

US Air Traffic Rebounds to 5% in February

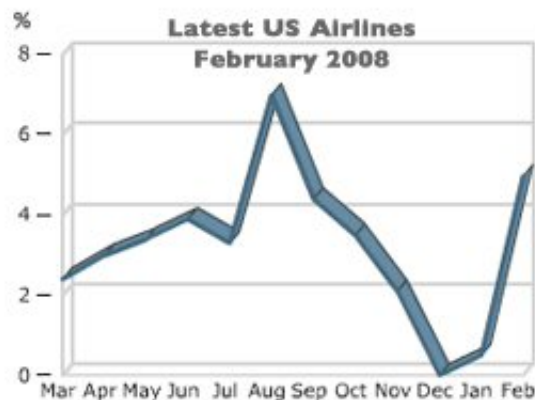
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Internationals Move Strongly Ahead

Passenger numbers declared by US airlines rose by 5% in February which is of special significance after a half percent increase in January and a half point decline in December. It also seems to fly in the face of the latest economic indicators. The 63,000 job losses revealed for February have inevitably led to further talk of recession but the airline business does not do recession and particularly not in the USA. If recession is conventionally defined as two successive quarters of negative growth then, excepting the travel avoidance in the aftermath of 9/11, the US business since the start of the nineties has not experienced a single negative quarter.

The 5% February passenger growth is based on early returns from airlines representing almost a half of the expected traffic numbers for February. Tracking these 17 companies over the last 12 months underlines the inherent volatility in the business but is the best early indicator of the state of the market. Last month the early indicator was within a fraction of a point of the final outcome.

Domestic demand is clearly strong but of real significance for subscribers is the strength in the international sector. Demand has surged last month and it is highly likely that, in the months ahead, US airlines will want to play to this market advantage. For airlines in February, the miles flown by international travellers was up by 8% which is in sharp contrast to the 0.1% rise recorded for domestic travel. The long haul attraction is threefold: higher demand growth, opportunities for cost saving and, at least for the moment, some respite from price competition. Open Skies may change the pricing environment.



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