

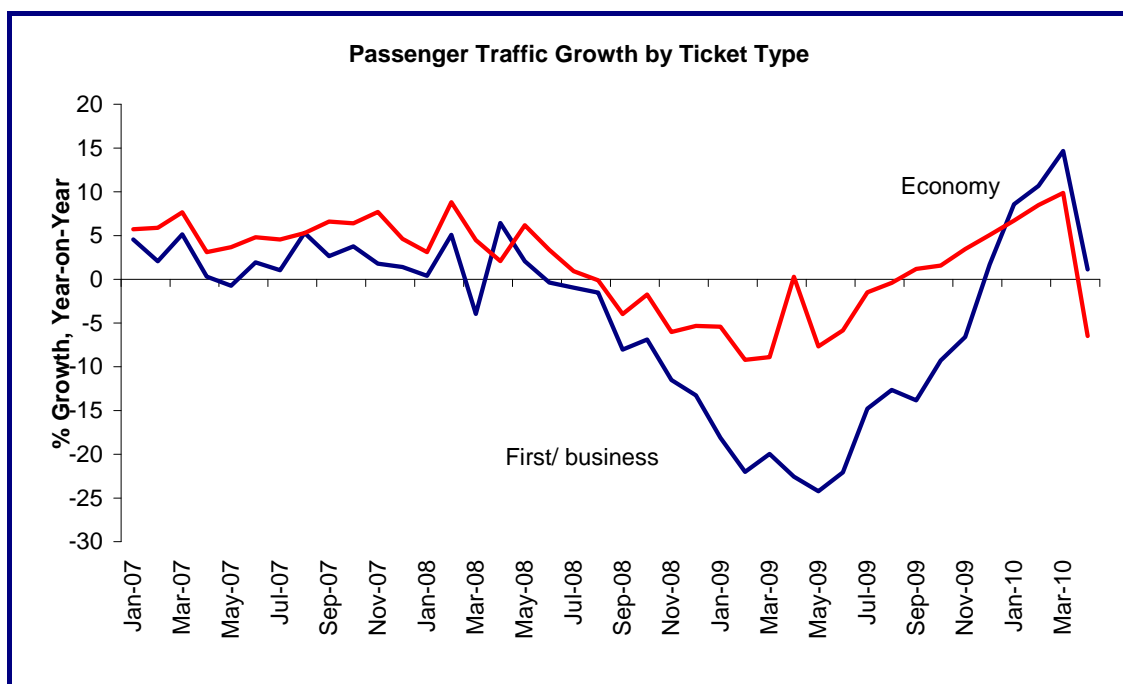
PREMIUM TRAFFIC MONITOR

APRIL 2010

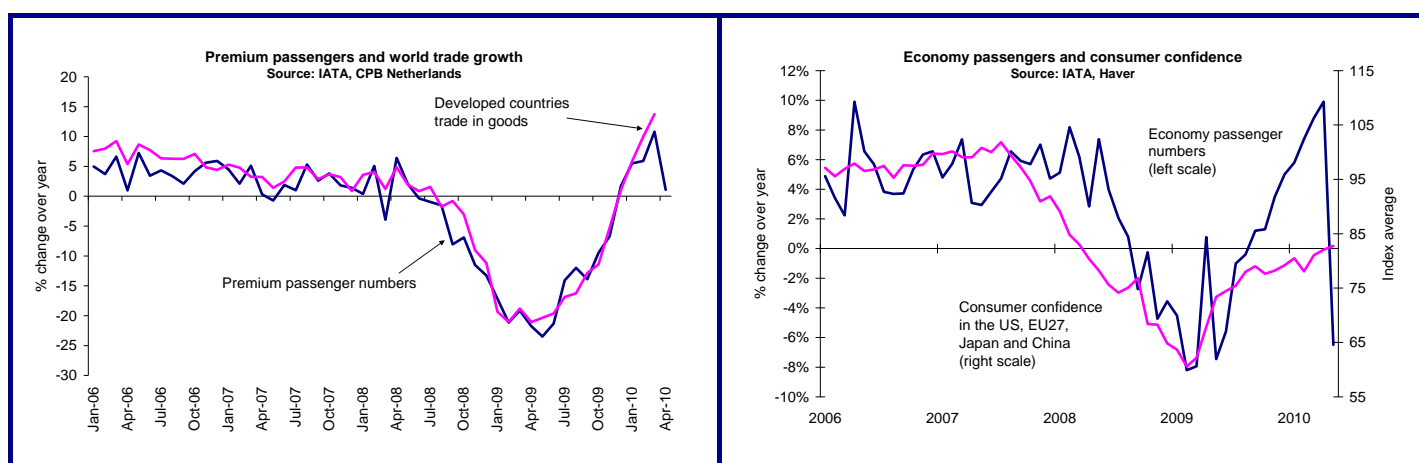
KEY POINTS

- The upturn in air travel, from the depths of the 2008-09 Great Recession was dented in April by the closure of European airspace, following the eruption of Iceland's Eyjafjallajökull volcano. As a result total passenger numbers on international markets was down 5.9% on the previous year, after a 7.4% rise in the first quarter.
- Economy travel was damaged more than premium, reflecting the strength of business travel in other markets during April. Passenger numbers travelling economy class was down 6.5% on the previous year in April, following a 7.4% expansion in the first quarter. Numbers travelling in premium class were still 1.1% up in April on the previous year, following growth of 7.6% in the first quarter.
- European markets were damaged the most by the April airspace closures, as expected. Within Europe total international passenger numbers were down 15.6% in April, after growing by 3.9% in the first quarter. Across the North Atlantic travel fell 12.7%, having been expanding at a rate of 2.8% in the first quarter. The Europe to Far East market saw passenger numbers down 8%, which followed a 6.5% first quarter expansion.
- Elsewhere, air travel was much more buoyant although there were knock-on affects on other markets as many passengers could not undertake journeys to their final destination (this data measures travel by flight segment). Despite this, premium travel on Pacific markets accelerated, reflecting stronger economic growth in both Asia and the US; premium numbers rose from growth of 8.3% in the first quarter to 15.1% in April, although economy travel was weaker. Middle East to Far East premium markets continued to grow strongly at 25.7%, compared to 21.9% in the first quarter. Within South America premium travel continued at a relatively strong pace of 6.9%.
- Provisional data for May suggests a strong rebound from the temporary disruptions of April. The travel upturn still seems to be on track. There are risks ahead, particularly in Europe, but strong economic growth in other regions should continue to drive growth in business travel and both seat classes during the next few months.

