



IATA Economics' Chart of the Week

25 January 2019

Should we worry about the cut in the IMF's global growth forecast?



- At Davos on Monday, Christine Lagarde announced yet another downward revision of the IMF's forecast for global GDP growth in 2019, the 3rd since their earlier optimism started to diminish after April last year. The key issue for the aviation industry – which remains highly leveraged to the economic cycle – is whether this signals that a recession will hit us soon. Mme. Lagarde said no, but how seriously should we take this?
- Forecasting is difficult, even for the highly skilled professionals at the IMF. During the six years following the rebound from the Global Financial Crisis the IMF (and others) were consistently wrong in expecting the global economy to recover to pre-GFC growth rates of 3%+, as shown in the chart. That is, they were wrong until 2017, when economic growth finally accelerated back above 3%. But, since July last year, we have returned to downward revisions in economic growth forecasts. So, are we back to the situation we were in during 2013-15, when growth projections were too high by more than 1%, are we approaching a recession as in 2007, or is the outlook still relatively benign?
- The honest answer is that nobody knows for sure. However, growth projections are being revised down from strong levels, which provides some comfort. Moreover, the latest 3% (or 3.5% using PPP exchange rates) forecast for 2019 is still quite a bit stronger than the 2012-2016 period and supportive of solid air travel growth this year. But we need to keep a close watch on several major downside risks. We will be assessing these in subsequent notes.

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