COVID-19: Cargo movement update[1]

Date: 9 July 2021

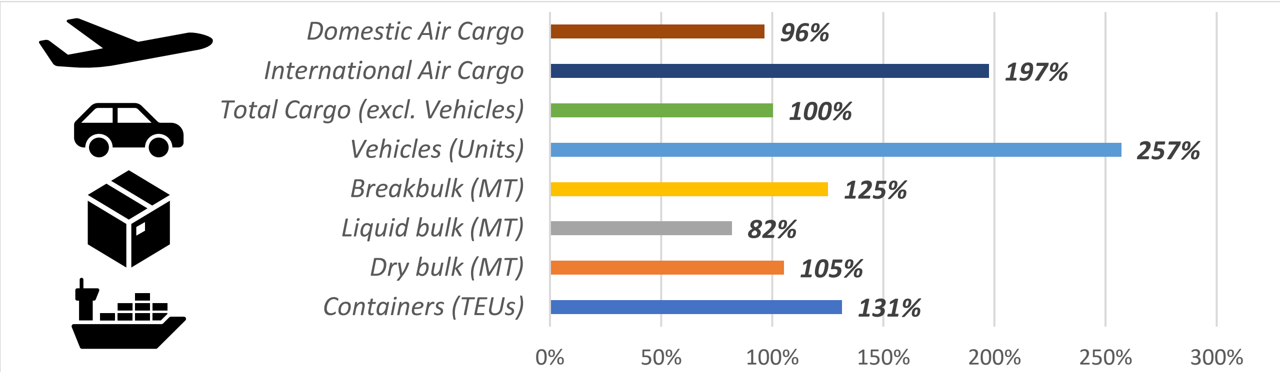
Weekly Snapshot

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)	27 283	34 469	**61 752**	29 355	35 271	**64 626**	**↓4%**
Air Cargo (tons)	4 662	2 617	**7 279**	4 944	2 837	**7 781**	**↓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 **~8 822 TEUs** per day was handled last week, **↓4%** from the previous week.
- With **51 407 units** handled in June, the Durban Car Terminal broke a monthly volume handling record.
- Cross-border queue (**~5,1 hrs**) and transit (**~13,3 hrs**) times cost **R301 million** (**↑3%**) this week.
- Weekly domestic air cargo is **↓7%** this week, as operational issues persist (see *below*).
- Predictably, the "*WCI*" continues its historic rise, with freight rates **↑4,7%** to **$8 796** per 40-ft this week.
- Yearly liner schedule reliability is **↓36%**, as the average delay for late vessel arrivals stands at **5,86 days**.
- IATA notes that international air cargo is trending **↑9,4%** above pre-pandemic levels.

[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 45th 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. For air freight, June 2021, and June 2020. For the other metrics, May 2021, and May 2020.
[5] For ocean, total Jan-May cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-May cargo to and from ORTIA is used.

Executive Summary

This update – *the 46th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Now, for the eighth consecutive week, there has been a notable increase in newly reported COVID-19 infections in South Africa, averaging approximately **19 956** infections per day this week. Fortunately, the growth is less pronounced than last week, which offers some hope that this growth trajectory will level off sooner rather than later (**↑18%** from last week's average of **16 916**). Nevertheless, the new cases recorded per 100 thousand people remains high, at **33,3** across the previous seven days. The number of cases recorded in the country now totals **2,135 million**[6], with a death toll of **63 499** (up by **2 470**), another alarming increase from last week. The total number of active cases remains an even more disturbing figure, with active cases now exceeding **208 000** as the Delta variant continues to spread at a rapid speed.

In absolute terms, South Africa has moved up to **18th** place globally, as we have overtaken Peru in the last seven days. Collectively, more than **186 million** cases have now been recorded worldwide, with a total of **4,01 million** people losing their lives to the virus. In addition, a total of **3,4 billion** vaccine doses have now been administered worldwide[7]. At the same time, South Africa continues with the pedestrian pace of its rollout program, currently standing at some **~3,43 million** vaccine doses. Fortunately, the rate at which vaccines have been distributed has picked up in the last couple of weeks, but it is still nowhere the target of nearly **300 000 per day**.

