

COVID-19: Cargo movement update¹

Date: 30 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)	34 780	31 527	66 307⁴	27 555	25 750	53 305	↑24%
Air Cargo (tons)	4 678	2 275	6 953	5 787	2 482	8 269	↓16%

Monthly Snapshot

Figure 1 – Monthly⁵ cargo capacity levels, year on year (100% = baseline)

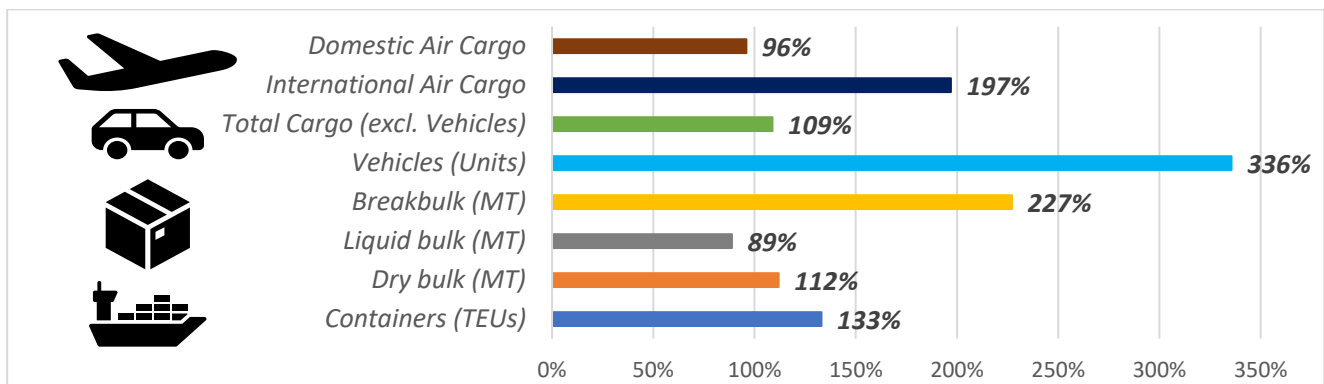
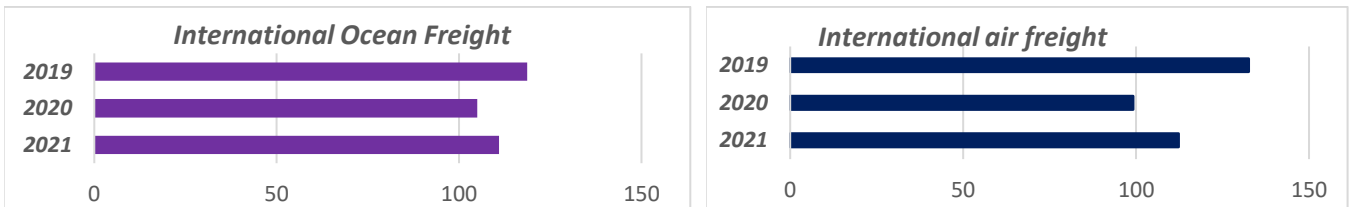


Figure 2 – International year-to-date flows 2019-2021⁶: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- This week, an average of ~**9 472 TEUs** was expected to be handled per day, **↑24%** from last week.
- Trade was severely debilitated by the ongoing IT disruption experienced at Transnet. With the disruptions due to the unrest earlier this month, the logistics industry has lost an estimated **R1,4 billion**.
- Average cross-border queue time was up by **0,4 hrs**, while transit time was down by **0,7 hrs** (see [below](#)).
- Weekly domestic air cargo is **↓27%** this week, as all parties finally agreed on an updated SOP.
- The latest IMF projections see the global economy growing at **↑6%** in 2021 and **↑4,9%** in 2022.

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 48th 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 At this juncture, it is challenging to provide any definite figures concerning containers handled by our ports, given the ongoing IT disruptions at Transnet. The accurate picture will only be clear once the dust settles, and the system is up and running again. Nevertheless, the figures portrayed here and throughout this week's report represent Transnet's most recent communications before the systems went down. Our best guess estimate is that the volumes handled will be slightly reduced for the week, but not significantly in total since only one vessel cancelled its sailing. More to follow in next week's iteration.

⁵ '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.

⁶ 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 49th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Concerning the pandemic, it appears as if the worst of the third wave has now passed. This week has seen another slight decline in newly reported COVID-19 infections in South Africa, averaging approximately **11 436** infections per day this week (↓**10%** from last week's average of **12 727**). However, the total number of cases recorded in the country now stands at more than **2,422 million**⁷, with the death toll rising to **71 431** (up by **2 806**). As a result, South Africa remains in **17th** place globally regarding the total number of cases. Globally, more than **197 million** cases have now been recorded worldwide, with a total of **4,2 million** people losing their lives to the virus.

In a concerted national push, the vaccination rollout continues to gain momentum, currently standing at some **~7,28 million** vaccine doses administered. The welcome news is the ever-increasing involvement from the private sector, with many vaccination sites being set up rapidly, with some large corporates even rolling out their own program. Furthermore, in a joint presentation with the business, the NDOH noted that they had secured enough doses to vaccinate at the targeted number until the end of the year. This drive could see the country returning more rapidly to a normal level, with the current "*Global normalcy index*"⁸ pegging us at **48** (down from **59** last week). The worldwide vaccination figure stands at **~3,77 billion** vaccine doses⁹.

Unfortunately, there was a disastrous week in store for supply chain operations, as traders, truckers, and all the extended role players in South Africa struggled to get goods flowing because of the IT disruptions experienced at Transnet (note the detailed narrative [below](#)). As a result, the industry has lost an estimated **R1,4 billion** to add to losses incurred during the unrest only days earlier. In total, South Africa's logistics industry has already had 14 days of significant interruptions for the month of July, which is of grave concern. These effects will have lasting impacts on our economy for the foreseeable future.

Other operational matters worth noting included adverse weather causing significant ranging of vessels, which once again highlights the need to accelerate the procurement and installation of line tensioners. Moreover, both Cape Town and Port Elizabeth are struggling to move reefer containers, as stack occupancy has reached 100% at both sites. Furthermore, several vessels (one at Port Elizabeth, six at Cape Town and five at Durban) bypassed the ports due to extended operational delays. This trend is sure to continue in the coming months, as restoring normality will be difficult. However, it will not be an overnight process.

Internationally, the global container industry continues to lap up the excess demand for cargo transport, thus accelerating the ever-increasing cost of shipping. This week, the container index burst through the **\$9 000 barrier** per container, with the immediate outlook remaining on an upward trend. Other notable developments this week include **(i)** Typhoon "In-fa" causing major disruption in China, **(ii)** acceleration in port capacity investment being insufficient to support the growth in cargo demand, and **(iii)** the 'Ever Given' finally arriving in Rotterdam (see [below](#)).

On the aviation front, volumes handled for the week fell on both domestic and international routes, but the general outlook remains positive. On an operational level, the standard operating procedure (SOP) for gaining access to the cargo precinct at ORTIA has finally been agreed upon by all parties involved. Despite the omission of additional measures suggested by the industry (see [below](#)), the revised procedures have been welcomed.

IATA released its monthly analysis of international cargo flows for June, showing a positive trend for both cargo and passenger markets, albeit in differing circumstances. June was another month of strong performance for

⁷ Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

⁸ Economist. 13/07/2021. [The global normalcy index](#).

⁹ Our World in Data, Coronavirus (COVID-19) Vaccinations. [Our World in Data](#)

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air cargo, as industry-wide cargo tonne-kilometres (CTKs) grew **↑9,9%** compared to June 2019. Furthermore, the air cargo drivers remain favourable and point to further growth ahead, as Africa and North America remain the best-performing regions. On the passenger side, IATA notes that slow air travel recovery continued for another month, as June was another month of modest gains in air travel. Industry-wide revenue passenger kilometres (RPKs) fell by **↓60,1%** compared with the pre-crisis June 2019, which is still an improvement on the **↓62,9%** decline in May. Domestic RPKs continued to recover, although at a mixed rate across the key domestic markets. Demand for passenger travel remains strong, but continued international travel restrictions and increasing COVID cases in some regions are mitigating against any further recovery in passenger growth.

