

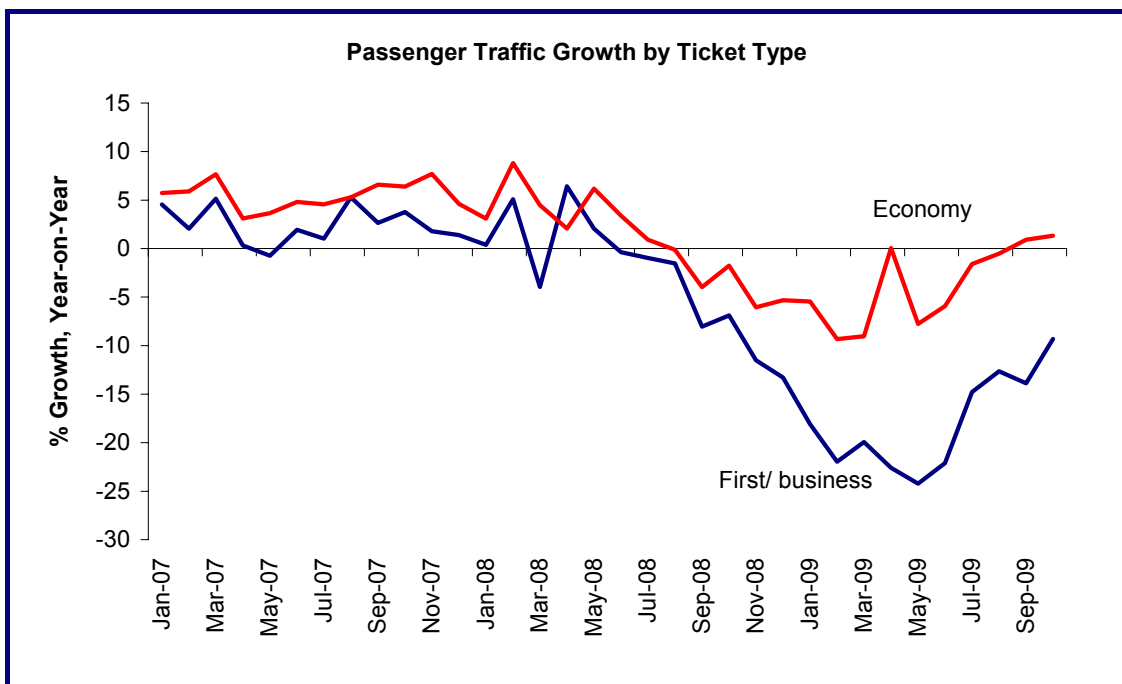
# PREMIUM TRAFFIC MONITOR

## OCTOBER 2009

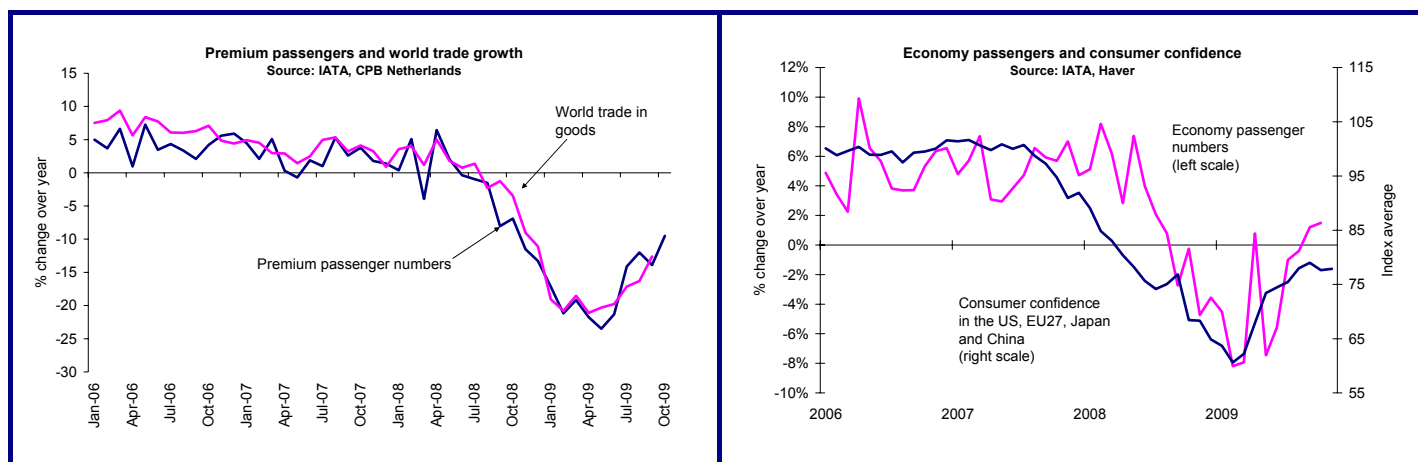
### KEY POINTS

- Passenger numbers on international markets expanded further during October. The total was up 0.2% on the same month a year ago, compared with a 0.6% decline in September. Numbers travelling on economy seats were 1.3% up versus a 0.9% rise in September, whereas premium passengers were down 9.3% compared with a 13.9% fall in September. Total passenger numbers are now about half way to restoring the fall seen in 2008.
- Although the year-on-year comparisons are now being distorted because of the big falls in air travel that began in September last year, there was nonetheless a rise in numbers from September to October for both economy and premium travel. A stronger rise in world trade in recent months appears to be associated with a modest rise in business travel. Although the previously rising trend in consumer confidence has levelled off, which is a concern for travel markets, there has been a stronger rise in economy travel. Premium and economy passenger numbers are now around 6% points above their respective low points, but are still well below early 2008 levels.
