

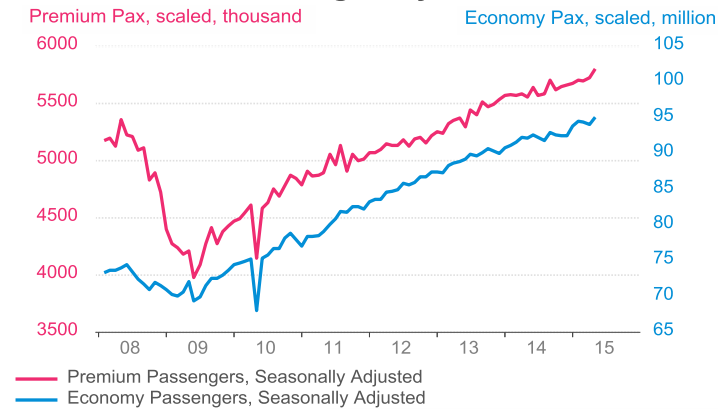
# PREMIUM TRAFFIC MONITOR

## APRIL 2015

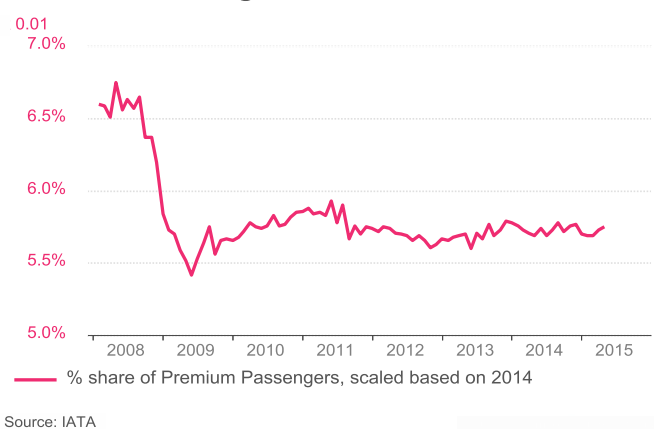
### KEY POINTS

- ➔ Passenger travel on international markets rose 3.8% in April compared to a year ago, slower than the 4.6% result in March. The growth trend for international passenger numbers remains sluggish overall;
- ➔ For premium international travel (up 4.9%), there was an acceleration on March (up 4.6%), but the growth trend remains fragile when looking at the past 6 months;
- ➔ There was a rise in premium international air travel volumes in April compared to March, but given developments in demand drivers and the inherent month-to-month volatility in the data, this does not necessarily mean an upturn in the trend;
- ➔ Global economic growth appears to be have slowed for the second consecutive month in May, according to measures of business activity and world trade is experiencing the steepest decline since 2013;
- ➔ Nonetheless, some markets continue to show solid increases, at least for the time being. International travel within Far East was up 11.7% overall, and on premium markets, travel within Europe rose 5.4%, consistent with recent indicators that economic recovery is on track;
- ➔ Looking ahead, the recent developments in the global economy present downside risks for growth in international air travel. Economic weakness in Asia from falling trade activity could lead to deterioration in business related air travel for that region. That said, there has been no sign of weakness in demand so far. It is unclear if these negative developments will be offset by improvements in advanced markets like Europe and the US, which should support demand for air travel.