In summary, it appears as if the extended South African supply chain constantly must work with one hand tied behind its proverbial back. Although demand-side pressures are particularly favourable for trade and logistics to thrive locally and internationally, several local operational obstacles inhibit peak performance. As the IMF noted this week, the current fault lines are widening in the global recovery, with South Africa seemingly falling on the wrong side of the divide. Just as the backlog originating from the unrest was cleared, an even greater backlog was subsequently created. Although South Africa remains an attractive proposition for doing business, these constant roadblocks will continue to impede our progress as we advance.

All the logistics industry can do is to continue doing its utmost to secure our supply chains. This statement echoes the conclusion made by Finance Minister Tito Mboweni this week¹⁰: *"Our country continues to sail through stormy seas, and we are patently aware of the difficulties faced by many South Africans. We will persevere to keep the ship on course and to support those in dire need."*

¹⁰ Treasure. 28/07/2021. [Media Statement by Finance Minister, Mr. Tito Mboweni.](#)

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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. Because of the IT disruptions at Transnet, the tables can only provide a best-guess estimate based on information received from Transnet and private sector stakeholders. So, this is the best effort at providing the most transparent possible view of this week's port operations. The summary below unpacks the events that transpired in greater detail.

Table 2 – Container Ports – Weekly flow reported for 24 to 30 July¹¹

7-day flow forecast (24/07/2021 – 30/07/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 623	5 850
DURBAN CONTAINER TERMINAL PIER 2:	13 110	11 513
CAPE TOWN CONTAINER TERMINAL:	7 329	8 241
NGQURA CONTAINER TERMINAL:	8 646	4 823
GQEBERHA CONTAINER TERMINAL:	1 072	1 100
TOTAL:	34 780	31 527

Source: [Transnet](#), 2021. Updated 30/07/2021.

Table 3 – Container Ports – Weekly flow forecasted for 31 July to 6 August¹²

7-day flow forecast (31/07/2021 – 06/08/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 698	4 950
DURBAN CONTAINER TERMINAL PIER 2:	10 356	11 256
CAPE TOWN CONTAINER TERMINAL:	7 527	6 573
NGQURA CONTAINER TERMINAL:	0	0
GQEBERHA CONTAINER TERMINAL:	0	0
TOTAL:	22 581	22 779

Source: [Transnet](#), 2021. Updated 30/07/2021.

An average of **~9 472 TEUs** (**↑24%**) was handled per day for the last week (24 – 30 July, Table 2), with a decreased average of around **~6 480 TEUs** (**↓32%**) per day (31 July – 6 Aug, Table 3) expected to be handled next week. But, as we have said, we will only be sure of the devastating effects of the recent disruptions when all systems are restored. However, we can confidently say that the impact of these developments will be a lasting one on our supply chain. The logical consequences include future blank sailings, diminished investor confidence, and ultimately higher prices for the consumer. It is an ominous sign that next week's forecast is some 21 000 TEU lower than the quantity handled this week, a possible indication of port omissions by various shipping lines. In addition, the impact of social unrest and political turmoil has been significantly exacerbated by Transnet's IT network woes (more [below](#)).

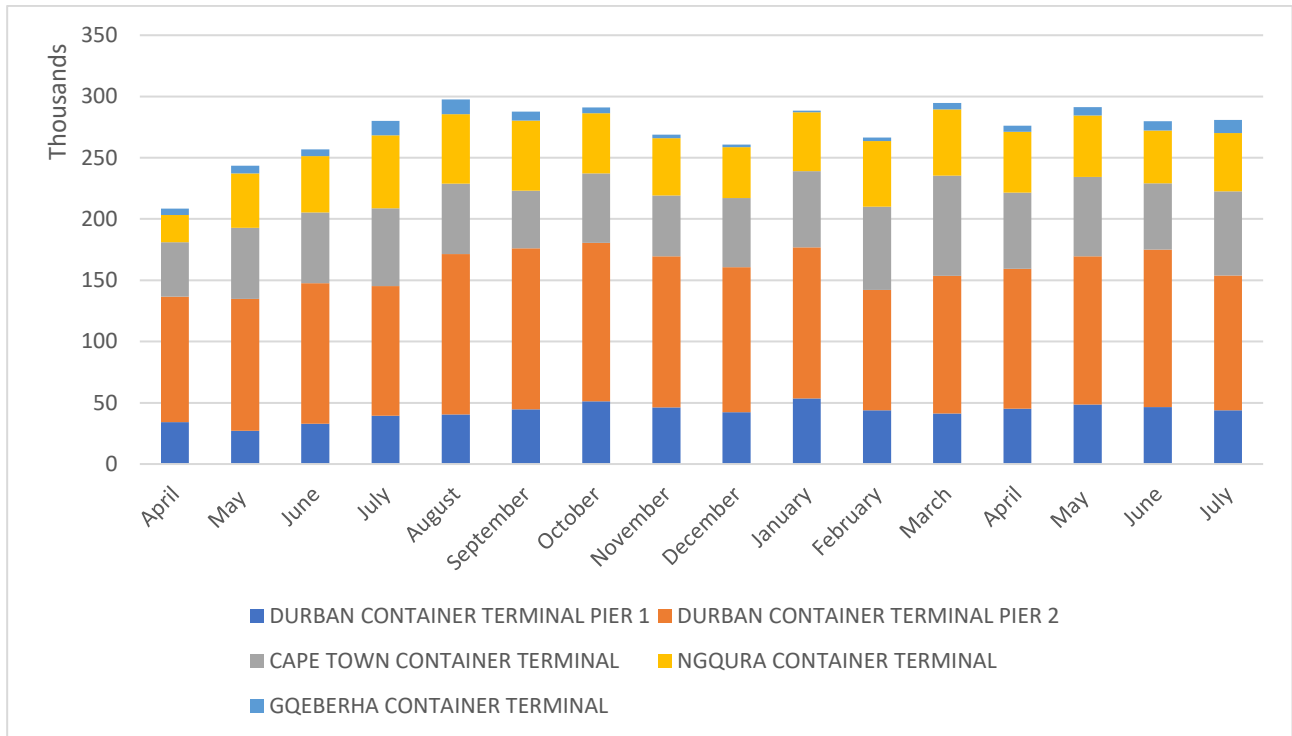
¹¹ It remains important to note that a fair percentage (approximately 25%, according to the most recent TNPA figures for June) of containers are neither imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and has increased since December 2020.

¹² As noted in the footnote above.

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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.

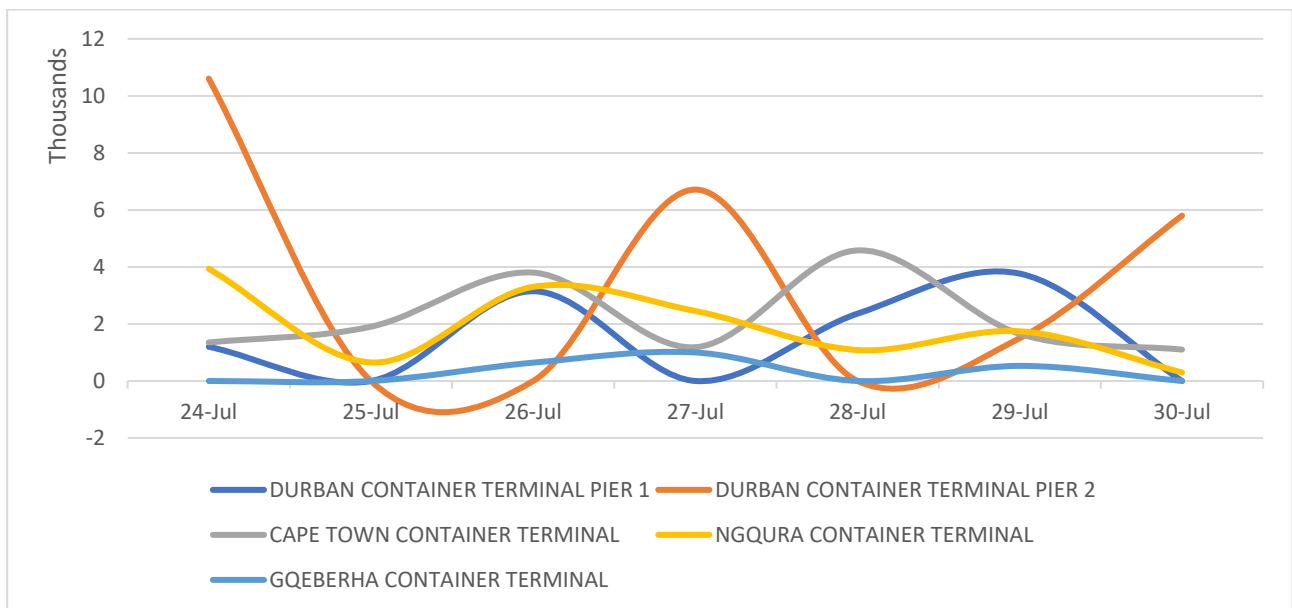
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet](#), 2021. Updated 30/07/2021.

