COVID-19: Cargo movement update[1]

Date: 3 December 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)	16 326	21 950	**38 276**	22 820	27 171	**49 991**	**↑31%**
Air Cargo (tons)	4 920	3 098	**8 018**	4 837	3 441	**8 278**	**↓3%**

Monthly Snapshot

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

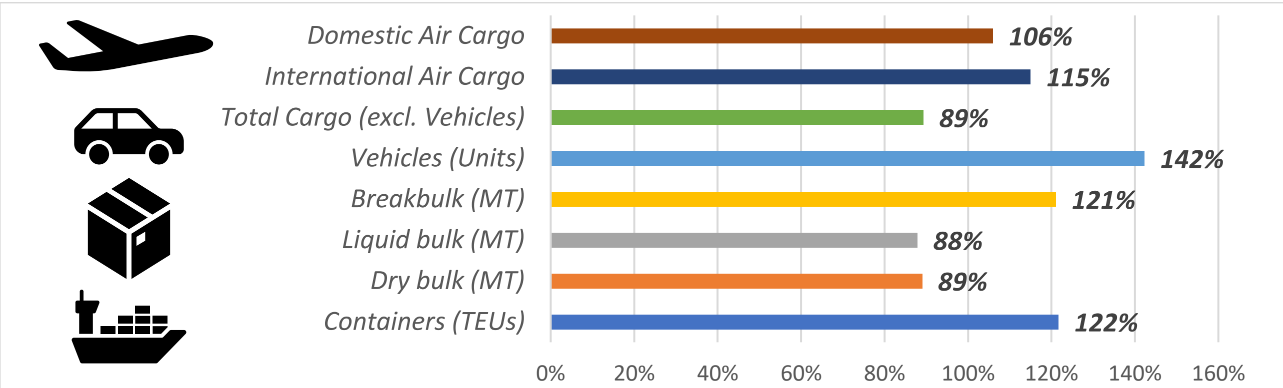


Figure 2 – Global year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)

Key Notes

- An average of **~7 142 TEUs** was handled per day, with **~7 911 TEUs** projected for next week.
- Rail cargo handled out of Durban amounted to **4 244** containers, **↓16%** compared to last week.
- SARS merchandise trade for October: exports (**↓5,7%**, m/m), and imports (**↓4,9%**, m/m). Still, South Africa's current trade balance remains strong, currently at **R370 billion** y-t-d.
- This week, cross-border queue times are **↑0,1 hrs**, with transit times **↑1,5 hrs** (*see* *below)*.
- The "WCI" decreased markedly this week, with spot freight rates **↓1,5%** (or **$135**) to **$9 051** per 40-ft.
- Monthly liner schedule reliability improved slightly (**↑0,4%**) but remained way below previous years.
- Air cargo continues to grow, as industry-wide cargo tonne-kilometres (CTKs) is up by **↑9,4%** in October.
- UNCTAD notes the value of world imports and exports of goods hit **$5,6 trillion** in Q3, setting a record.

[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 66th 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: Oct versus Oct, for the rest of the metrics: Sept versus Sept.
[5] For ocean, total Jan-Sept cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Sept cargo to and from ORTIA is used.

Executive Summary

This update – *the 67th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. With the discovery of the latest COVID-19 variant – Omicron – there was a massive increase in the week's newly reported COVID-19 infections, averaging about **5 093** per day and rapidly climbing (**↑390%** from last week's average of **1 040**). In total, the number of cases recorded in the country now stands at **2,99 million**[6], with the death toll at **89 915** (up by **144**).

Globally, COVID-19 infections total more than **264 million**, with the death toll passing **5,24 million** this week. On the vaccination front, **8,12 billion** vaccine doses have now been administered worldwide[7]. For South Africa, this figure stands at **~26,1 million**, with a daily average of **~124 000** doses administered in the past week. However, with the discovery of the new variant, it has become clear that we desperately need to ramp up our vaccination efforts as infections will potentially create havoc with all citizens' plans of having a normal festive period.

Operationally, Cape Town port was slightly affected by fog, Navis downtime, and intermittent crane breakdowns at the beginning of this week. A vessel was procured from Asia transporting the crane from Gqeberha, PECT terminal, to Cape Town MPT. The vessel is expected to arrive in South African waters between 6 and 16 December 2021. Durban this week experienced various sporadic interruptions on waterside operations due to strong winds and light rain. Furthermore, multiple truck operators and associated stakeholders voiced their extreme frustration with the truck booking system at Durban's Pier 1 and Pier 2. Even though Transnet could bring the number of wasted slots down significantly with the recent changes, there has been an outcry by the trucking industry due to not having enough booking slots available to cater to the demand. In addition, many truck operators call the system unfair, non-transparent and unreliable. Transnet continues to communicate with industry, and it is hoped that the system will someday be adjusted to create a win-win situation for both parties.

On Friday, the vital N3 route between the Port of Durban and the connected hinterland was blocked once again by some truck drivers. An extensive backlog of traffic was reported at Van Reenen's Pass. In addition, the Tugela Toll Plaza was closed in a northbound direction (towards Gauteng). The sudden influx of trucks, once released, is expected to affect landside operations at Durban port, and the port is on standby. Lastly, SARS this week released merchandise trade statistics for October, which indicates that the recent trade surplus trend has continued, albeit narrowing slightly.

There has been a slight improvement in schedule reliability, delay times, and freight rates in the global container market in the last month or so. Nevertheless, the serious pain points that developed in 2021 remain and will likely continue well into the new year. Other significant developments include **(1)** UK supply chain disruptions, **(2)** an update on US West Coast congestion, and **(3)** carriers and shippers engaging in long term contract negotiation (see the detailed summary *below*).

South Africa's international (**↓3%**) and domestic (**↑2%**) air cargo sectors remained steady this week. Furthermore, regarding some operational matters, additional feedback can be provided to the industry regarding ACSA's strategy and requirement of reporting commodity stats (see *below*). Internationally, IATA reported cargo continued to improve this week, despite the economic drivers of air cargo being unequal, although still supportive. Air cargo will continue to benefit from favourable supply chain conditions, notably the need for businesses to get goods rapidly in the face of expensive and unreliable sea transport. But at the same time, hopes that the passenger market will return to something like normality have been dashed by the emergence of the Omicron mutation of the virus.

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

Against the backdrop, IATA's director has responded to the travel bans recently imposed: "*Governments are responding to the risks of the new coronavirus variant in emergency mode causing fear among the travelling public. As quickly as possible, we must use the experience of the last two years to move to a coordinated data-driven approach that finds safe alternatives to border closures and quarantine. Travel restrictions are not a long-term solution to control COVID variants.*"[8] For South Africa, especially the travel and tourism industry, we can only hope that governments worldwide will share the sentiment expressed by IATA.

Several things are becoming clearer for the international economy, as international trade – a shining light in an otherwise dim sky recently – can only drive the global economy so far. Indeed, this reality has come to fruition as world trade continued its strong recovery from the COVID-19 pandemic – albeit unevenly across countries and sectors. The report shows the uneven nature, ranging from the UK at **↓23%** and Taiwan at **↑23%** relative to the same time in 2019. Nevertheless, trade remains robust in 2021, as goods trade is projected to reach a record level of **US$ 22 trillion** in 2021, with services trade at around **US$ 6 trillion** for the year.

In conclusion, recent developments have once again highlighted that the pandemic would continue to disrupt our lives and how we do business. Because recent history has shown no way of isolating the virus has yet been discovered, we will need to continue with existing and enhanced contingency plans. In addition, we must intensify the vaccination efforts and enforce strict adherence to COVID-19 protocols. Furthermore, the extended South African supply chain simply cannot afford to be cut off from global networks. It is particularly galling that this latest mutation of the virus was already circulating in Europe before coming to our shores and being detected by our excellent scientists with their advanced genomic-surveillance programme[9]. So now South Africa is being punished despite making it possible for other nations to respond far quicker than they might otherwise have done. As we have repeatedly said, the response to the pandemic should be a unified global one, with all parties involved.

[8] IATA. 26/11/2021. Statement on New COVID-19 B 1.1.529 Variant.

[9] CBS News. 30/11/2021. Omicron COVID variant was in Europe before South African scientists detected and flagged it to the world.

Contents

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 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 27 November to 3 December[10]

7-day flow forecast (27/11/2021 – 03/12/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 237	4 783
DURBAN CONTAINER TERMINAL PIER 2:	12 230	13 544
CAPE TOWN CONTAINER TERMINAL:	3 059	5 104
NGQURA CONTAINER TERMINAL:	1 815	2 962
GQEBERHA CONTAINER TERMINAL:	479	778
TOTAL:	**22 820**	**27 171**

Source: Transnet, 2021. Updated 03/12/2021.

