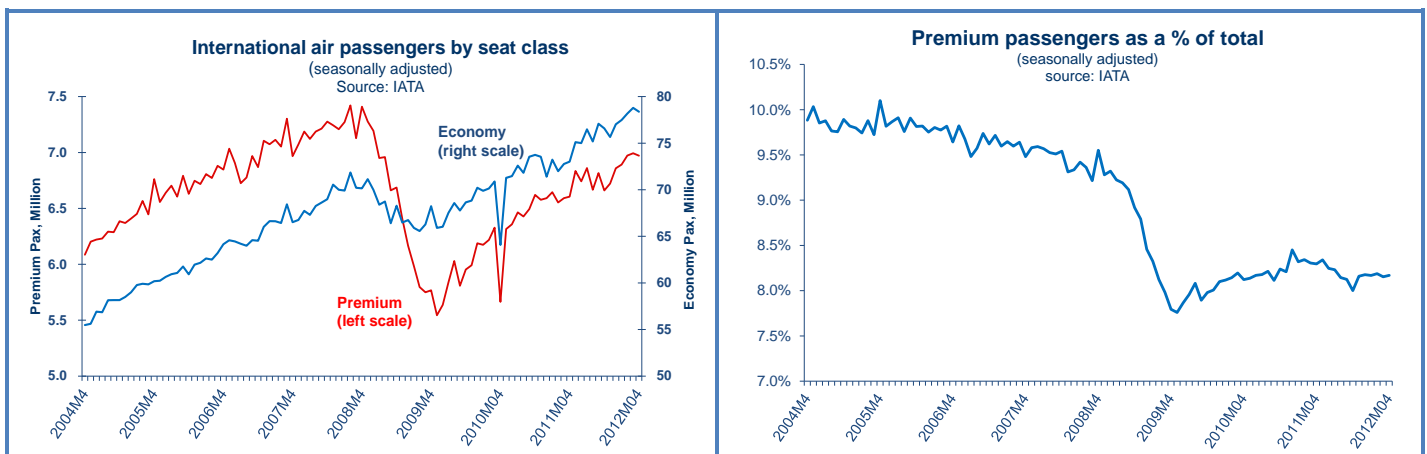


PREMIUM TRAFFIC MONITOR

APRIL 2012

KEY POINTS

- The data for April, after a strong first quarter, showed signs of weakness in passenger markets. Both premium and economy traffic fell, compared to March; the earlier improvement in the share of premium class passengers appears to have stopped; and key business travel drivers, such as world trade and business confidence, have fallen.
- The level and growth rates for premium and economy class passengers in April slipped back from those in March. Compared to a year ago premium travel in April was up by 5.8%, while economy travel increased 7.3%.
- The April year-on-year growth rates were exaggerated, as in previous months, by the impact of the Japan earthquake and the Arab Spring that occurred a year ago. We estimate that premium travel was 3-4% points higher this April than it would have been in the absence these events, in particular the Japan earthquake, implying the market expanded by only 2% in April. Although the growth trend remains upward, the rate of increase since the start of the year has slowed, with premium travel now expanding at an annualized rate of under 5% since the start of the year, below the 2011 growth rate of 5.5%.
- Economy travel is in a similar position. The first chart below shows the seasonally adjusted trend for economy class travel, indicating that it is maintaining the upward trend but also slowing in April to give an annualized growth rate of under 5% since January. In contrast to premium travel, however, this is in line with the growth of economy travel last year. The impact of the events in Japan and MENA were less pronounced on economy travel; we estimate the impact was worth about 2% points, resulting in underlying growth of about 5% in April year-on-year.
- Year-on-year growth in air travel on all major premium routes was positive, except for the North Atlantic – which contracted by 0.3% in April and as the second largest market, contributed to the fall in premium travel in April compared to March. Premium travel within Europe, the largest route by traffic share, expanded by 1.2% in April, but fell from the March result of 3.2%. Conversely, across the North and Mid Pacific, strong premium travel growth of 13.1% in April could be attributed to more than just the distortions of the Japan Earthquake last year – with consumer confidence rebounding in the US, growth in America's demand for China's exports has been increasing at double-digit growth rates in recent months.
- Conditions in the global business environment continue to provide support for premium travel, but the latest results for important indicators show some weakness, and that is consistent with the results for premium travel in April. Business confidence continues to indicate modest expansion, but the index has weakened on the back of China's slowdown and further weakness in Europe. The latest month of trade data indicates a slight softening in traded volumes, which does not bode well of for business-related premium travel.

