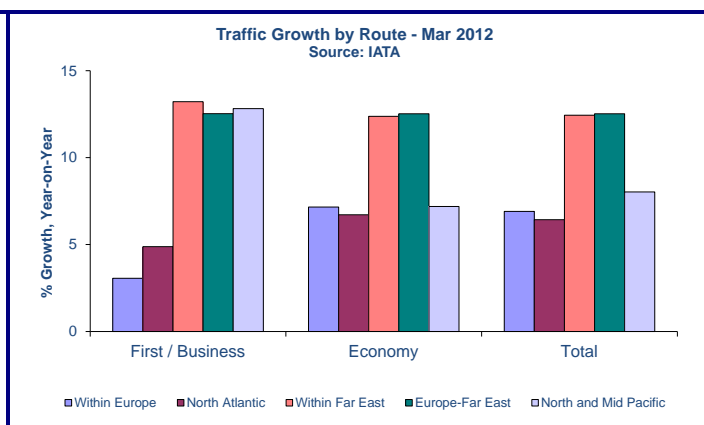
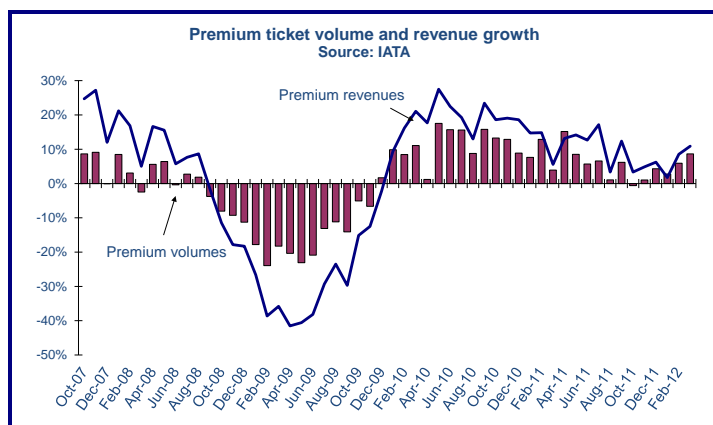
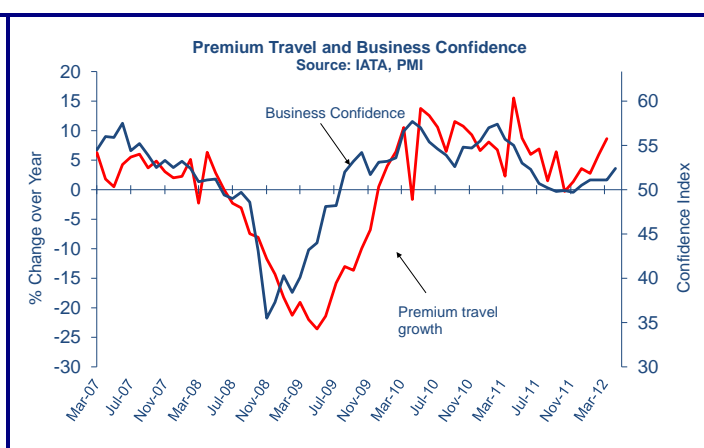
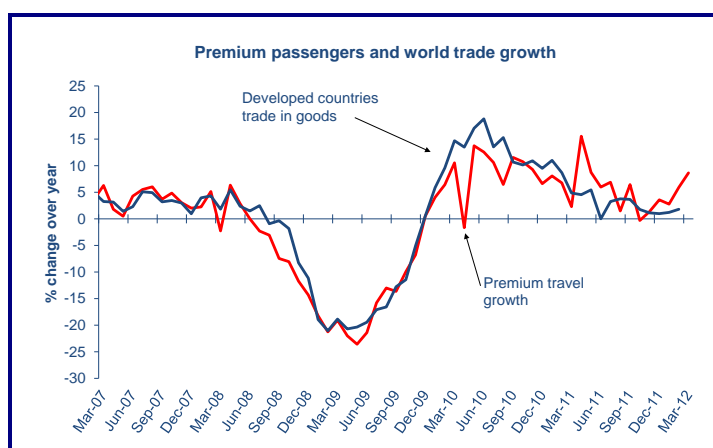


➤ Premium traffic is largely driven by business travel, whose indicators have looked positive for several months now. The first chart below shows the close movement in premium travel growth and world trade growth. Growth in trade of developed countries was declining throughout 2011, similar to the year-on-year growth rates in premium traffic, but that has changed over the last six months. Trade growth has shown improvement since the last quarter of 2011, and premium travel has started to grow at a faster rate over the same period.

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➤ Moreover, business confidence, as measured by the Purchasing Managers' Index, has shown significant improvement since the end of 2011, and is now signaling a modest expansion in manufacturing activity for the fifth consecutive month. Since the Index is typically a leading indicator of business and therefore premium travel, the current trend and level suggests premium travel markets could continue to expand over the coming months.



