

Forwarding market set to rebound in 2021

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By Damian Brett



The global freight forwarding market experienced its most challenging year to date amid the Covid-19 pandemic, contracting 9% year-on-year. However, it is expected to rebound in the years ahead, according to industry analyst Transport Intelligence (Ti).

With promising developments with regard to a Covid-19 vaccine, the International Monetary Fund (IMF) has revised up its outlook for 2021, predicting that global trade will reach pre-Covid levels next year.

While service expenditure was badly hit this year, consumer demand has remained strong – unlike the previous global recession in 2009. State support schemes have limited unemployment rises, keeping consumer spending reasonably solid. Ti believes that the underlying GDP and trade growth dynamics bode well for a swift recovery in the freight forwarding sector.

“From 2010-2019, trade grew 1.1 times faster than GDP. In previous decades, this multiple had been higher, but the globalisation trend has since slowed. Over 2021-2024, the IMF expects this multiplier to be 1.2, buoyed by a strong recovery in trade in 2021,” said Ti.

Tight capacity has been a characteristic of both the air and sea freight forwarding markets in 2020. Container shipping alliances were able to work together and cut capacity during the pandemic, keeping rates at high levels. “This trend, although likely not to the same extent, could continue in the years ahead, pushing some shippers to consider other modal options, such as rail or sea-air,” Ti added.

With swathes of the passenger aircraft fleet grounded, there continues to be a lack of cargo bellyhold capacity. According to IATA, in the year to September, available cargo-tonne kilometres were 25.2% lower than the year previous. This lack of capacity has pushed shippers towards other modal options and could yet constrain the ability for air freight volumes to bounce back.

Ti said that twice over the past decade, the airfreight market has been boosted by inventory re-stocking cycles. These are characterised by a rapid acceleration in new export order growth, coming about at times when the global economy and trade are growing quickly.

However, given the constraints in capacity, airfreight is unlikely to see such a sharp boost next year. After the global economy slumped to its lowest ebbs in April and May this year, some re-stocking did take place, but it was ocean freight and integrators (through their own international air networks), which saw an uptick in volumes most sharply.

Ti expects both ocean and air freight forwarding to see a strong boost from the industrial and automotive sectors next year, as well as continued positive growth in the healthcare and pharmaceutical sector. For instance, the J.P. Morgan global manufacturing purchasing managers index (PMI) hit 53.0 in October, a 29-month high.

Automotive sales were down approximately 25-30% or H1 2020 but are predicted to rebound to around 17% for the full year. This demonstrates the bounce-back of industries and the path for growth has been set for 2021.

With the roll-out of a number of vaccines looking likely, volumes moved by air are likely to increase. In September, the IATA estimated providing a single dose to 7.8bn people would fill 8,000 B747 cargo aircraft. Though other modes such as road and rail may be used regionally, sufficient airfreight capacity is essential for a global rollout, Ti said.

Meanwhile, cross-border e-commerce volumes have accelerated this year spurred by lockdown measures and will provide a strong avenue for growth in years ahead. Retail and fashion are the leading verticals, as they recorded a 44% and 27% year-on-year revenue growth respectively for the first eight

months of 2020. With these sectors performing well, forwarding volumes look set to recover over the medium term.

Ultimately, Ti forecasts that the airfreight forwarding market will grow at a compound annual growth rate (GAGR) of 5.6% over 2020-2024, and the ocean forwarding market will see a 5.2% CAGR over the same period. The airfreight market has a lower base to grow from, after forecasts show it will contract by -13% in 2020. Its recovery will also depend, in part, on a recovery in passenger air travel.

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