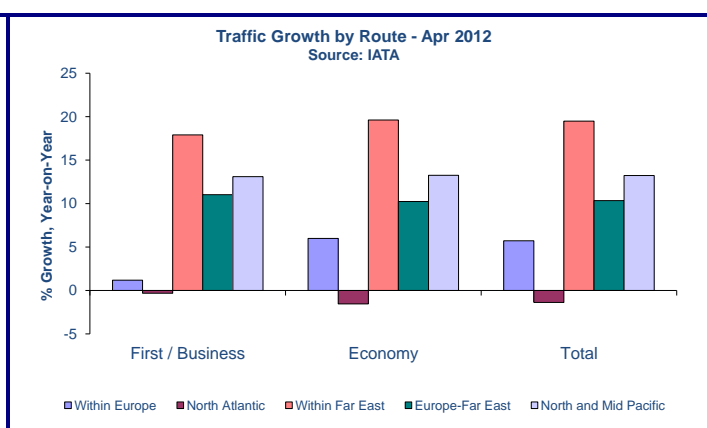
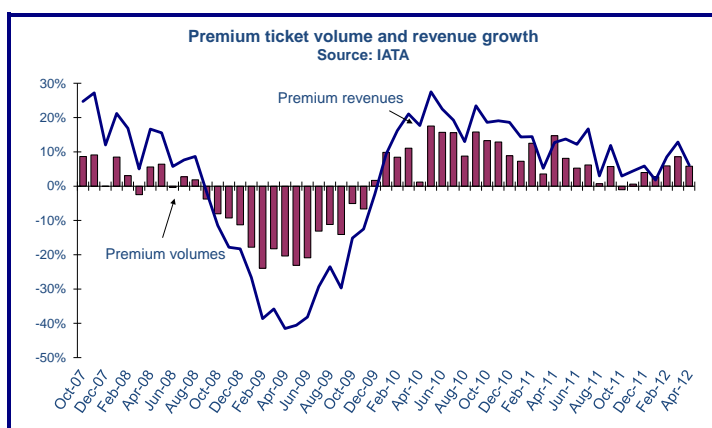
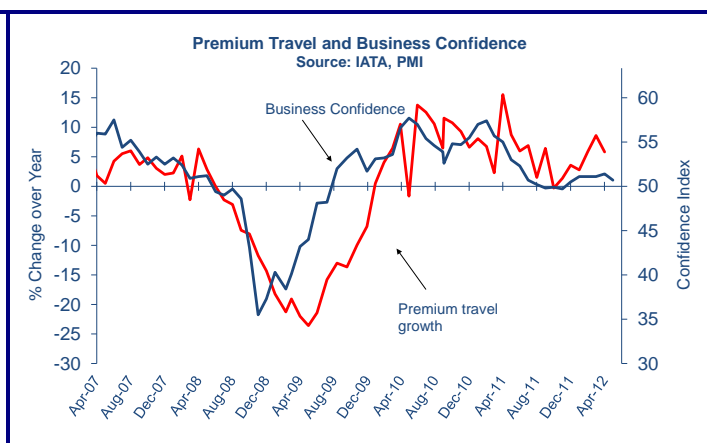
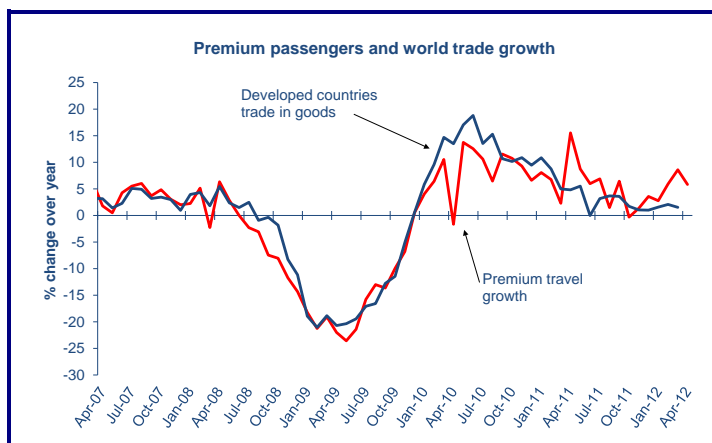


