

COVID-19: Cargo movement update¹

Date: 2 July 2021

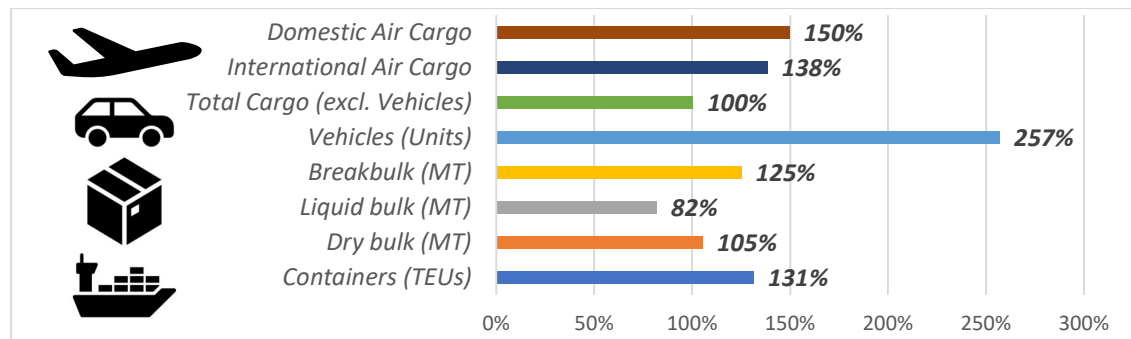
Weekly Snapshot

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)	29 355	35 271	64 626	22 172	31 051	53 223	↑21%
Air Cargo (tons)	4 944	2 837	7 781	4 534	2 695	7 228	↑8%

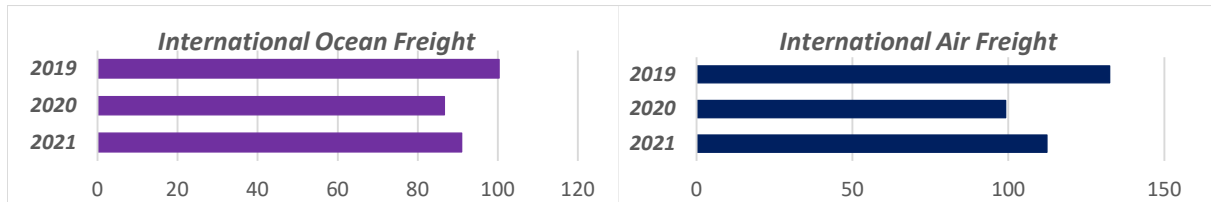
Monthly Snapshot

Figure 1 – Monthly⁴ cargo flows, year on year



Year-to-date Tracker

Figure 2 – International year-to-date flows 2019-2021⁵: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of ~9 232 TEUs per day was handled last week, ↑21% from the previous week.
- Cross-border queue (~4,5 hrs) and transit (~18,7 hrs) times cost R293 million (↓7%) this week.
- As with international air cargo (↑8%), domestic air cargo also experienced a noteworthy rise (↑12%).
- Unsurprisingly, the "WCI" continues its record surge, with freight rates ↑4,2% to \$8 399 per 40-ft.
- Container throughput slipped by ↓2,5% to 137,6 points in April, remaining high after a record in March.
- International air cargo volume remains strong (↑50% compared to Q1 2019) but is insufficient to compensate for the sharp loss in passenger business (↓74% versus Q1 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 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. 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 45th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Now, for the seventh consecutive week, there has been a measurable increase in newly reported COVID-19 infections in South Africa, averaging approximately **16 916** infections per day this week (**↑30%** from last week's average of **13 009**). The total number of cases recorded in the country has now passed the **two million mark**⁶, with a death toll of **61 029** (up by **3 619**), another alarming increase from last week. The total number of active cases remains an even more distressing figure, with active cases now totalling more than **180 000** as the Delta variant continues to wreak havoc in the country.

In absolute terms, South Africa has remained at the same spot, **19th** place globally. Worldwide, more than **183 million** cases have now been recorded, with a total of **3,95 million** people losing their lives to the virus. In addition, a total of **3,1 billion** vaccine doses have now been administered worldwide⁷. At the same time, South Africa continues to struggle with its rollout program, currently standing at some **~3,03 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. This rate increase has become especially crucial given the effects of the third wave and the virulent strength of the Delta variant of the virus. In this regard, some welcome news includes the **R10-billion** investment into the South African pharmaceutical company Aspen Pharmacare to boost its production of COVID-19 vaccines for Africa⁸.

South Africa's commercial ports experienced a substantial rebound in volumes handled this week, after an abysmal week number-wise last week. Moreover, the recent trend continues, as boxes loaded (**55%**) are outstripping boxes discharged (**45%**), further exerting pressure on the global imbalances. Indeed, for this week, all ports handled more export cargo compared to import shipments. Holistically, the narrative continues to be dominated by recent events, most notably the unbundling of Transnet Port Authority from Transnet and the container terminal performance. In addition, several weather-related delays occurred across the country, most notably wind and surging in the Cape and stoppages due to the high winds experienced in Durban. As a result, we can report improved numbers in port operations and equipment availability, but that may not be too significant, considering the extremely low base set by the previous week. Unfortunately, our operating efficiency numbers are still not up to target.

As a result, concerted efforts are still being made by all port stakeholders to help the ports reach their optimum operational productivity levels within their current infrastructure limitations. In this regard, there has been a slight shift of focus from the landside to the waterside. New to this edition of the report is the quantity of rail cargo being handled to and from DCT Piers 1 and 2. Although there is a desperate need to increase the tonnage handled by rail, the South Durban basin continues to experience widespread and recurring congestion issues. The situation was again present this week, this time caused by construction on Seafarers Road, with accompanying congestion on Bayhead Road.

Internationally, global container throughput and freight rates remain high as consumer demand continues to surge. Indeed, throughput numbers would be even higher were it not for equipment imbalances holding back further volume growth. Nevertheless, manufacturers in China have ramped up production of new containers to 500 000 TEU a month to improve container shortages and eventually alleviate port congestion. Other notable features of maritime commerce include a massive increase in demurrage and detention charges collected by shipping lines (**↑104%**), which has emerged as a contentious issue for shippers, given the maritime ecosystem's poor schedule reliability and overall struggles. Lastly, shipping lines have been warned against carrying out crew changes in Mozambique's Cabo Delgado province, as terror threats in that area remain high.

⁶ Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

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

⁸ Fabricius, P. 30/06/2021. [International financiers pump R10bn into SA's Aspen Pharmacare to boost Covid-19 vaccine production](#).

