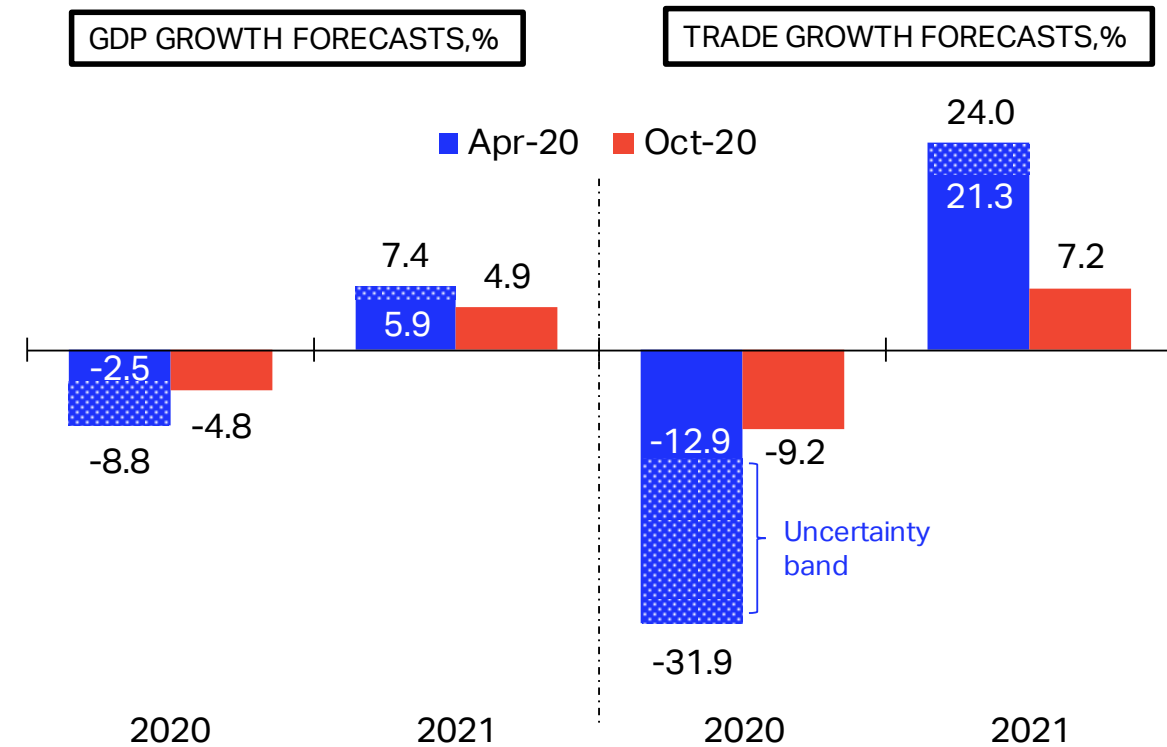




IATA Economics' Chart of the Week

09 October 2020

What do the new GDP and trade forecasts suggest for air cargo?



Source: World Trade Organization

- This week the World Trade Organisation released its latest outlook for the global economy and international merchandise trade. On these estimates, the global economy is forecast to contract by almost 5% this year, rebounding by a similar magnitude next year. For trade, a fall of 9.2% this year is an upwards revision to even the optimistic scenario from April. However, the anticipated recovery in 2021 has been downgraded to 7.2%.
- Following a sharp recession the rebound in international trade is typically quite strong. But on this occasion, the WTO note that their latest forecast will see trade volumes remaining 'well-below' the pre-crisis trend. There are a number of reasons why this might be the case, including the adverse impacts of the pandemic on employment and incomes, policy responses which have imposed additional debt and supply-side constraints on economies, and the possibility of ongoing international trade tensions. The risks to the outlook are still considered to be firmly to the downside.
- Developments in world trade are an important consideration for the air cargo outlook. During a period of economic recovery, air cargo typically recovers more quickly than other modes of transport, as businesses seek to rapidly re-stock their inventory levels in response to the pick-up in demand. The more subdued recovery now expected in international trade highlights the risk that the forecast rebound in air cargo volumes might also be slower on this occasion.

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