

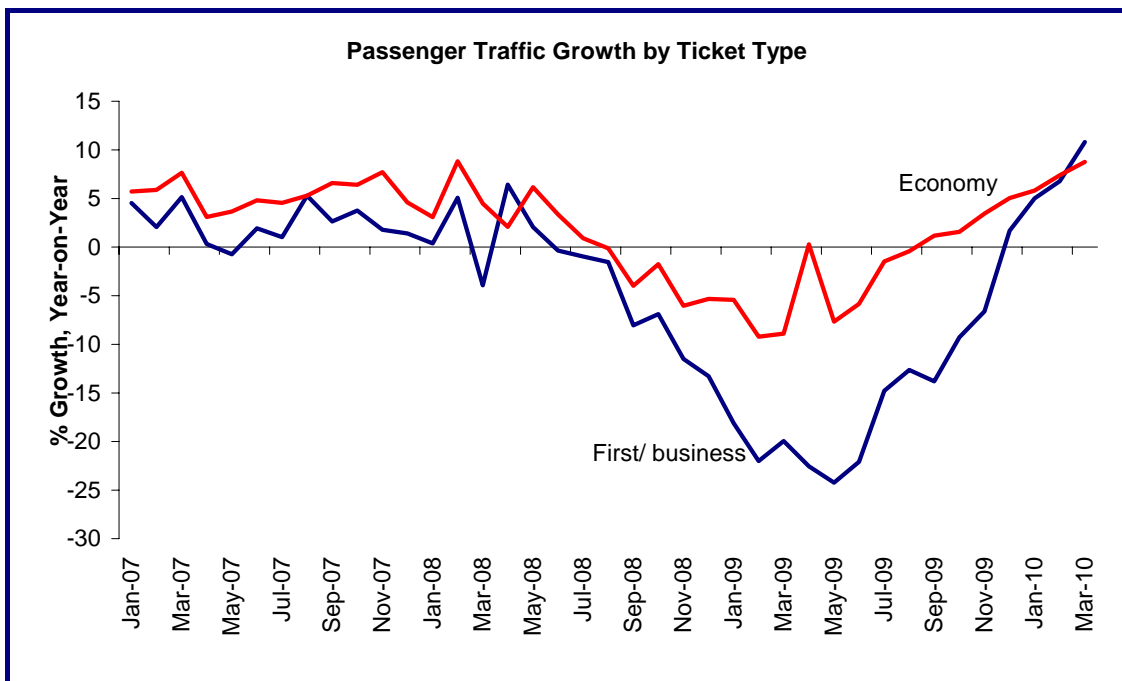
PREMIUM TRAFFIC MONITOR

MARCH 2010

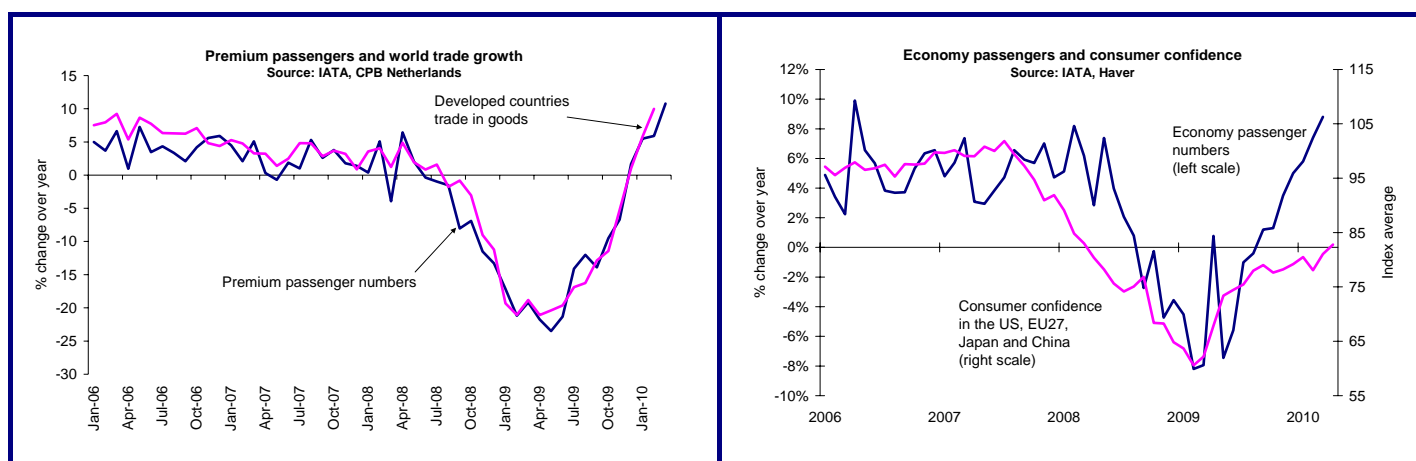
KEY POINTS

- The number of passengers travelling in first and business class seats on international markets rose 10.8% in March from the levels seen the previous year. For the first quarter of 2010 premium travel volumes were up 7.6% on the previous year. In fact the number of people travelling on premium seats was expanding at a very strong annualised rate of 25% in the first quarter. The impact of the volcanic ash plume in April will have put a dent into that expansion, we hope temporarily, cutting overall international travel numbers by an estimated 4%.
- Economy travel was 8.8% higher in March this year than a year ago. In the first quarter of 2010 its level averaged 7.4% higher than a year ago. This is similar to the same comparison for premium travel. However, looking at the pace of expansion from the fourth quarter to the first it is clear that premium travel had the stronger impetus. Economy travel was expanding at a respectable but slower annualised pace of 10%.
- Of course both travel classes have been rebounding from the very low levels of 2009. Comparing the number of people travelling, adjusted for seasonality, with pre-recession levels in early 2008, economy travel recovered to those levels by March this year. However, despite faster recent growth, premium travel volumes were still some 15% below their pre-recession levels.
- Growth in both seat classes are being driven by business travel, rather than leisure. As business confidence and world trade have turned up sharply business travellers have returned. Consumer confidence has not recovered in the same way as business confidence. Higher levels of unemployment and consumer debt have led to little improvement since the mid-2009 rebound. This is likely to slow the recovery in leisure travel.
- Within Far East travel continues to show the strongest growth with this premium market almost 24% higher in the first quarter than the previous year. At the other end of the spectrum growth in travel was much weaker Within Europe and across the North Atlantic. Premium travel Within Europe was down 3.1% in the first quarter.