Table 3 – Container Ports – Weekly flow reported for 4 to 10 December[11]

7-day flow forecast (04/12/2021 – 10/12/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 902	5 518
DURBAN CONTAINER TERMINAL PIER 2:	10 945	15 678
CAPE TOWN CONTAINER TERMINAL:	6 379	8 129
NGQURA CONTAINER TERMINAL:	1 131	1 287
GQEBERHA CONTAINER TERMINAL:	227	1 180
TOTAL:	**23 584**	**31 792**

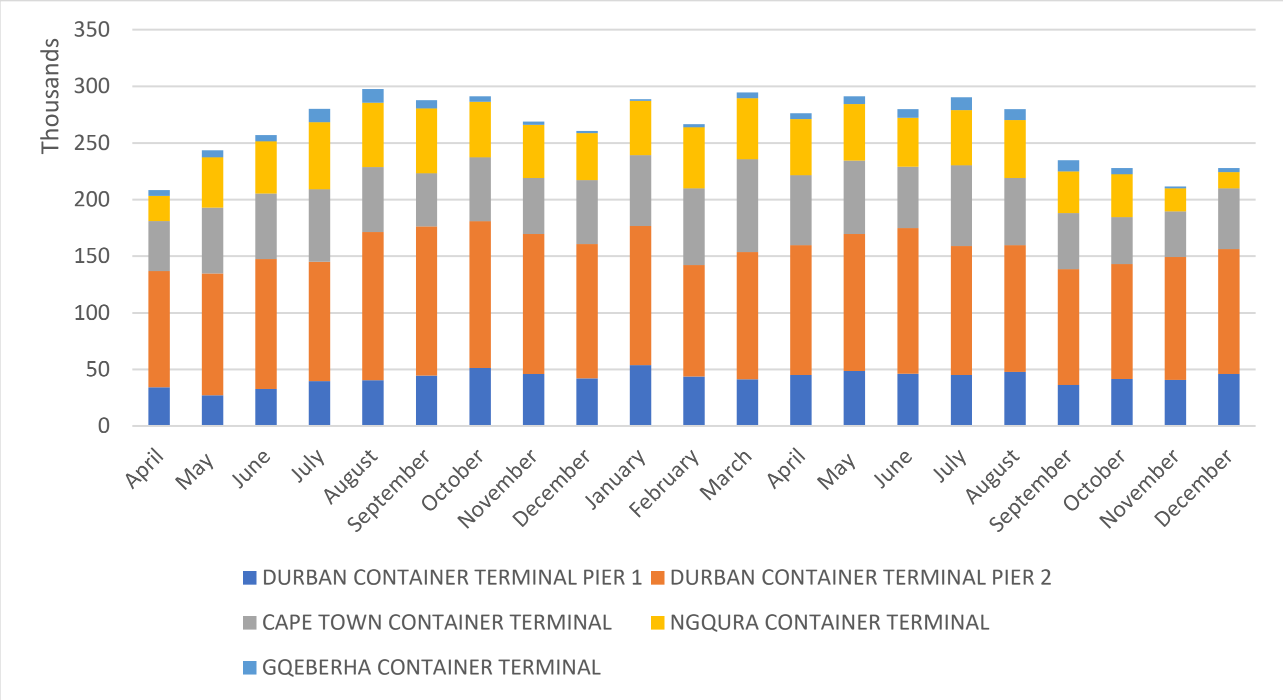
Source: Transnet, 2021. Updated 03/12/2021.

An average of **~7 142 TEUs** (**↑31%**) was handled per day for the last week (27 November to 3 December, Table 2), with a noticeably increased average of around **~7 911 TEUs** (**↑11%**) projected to be handled next week (4 to 10 December, Table 3). But it should be noted that these improvements come off a low base from the previous week. Operationally, port activity improved week, despite minor operational delays caused by weather, equipment, and other sporadic interruptions on waterside operations (see a more detailed breakdown per port below).

For a broad statistical picture, the figure below displays the rolling *monthly* average flow of total containerised cargo for our commercial ports since the start of the nationwide lockdown. In summary, the last four months have produced throughput levels well below the preceding eight months of the year, which will probably result in containerised throughput volumes not reaching the heights achieved in 2019.

[10] It remains important to note that a fair percentage (approximately 26%, according to the most recent TNPA figures for September) 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. In recent months, empty numbers have dropped, a reflection of worldwide container imbalances.
[11] As notes above.

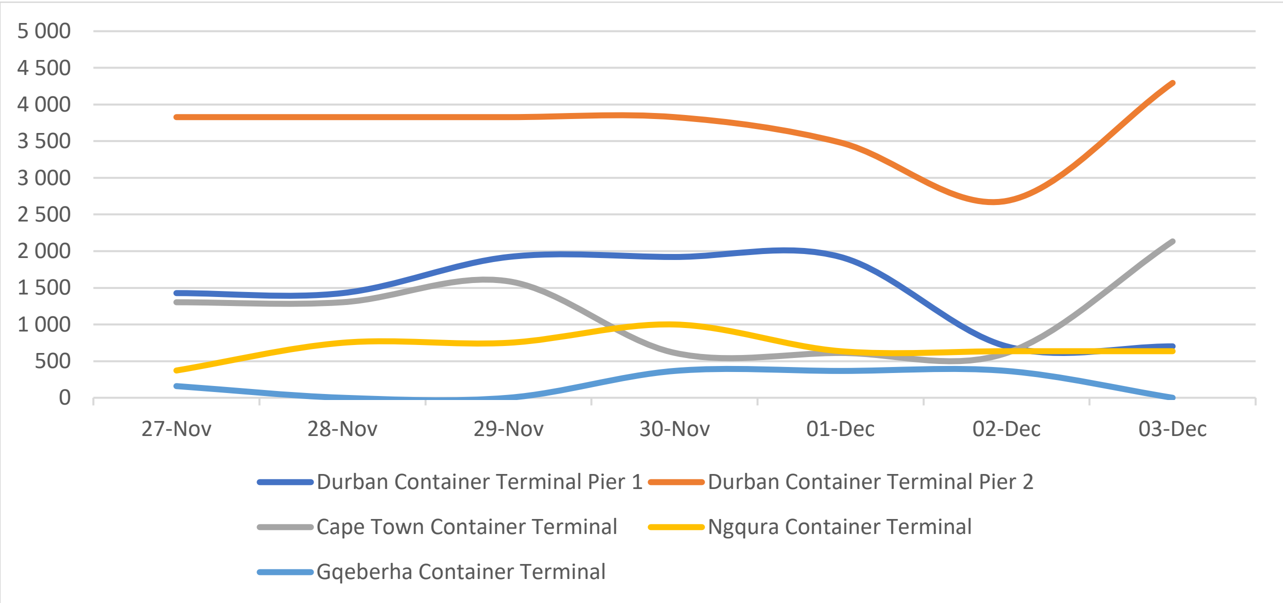
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

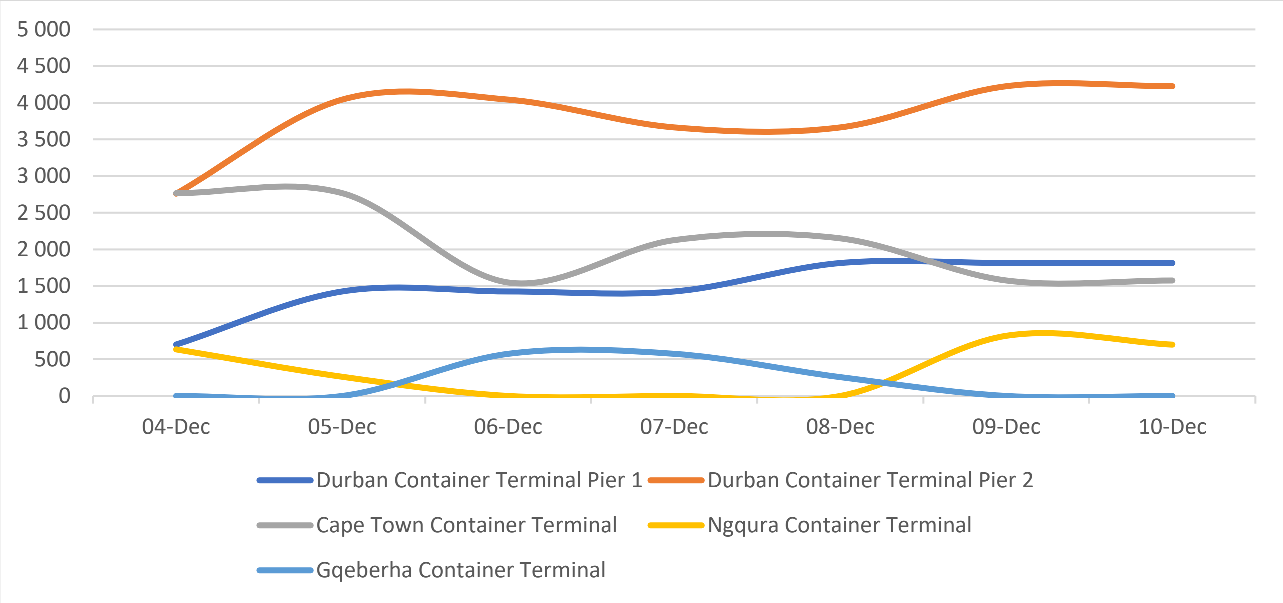
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total cargo movement (27 November to 3 December; per port; day on day)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