Indicators for business travel, the primary driver of premium class travel, have weakened slightly. The first chart below shows the close movement in premium travel growth and world trade growth. Trade growth has shown an improvement since the last quarter of 2011, but the latest month of data indicates a slight softening in volumes. Furthermore, a leading indicator of trade, the global index for export orders, has now retreated to contractionary levels, for the first time since December 2011. These developments are consistent with the softening in premium travel in April.

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Business confidence, typically a leading indicator of premium travel, has been signaling expansion since the end of 2011. The latest data continues to indicate modest expansion in business activity, but the index has softened compared to previous months. The current levels of business confidence should continue to provide support for business related travel, but since a majority of the indicator's performance is being driven by US rather than European or Chinese activity, diverging trends in demand for premium travel could develop across regions in the coming months.



TRAFFIC GROWTH BY MAJOR ROUTE

- Air travel increased across all major regions in April year-on-year, except for the North Atlantic. Growth results in some regions continue to be affected by the events in Japan and MENA last year.
- Travel within the Far East continues to show exaggerated year-on-year growth rates as a result of the Japanese earthquake, expanding by 17.9% for premium travel and 19.6% for economy travel, in April. Although it is difficult to tell the underlying growth rate due to these distortions, we expect the true growth in travel in the region to be significantly lower than these reported rates. China's indicators of business confidence continue to signal slowing momentum, and major exporters such as Korea are suffering significant and persistent declines in export shipments. These conditions do not bode well for business-related premium class travel in the region. However,

China's exports to nations within Asia continue to expand, and this will offer support to business travel within the region.

