

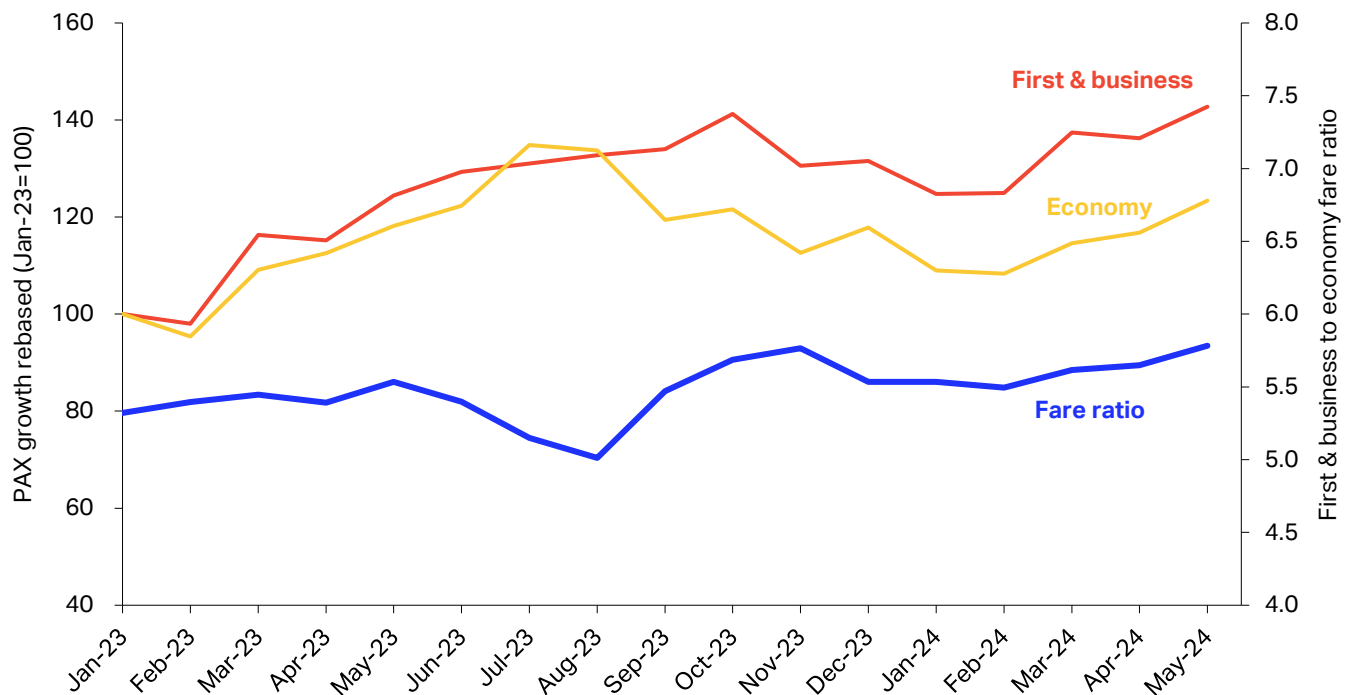


Chart of the Week

26 July 2024

The Resurgence of Premium-Class Travel

Global passengers by cabin class (monthly growth) and relative fare price



Source: IATA Sustainability and Economics, DDS

- Business and first-class (premium) passengers constitute a mere 3% of all travelers, yet they play a pivotal role in airlines' revenue streams. Premium fares, which are approximately five times higher than economy fares on average, contribute significantly – about 15% – to passenger revenue (excluding ancillary income).
- Both premium and economy travel exhibit seasonal patterns that influence the relative pricing of these cabin classes. During the summer months, demand for economy fares tends to surge. Interestingly, business class fares decline in summer but rebound in September and around March to May, aligning with the corporate travel cycle. This results in a seasonal peak in relative fare growth in premium travel compared to economy class in the second and fourth quarters of any given year.
- Passenger growth across cabin classes moved in tandem until August 2023. Since then, premium travel has outpaced economy-class travel. As of May 2024, the number of premium passengers had surged by a remarkable 43% from January 2023. Economy class travel experienced a respectable 23% growth during the same period. This boost to premium bookings is particularly encouraging for airlines' financial performance given that first and business-class fares have remained relatively more expensive in recent months. This positive trend may indicate the resurgence of corporate travel – coinciding with a robust restart of the corporate travel cycle.

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