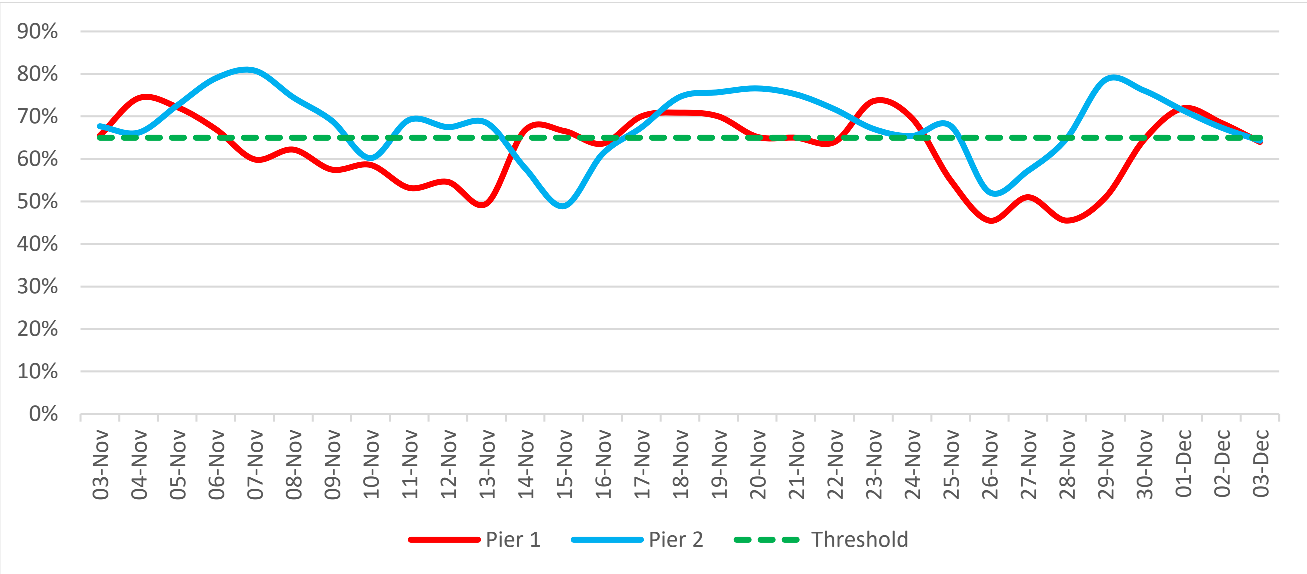
Figure 5 – 7-day flow reported for total cargo movement (4 to 10 December; per port; day on day)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

The following figure shows daily stack occupancy in both Durban terminals since the start of November, with pressure on operational fluidity a constant feature of these reports over the last few months.

Figure 6 – Stack occupancy in DCT, general-purpose containers (3 November to present; per pier; day on day)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

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

Due to heavy fog, Cape Town experienced minor delays from Sunday night until Monday morning. Waterside operations were interrupted as a result. Further serious delays, and particularly truck congestion, occurred with the rising wind speeds from Thursday onwards

The Durban terminals experienced small intervals of interruptions due to strong winds throughout the week. Waterside operations were affected, while landside operations were able to proceed. Light rain affected the loading performance of Durban's Maydon Wharf bulk terminal.

The ports of East London, Ngqura and Gqeberha enjoyed fair weather conditions. However, some strong WSW winds picked up on Thursday, not affecting operations.

ii. Cape Town

Apart from some slight delays caused due to fog early on Monday, CTCT experienced further waterside delays due to a crane (LC2) being out of commission and the Navis system being offline for a while the day before. CTCT recorded three vessels at berth and an additional four at anchorage. CTCT handled 468 trucks on the landside with an average TTT of 52 minutes in the past 24 hours. Stack occupancy for general-purpose containers stood at 37% and 40% for reefers. Cape Town MPT recorded two vessels at berth on Monday, one of which was a fishing boat. Stack occupancy was 25% for general purpose containers, 16% for reefers, and 52% for empties. The more than 23 000 metric tons of rail-designated cargo were still inside the terminal.

On Wednesday industry was made aware of a breakdown on one of Cape Town MPT's Mobile Harbour cranes due to a hook rotation issue. In addition, some good news was shared by TNPA about the crane coming from PECT. A vessel was procured from Asia that would transport the crane from Gqeberha to Cape Town. The vessel is expected to arrive in South African waters between 6-16 December 2021.

iii. Durban

On Tuesday, Pier 2 recorded sixteen available STS cranes, four of which were out for planned maintenance. Straddle carrier availability stood at an average of 70 throughout the week despite efforts to increase the available amount to the desired 80. As a result, stack occupancy stood at 76% for Pier 2 on Tuesday, which is uncomfortably high. On Monday, Pier 2 managed to handle 2 252 truck moves with an average TTT of 90 minutes and an average staging time of 70 minutes. Furthermore, Pier 2 recorded 1 322 shifts, 161 wasted slots, and 917 cancelled slots. Pier 1, on the other hand, experienced various crane breakdowns on the waterside and rail side during the week. As a result, pier 1 recorded an overall stack occupancy at 45% on Monday, managed to handle 1 094 truck moves, and recorded 379 shifts, 113 wasted slots, and 515 cancelled slots. On Tuesday, slots for Pier 1 were frozen due to the backlog in the staging area. Maydon Wharf terminal was bustling again this week, experiencing continued interruptions due to rainy weather.

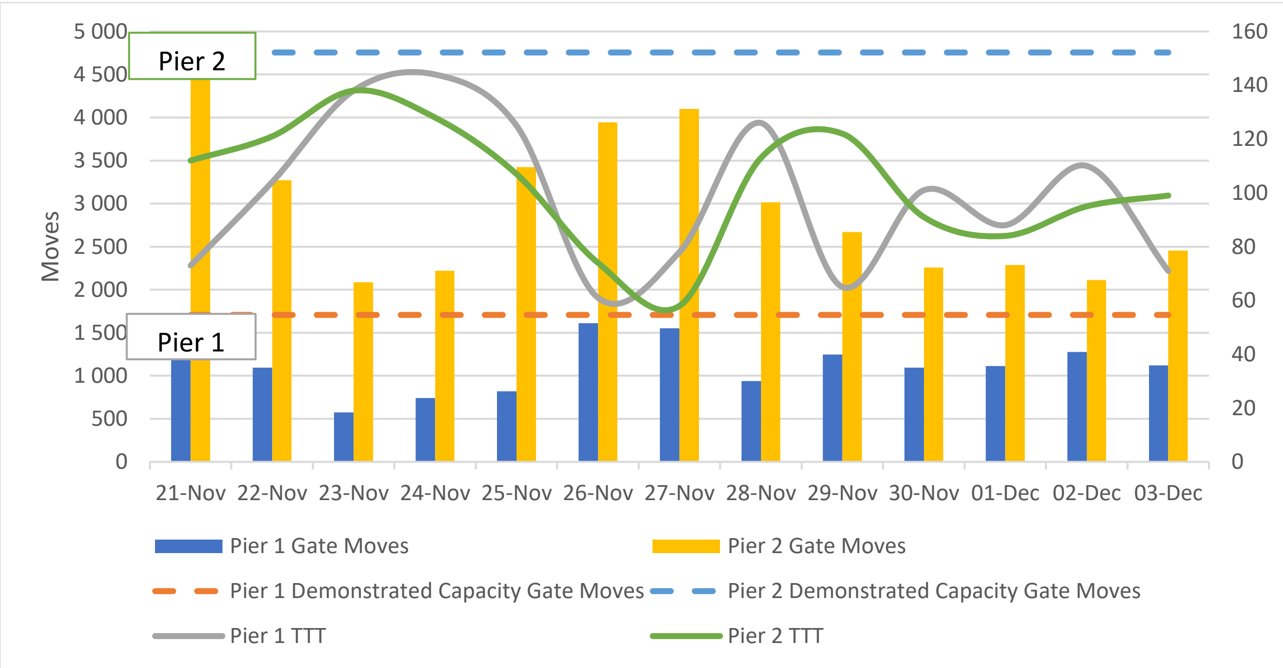
On Thursday, trucking companies launched an online petition against the slow and ineffective performance of the Durban truck booking system. On the same day in the afternoon, it was noted that the petition drew more than 400 signatories. In addition, the petition saw furious comments from various transport operators claiming that the system does not accommodate the business culture of transporters. Chris Moodley of KZN Clearing, who started the petition, said the crisis threatened to destroy businesses. He further said that the industry is aware that ten companies were given priority booking preference at Durban harbour. However, details about who these companies are and why they are being given priority (if indeed they are) are unknown. Furthermore, bookings made at a specific tower did not guarantee the container to be available at that tower, leading to excessive time spent by transporters inside the terminal. Associated industry stakeholders claim that the online booking system is not transparent and leaves trucking companies with expensive standing time, with trucks waiting idly for extended periods for an open slot.