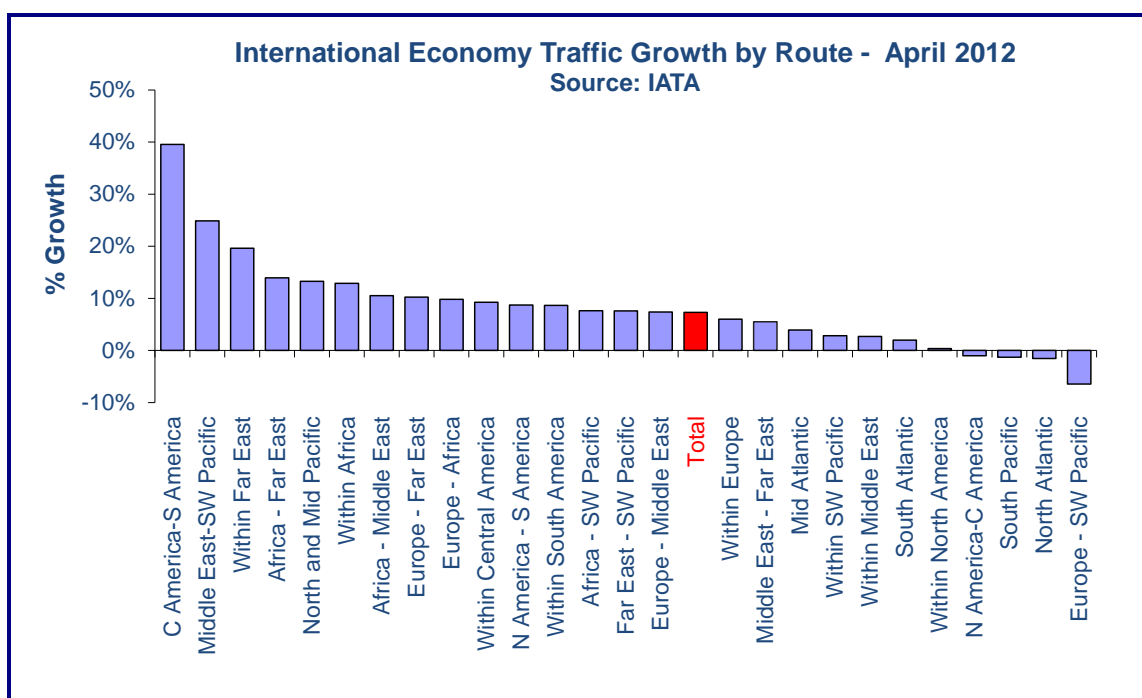
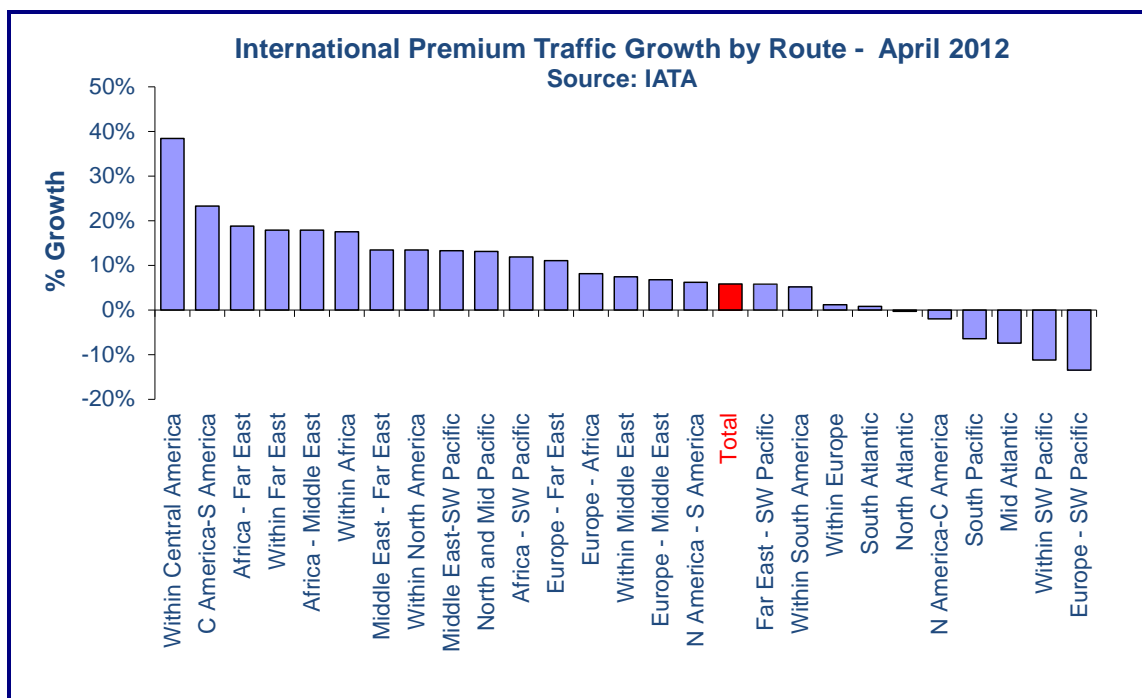
- Across the North and Mid Pacific, however, continuing strength in premium travel demand could be attributed to more than just the distortions of the Japan Earthquake last year. Indicators of manufacturing activity remain firmly in expansionary territory in the US, and America's demand for Chinese manufactured goods has been increasing by double-digit growth rates in recent months. This is acting as a driver of business travel across the North and Mid Pacific, which expanded by 13.1% in April compared to a year ago.
- Growth of passenger travel in Europe in April was once again in contradiction to the economic weakness in the region. Premium travel expanded 1.2% in April compared to a year ago, but this was down on the March result of 4.9%, contributing to the overall decline in premium travel in April compared to March. A similar trend was evident in the economy class market, with passenger numbers increasing by 6.0%, after stronger growth in March of 7.2%. The particularly weak indicators of business confidence for the region, which continue to slip further into contractionary territory, as well as the waning consumer confidence in the region, do not support these results.
- The North Atlantic premium travel market, which represents about a quarter of market revenue, softened in April, contracting by 0.3% compared to a year ago. However, premium travel along this route had three months of consecutive solid performance prior to April - supported by improvements in the US economy. The slowdown in April is consistent with weakening in the Eurozone. The coming months will be telling as to the degree of impact the Eurozone sovereign debt crisis will have on business-related premium travel across the North Atlantic.

