Ship shape: Air and water freight prices begin to recover
By Tom Youl

The Air Freight Services and Water Freight Transport industries are recovering from oversupply conditions caused by the global financial crisis.

As an island nation, Australia relies on goods shipped by air and sea. The Air Freight Services industry and Water Freight Transport industry have reported similar trends over the past five years. Global demand and supply trends influence both industries, which compete with international firms. Furthermore, an oversupply of services and participants, which has pushed down freight tonnage prices, has affected both industries. However, reported price growth over the past two years has provided operators with relief from margin pressures.

Because commercial airlines carry the majority of air freight in and out of Australia in cargo holds, the Air Freight Servicers industry is closely tied to the International Airlines industry. Increased volumes of online shopping and international travel have benefited both of these industries over the past five years. However, increasing international passenger flight numbers and an influx of low-cost airlines have also influenced the market. For example, enterprises in the Air Freight Services industry are expected to rise at an annualised 3.6% over the five years through 2018-19. This rising participation has increased competition, and caused lower prices per tonne. Falling prices largely drove the industry’s decline in revenue over the two years through 2016-17, even though total tonnage increased over the same period. However, more subdued capacity growth from most international airlines over the two years through 2018-19 has caused a turnaround in pricing trends, aiding industry growth over the same period, including a significant increase of 12.2% in 2017-18.

At the beginning of the past five-year period, reduced shipping volumes caused by global recessions were still affecting the Water Freight Transport industry. Due to the severe lag between order and delivery of large vessels, such as container ships, firms were rolling out ships intended for use in periods of stronger demand. This oversupply suppressed shipping rates and fuelled the industry’s decline over the three years through 2016-17. Similar to the Air Freight Services industry, demand was strong over this period but supply grew faster. In another similar trend, oversupply is expected to wane significantly over the two years through 2018-19, supporting industry revenue growth over the same period. Price growth is also expected to alleviate the profitability pressures reported within the industry over the past five years.

Supply is expected to grow moderately in the Air Freight Services and Water Freight Transport industries over the next five years, especially in the immediate term. Many international airlines, including Australia-based Qantas and Virgin, have indicated that they will only
Ship shape: Air and water freight prices begin to recover

increase flight capacity in line with demand. This limited increase is expected to cause price per air freight tonne to rise, as online shopping from international sites continues to become more prominent. The Water Freight Transport industry is forecast to report strong volume growth over the next five years due to several free trade agreements coming into force.

Related industries:
Air Freight Services in Australia
Water Freight Transport in Australia

Subscribe and become an industry expert
Subscription packages can be tailored to meet your individual or company’s needs. Benefits of subscription include substantial discounts on report prices, exclusive data access and rates on customised research to help you move quicker than the competition.
Including key statistics, analysis, historical data and future forecasts, IBISWorld Industry reports provide the information you need to make sound business decisions – now and into the future.

For more information, please call us today on (03) 9655 3881