

Airfreight - Global

Key takeaways from TIACA call on air cargo outlook & Red Sea disruptions

Industry Overview

Key takeaways from Red Sea call with TIACA

We hosted Glyn Hughes from The International Air Cargo Association (TIACA) to discuss the 2024 outlook for air cargo. Red Sea disruptions are already boosting cargo demand given rush shipments ahead of Chinese New Year (CNY) and the shift to air could sustain post-CNY given improved price competitiveness following surging ocean rates. Air cargo demand appears to have passed the worst with expectations on low single digit growth in 2024 over better inventory levels and strong eCommerce demand. And while 3-5% freighter deliveries could arrive in 2024, freighter retirement might be able to offset this.

Disruptions: Red Sea already boosting air cargo demand

Red Sea disruptions are driving some shifts to rush air shipments ahead of CNY for critical items. TIACA believes that air cargo could see a boost even after CNY given a narrowing price gap between air & sea (down to 10x vs 20x normal levels) prompting more air or combined sea/air flows. Panama Canal disruptions have also created some incremental air cargo demand, while the Russia-Ukraine war has been disruptive to air cargo supply around Russian airspace and the loss of AirBridge freighter capacity.

Demand: Growth in high tech, pharma, and e-commerce

TIACA expects 2024 demand growth at around 3%, or 1x of GDP growth. After periods of destocking, it believes inventory levels are now at a more manageable level and world trade can grow particularly if consumer sentiment improves upon lower rates. TIACA sees growth opportunities with high tech, pharma, and e-commerce, especially the ultra-fast fashion channels with no retail presence which relies more heavily on air cargo vs. ocean. It also sees an ongoing production shift to India and other emerging markets.

Supply: More freighter deliveries, but watch retirement

TIACA sees +3-5% new supply of freighter capacity in 2024 supported by both new deliveries and additional freighter conversion lines coming online. But net supply growth will depend on demand – with scope for substantial retirement of older aircraft if the market is weak. Chinese airlines have added significant belly capacity post-COVID and are increasing freighters to support e-commerce growth.

Yields: No big increase expected, higher contract mix

The Red Sea crisis is fluid but the boost to air cargo yields is likely to be smaller than during COVID where supply chains were more disrupted. And the market has shifted to more contracts mix with 70% of volumes on contracts of six months or longer right now.

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CNY – Chinese New Year

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