

# PREMIUM TRAFFIC MONITOR

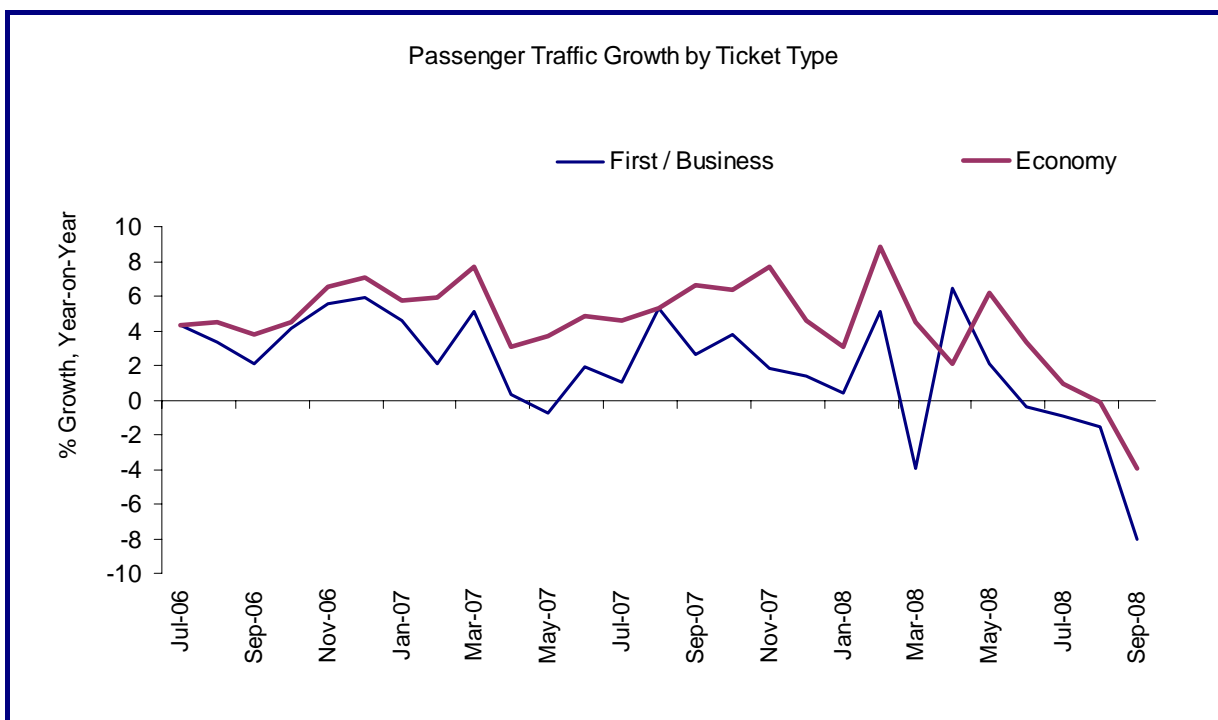
## SEPTEMBER 2008

### KEY POINTS

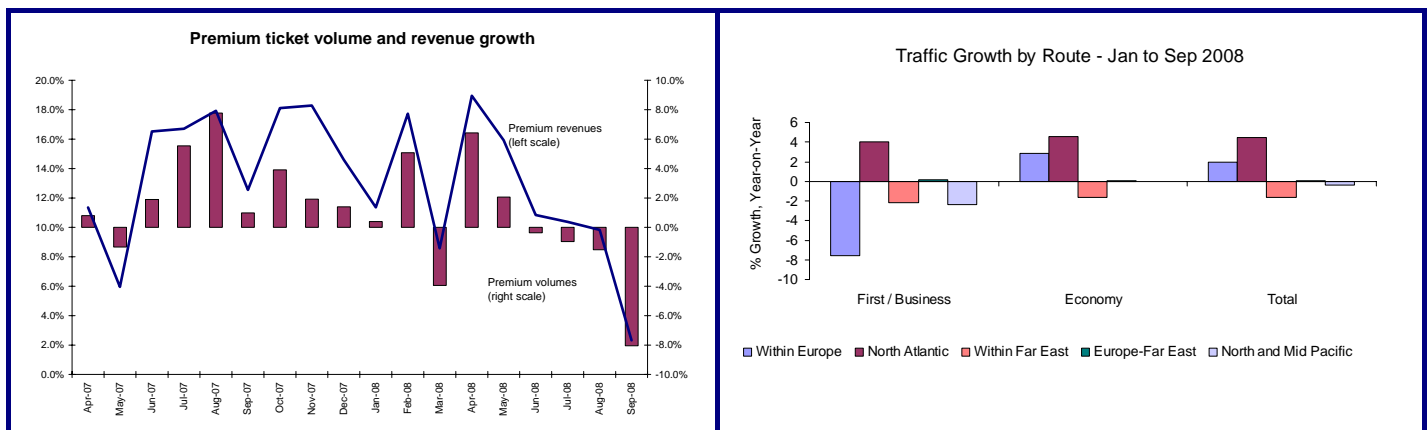
- Premium travel declined by 8% over the 12 months to September, as the fall in business travel gathered pace reflecting the severity of the economic downturn. This decline follows a 1.5% fall in August.
- The sharp fall in business travel coincided with a steep decline in the confidence of manufacturing businesses in Europe, Japan and the US. September also marked the bankruptcy of Lehman Brothers which contributed to a sharp fall in passengers from the financial sector, particularly on the North Atlantic market.
- Economy passenger numbers also fell at an accelerating rate, with a 4% fall in September following a 0.1% decline in August. In total passenger numbers were down 4.4% in September, compared to the 2.9% fall in RPKs reported earlier. All long-haul markets are now showing signs of weakness but their decline remains less than that seen on shorter-haul markets, moderating the decline in RPKs relative to passenger numbers, so far.
- Business confidence fell much more sharply in October than in September, as economic conditions deteriorated after the crisis in the financial sector. A further substantial decline in premium travel should be expected.