TRAFFIC GROWTH BY MAJOR ROUTE

➤ Air travel increased across all major regions in March year-on-year, but there were distortions to the results for some regions due to the Arab Spring and Japan earthquake a year ago. Travel within Far East, for example, recorded growth rates of 13.2% and 12.4% in premium and economy markets respectively, about double the February growth rates.

➤ Premium travel on routes Europe-Far East and North and Mid Pacific, whose performance is nevertheless also exaggerated by the effects of the Japan earthquake a year ago, showed strong growth in March. Both routes increased on February, growing 12.5% and 12.8%, respectively in March compared to the same month in 2011. This is the second month of growth for the Europe-Far East route, which declined by 2.8% in January. The impacts of the Chinese New Year and Japan earthquake could be contributing to the strong performance seen on this route in 2012, as continued weakness in the Eurozone does not support the strength of business (or leisure) travel

indicated by these results. Across the North and Mid Pacific, however, the strong performance could be attributed to more than just the distortions of the Japan Earthquake last year. Continued improvement in the US economy, the world's largest importer, is having a favorable effect upon major exporters including those nations of the Pacific-rim, and that in turn is supporting business travel across the North and Mid Pacific.

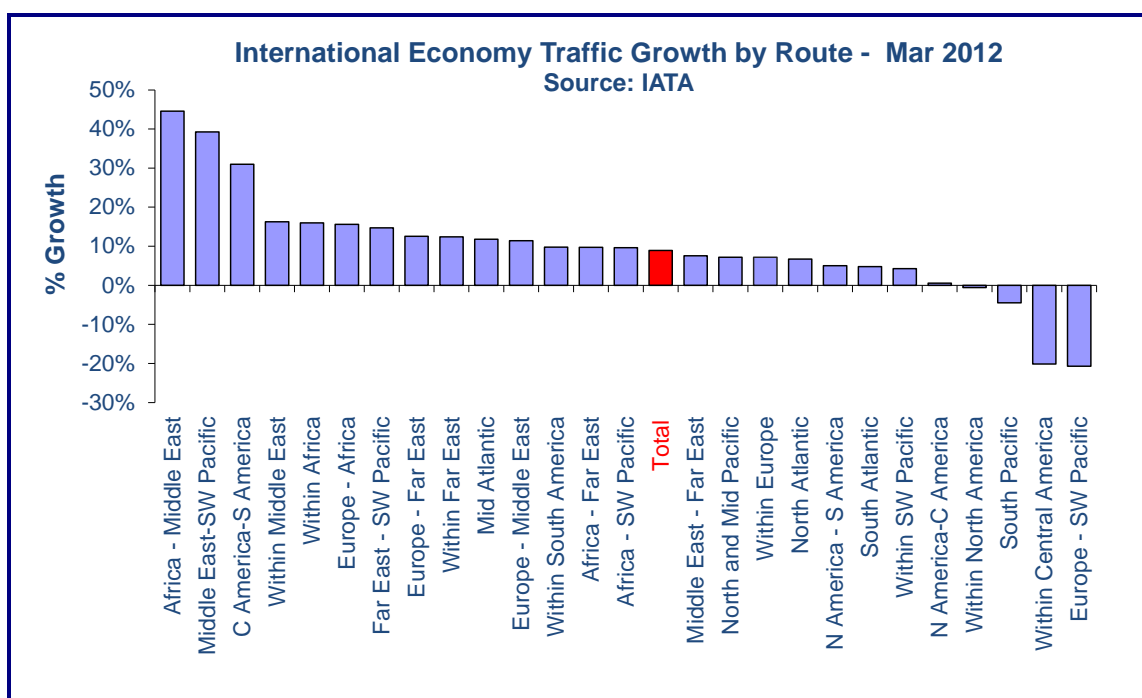
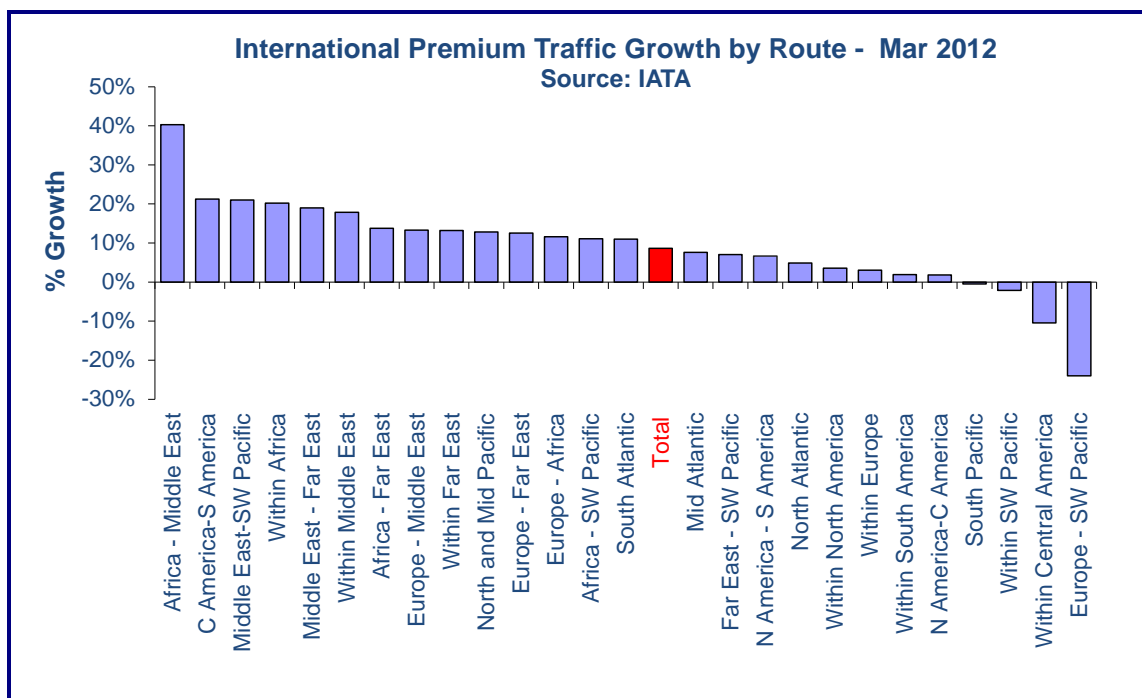
- ↗ The premium North Atlantic market, which represents about a quarter of market revenue, has grown by 4.9% in March compared to a year ago. This is the third consecutive month of growth and is consistent with improvements in the US economy and several positive indicators from Germany, offering support to export-associated business travel across the North Atlantic. Premium traffic along the route had not been performing as strongly over the last several months as it had been earlier in 2011, when Northern European and German exports were driving associated business travel across the North Atlantic. However, recent growth in Germany's manufacturing orders, industrial production and exports appear to again be providing a boost to premium travel along the route.
- ↗ The performance of air travel markets within Europe in March was not consistent with the economic developments in the continent. Premium travel expanded 3.1% in March compared to a year ago, up significantly from the 0.8% contraction in February. These results are not supported by the particularly weak indicators of business confidence for the region, as well as GDP contraction now for two consecutive quarters. Economy class performance was also in contrast to the weak economic backdrop, increasing a further 7.2% in March year-on-year, following a solid month of growth in February at 6.9%.