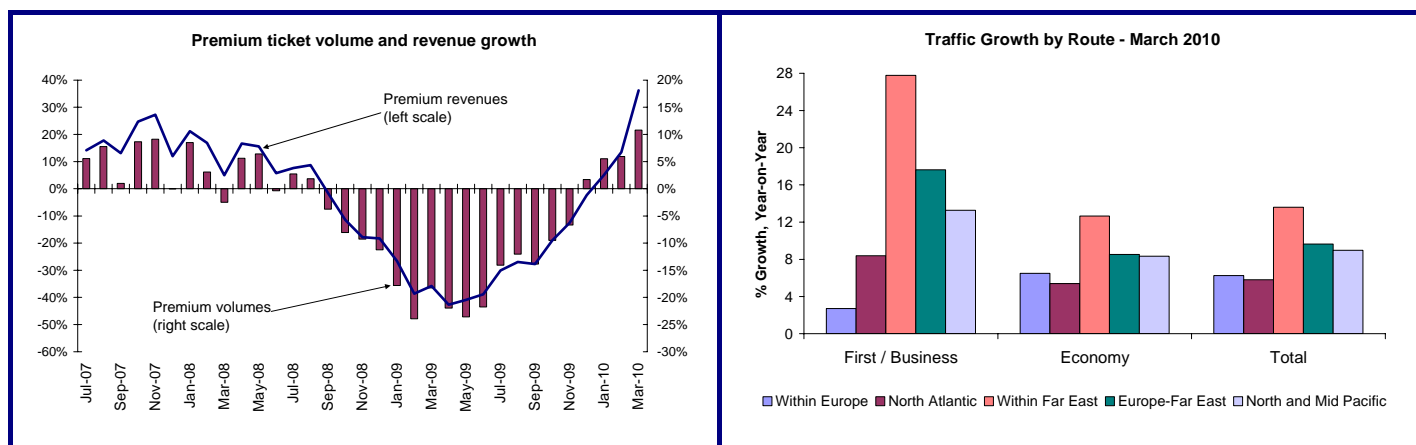
PREMIUM TRAFFIC GROWTH



- The number of passengers travelling in first and business class seats on international markets rose 10.8% in March from the levels seen the previous year. For the first quarter of 2010 premium travel volumes were up 7.6% on the previous year. In fact the number of people travelling on premium seats was expanding at a very strong annualised rate of 25% comparing the first quarter against the fourth quarter.
- This strong rebound comes after a sharp downturn in late 2008 and early 2009 that shrank premium travel by a quarter. Since the middle of last year an upturn has been taking place, which reduced the average decline in 2009 to 3.7% and produced the strong growth rates of the first quarter this year.
- Although premium travellers generate 30% of international passenger ticket revenues they represent less than 10% of passenger numbers. Total travel volumes are dominated by changes in the numbers travelling on economy seats. Economy travel was 8.8% higher in March this year than a year ago. In the first quarter of 2010 its level averaged 7.4% higher than a year ago. This is similar to the same comparison for premium travel. However, looking at the pace of expansion from the fourth quarter to the first it is clear that premium travel had the stronger impetus. Economy travel was expanding at a respectable but slower annualised pace of 10%.
- Of course both travel classes have been rebounding from the low levels of 2009, so there has been the usual post-recession surge in pent-up travel demand. Comparing the number of people travelling, adjusted for seasonality, with pre-recession levels in early 2008 shows that economy travel recovered to those levels in March. However, despite its faster recent growth, premium travel volumes were still some 15% below their pre-recession levels.