Responding to these concerns, Transnet shared a letter providing information on Durban's adjusted truck appointment system. Transnet subsequently advised that the terminal could allocate 150 slots per hour on the condition that every transaction has an appointment, whether it is single or multiple transactions. Furthermore, it was noted that industry representatives opposed the idea of creating multiple appointments for numerous transactions in the meeting held on 25 October 2021. Transnet further promised to create sufficient slots over a 24/7 window for every import container until the last free day and every export container until stack closure. Furthermore, it was yet again noted that most depots and associated clients are not willing to operate on a 24/7 basis, by contrast with the port. It was stressed that this adversely affected the smooth flow of the booking system as demand increases during peak periods and the resultant increased dwell time of containers in the terminal affects performance. Transnet urged the industry to assist with proposals in this regard. The truck turnaround KPI target for Durban port, according to this letter, is 90 minutes for a single transaction, and Transnet plans to endeavour to achieve this target. In addition, Transnet will guarantee to deploy enough equipment to justify the demand.

In the last three weeks, wasted slots have decreased significantly, although the industry continues to complain that transporters cannot make stacks due to limited slots available. Increased wasted slots increase the dwell time and stack planning capabilities and affect the overall efficiencies in the terminal. After the engagement on 25 October 2021, it was decided that industry leaders would address the behaviour of trucking companies booking a much higher number of slots than they needed, just to secure a space to visit the port but subsequently wasting various additional slots. Finally, it was noted that a vast number of import containers are only assigned on the last day of free storage, putting pressure on transporters to obtain slots when demand is excessive. Transnet advised that they plan to engage with the shipping lines to obtain a resolution in this regard.

The following figure summarises port operations in Durban for the last two weeks, focusing on gate moves and time spent in the terminal.

Figure 7 – Gate moves, and time spent in the terminal (in minutes)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

iv. Eastern Cape ports

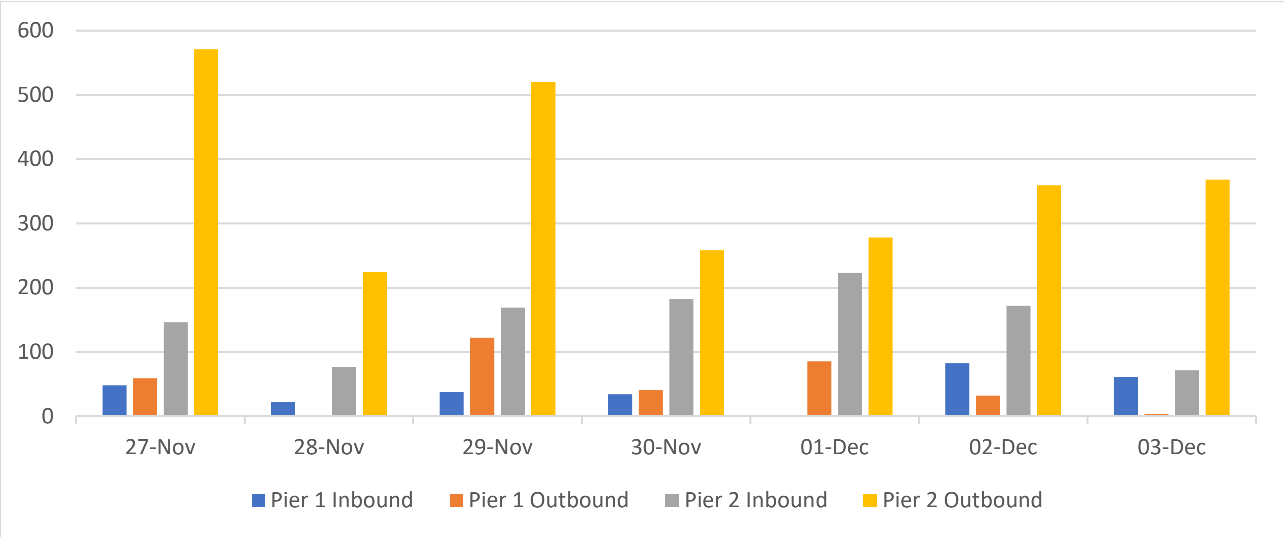
PECT on Monday recorded a stack occupancy of 39% for general purpose containers and 3% for reefers. The terminal managed to handle a total of 137 trucks with an average TTT of only 20 minutes. On Tuesday, NCT advised that one crane out of the complement of seven was out of commission due to maintenance. Lastly, stack occupancy stood at 24% for general purpose containers and 6% for reefers.

v. Transnet Freight Rail (TFR)

TFR did not report any adverse disruptions to operations throughout the week. On Monday, Pier 2 managed to process only four out of the six planned loading plans due to intermittent crane breakdowns. In addition, Pier 1 could load both of the planned loading plans. On Tuesday, Pier 2 managed to load five out of five loading plans, and Pier 1 only one out of two loading plans due to the terminal being heavily congested. From the figure below, one can see that Pier 2 performed better than Pier 1.

The following figure graphically illustrates rail movements from Durban during the week, highlighting the significant increase after two lacklustre weeks.

Figure 8 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2021. Updated 03/12/2021.

In the last week (27 to 3 December), rail cargo to be handled out of Durban was predicted at **4 244** containers, ↓**16%** than the previous week's **5 062** containers.

vi. General

On Friday, it was noted that the vital N3 route between the Durban and the connected hinterland had been blocked once again by activist truck drivers. An extensive backlog of traffic was reported at Van Reenen's Pass, and the Tugela Toll Plaza was closed in a northbound direction (towards Gauteng). In addition, various incidents of violence and looting have occurred. It appears individuals have taken the law into their own hands to pull drivers from trucks to check their personal documents. However, the SA Police Service (SAPS) has stepped in to resolve the situation. However, the SAPS statement that it was "monitoring the situation" leaves much to be desired. The root cause appears to be that there are employers who continue to break the law by not registering with the various authorities as required by various legislative prescripts and/or continue to employ individuals at rates below the prescribed minima. Gavin Kelly, the Chief Executive Officer of the Road Freight Association (RFA), who has brought these issues to the attention of the Government numerous times before, again urged the Government to intervene. The influx of trucks stuck in the congestion is expected to bottleneck landside operations at Durban port.

Some positive news comes from the recent nomination of the Saldanha Terminals (Iron Ore and Multi-Purpose Terminal) in the category of Best Commodity Export Terminal - Africa 2021 by Capital Finance International (CFI.co). CFI.co is a print journal and online resource reporting on business, economics, and finance, recognising the traditional distinction between emerging and developed markets. It provides analysis and commentary on markets worldwide, focusing on unpacking the complicated economic processes of the developing world and their interactions with developed nations.

Transnet National Ports Authority (TNPA) has appointed new port managers at Saldanha Bay, Cape Town, Mossel Bay, and Richards Bay as part of its new operating model to reposition South Africa in the global market and ensure growth and sustainability. All the appointments are effective from 1 December 2021. The Eastern Cape ports, specifically Port of Port Elizabeth and Ngqura, are currently undergoing a process of consolidation into a single port complex to be referred to as Nelson Mandela Bay Ports.

An investment of R230 million produced an acquisition of two new ship unloaders at the Durban Agribulk Terminal. Assembly is currently in progress with handover to Operations planned for the end of February 2022. This investment follows closely after an R55 million investment on the terminal's substation upgrade and refurbishment of a ship loader. The aim is to improve equipment availability and operational efficiencies.

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 22 November. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *November 2020* averaged **~763 104 kg** per day. For 2019, this average was **~995 427kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

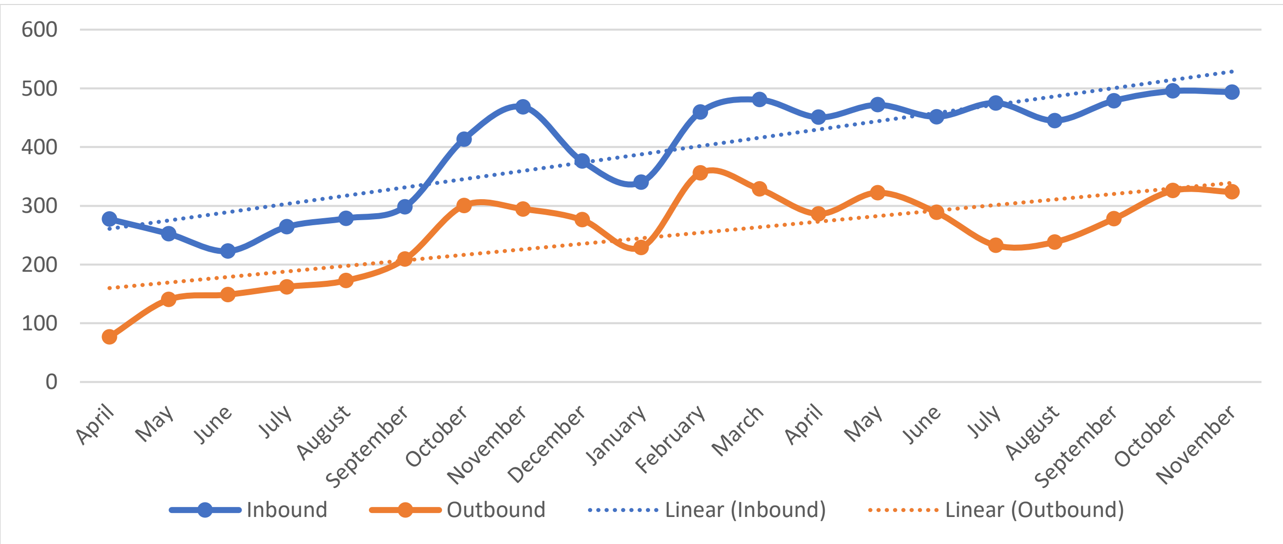
Flows	22-Nov	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov	28-Nov
Volume inbound	659 703	316 750	464 947	358 166	393 700	347 751	903 155
Volume outbound	337 957	248 769	282 572	258 416	251 026	329 214	460 711
Total handled per day	**997 660**	**565 519**	**747 519**	**616 582**	**644 726**	**676 965**	**1 363 866**

Courtesy of ACOC. Updated: 29/11/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 22 November amounted to **492 025 kg** inbound and **309 809 kg** outbound. This amounts to an average of **801 834kg** per day, or **~105%** compared to October 2020. Compared to pre-COVID-19 times, the level is currently at **~81%** compared with the same period in 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, including the relevant lockdown level.

