COVID-19: Cargo movement update[1]

Date: 28 January 2022

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)	20 690	27 386	**48 076**	23 427	27 393	**50 820**	↓5%
Air Cargo (tons)	3 878	2 652	**6 530**	3 135	2 288	**5 423**	↑20%

Monthly Snapshot

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

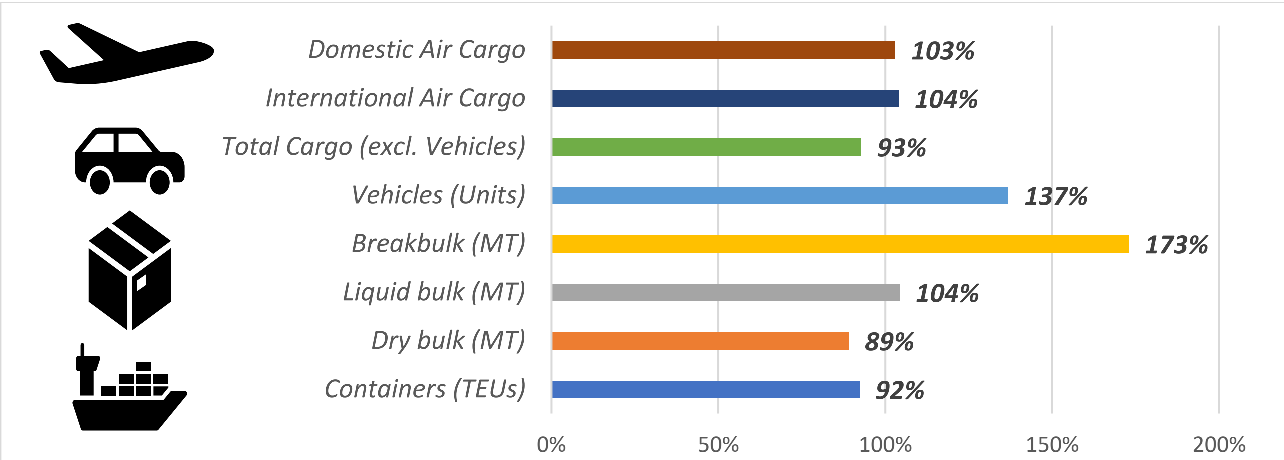

Figure 2 – Global year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)

Key Notes

- An average of **~6 868 TEUs** was handled per day, with **~8 233 TEUs** projected for next week.
- Rail cargo handled out of Durban amounted to **4 705** containers, **↑14%** compared to last week.
- This week, cross-border queue times are **↑5,2 hours**, with transit times **↑4,6 hours** (*see below)*.
- The "WCI" finally decreased this week, with spot freight rates **↓2,9%** (or **$278**) to **$9 420** per 40-ft.
- A disparity in growth of **~↓2,6%** in container fleet – and throughput volume further points to a persistence of congestion and related supply chain constraints, with elevated freight rates to remain.
- In 2021, air cargo rose by an enormous **↑18,7%** y/y, the second-best yearly performance since 1990.
- The IMF expects global growth to slow from **↑5,9%** in 2021 to **↑4,4%** in 2022, SA at **↑4,6%** and **↑1,9%**.

[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 72nd 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 the previous year. For all metrics: Dec versus Dec.
[5] For ocean, total Jan-Dec cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Dec cargo to and from ORTIA is used.

Executive Summary

This update – *the 72nd of its kind and the third for 2022* – contains a consolidated overview of the South African supply chain and the current state of international trade. Newly reported COVID-19 infections averaged approximately **3 092** per day (**↓16%** from last week's average of **3 661**) this week. However, the daily number of infections has started to increase, with a positivity rate already exceeding 10%, which is a cause for concern. In total, South Africa has now recorded **3,59 million**[6] cases, with **94 651** (up by **702**) regrettably losing their lives to the virus. Globally, more than **367 million** people have now been infected by COVID-19, and there have been more than **5,64 million** deaths. On the COVID-19 vaccination front, more than **10 billion** vaccine doses have now been administered globally[7], with South Africa at around the **30 million mark**. But even with both booster and regular vaccinations now being administered, the vaccination rate remains low, with a daily average of **~68 000** in the last seven days.