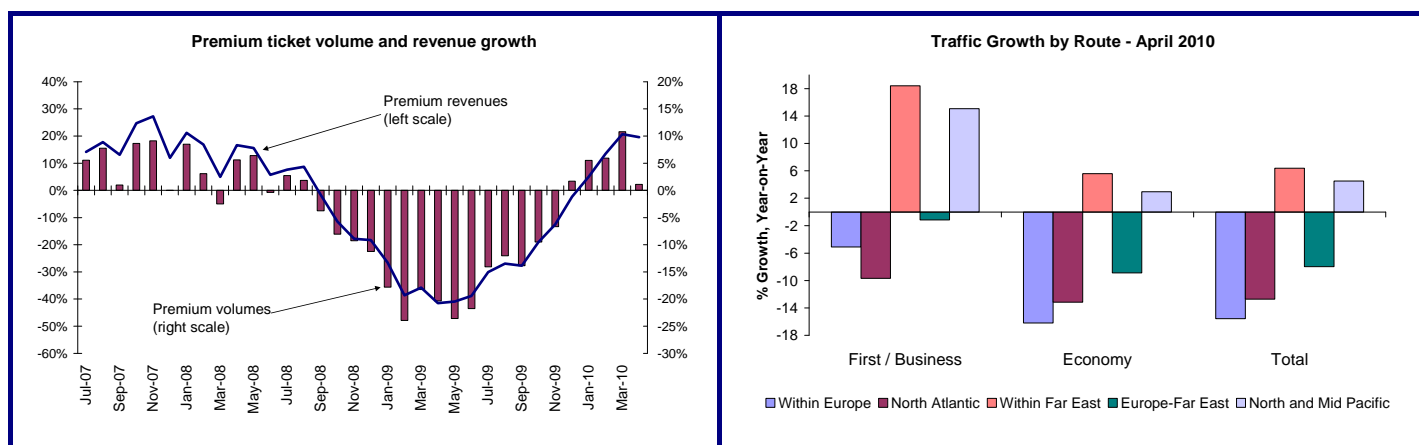
PREMIUM TRAFFIC GROWTH



- The weakness in air travel during April does appear to be mostly due to the impacts of the European airspace closures, which grounded 29% of global passenger capacity at its peak. However, the 7.3% fall between March and April in premium passenger numbers, adjusted for seasonality, and the 10% fall in economy numbers is more than the 4-5% decline we estimated to be the direct effects of the airspace closures.
- The standard deviation of monthly changes in seasonally adjusted premium travel numbers is around 2.5% points, so the total decline in premium travel can be explained by the airspace closures together with the normal volatility in the data. Certainly the data on world trade, which has been a pretty good coincident indicator for premium travel, is still expanding strongly, growing at an annualized pace of 10% a year during the first quarter. Moreover, the confidence of manufacturing and service businesses – measured across major economies by Markit/JP Morgan – reached a 32 month high in April and fell only slightly in May. Clearly the key drivers of business travel remain positive, outside of Europe.



- The drivers of leisure travel are not as positive, but nonetheless have been improving as shown in the chart above. Consumer confidence in Europe did fall in May following the Greek debt crisis and announcements of fiscal tightening. However, in the US, Japan and China there has been a significant improvement in consumer confidence between March and May as economic growth continues to strengthen in these economies. Nonetheless, the overall improvement in consumer confidence – and therefore in a key driver of leisure travel – is very slow. Whereas business confidence is close to a record high, consumers have only regained around half of the confidence they lost in the Great Recession. High unemployment and consumer debt in the developed economies implies that this situation is unlikely to improve dramatically for some time. In fact the profile for economy travel has been driven much more by business travellers, sitting in the back of the aircraft, than by leisure travel.
- Volumes fell sharply in April but average fares and yields rose, as a result of rising load factors which tightened supply-demand conditions. We estimate that revenues from premium travel were rising at a rate of around 20% over the previous year in April. If travel rebounds as expected in May then growth of premium revenues should also see a significant increase.



PREMIUM TRAFFIC BY MAJOR ROUTE

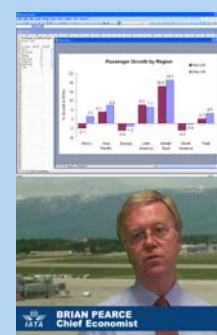
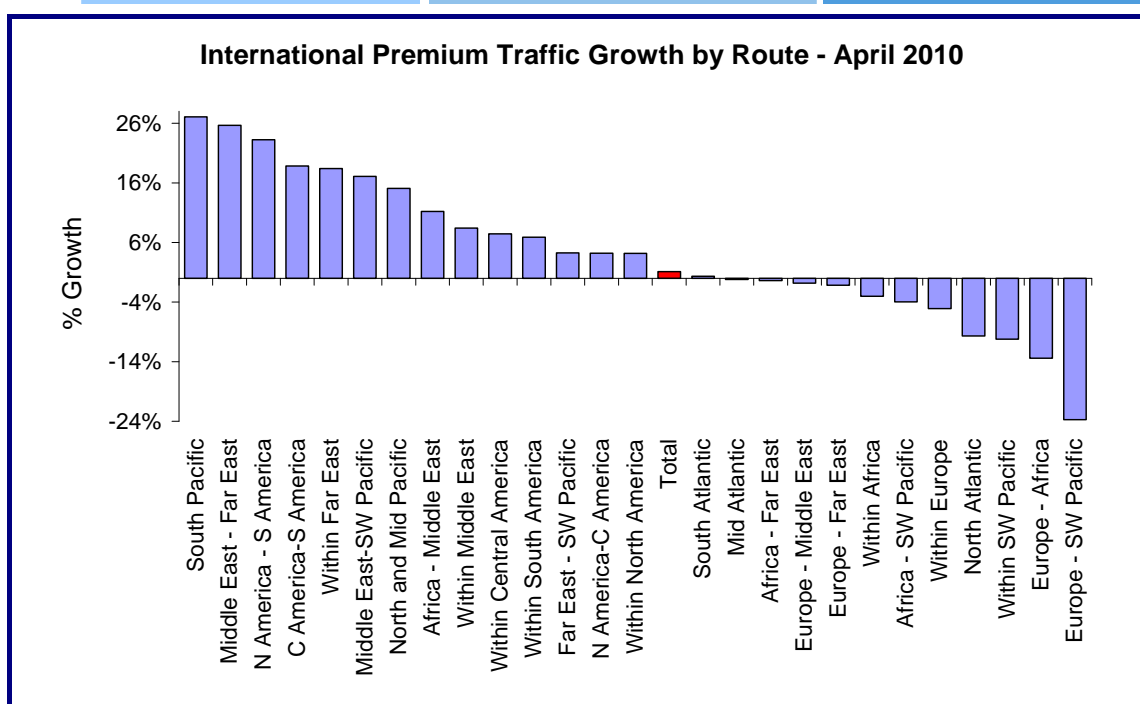