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

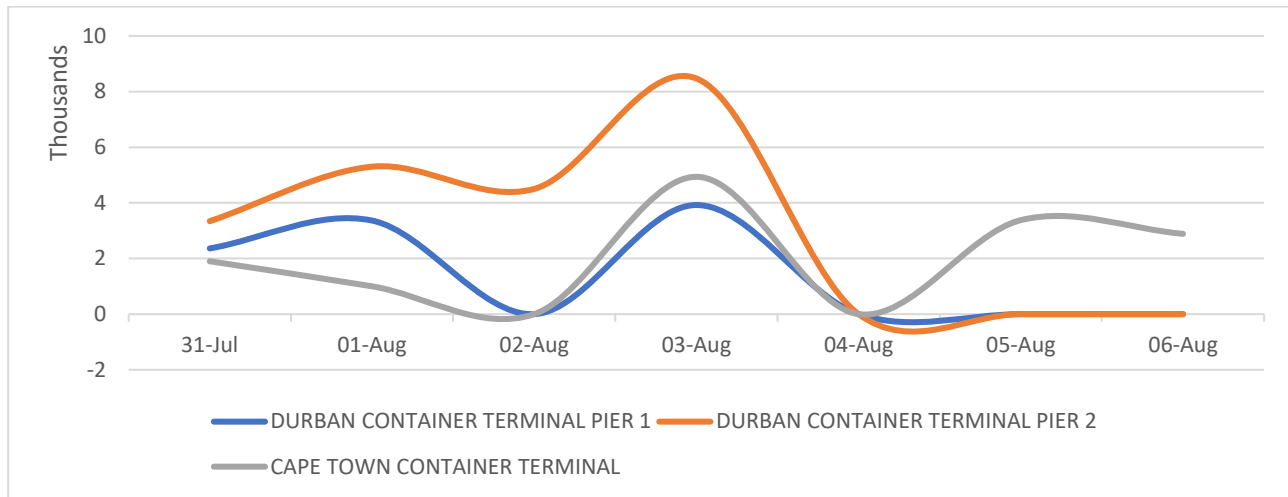
Figure 4 – 7-day flow reported for total cargo movement (24 to 30 July; per port; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 30/07/2021.

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Figure 5 – 7-day flow reported for total cargo movement (31 July to 6 August; per port; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 30/07/2021.

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

Waterside operations at Cape Town port were exceptionally slow on Tuesday due to strong North Westerly winds coupled with high swells, causing wind stoppages and the ranging of various vessels at berth.

Durban enjoyed warmer temperatures this week with slightly stiffer North Westerly winds on Tuesday, luckily not affecting operations at Durban port terminals. The immediate forecasts are clear, which will assist in clearing the backlog.

Strong WSW winds limited waterside operations at NCT and PECT, leaving vessels at berth ranging.

ii. Cape Town

On Tuesday, following the disruptions caused to Transnet's IT systems last week, some NAVIS system operations were restored, which was much appreciated as Cape Town port had already started to experience worrying backlogs. It was soon realised that build-ups could not be reduced as quickly as hoped as there was a lack of empty trucks as many were holding export loads and could not enter the port to collect imports. During this past week, Cape Town Container Terminal completed four vessels and processed more than 2 760 containers. On Thursday, only 135 containers were moved over the quay wall (the daily average is around 2000 containers), while 25 reefer containers were accepted. Just over 400 import containers were collected on behalf of cargo owners. As noted on Thursday, more than 10 000 containers were delayed while two vessels bypassed the Port of Cape Town. Significant delays were experienced on waterside operations with various vessels at berth for way too long and around six ships waiting at anchorage. No reefer stacks were open either, as the terminal reported 100% occupancy, which is a nightmare, leaving no room for movement. TPT's stack date information issued on Friday showed no less than seven vessels omitting Cape Town or cutting and running. These included the MSC Vita, Santa Isabel, Northern Jupiter, Cape Tainaro, MSC Athens, MSC Sasha, and the MSC Jessinia R. Cargo is being overcarried as far afield as Ghana.

Apart from these issues, inclement weather conditions resulting in ranging of vessels continue to worsen the productivity of waterside operations. The installation of the long-awaited hydraulic tensioning systems in the Cape Town Container Terminal (and at NCT) to mitigate against ranging at berth should now be part of

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Transnet's top priorities. Furthermore, with the deciduous fruit season in full swing in Cape Town, many exporters are concerned as picked fruit has been packed but has nowhere to go as all possible cold storage facilities, and plug-in points are occupied. Concerns have also been expressed regarding losses expected in respect of rice and wheat imports.

iii. Eastern Cape

Transnet's NAVIS and other support operation functions (CAMCO, SPARCS, radio network) at NCT and PECT were only restored on Friday, while the EDI function stays non-operational till further notice, and in common with all the other ports, email connections remain down. Due to slow and limited manual operations both water and landside at PECT during the week, Maersk advised of an expected omitted call. The 'Maersk Vallvik', at anchor off Durban, missed Port Elizabeth but unloaded import containers at Durban port and continued to call at Cape Town to recover its schedule. Exports from PECT were transferred to the MSC Jeanne. As part of Transnet's contingency plans, the stacks register teams started processing inventory comprising of containers' positions. Due to safety reasons, specific stacks were unavailable, and trucks could not be serviced until completed, adding to the delays. Furthermore, PECT had no reefer stacks open on Thursday as the terminal was at 100% reefer occupancy.

iv. Durban

Restoration of certain parts of Transnet's NAVIS system was communicated with stakeholders on Tuesday. Recorded figures on Tuesday showed that Pier 2 managed to evacuate 1 550 containers utilising the manual process, and stack occupancy stood at 51% capacity. A total of 76 straddle carriers were deployed during this time, while an additional four ZPMC straddle carriers were commissioned this week, pushing available equipment to a promising 80 on hand. At Pier 1, the vessel Mira XL bypassed Durban, which was one of five this week. Stack occupancy stood at a worrying 71% capacity. Pier 1 managed to evacuate 264 containers via road and 111 containers via rail while having 112 import reefers on hand. On Thursday, DCT recorded a low 1 174 moves at landside operations, constituting 525 import containers, 481 export containers and 168 empty containers. A total of 294 yard shuffles were recorded while truck turnaround time (TTT) stood at an average of 84 minutes. On Friday, landside operations improved slightly. As recorded at DCT's morning shift (06:00 to 14:00), 1 622 containers were moved in and out of the yard. TTT stood at an average of 78 minutes against an average of 135 minutes staging time.