Figure 9 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 29/11/2021.

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 *November 2020* was only **~73 698 kg**[12] per day.

Table 5 – Total domestic inbound and outbound cargo

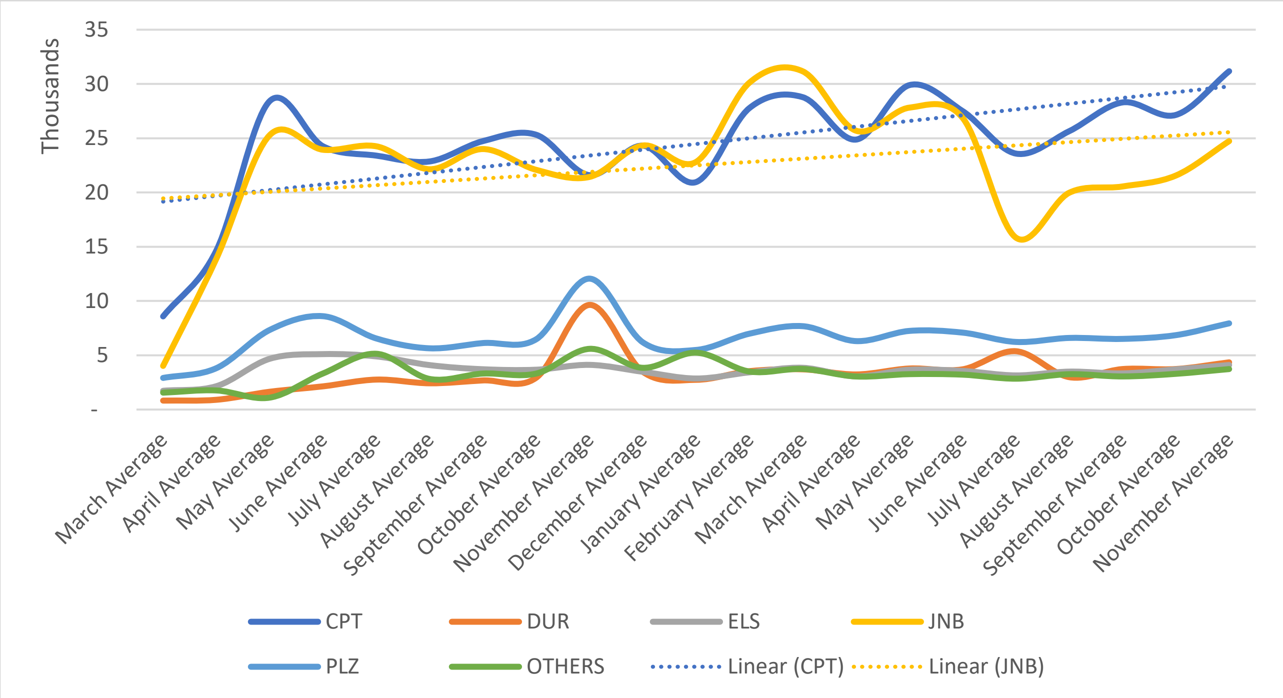
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	**21 813**	**2 941**	**3 751**	**20 539**	**6 571**	**3 176**	**56 713**
Jan Average	**20 961**	**2 739**	**2 859**	**22 818**	**5 491**	**5 238**	**57 781**
Feb Average	**27 777**	**3 537**	**3 427**	**30 117**	**6 988**	**3 503**	**75 348**
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**
Jun Average	**27 498**	**3 706**	**3 556**	**26 873**	**7 086**	**3 213**	**71 932**
Jul Average	**23 583**	**5 374**	**3 144**	**15 839**	**6 229**	**2 844**	**57 013**
Aug Average	**25 649**	**2 983**	**3 495**	**19 973**	**6 597**	**3 256**	**61 953**
Sep Average	**28 301**	**3 730**	**3 332**	**20 554**	**6 509**	**3 048**	**63 650**
Oct Average	**27 145**	**3 731**	**3 703**	**21 559**	**6 854**	**3 291**	**66 284**
Nov Average	**31 174**	**4 350**	**4 102**	**24 732**	**7 943**	**3 727**	**76 027**
23-Nov-21	51 642	6 230	5 546	40 069	10 717	5 387	**119 591**
24-Nov-21	45 032	8 231	6 905	44 554	16 403	6 409	**127 533**
25-Nov-21	47 294	7 387	6 610	30 817	11 703	5 439	**109 249**
26-Nov-21	23 781	3 838	4 120	29 942	6 514	3 504	**71 698**
27-Nov-21	4 271	1 218	513	2 918	582	167	**9 668**
28-Nov-21	3 425	833	687	1 329	561	518	**7 353**
29-Nov-21	48 727	6 054	5 784	36 067	12 409	5 908	**114 950**
30-Nov-21	51 642	6 230	5 546	40 069	10 717	5 387	**119 591**
Grand Totals	**8 938 381**	**1 241 330**	**1 161 599**	**8 104 125**	**2 277 863**	**1 088 621**	**22 811 918**

Courtesy of BAC. Updated: 01/12/2021.

Currently, the average domestic air cargo moved in the last week was **~76 027 kg** per day, which is **↑2%** compared with the previous week and **~101%** compared to November 2020. The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster.

[12] For Cape Town, the figure corresponds to **38 570 kg** per day, and **4 883 kg** per day for Durban during the same period (November 2020).

Figure 10 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated 01/12/2021.

c. Summary of air cargo operations

Recently, the private sector has highlighted several operational challenges in their response to ACSA's new strategy and reporting requirements. For example, the ACOC has requested further meetings to understand better the separation and allocation of data and commodity type. There has also been an engagement with ACSA's Head of Security concerning access to the air cargo precinct. ACSA had promised various follow-up actions and investigations, but unfortunately, stakeholders have so far not had any response on these issues or received any invitations to the ACSA workstreams that they said they have instituted to look at the immediate, short- and medium-term interventions at cargo operations at ORTIA.

Therefore, these challenges persist and can only be amplified by measures that may need to be imposed following the discovery of the Omicron strain. Furthermore, since the discovery, the air industry has already had to deal with numerous flight cancellations from all carriers. These have not been limited to the passenger market, with cargo and freight agents also reacting worldwide. As a result, recent events have caused great confusion and panic in the sector.

3. National Update

a. SARS merchandise trade statistics: October

On Tuesday, 30 November, SARS released merchandise trade stats for October[13]. Monthly exports have decreased in October (↓5,7%, m/m), while imports increased (↓4,9%, m/m). Nevertheless, our positive trade balance for the year continues, currently at **R370 billion** for the year to date. Despite the monthly slowdown in trade (both exports and imports - which is the normal pattern for this time of the year), the trade balance is a massive improvement over the **R202 billion** trade surplus recorded for the same period in the previous year. This improvement is primarily attributed to the continued strong export performance (although currently at ↓0,1%, y/y), with imports finally getting up to 2019 levels and ↑13,5%, y/y. With that said, and as with all

[13] SARS. 30/11/2021. Merchandise trade stats.

comparisons with 2020, it is worth reiterating that 2020 was essentially an anomaly. Any yearly comparison needs to be made with due caution and perspective.

Regionally, trade with BELN countries for October resulted in a trade surplus of **R9,58 billion**, slightly higher than the **R8,84 billion** (↑8,4%) recorded last month. Although there was a slight increase in the trade surplus with our neighbouring countries, there was an overall decrease in trading activity, as there was a simultaneous decrease in exports (↓6,9%, m/m), and imports (↓4,8%, m/m). Nevertheless, the resulting cumulative trade surplus with our neighbouring countries for 2021 remains high, currently at **R283,94 billion**, compared to **R131,71 billion** in 2020.