- The impact on flight segment markets from the ash plume in April is clear from the chart above. All markets connected with Europe slumped sharply, while other major markets continued to grow strongly. Data from the AEA shows that European airlines experienced a sharp rebound in traffic in May on within-Europe, transatlantic and Europe-Asia markets. So it appears as though the impact of the ash plume, substantial though it was in April, has only been a temporary interruption in the air travel upturn.
- The damage to European markets in April was severe but importantly premium travel was less severely affected than economy travel, which is likely to indicate the strength of the upturn in business travel in other regions. Within Europe was the weakest major market in April with a 15.6% decline, though it was the North Atlantic that saw the largest fall in premium passengers (-9.7%) of the major markets. The May rebound is encouraging but there are wider economic problems in Europe. Consumer confidence in Europe fell in May and significant government budget cuts are taking place in Germany and the UK, as well as Greece, Portugal and Spain. As a result air travel originating from Europe is likely to remain relatively weak for some time.
- As shown in the chart air travel in Asian markets was much stronger. Premium travel numbers in fact accelerated across the North and Mid Pacific, from 13.3% in March to 15.1% in April. There was slightly slower growth in some economy travel markets but mostly within the usual monthly volatility of the data. Business and consumer confidence continues to rise in China, Japan and major markets in South America suggesting that the air travel upturn has still further to go. This view was given added support by ATA data for US airlines showing an acceleration in the traffic they carry on Pacific markets in April.
- The Middle East-Far East and Middle East-SW Pacific premium markets also slowed sharply; the latter from growth of 31.2% to 17.1%. Economic activity in the Middle East, Far East and SW Pacific continued to strengthen, so there was probably no reduction in demand from O-D passengers. The decline in growth rather reflects the fall in connecting passengers from Europe, since this data set measures passengers on flight segments rather than by their ultimate O-D.
- African markets also weakened sharply in April. The shrinkage of the important Europe-Africa markets was not unexpected because of the airspace closures in Europe. However, both Africa-Far East and Africa-Middle East markets slowed sharply as well. It may be that this also reflects the impact of fewer connecting passengers from Europe. Next month's data will shed light on this issue.

