

Latin America Air Freight Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Latin America Air Freight market is anticipated to register a CAGR of more than 3.9% over the forecast period.

Key Highlights

The air trade in Latin America is growing with increase in capacity addition and demand for fresh Latin American perishable goods across the globe. However, the archaic regulations and slow growth in infrastructure are hindering the continent from realizing its full potential. Economic instability coupled with widely divergent travel restrictions, newly imposed taxes, and a lack of government financial aid will make for a rather uneven recovery from the downturn driven by the COVID-19 pandemic.

As per the data released by International Air Transport Association (IATA), in August 2022, the region had a 9.0% increase in freight volumes for airlines compared to August 2021. Among other regions, Latin America witnessed a significant growth rate. The growth is mainly attributed to the offering of new routes and capacity. The region is also expected to invest more in aircraft for air cargo in the upcoming months. When compared to August 2021, capacity has increased by 24.3%.

Unlike other rivals who are still feeling the consequences of Russia's war in Ukraine and the lifting of strict Chinese lockdowns, American airlines saw an increase in revenue in May of this year. Latin American carriers outperformed all other regions in May, outperforming the general declining trend with a rise in cargo volumes of 13.8%. According to IATA, "Airlines in this region have demonstrated optimism by launching new routes and capacity, and in certain cases investing in more aircraft for air cargo in the coming months." When compared to 2021, the region's capacity increased by 33.3% in May.

The air freight sector is currently experiencing a number of difficulties, including planes being grounded, routes being cut, and a drop in demand. Compared to the pandemic era, certain global air freight corporations are indicating a slackened demand. In contrast to the booming consumer demand that characterised the preceding two years, the air freight sector is currently facing a decline in customer demand notwithstanding the time of year. Simply expressed, due to a number of circumstances, air freight companies anticipate a subdued fourth quarter in 2022. These include the broken supply chain, the protracted war, the slowdown

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of the world economy, the possibility of a worldwide recession.

Latin America Air Freight Market Trends

Growth of E-commerce

As per a recent report by DHL, cross-border e-commerce is one of the major opportunities for logistics providers due to the lower density of physical retail space, limited product availability, high penetration of smartphones, and purchase savings throughout the region. The industry continuously innovates to leverage the latest technologies and develop fraud protection solutions and authentication technologies that allow key players, merchants, and banks, to identify online shoppers by leveraging solutions such as biometric data for identity authentication. Several factors are behind this growth, the most important being the large numbers of millennials making purchases and the massive proliferation of smartphones.

According to the Mexican Association of Online Vendors (AMVO), the Mexican e-commerce market has generated USD 20.8 billion in revenue in 2021, up to 27% from 2020. The best-selling products in the Mexican e-commerce industry in 2021 were food delivery (72%), clothing (64%), electronics (55%), toys (51%), and beauty and personal care products (49%)., according to AMVO. Mexico's e-commerce market is expected to grow to USD 60.8 billion by the end of the year, according to Americas Market Intelligence. According to the Brazilian E-Commerce Association, Mexico is the second largest e-commerce market in Latin America in 2021, up 120% from 2020, behind Brazil. Other large e-commerce markets in Latin America are Argentina, Chile, Ecuador and Colombia.

In Latin America today, social commerce is starting to overtake e-commerce. More than half of the Latin American shoppers polled in Brazil, Colombia, and Mexico engaged in social commerce. Comparing social commerce to traditional e-commerce, such as official corporate websites or marketplace websites like Amazon, Rappi, or MercadoLibre, the latter is gaining ground in Latin America.

The increased selection of payment options was cited by more than 40% of customers from Brazil, Colombia, and Mexico as a key advantage of social commerce. . Nearly one-third of social commerce transactions in Argentina, Colombia, and Mexico involved currency coupons obtained from convenience stores. This demonstrates that, in addition to relying on bank transfers, cards, and PayPal, even tech-savvy social media users favour cash as their preferred payment option.

Increase in demand for consolidated air freight

Brazil's assistance of air cargo through its customs and borders regulations ranks 52nd out of 135 countries in terms of the E-freight Friendliness Index (EFFI) globally. The air cargo transportation market has grown considerably in the country due to its various benefits, such as greater speed and safety in the movement of products inside and outside the country.

Factors including the generation of new businesses through bilateral agreements, the growth of the international market, and the arrival of new investments and technological innovations, in addition to the greater use of the modal by some segments of the industry, were the main supporters and drivers of the market growth.

Consolidating air freight is an economical method of air shipping. By condensing the shipment into a single load will get better prices, just like when moving items by ground or ocean freight (sharing storage). To achieve this, an aircraft's front hold is equipped with a Unit Load Device (ULD). ULDs are used as cargo and baggage containers in aviation. Nearly 213 cm long, 193 cm high, and 307 cm wide make up the storage area. Keep in mind that combined shipments are frequently slower than standard shipments.

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One of the key advantages of air freight is its dependability. Even though weather conditions can affect flight schedules, the availability of daily flights makes it simple to board the following trip. Consolidating shipments might be assisted by a knowledgeable air freight forwarding business. Combining airport terminal pickup, customs brokerage, cargo delivery, and affordable air carrier rates, can help simplify logistics administration. Vendors can then concentrate more on expedited shipping in this fashion.

Latin America Air Freight Market Competitor Analysis

The Latin American air freight industry is moderately fragmented in nature. However, the industry is dominated by some of the major players like FedEx, UPS, Emirates, and many more. The growing demand for air freight transportation services has opened new challenges for air cargo service providers. E-commerce also pushes air cargo toward greater visibility and transparency throughout the supply chain, with Brazil being the biggest market. Companies like Azul focus on expanding their presence in the country via collaborations and partnerships with e-retailers like Amazon.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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