

AIR CARGO FORECAST BY IATA EXPECTS 4.1% GROWTH



The 2014-2018 airline industry forecast by the International Air Transport Association (IATA) shows that international freight volumes across the globe is likely to increase to 4.1% CAGR (compound annual growth rate) over the next five years. As a result, emerging economies especially in Africa and Middle East will grow.

Air cargo is important to the world's economic system. This year for example, **more than 35% of total world trade by value that is equivalent to \$6.8 trillion worth of goods has been transported by air around the world.** For this reason, an increase in air cargo sector by approximate 4% in the next five years is welcoming news as it will result in the improvement of the market performance.

However, despite the positive growth in the airline cargo industry, the overall risks to the economic outlook remain high due to trade protectionism. According to World Trade Organization (WTO), G20 governments enacted 112 new trade-restrictive measures only between November 2013 and May 2014. Competition from rail and sea, volatility of oil prices and geopolitical concerns are some of the factors that could affect airline industry forecast.

To enhance air cargo competitiveness within the transport industry, the air cargo industry is looking forward to cutting down the average transit time by 2020 to about 48 hours. To attain this, the air cargo industry is widening the range of services offered, improving quality and reliability and modernizing its processes.

A key component of modernizing processes is rendering the air cargo shipments paperless through the e-Freight project. As a first step, the air freight is starting to use the e-Air Waybill (e-AWB). By September 2014, the air freight global e-AWB penetration was projected to be 19.4% which was within the industry 2014 target of 22%.

HIGHLIGHTS OF THE FORECAST

- The fastest growing international route with a growth rate of 6.2% per year will be between Asia and Middle East. Other routes that will remarkably grow include routes within Middle East (4.6%), Europe to South Africa (3.8%) and North America to South America (3.9%).
- By 2018, the United Arab Emirates (UAE), China and United States will each add approximately 1 million additional tons of cargo freights. The UAE will be the third largest market replacing Germany.
- The international freight volumes are expected to grow by 4.1% CAGR over the next five years.

International freight developments

- The markets of North America and Europe will grow at 2.8% CAGR and 3.0% CAGR respectively
- **The Middle East is projected to be the fastest growing region with a CAGR of 4.7%**
- Africa is forecasted to be the second growing region with 4.4% CAGR while Latin America and Asia Pacific are forecasted to be the third-fastest growing markets with a CAGR of 3.8%
- The ten largest international freight markets by 2018 will be Germany (4,763,000 tons), Hong Kong (4,648,000 tons), China (5,639,000 tons), Japan (3,480,000 tons), the UAE (4,974,000 tons),

Chinese Taipei (2,350,000 tons), India (2,223,000 tons), the United Kingdom (2,808,000 tons) and United States (10,054,000 tons) and Republic of Korea (3,487,000 tons)

- Iran is forecasted to be the fastest growing country with an air freight volume of 7.0% CAGR per year. Since Iran is growing from a low base, it will have to add about 44,000 tons of freight for a total of 156,000 tons by 2018. India is the second fastest growing market with a 6.8% CAGR to add 622,000 extra tons. Other fastest growing countries include Ethiopia (319,000 total freight tons), Nigeria (276,000 tons) and Bangladesh (339,000 tons).

Freight traffic shares by route

- Traffic shares for North- and Mid-pacific, within North Atlantic and Europe are forecasted to decrease by approximately 0.5% in 2018 to be 9.5%, 8.9% and 9.0% respectively.
- European-Asia and Asian Pacific are forecasted to increase their traffic shares slightly to 12.4% and 21.4% respectively
- The 2013 largest freight traffic shares were within North and Mid-Pacific (10.0%), Europe-Asia Pacific (12.3%), and Asia Pacific (21.6%)

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