



GLOBAL FREIGHT FORWARDING FORECASTS FOR 2021 AND 2025

By Ti Insight



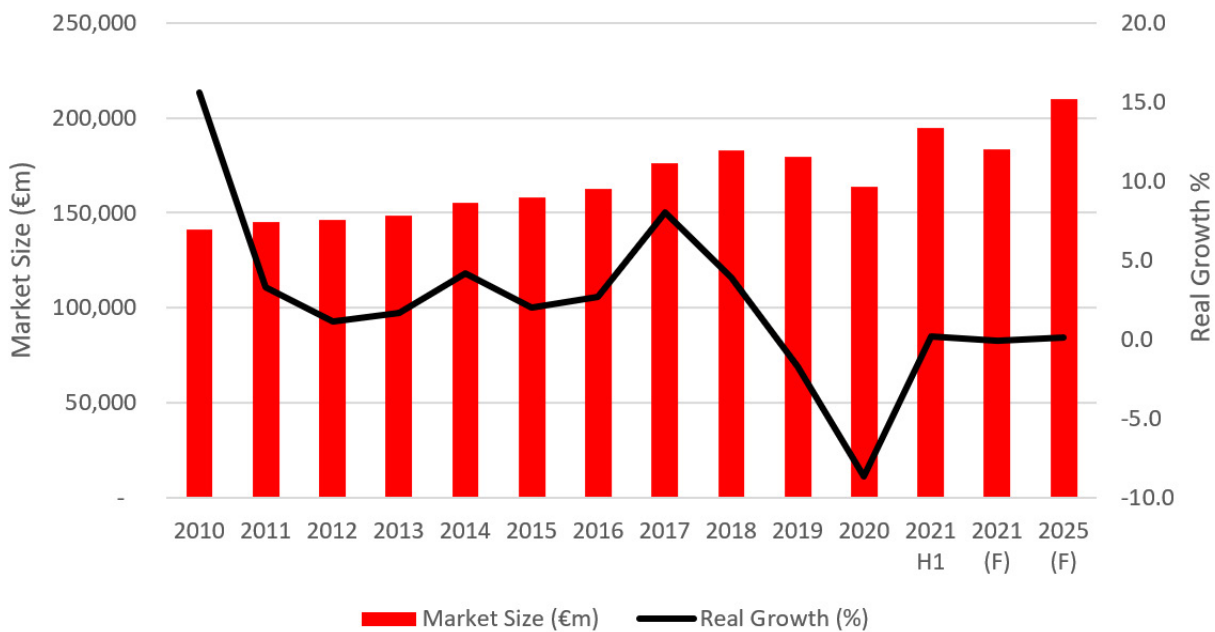
GLOBAL FREIGHT FORWARDING FORECASTS FOR 2021 AND 2025

GLOBAL FREIGHT FORWARDING MARKET SIZE & GROWTH

H1 2021

The global freight forwarding market grew by 19.0% in H1 2021, bringing the market value to €195,072m. Almost all regions saw double-digit growth in H1 2021, which has been driven by large-scale economic rebound in the wake of reopening after Covid-19. Only Middle East and North Africa (MENA) did not see double-digit H1 growth. The freight forwarding growth in H1 2021 was expected to be high as it is being compared to a very low base in H1 2020 due to the Covid pandemic.

Figure 1. Global Freight Forwarding Market Size & Growth (2010-2025)



The growth is driven in large part by North America and Asia Pacific which have grown by 22.6% and 21.8% respectively in H1 2021. The air forwarding market experienced faster growth, expanding at 26.0% over the period, while the sea forwarding market saw slower growth of 10.4%.

