

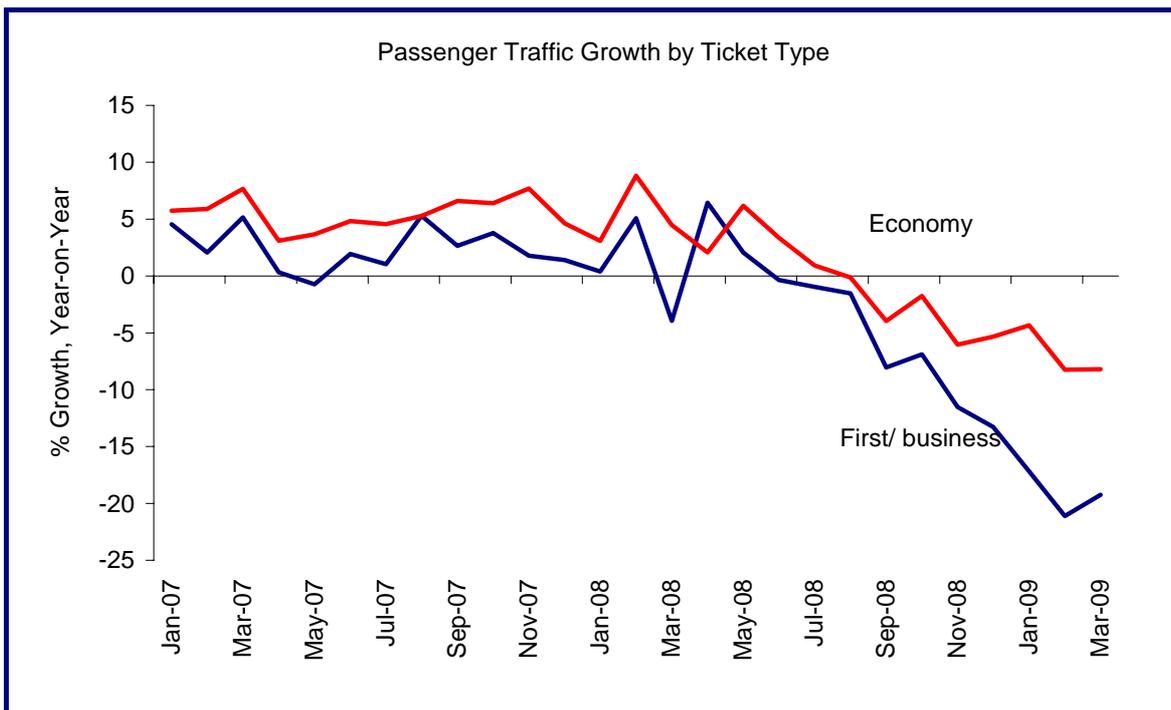
PREMIUM TRAFFIC MONITOR

MARCH 2009

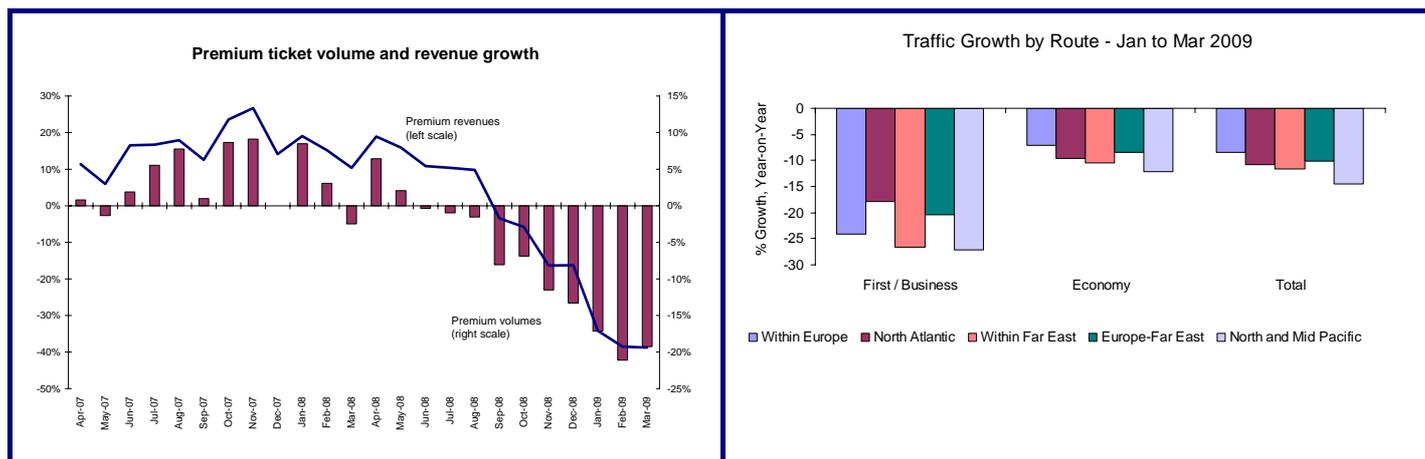
KEY POINTS

- The fall in passenger numbers slowed in March, to a decline of 9.3% following February's 9.6% fall. However, this slowdown was entirely due to February's fall being exaggerated by the comparison with February in 2008 which was boosted by an extra day's traffic due to the leap year. The late Easter this year accentuated the decline in March, but to a lesser degree than the distortion in February. Unlike air freight there is no indication in the data yet that the decline in passenger travel has reached a bottom.
- Passenger numbers travelling on premium tickets was down 19.2%, compared with the previous month's decline of 21.1%. Economy travel slowed marginally from 8.3% to 8.2%. Once adjusted for leap year and Easter both travel classes remain in decline. Business confidence is improving and world trade appears to have bottomed but the travel data is consistent with the view that business expectations of recovery remain weak while consumers remain concerned about job security and their highly leveraged balanced sheets.
- Premium travel on markets connected to the Asia Pacific region remained the weakest in March, with falls of 29.3% across the Pacific, 29.2% with the region and a fall of 20.1% between Europe and the Far East. Only premium markets within Africa continued to grow in March, albeit at a glacial pace of 0.4%.
- With premium fares falling faster than economy, due to the pressures from rapidly declining load factors, revenues have been hit much more than passenger numbers. During March and the first quarter as a whole we estimate revenues from premium passengers on international markets were down 35-40%.

PREMIUM TRAFFIC GROWTH



- ↗ There was an apparent stabilisation in air passenger traffic during March. Passenger travelling on premium tickets declined at a slower rate of -19.2% in March, compared with the 21.1% fall in February. The decline in economy travel also eased to a slightly slower rate of decline of -8.2%. Total passengers travelling on international airline markets slowed from a decline of 9.6% in February to a decline of 9.4% in March.
- ↗ However, Easter fell in April this year whereas it was in March in 2008. In 2008 the two less business days in the month caused a temporary fall in premium travel of around 6% points. So the 2% point slowdown in the rate of decline in premium travel between February and March this year is rather disappointing. Adjusting for the timing of Easter and it looks as though underlying premium travel was falling at an accelerating rate of decline at around -25% this March.
- ↗ The picture of still declining business travel in March is made even more apparent if the February decline of 21.1% is adjusted for the 3-3.5% boost given to business travel in February 2008 when the Leap Year provided an additional working day.
