COVID-19: Cargo movement update[1]

Date: 25 June 2021

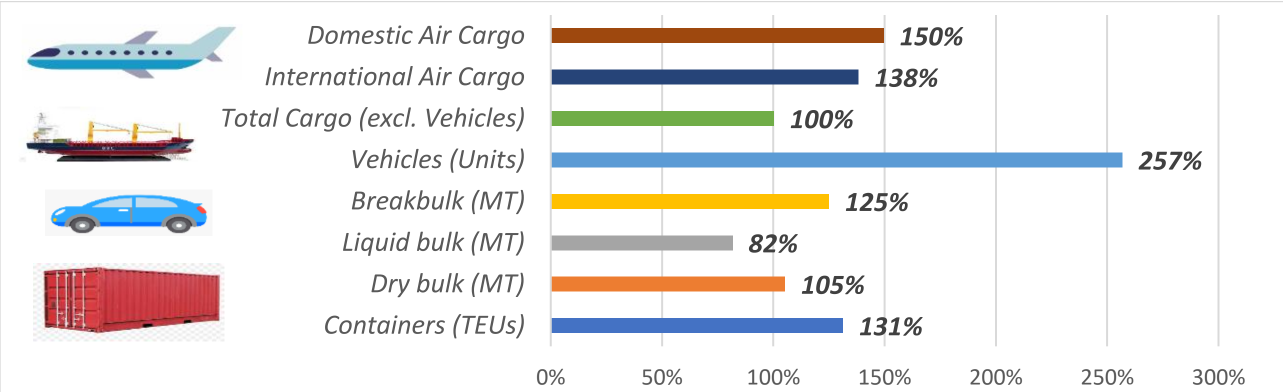
Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current[2]			Previous[3]			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (TEUs)	22 172	31 051	**53 223**	29 242	37 862	**67 104**	↓21%
Air Cargo (tons)	4 534	2 695	**7 228**	4 568	3 140	**7 707**	↓6%

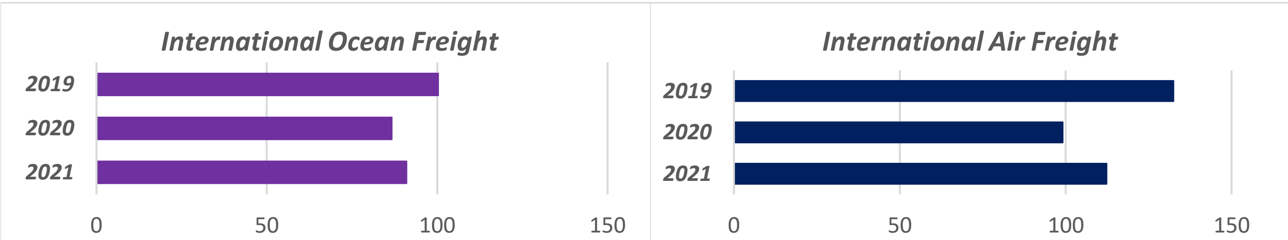
Monthly Snapshot

Figure 1 – Monthly[4] cargo flows, year on year



Year-to-date Tracker

Figure 2 – International year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 603 TEUs** per day was handled last week, **↓21%** from the previous week.
- TNPA released consolidated figures for the month of May – essentially showing ***zero growth*** since 2019.
- Cross-border queue (**~2,9 hrs**) and transit (**~23,4 hrs**) times cost **R314 million** (**↑23%**) this week.
- As with the decrease in international air cargo, domestic air cargo decreased more notably (**↓16%**).
- This week, global freight rates record a record surge with the "*WCI*" **↑15,9%** to **$8 062** per 40-ft.
- Industry-wide air cargo volumes (CTKs) grew by **↑8,4%** compared to pre-crisis levels in 2019.

[1] This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 44th update.
[2] '*Current*' means the last 7 days' (a week's) worth of available data.
[3] '*Previous*' means the preceding 8-14 days' (a week's) worth of available data.
[4] '*Monthly*' means the last full month's worth of available data compared to the same month in 2020. In this case, May 2021, and May 2020.
[5] For ocean, total Jan-May cargo in metric tonnes, as reported by Transnet is used, whereas for air, Jan-May cargo to and from ORTIA is used.

Executive Summary

This update – *the 44th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. As with the last couple of weeks, there has been another noticeable increase in newly reported COVID-19 infections in South Africa, averaging approximately **13 009** infections per day this week (**↑42%** from last week's average of **9 142**). Provincially, Gauteng, North West, and Free State have reached the height of the third wave in the previous week, as South Africa is likely to experience an expected peak in the next week or so. The total number of cases recorded in the country now stands at **~1,87 million**[6], with a death toll of **59 406** (up by **1996**), which is an alarming increase from last week. Besides the unprecedented surge in new cases caused by the third wave, the total number of active cases is an even more distressing figure. As the third wave ravages the country, active cases now number more than **142 000**, and the number of new cases exceeds the number of recoveries by a substantial margin.