**International Air Passengers by Seat Class**



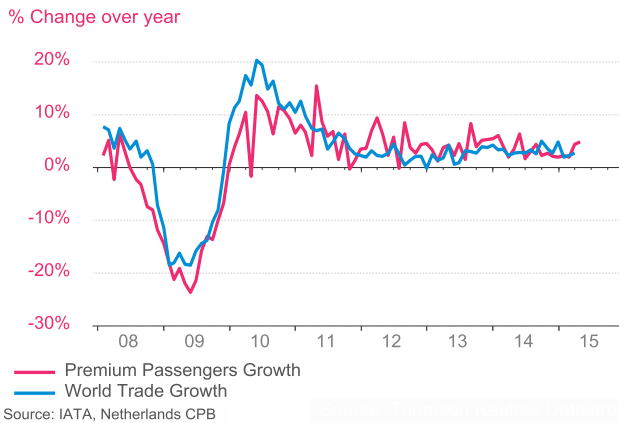
**Premium Passengers as % of Total**



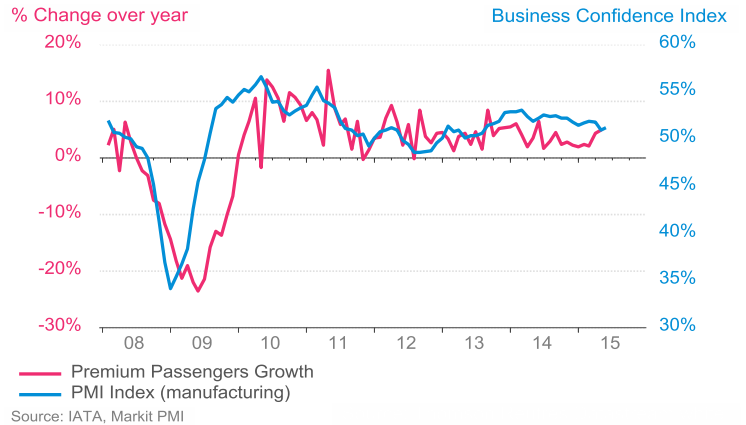
- ➔ Looking at international air passenger volumes (first chart above) reveals weakness in the growth trend, particularly for premium passenger numbers. There was a rise in premium international air travel volumes in April compared to March, but given developments in demand drivers and the inherent month-to-month volatility in the data, this does not necessarily mean an upturn in the trend. Prior to the April result, premium international air travel volumes had been broadly flat since August 2014. Looking ahead, indicators are mixed. Latest data show a pick-up in business confidence in the Eurozone and US, but developments in emerging markets present a downside risk to growth in business-related international air travel for the coming months. Business activity in those economies has dipped into contractionary territory for the first time in 12 months.

- ➔ In 2013 and during earlier parts of 2014, when premium travel was expanding at a faster pace than economy travel, there was a boost to the share of premium travel from total travel. This was positive for yield growth and revenues. With the exception of April, weakness in business-related premium travel during the recent past has placed downward pressure on the share of premium seats from the total. At the same time, a rebound in economy class travel has also contributed to a fall in premium's share of total travel. Economy class leisure travel, the relatively more price sensitive travel market, has been given a boost by falling fares.
- ➔ Even though there has been no marked gain in premium's share of total traffic, growth on longer-haul markets has been robust. This has helped support premium yields on some markets, which in turn has supported the financial performance of the longer-haul network airlines, compared to shorter-haul mainly leisure travel focused airlines in some, though not all, regions.
- ➔ The profile of air travel growth, with a strong first half in 2014 and relatively slower growth during the second half of the year and into 2015, has been driven by wider economic developments. World trade and industrial production accelerated during parts of 2014, but that trend failed to continue through to the end of the year, with growth slowing, particularly for business confidence, in Q4 2014. The lagged impact of that weakness in business confidence in late 2014 has been showing up the sluggish growth trend for premium travel.

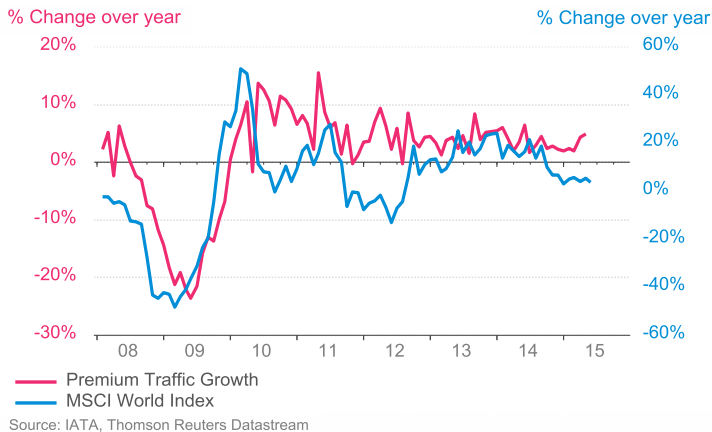
### Premium Passengers and World Trade Growth



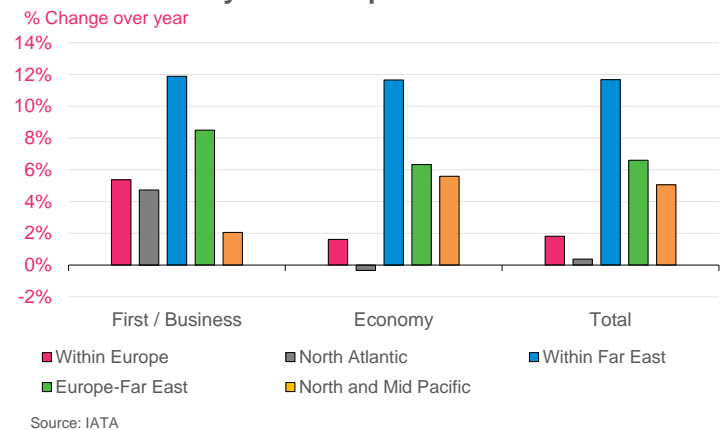
### Premium Travel and Business Confidence