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On the international aviation front, the air cargo sector keeps airlines afloat, as all other sectors continue to trade at significantly reduced levels compared with 2019. Indeed, the global aviation industry is reporting a rise in air freight rates as June comes to an end, with many anticipating a solid demand pick-up in August. While routes from Asia to the US have stayed stable, Europe has been somewhat flat, with e-commerce and stock replenishment driving demand. The typical peak season over the past decade has been from the middle of August until the middle of December. Internationally, if lockdowns are over, the aviation industry can expect a busy Christmas this year. In South Africa, air cargo has remained strong throughout the year and is expected to maintain its high volumes throughout the rest of the year.

In conclusion, South Africa needs to balance the scales of life and livelihoods as we face another week of more stringent regulations under Level four lockdown. In the extended supply chain, role players have rallied well in the face of the seemingly never-ending spiral of uncertainty they have had to deal with. However, this momentum will have to be maintained if there is to be any real growth by the end of the year. It is becoming clear that we need to grow at substantially more than the predicted **↑5,4%** this year to offset the debilitating effects of the pandemic on our industry and turn around imbalances, poor productivity, and negative growth.

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1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

a. Container flow overview

The following two tables indicate the container flows reported for the last seven days and projections for the next seven days.

Table 2 – Container Ports – Weekly flow reported for 26 June to 2 July⁹

7-day flow forecast (26/06/2021 – 02/07/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 505	5 843
DURBAN CONTAINER TERMINAL PIER 2:	13 905	15 693
CAPE TOWN CONTAINER TERMINAL:	5 226	7 490
NGQURA CONTAINER TERMINAL:	3 776	5 140
GQEBERHA CONTAINER TERMINAL:	943	1 105
TOTAL:	29 355	35 271

Source: [Transnet](#), 2021. Updated 02/07/2021.

Table 3 – Container Ports – Weekly flow forecasted for 3 to 9 July¹⁰

7-day flow forecast (03/06/2021 – 09/07/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 794	6 550
DURBAN CONTAINER TERMINAL PIER 2:	11 201	16 540
CAPE TOWN CONTAINER TERMINAL:	6 861	8 919
NGQURA CONTAINER TERMINAL:	2 365	1 894
GQEBERHA CONTAINER TERMINAL:	62	566
TOTAL:	27 283	34 469

Source: [Transnet](#), 2021. Updated 02/07/2021.

An average of ~9 232 TEUs (↑21%) was handled per day for the last week (26 June – 2 July, Table 2), with a disappointingly decreased average of around ~8 822 TEUs (↓4%) expected to be handled next week (3 – 9 July, Table 3). Although this anticipated decrease may seem significant, the reality is that the declining trend in volume handled is relatively normal at this stage of the year, showing no real growth. A point of concern is the comparison with the same week in June 2020. At **week 14** of the initial lockdown, the daily average came in at ~13 132 TEUs, so this decrease of more than 30% indicates that we continue to lose ground in the maritime economy.

The main talking points around our commercial ports revolved around port efficiency and equipment performance (see summary [below](#)). Indeed, these discussions have been amplified since the World Bank's Container Port Performance (CPPI) ranked our ports at the bottom of the global pile. Yet, despite this slap in the face, the maritime trading community has welcomed the focus it has brought in terms of port operations and efficiency.

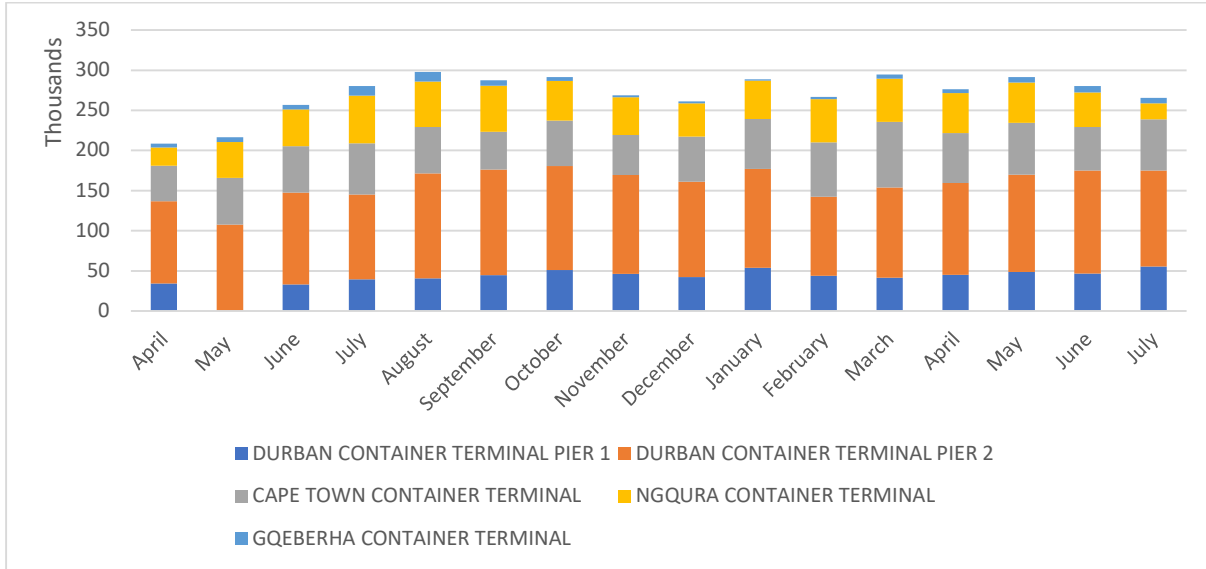
⁹ It remains important to note that a fair percentage (approximately 34%, according to the most recent TNPA figures for May) of containers are neither to be imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and has increased since December 2020.

¹⁰ As noted in *footnote 9*

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The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown. Alarming, the steady decline experienced over the last three months (May, June, and July) is the exact opposite compared with the same period last year.

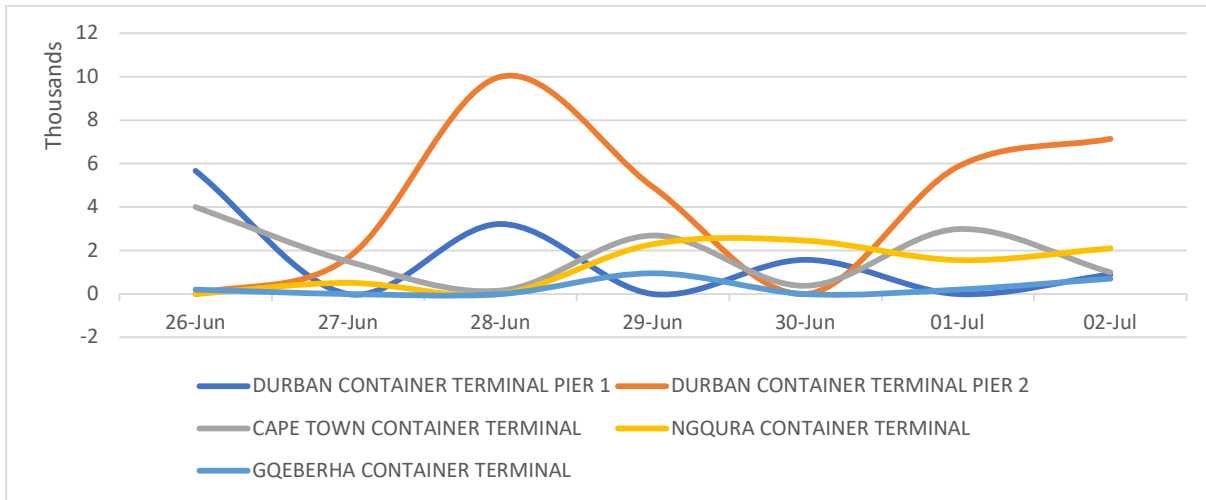
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet, 2021](#). Updated 02/07/2021.

