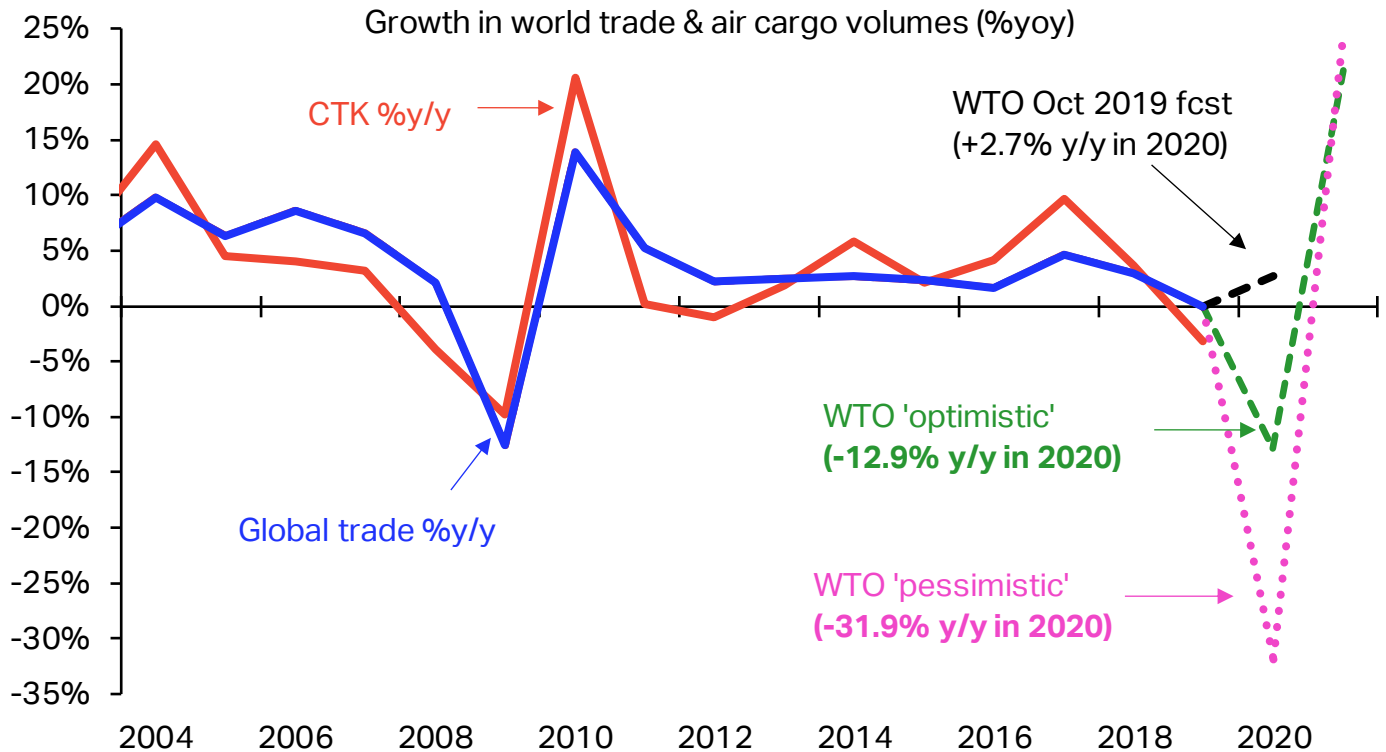




# IATA Economics' Chart of the Week

09 April 2020

## Global trade forecast points to a steep decline in air cargo volumes



Source: WTO. IATA Economics

- This week, the World Trade Organization (WTO) released updated forecasts for global trade. The new forecasts show the damage to trade volumes due to the COVID-19 pandemic and the related measures which affect widespread economic and social activity. This latest shock follows a year where trade volumes fell marginally on the back of the US-China trade conflict and broader global trade tensions.
- The WTO provided two scenarios; the 'optimistic' scenario estimates a fall in trade volumes of 13% in 2020 vs 2019 which is broadly on par with experience of the GFC. The 'pessimistic' scenario suggests that world trade could be cut by around 1/3 of its 2019 level, an outcome more akin to the Great Depression almost a century ago.
- Air cargo services have held up relative to passenger flights so far, to ship medical supplies and sustain supply chains. But its share of world trade volumes over time has been fairly stable, so the WTO's latest forecasts do not bode well for the second half of this year. In 2019, global trade tensions led to a 3.2% decline in air cargo volumes. Based on the latest WTO estimates, 2020 will be much worse for air cargo, with a sizeable double-digit decline in prospect. We will be releasing further details on this next week.
- While air freight volumes are declining, the significant reduction in belly capacity (more than half of the world's passenger fleet is grounded) has provided some current respite in the form of higher yields and a strong demand for dedicated freighter operations. However, this is unlikely to be sustained as the impact of the sharp decline in economic activity and global recession take their toll on air cargo demand over the period ahead.
- While there remains considerable uncertainty surrounding the development of the pandemic and its duration, as well as the government response to support economic activity, the WTO expect a strong recovery in 2021. The air transport industry will play a vital part in ensuring that global trade and economic activity can be restored quickly and effectively, when that time comes.

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