IATA Economics
19th June 2012

E-Mail: economics@iata.org

PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth		Economy Traffic Growth	
	Traffic	Revenues	Apr 12 vs. Apr 11	YTD 2012 vs. YTD 2011	Apr 12 vs. Apr 11	YTD 2012 vs. YTD 2011
Africa - Middle East	1.6%	1.0%	17.9%	27.0%	10.5%	32.1%
Africa - SW Pacific	0.0%	0.1%	11.9%	11.1%	7.6%	0.4%
C America-S America	0.3%	0.2%	23.3%	23.6%	39.6%	41.6%
Europe - Far East	9.4%	14.7%	11.0%	7.5%	10.2%	8.6%
Europe – Middle East	5.6%	6.1%	6.8%	9.9%	7.4%	11.8%
Europe - SW Pacific	0.1%	0.2%	-13.5%	-18.4%	-6.5%	-13.9%
Africa - Far East	0.3%	0.4%	18.8%	5.3%	13.9%	4.0%
Within Africa	1.2%	1.0%	17.5%	17.3%	12.9%	15.4%
Within Central America	0.0%	0.0%	38.4%	0.3%	9.2%	-4.7%
Within Far East	11.7%	9.6%	17.9%	10.8%	19.6%	11.0%
Within Middle East	2.0%	0.8%	7.4%	12.9%	2.7%	12.9%
Within North America	1.0%	0.3%	13.4%	9.5%	0.3%	2.6%
Within SW Pacific	0.2%	0.2%	-11.2%	-8.3%	2.8%	1.1%
Within South America	1.1%	0.4%	5.2%	1.1%	8.6%	9.6%
Mid Atlantic	1.2%	1.2%	-7.4%	2.7%	3.9%	10.2%
Middle East - Far East	3.4%	2.5%	13.5%	17.3%	5.5%	9.4%
Middle East-SW Pacific	0.5%	0.9%	13.3%	17.2%	24.9%	26.2%
North Atlantic	16.4%	25.6%	-0.3%	2.2%	-1.5%	2.4%
N America-C America	5.9%	2.2%	-2.0%	-0.1%	-1.0%	-0.5%
Europe – Africa	3.8%	3.7%	8.1%	4.6%	9.8%	7.4%
N America - S America	2.8%	3.9%	6.2%	7.3%	8.7%	8.0%
Far East - SW Pacific	1.8%	2.7%	5.8%	4.4%	7.6%	7.8%
North and Mid Pacific	5.8%	12.7%	13.1%	9.7%	13.3%	7.6%
South Pacific	0.4%	0.9%	-6.4%	-3.9%	-1.3%	-4.2%
South Atlantic	2.7%	3.1%	0.8%	6.1%	2.0%	6.1%
Within Europe	20.9%	5.9%	1.2%	0.9%	6.0%	7.0%
Total International	100.0%	100.0%	5.8%	5.8%	7.3%	7.7%



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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