Locally, port operations in Cape Town were continuously interrupted by strong winds, leaving the port windbound on various occasions. Port inefficiencies within the port of Cape Town made media headlines once again. Neither Durban nor Richards Bay had operational helicopters this past week due to a lack of fuel, with a new tender having to be issued. According to TNPA, the original supplier failed to supply the fuel as per previous agreements. In addition, it was pointed out that there was no contingency plan in place. Furthermore, various cranes were out of commission due to planned maintenance at Pier 2, negatively impacting throughput figures. In addition, the industry highlighted concerns about moving to a daylight-only pilotage operation at the Port of Durban and Richards Bay from 1 February due to a high number of pilots that resigned during December 2021. The industry was very pleased to hear about some crucial investments planned for the Port of Durban, which the Minister of Transport Fikile Mbalula will announce on Monday, 31 January. It seems that these relate primarily to the oil and gas industry rather than containers or bulk cargoes.

Globally, Alphaliner predicts global container throughput to grow at **↑5,9%** for 2022 and **↑7,8%** for 2023. However, these growth figures should be viewed against an expected fleet capacity growth of **↑4,5%** for 2022 and **↑4,1%** for 2023. These disparate growth rates point to ongoing congestion and associated supply chain constraints. Moreover, the forecasts do not bode well for any meaningful relief in freight rates, as shippers fear that the "new normal" might be closer to **$5 000** - **$7 000** per 40-ft container when the dust finally settles on the pandemic-induced challenges. Other significant developments include **(1)** secondary trades suffer as carriers continue to focus on lucrative routes, **(2)** global supply chains at a near make-or-break point, and **(3)** shipping emissions rose **↑4,9** in 2021 (see the detailed summary *below*).

Although South Africa's international air cargo sector increased this week (**↑20%**), monthly volumes are expected to register a downturn for the third consecutive month now. Fortunately, the domestic market (**↑11%** this week) continues to record positive growth. Globally, air cargo remains a key economic driver, as global air cargo rebounded by **↑8,9%** versus December 2019, after a slight dip in November. Passenger numbers also improved, with December climbing to **41,6%** of 2019 levels compared with **34,2%** in 2020 as more markets reopened with vaccination progress. Other aviation news includes **(1)** Lufthansa Cargo closed due to COVID, **(2)** MSC and Lufthansa are set to take over Italy's new ITA Airways, and **(3)** Geodis expanding its Asia Pacific airfreight network.

The IMF notes that the last two years reaffirm that this crisis and the ongoing recovery are like no other in the history of the global economy. Indeed, global growth has been revised downwards by **↓0,5%**, as supply disruptions, higher inflation, record debt, and persistent uncertainty continue to cloud the picture. Accordingly, the IMF warns that policymakers must vigilantly monitor a broad range of incoming economic data, prepare for contingencies, and be ready to communicate and execute policy changes at short notice. In parallel, bold and

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

effective international cooperation should ensure that this is the year the world escapes the grip of the pandemic as we hopefully move from pandemic to endemic status. These comments certainly include South Africa, considering a softer-than-expected second half in 2021 and a weaker outlook for investment as business sentiment remains subdued.

Therefore, in summary, even though most consolidated metrics are starting to gain momentum after the demonstrably slow start to the year, the lag continues. Certainly, if the last couple of years is anything to go by, it is clear that international supply chains do not take breaks. Therefore, it is very concerning that TNPA advised that both Richards Bay and Durban ports will restrict pilotage services to daylight operations. As we have so often emphasized throughout the existence of these reports, the supply chain is a living organism that always needs to be nurtured. Slip-ups in any part of the network must not be tolerated. Only coordinated and close collaboration between stakeholders in both the public and private sectors will achieve this aim.

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 22 to 28 January[8]

7-day flow forecast (22/01/2022 – 28/01/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 776	4 994
DURBAN CONTAINER TERMINAL PIER 2:	10 727	14 194
CAPE TOWN CONTAINER TERMINAL:	2 698	5 079
NGQURA CONTAINER TERMINAL:	1 834	2 578
GQEBERHA CONTAINER TERMINAL:	655	541
TOTAL:	**20 690**	**27 386**

Source: Transnet, 2021. Updated 28/01/2022.

Table 3 – Container Ports – Weekly flow reported for 29 January to 4 February[9]

7-day flow forecast (29/01/2022 – 04/02/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 848	5 595
DURBAN CONTAINER TERMINAL PIER 2:	10 711	13 539
CAPE TOWN CONTAINER TERMINAL:	6 738	7 658
NGQURA CONTAINER TERMINAL:	3 270	3 125
GQEBERHA CONTAINER TERMINAL:	150	0
TOTAL:	**27 717**	**29 917**