The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

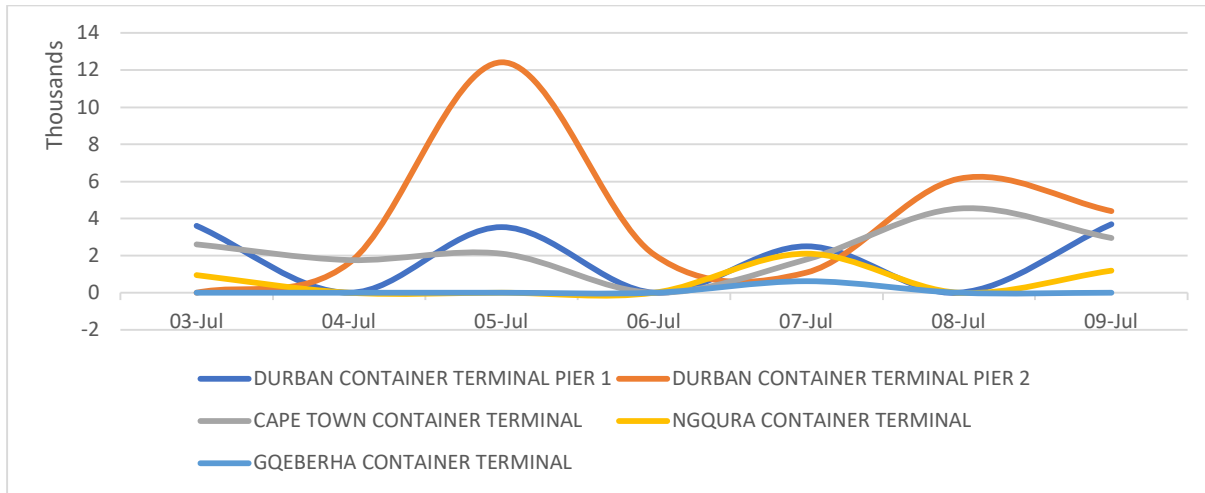
Figure 4 – 7-day flow reported for total cargo movement (26 June to 2 July; per port; day on day)



Source: Calculated using data from [Transnet, 2021](#). Updated 02/07/2021.

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Figure 5 – 7-day flow reported for total cargo movement (3 to 9 July; per port; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 02/07/2021.

b. Summary of port operations

The following sections provide a more in-depth overview of the operational performance of our commercial ports over the last seven days.

i. Weather delays

Both NCT, Gqeberha and Cape Town continue to be affected by wind and surging. At one point on Tuesday, strong winds exceeded 100km at NCT but subdued overnight. However, from Thursday at 14:00 until Friday at 13:00, strong gale winds caused terminal operations at CTCT to stop, with several vessels experiencing ranging.

After losing significant time due to wind on Sunday (27 June), Durban port enjoyed a light Northerly breeze throughout most of the week, with temperatures maximising to over 30 degrees on Wednesday.

ii. Cape Town

Stack occupancy hovered around 33% for general containers and 75% for reefer containers this week, which has led to shipping lines ceasing to accept reefers until Monday at 18:00. Cape Town Multi-purpose terminal continues to struggle with mobile harbour crane outages leaving operations struggling at a very pedestrian pace. Reinforcing sentiments expressed last week, the fresh produce export industry in Cape Town is exceptionally pleased about the president's announcement that Transnet Port Authority will be acting separately from Transnet. Furthermore, the news that R100 billion will be spent on port infrastructure across all the commercial ports in South Africa has been welcomed.

The Port of Cape Town recently underwent a R59 million redevelopment, including a dedicated cruise terminal established at the V&A Waterfront. Wesgro, the tourism, trade and investment promotion agency for Cape Town and the Western Cape, has announced the official launch of Cruise Cape Town. Despite the restrictions imposed thanks to COVID-19, Wesgro is hopeful that the cruise season will commence in October 2021, claiming that 83 confirmed bookings have already been secured for cruise ships to the V&A Waterfront this year.

iii. Durban

Stack occupancy hovered around an average of 60% at Pier 1 and 19% for reefer containers. Pier 2, on the other hand, averaged at an occupancy of around 66% and 39% for reefers. This past month, the average truck turn-around time (including staging time) at Pier 2 was around a worrying 246 minutes and 145 minutes at Pier 1. Approximately 70 straddle carriers were operational throughout the week, correlating into a ~75% availability.

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At Durban MPT, a single crew member tested positive for COVID-19 on a vessel on the berth, which is now quarantined. Once again, this causes a significant problem for the terminal as the quay stays occupied with no operations ongoing. In addition, DCT continues to have "teething" issues with the new ZPMC straddle carriers, with the OEM still attending to the problem. This week, TNPA announced a new truck booking system at Maydon Wharf terminal on 1 July 2021. However, there will be a trial period up until 11 July 2021. After that, as of 06:00 on 12 July 2021, the system will go live, and all port users will have to be compliant.

iv. Eastern Cape

Stack occupancy at NCT averaged around 45% for general purpose containers and 35% for reefer containers this past week. Stack occupancy at PECT was 53% for general containers and almost at full capacity for reefers at an average of around 83%, which is a cause for concern.

This week, Ngqura Container Terminal was windbound with zero waterside activity at times, leaving only trucks to be serviced. On the health front, NCT reported seven positive COVID-19 cases and PECT 2.