Many citrus exporters and meat manufacturers struggle to ensure continuity in their supply chains with various reefer and general container storage and warehouse facilities damaged due to looting. An estimated 3 000 40 ft reefer containers of citrus exports were either in cold stores or on vehicles in and around Durban this week. Citrus exporters are working on various ways to improve uplift whilst reducing the possible impact on markets where the arrival of large volumes out of planned delivery schedules will impact prices received. On the other hand, the port of Durban is also running out of space and plug-in points to secure cold chain integrity for meat imports. According to the South African Meat Processors Association (SAMPA) and the South African Association of Meat Importers & Exporters (Amie SA), around 290 reefer containers require an urgent cold storage solution with many more expected. Without urgent intervention, chicken and polony supplies could be at risk.

v. Transnet Freight Rail (TFR)

During the week, TFR continued with limited functionality due to manual processes and rail lists for oncoming vessels being halted at certain stages. On Tuesday, there were 27 export trains in the system either on rail or at Kings Rest Marshalling yard waiting to offload. Rail services were running as per laid-down manual processes. In addition, TFR requested customers with cross-border traffic to submit hard copies of SARS clearance documentation proving submission of declarations at Customs branches. This situation allowed for the smooth

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running of the manual application phase to authorise the departure of trains. However, things might have been quicker if TPT had simply accepted the clearances reflected in the shipping line systems.

vi. General

Regretfully, the IT disruptions which plagued Transnet last week continued into this week. In total, seven days of full operation have been lost, and some systems are yet to be restored skip. As a result, several measures were implemented to combat the issues, including a manual process and Transnet's staff reverting to Google Mail addresses and WhatsApp as a means of communication to keep the channels open. In addition, Transnet deployed forensic and security teams to ensure that all infrastructure was secured to avoid further infection of any other IT systems. Transnet confirmed that storage charges from 22 July have been waived and that these extensions would continue to be granted on a 24-hour notice basis. It has subsequently been advised that storage charges will resume on 2 August. Transnet also informed its customers that shipping lines were advised that cargo and export bills may be released without the necessary cargo dues validation until further notice. There is some concern that when outstanding cargo dues orders are finally processed, the system will automatically add late payment charges. This situation needs to be followed up with TNPA

As the citrus and deciduous fruit seasons reach their peaks, Transnet prioritised manual processes towards accepting and releasing reefer containers. Since the start of the season in April, reefer container volumes are 12% higher than the same period last year. As a result, all terminals in the Eastern and Western Cape adopted the manual processes as well. The manual processes involved two phases and issuing a CTO (Container Terminal Order) to release imports at the terminal. Phase one of the process related to releasing import reefer containers for collection and phase two included evacuating the best retrievable full import containers. Shipping lines and Transnet worked closely together to secure the success of the manual processes and the sharing of accurate information, which helped alleviate the pressure to some extent.

On Monday, Transnet declared *Force Majeure* for all port terminals in Durban, Ngqura, Port Elizabeth and Cape Town due to the nature of the disruptions with effect from Thursday 22 July 2021. Soon after, Transnet notified stakeholders that Durban Container Terminals Pier 1 and Pier 2 were able to restore the functionality of the NAVIS N4 operating system. This change meant that waterside and yard operations could commence except essential customer-facing functions such as CAMCO, EDI and Navis external customer links. Telephone and email connectivity was also compromised. Operational recovery plans were launched and encompassed stack registering teams listing inventory of all containers' positions to be updated on NAVIS. Once uploaded, TPT was able to release and receive additional containers and deploy landside operations. In addition, export stacks for vessels were opened and communicated subject to yard space.

On Tuesday, customers were advised that the Navis customer links and CAMCO were fully operational at Durban and Cape Town ports. The other customer-facing function – EDI, was unfortunately still not available. New NAVIS customer links were shared, and appointment slots were made available. Transnet urged customers to start making appointments the following day at Durban port to reduce the congestion of trucks in and around the terminal. NCT and PECT only had their NAVIS systems, apart from EDI functions, restored on Friday. Transnet consequently declared the upliftment of *Force Majeure* for Transnet Port Terminals at the Port of Durban, Ngqura, Port Elizabeth and Cape Town with effect from 00h01 on Monday 2 August 2021. This action also considers the fact that traders tend to use terminals as storage facilities, which significantly reduces fluidity in the terminals.

Further to this notice, Transnet advised that TPT will continue to apply Container Terminal Operations Contract (CTOC) berthing principles in the container terminals. Export stacks will be communicated at the individual terminal level after consultation with shipping lines. Import storage charges will be waived from 06:00 22 July 2021 till 00h01 on Monday 2 August 2021, when storage will re-commence. Free storage days will only be given for vessels that completed discharge after 00h01 on Friday, 30 July 2021. For all vessels that have completed

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discharge before this date, the free days shall be considered as expired at 00h01 on Monday 2 August 2021. Other terminal-specific extensions may be granted on a terminal basis which will be communicated by the terminal concerned where relevant.

Despite the troubles, all ports are, at the time of writing, up and running and will continue to operate 24/7 via a manual process to make up for the lost time (except for Port Elizabeth, which will depend on the projected volumes). The current concerns revolve around refrigerated cargo, especially meat imports. The shipments are moving very slowly due to inspection requirements, high stack occupancies, and the lack of additional cold storage facilities in Durban. If the inspection processes cannot be sped up, these containers will continue to occupy the much-needed reefer points earmarked for exports.

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 19 July. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in July 2020 averaged ~**661 014 kg** per day. For 2019, this average was ~**848 123 kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

Flows	19-Jul	20-Jul	21-Jul	22-Jul	23-Jul	24-Jul	25-Jul
Volume inbound	478 454	334 585	401 397	431 728	352 831	371 198	904 536
Volume outbound	118 760	183 258	237 807	204 150	201 992	235 305	411 242
Total handled per day	597 214	517 843	639 204	635 878	554 823	606 503	1 315 778

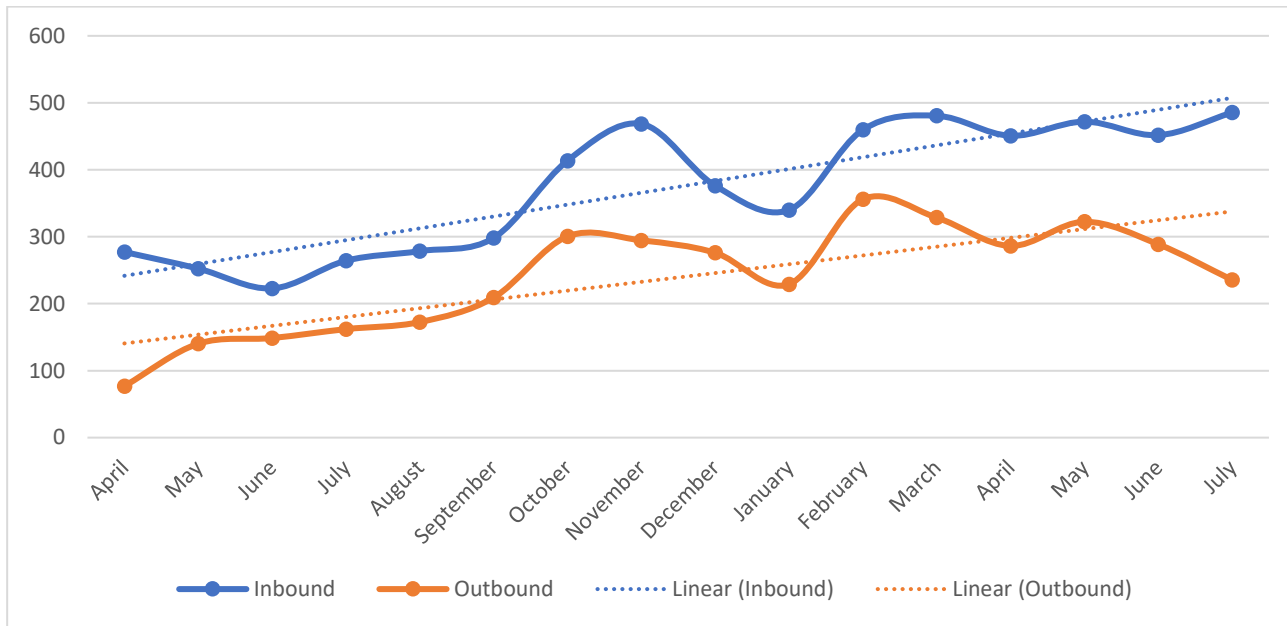
Courtesy of ACOC. Updated: 27/07/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 19 July amounted to **467 818 kg** inbound and **227 502 kg** outbound. The total, therefore, amounts to an average of **695 320 kg** per day, or ~**159%** compared with the same week in June 2020 (~**197%** last week). In terms of monthly comparisons, the international aviation industry's operating capacity levels are ~**197%** of the previous year. Compared to pre-COVID-19 times, the level is currently only at ~**82%** compared with 2019.

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.

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Figure 6 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 27/07/2021.

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 July 2020 was only ~50 554kg¹³ per day. Still, as mentioned in other areas of this report, that is not really a meaningful comparison.