- The charts below suggest strongly that growth in both seat classes are being driven by business travel, rather than leisure. The fear at the depth of the recession had been that we were seeing a permanent shrinkage of the premium travel market. It has not yet regained pre-recession levels but the chart below shows that the decline and subsequent rise of premium travel has been cyclical (though yields may not recover in the same way). As business confidence and world trade have turned up sharply business travellers have returned.
- Consumer confidence has not recovered in the same way as business confidence. Higher levels of unemployment and consumer debt have led to little improvement since the mid-2009 rebound. This is likely to slow the recovery in leisure travel. As the chart below suggests the fluctuations in economy travel in the past two years, like premium travel, have been driven more by business travellers than holidaymakers.



- Yields have turned up from their mid-2009 lows as record load factors have tightened supply-demand conditions. However, yields have not recovered the ground lost during the recession to the same extent as travel demand. By the end of the first quarter premium yields were still well down on pre-recession levels but had risen some 10% above the previous year. As a result premium revenues are starting to show some significant growth. As shown in the chart below we estimate that premium revenues were over 30% higher than the previous year, though it should be noted that this rise is from low point of the revenue cycle.



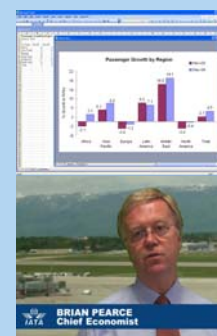
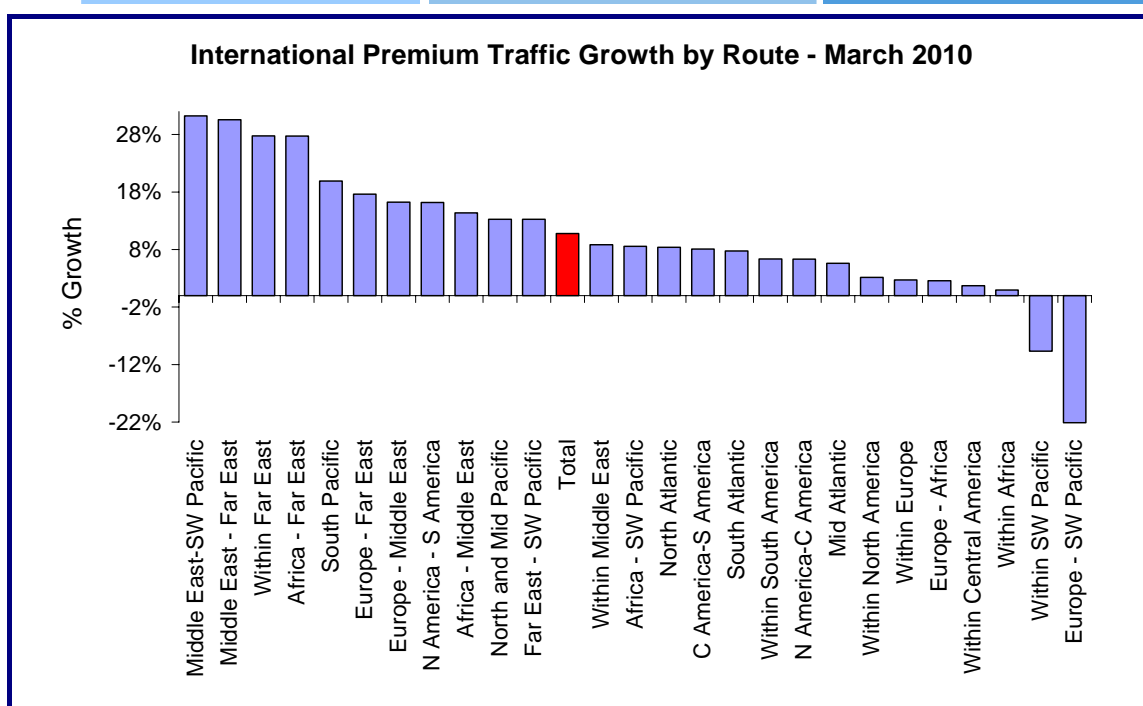
PREMIUM TRAFFIC BY MAJOR ROUTE