Figure 2. Air and Sea Forwarding Market Growth H1 2021

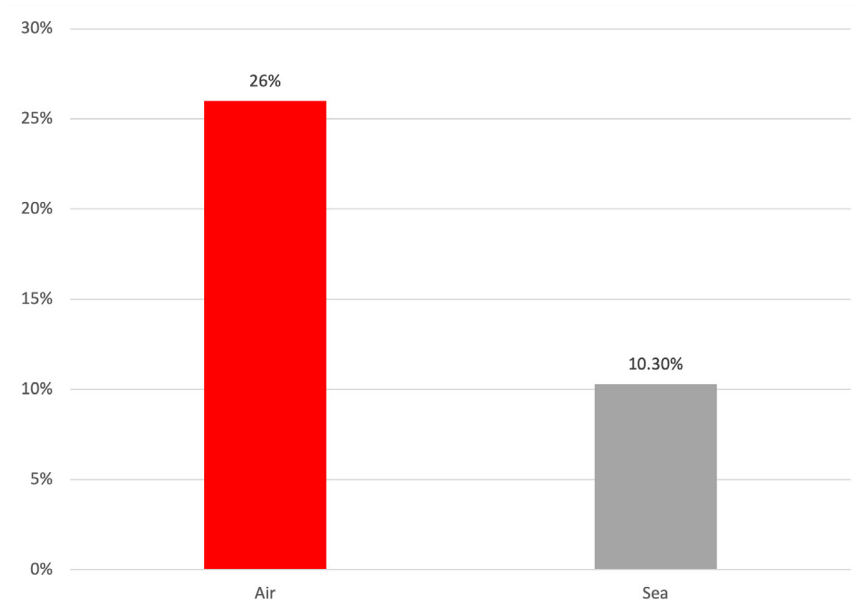
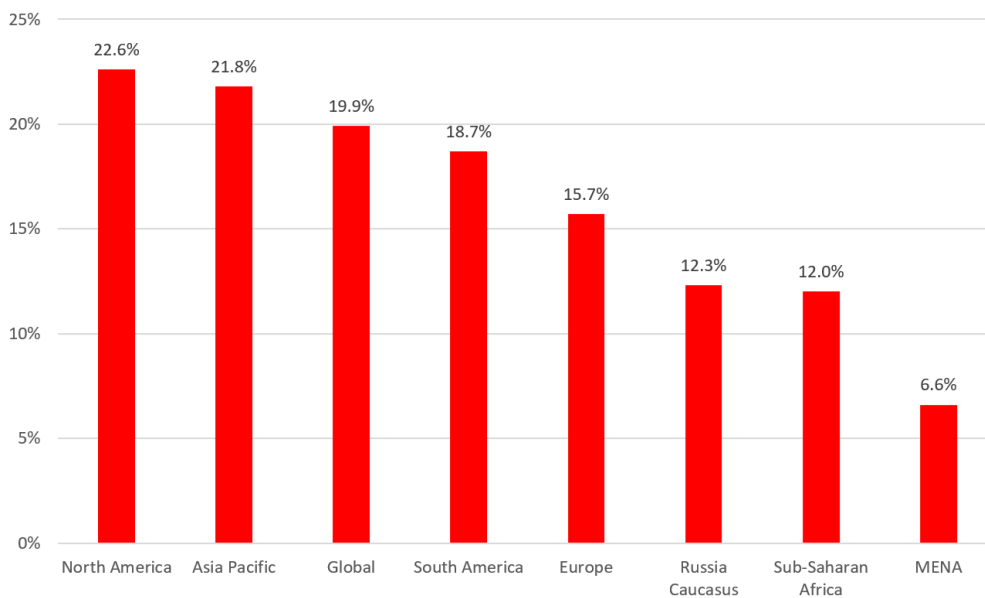


Figure 3. Regional Freight Forwarding Market Growth H1 2021



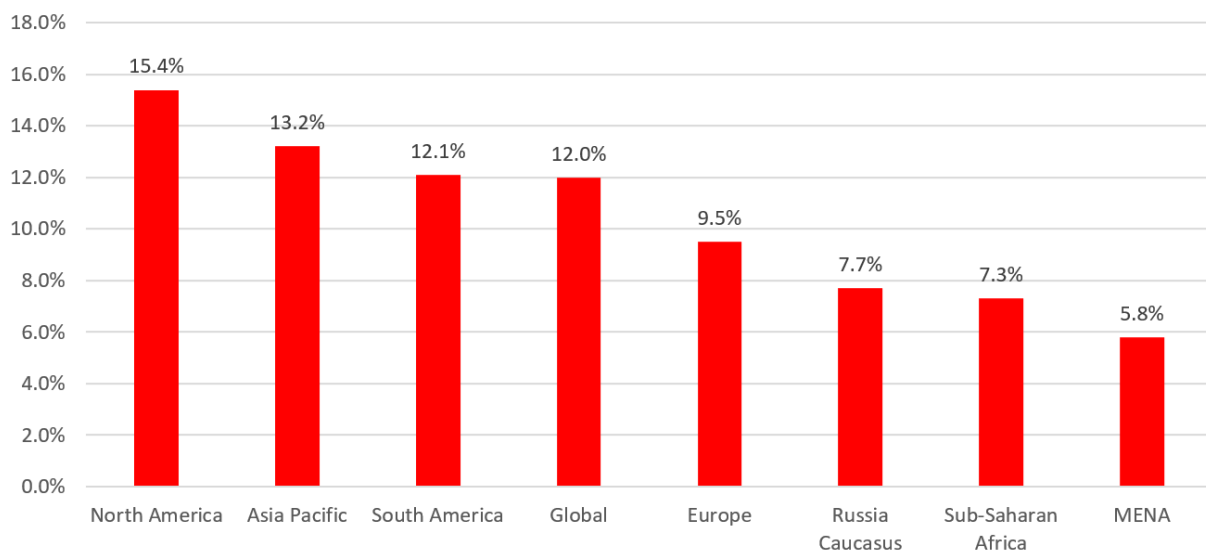
Fiscal support packages implemented throughout 2020 and the reopening of economies have already boosted consumer demand in H1 2021 and promoted growth within the freight forwarding market. The IMF’s global forecast predicts that global GDP growth will rebound in 2021, with real growth of 5.9% expected according to the IMF’s October 2021 World Economic Outlook. As a result, the global freight forwarding market is expected to bounce back in 2021, growing at a rate of 12.0% in real terms compared to 2020 (€183,652m).