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
Jun Average	27 498	3 706	3 556	26 873	7 086	3 213	71 932
1-20 Jul Average	22 810	6 101	3 036	15 372	6 054	2 829	56 200
21-Jul-21	34 437	19 113	4 259	26 880	9 144	4 235	98 068
22-Jul-21	36 098	4 497	4 446	20 230	11 513	3 441	80 226
23-Jul-21	19 273	1 844	3 305	14 872	3 812	2 363	45 470
24-Jul-21	2 705	142	26	1 711	57	64	4 704
25-Jul-21	1 382	238	74	91	181	814	2 779
26-Jul-21	45 671	4 058	5 192	23 917	11 447	5 109	95 394
27-Jul-21	1 320	110	226	229	257	214	2 355
Y-T-D Totals	5 414 665	776 124	694 159	5 351 463	1 387 815	666 003	14 290 229

Courtesy of BAC. Updated: 27/07/2021.

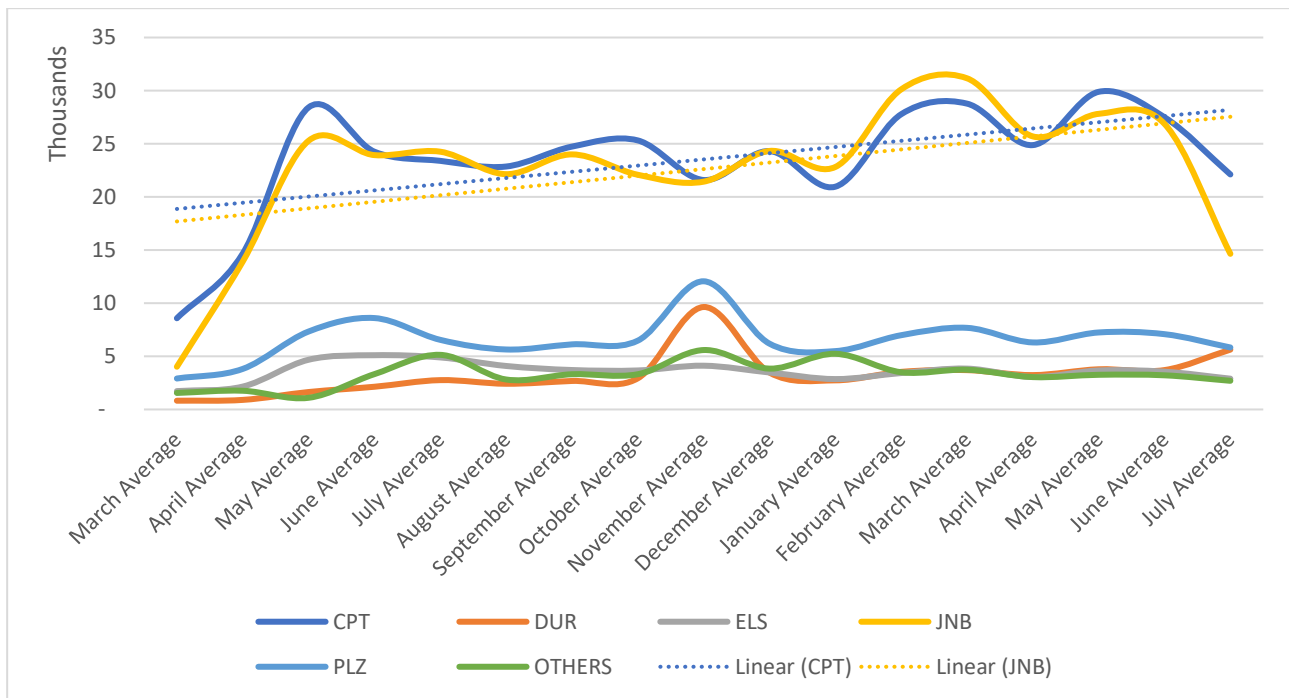
¹³ For Cape Town, the figure corresponds to 43 266 kg per day, and 4 023 kg per day for Durban during the same period (July 2020).

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Currently, the average domestic air cargo moved in the last week was ~46 999 kg per day, which is ↓27% compared with the previous week. Moreover, the volume handled amounts to approximately 75% compared to the same week in 2020. Although it is far too early to extract trends from the volumes and load factors in the last two weeks, the figure below is somewhat disturbing.

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. Nevertheless, the decided drop-off in volumes recently is apparent in the figure.

Figure 7 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 27/07/2021.

c. Summary of air cargo operations

Several key developments took place concerning cargo operations during the week. The major change concerns the standard operating procedure (SOP) agreement for gaining access to the ORTIA Cargo precinct. After protracted consultation, the SOP has been agreed upon by ACOC, SAEPA, SAAFF, and ACSA. Despite this small advance for the industry, many stakeholders still believe that a systems integration approach is the best answer. With the gate receiving thousands of email pre-alerts daily, the current approach still leaves significant room for improvement, mainly because security guards are overworked by having to walk down the line checking vehicles in the two lanes. So, the general consensus from the industry's perspective is that the vehicles should be pre-alerted before being allowed in. Furthermore, since most cargo handlers use technology to interface with their clients to manage and create the required pre-alerts, a tie-in with the ACSA and IVS integrated gate systems will modernise and improve the process.

3. Regional Update

a. South African border closures

Once again, several border posts experienced closures throughout last week. The following table summarises the status of various borders (information provided by SARS Customs).

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Table 6 – South African border closures

Date	Border
30 July 2021	Qachasnek has reopened and is operational.
	Ramatlabama has reopened and is operational.
	Golela is closed this morning between 09:00 and 11:00.
	Ramatlabama is closed until further notice.
29 July 2021	Qachasnek is still closed until further notice.
27 July 2021	Vioolsdrift has reopened this morning.
26 July 2021	Qachasnek is closed until further notice.
	Vioolsdrift closed and will reopen tomorrow, Tuesday 27 July, at 14:00.
	Mahamba closed at 08:15 and will reopen at 12:15 today.
25 July 2021	Kopfontein will reopen tomorrow morning, Monday 26 July, at 06:00
	Kopfontein closed at 12:00 until further notice.
24 July 2021	Mahamba closed and will reopen at 12:15 today.

Source: [SARS](#). Updated: 30/07/2021.

Traders are urged to stay abreast of border post communications on the SARS Customs and Excise [website](#). Still, it must be said that this situation only exacerbates the precarious position of the road freight industry.

b. Cross-border delays

Besides the closed border crossings, the following significant events have caused some delays in the SADC region this week:

- Due to ongoing developments around the pandemic in Zimbabwe, ZIMRA announced that all borders would be closed to all except commercial vehicles and returnees. ZIMRA also reported systems issues at Beit Bridge last week. These were fortunately fixed two hours later.
- Kopfontein Border has closed for decongestion again but reopened the next day.

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 – Delays¹⁴ 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	2:00	100	3 000	700	24 640	1 400
SA/Zim	Beit Bridge	24:00	14:00	943	28 290	6 601	79 212	158 424
Moz/Zam	Cassacatiza/Mlolo	1:00	13:00	60	1 800	420	4 620	420
Zam/Zim	Chirundu	0:00	23:00	616	18 480	4 312	90 552	0
Moz/Mal	Dedza	2:00	28:00	50	1 500	350	9 100	700
SA/Bot	Grobliersbrug/Martins Drift	4:00	13:00	400	12 000	2 800	30 800	11 200
Zam/DRC	Kasumbalesa	0:00	53:00	592	17 760	4 144	165 760	0
Zam/Bot	Kazungula	0:00	32:00	212	6 360	1 484	44 520	0
SA/Bot	Kopfontein/Tlokweg	24:00	44:00	100	3 000	700	29 400	16 800
Moz/Zim	Machipanda/Forbes	1:00	8:00	320	9 600	2 240	13 440	2 240

¹⁴ 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.

