

USD 500m air cargo industry at risk as export volume, price fall by 50pc

- A Monitor Desk Report

Date: 16 January, 2023



Dhaka : The Russia-Ukraine war, global recession, and inflation in the west have led to a major downturn in cargo export of Bangladesh currently, which was considered a gold-mine of a market since the post-covid times until now. Specifically, the air cargo industry of the country, worth USD 500 million per annum, is in dire straits as volume and price of air cargo exports have dropped over 50 per cent since September 2022 compared to 2021. Moreover, it is highly concerning that local freight forwarders see no light at the end of the tunnel as market forecasts say the situation will not improve before March-April, 2023.

According to industry insiders, air cargo flows from Bangladesh are down over 50 per cent year-on-year since the last quarter of 2022. About 250 tonnes of cargo were airlifted each day in September-December 2022, compared to what was 700 tonnes a day in the same period last

year.

Expolanka Group, a major logistics company of the country, said, the country used to export about 20,000 tonnes of air cargo per month and 250 thousand tonnes per year since the post-covid times till the first two quarters of last year but a 50 per cent of gap is looming over the industry since the last quarter of 2022.

Even Christmas, a major market in the west, or the year-end sale could not turn to the favour of the export industry of Bangladesh.

As per reports, Bangladesh's air export tonnage in September 2022 was only 16,213 tonnes compared to 23,984 in the same month of 2021. The total air export tonnage of 2021 stood at 223,365 tonnes while last year the number was just above 137,643, due to the large dump in air cargo exports in the last quarter of 2022.

Not only the air cargo volume, but also the yield or revenue has taken a major hit. During the post-covid times, the rate for export cargo was about USD 6-7 per kg. Currently, the rates have fallen down by 50 per cent as well, to USD 3-3.5 per kg, said Expolanka Group.

Next to zero freighter operations

The market situation is so poor currently that dedicated freighter operations have come down next to zero, compared to what used to be 2-3 per day in 2022.

Since post-covid times, freighter operations were booming, said Expolanka Group, adding, even many shipping companies had launched their freighters as they saw great potential for both air and sea to work together for cargo transportation in the future.

However, the current market crisis has led to no demand for operating dedicated freighters and industry stakeholders are only having to rely on passenger aircraft carrying little cargo on its belly to weather the storm.

A spokesperson from the leading carrier Emirates said, till June 2022, the air cargo flow was good as the Dubai-based airline reported USD 4.2 billion of profit. However, since last quarter of 2022, air shipment has been down by 50 per cent.



A Saudia Cargo official said, the carrier has an available cargo carrying capacity of 75 tonnes per day, yet it is not even getting 25 tonnes cargo load a day currently.

Reason behind the fall

Industry insiders are holding the Russia-Ukraine war and the global economic crisis responsible for the demand for goods falling drastically in world markets.

Europe is our major market comprising almost 80 per cent of exports, USA 15 per cent and the rest - Far East, Japan, Korea, Australia and Middle East - 5 per cent. The former two markets are currently emphasising on energy more. Hence, non-essential items like RMG, which is our major export product, about 95 per cent, is witnessing less of a demand, said Expolanka Group.

Little export of other products like home textiles, leather goods, and pharmaceuticals to Far East, Africa and Middle East are barely keeping the forwarders afloat currently. Even so, due to the price cut, little revenue is generating, they added.

Buyers are now asking to hold the shipments, industry insiders claimed, as their warehouses and storages are full. Due to global warming, winter came late in Europe. Hence, they could not sell winter clothes as expected which resulted in less orders.

Also, many shipments have been transferred to sea from air, they further noted, while Vietnam, Cambodia, India, and Nepal are constantly in efforts to capture the markets. Due to these reasons, the air cargo market is being diverted, also claimed the stakeholders.

Productivity in the garment's sector has reduced as well. On top of it, recent power shortage and lack of gas supply to the factories further hampered production. However, since there was less demand for orders, forwarders claimed, no significant impact was witnessed in production by the lack of energy supply.

The demand is so less that the garments factories of the country have

15-25 per cent stocks ready for shipment overnight as soon as the buyers give a green signal. Therefore, the factories are not carrying out any fresh production, said insiders, as they already have ready products to export for the next 1-2 months.

Looking ahead

Bangladesh has a USD 500 million per annum air cargo export market. It is a tested one and capable of overcoming the current crisis set to remain till March 2023.

On-time departure of freighters has tremendously improved. Also, cargo export facilities at Dhaka Airport are up and running currently with four functional EDS scanners, RA3, sufficient dollies, ample storage capacity and others. The carriers also have enough capacity to facilitate any upsurge when it comes.

Insiders said, Sylhet Airport is also being prepared to run export operations to Europe as already the authorities have placed RA3 at the airport premise. However, Chattogram Airport, even after having more potential, lacks equipment and manpower to run cargo operations from, said Expeditors Bangladesh Ltd, another leading freight forwarding company of the country.

However, to make the industry more sustainable, insiders urged diversification of products. Relying only on RMG is not wise. Home textiles, pharmaceuticals, agriculture, finished goods, leather goods, and non-traditional items should be prioritised too, claimed Expeditors Bangladesh Ltd.

The company added that facilities for diverse products must be introduced too such as cold chain and temperature control facilities.