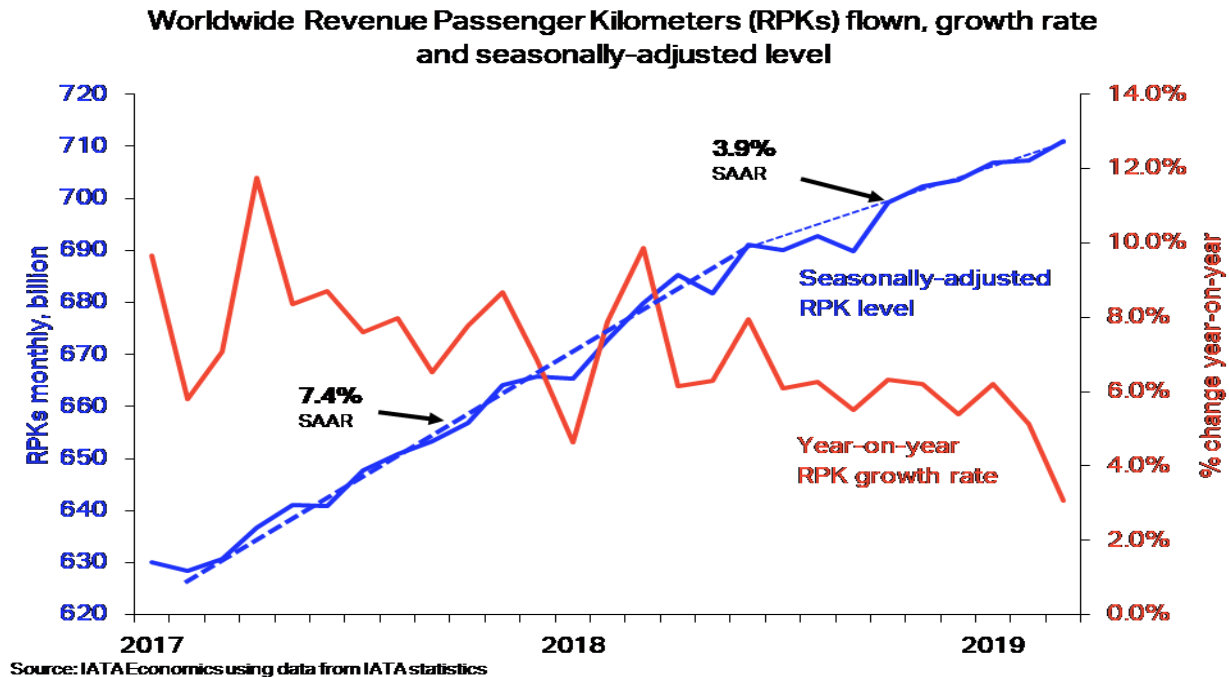




IATA Economics Chart of the Week

10 May 2019

Severe damage to trade but economic growth more resilient



- This week [we reported](#) a sharp slowdown in the growth of air travel markets in March, to a year-on-year (y-o-y) growth rate of just 3.1%. RPK growth appears to have fallen precipitously in February and March, from the 6% y-o-y growth rates that were the average throughout the second half of last year and in January 2019. This interpretation would be a classic example of (badly-used) statistics distorting the truth.
- There are two distortions here. The first was produced by the later timing of the Easter holidays this year. Having boosted air travel in March last year, this effect was absent in March this year – so the year-on-year comparison produced an artificial decline in the growth rate (next month's y-o-y growth rate will rebound as the effect reverses). However, the second and more important distortion is that underlying air travel growth had already slowed by almost a half, a slowdown that started in mid-2018 – which is apparent if you examine the trend in seasonally-adjusted RPKs in the chart. There was no additional slowdown in the underlying trend in February and March this year – the first quarter of 2019 just continued the underlying trend of 3.9% (Seasonally Adjusted Annualized Rate SAAR). The inflexion of underlying growth in RPKs was detected early from the seasonally-adjusted levels but will not become visible in the y-o-y growth rates until the second half of 2019 – before then the y-o-y comparisons are with much lower levels in early 2018. So, beware using y-o-y growth rates as your guide to trends in air travel, or other markets.
- The underlying air travel slowdown that started in the middle of 2018 is consistent with developments in the wider economy. Over that period business confidence fell, in the face of trade disputes and other uncertainties. Global industrial production slowed from 4% in 2017 and early 2018 to 2% or less more recently. Policy-makers in China and elsewhere have responded with stimulus measures, so although trade remains a major uncertainty, the macro outlook at present is for only slightly slower growth. If so, the current underlying trend in RPKs should continue.

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