Soaring consumer demand promoted a surge in global trade, resulting in very low inventory levels. Typically, low inventory levels lead to high demand for air freight as shippers rush to replenish inventories amidst rising sales. This has led to high demand for air freight services in the first half of 2021. Inventory levels will remain low ahead of the peak year-end retail events such as Single’s Day, Black Friday and Cyber Monday. This will provide a boost to the air freight market throughout 2021. The air freight market also continues to benefit from improved cost-competitiveness relative to sea freight, despite historically high air freight rates. According to IATA, the average price to move air cargo was 12.5 times more expensive than sea shipping before the Covid crisis, whereas in September 2021 it was only three times more expensive. Whilst the re-stocking cycle can be seen as an air freight phenomenon, greater demand still leads to surging sea freight demand.

However, the growth momentum has been facing headwinds which bottlenecks and supply chain disruptions weighing on global economic activity. Advanced economies have been experiencing supply disruptions throughout the year, which are likely to continue in the short-term, whereas low-income developing countries have been faced with worsening pandemic dynamics.

Insufficient capacity to meet demand as a result of the loss of belly cargo operations on passenger aircraft has resulted in capacity crunch which still persists. According to IATA’s September 2021 data, capacity remains constrained at 8.9% below pre-Covid-19 levels (September 2019) (-12% for international operations). This continues to limit the ability of air freight to absorb increasing demand.

