COVID-19: Cargo movement update[1]

Date: 27 August 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)	30 954	26 516	**57 470**	28 616	29 582	**58 197**	**↓1%**
Air Cargo (tons)	4 290	2 390	**6 680**	4 578	2 187	**6 764**	**↓1%**

Monthly Snapshot

Figure 1 – Monthly[4] cargo capacity levels, year on year (100% = baseline)

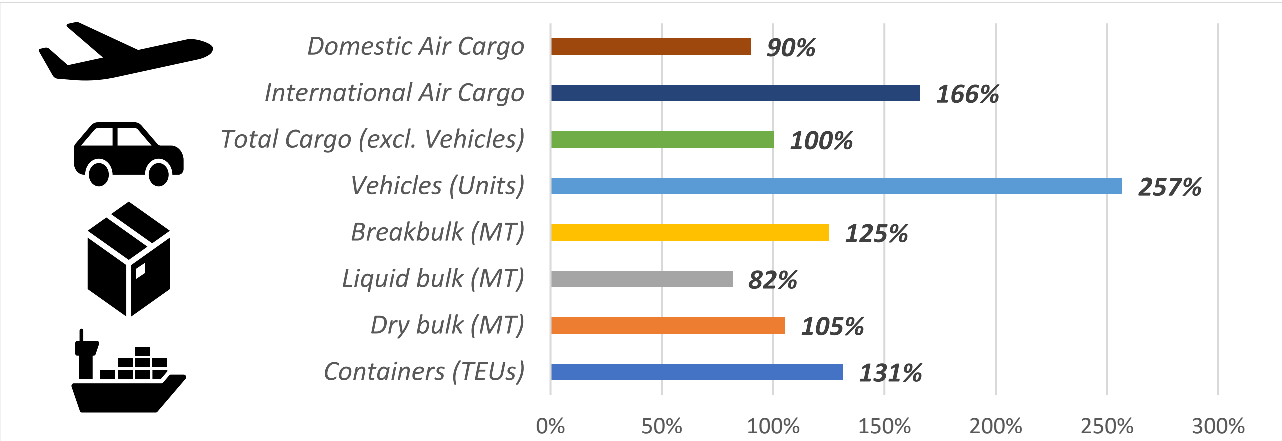

Figure 2 – International year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)

Key Notes

- This week, an average of **~8 210 TEUs** was expected to be handled per day, **↓1%** from last week.
- The "*WCI*" continues to increase, with freight rates **↑2,1%** (or **$204**) to **$9 818** per 40-ft this week. The main driver of the recent surge in rates has been a struggle to restore supply amid high demand. This week, other developments in the global container industry revolved around Ningbo fully reopening, congestion, and automation (*see below*).
- Average cross-border queue time rose by **1 hr**, with transit times also up by **5 hrs** (*see below*).
- Robust cargo revenues continue to support airlines (**↑72%**) as both demand and yields remain strong.

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[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 53rd 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, July versus July. The rest compared June 2021 versus June 2020.
[5] For ocean, total Jan-Jun cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Jul cargo to and from ORTIA is used.

Executive Summary

This update – *the 53rd of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Pandemic-wise, this week has seen a slight decrease in newly reported COVID-19 infections in South Africa, averaging approximately **11 760** infections per day (**↓2%** from last week's average of **12 021**). Consequently, as the third wave extends, the total number of cases recorded in the country continues to rise, now at **2,73 million**[6], with the death toll rising to **80 826** (up by **2 132**). Worldwide COVID-19 infections now total more than **215 million**, with the death toll nearing **4,5 million** people. This week, a vaccination milestone has been reached as more than **5 billion** vaccine doses have now been administered[7]. For South Africa, this figure stands at **~11,5 million**. In the past seven days, an average of **200 000** doses was administered, still falling well short of the daily target of **400 000**.

Operationally, Transnet has vowed to continue to engage in dedicated daily recovery forums and meetings until all operations and entire supply chains have been restored. As with last week, concerted efforts have been made to clear the backlog at the ports, with another good week registered number-wise. Against that, however, the predicted struggles have shown their face as the Durban yard reached near-full stack occupancy levels for both general-purpose and reefer containers. The recurring theme in these reports, ensuring that our terminals can operate fluidly, remains pertinent. Consequently, Pier 2 continued to run the focussed mass evacuation model, which prioritises import evacuation. But the pressure is expected to continue, especially considering the near-term outlook of high import volumes and ongoing citrus exports. Other operational constraints included some weather delays, booking system inefficiencies, and further COVID-19 cases.

Globally, the container industry continues to be marred by congestion at both ends of the transatlantic trade routes. However, the outlook is slightly improved, with Ningbo-Zhoushan expected to be back to full operation by mid-week next week. Unfortunately, the number of cargo vessels at anchorage in California remains desperately high, as a setback has occurred in terms of container evacuations. In somewhat better news, the port of Long Beach announced the completion of a $1,5 billion automated container terminal in a move to set a new industry standard.

Elevated freight rates remain the main feature of the global container narrative. Freight rates increased for a nineteenth consecutive week, as no restoration of normality is expected before the end of the year at the very earliest. In an explanation from McKinsey, the main drivers of elevated freight rates are still on the supply side, as capacity is approximately **↓11%** below maximum levels of September last year. Although global demand has increased with a significant shift in buying patterns, the overall demand levels are only **↑5%** up from the pre-crisis levels of 2019, but this is more than countered by limited capacity or supply. Thus, the outlook remains grim, as rates will remain high as the peak container season gets into full swing.

Most regional trade corridors experienced a significant increase in transit times in terms of cross-border road traffic movement. In addition, several other constraints were reported, including fake PCR certificates, a driver update from the DRC, and minor incidents of protest action (see a more detailed breakdown *below*). Finally, SARS announced a pilot to discontinue the printing CN2s as part of the process to expedite movement through the border post and minimise border congestion at the Lebombo border post. This pilot will be extended to other borders if it is successful.

The focus has again been on the international scene for the air cargo industry this week, as cargo keeps driving airline financial performance whilst passenger recovery remains slow. Furthermore, despite the desperate attempts to contain costs, the fall in operating expenses in Q2 2021 (**↓35%**) remains well short of the decline in revenues. Similarly, across the key cost items, while fuel costs and user charges declined by **↓52%** and **↓48%**,

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

respectively, the fall in labour cost was limited to ↓**27%**. Finally, the resurfacing of positive COVID-19 cases in China threatens to derail cargo operations, as operations at Shanghai Pudong International Airport (PVG), the world's third busiest airport by cargo traffic, remained suspended following a new COVID-19 outbreak among the workforce. As the industry's experience in the container market has taught us, the possibility of these stoppages at important nodes rippling through the entire sector remains high.

Concluding this week's edition, our attention is drawn to the reality of the economic mess we are currently facing. According to the latest Stats SA data, the number of unemployed persons increased by 584 000 to **7,8 million** compared to the first quarter of 2021[8]. Also, because of the unrest and looting in early July, SASRIA expects claims of up to **R20 billion**, far more than initially anticipated[9]. Thus, once again, at another critical juncture, South Africa must get its own house in order if we are to derive any benefit while the drivers for recovery remain robust, and that situation cannot be expected to last indefinitely. Fortunately, the extended supply chain is playing its part by doing everything to ensure that volumes and productivity are constantly increased.

[8] Stats SA. 24/08/2021. Unemployment data.

[9] Letsie, T. 24/08/2021. SASRIA expects claims of up to r20 billion - far more than expected.