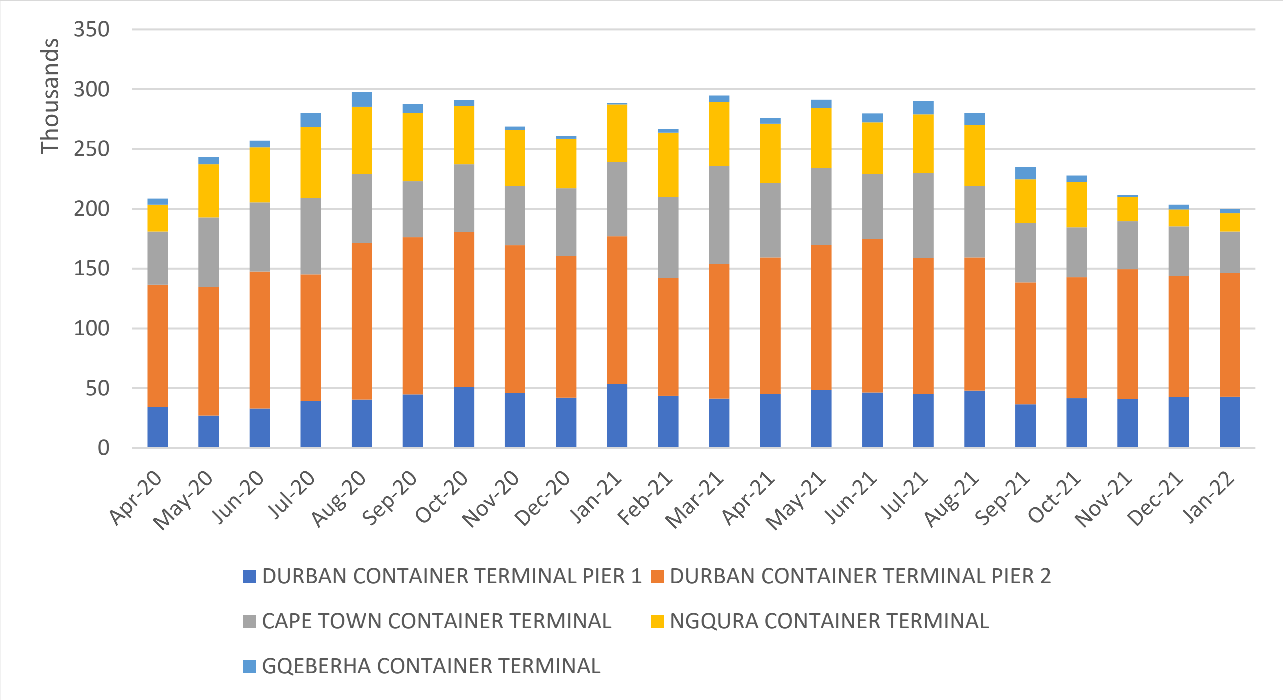
Source: Transnet, 2021. Updated 28/01/2022.

An average of **~6 868 TEUs** (**↓5%**) was handled per day for the last week (22 to 28 January, Table 2), with a better average of around **~8 233 TEUs** (**↑20%**) projected to be handled next week (29 January to 4 February, Table 3). Operationally, several delays contributed to a sub-par week in terms of performance, as weather delays, equipment shortages, and a crisis around the availability of pilots made headlines this week (see a more detailed breakdown per port *below*).

The following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the start of the nationwide lockdown. The recent downward trend is something that the collective industry needs to turn around to prevent the maritime sector – and with it the South African economy – from falling into its currently predicted depression.

[8] It remains important to note that a fair percentage (approximately 25% according to the latest TNPA figures for December) 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, but there is a sharp increase with the importation of large numbers of reefers in preparation for the deciduous fruit season.
[9] As noted above.