Figure 4. Regional Freight Forwarding Full Year 2021 Forecasts

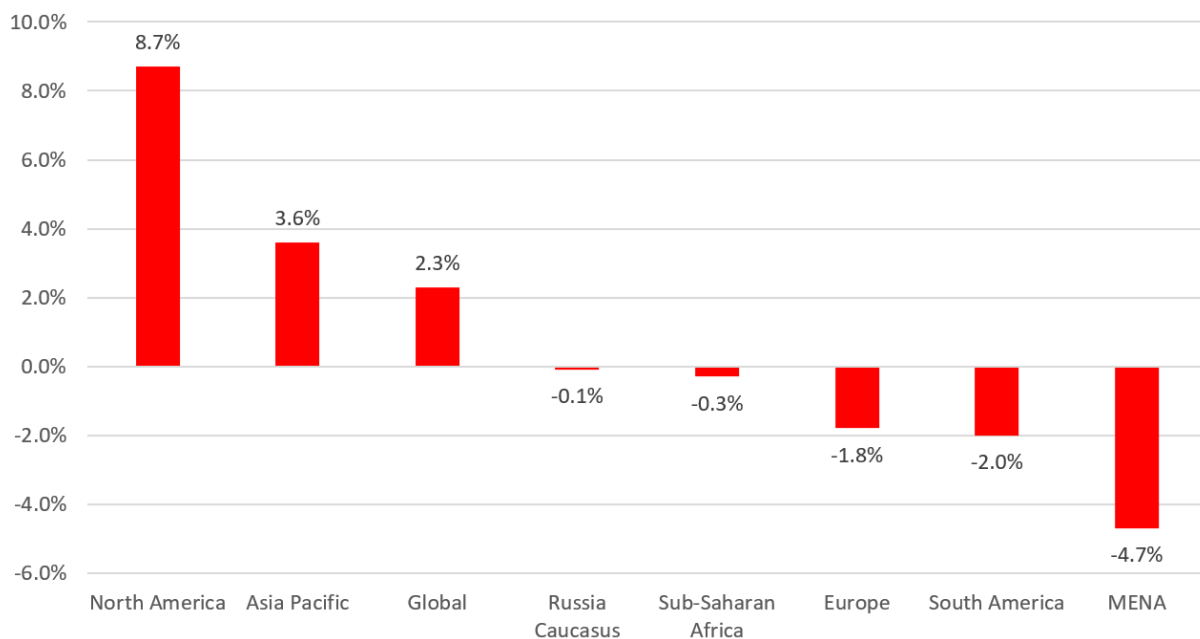


FY 2021 (F) and CRT21

Supply chain disruption, capacity constraints, and the resurgence of the virus will continue to impact trade and slow down the economic recovery from Covid-19 in the short term, and as a result will weigh on global freight forwarding growth. The continued potential for disruption associated with the virus is reflected in the Covid Recovery Tracker for 2021 (CRT21). This measures the size of the market in 2021 compared to the market in 2019. The CRT21 for the global freight forwarding market projects that it will be just 2.3% larger than it was in 2019.

It's important to highlight that not all markets will benefit from the favourable market conditions that the Covid-19 recovery has created. According to data provider WorldACD, Africa, Europe and Middle East & South Asia are still performing below 2019 volume levels, whereas Asia Pacific and North America are above 2019 levels. This is reflected in the regions' CRTs below, which indicate meaningfully slower market development in Sub-Saharan Africa, Europe and MENA than the North America and Asia Pacific regions.

Figure 5. Regional Freight Forwarding CRT21s Forecasts



Note: To provide context for its market growth forecasts, Ti is displaying a Covid Recovery Tracker (CRT), enabling users to see how individual and aggregated markets are expected to recover relative to the pre-Covid-19 era. The CRTs show how large the market is expected to be in 2021 when compared to its 2019 levels. For example, if North America has a CRT21 of 8.7%, it would show that the market in 2021 is expected to be 8.7% larger than it was in 2019.

2025 Forecasts

The global freight forwarding market is expected to grow at a 5.1% CAGR over the five years to 2025 as the global economy and trade recover from the Covid-19 pandemic. The growth forecast is driven in large part by Asia Pacific and North America expansions over the period which have CAGRs of 6% and 4.9% respectively, serving to highlight the importance of those regions to the global market. The air forwarding market is forecast to have the slightly faster growth, expanding at a 5.6% CAGR over the period, while the sea forwarding market is expected to grow slightly less quickly at 4.5% CAGR over the period.

The direction of several key drivers will be determining factors in the strength of global forwarding growth over the five years to 2025. The first of these is the pace of global recovery from the Covid-19 pandemic. The speed at which each region can rollout vaccine programmes and move beyond economic and social lockdowns will play a vital role in determining how effectively it can participate in growth over the period. Already we have seen the reopening of economic activity in Europe and North America produce significant spikes in demand as consumer spending and demand for intermediate and finished goods have risen markedly, supporting forwarding market growth. This has helped to support export levels in Asia Pacific particularly, but a number of headwinds threaten the ability of manufacturers and producers to fully participate in meeting demand. These include ability of countries in producing regions to suppress the spread of Covid, rollout of vaccines and avoidance of further lockdowns. In 2021, lockdowns amid virus spikes have curtailed production activity in Malaysia, Vietnam and Bangladesh, amongst others.

