

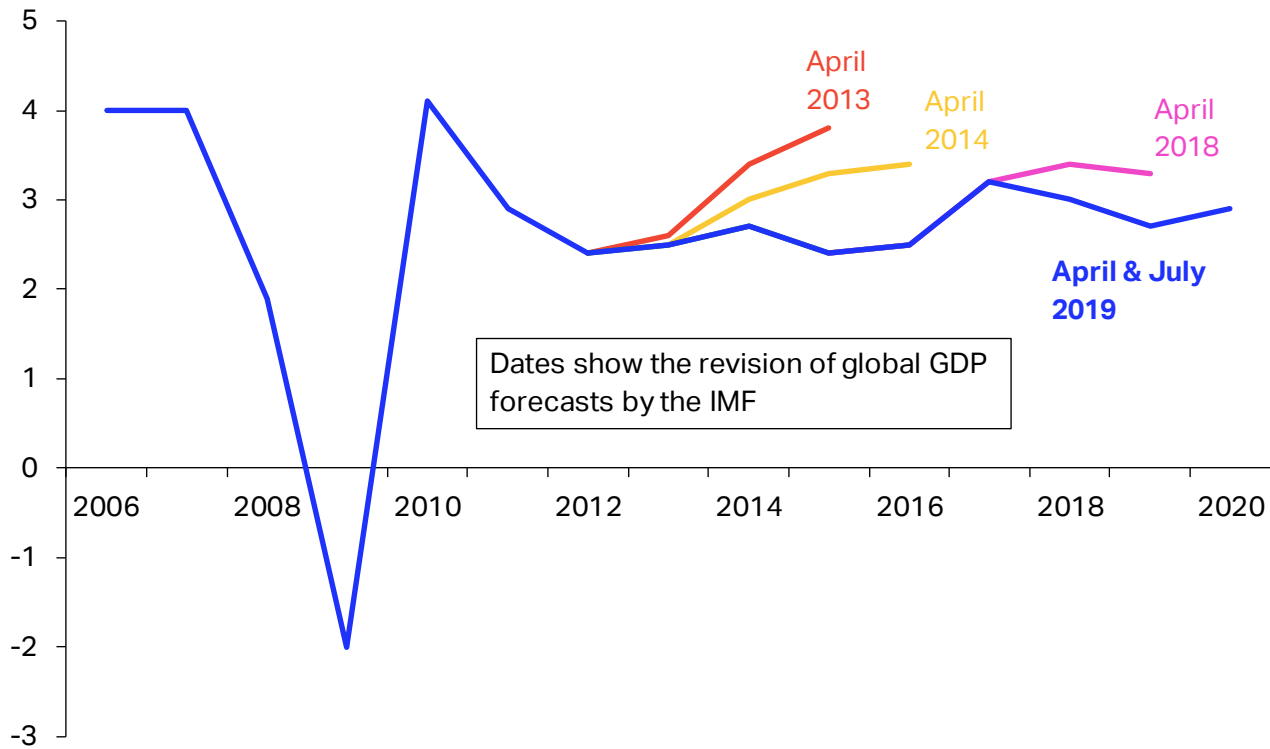


IATA Economics' Chart of the Week

26 July 2019

Outlook for growth appears to be stabilizing

IMF forecasts of global economic growth (market exchange rates not PPP)



Source: IMF World Economic Outlook

- Notwithstanding the gloomy commentary about trade, the [latest IMF World Economic Outlook](#) showed a stabilization in its forecast for global GDP growth at 2.7% this year and 2.9% for 2020 (using market exchange rates to aggregate GDP). This was the same as the April 2019 forecast, which had earlier been cut by 0.6% points from the 2019 forecast made in April 2018. The IMF did slash its forecast for world trade from 3.5% to 2.5%, but this has been offset by mild stimulus from fiscal policy, particularly in China, and a change of central bank monetary policy across the world towards interest rate cuts and further quantitative easing. So, while global economic growth will undoubtedly be slower this year than in 2017 or 2018, fears of a sharper deterioration appear to be diminishing.
- That is important for the air transport industry, since both consumer demand for air transport, and airline and supply chain profits are still highly leveraged to economic growth, despite some of the structural change in financial performance of recent years. When the economy is strong the industry does well and vice versa.
- Although further tariffs were avoided at the G20, air transport demand is being further damaged by the May round of increases from the US and Chinese retaliation. The week after next, we release [passenger and freight market data](#) for the first half of 2019. So far, FTKs are already more than 3% down on last year, meaning our forecast for zero average growth in 2019 looks optimistic, and making life increasingly difficult for the cargo business. But the domestic demand offsets to weaker trade, sustaining reasonable GDP growth, means our forecast for 5% growth in global RPKs this year still looks achievable. With airlines paring back growth of capacity, this implies a more stable environment for the passenger business in the second half of this year.

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