



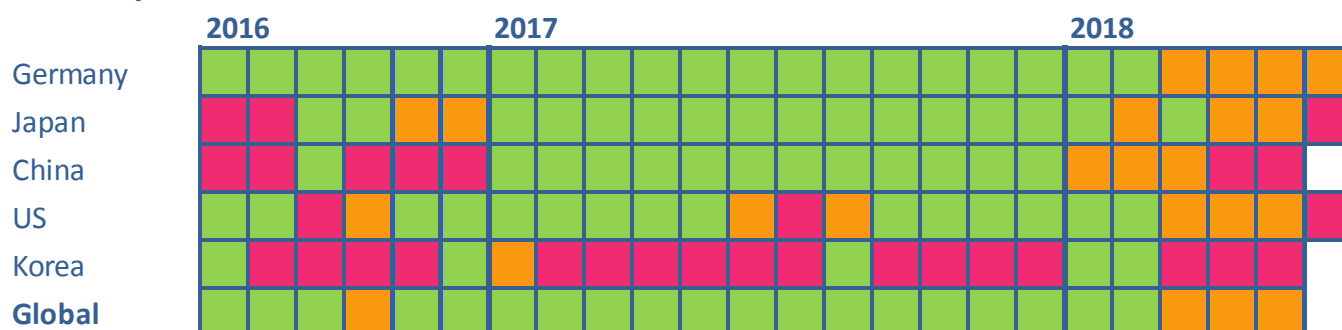
IATA ECONOMICS' CHART OF THE WEEK

29 JUNE 2018

THE DRIVERS OF AIR FREIGHT VOLUME GROWTH HAVE SOFTENED

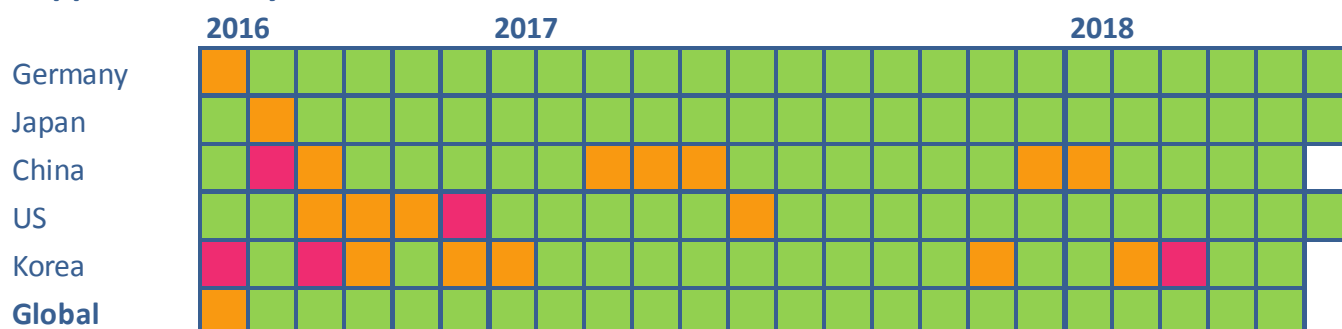
New export orders

Legend: >50 and rising = green; >50 but falling = orange; <50 = pink



Supplier delivery times

Legend: <50 and falling = green; <50 but rising = orange; >50 = pink



Sources: IATA, Markit, Thomson Reuters Datastream

- One of the key messages in our latest quarterly *Cargo Chartbook* ([link](#)) is the softening in the key demand drivers of air freight. This mainly relates to signs that the inventory re-stocking cycle that helped to propel strong growth in air freight last year now looks to have run its course. But it also includes signs from monthly business surveys that we monitor closely.
- On a positive note, manufacturing firms in all of the major trading nations are still reporting that delivery times from their suppliers are getting longer (see the bottom panel of the heatmap). As we pointed out in a recent [note](#), periods in which this has been the case in the past have typically coincided with rising demand for air cargo, which reflects the industry's ability to move goods quickly and to help recover some of this lost time. (The speed proposition, of course, also explains air freight's important role in areas such as electronics, e-commerce, and pharmaceuticals.) One caveat is that supplier bottlenecks currently appear to be most acute in capital goods, which are unlikely to go by air and may limit the upside.
- Less positive are the developments in the top panel, which show that manufacturing export order books are now much less buoyant than they were just six months ago. As chart 11 in our *Chartbook* shows, this measure has proved to be a useful leading indicator of air freight demand in the past. All told, the new export orders component of the global manufacturing PMI series fell to a 21-month low in May, and while it is still just above the notional 50-mark that represents growing export orders books, it is currently consistent with a further slowing in annual FTK growth during Q3 2018.
- On balance, we continue to expect industry-wide FTKs to grow in the region of 4% in 2018. After the strong gains seen last year, this would be a good result. However, given the recent pick-up in trade protectionism, we judge the risks to lie on the downside.

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