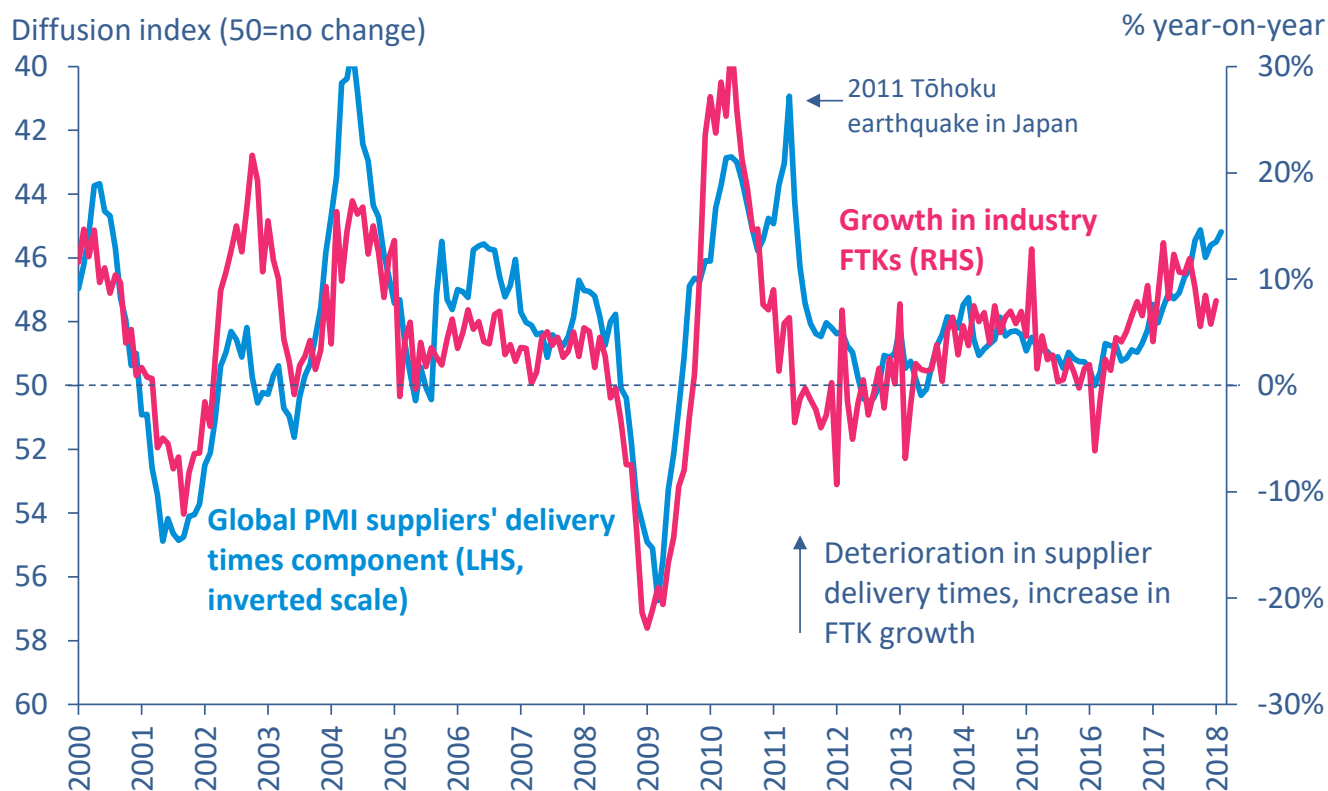




# IATA ECONOMICS' CHART OF THE WEEK

16 MARCH 2018

## AIR FREIGHT COMES INTO ITS OWN WHEN SPEED IS OF THE ESSENCE



Sources: IATA Economics, IATA Monthly Statistics, Markit

\*Monthly data

- It has been a busy week in the world of air freight at IATA, with the 12<sup>th</sup> *World Cargo Symposium* taking place in Dallas, alongside the publication of our latest quarterly cargo [chartbook](#). As we have noted previously, the cargo side of the industry has enjoyed a good couple of years, boosted by a combination of stronger global economic and trade conditions, an inventory restocking cycle, and increasing bottlenecks in global supply chains.
- The latter is the focus of this week's chart. It shows how periods in which global manufacturing firms have reported a lengthening in their supplier delivery times – shown by an increase in the blue line – have typically coincided with rising demand for air cargo (stronger growth in freight tonne kilometers (FTKs), the red line). This relationship stems from the ability of air freight to move goods quickly, which allows firms to recover some time in their production processes during busy periods that would otherwise be lost to them.
- So how do we explain the divergence between the two lines in recent months? The answer lies in the detail of the PMI component; the current bottlenecks in global supply chains are most acute in capital goods which, by their nature, are less likely to be transported by air. As such, although the general increase in supplier delivery times remains supportive of FTK growth, we would not expect to see air freight volumes growing at the double-digit pace that is currently suggested by the delivery times indicator alone.
- Nonetheless, while the upward trend in freight volumes has slowed somewhat as the inventory restocking cycle has waned, other indicators remain consistent with solid year-on-year FTK growth during H1 2018. All told, we continue to forecast 4.5% FTK growth in 2018 as a whole, broadly in line with its five-year average rate and a robust outcome following the very strong performance in 2017.

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