

# COVID-19: Cargo movement update<sup>1</sup>

**Date: 16 July 2021**

## Weekly Snapshot

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

Flows	Current <sup>2</sup>			Previous <sup>3</sup>			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (TEUs)	26 999	31 321	<b>58 320</b>	27 283	34 469	<b>61 752</b>	<b>↓6%</b>
Air Cargo (tons)	4 810	2 521	<b>7 331</b>	4 569	2 718	<b>7 287</b>	<b>↑1%</b>

## Monthly Snapshot

Figure 1 – Monthly<sup>4</sup> cargo capacity levels, year on year (100% = baseline)

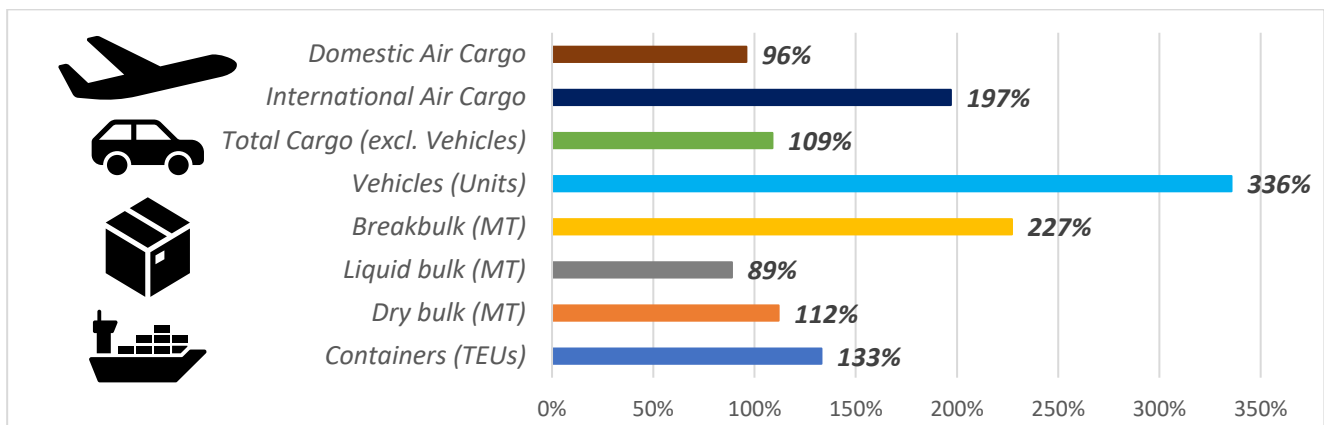
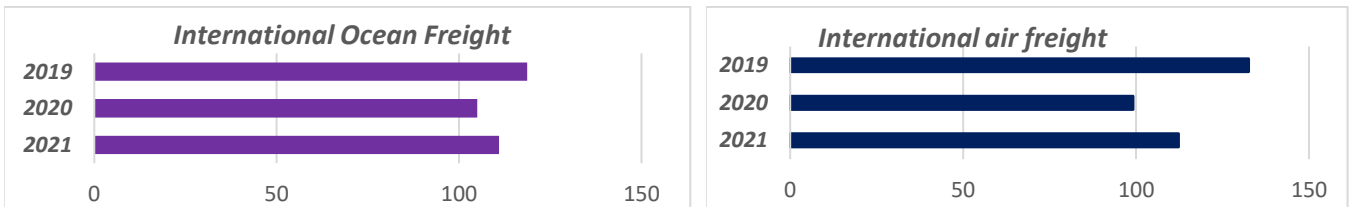


Figure 2 – International year-to-date flows 2019-2021<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



## Key Notes

- South Africa is losing roughly **R100-million** a day due to supply chain disruptions.
- An average of **~8 331 TEUs** per day was handled last week, **↓6%** from the previous week.
- In broad terms, the containerised market grew by **↑0,8%** for the first half of 2021 (versus 2019).
- Cross-border queue (**~5,8 hrs**) and transit (**~20,2 hrs**) times cost **R366 million** (**↑22%**) this week.
- Weekly domestic air cargo is **↓22%** this week, as emergency measures were implemented to deal with constraints in Durban and Johannesburg.
- As expected, the "WCI" continues to climb, with freight rates **↑1%** to **\$8 883** per 40-ft this week.
- Industry-wide cargo tonne-kilometres (CTKs) rose by **↑23,1%** in Africa in May.

<sup>1</sup> 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 47<sup>th</sup> update.

<sup>2</sup> 'Current' means the last 7 days' (a week's) worth of available data.

<sup>3</sup> 'Previous' means the preceding 8-14 days' (a week's) worth of available data.

<sup>4</sup> 'Monthly' means the last full month's worth of available data compared to the same month in 2020, in this case, June 2021 versus June 2020.

<sup>5</sup> For ocean, total Jan-Jun cargo in metric tonnes, as reported by [Transnet](#) is used, while for air, Jan-Jun cargo to and from ORTIA is used.

## Executive Summary

This update – *the 47<sup>th</sup> of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Fortunately, after eight consecutive weeks, there has been a slight decrease in newly reported COVID-19 infections in South Africa, averaging approximately **16 857** infections per day this week (↓**16%** from last week's average of **19 956**). But, unfortunately, the attention of the entire country has been diverted from the pandemic towards the civil unrest and widespread lawlessness which has plagued the country in the last week or so.