### Premium Travel & Global Financial Market Performance



### Traffic Growth by Route - April 2015



## TRAFFIC GROWTH BY MAJOR ROUTE

- ➔ Results for the within Far East market remain robust, even after the positive impacts of the Lunar New Year celebrations. The holiday provided a boost for leisure travel for several weeks, this year extending into March. In April, premium and economy international travel within the Far East was up 11.9% and 11.7%, respectively. The trend for this market was weak in 2014, with travel declines in Thailand and Malaysia as well as some slowdown in the Chinese economy. This year, adverse economic impacts had not had a negative impact on international air passengers numbers, yet. A slump in Chinese export has weakened manufacturing for the past several months, and trade in the region overall was down 10% in March compared to Q4 2014.
- ➔ Economic conditions in the Eurozone remain fragile but there have been some positive developments with April data showing increases in business activity. Recent efforts by the ECB to stimulate economic growth have led to an improvement in business sentiment in the region – this may support stronger demand for air travel in the coming months. Premium travel growth within Europe was up 5.4% in April year-on-year, consistent with these developments.
- ➔ Premium travel growth on the North Atlantic market was up 4.7% in April year-on-year. This is a solid result and is consistent with fundamental improvements in the US economy, as well as signs of improvement in the Eurozone, as mentioned above. In the US, latest economic data showed a disappointing first quarter of GDP growth, with a contraction compared to Q4 2014. However, better economic performance is expected in Q2, as the impacts of bad weather, falling oil prices and US sea port congestion will dissipate. Stronger growth in Q2 will likely support further expansion in air travel demand in the coming months. Premium revenues comprise a significant share (up to 55% on the North Atlantic market) on these markets.

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E-Mail: [economics@iata.org](mailto:economics@iata.org)

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## TRAFFIC GROWTH BY ROUTE – APRIL 2015

	Premium Traffic Growth		Economy Traffic Growth		Total Traffic Growth	
	Apr 15 vs. Apr 14	YTD 2015 vs. YTD 2014	Apr 15 vs. Apr 14	YTD 2015 vs. YTD 2014	Apr 15 vs. Apr 14	YTD 2015 vs. YTD 2014
Africa - Far East	-17.3%	-13.1%	-17.8%	-13.0%	-17.7%	-13.0%
Africa - Middle East	5.2%	1.9%	4.3%	-6.6%	4.4%	-5.8%
Europe - Africa	-2.9%	-5.0%	-2.8%	-2.6%	-2.8%	-2.9%
Europe - Far East	8.5%	3.6%	6.3%	4.1%	6.6%	4.0%
Europe - Middle East	4.6%	7.1%	3.0%	5.8%	3.2%	5.9%
Far East - Southwest Pacific	6.0%	6.7%	2.1%	6.6%	2.5%	6.6%
Mid Atlantic	10.2%	10.0%	7.3%	4.9%	7.6%	5.4%
Middle East - Far East	6.1%	7.7%	2.7%	6.1%	3.0%	6.3%
North America - Central America	5.1%	2.9%	7.7%	6.7%	7.4%	6.3%
North America - South America	-8.5%	-7.7%	-7.3%	-3.9%	-7.4%	-4.4%
North and Mid Pacific	2.1%	2.7%	5.6%	5.5%	5.1%	5.1%
North Atlantic	4.7%	3.4%	-0.3%	1.7%	0.4%	2.0%
Other routes	0.0%	-2.4%	4.8%	4.7%	4.4%	4.0%
South Atlantic	-2.7%	0.0%	-2.6%	0.2%	-2.6%	0.2%
South Pacific	5.8%	-1.1%	8.8%	3.6%	8.5%	3.0%
Within Africa	-4.7%	-7.6%	-6.1%	-7.4%	-6.0%	-7.4%
Within Europe	5.4%	3.8%	1.6%	1.7%	1.8%	1.8%
Within Far East	11.9%	9.7%	11.7%	10.7%	11.7%	10.7%
Within North America	6.9%	1.9%	2.2%	6.4%	2.5%	6.1%
Within South America	4.6%	1.1%	8.0%	7.4%	7.8%	7.1%
<b>Total</b>	<b>4.9%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.9%</b>