- Geographically the strongest markets in October were in South American and Middle Eastern markets, including long-haul connections over Middle Eastern hubs. Within South America total passenger numbers were up 19.8%, while Middle East to Far East markets were up 14.8%. All the larger markets, between Europe, Far East and N America were down between 1.7-2.6%, with the exception of Within Far East travel which was up 3.6%, reflecting the stronger economic recovery in this region.
- One of the weakest premium markets remained within-Europe, with a 19.7% decline, part of which is likely to be a further structural decline on this short and medium haul market area. Long-haul markets across the N Atlantic and Pacific were down 5.8% and 12.1% respectively, a modest improvement on June lows. Europe to Far East was down 8.1%. The premium markets showing positive growth in October were linked to the Middle East, mostly reflecting long-haul traffic being connected over Middle Eastern hubs.

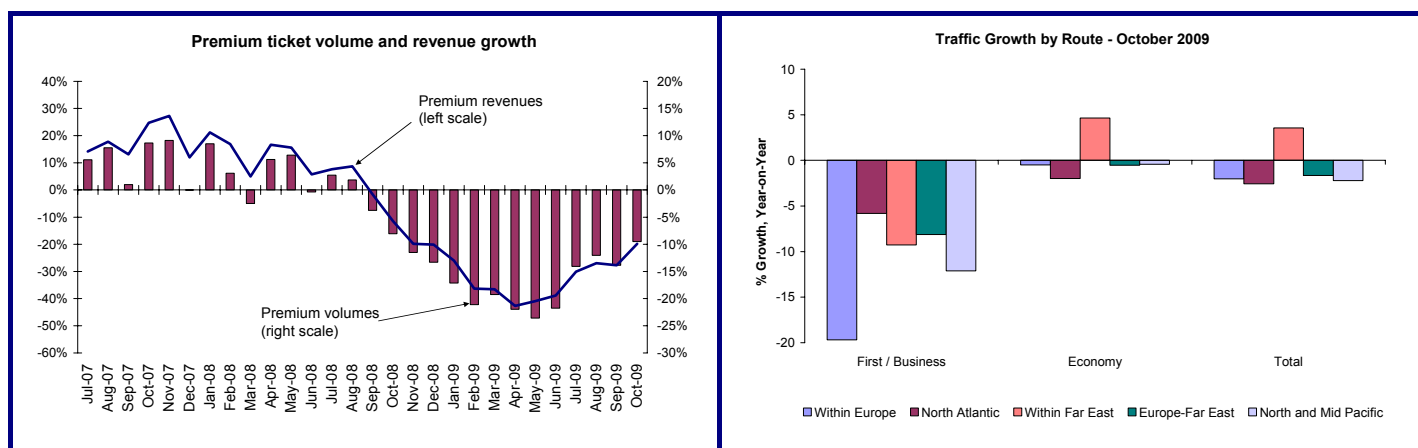
### PREMIUM TRAFFIC GROWTH



- So far this year, with two month of data to go, total passenger numbers are down by 5.1%. Passenger numbers travelling on economy seats are down 3.6% but premium seat numbers are down 18%, reflecting the severity of the recession and downturn in business travel.