- Passenger markets are now almost all showing growth from the depths of the 2009 recession but there are still very considerable geographic differences.
- Of the larger markets Within Far East continues to show the strongest growth with this premium market almost 24% higher in the first quarter than the previous year. Economy travel was up 13.5% supporting the view that business travel is driving changes in demand at present. The Europe-Far East market and the North and Mid Pacific markets for premium travel are also strengthening with first quarter rises of 11.5% and 8.3% respectively.
- Strong economic growth in the Asian region is the driver of these outperforming travel markets. Industrial production is 10% above pre-recession levels and confidence in the economic outlook in these regions is strong, generating substantial increases in trade and business travel.
- There are other, smaller, markets also showing strong growth during the first quarter. Many South American economies are growing strongly, benefiting from Asian commodity demand and without the debt and banking problems of the US and Europe. Within South American premium travel was up over 20% in the first quarter, while economy travel was up 10%. The segments to the Middle East (this data is flight segment rather than O-D based) also continued to show strong growth, partly reflecting economic growth in the region but also market share gains by Middle Eastern airlines on long-haul markets connecting over their Middle East hubs. Europe-Middle East was up 12.7% for premium travel. Middle East-Far East was up 29%.
- At the other end of the spectrum growth in travel was much weaker Within Europe and across the North Atlantic. The US economy has shown an increasingly strong economic rebound in recent quarters, but European economies remain weak. Many declined in the fourth quarter of last year and saw only very modest expansion in the first quarter. As a result premium travel Within Europe was down 3.1% in the first quarter and economy travel was up only 4.4%. High unemployment is restricting leisure travel in the region and the weakness of economic growth and international trade is limiting the expansion of business travel. Across the North Atlantic premium travel was up 5.5% and economy travel just 2.4% in the first quarter.

IATA Economics
17th May 2010
E-Mail: economics@iata.org

PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Mar 10 vs Mar 09	YTD 2010 vs YTD 2009
Africa - Middle East	1.5%	1%	14.4%	13.1%
Africa - SW Pacific	0.0%	0%	8.6%	-5.6%
C America-S America	0.4%	0%	8.1%	10.4%
Europe - Far East	9.4%	15%	17.6%	11.5%
Europe - Middle East	5.3%	7%	16.2%	12.7%
Europe - SW Pacific	0.1%	0%	-22.1%	-5.6%
Africa - Far East	0.3%	1%	27.7%	24.0%
Within Africa	1.1%	0%	1.0%	-1.0%
Within Central America	0.1%	0%	1.7%	-1.7%
Within Far East	11.0%	3%	27.8%	23.6%
Within Middle East	2.0%	1%	8.8%	9.1%
Within North America	1.2%	1%	3.2%	2.0%
Within SW Pacific	0.2%	0%	-9.7%	10.9%
Within South America	1.1%	0%	6.3%	20.7%
Mid Atlantic	1.3%	1%	5.6%	3.9%
Middle East - Far East	3.0%	3%	30.6%	29.1%
Middle East-SW Pacific	0.5%	1%	31.2%	28.3%
North Atlantic	15.7%	27%	8.4%	5.5%
N America-C America	6.2%	3%	6.3%	5.4%
Europe - Africa	4.5%	5%	2.6%	0.0%
N America - S America	2.7%	4%	16.2%	19.8%
Far East - SW Pacific	1.8%	3%	13.2%	7.3%
North and Mid Pacific	5.9%	13%	13.3%	8.3%
South Pacific	0.4%	1%	19.9%	26.7%
South Atlantic	2.6%	5%	7.8%	8.2%
Within Europe	21.7%	5%	2.7%	-3.1%
Total International	100.0%	100%	10.8%	7.6%



FURTHER ANALYSIS AND DATA

Access video commentary and chart data related to this briefing through the Enhanced Edition:
www.iata.org/premium-traffic