- ↗ How does this further decline square with the recent stabilisation of air freight and the improvements in business confidence during the last couple of months? One explanation is that while world trade has stopped declining there is still no recovery in final demand, or near term prospect of one, so firms are not yet increasing business travel to develop new business. In other words this is signalling further economic stagnation.
- ↗ Economy travel also saw a moderation in its rate of decline slowing to a fall of 8.2% in March after an 8.3% reduction in February. However, the early Easter in 2008 will have had the opposite effect on leisure travel to the reduction in business travel. Last year March travel on economy tickets appears to have been given a temporary boost of 1-2% by Easter. This will have caused the comparison of economy travel this March with last year to be distorted downwards by a similar amount. So underlying economy travel may have fallen by a little less than the headline 8.2% decline. Note however that the February data was distorted downwards by an even larger amount due to the Leap Year adding an extra day to February 2008. It is always hard to strip out all the distortions at this time of the year but it looks as though economy travel, after adjustment was falling at a rate of around 6% in March, following a (adjusted) 5% fall in February. As with business travel there is no sign yet of a bottom to the decline in the more price-sensitive segment of the market, despite significant declines in fares.
- ↗ Total passenger numbers were down 9.3% in March, after a 9.6% decline in February. After adjusting for the impact of the leap year in 2008 on the February numbers and the late Easter this year in the March data, it seems that underlying passenger growth deteriorated from a decline of around 6% in February to approximately 7½% in March. Passenger kilometres flown on international markets are now declining at a faster rate than passenger numbers. In March RPKs were down 11.1%, as passenger numbers fall at a faster rate on the major long-haul markets. This is in part due to the greater number of business passengers on long-haul markets, but also seems to be due to reduction in distance travelled on leisure trips.
- ↗ Revenues are also falling at a significantly faster pace than passenger numbers. This is partly because fares are being cut in the face of sharply falling load factors, but it is also because of the composition of passenger declines. Premium tickets make up 7-8% of total passenger numbers on international markets but 25% of revenues. Revenues from premium tickets have been falling at a rate of 35-40% during the first quarter, as the chart below shows.