### PREMIUM TRAFFIC GROWTH

- Business and other premium ticket travel numbers declined at an accelerating rate in September, when the level of premium passengers was 8% lower than a year earlier. This follows a 1.5% decline in August and is the third consecutive month of shrinking premium traffic, after growth of 1.5% during the first half of the year.
- The very sharp fall in business travel during September coincided with a similarly large fall of business confidence in the manufacturing sector across major markets, with the steepest declines seen in Europe, Japan and the US.



- This fall in business confidence follows the month after a 2.7% fall in air freight volumes experienced during August, which is a typical pattern with international trade being hit first by economic downturn which in turn damages business confidence and business travel. September also saw the bankruptcy of Lehman Brothers and then the near collapse of the banking system, which will have further cut business travel from the financial sector. It is no surprise that business confidence of both manufacturing and services fell considerably further in October. Another substantial decline in business travel volumes should be expected in October as a result.
- The collapse in premium travel volumes is now leading to a virtual standstill in premium revenue growth. Premium fares were still rising into the late summer, as airlines sought to recover part of the rise in actual fuel costs paid through price rises in this less price sensitive market segment. Until September this had kept revenue growth up, despite weakening volumes. With further declines in volumes likely in the months ahead, premium revenues are likely to begin to decline in absolute terms.



## PREMIUM TRAFFIC BY MAJOR ROUTE

- There were some sharp downturns in many markets in September. Up until August most of the weakness, aside from the structurally weak within-Europe premium market, had been seen in Asia and in markets connected to Asia. By contrast North Atlantic and Middle East markets had held up relatively well. That has now changed. Premium traffic on North Atlantic markets fell 2% in September, reflecting the sharp economic downturn on both ends of this market. Perhaps more of a surprise was a 13.8% fall in premium traffic flying within the Middle East. This traffic had been booming at a rate of 20% a year up to August on the back of the economic activity generated by strong oil revenues in the region. Sixth-freedom traffic over the Middle East also seems to have declined with a 7.0% fall in Europe-Middle East travel and an 18.2% fall in Middle East-Far East passenger numbers.
- Meanwhile the plunge of premium travel in Asian markets accelerated in September. Within Far East premium travel shrank 12.1% after a 7.8% fall in August. Travel between the US and Asia across the Pacific not surprisingly also worsened with an 11.6% decline in premium traffic, following a 6.4% decline in August. Travel between Europe and Asia also worsened, reflecting economic conditions, with an 8.7% fall in September, following a 3.4% decline the previous month.
- The smaller emerging markets which had shown counter-cyclical strength are now beginning to suffer from the global economic downturn. Within Africa premium travel slowed to 8.9% growth and traffic between Africa and Europe, the Middle and Far East all declined by 7-10%. Premium traffic from the US to South America is still growing but within South America, previously another strong region of growth, premium travel declined 0.2% in September.
- Economy passenger numbers also fell at an accelerating rate, with a 4% fall in September following a 0.1% decline in August. In total passenger numbers were down 4.4% in September, compared to the 2.9% fall in RPKs reported earlier. All long-haul markets are now showing signs of weakness but their decline remains less than that seen on shorter-haul markets.

## PREMIUM TRAFFIC GROWTH BY ROUTE

	Share of Total Premium:		Premium Traffic Growth	
	Traffic	Revenues	Sep 08 vs Sep 07	YTD 2008 vs YTD 2007
Africa – Middle East	0.8%	0.5%	-10.0%	10.9%
Africa – SW Pacific	0.0%	0.1%	-11.2%	6.9%
C America – S America	0.3%	0.1%	0.6%	12.8%
Europe – Far East	9.2%	15.7%	-8.7%	0.1%
Europe – Middle East	3.9%	5.2%	-7.0%	8.7%
Europe – SW Pacific	0.1%	0.3%	-10.5%	-6.2%
Africa – Far East	0.2%	0.3%	-15.5%	0.7%
Within Africa	0.6%	0.2%	8.9%	19.9%
Within Central America	0.1%	0.0%	-37.8%	-9.4%
Within Far East	9.5%	2.6%	-12.1%	-2.2%
Within Middle East	1.5%	0.4%	-13.8%	12.2%
Within N America	1.3%	0.6%	-10.2%	-2.7%
Within SW Pacific	0.1%	0.1%	-28.9%	-1.2%
Within South America	0.9%	0.2%	-0.2%	10.7%
Mid Atlantic	0.9%	1.9%	-5.4%	4.3%
Middle East – Far East	1.9%	1.3%	-18.2%	8.9%
Middle East – SW Pacific	0.4%	0.9%	-17.7%	-5.8%
North Atlantic	18.7%	31.4%	-2.0%	4.0%
N America – C America	3.4%	1.1%	-6.9%	1.7%
Europe – Africa	3.6%	4.8%	-7.5%	3.6%
N America – S America	2.2%	3.0%	3.9%	6.5%
Far East – SW Pacific	1.7%	2.1%	-9.1%	-0.8%
North & Mid Pacific	6.2%	12.5%	-11.6%	-2.4%
South Pacific	0.3%	1.1%	-14.8%	-7.3%
South Atlantic	2.7%	5.3%	9.6%	13.1%
Within Europe	29.5%	8.4%	-10.6%	-7.6%
<b>Total International</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-8.0%</b>	<b>-0.3%</b>

