

African airlines fly high with cargo on the back of a strong economy

By [Allan Olingo](#)

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African airlines have registered the fastest growth in freight volumes in seven years in the first half of this year, buoyed by strong trade lines between the continent and Asia.



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Data released by the International Air Transport Association (IATA) for the global airfreight markets shows that the volumes were up 31.6 percent, with a capacity increase of 7.6 percent. This improvement contributed to a freight demand growth of 25.9 percent in the first half of 2017 - the fastest in all regions.

The demand has resulted from increased trade between the continent and China, which has grown by nearly 60 percent in the six months to June 2017.

"Seasonally adjusted growth has levelled off in recent months, but growth is set to remain in double digits for the remainder of 2017," IATA said in its half-year report.

Air cargo flying high

IATA director-general Alexandre de Juniac said that air cargo is flying high on the back of a stronger global economy and a rebound from the 2010 global economic crisis. "This was the strongest first half-year performance in seven years and nearly triple the industry's average growth rate of 3.9 percent over the past five years.

"We have seen the demand grow at a faster pace than at any time since the global financial crisis. That's great news after many years of stagnation," said Juniac.

Industry taking advantage of momentum

"And even more importantly, the industry is taking advantage of this momentum to accelerate the much-needed modernisation process and improve the value it provides to its customers."

In June, Ethiopian Airlines announced that it had signed a commitment with Boeing for the purchase of two B777 freighters at a cost of \$651.4m. This was after purchasing two aircraft to boost its freight business. The airline's group chief executive officer Tewolde GebreMariam said the freighters are strategic for the airline as it seeks to chart its long-term plan.

"We are building one of the world's largest cargo terminals, and having a new generation and high-performance aircraft shows our commitment to supporting the continent's growing cargo and logistics service," said Tewolde.

KQ's cargo centre

In April, Kenya Airways opened a new cargo centre at its hub at the Jomo Kenyatta International Airport, projecting to increase its annual revenue by \$2m.

"This centre will benefit our cargo business partners through reduced lead time. This will help us position JKIA as the preferred transit cargo hub. The centre is modelled as a one-stop shop to ease the clearing process. We will now be more efficient in handling specialised cargo like pharmaceuticals," the airline's then chief executive Mbuvi Ngunze said.

Kenya Airways' reduced capacity to uplift cargo saw its tonnage uplift decrease by 20.9 percent in the first half of the financial year ending March this year.

On the global scale, the cargo volumes grew by 10.4 percent in the first-half of 2017 compared with 8.4 percent growth over the same period in 2016. Freight capacity also grew by 3.6 percent as airlines updated their freighters or got new equipment.

Signs that the cyclical growth period may have peaked

The IATA report shows that the global demand growth continued to significantly outstrip capacity growth, which is positive for yields.

"The sustained growth of air freight demand is consistent with an improvement in global trade, with new global export orders remaining close to a six-year high. However, there are signs that the cyclical growth period may have peaked.

"The global inventory-to-sales ratio has stopped falling. This indicates that the period when companies look to restock inventories quickly, which often gives air cargo a boost, may be nearing an end.

"Regardless of these developments, the outlook for air freight is optimistic with demand expected to grow at a robust rate of eight percent in the third quarter of this year," the IATA report notes.

Passenger traffic

African airlines' passenger traffic, on the other hand, increased by 9.9 percent in the six months to June 2017, while the

capacity rose to 7.1 percent. Their load factor (capacity utilisation) grew marginally by 1.7 percentage points to 64.3 percent - the lowest in the world.

Globally, in the six months to June, the passenger traffic demand rose by 7.8 percent compared with the same period a year ago, largely driven by the Asian, Americas and European markets. For the first six months of this year, the industry experienced a 12-year high in traffic growth of 7.9 percent and a record first half load factor of 80.7 percent.

"The brighter global economic picture and lower airfares are keeping demand for travel strong. But as costs rise, this stimulus of lower fares is likely to fade. And uncertainties such as Brexit must be watched carefully. Nonetheless, we still expect to see an above-trend growth this year," said Juniac.

IATA says that the conditions in Africa's two largest economies have continued to diverge, with business confidence in Nigeria rising sharply in recent months, while South Africa's economy fell into recession in the first quarter, affecting the performance of the airlines.

This year, several African airlines have received new aircraft as they position themselves for the battle for the skies. In June, Ethiopian Airlines signed an order of 10 Airbus A350-900 planes worth more than \$3bn, in addition to another two orders it has placed.

The airline also placed orders worth \$163m with the Canadian plane maker Bombardier for five aircraft. Rwandan national carrier RwandAir, Kenya's low-cost carrier Jambojet and Air Tanzania are among airlines that have received aircraft this year.

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