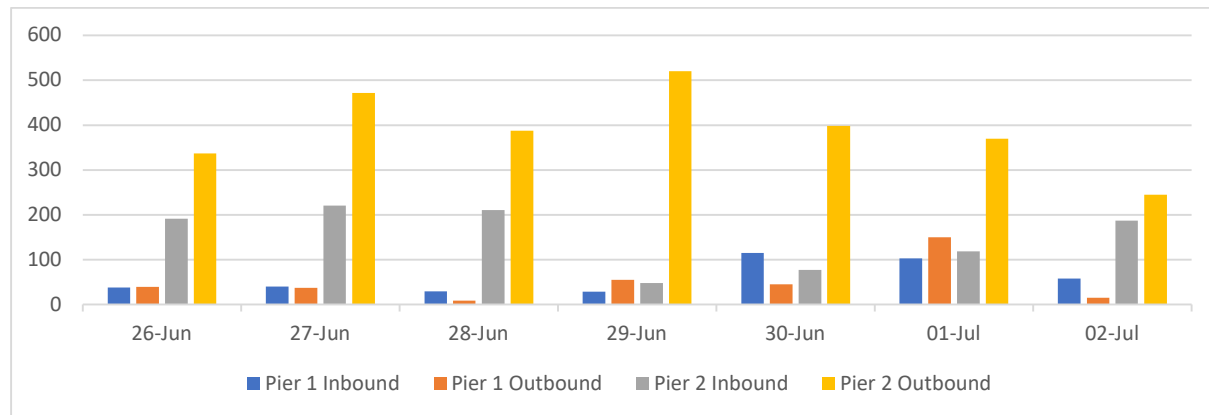
v. Transnet Freight Rail (TFR)

Various trains were delayed this week, as on Wednesday, Transnet sent out a letter regarding the Natal Corridor Train Service impacted by Cable Theft at Pentrich. According to Exxaro, one of South Africa's largest coal mines, coal production and sales volumes are expected to decrease by 11% and 9%, respectively, for the six months ending June 2021. The main reason for this was the continued issues experienced on the TFR line transporting coal from Limpopo and Mpumalanga to Richards Bay for export. This setback comes at a particularly depressing time, coming as it does just when global commodity prices are booming.

On a more positive note, TFR approved the technical layout for a private rail terminal and private rail siding presented by Tambo Springs Development Company (TSDC). As a result, TSDC will officially be the master landowner and developer of a 607ha industrial expansion, including bonded and secure zones, strategically located on the southern border of the Johannesburg and Ekurhuleni metropolises.

Besides the commentary mentioned above, the following figure illustrates the total rail movement from Durban for the week:

Figure 6 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2021. Updated 02/07/2021.

vi. General

As widely reported lately, there appears to be a looming settlement of the wage dispute between Transnet and the labour unions. Transnet has tabled an offer, and labour has until the 30th to respond. Although the outcome is not known yet, it is reasonably likely that a settlement will be reached.

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2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week starting 21 June. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in June 2020 averaged ~374 979 kg per day¹¹. For 2019, this average was ~906 817 kg per day.

Table 4 – International inbound and outbound cargo from OR Tambo

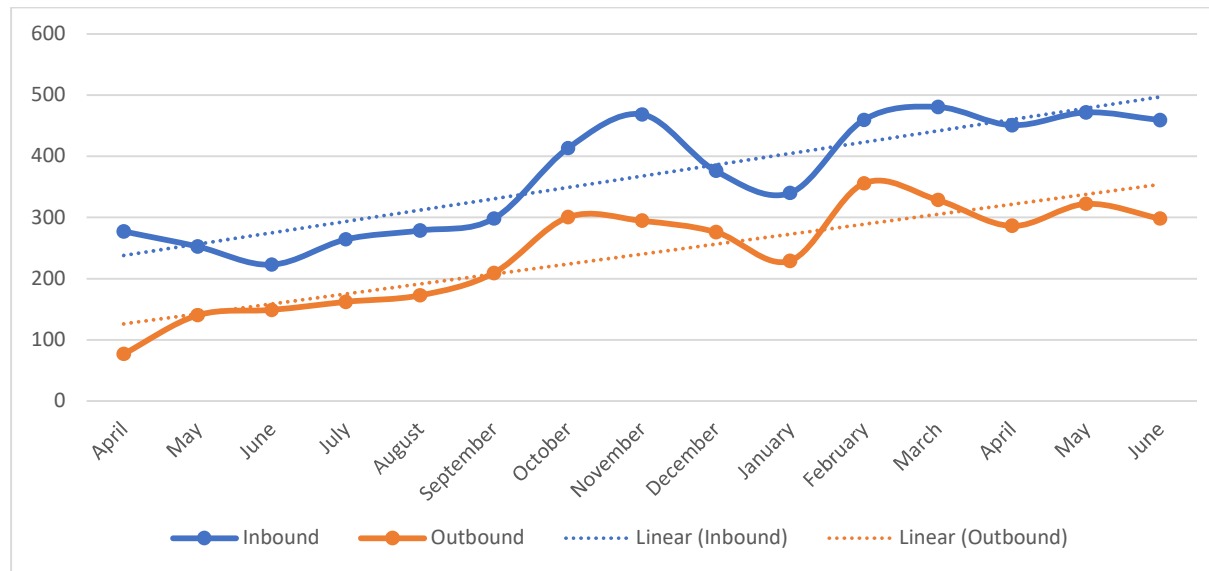
Flows	21-Jun	22-Jun	23-Jun	24-Jun	25-Jun	26-Jun	27-Jun
Volume inbound	566 539	303 555	512 553	406 499	393 153	384 639	894 097
Volume outbound	169 587	155 591	356 917	188 522	185 259	293 872	636 154
Total handled per day	736 126	459 146	869 470	595 021	578 412	678 511	1 530 251

Courtesy of ACOC. Updated: 29/06/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 21 June amounted to **494 434 kg** inbound and **283 700 kg** outbound. The total, therefore, amounts to an average of **778 134 kg** per day, or ~201% compared with the same week in June 2020 (~210% last week). In terms of monthly comparisons, the international aviation industry's operating capacity levels are ~138% that last year, as Figure 1 above illustrates. Compared to pre-COVID-19 times, the level is currently at ~84% compared with 2019, once again reflecting the lack of belly-hold capacity presently experienced, both locally and internationally.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year, hardly surprising in terms of the stringent lockdown regimes in place a year ago.

Figure 7 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 29/06/2021.

¹¹ Note, when including statistics from South Africa's other two international airports, Cape Town International and King Shaka (Durban) International airports, the total figure rises to **91 842 kg** per day.

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b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *June 2020* was only **~10 743 kg¹²** per day.

Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	21 813	2 941	3 751	20 539	6 571	3 176	56 713
Jan Average	20 961	2 739	2 859	22 818	5 491	5 238	57 781
Feb Average	27 777	3 537	3 427	30 117	6 988	3 503	75 348
Mar Average	28 781	3 702	3 845	31 166	7 680	3 740	78 914
Apr Average	24 875	3 234	3 058	25 694	6 306	3 046	66 213
May Average	29 891	3 781	3 669	27 817	7 245	3 261	75 664
1-20 Jun Av.	25 366	3 583	3 125	24 935	6 805	2 995	66 809
21-Jun-21	48 103	5 752	6 145	56 328	10 617	5 231	132 176
22-Jun-21	41 300	5 695	6 454	35 541	9 272	4 849	103 111
23-Jun-21	41 973	5 721	5 370	39 402	10 312	4 029	106 806
24-Jun-21	37 496	5 223	4 613	28 835	10 451	4 312	90 930
25-Jun-21	16 462	3 553	4 303	31 160	4 743	2 604	62 826
26-Jun-21	1 913	1 331	21	1 490	191	21	4 967
27-Jun-21	2 324	176	88	1 273	195	985	5 041
28-Jun-21	46 856	3 486	5 683	44 427	9 575	5 210	115 236
Y-T-D Totals	4 736 376	615 535	604 436	4 887 083	1 209 196	656 014	12 708 640

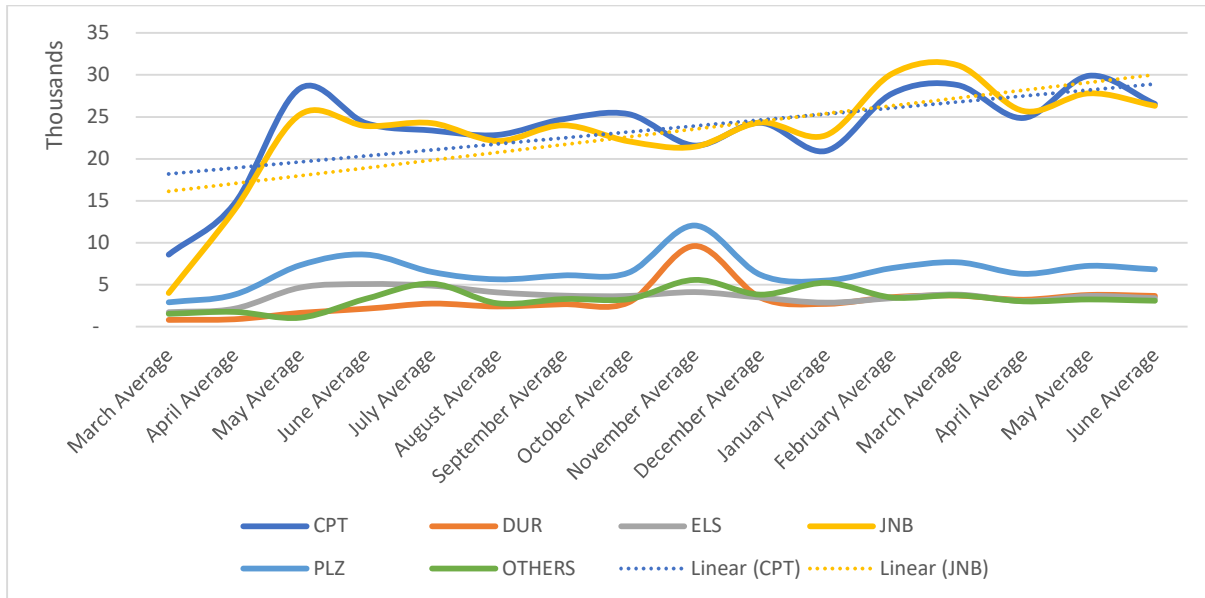
Courtesy of BAC. Updated: 01/07/2021.

Currently, the average domestic air cargo moved in the last week was **~69 845 kg** per day, which is **↑12%** compared with the previous week. Moreover, the volume handled amounts to approximately **~112%** compared to the same week in 2020. The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with healthy volumes registered since the turn of the year.

¹² For Cape Town, the figure corresponds to **13 257 kg** per day, and **3 609 kg** per day for Durban during the same period (June 2020).

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Figure 8 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 01/07/2021.

3. Regional Update

a. South African border closures

As with the last couple of weeks, uncertainty continues to reign at our border posts due to Port Health officials' continued sporadic and unreliable availability, although things seem to have improved slightly compared to last week. SARS Customs has attempted to clarify the status of various affected border posts, as per the table below:

Table 6 – South African border closures

Date	Border
2 July 2021	Skilpadshek will close today at 11:00 and reopen tomorrow morning at 06:00.
1 July 2021	Kopfontein will reopen tomorrow morning at 06:00.
	Ramatlabama temporary operational hours will be 06:00 to 18:00 from 1 July 2021 to 9 July 2021.
	Skilpadshek temporary operational hours will be 06:00 to 18:00 from 1 July 2021 to 9 July 2021.
30 June 2021	Kopfontein updated operational hours: From 30 June to 2 July, it will be 06:00 – 18:00. From 5 July to 6 July, it will also be 06:00 – 18:00.
29 June 2021	Mananga Port of Entry is closed until further notice.
	Golela Port of Entry is closed for exports until further notice.
	Skilpadshek Port will close at 18:00 today and reopen at 06:00 tomorrow morning. It will close again at 13:30 tomorrow (Wednesday) and reopen at 06:00 on Thursday.
	Oshoek Port of Entry is closed until further notice.
27 June 2021	Skilpadshek Port will close at 13:30 until further notice.

Source: [SARS](#). Updated: 02/07/2021.

Traders are urged to stay abreast of border post communications on the SARS Customs and Excise [website](#).

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b. Cross-border delays

The following significant events have caused cross-border delays in the SADC region this week:

- South African Borders continue to close due to the Department of Health resources, as noted above.
- COVID-testing at some SADC borders remains an issue, with Botswana now requiring testing as well.
- The industry had numerous issues at Beit Bridge last week, with long queues. One of the reasons given one day was that there was no water at the border. The effects can be seen in the waiting time below.

Apart from these regressive developments, investigations continue into cross-border delays experienced at several SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week.

Table 7 – Delays¹³ summary – Selected SADC borders

Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Nam/SA	Ariamsvlei/Nakop	2:00	63:00	100	3 000	700	42 700	1 400
SA/Zim	Beit Bridge	24:00	25:00	943	28 290	6 601	151 823	158 424
Moz/Zam	Cassacatiza/Mlolo	1:00	20:00	60	1 800	420	7 560	420
Zam/Zim	Chirundu	0:00	19:00	616	18 480	4 312	73 304	0
Moz/Mal	Dedza	2:00	30:00	50	1 500	350	9 800	700
SA/Bot	Groblersbrug/Martins Drift	4:00	14:00	400	12 000	2 800	33 600	11 200
Zam/DRC	Kasumbalesa	0:00	61:00	592	17 760	4 144	165 760	0
Zam/Bot	Kazungula	0:00	22:00	212	6 360	1 484	29 680	0
SA/Bot	Kopfontein/Tlokweng	5:00	19:00	100	3 000	700	11 900	3 500
Moz/Zim	Machipanda/Forbes	1:00	8:00	320	9 600	2 240	13 440	2 240
Moz/Mal	Milange	0:00	3:00	40	1 200	280	280	0
Nam/SA	Noordoewer/Vlooisdrift	0:00	3:00	70	2 100	490	490	0
Zim/Moz	Nyamapanda	1:00	5:00	100	3 000	700	2 100	700
SA/Moz	Ressano Garcia	17:00	29:00	400	12 000	2 800	75 600	47 600
SA/Bot	Skilpadshek/Pioneer Gate	16:00	8:00	300	9 000	2 100	12 600	33 600
Nam/Bot	Trans Kalahari/Mamuno		24:00	100	3 000	700	15 400	0
Zam/Zim	Victoria Falls	1:00	7:00	114	3 420	798		798
Moz/Mal	Zobue/Mwanza	2:00	13:00	100	3 000	700	7 700	1 400
				4 617	138 510	32 319	653 737	261 982

