This week saw the release of the latest set of global Purchasing Managers’ Indices (PMI) by Markit. These monthly business surveys are watched closely by economists as they have proven to be timely indicators of changes in economic conditions. The PMI are particularly useful in the case of aviation, as they provide leading indications of changes in demand conditions on both the passenger and the cargo sides of the business.

Air passenger demand conditions are closely related to developments in the economic cycle; as a result it is perhaps unsurprising to see that year-on-year growth in passenger traffic is highly correlated with the global composite PMI (a weighted measure of business confidence from both the manufacturing and the services sectors). (See the left-hand panel of the chart.) Having risen sharply in late-2016, the composite PMI remained unchanged in September at its highest level since March 2015. At current levels, the indicator remains consistent with rising global economic activity, as well as year-on-year growth in revenue passenger kilometres (RPKs) staying in the region of 6.5-7% into Q4 2017.

Developments in air freight volumes are more closely aligned to changes in the new export orders component of the global manufacturing PMI: when global manufacturers report that their export order books are stronger than they were a year ago, this tends to be associated with a subsequent pick-up in growth in freight tonne kilometres (FTKs). The latest data show that global manufacturers are still reporting buoyant export order books, particularly in Europe and Asia. However, having reached a six year-high in August, the new export orders component fell in September, and the annual rate of change has eased. All told, even if the series maintains its elevated level in the months ahead, this is consistent with a moderation in the current double-digit rates of FTK growth going into 2018. (See the right-hand panel in the chart.)