Nevertheless, the pandemic remains at the forefront of our minds, as the number of cases recorded in the country now totals **2,253 million**<sup>6</sup>. Furthermore, the death toll has risen to **65 972** (up by **2 473**), almost equalling another alarming increase last week. The total number of active cases remains an even more disturbing number, with active cases now exceeding **205 000**, as South Africa remains in **18<sup>th</sup>** place globally in terms of the total number of cases. More than **189 million** cases have now been recorded worldwide, with a total of **4,07 million** people losing their lives to the virus. In addition, a total of **3,51 billion** vaccine doses have now been administered worldwide<sup>7</sup>. At the same time, South Africa continues with the pedestrian pace of its roll-out program, currently standing at some **~4,54 million** vaccine doses. Before the widespread social unrest, South Africa was finally making some headway in accelerating our roll-out programme towards the daily target of **300 000** vaccinations. Unfortunately, due to the diversion of resources, unavailability of facilities and the reigning climate of fear, we have taken a significant knock on these targets. Nevertheless, we still managed to vaccinate some **1,2 million** people in the last seven days, which was a victory given the events that transpired.

On the ground level, the last couple of days will be forever remembered as some of the worst scenes in our short years as a democracy. More than 900 retail locations have been looted, burned, or damaged, resulting in an estimated **R5 billion** in losses. As a result, the supply chains of several industries supplying food, fuel, medicine, and other commodities have been badly affected. Senseless looting and wanton criminality further resulted in the closure of the Port of Durban and parts of the N2, N3 and N4 over recent days. Consequently, the destruction of trucks, their cargo, shopping malls, distribution centres and other facilities has severely impacted our supply chains, which will have massive short-term consequences and even more devastating long-term ones for everyone in this country. Tragically, this all comes at a time when there was early evidence of a solid rebound, especially in our maritime economy and extended supply chains, as can be seen in the consolidated figures reported from TNPA.

To combat these devastating attacks on civil society, SAAFF and other role-players in the extended community formulated a seven-point plan to restore normality and enable supply chains to continue functioning. Fortunately, many of these critical systems were restored by the end of the week. However, the distressing developments will leave a lasting scar on our economy due to the many unintended consequences of these mindless actions. Besides the destructions, port operations in Durban were characterised by equipment shortages, positive COVID-19 cases, and taxi violence. Fortunately, our other commercial harbours were spared the same fate.

Internationally, the global container industry continues to pose financial problems for shippers, as elevated freight rates are also spilling over into regional trade lanes. Furthermore, although the demand increases cannot yet be met, the future supply is set to increase even further, as the orderbook is nearing 25% of capacity. When the dust settles on the new normal, there will undoubtedly be a shake-up in the global container industry, as many long-term contracts could potentially fall by the wayside, given the incessant push for profit by the carriers recently. Other notable developments this week include a drop in global piracy incidents, commentary on the

<sup>6</sup> Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

<sup>7</sup> Our World in Data, Coronavirus (COVID-19) Vaccinations. [Our World in Data](#)

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anti-competitive claims from the US, and a potential change in major east-west schedules in the aftermath of the Yantian-congestion.

The social unrest also impacted the air cargo industry, as the Dube Tradeport closed the cargo facility early in the week, as their staff could not safely get out of the areas of residence and safely to the airport. Fortunately, the situation was turned around as the week went on; however, the impact was felt throughout KwaZulu Natal, as critical medical goods and foodstuffs were sent through to the Durban area on an emergency basis to alleviate some of the most immediate concerns regarding food and medical supplies. The other commercial airports were luckily not impacted by the violence and destruction. However, besides these events, several outstanding issues regarding air cargo operations remain, most notably revolving around **(i)** cargo security matters, **(ii)** inefficiencies with the SOPs, and **(iii)** implementation of the IVS system.

On the international aviation front, the air cargo sector continues to prosper, despite the sector as a whole struggling due to drastically reduced passenger traffic. For the month of May, African airline operations continued to outperform other regions as the cargo sector continues to grow. Nevertheless, the capacity crunch is not abating, primarily due to the lack of passenger flights. Consequently, the industry-wide cargo load factor remains constricted, currently at **57,2%**. For Africa, the cargo load factor in May was **50,5%**, compared to the **40,7%** registered in May 2019. The ongoing situation means that airlines are struggling for survival. The industry-wide operating EBIT margin was at **↓58%** of revenues in May – broadly unchanged from Q4 2020 since passenger demand remained muted.

In conclusion, the events that transpired throughout KwaZulu Natal and Gauteng this week illuminated the critical role of supply chains in an economy. The supply chain is a living organism, which cannot handle any stoppages. Therefore, as does the country, the supply chain relies on the uninterrupted functioning of all its component parts. These include the smooth flow of all trade going through our ports, roads, rails, air, and last-mile delivery. Supply chains cannot function on an "on/off" switch; they must be kept in motion.

The seamless movement of goods between provinces, especially to ports, is critical to stabilising our economy and countering the effects that strict lockdown levels have had on international trade. We have had this struggle for a while now, and we have primarily succeeded in re-establishing the seamless flow of goods, albeit at lower volume levels than pre-pandemic. But we must repeat that the current situation is a serious test of the resilience of our supply chains, which can be regarded as the vascular system of our economy. Unlike any individual industry, the supply chain acts like glue, holding the many different parts of our economy together. For example, shipping line operators will simply not allow their vessels to sail to South Africa if they cannot quickly turn them around. We can play a vital role in looking after the interests of the citizens of South Africa, but that will be impossible if we do not restore our supply chains back to a safe, functional level. Business continuity is crucial in these desperate times.