- The charts above give some indication of what is driving premium and economy travel. World trade has picked up a little faster in the late summer months as the economic recovery began to spillover to boost imported goods. This has been evident in the rise of air freight. It is also associated with an increase in business travel.
- Consumer confidence turned up in March at the same time as the turning point in economy travel. Economy travel has continued to rise through October, but there has been a fall back of consumer confidence in the US and Japanese economy although European and Chinese consumers have been growing in confidence. The rise in unemployment and continued job losses in the US and Japan appear to be the main causes of the confidence setback. This and the need to repay debt may restrict the pace of expansion in economy travel over the next year.
- Passenger yields have also improved in recent months. Load factors have risen as airlines have sustained capacity cuts in the face of rising travel demand. However, aircraft utilisation is down significantly which may be offsetting some or all of the recent declines in aircraft leasing and ownership costs. Moreover, low utilisation represents capacity that could easily return to the market and exert renewed downward pressure on yields, unless the recovery in travel demand is stronger than looks likely. Meantime, tighter supply-demand conditions do appear to be pushing average fares and yields upwards – but only a little. So far a large part of the smaller year-on-year declines – particularly in October – was due to the sharp fall in the same month last year. We estimate that revenue from premium traffic was around 20% down in October, after a 27% decline in September. But since revenues fell a similar amount between September and October last year there was little underlying premium revenue improvement during this October.



## PREMIUM TRAFFIC BY MAJOR ROUTE

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- One of the weakest premium markets remained within-Europe, with a 19.7% decline, part of which is likely to be a further structural decline on this short and medium haul market area. Long-haul markets across the N Atlantic and Pacific were down 5.8% and 12.1% respectively, a modest improvement on June lows. Europe to Far East was down 8.1%. The premium markets showing positive growth in October were linked to the Middle East, mostly reflecting long-haul traffic being connected over Middle Eastern hubs.
- Travel has picked up strongly within central America, after influenza A (H1N1) hit travel dramatically in this region earlier in the year. Business travel is still weak but total passenger numbers were up 9.9% in October.
- The better performance of South American markets reflects the more robust economies in this region and the revival in economic growth, based on more stable economic policies and demand for commodities.

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## PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Oct 09 vs Oct 08	YTD 2009 vs YTD 2008
Africa - Middle East	1.1%	0.7%	3.9%	-6.8%
Africa - SW Pacific	0.0%	0.1%	-28.6%	-23.4%
C America-S America	0.4%	0.2%	-0.9%	-20.5%
Europe - Far East	9.4%	15.6%	-8.1%	-18.1%
Europe - Middle East	5.4%	6.6%	3.5%	-7.1%
Europe - SW Pacific	0.1%	0.3%	-2.1%	-6.6%
Africa - Far East	0.2%	0.2%	-20.1%	-26.7%
Within Africa	0.6%	0.2%	-6.9%	-3.5%
Within Central America	0.1%	0.0%	-16.3%	-43.9%
Within Far East	9.6%	4.2%	-9.3%	-24.2%
Within Middle East	1.9%	0.5%	-5.8%	-9.4%
Within North America	0.9%	0.2%	-28.1%	-21.1%
Within SW Pacific	0.4%	0.1%	-14.7%	-8.9%
Within South America	1.1%	0.3%	9.1%	-9.9%
Mid Atlantic	1.1%	2.3%	-3.5%	-11.7%
Middle East - Far East	2.6%	1.8%	5.3%	-7.8%
Middle East-SW Pacific	0.5%	1.0%	14.6%	-6.5%
North Atlantic	18.4%	29.2%	-5.8%	-13.7%
N America-C America	4.0%	1.5%	-2.0%	-7.7%
Europe - Africa	4.3%	4.9%	-6.2%	-9.0%
N America - S America	2.6%	3.6%	9.7%	-6.7%
Far East - SW Pacific	1.6%	1.5%	-10.5%	-18.1%
North and Mid Pacific	5.8%	10.9%	-12.1%	-22.5%
South Pacific	0.5%	1.2%	-4.3%	-15.6%
South Atlantic	2.9%	4.7%	2.0%	-10.0%
Within Europe	24.7%	8.0%	-19.7%	-26.7%
<b>Total International</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-9.3%</b>	<b>-18.0%</b>