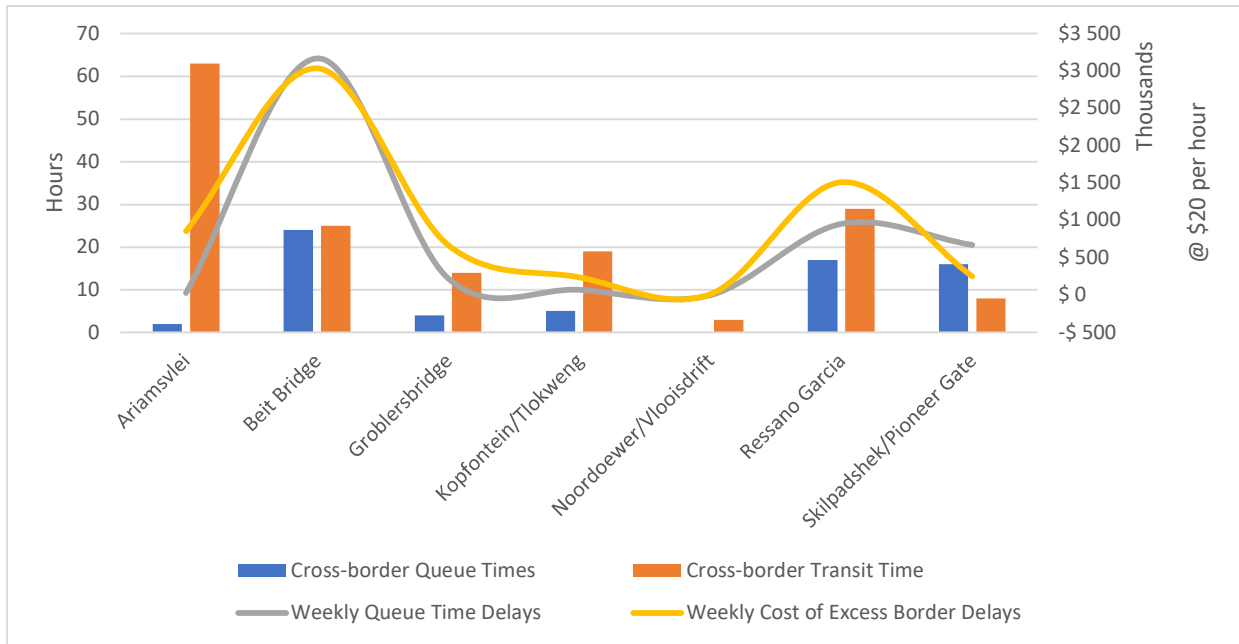
Source: TLC & FESARTA, week ending 29/06/2021.

The following graph shows the weekly change in cross-border times (and associated cost) from South Africa's perspective. Ariamsvlei, Beit Bridge and Ressano Garcia (Lebombo) experienced prolonged cross-border transit times for the week. As noted above, the queue times at Beit Bridge were also of concern for the week.

¹³ It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

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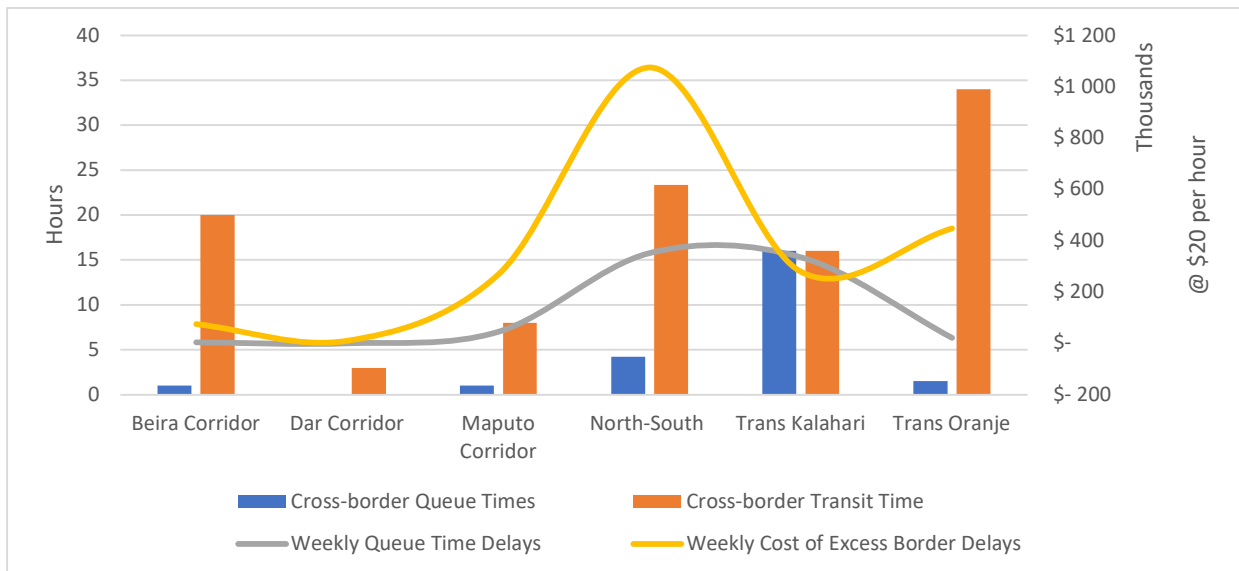
Figure 9 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US\$ thousands)



Source: TLC & FESARTA, week ending 29/06/2021.

The following figure illustrates a similar picture to those above, this time from a corridor perspective.

Figure 10 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in US\$ thousands)



Source: TLC & FESARTA, week ending 29/06/2021.

Due to the problems at Beit Bridge, the North-South corridor experienced an increase in time and cost to trade. This week's other significant changes include improving Trans Kalahari transit times (albeit a regression in the queue times) and another slight improvement in the Trans Oranje transit times.

