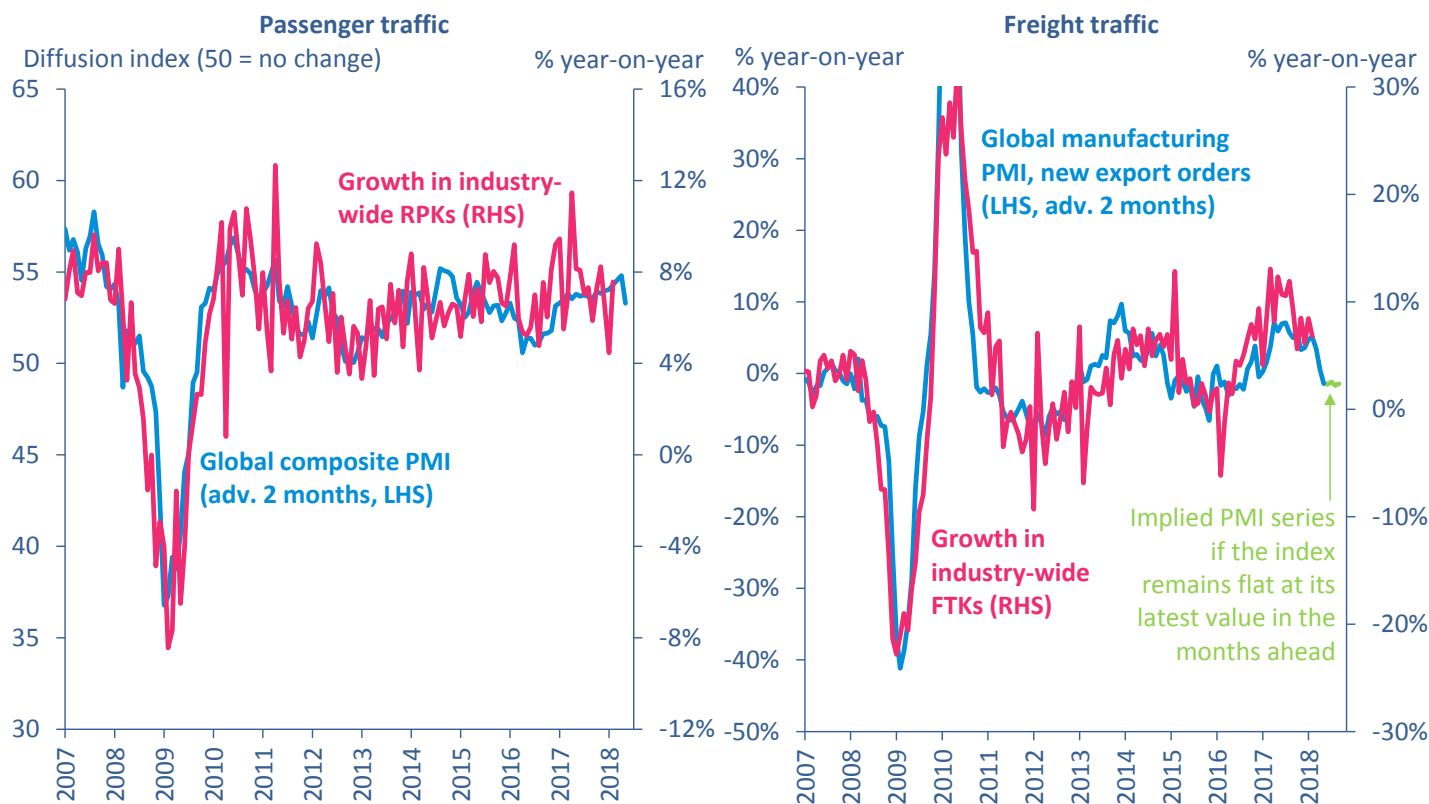




# IATA ECONOMICS' CHART OF THE WEEK

6 APRIL 2018

## ARE BUSINESS SURVEYS SIGNALLING A TURNING POINT FOR DEMAND?



Sources: IATA Economics, IATA Monthly Statistics, Markit

- This week saw the release by Markit of the global Purchasing Managers' Index (PMI) data for March. As regular readers will be aware, we keep a close eye on these data as they have proven to be a useful leading indicator of developments in both air passenger and air cargo traffic.
- On the passenger side (the left-hand panel of today's chart), RPK growth is aligned with the level of the global composite PMI – a weighted measure of business confidence in both the manufacturing and services sectors of the global economy. After posting a 3½ year high in February, the PMI series fell for the first time in six months and by the biggest amount in more than two years. The March outcome also appears, in part, to have been impacted by bad weather in parts of Europe, which could be unwound in the April data. To be fair, given its high starting point, the PMI is still well above the 50-mark that typically corresponds with rising global economic activity. However, the broad nature of the fall in business confidence last month nonetheless suggests that the pace of global economic activity is easing. All told, these developments lend support to our existing view that industry-wide passenger growth will also moderate, to around 6% in 2018 as a whole.
- For air freight (the right-hand panel of the chart.), the story is similar. FTK growth is more closely aligned to changes in the new export orders component of the global manufacturing PMI. Global manufacturers are still reporting increasing demand for their exports, but the latest surveys show that export orders are no longer growing as quickly as they were a year ago. Nonetheless, this backdrop is still consistent with solid year-on-year growth in freight volumes during the first half of 2018, but at a less stellar pace than we saw during the middle of last year. We currently expect FTKs will grow by around 4.5% in 2018 overall. As we have noted previously, rising protectionism and the threat of a global trade war pose a key threat to the air freight outlook and is likely to also weigh on global business confidence in coming months.

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IATA Economics  
[economics@iata.org](mailto:economics@iata.org)