Source: IATA Origin-Destination Statistics

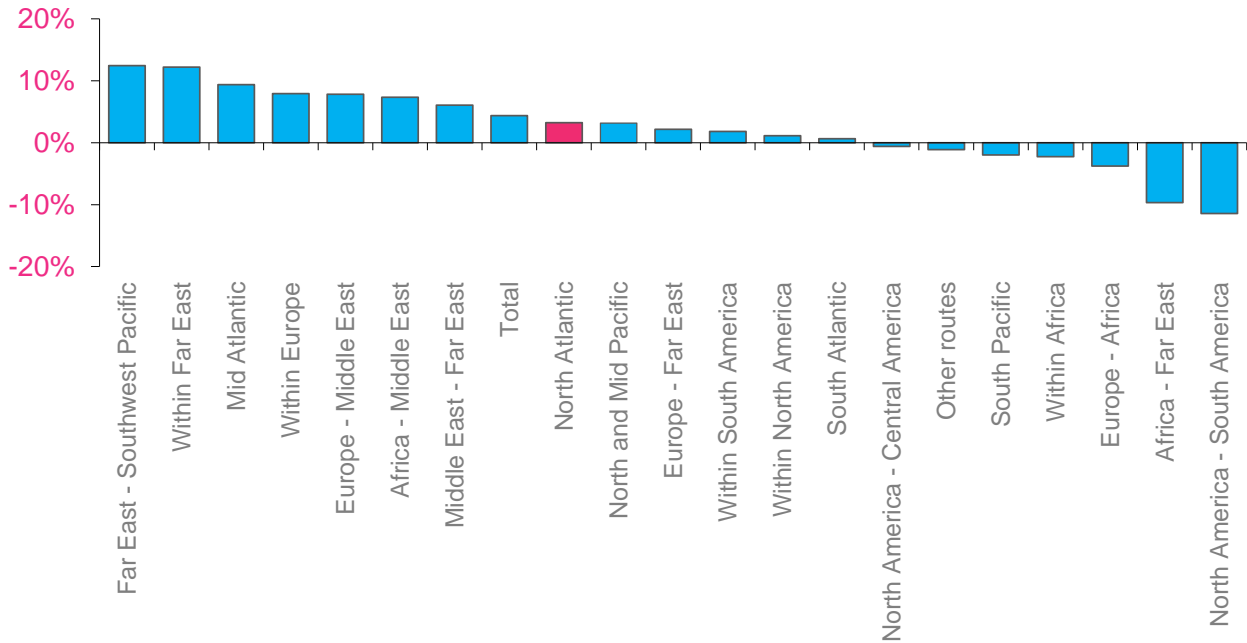
## PREMIUM TRAFFIC BY ROUTE – PREVIOUS MONTH

	Share of Premium		Share of Total	
	Traffic	Revenues	Traffic	Revenue
Africa - Far East	0.6%	0.8%	8.1%	25.7%
Africa - Middle East	1.7%	1.1%	7.3%	25.2%
Europe - Africa	4.2%	7.7%	7.6%	39.4%
Europe - Far East	9.5%	13.9%	10.6%	42.3%
Europe - Middle East	5.0%	5.5%	11.0%	46.8%
Far East - Southwest Pacific	3.1%	3.5%	8.6%	28.3%
Mid Atlantic	1.5%	2.0%	7.8%	31.1%
Middle East - Far East	3.0%	2.0%	4.5%	15.9%
North America - Central America	3.8%	1.8%	3.9%	9.4%
North America - South America	2.4%	3.1%	11.4%	32.3%
North and Mid Pacific	5.5%	11.0%	12.0%	37.7%
North Atlantic	13.8%	22.6%	16.1%	55.1%
Other routes	6.2%	4.7%	7.9%	27.1%
South Atlantic	2.0%	3.1%	12.2%	37.7%
South Pacific	0.9%	2.2%	13.7%	43.0%
Within Africa	1.5%	0.6%	7.8%	20.9%
Within Europe	16.6%	4.6%	3.4%	11.6%
Within Far East	17.0%	8.8%	5.5%	16.0%
Within North America	0.8%	0.5%	2.1%	7.3%
Within South America	0.8%	0.3%	4.7%	9.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6.4%</b>	<b>29.1%</b>

Source: Diio, IATA

### International Premium Traffic Growth by Route - Apr 2015

**% Growth**



### International Passenger Growth by Route - Apr 2015

**% Growth**

