As we noted earlier this week, both passenger and freight volumes recorded very strong starts to the year. In fact, taking the first 6-months together, the H1 growth rate for freight (10.4%) was the fastest in 7 years and that for pax (7.9%) was the fastest in 12 years. Today’s chart puts the 2017 H1 growth rates into historical perspective. The big question of course is whether, and for how long, this strong performance can be sustained.

For pax, a brighter economic backdrop relative to 1H16, as well as a sustained period of stimulation from lower airfares have been key drivers of the strong demand performance. However, after increasing into the start of the year business confidence has drifted sideways over recent months. At the same time, passenger yields have stopped falling and increasingly appear to have bottomed. Both of these developments are consistent with a slowing in the trend rate of growth in passenger demand in the second half of the year.

For freight, it also appears that the best of the cyclical growth upturn may now be behind us. While business surveys still point to growing export orders, the new export orders data have broadly tracked sideways since March. The inventory to sales ratio has also stopped falling, suggesting that the need for businesses to urgently re-stock may have passed.

Overall, the operating environment remains supportive of both pax and freight demand, although there are good reasons to think that the current pace may not be sustained through 2H17. Nonetheless, the strength of the performance so far this year means that the risks to our 2017 volume forecasts remain tilted to the upside.