Nevertheless, the next age group (35-49 years) can start registering from 15 July. Unfortunately, it has become evident that the pandemic will continue to upend the lives of millions of South Africans for the foreseeable future. A return to everyday life is only expected by 2022, and even that will require accelerated growth in vaccine administration and careful adherence to protocols.

Concerning the experience at the coal face, South Africa's ports experienced a rather typical week, as intermittent equipment breakdowns and weather disruptions resulting in vessels ranging were the order of the day. Nonetheless, container numbers projected for the month of July are positive, as the industry struggles to claw back the losses experienced due to a slow start to the year. Unfortunately, increasing numbers of COVID infections have disrupted gangs on the landside and crew on the waterside. As a result, additional anti-COVID-19 measures were implemented by Transnet during the week. It was concerning to see a rise in stack occupancy levels, notably in Cape Town, indicating potential blockages and slow working. This situation reinforces the constant theme that efficiency must be maintained at optimum levels in our container terminals. We cannot afford a repetition of the congestions experienced around the world.

Internationally, the global container industry continues to grapple with port congestion, equipment imbalances, and unreliable liner schedules resulting in berth delays and blank sailings. Despite this, and as summarised this week, the demand in container shipping is far from saturated, as the financial bonanza for the leading ocean carriers was a record-breaking **$16,2 billion** in the first quarter of this year. Additionally, there are few signs of any change in the second quarter, with projections showing that 2021 will likely go down as the most profitable in the sector's history. Furthermore, we can expect that the unprecedented surge in freight rates will likely continue for much of the year. Consequently, the major carriers are desperately trying to increase capacity to take full advantage of this, with at least **1 million TEU** of capacity added to their box fleets and another **1,5 million TEUs** on the immediate order book. Other developments of note include the resolution of the Ever Given stuck in the Suez Canal and an onboard fire in Jebel Ali.

In the air cargo industry, the collective voice from the private sector has been expressing weariness and anger at management's failure to resolve ongoing issues at ORTIA's cargo precinct. This feeling revolves around a marked lack of coherence at an operational level and the dragged-out resolution of several problems. These revolve mainly around cargo security matters, inefficiencies with the SOPs, and the slow implementation of the

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

IVS system. The air cargo industry is pushing for the swift resolution of these matters since the knock-on effects lead to delays, with additional costs for cargo owners and ultimately the South African consumer. So while the air cargo industry has consistently been a shining light in an otherwise dim sky, we need to ensure that standards in this area are not allowed to slip.

On the international aviation front, the air cargo sector continues its impressive run. IATA reported this week that air cargo has trended higher and outperformed the other sectors in global trade for the month of May. Furthermore, supply chain conditions and economic activity remain supportive of air cargo, helping it post a fifth consecutive month of overperformance compared with all other global goods trade indices. Despite this, there are signs of stabilisation in growth in manufacturing output in some key economies, as consumption shifts from goods to services. Nevertheless, air cargo capacity continues to improve slowly despite the lack of international passenger traffic. Having said that, the market remains tight, with no apparent decline in cargo load factors. Fortunately, international and domestic travel demand showed marginal m/m improvements in May 2021, which might add some cargo capacity in the coming months.

In conclusion, the cargo industry is doing its best to balance the books amidst a plethora of cross-cutting issues in our social, economic, and political milieu. These include the pandemic, the three-fold problems of low growth, unemployment, and inequality, not to mention the findings of the Zondo commission and the imprisonment of former President Jacob Zuma. Fortunately, the outlook is not all that bad, given the cyclical economic recovery in South Africa. Additional green shoots also include the reforms dealing with energy supply and the positive announcements around SAA and Transnet, which may have brought the South African economy to an important positive tipping point in its reform agenda[8]. Collectively, the industry is hopeful of a continuation of some of these short-term gains.

[8] Parsons, R. 05/07/2021. Policy Uncertainty Index (PUI) Q2.