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In summary, the cross-border queue time has averaged ~4,5 hours (which is considerably higher than the experience last week at ~2,9 hours) and cost the transport industry an estimated \$5,23 million (R84 million). But, fortunately, the average cross-border transit time has decreased this week to ~18,7 hours (notably lower than the experience last week at ~23,4 hours), costing the transport industry ~\$13,1 million (R209 million). Therefore, the total cost for the week amounts to ~R293 million (down by ~R21 million from R314 million the previous week).

4. International Update

The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on the (a) international tourism economy, (b) global container industry and the (c) global aviation industry.

a. International tourism economy

On Wednesday, 30 July, UNCTAD released a sobering report on the effect of COVID-19 on the international tourism industry¹⁴. As countries have closed their borders and continued to impose stringent travel regulations, the tourism industry has felt the brunt of the impact. The UNCTAD report estimates that the global economy could lose over \$4 trillion due to the pandemic. Moreover, as is the case in South Africa, the absence of vaccinations in developing countries adds to the mounting economic losses. The following figures show the estimated losses in GDP from a reduction in tourism based on three simulations, with South Africa the third most affected:

Figure 11 – Estimated losses by country and region from a reduction in tourism (GDP, percentage)

Country	Sim 1	Sim 2	Sim 3	Region	Sim 1	Sim 2	Sim 3
Turkey	-9,1	-6,3	-7,8	Central America	-11,9	-7,5	-9,9
Ecuador	-9,0	-5,5	-7,5	East Africa	-9,3	-6	-7,9
South Africa	-8,1	-5,5	-6,9	South East Asia	-8,4	-5,6	-7,1
Ireland	-5,9	-4,1	-5	North Africa	-7,5	-5	-6,4
Switzerland	-4,3	-3	-3,6	Rest of SACU	-6,3	-4,4	-5,3
Republic of Korea	-3,8	-2,7	-3,3	Rest of Asia	-5,8	-4,1	-3,1
Australia/New Zealand	-3,7	-2,7	-3,2	East European Union	-4,7	-3,3	-3,7
United Kingdom	-3,2	-2,3	-1,6	West Africa	-4,6	-3,1	-3,9
France	-3,2	-2,3	-2,7	Rest of the World	-3,9	-2,7	-3,2
Norway	-2,5	-1,8	-2,1	East and Central Europe	-3,5	-2,5	-3
Argentina	-2,4	-1,7	-2	Middle East	-3,1	-2,2	-2,5
Germany	-2,4	-1,7	-1,3	Rest of South Asia	-2,8	-2	-2,4
Colombia	-2,3	-1,7	-2	North European Union	-2,7	-1,9	-1,9
United States of America	-2,1	-1,5	-1,1	Caribbean	-2,5	-1,8	-2
China/Hong Kong SAR	-2,0	-1,4	-1,7	Mediterranean Europe	-2,3	-1,6	-1,4
India	-1,9	-1,4	-1,7	Rest of South America	-1,9	-1,4	-1,5
Canada	-1,9	-1,4	-1	World	-2,7	-1,9	-2

Source: [UNCTAD](#)

The report, jointly presented with the UN World Tourism Organization (UNWTO), says international tourism and its closely linked sectors suffered an estimated loss of \$2.4 trillion in 2020 due to direct and indirect impacts of a steep drop in international tourist arrivals. A rebound in international tourism is expected in the second half of this year, but the UNCTAD report still shows a loss of between \$1.7 trillion and \$2.4 trillion in 2021, compared with 2019 levels. The results are based on simulations that only capture the effects of international

¹⁴ UNCTAD, 30/06/2021. [COVID-19 and tourism – An update](#).

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tourism reduction, not policies such as economic stimulus programmes that may soften the pandemic's impact on the sector. Nevertheless, the effect on South Africa is clear to see, with an estimated reduction ranging between **↓5,5%** and **↓8,1%**. Between 2019 and 2020, international tourist arrivals declined by about 1 billion or 74%. In the first quarter of 2021, the UNWTO World Tourism Barometer points to a decline of 88%. The picture is set to remain essentially the same, as unequal distribution of vaccines in the developing world persists.

b. Global container industry

i. World container index

According to Drewry, container freight rates keep rising as the "World Container Index" (WCI) increased by another **↑4,2%** to **\$8 399** per 40-ft container¹⁵ this week. Thus, it can be expected that the story of container imbalances (and equipment shortages), poor efficiency, port congestion, and resurgent consumer demand will remain the reality until the end of the year. The following figure highlights the extraordinary rise in the two-year spot price of the index.

Figure 12 – World Container Index – Assessed by Drewry (\$ per 40 ft. container)



Source: [Drewry Ports and Terminal insights](#)

The average composite index now stands at **\$5 643** per 40-ft container, **\$3 628** higher than the five-year average of **\$2 015** per 40ft container (up by **\$28** since last week and breaking the **\$2 000-mark** for the first time). This week, freight rates surged on all eight of the major transpacific lanes. Because of the new-found realities, shippers are expected to cough up significant cash for fixed contracts, as allocation will remain tight while throughput is expected to stay the same, as discussed in the next section.

ii. Global container port throughput index

Despite the steady increase in container rates, global demand has stayed very high, resulting in throughput levels remaining elevated. This week, Drewry released their latest "Global Container Port Throughput Index"¹⁶

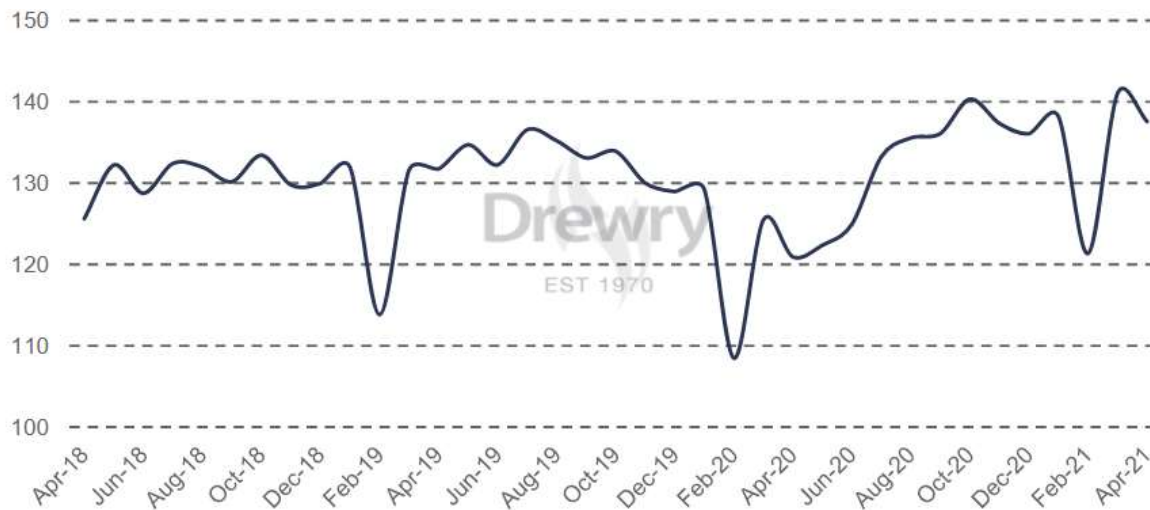
¹⁵ Drewry Supply Chain Advisors. 24/06/2021. [World Container Index](#).