In absolute terms, South Africa has remained at the same spot, **19th** place globally. Worldwide, more than **180 million** cases have now been recorded, with a total of **3,9 million** people losing their lives to the virus. In addition, a total of **2,8 billion** vaccine doses have now been administered worldwide[7]. At the same time, South Africa continues to struggle with its roll-out program, currently standing at some **~2,55 million** vaccine doses. Life is seemingly back to normal in the developed world, such as North America and Western Europe, as herd immunity is becoming a reality. Scenes of full sports stadiums and concert venues appear on social media whilst we struggle to gain momentum with our vaccination programmes. Unfortunately, and we share this experience with the rest of the developing world, South Africa cannot say the same. The pandemic has indeed highlighted how extremely unequal and imbalanced the world still is.

South Africa's commercial ports experienced a very poor week, number-wise. Nevertheless, the main point of focus during the week was the President's visit to the port of Cape Town. The President was summoned following severe and endless congestion issues caused by ageing and damaged infrastructure and equipment, staffing shortages and weather disruptions – all problems which are not unique to Cape Town but are shared by the rest of our commercial ports. In further welcome news, the President announced that Transnet National Ports Authority (TNPA) would be corporatised as an independent subsidiary of Transnet, which the industry has been waiting forever since this was first stipulated in the National Ports Act in 2005 (more on this matter *below*).

Generally speaking, the comments from the President have been welcomed, and to a large extent, they touch on issues that we repeatedly highlight in these cargo updates. In summary, the issues which come to the fore include **(1)** persistent equipment breakdowns and shortages, **(2)** less than ideal operational efficiency, and **(3)** lack of capacity and ongoing investment in terms of both land- and waterside operations. These are some of the issues which, if addressed, will undoubtedly improve performance. And the key phrases are cooperation, collaboration, and teamwork from all stakeholders. The private sector is fully onboard and must be closely involved if the optimum outcomes are to be achieved.

Concerning the global maritime industry, the ongoing extraordinary escalation in freight rates truly seems to be getting out of control as the WCI registered another record surge. Indeed, these are the commercial realities now, making it evident that the post-pandemic era will likely go down as the most profitable period in the history of shipping lines. As an unintended consequence of the situation globally, carriers' schedule reliability has become a genuine issue of concern, as schedule reliability has decreased from **65%** (Jan to Jul 2020) to **26%** in 2021. Besides the core narrative of container imbalances (and equipment shortages), poor efficiency, port congestion, and stratospheric rates, this week's other significant developments include improvements at Yantian. This mega port, the second biggest in the world, is looking to clear the 14-plus days of backlog that built up during the COVID-induced crisis, and operations have returned to normal. Unfortunately, as mentioned

[6] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[7] Our World in Data, Coronavirus (COVID-19) Vaccinations. Our World in Data

above, widespread congestion is endemic throughout the Southeast Asian port system, which has a significant impact globally. Finally, a resolution has been reached around the fate of the Ever Given, which was stuck in the Suez Canal. Its insurers have agreed on a settlement with the Suez Canal Authority to release the vessel, which will allow the cargo to continue its journey in due course.

In addition to a sub-optimal week number-wise on both the domestic and international front, the narrative around the air cargo industry was dominated by the ongoing security issues experienced at ORTIA and CTI due to ACSA taking control of security at the cargo precincts. The collective aviation industry (and indeed the extended supply chain network) in South Africa urges ACSA and SSA to expedite the process, as the current untenable situation severely impacts business and the country's economy. At this critical stage, the industry cannot afford the ongoing high storage costs and delays, while export cargo – a sector flourishing of late and providing necessary economic impetus for our country - is missing flights. Commerce and industry are very hopeful that there will be immediate remedial actions and a speedy resolution this coming week.

Internationally, the global aviation industry continues its robust recovery. However, unlike a few months ago, this strong performance is now broader-based and visible in most main regions and trade lanes. Moreover, air cargo has outperformed global trade in goods in the three months to April, partly due to the meagre inventory-to-sales ratio, which IATA notes are typical indicators at the start of an economic upturn. Furthermore, the outlook remains positive for the near term, as the upturn will likely lead to an inventory restocking cycle. The general expectation in the air cargo industry is that volumes will continue to increase in the months ahead.

In conclusion, the extended South African supply chain is characterised by a wide-ranging set of factors: The good, bad, and ugly. Number-wise, good progress has been made across many industries as the economic recovery gathers momentum. However, looking at comparative TNPA figures from 2019, it is clear that the pace and quantum of growth are not nearly where they should be if a real recovery is to be made. All-in-all, South Africa continues to function in a strange space – being innovative and forward-looking but desperately handicapped and self-imploding at the same time. Echoing the President's sentiment, the message is clear - the time is now ripe to crank up collaborative efforts to overturn the situation.