4. Road and Regional Update

a. Cross-border and road freight delays

The following events have caused some delays on our roads and in and around the SADC region this week:

- Beitbridge continues to process nearly **900 trucks** a day, despite transporters still being unhappy with the fees charged by ZIMBORDERS to use the border facilities.
- BMA has stated that no trucks will be allowed to park on the N1 to join queues but instead will be pushed into Truck Parks.
- Zimbabwe instituted strict COVID-19 regulations following the Omicron outbreak, including curfews from 21:00 till 06:00. Furthermore, all shops can open at 07:00 but must close at 19:00, and nightclubs and bars only allow vaccinated People in their doors.
- COVID-19 testing at Namanga has severely Affected crossing times, with many Tanzanian drivers preferring to get tested at the border instead of having to pay for it elsewhere, which adds a reported **~12 hours** or more to crossing times.
- Lastly, from South Africa's perspective, there have been minor delays at Kopfontein, Oshoek, and Ficksburg this week, resulting in temporary closures. Fortunately, all border posts have been reopened. Traders are at all times urged to stay abreast of border post communications on the SARS Customs and Excise website so as to be aware of any new developments.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week. For this week, "transit" and "queue" times have been summed and presented as "border time".

Table 6 – Delays[14] 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	47:00	100	3 000	700	24 640	1 400
SA/Zim	**Beit Bridge**	0:00	14:00	943	28 290	6 601	79 212	0
Moz/Zam	**Cassacatiza/Mlolo**	1:00	15:00	175	5 250	1 225	15 925	1 225
Zam/Zim	**Chirundu**	0:00	20:00	620	18 600	4 340	78 120	0
Moz/Mal	**Dedza**	2:00	22:00	50	1 500	350	7 000	700
SA/Bot	**Groblersbrug/Martins Drift**	24:00	10:00	400	12 000	2 800	22 400	67 200
Zam/DRC	**Kasumbalesa**	0:00	59:00	750	22 500	5 250	299 250	0
Zam/Bot	**Kazungula**	0:00	20:00	240	7 200	1 680	30 240	0
SA/Bot	**Kopfontein/Tlokweng**	1:00	57:00	100	3 000	700	38 500	700

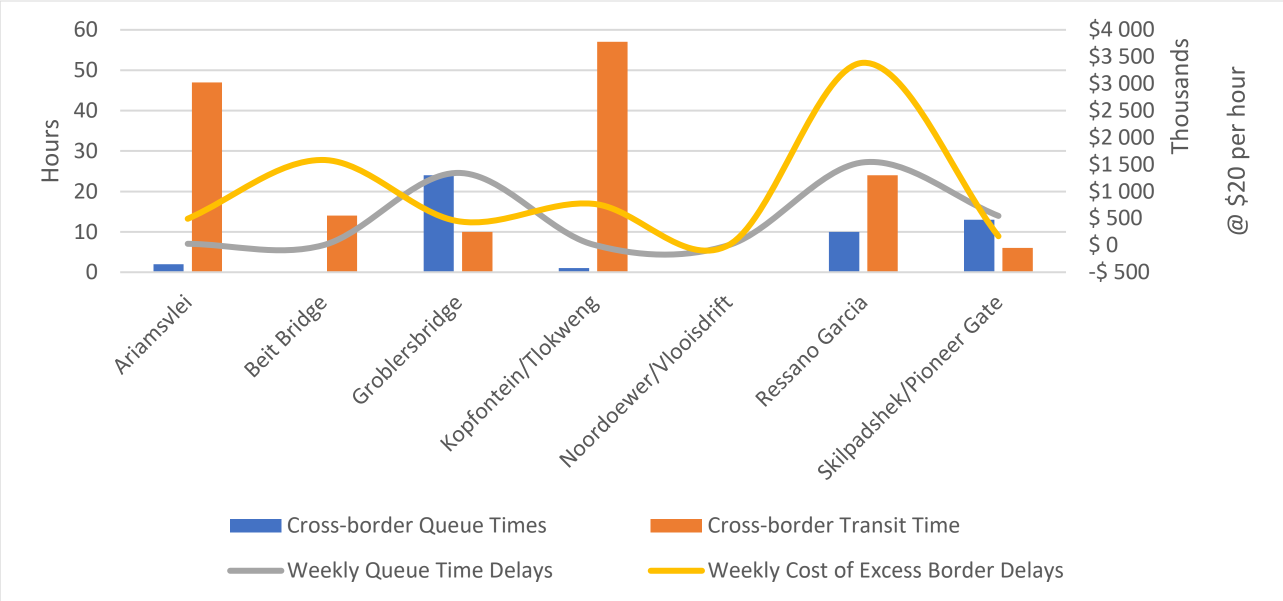
[14] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire 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.

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/Zim	Machipanda/Forbes	1:00	8:00	320	9 600	2 240	13 440	2 240
Moz/Mal	Milange	0:00	2:00	40	1 200	280	0	0
Moz/Mal	Nakonde/Tunduma	0:00	3:00	500	15 000	3 500	3 500	0
Zim/Moz	Nyamapanda	1:00	6:00	100	3 000	700	2 800	700
SA/Moz	Lebombo/Ressano Garcia	10:00	24:00	1 100	33 000	7 700	169 400	77 000
Zam/Nam	Shesheke/Wenela	0:00	42:00	100	3 000	700	28 000	0
SA/Bot	Skilpadshek/Pioneer Gate	13:00	6:00	300	9 000	2 100	8 400	27 300
Nam/Bot	Trans Kalahari/Mamuno	0:00	30:00	100	3 000	700	19 600	0
Zam/Zim	Victoria Falls	1:00	6:00	114	3 420	798	3 192	798
Moz/Mal	Zobue/Mwanza	2:00	17:00	100	3 000	700	10 500	1 400
				6 152	**184 560**	**43 064**	**854 119**	**180 663**

Source: TLC & FESARTA, week ending 02/12/2021.

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

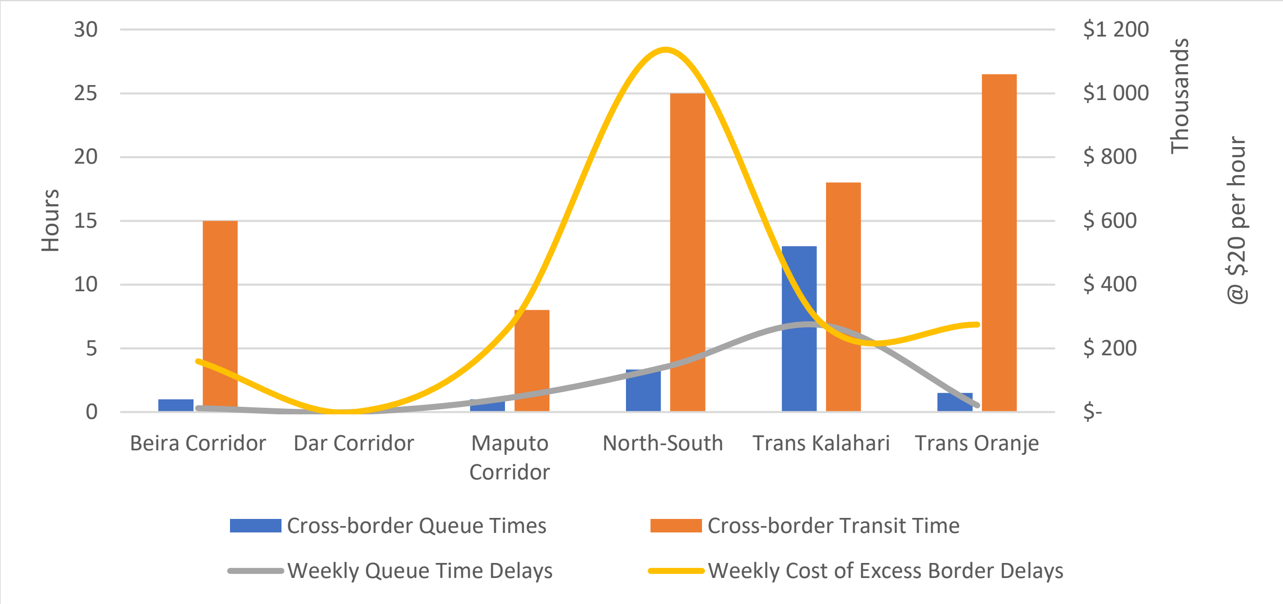
Figure 11 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in $ thousands)



Source: TLC & FESARTA, week ending 02/12/2021.

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

Figure 12 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in $ thousands)



Source: TLC & FESARTA, week ending 02/12/2021.

In summary, the cross-border queue time has averaged **~3,4 hours** (up by **~0,1** hours from last week's recorded time of **~3,3** hours), costing the transport industry an estimated **$3,6 million** (**R58 million**). Furthermore, the week's average cross-border transit times hovered around **~20,4 hours** (up by **~1,5 hours** from the **~18,9 hours** recorded last week), costing the transport industry **$17 million** (**R273 million**). As a result, the total cost for the week amounts to an estimated **~R331 million** (up by **~↑R32 million** or **↑11%** from **R299 million** the previous week).

5. 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 **(a)** the global trade recovery, **(b)** the global container industry, and **(c)** the global aviation industry.

a. Global trade recovery

In an updated report released on Tuesday, 30 November, the United Nations Conference for Trade and Development (UNTAD) estimates show that the value of world imports and exports of goods hit **$5,6 trillion** in the third quarter of 2021[15]setting a new quarterly record. Consequently, UNCTAD notes that world trade continued its strong recovery from the COVID-19 pandemic – albeit unevenly across countries and sectors. The report shows the uneven nature, ranging from the UK at **↓23%** and Taiwan at **↑23%** relative to the same time in 2019. The following figure notes the current situation, with near-term estimates.