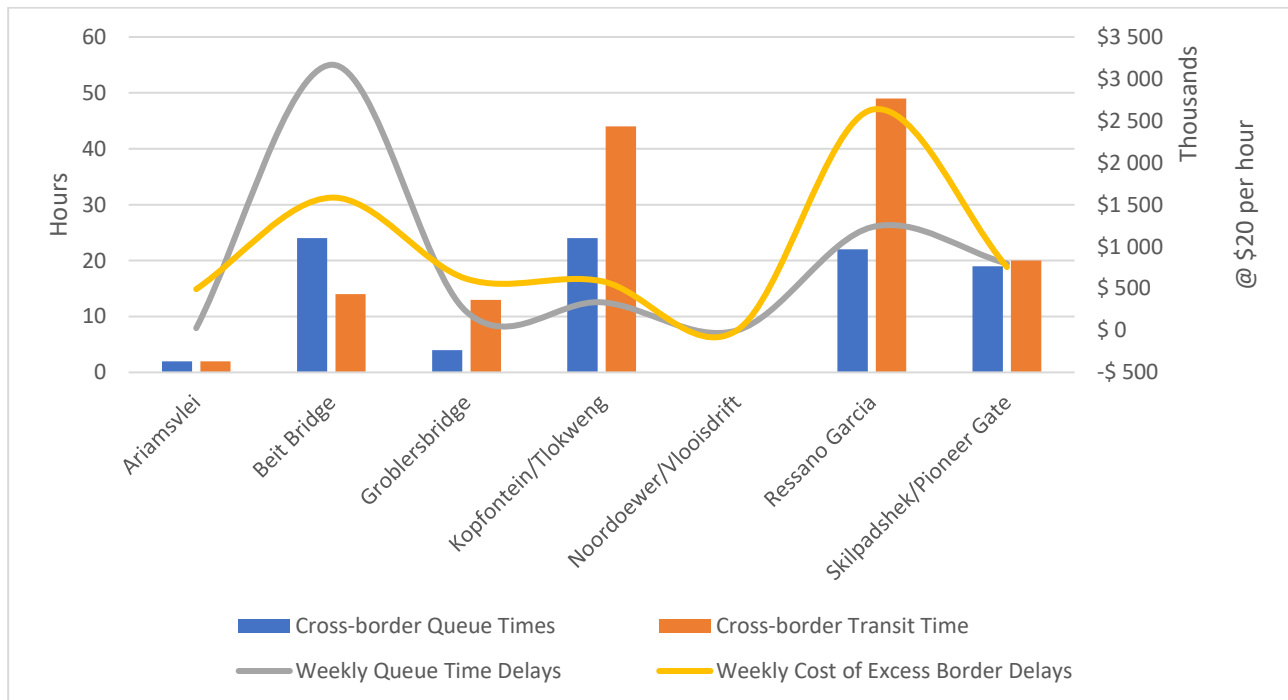
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Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Moz/Mal	Milange	0:00	5:00	40	1 200	280	840	0
Zim/Moz	Nyamapanda	1:00	2:00	100	3 000	700	0	700
SA/Moz	Ressano Garcia	22:00	49:00	400	12 000	2 800	131 600	61 600
SA/Bot	Skilpadshok/Pioneer Gate	19:00	20:00	300	9 000	2 100	37 800	39 900
Nam/Bot	Trans Kalahari/Mamuno	0:00	8:00	110	3 300	770	24 640	0
Zam/Zim	Victoria Falls	1:00	4:00	114	3 420	798	1 596	798
Moz/Mal	Zobue/Mwanza	2:00	16:00	100	3 000	700	9 800	1 400
				4 557	136 710	31 899	698 320	295 582

Source: TLC & FESARTA, week ending 26/07/2021.

The following graph shows the weekly change in cross-border times (and associated estimated cost) from South Africa's perspective.

Figure 8 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US\$ thousands)

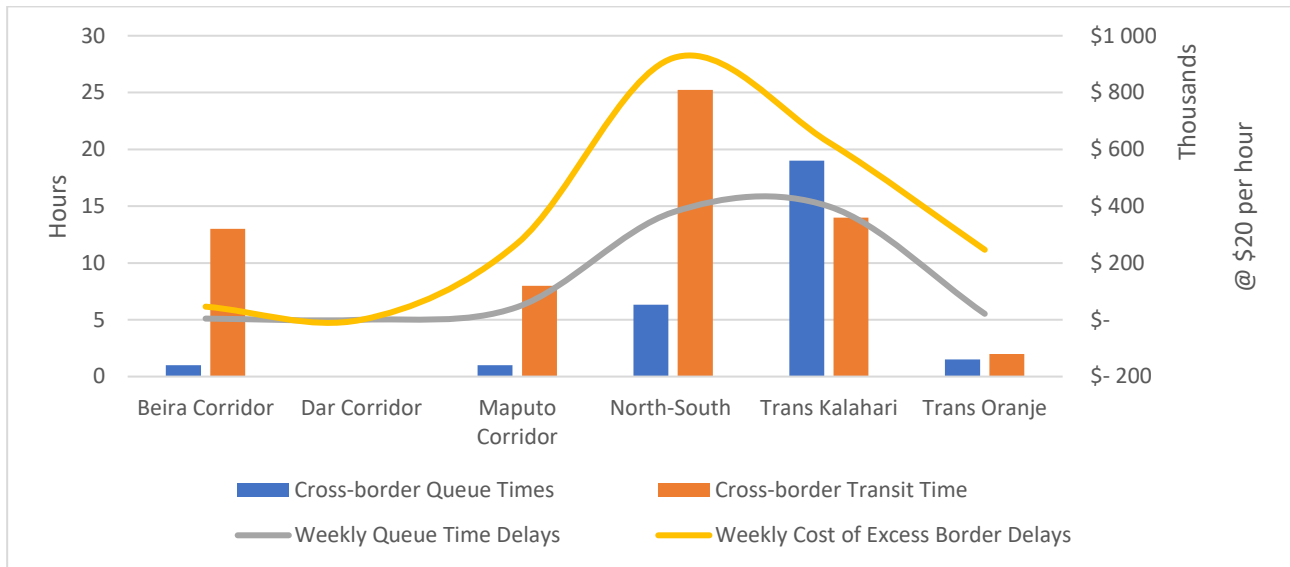


Source: TLC & FESARTA, week ending 26/07/2021.

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

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



Source: TLC & FESARTA, week ending 26/07/2021.

In summary, the cross-border queue time has averaged **~6,1 hours** (slightly slower than the experience last week at **~5,4 hours**) and cost the transport industry an estimated **\$5,91 million (R94 million)**. Fortunately, the average cross-border transit time has decreased to **~16,7 hours** (somewhat lower than last week's experience at **~17,4 hours**), costing the transport industry **~\$13,97 million (R223 million)**. Therefore, the total cost for the week amounts to **~R318 million** (up by **~R1 million** from **R317 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)** world economic outlook, **(b)** global container industry and the **(c)** global aviation industry.

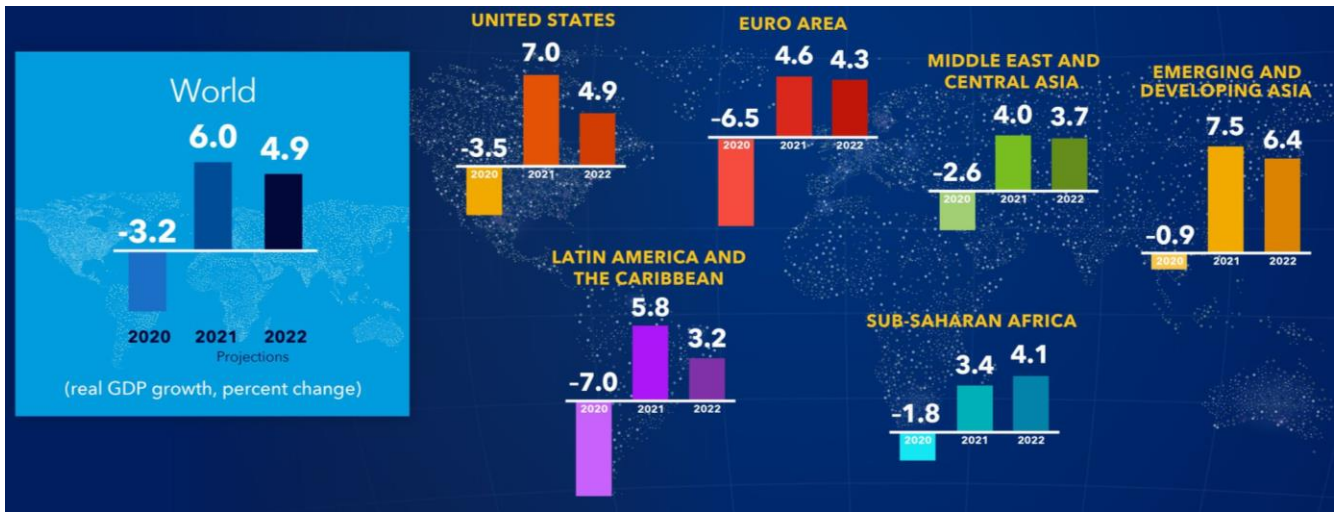
a. World economic outlook

This week, the International Monetary Fund (IMF) released its quarterly "*World Economic Outlook*" for the second quarter of the year¹⁵. The headline is that the overall forecast remains the same, but the composition has significantly changed as fault lines widen across the global recovery. The IMF notes that vaccine access has emerged as the central differentiator, splitting the world into two blocs. Firstly, those who can look forward to normalising activity later this year are almost all advanced economies. And secondly, some will still face resurgent infections and rising COVID death tolls, which is practically all developing economies, including South Africa. The recovery is not even assured in countries with very low infections so long as the virus circulates elsewhere. The following figure illustrates the current growth projections.