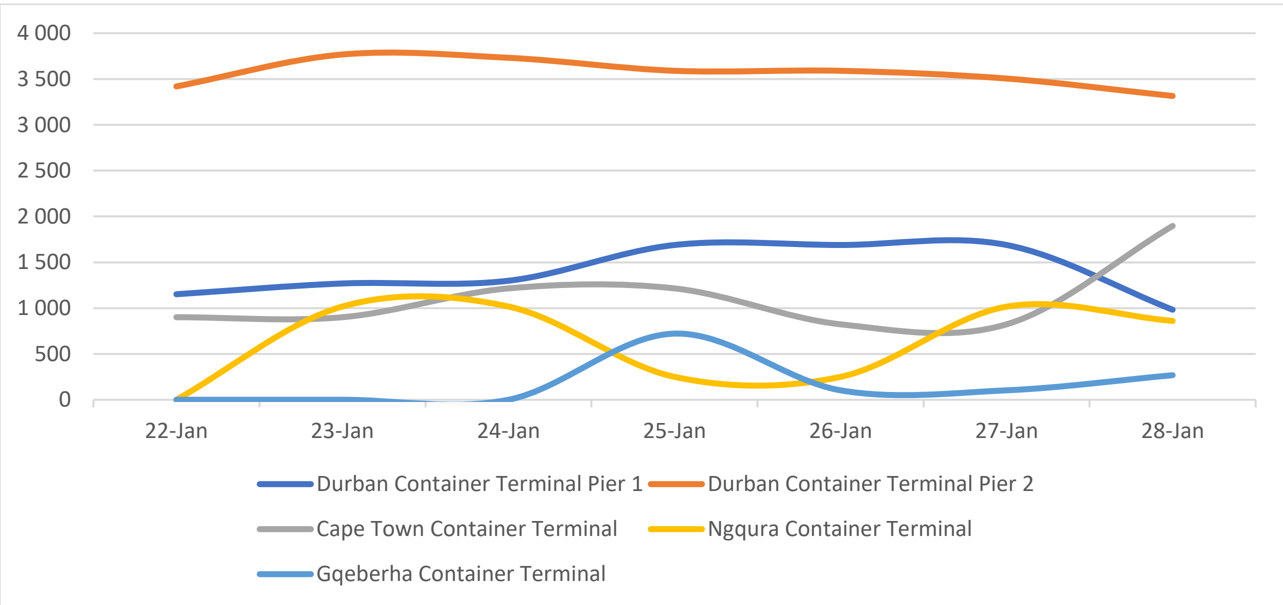
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from Transnet, 2021. Updated 28/01/2022.

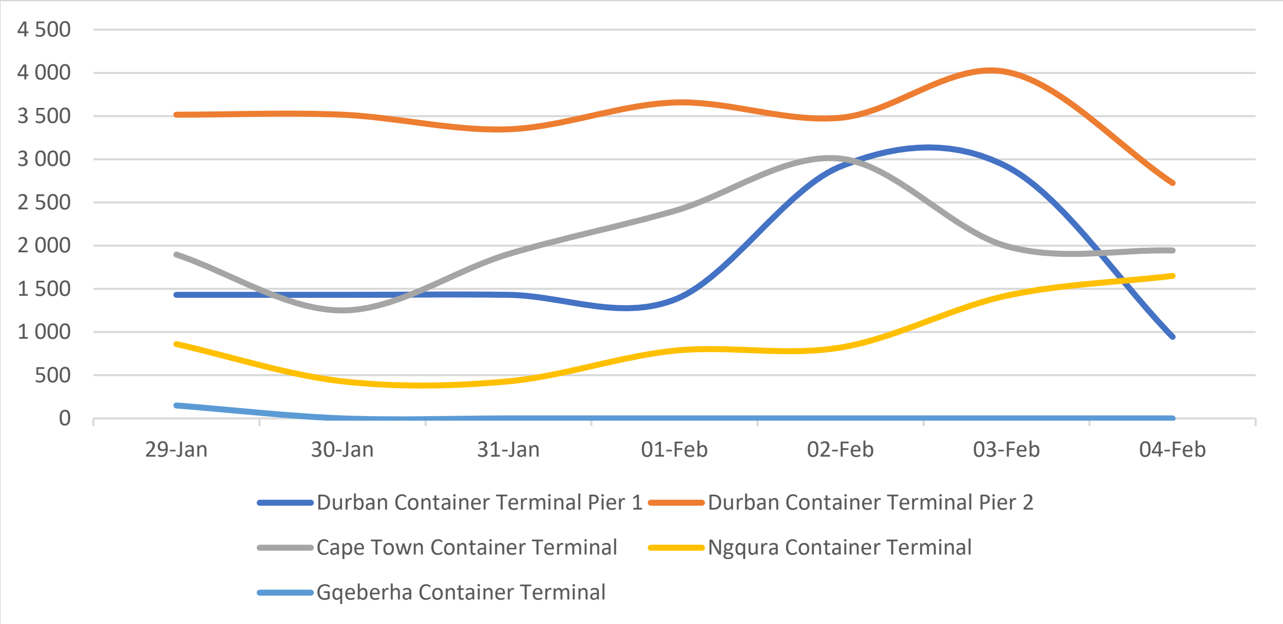
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total cargo movement (22 to 28 January; per port; day on day)



Source: Calculated using data from Transnet, 2021. Updated 28/01/2022.

