

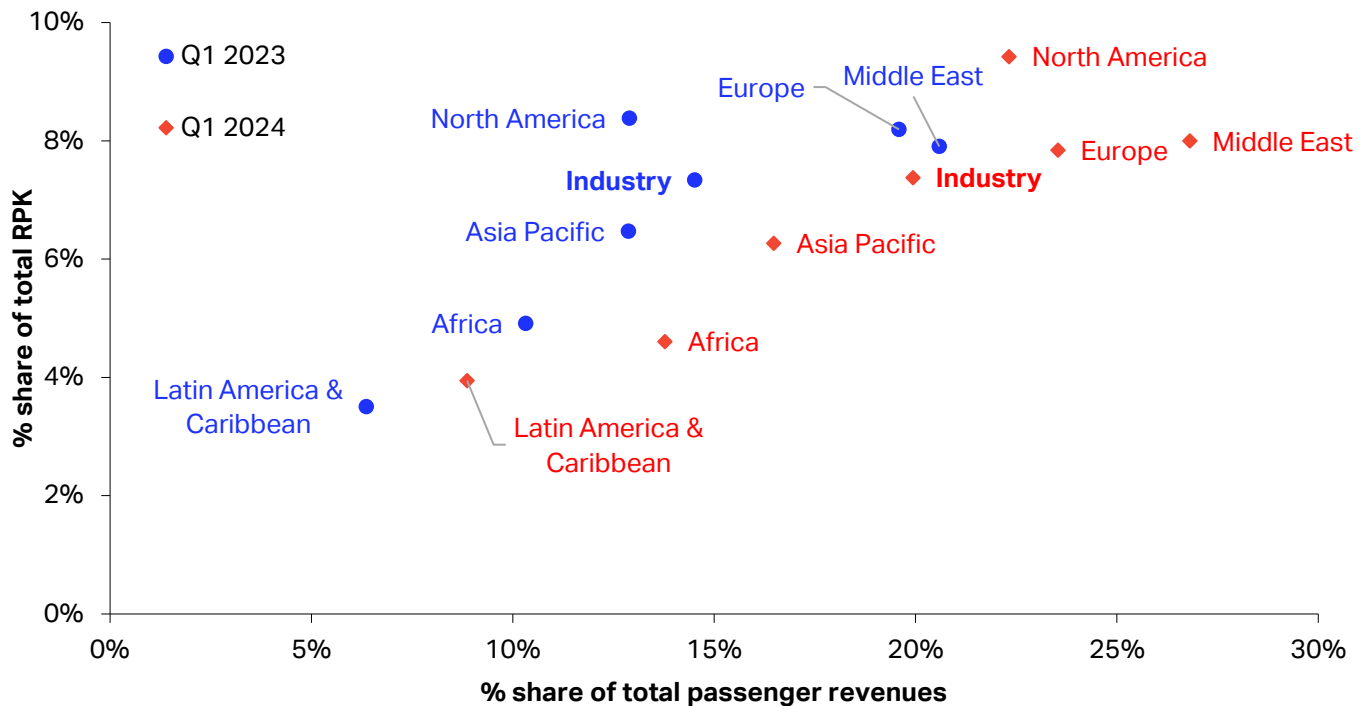


Chart of the Week

17 May 2024

Premium traffic and revenue are back on track

Premium total traffic performed by full-service carriers, by airline region of registration



Source: IATA Sustainability and Economics, DDS

- Premium class traffic, which comprises both Business and First class, contributed to about 20% of the total passenger revenues on average over the 2011 to 2019 period while only representing 7% of total revenue passenger-kilometers (RPK). The disruption the industry experienced during the Covid period destabilized that ratio. It now seems to be back on track with the first quarter (Q1) of 2024 showing great improvement compared to one year ago. Premium traffic's contribution to airlines revenue increased tremendously while its share of total RPK was virtually unchanged, bringing the industry closer to the pre-pandemic average.
- It is to be expected that revenue from premium class traffic grows along with performed traffic. More fundamentally encouraging is the fact that all regions have increased their revenues from premium traffic in Q1 2024, for an essentially unchanged level of capacity allocation to this segment. North American carriers saw the most substantial improvement in this segment's revenue generation, gaining 9.4 percentage points (ppt) in the year to Q1 2024. Simultaneously, the region's premium traffic's share of total RPK only rose by one ppt. Middle Eastern airlines earned 27% of total revenue from the premium travelers in Q1 2024, up from 21% in the same quarter of 2023 and this from a stable 8% of RPKs. On the other hand, Africa and Latin America had a relatively lighter focus on the premium classes but nevertheless managed to improve their share of total revenue by 3.5 and 2.5 percentage points respectively.
- Increasing revenue from premium class travel is instrumental to boost airlines' profitability. Having essentially recuperated pre-Covid levels as per Q1 2024, it will be interesting to see if this can be pushed further, potentially thanks to more leisure travelers opting to fly premium.

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