PREMIUM TRAFFIC BY MAJOR ROUTE

- Markets connecting with Asia continued to be the weakest of the largest premium passenger flows during March. Within the Far East markets fell at an accelerated pace of -29.2%, following the 26.4% decline in February. Easter will have had less of an impact on traffic in this region and so the underlying decline is rather worse than the headline figures. The same is true for the two major long-haul route areas to Asia. Europe-Asia premium traffic was down 20.1% in March, compared to a 19.6% decline during the previous month. Transpacific traffic was down 29.3%, following a 27.3% decline in February. Middle East-Far East traffic also fell at an accelerated pace (-15.3% vs -14.5%) so the further decline in passenger travel is due to still falling overall passenger decline and not a diversion of traffic via other hubs.
- Across the Atlantic market there was a moderation from -22.5% to -16.8%. Even after adjusting for the leap year and Easter this market did show a slower pace of decline in March, possibly reflecting the stronger improvements in business confidence in the US. A similar 'improvement' was seen in the within Europe market where premium passenger numbers slowed from a 27.1% decline in February to a 22.9% decline in March. So there are some tentative signs of the decline in business travel bottoming out in some markets.
- Growth in premium travel continued on within African international markets. Bucking the trend of all other travel markets there was a further rise of 0.4% within Africa. Economic growth has declined sharply in many African economies, but growth remains positive in most with the notable exception of South Africa.

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PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Mar 09 vs Mar 08	YTD 2009 vs YTD 2008
Africa - Middle East	1.1%	1.1%	-11.1%	-12.0%
Africa - SW Pacific	0.0%	0.1%	-18.9%	-9.2%
C America-S America	0.4%	0.2%	-17.3%	-13.5%
Europe - Far East	8.9%	13.9%	-20.1%	-20.4%
Europe - Middle East	5.1%	6.7%	-9.0%	-10.4%
Europe - SW Pacific	0.2%	0.4%	-2.5%	-11.1%
Africa - Far East	0.2%	0.4%	-33.0%	-30.7%
Within Africa	0.7%	0.3%	0.4%	6.6%
Within Central America	0.1%	0.0%	-44.6%	-45.8%
Within Far East	9.8%	2.7%	-29.2%	-26.6%
Within Middle East	2.1%	0.7%	-7.7%	-9.6%
Within North America	1.3%	0.7%	-12.9%	-15.1%
Within SW Pacific	0.5%	0.1%	-10.4%	-17.6%
Within South America	1.1%	0.3%	-12.2%	-9.8%
Mid Atlantic	1.4%	3.4%	-8.3%	-8.0%
Middle East - Far East	2.6%	2.6%	-15.3%	-14.8%
Middle East-SW Pacific	0.4%	1.0%	-17.0%	-21.5%
North Atlantic	16.1%	24.0%	-16.8%	-17.8%
N America-C America	6.9%	3.7%	-12.9%	-10.2%
Europe - Africa	4.5%	5.8%	-6.7%	-7.5%
N America - S America	2.6%	4.1%	-13.1%	-13.0%
Far East - SW Pacific	1.9%	3.5%	-21.5%	-16.7%
North and Mid Pacific	5.8%	14.8%	-29.3%	-27.2%
South Pacific	0.5%	1.1%	-20.8%	-25.8%
South Atlantic	2.6%	4.5%	-13.2%	-12.1%
Within Europe	23.3%	4.1%	-22.9%	-24.2%
Total International	100.0%	100.0%	-19.2%	-19.2%