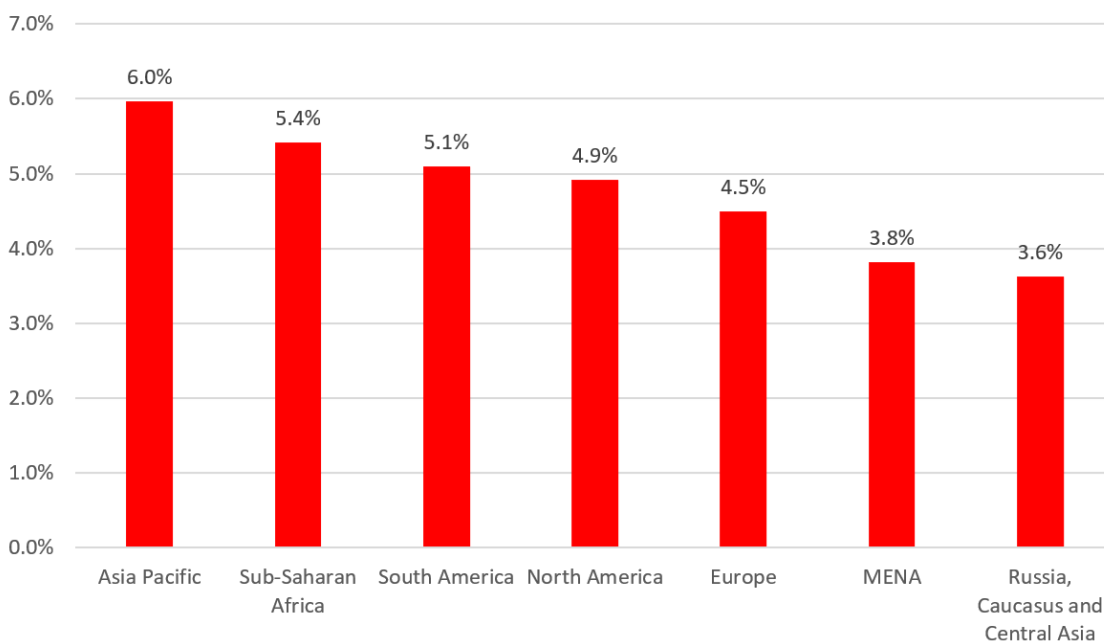
Despite lockdowns, however, global trade growth has accelerated significantly in 2021, primarily as demand has returned in consumer markets. The WTO revised its global merchandise trade expectations upwards to 10.7% in October – from 8.0% forecast earlier in the year – as a result. Over the five years to 2025 merchandise trade is forecast to return closer to historical averages, with the WTO forecasting growth of 4.7% in 2022. This return to historical growth levels will in part be the result of the unwinding of high consumer demand levels across Europe and North America which is fuelling a restocking cycle that seems likely to last until at least mid-2022 and is likely to bring about some alleviation in the supply shortages certain sectors, for example automotive manufacturing's challenges in securing supplies of semiconductors, have been experiencing by the end of 2022 or earlier.

Finally, over the period to 2025, the capacity constraints and supply chain bottlenecks that have been a feature of the global logistics market in 2021 will dissipate. This will result from both the above-mentioned return of demand and trade levels to historical averages, as well as a normalisation of the capacity situation on air and sea freight markets. By September 2021, demand and capacity were still unbalanced in air freight markets, with IATA reporting demand (measured in cargo tonne-kilometres) was 9.1% higher and capacity was down 12% on international routes, when compared to the same month in 2019, what it terms pre-Covid levels. While the demand for air freight is set to normalise and demand and global trade return historical levels over the next few years, the return of passenger air travel and associated belly cargo space, as well as the expansion of freighter capacity, will also help rebalance the market.

A similar situation is likely to play out in sea freight and sea forwarding markets, when significant capacity

constraints unwind over the forecast period. Carrier capacity is set to grow significantly in the coming years, with analysis from BIMCO showing some 619 container ships are on order, with a total capacity of 5.3m TEU, of which 381 ships (or 3.44m TEU) have been ordered in 2021 alone. This new capacity is set to enter the market from 2023 onwards. Further, the significant congestion at ports across the world is set to unwind over the forecast period.

Figure 6. Regional Freight Forwarding Market Growth 2025 (F)



Global Supply Chain intelligence (GSCi)

Global Freight Forwarding market data and intelligence:

- 2020 and 2021 H1 market sizes, 2021 full year projections and forecasts to 2025
- Market segmentation by air and sea freight
- Market share data by revenue and volume for air and sea
- Case studies of implementation of software solutions by freight forwarders
- Analysis of the digital freight forwarding landscape with market maps and profiles
- Ti surveys and interviews on the future of the post-Covid forwarding market

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- Global Supply Chain Intelligence (GSCi) online knowledge platform
- Consulting and Market Research projects
- Training, Conferences and Webinars.

Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to the world's leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

Expertise includes:

- Analysis of corporate strategies of leading express, freight forwarding and logistics companies.
- Global usage and perception studies of shipper and logistics provider behaviour.
- Micro-economic analysis of key logistics segments: express, freight forwarding, road freight, contract logistics, warehousing, air cargo, shipping and e-commerce logistics.
- Analysis of supply chain strategies employed in industry vertical sectors: pharmaceutical, fashion, high tech, oil and gas, consumer, chemical, cold chain, automotive and retail.
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