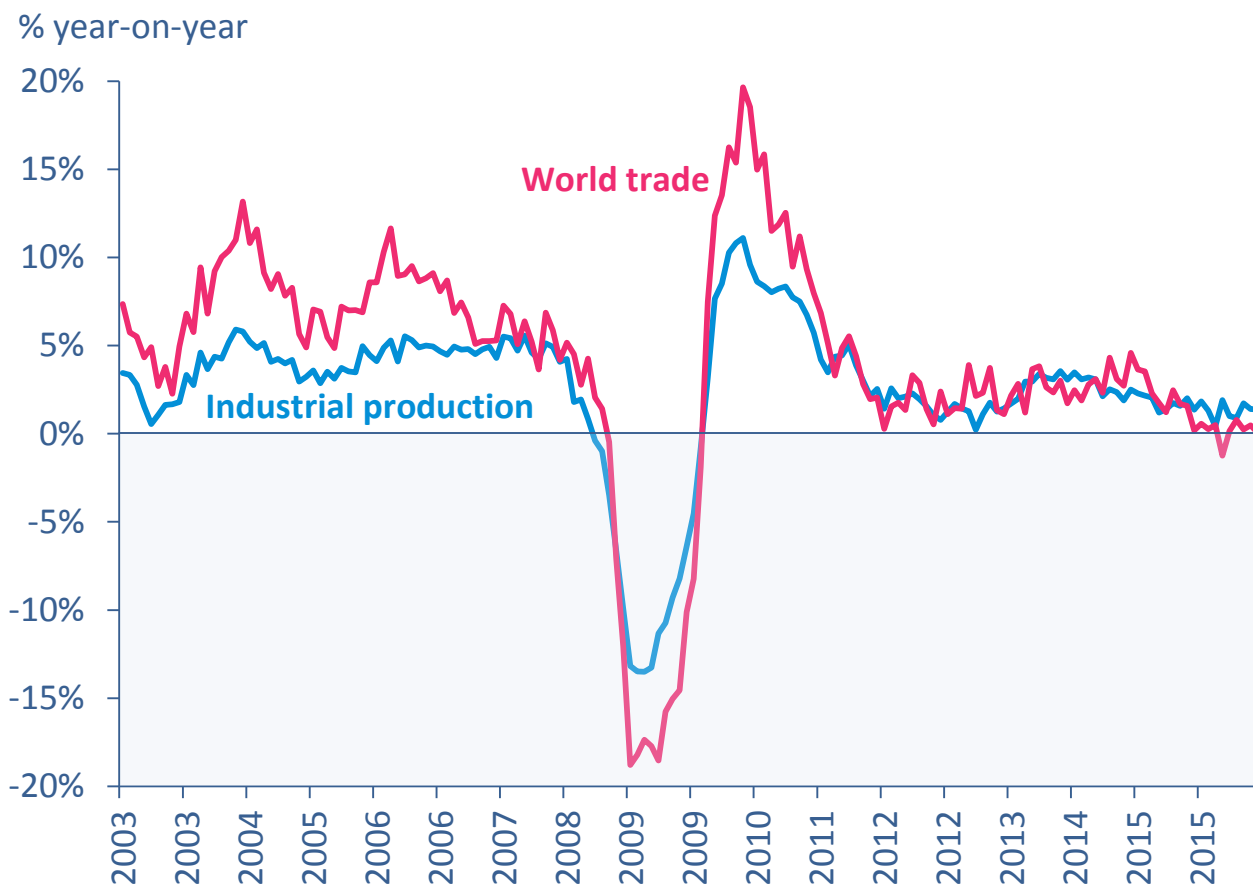




IATA ECONOMICS' CHART OF THE WEEK

2 SEPTEMBER 2016

WEAK WORLD TRADE GROWTH PRESENTS A HEADWIND FOR AIR FREIGHT



Sources: IATA Economics, Netherlands CPB

- Data compiled by the Netherlands CPB show that world trade volumes barely grew at all in year-on-year terms in the first half of 2016 (+0.1%). Tellingly, global trade growth in the first half of 2016 also lagged behind that seen in industrial production so far this year. This is not unprecedented – it happened in 2012 and 2014, for example – but the degree of underperformance was unusual this time around. In any case, the outcome is a far cry from the trend before the global financial crisis when global trade tended to grow around twice as fast as global output.
- There is no simple mechanistic link between air freight and world trade, mainly because air freight carries just a very small proportion of total trade volumes (although a much higher share of values). However, the change in the relationship between global trade and output, and phenomenon including the miniaturization of consumer electricals, present headwinds for air freight. Opposition to further trade liberalization, evident in political rhetoric on both sides of the Atlantic, also raises risks and poses the question of whether we have surpassed ‘peak trade openness’.
- The upshot is that the current global backdrop points to continuation of just modest and fitful growth in air freight in the years ahead, rather than a return to the 5-6% annual growth rates of old.
- Look out for the July edition of our *Air Freight Market Analysis* report, scheduled for release on 6 September.

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