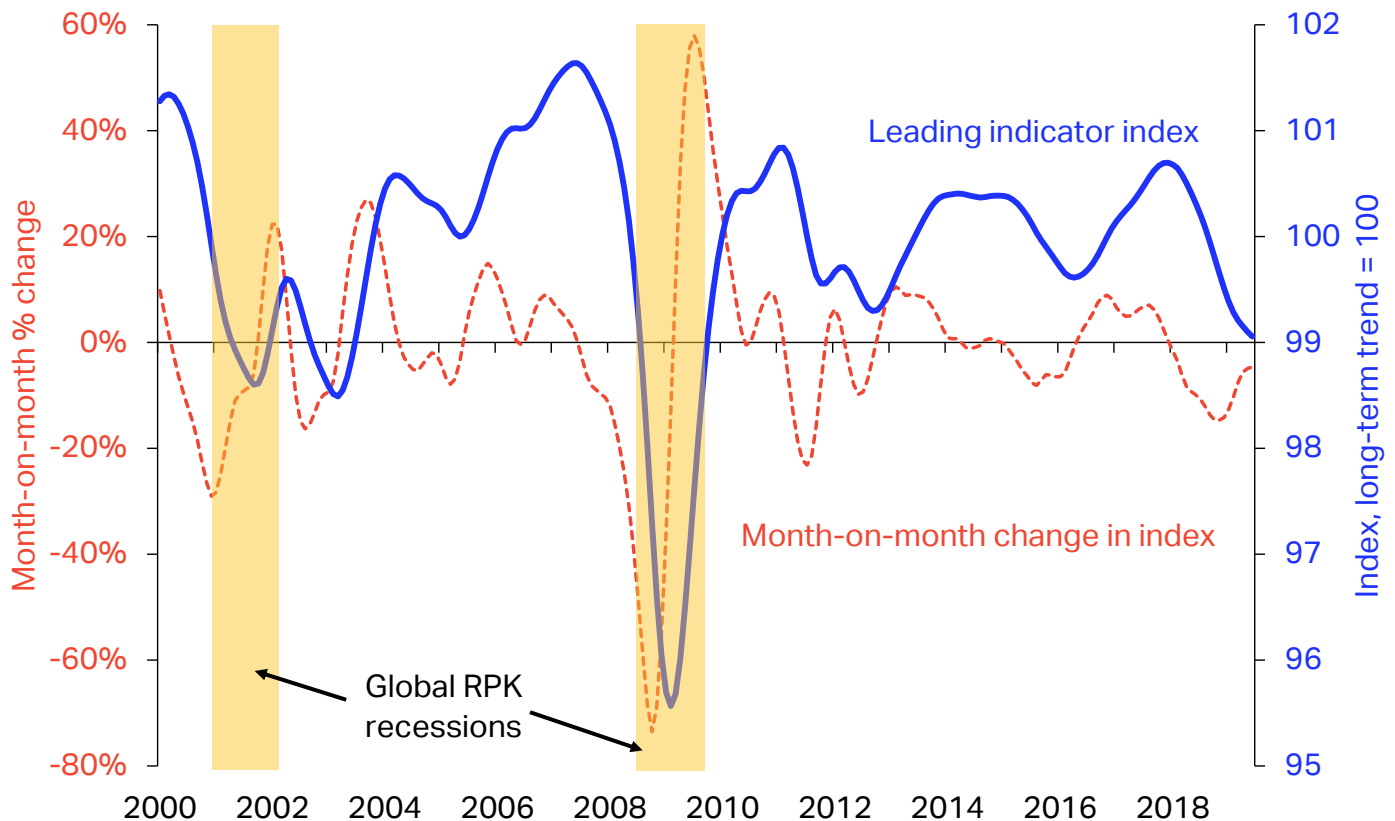


Leading indicators pointing to weaker growth not recession

OECD composite leading indicator of economic activity



Source: OECD, IATA

- Plenty of attention this week has again been focused on the possibility of a global economic recession. In the US the 2-year vs 10-year Treasury bond yield curve inverted and global equity markets sold off sharply. These financial market developments come at a time of ongoing trade tensions and various simmering geopolitical concerns globally.
- The risks to the global economic outlook are clearly tilted to the downside, but does this necessarily mean that a recession is imminent? Today's chart shows the OECD's global composite leading indicator (CLI) (blue line), the monthly change in that index (dotted red line) and the two periods of global RPK recessions (shaded) since 2000. The CLI consists of a range of indicators, designed to provide early signals of turning points in the business cycle. The CLI has been trending downwards for 18 consecutive months, highlighting the recent moderation in global economic activity and the outlook.
- Two things are notable from the chart. First, not all downturns in the CLI are related to global RPK recessions and second, periods of RPK recession have come at a time where the change in the CLI is at, or accelerating towards, a trough. Presently, however, the monthly change in the CLI is *improving*, having passed its trough seven months ago.
- Only time will tell, of course if recent developments will deliver a near-term recession. Businesses and consumers are right to be anxious in the current environment of heightened uncertainty, however at this stage there is reason to think that we might just be in for a period of weaker growth, rather than outright recession.

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: www.iata.org/economics-terms
By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.

IATA Economics
economics@iata.org