¹⁶ Drewry. 30/06/2021. [Container Port Throughput Index](#).

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for April. The following figure highlights the latest throughput levels globally, though it is delayed by two months. It can be expected that the figures for the next couple of months will continue this trend.

Figure 13 – Global Container Port Throughput Index (Jan 2012 = 100)



Source: [Drewry Ports and Terminal insights](#)

After the record jump experienced earlier in March, the index slipped by $\downarrow 2,5\%$ to **137,6** points. Drewry notes that yearly growth of **13,8%** reinstates the fact that volume recovery is well underway. While consumer demand continues to surge back towards pre-pandemic levels, enabled by growing global vaccination rollout, supply-side challenges such as the grounding of the Ever Given in the Suez Canal and ongoing equipment imbalances are holding back further volume growth. Across all regions, only Africa registered an increase for the month of April, coming in at **6,7%**. Despite the slight regression, throughput levels are expected to remain high, even in the face of continued congestion issues and potential shocks to the global maritime industry.

iii. Further developments of note

Besides the main factors impacting the global container industry mentioned above, some additional notable developments occurred this week.

1. Demurrage and detention charges following the surge in container freight rates:

- The average demurrage and detention charges at the leading 20 container ports are up 104% compared with a year ago as carriers press to keep containers moving¹⁷. For example, cargo owners at Long Beach face average fees of \$2 638 two weeks after discharge, compared with just \$132 at Busan.
- However, in the wake of continued global congestion and unreliable scheduling faced globally, some shippers claim that they have been charged thousands of dollars without really knowing why. In an attempt to alleviate the situation, strained shippers are requesting transparency and flexibility from the shipping lines regarding demurrage and detention charges¹⁸.

2. Increased container production in China attempts to ease global box shortages:

- The Chinese Ministry of Transport (MOT) claims it has taken significant steps to ease the impact of tight container shipping capacity by boosting empty boxes' availability and raising new units' production. The MOT said that the average proportion of empty containers in ports was down

¹⁷ Waters, W. 29/06/2021. [Demurrage and detention charges double in a year](#).

¹⁸ Savvides, N. 02/07/2021. [Shippers Fret as 'Opaque' Detention and Demurrage Charges Soar](#).

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to 1.3% in May, while container manufacturers had raised output to 500 000 TEU a month¹⁹. China controls more than 80% of global container production.

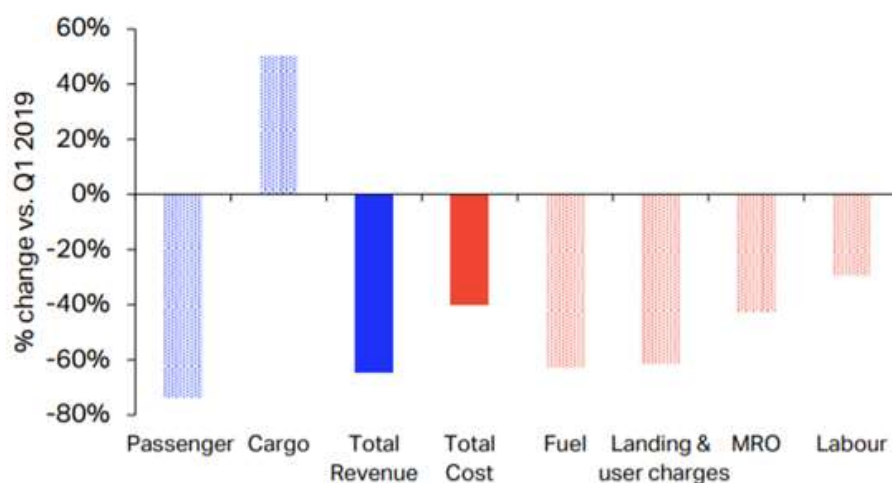
3. The terror threat in Mozambique's Cabo Delgado province remains too high for international crew changes:

- a. The International Transport Workers' Federation states that the risk of an attack on seafarers is too high to justify continuing to switch crews in the country's Cabo Delgado province. Shipowners should stop performing crew changes in northern Mozambique while seafarers are at risk of attack or kidnapping by violent terrorist groups operating in the region²⁰.
- b. Other ports in Mozambique, such as Beira, Nacala and Maputo, are relatively safe for crew changes, says ITF Africa regional secretary Mohammed Dauda Safiyanu.

c. Global aviation industry

This week, the International Air Transport Association (IATA) released its quarterly "Airlines Financial Monitor" for the first quarter of 2021²¹. In summary, Q1 results indicate that airlines continued to post losses similar to those in Q4. Moreover, compared to Q1 2019, operating revenue remains significantly down across all business sectors in aviation, bar of course cargo. The following figure illustrates the struggles – and the leading role which air cargo continues to play.

Figure 14 – Contribution to industry CTKs (per region) and International CTK growth (% y/y)



Source: [IATA Economics](#)

Due to stagnant air travel demand and yield pressure, airline passenger revenues declined sharply (**↓74%** versus Q1 2019). Conversely, the cargo business maintained its strength, increasing by **↑50%** compared to Q1 2019 as the broader economy rebounds. Overall, cargo revenues were insufficient to compensate for the sharp loss in the passenger business, resulting in a **↓65%** drop in overall revenues. Despite all the efforts of airlines to cut the costs, the y/y decline in operating expenses was limited to 40%. While variable costs (fuel, landing, and user charges) fell in line with the fall in revenues, the fixed/semi-fixed costs reductions were limited.

In conclusion, IATA expects financial performance to vary per region, depending on the size of domestic markets and the pace of vaccine rollout. However, performance will also depend on rising fuel costs, which might shadow the expected Northern-Hemisphere summer rebound in travel demand. As with the investigation done by UNCTAD (see [above](#)), passenger numbers to South Africa are likely to only return by mid-2022 at the earliest.

¹⁹ Li, M. 30/06/2021. [China boosts container numbers to ease delays and asks carriers to add port calls.](#)

²⁰ ITF Global. 28/06/2021. [Terror threat makes seafarer crew change impossible in northern Mozambique.](#)

²¹ IATA, 27/06/2021. [Airlines Financial Monitor.](#)