¹⁵ IMF. 27/07/2021. [World Economic Outlook](#).

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Figure 10 – World Economic Outlook – July (growth projections, percentage change)



Source: [IMF](#)

The global economy will grow at $\uparrow 6.0\%$ in 2021 and $\uparrow 4.9\%$ in 2022, as the worldwide forecast is unchanged from the first quarter but with offsetting revisions. Prospects for emerging markets and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies has been revised upwards. These revisions reflect pandemic developments and changes in policy support. Furthermore, the revisions reflect differences in pandemic developments as the Delta variant becomes dominant. Close to 40% of the population in advanced economies has been fully vaccinated, compared with 11% in emerging market economies and a tiny fraction in low-income developing countries.

To broaden and accelerate the recovery, the IMF advises tailored policy changes in terms of:

- First, to escape the acute crisis by prioritizing health spending, including vaccinations, and targeting support for affected households and firms.
- Next, to secure the recovery with more emphasis on broader fiscal and monetary support, depending on available space, including remedial measures to reverse the lost time in education, and supporting the reallocation of labour and capital to growing sectors through targeted hiring subsidies and efficient bankruptcy resolution mechanisms; and
- Finally, to invest in the future by advancing long-term goals of boosting productive capacity, accelerating the transition to lower carbon dependence, harnessing the benefits of digitalization, and ensuring that gains are equitably shared.

Despite the current turmoil in the country, the IMF has upwardly revised its growth forecast for South Africa for both this year and next year. The IMF expects South Africa to grow at $\uparrow 4.0\%$ in 2021 (up from $\uparrow 3.1\%$), and $\uparrow 2.2\%$ in 2022 (up from $\uparrow 2.0\%$).

b. Global container industry

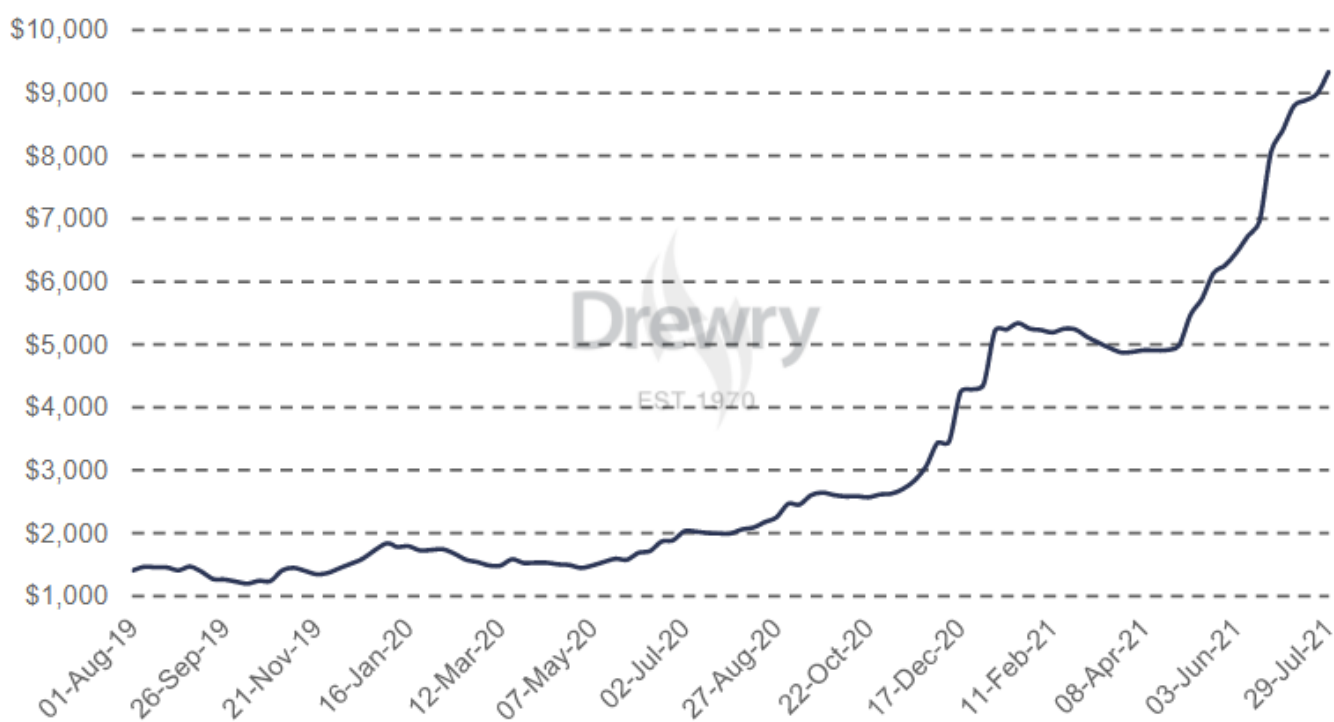
i. World container index

Container freight rates pushed through the **\$9 000 barrier** this week, as rates are projected to keep rising. As a result, Drewry's "World Container Index" (WCI) increased by another $\uparrow 4\%$ to **\$9 330** per 40-ft container¹⁶ this week. The following figure highlights the extraordinary rise in the two-year spot price of the index.

¹⁶ Drewry Supply Chain Advisors. 29/07/2021. [World Container Index](#).

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Figure 11 – World Container Index – Assessed by Drewry (\$ per 40 ft. container)



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

The average composite index now stands at **\$6 090** per 40-ft container, **\$3 957** higher than the five-year average of **\$2 133** per 40ft container (up by **\$60** since last week). This week, freight rates surged on five of the eight major transpacific lanes, with a significant increase experienced in the Shanghai – New York route. Drewry expects rates to increase further in the coming weeks, however, at a slightly slower pace. But it should be noted that the rate of increase has been consistently higher than anticipated.

ii. Further developments of note

Besides the continued surge of freight rates across the board, some additional notable developments occurred this week.

1. Typhoon "In-fa" causes major disruptions in China:

- China port calls slumped this week as typhoon "In-fa" took its toll, hitting Shanghai and most areas in Zhejiang Province (including Ningbo) from 23 to 27 July 2021. Consequently, it was reported that just 10% of the container vessels expected to call at China's key hubs berthed during the past week¹⁷.
- The impact has not only been felt on port operations, with flight and rail delays also increasing as the typhoon brought devastating rainfall and flooding in China's central Henan province, disrupting operations at Zhengzhou Airport (CGO)¹⁸.

2. Acceleration in port capacity investment insufficient to support cargo demand growth:

- The pent-up global demand is still far outstripping supply, as international fleets cannot quickly increase the required supply. In fact, port capacity is also becoming a concern, as the global acceleration in port capacity investment is insufficient to support cargo demand growth¹⁹.

¹⁷ Baker, J. 27/07/2021. [China port calls slump as typhoon In-fa takes its toll.](#)

¹⁸ Whelan, S. 26/07/2021. [Typhoon brings more supply chain chaos in China, closing air, sea, and rail hubs.](#)

¹⁹ Drewry Supply Chain Advisors. 26/07/2021. [Acceleration in port capacity investment insufficient to support cargo demand growth.](#)

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- b. Global container port capacity is projected to increase by an average of 2,5% per year to reach 1,3 billion TEU in 2025. With global demand set to rise by an average of 5% per annum over the same period, average utilisation rates will increase from the current 67% to over 75%.