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16th May 2012

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PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth		Economy Traffic Growth	
	Traffic	Revenues	Mar 12 vs. Mar 11	YTD 2012 vs. YTD 2011	Mar 12 vs. Mar 11	YTD 2012 vs. YTD 2011
Africa - Middle East	1.5%	1.1%	40.3%	30.2%	44.6%	41.5%
Africa - SW Pacific	0.0%	0.1%	11.1%	10.9%	9.6%	-2.0%
C America-S America	0.3%	0.1%	21.3%	23.7%	31.0%	42.2%
Europe - Far East	9.7%	15.4%	12.5%	6.4%	12.5%	8.2%
Europe – Middle East	5.7%	7.5%	13.3%	10.9%	11.4%	12.9%
Europe - SW Pacific	0.1%	0.2%	-24.0%	-19.7%	-20.7%	-16.1%
Africa - Far East	0.3%	0.5%	13.8%	1.1%	9.7%	0.8%
Within Africa	1.1%	0.5%	20.2%	17.2%	16.0%	15.8%
Within Central America	0.0%	0.0%	-10.5%	-7.9%	-20.2%	-8.7%
Within Far East	11.4%	3.2%	13.2%	8.6%	12.4%	8.3%
Within Middle East	2.0%	0.6%	17.8%	14.8%	16.3%	16.5%
Within North America	1.0%	0.5%	3.6%	8.3%	-0.6%	3.5%
Within SW Pacific	0.3%	0.1%	-2.1%	-7.4%	4.3%	0.5%
Within South America	1.1%	0.2%	1.9%	-0.1%	9.8%	9.8%
Mid Atlantic	1.2%	1.2%	7.6%	6.3%	11.8%	12.3%
Middle East - Far East	3.5%	3.0%	19.0%	18.6%	7.5%	10.7%
Middle East-SW Pacific	0.5%	1.2%	21.0%	18.5%	39.3%	26.6%
North Atlantic	15.4%	25.8%	4.9%	3.2%	6.7%	4.3%
N America-C America	6.7%	2.9%	1.8%	0.5%	0.5%	-0.3%
Europe – Africa	4.0%	4.8%	11.6%	4.2%	15.6%	7.3%
N America - S America	2.9%	4.2%	6.7%	7.7%	5.0%	7.7%
Far East - SW Pacific	1.9%	3.1%	7.0%	4.0%	14.7%	7.8%
North and Mid Pacific	5.9%	12.9%	12.8%	8.6%	7.2%	5.9%
South Pacific	0.5%	1.3%	-0.5%	-3.2%	-4.5%	-5.0%
South Atlantic	2.8%	4.9%	11.0%	8.0%	4.8%	7.5%
Within Europe	20.2%	4.9%	3.1%	0.8%	7.2%	7.4%
Total International	100.0%	100.0%	8.6%	5.8%	8.9%	7.8%



FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Route Tracker publication:

www.iata.org/ps/publications/Pages/route-tracker

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