[15] UNCTAD. 30/11/2021. Global Trade Update: Q3 2021.

Figure 13 – Global schedule reliability; and average delays for late vessel arrivals

Source: UNCTAD

UNCTAD further notes that although global trade is stabilizing, q/q/ trade growth was still positive in Q3 2021. Consequently, the value of international trade in goods and services added about ↑1% to the already high level of the previous quarter. Furthermore, global trade growth was about ↑24% in Q3 2021, on a y/y basis, significantly higher than pre-pandemic levels, with an increase of approximately ↑13% relative to Q3 2019. Overall, 2021 will be regarded as another strong year for international trade. In 2021, the value of global trade in goods and services is expected to increase by about **US$ 5,2 trillion** relative to 2020 (↑23%) and by about **US$ 2,8 trillion** relative to 2019 (↑11%). In summary, goods trade is projected to reach a record level of **US$ 22 trillion** in 2021. Services trade should be valued at about **US$ 6 trillion** in 2021, still slightly below its pre-pandemic level.

b. Global container industry

i. Schedule reliability

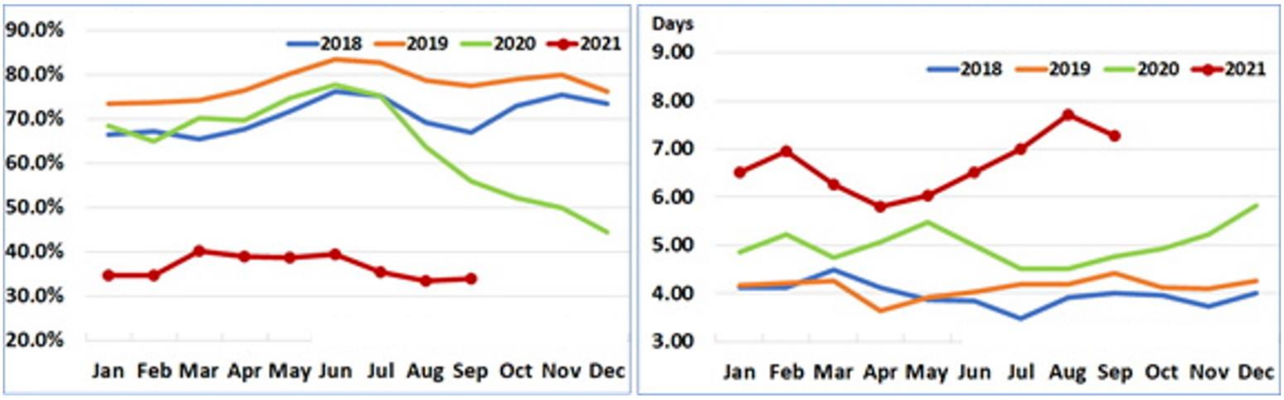
According to the latest Sea Intelligence "*Global Liner Performance*" report[16], global schedule reliability increased by the smallest of margins (**↑0,4%**) to **34,4%** during October, as market-wide congestion, particularly at import-intensive ports, continued to escalate. Along with elevated freight rates, schedule reliability has been the dominant theme in liner shipping this year, as on-time reliability has averaged just **36,4%** for the y/t/d. While the latest data suggests a slight improvement, the reliability is still well below the average of just over **70%** seen in the 2018 to 2020 period. The poor reliability has also spilt over into an increase in the average number of days' delays for late vessel arrivals. Moreover, skyrocketing rates, poor on-time performance and the rise in blank sailings (to which South African ports can certainly attest) have ensured that the overall experience for users of liner shipping has been very bleak in 2021. And all of this at a time of unparalleled and unprecedented profits earned by the major ocean carriers.

Concerning individual services, Danish liner Maersk had the best reliability during the month at **46%**, while Evergreen performed the worst, with schedule reliability of a mere **13,4%**. In tandem with slight improvements in schedule reliability, the average delayed time for container ship arrivals has fallen from August highs of **7,7**

[16] Sea Intelligence. 01/12/2021. Global Liner Performance.

days to just over **7,3 days** in October. The following side-by-side figures show the schedule reliability and average delays for October.

Figure 14 – Global schedule reliability; and average delays for late vessel arrivals



Source: *Sea Intelligence*

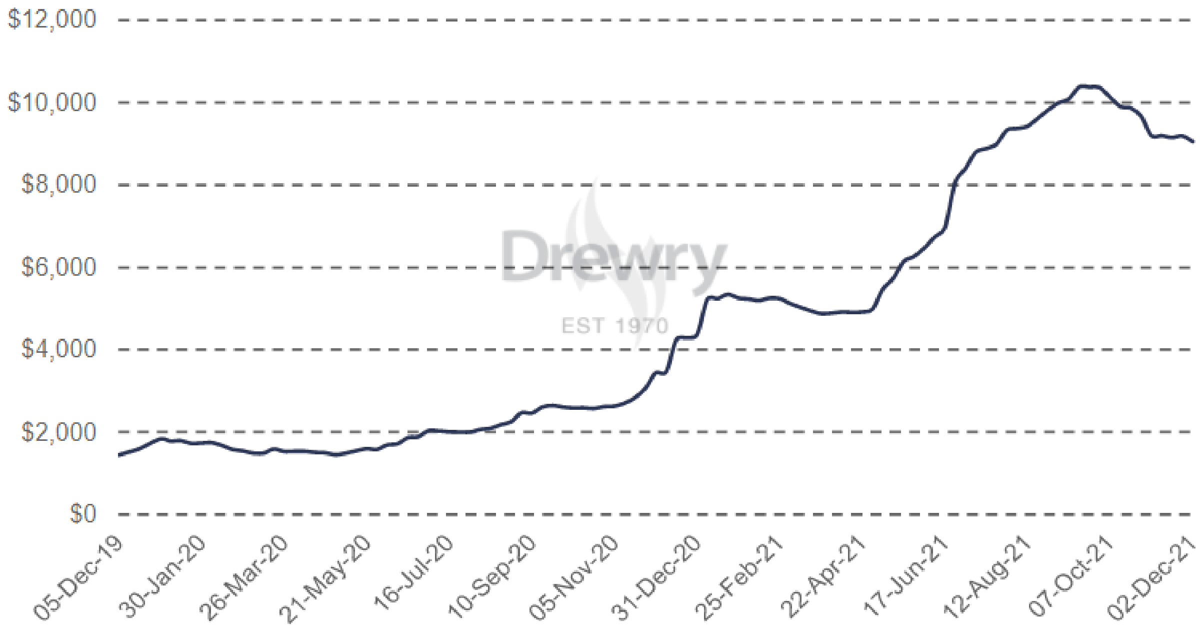
Of course, as is the case with life in general and business at large, it has also been an irregular period for shipping. The main contributor to eroding reliability metrics is global port congestion, which causes ships to be locked in queues for drawn-out periods, often resulting in weeks of idling. Indeed, the ports of Shanghai and Ningbo in China had over 175 containerships at berth or anchor at the end of November, with the twin ports of Los Angeles/Long Beach peaking at around 80 ships waiting to be serviced earlier in the month. Nevertheless, the expectations are for further (albeit slight) improvements as the market recuperates from a drawn-out peak season, and both shippers and carriers make concerted efforts to improve container velocity and schedule integrity. Nevertheless, expectations are that marked improvements will only happen by the Lunar New Year, which might provide carriers with the opportunity to rebalance schedules through blanked sailings programs.

ii. Global container freight rates

After a steady couple of weeks, Drewry's "*World Container Index*" (WCI) composite index decreased significantly this week. Spot rates dropped by **↓1,5%** (or **$135**) to **$9 051** per 40-ft container[17]. The decrease has been welcomed, albeit that it has been largely expected, as the containerised shipping industry moved into the quiet seasons. However, this quiet season will not be typical with the current shipping state– dominated by widespread congestion and delays callings. The following figure summarises the two-year spot prices, which shippers and cargo owners hope are not the new normal.

[17] Drewry. 25/11/2021. World Container Index.

