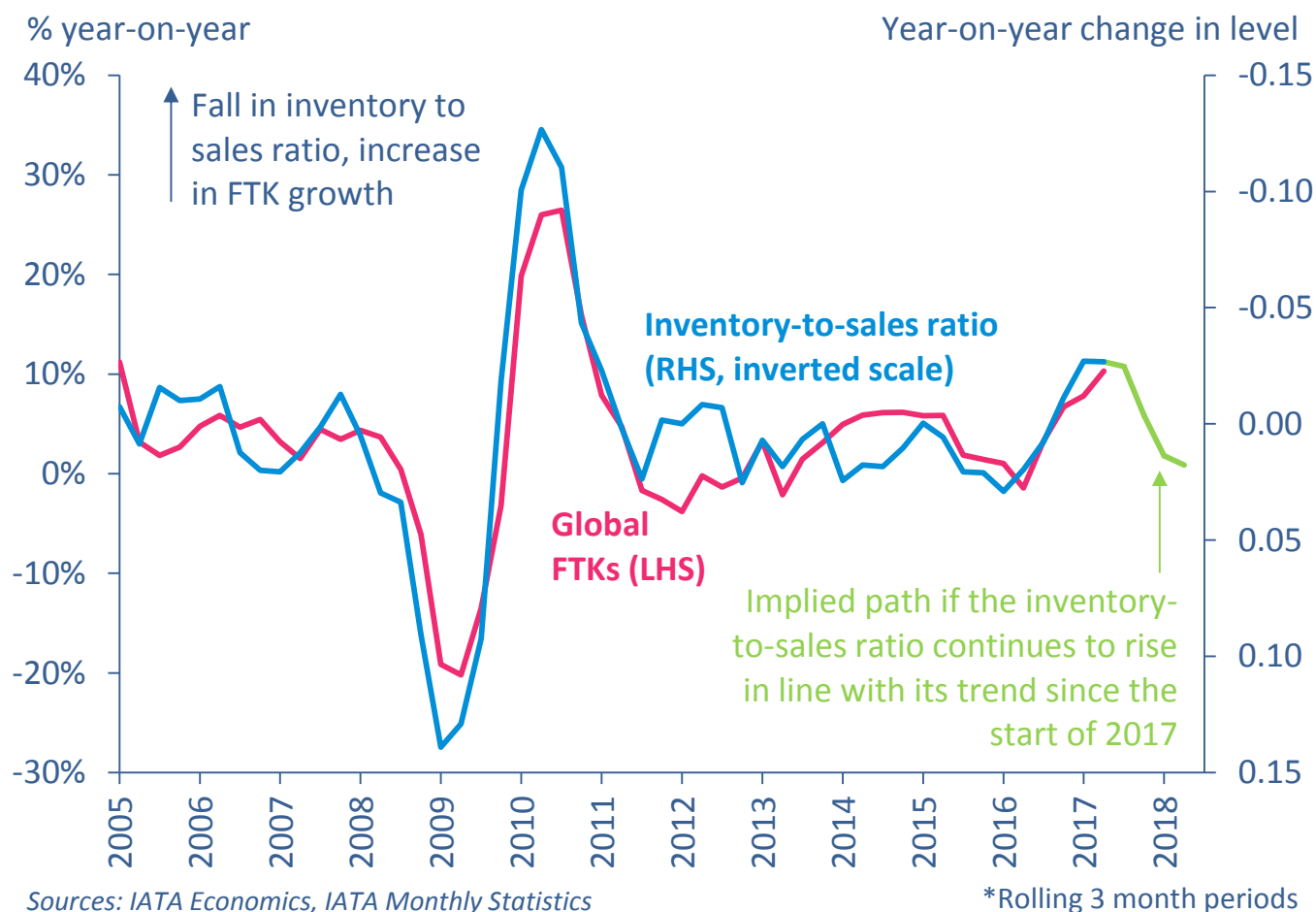




## IATA ECONOMICS' CHART OF THE WEEK

2 JUNE 2017

### A STRONG START TO 2017 FOR AIR CARGO, BUT HAVE WE PASSED THE CYCLICAL GROWTH PEAK?



- FTK growth has made a strong start to 2017. However, the loss of momentum in seasonally adjusted volumes in recent months raises the question as to whether the best of the cyclical upturn in air freight growth may now be behind us. Certainly, recent developments in the inventory-to-sales ratio appear to be consistent with this.
- As we have noted before, the ability of air freight to move goods quickly around the world comes into its own at the start of economic cycles when firms rush to restock. The decline in the inventory-to-sales ratio between May and December 2016 – visible on this week's chart as a pick-up in the blue line – looks to have helped to underpin the outperformance of air freight relative to wider world trade over the past year or so.
- However, while the inventory-to-sales ratio remains lower than it was a year ago, it has started to increase modestly in recent months. To the extent that this translates into less need for firms to restock quickly, this may start to dampen the demand for air freight. Indeed, as this week's chart shows, if the ratio keeps rising at the same pace as it has done since the start of 2017, this would be consistent with downward pressure on FTK growth towards the end of the year.

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