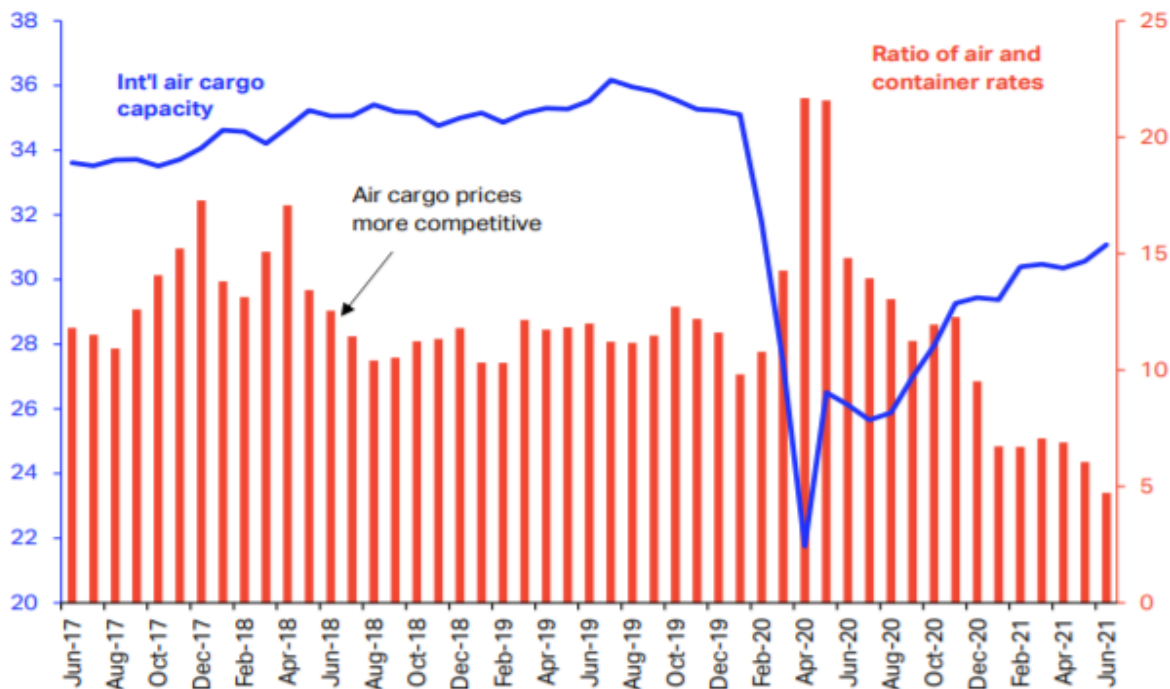
3. The Ever Given has finally arrived in Rotterdam:

- a. The container ship Ever Given, which was lodged in the Suez Canal for six days in March, arrived in the Dutch port of Rotterdam on Thursday after being released by authorities in Egypt²⁰.
- b. It was scheduled to dock at Rotterdam's ECT Delta terminal for unloading until Aug 3, before departing for Felixstowe, England. The vessel has some 18 300 containers on board.

c. Global aviation industry

This week, the International Air Transport Association (IATA) released its monthly updated "Air Cargo Market Analysis" for June²¹, noting another strong performance. The headline figure shows that industry-wide cargo tonne-kilometres (CTKs) grew by **↑9,9%** compared to June 2019. Furthermore, the current drivers of air cargo, namely low inventories, resilient demand, and cheaper freight rates compared to container rates, remain favourable for the foreseeable future. The following figure shows a combined graph of the current overlaid air cargo and container shipping rates.

Figure 12 – CTK levels, actual and seasonally adjusted; and cargo capacity and price ratio to container shipping



Source: [Boeing](#), [IATA CargoIS](#), [Freightos Baltic Index](#)

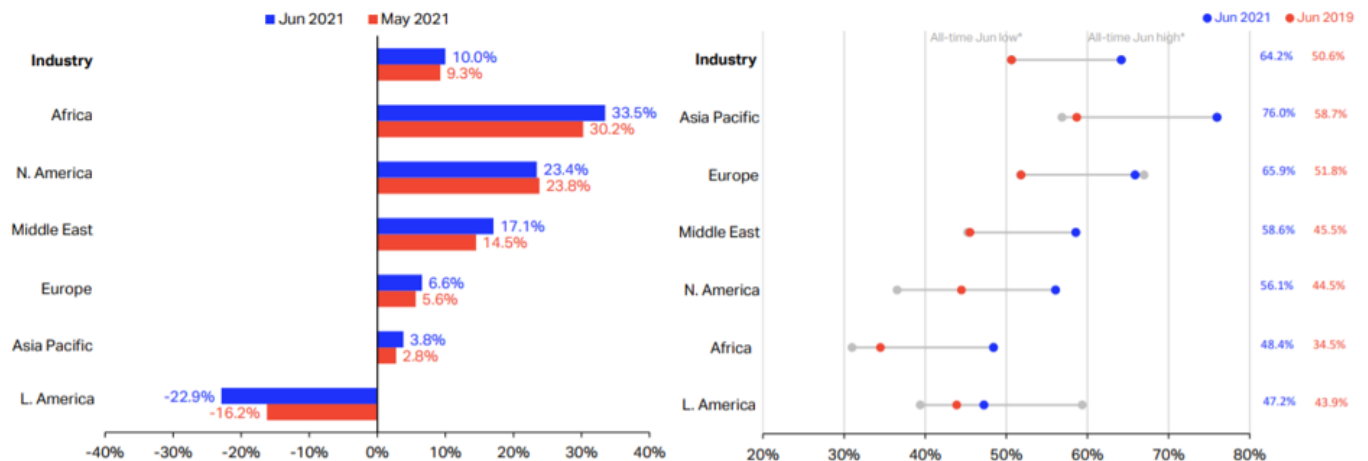
Currently, cargo levels remain on their record trajectory, as year-to-date growth of CTKs are up **↑8%** compared to June 2019 and registered the strongest first half since 2017. As a result, air cargo freight rates have remained highly competitive. Although air freight is obviously more expensive, the narrowing gap versus sea freight, together with the speed advantages offered by air, tend to make air cargo more attractive, which also highlights the significant increase in container rates, while air cargo rates have become relatively lower. In addition, the gap continued to narrow in June, adding to the competitive advantage of air cargo. With this positive outlook and the ongoing return of passenger aircraft belly capacity, the signs are overwhelmingly positive for the air cargo industry. The following figures illustrate regional growth and accompanying cargo load factors.

²⁰ Reuters. 29/07/2021. [Ever Given, the ship that blocked the Suez Canal, arrives in Rotterdam.](#)

²¹ IATA, 28/07/2021. [Air Cargo Market Analysis.](#)

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Figure 13 – CTK growth per region; and cargo load factor per region



Source: [IATA Economics](#)

In June, strong growth continued for airlines based in Africa, as their international CTKs grow by 33,5% versus June 2019. This month marks the sixth consecutive month of growth above 25%. Also, cargo load factors (CLF) remained exceptionally high in June. The industry-wide CLF was at **56,5%**, **↑25,3%** above June 2019 levels. In addition, the international load factor was at the highest value for June since our series began in 1990, at **64,2%**. At the regional level, all regions except Europe and Latin America posted record international CLFs for June.

On the passenger side²², IATA notes quite a different picture compared to cargo. In their latest "Air Passenger Market Analysis" for June, IATA reports that slow air travel recovery continued for another month. The critical points for the analysis include the following:

- June was another month of modest gains in air travel. Industry-wide revenue passenger kilometres (RPKs) fell by **↓60,1%** compared with the pre-crisis June 2019 – an improvement on the **↓62,9%** decline in May.
- Global domestic RPKs continued to recover; however, performance was mixed across the key domestic markets. Russia, the US, and Brazil showed positive RPK developments, but air traffic deteriorated in China and Australia. International traffic also sustained its moderate recovery, with all regions except the Asia Pacific showed better outcomes than May.
- Passenger willingness to travel remains strong, but continuing international travel restrictions and rising COVID infections in some regions threaten further recovery in the market.

In summary, recent trends have continued for both the cargo and passenger industries. Both trajectories remain upward, although air cargo supply cannot meet the market demand primarily due to the capacity crunch resulting from low demand in passenger flights. Moreover, July's analysis can accelerate the overall sentiment with the widespread continuation of global vaccination rollouts.

²² IATA, 28/07/2021. [Air Passenger Market Analysis](#).