Figure 15 – World Container Index – Assessed by Drewry ($ per 40 ft. container)



Source: Drewry Ports and Terminal insights

With the decreasing trend this week, the average composite index has finally dropped below the **200%-mark** compared to the same time last year. The index is now at **↑196%** y/y, which remains astounding for a metric that has hovered around the same level for many years before the unprecedented surge since the pandemic. In summary, the y/t/d average composite index of the WCI remains highly elevated, currently at **$7 447** (up by **$34** this week) per 40ft container, which is **$4 738** higher than the five-year average of **$2 709**. On the eight major East-West trades routes, two routes experienced significant drops this week, as Shanghai – Los Angeles (**↓4%**) and Shanghai – New York (**↓5%**) decreased substantially this week. Although Drewry expects rates to stay steady in the coming week, most indicators point to another percentage or so drop.

iii. Further developments of note

Apart from the overview provided above, some additional notable developments occurred this week:

1. **UK supply chains will likely face disruptions throughout next year:**
   a. In a recent UK parliamentary session, shipping experts have warned that UK supply chains will likely face disruptions throughout 2022, as some of their container ports have been working at levels described as 95% full[18].
   b. As noted *above*, the pandemic has hit UK trade particularly hard, as shown by their ↓23% q/q reduction in global trade.
2. **US West Coast congestion:**
   a. Continuing with the theme of creative solutions, Walmart has developed a space near the ports of Los Angeles and Long Beach (LA/LB) into a pop-up container yard[19]. The aim is to store containers off the dock and alleviate the ports' pressure since import volumes rebounded so heavily last year.
   b. Another container dwell fee has been implemented – this time by CMA CGM. Starting on December 1, the French carrier will offer incentives to importers to pick up their containers from terminals at the ports of LA/LB within eight days of their arrival[20]. This early container

[18] Clayton, R. 01/12/2021. UK supply chain faces disruption throughout 2022.
[19] Putzger, I. 30/11/2021. Pop-up container yards act as a pressure valve for port congestion.
[20] Biggar, K. 30/11/2021. CMA CGM implements incentive program to ease congestion at ports of Los Angeles and Long Beach.

pickup incentive program will run for 90 days and is intended to help improve fluidity at America's largest import gateway. Shippers who pick up their containers within the eight-day window will receive $100 per container for daytime weekday pickups and $200 per container for night and weekend pickups.

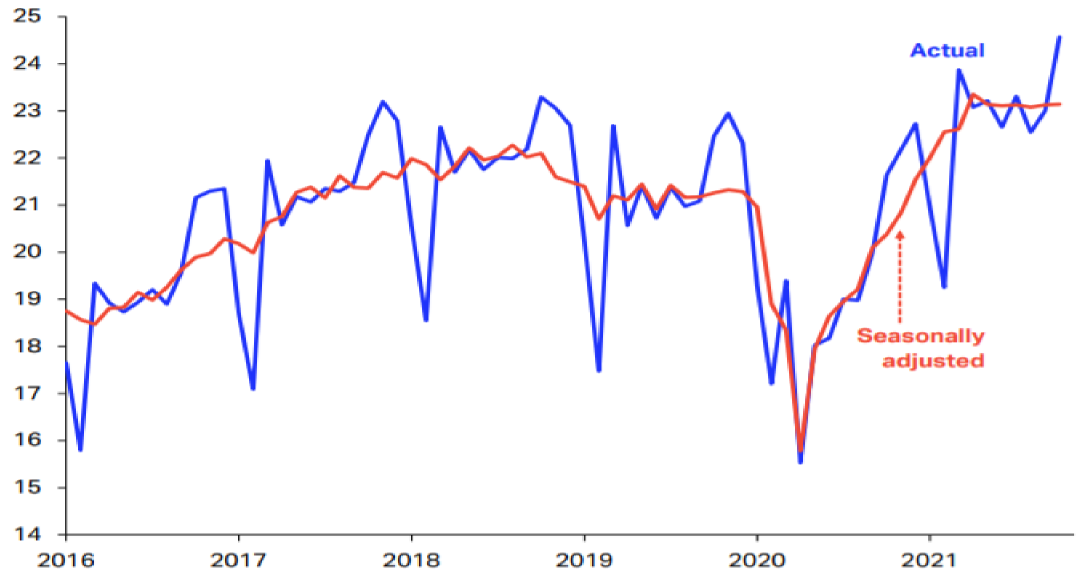
c. In summary, a total of 59 container ships were awaiting berth on Friday on the US East Coast.

3. **Carriers and shippers engaging in long term contract negotiation:**
   a. The Asia-Europe contract season continues, with ocean carriers targeting large-volume shippers and locking them into multi-year deals. It is a template being followed by transpacific carriers, where annual rate negotiations are said to be "well ahead" of the norm for 12-month contracts that expire at the end of April[21]. However, further reports note that some lines are refusing to open negotiations on contract renewals, with the massive gap between existing contracts and the short-term market potentially eating away at further profits.
   b. Some carriers, such as Maersk, have introduced novel agreements for the new season in a drive to attract long-term business by locking shippers into multi-year deals[22]. Furthermore, some of Maersk's forwarding and NVOCC customers are being targeted by competitor lines as the Danish carrier prepares to restrict their bookings to its online Maersk Spot platform next year[23]. It goes without saying that carriers' position has never been as strong as it is now.

c. Global aviation industry

On Wednesday, the International Air Transport Association (IATA) released its latest "*Air Cargo Market Analysis*"[24] for October. For the month, industry-wide cargo tonne-kilometres (CTKs) grew by ↑**9,4%** in October compared to the same month in 2019. Furthermore, IATA notes that cargo capacity improved for the second consecutive month in October, with global available cargo tonne-kilometres (ACTKs) only down ↓**7,2%** versus pre-crisis levels, which results in the load factors easing to some extent in October. However, despite the cargo increase, IATA cautions that air cargo volumes have trended sideways for the past six months or so, albeit at elevated levels. The following table demonstrates the growth in the last three months, compared to the same time in 2019, to make meaningful comparisons.

Figure 16 – CTK levels, actual and seasonally adjusted (industry CTKs, billion per month)

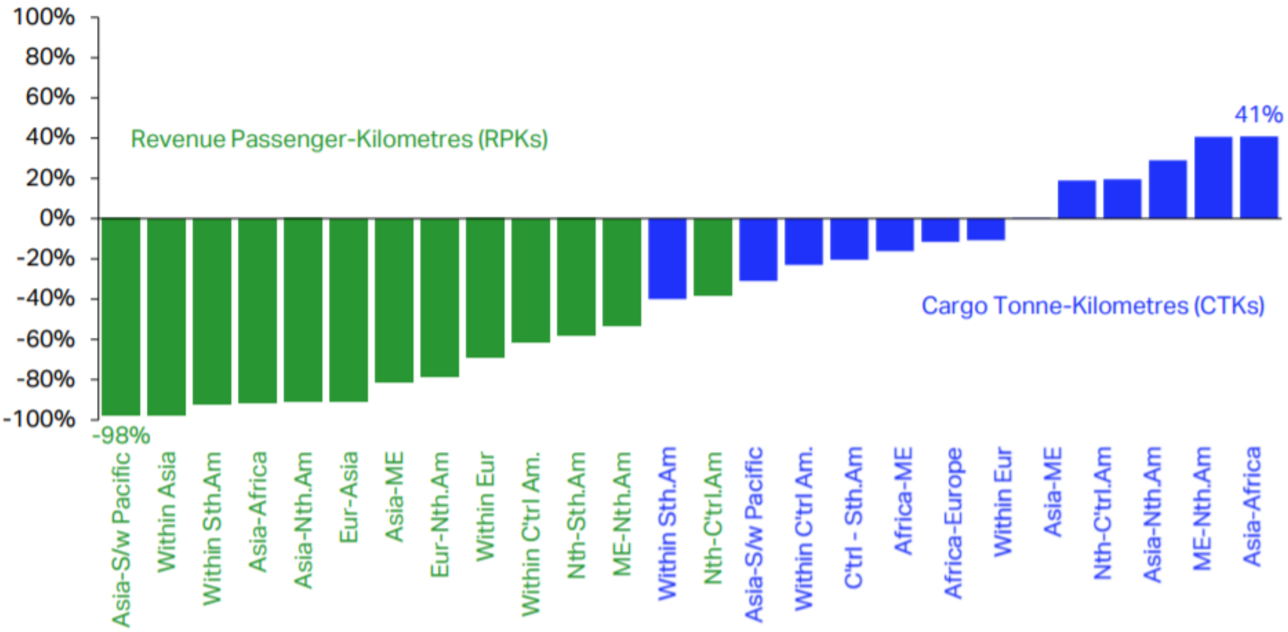


[21] Wackett, M. 30/11/2021. Shippers 'on the ropes' in a one-sided contract contest with 'arrogant' carriers.
[22] Wackett, M. 02/12/2021. Maersk expands contract options amid rumours it intends to shun forwarders.
[23] Wackett, M. 03/12/2021. Maersk forwarder clients left in limbo as carrier restricts them to Spot deals.
[24] IATA. 01/12/2021. State of the Region: Africa & Middle East.

Source: [IATA Economics]

The main drivers of air cargo continue to trend positively. However, there has been a slowdown in manufacturing activity and trade caused by congestion and input and labour shortages. Unfortunately, with another round of travel bans instituted across the globe, the outlook has once again returned to relative uncertainty. The uncertainty is especially acute in the passenger market, which cannot seemingly get off the ground. The following figure illustrates the diverging fortunate of the respective aviation market segments.

Figure 17 – Change in international RPKs and CTKs (Jan-Sept 2021 versus Jan-Sept 2019)



Source: [IATA Economics]

Although some relatively positive developments continue in the air cargo market, the overall trends illustrated throughout the figure attest to the aviation industry's collective struggles. Fortunately, passenger markets in some areas, most notably North America, have been leading the recovery. Most Asian markets have continued to impose strict regulations, showcased in the illustrations. However, it must be said that in the broader sense, the picture might change significantly soon as the impact of the Omicron variant remains uncertain for now.