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PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Apr 10 vs Apr 09	YTD 2010 vs YTD 2009
Africa - Middle East	1.3%	0.8%	11.2%	14.5%
Africa - SW Pacific	0.0%	0.1%	-4.0%	-5.2%
C America-S America	0.3%	0.2%	18.8%	12.3%
Europe - Far East	9.1%	13.4%	-1.2%	8.2%
Europe - Middle East	5.1%	5.7%	-0.8%	9.0%
Europe - SW Pacific	0.1%	0.2%	-23.7%	-8.6%
Africa - Far East	0.2%	0.3%	-0.4%	15.1%
Within Africa	0.9%	0.8%	-3.0%	-3.8%
Within Central America	0.1%	0.0%	7.4%	0.6%
Within Far East	10.7%	9.3%	18.4%	22.2%
Within Middle East	2.0%	0.9%	8.4%	8.9%
Within North America	1.1%	0.4%	4.2%	2.5%
Within SW Pacific	0.4%	0.3%	-10.2%	0.9%
Within South America	1.1%	0.4%	6.9%	17.2%
Mid Atlantic	1.3%	1.3%	-0.2%	2.9%
Middle East - Far East	2.9%	2.5%	25.7%	28.2%
Middle East-SW Pacific	0.5%	0.9%	17.1%	25.6%
North Atlantic	15.2%	24.7%	-9.7%	1.3%
N America-C America	6.0%	2.3%	4.2%	5.1%
Europe - Africa	4.1%	3.8%	-13.4%	-4.3%
N America - S America	2.6%	4.1%	23.3%	20.6%
Far East - SW Pacific	1.8%	2.7%	4.3%	6.5%
North and Mid Pacific	5.7%	14.2%	15.1%	9.9%
South Pacific	0.5%	1.2%	27.1%	18.6%
South Atlantic	2.5%	2.9%	0.3%	6.3%
Within Europe	24.6%	6.4%	-5.1%	8.9%
Total International	100.0%	100%	1.1%	8.7%



FURTHER ANALYSIS AND DATA

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