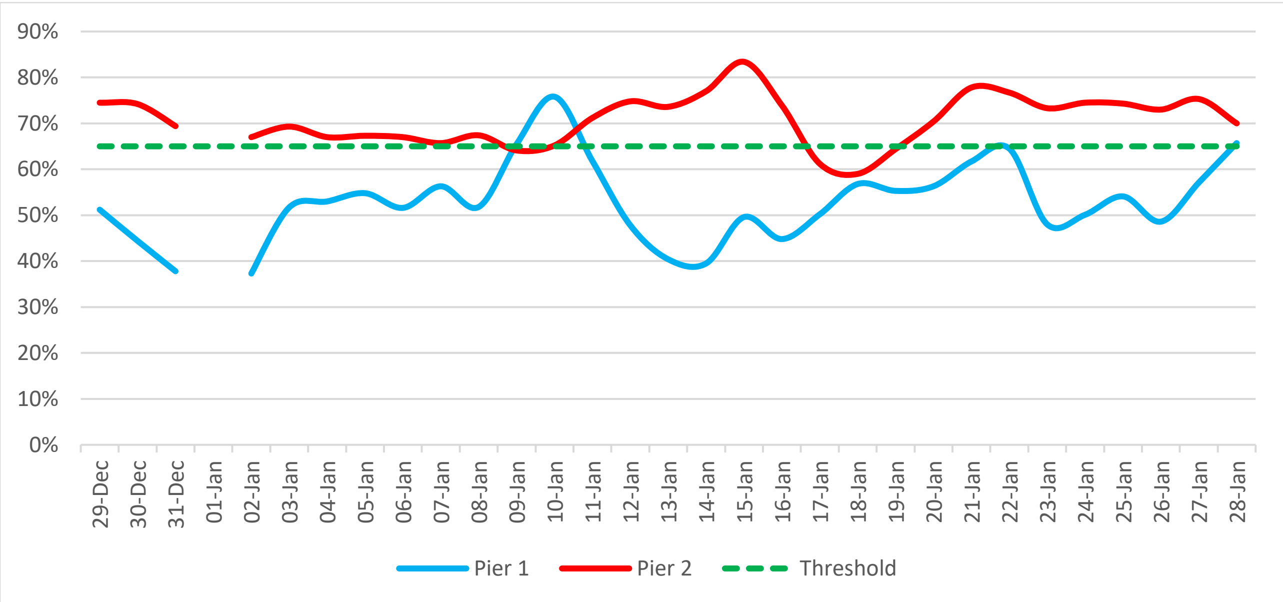
Figure 5 – 7-day flow reported for total cargo movement (29 January to 4 February; per port; day on day)



Source: Calculated using data from Transnet, 2021. Updated 28/01/2022.

The following figure shows daily stack occupancy in both Durban terminals since the end of December, with pressure on operational fluidity remaining a key consideration over the last few months. The situation at Cape Town Container Terminal is worth mentioning again, with stack occupancy currently at **~43%** for general-purpose containers, **~63%** for reefers, and **~21%** for empties.

Figure 6 – Stack occupancy in DCT, general-purpose containers (29 December to present; per pier; day on day)



Source: Calculated using data from Transnet, 2021. Updated 28/01/2022.

b. Summary of port operations

The following sections provide a more detailed picture of the operational performance of our commercial ports over the last seven days.

i. Weather delays

The previous weekend, after dealing with high swells and vessels ranging the week before, CTCT struggled with scorching hot conditions that caused the cranes, trucks, and RTGs to overheat and break down. A contractor was called on-site to assist with the situation. This week, CTCT was windbound on Tuesday at 15:00 till Wednesday morning at 04:30. Again on Wednesday, CTCT was windbound at 15:45 till Thursday 01:30.

Fortunately, this past week, Durban port was not severely affected due to unpleasant weather conditions. Lastly, NCT and PECT experienced some moderate winds at the start of the week, but it will be noted that volumes at both ports were very low.

ii. Cape Town

On Monday, CTCT had three vessels at berth and an additional five at anchor. Stack occupancy stood at 43% for general-purpose containers, 63% for reefers, and 21% for empties, pointing to some terminal congestion challenges. The real difficulties remained around working through strong windy conditions that halted waterside operations continuously throughout the week. CTCT reported having seven berthing gangs available and seven STS cranes with nineteen RTGs, which remains a serious hindrance to productivity. Cape Town MPT had another quiet week with fishing vessels berthing in the majority, but it is clear that there have been major improvements in operations there. On Wednesday, CT MPT reported a stack occupancy of 44% for GP containers, 8% for reefers, and 2% for empties. After a train visited the terminal on Tuesday, the terminal had 27 889 tons of rail-designated cargo on hand on the rail side.

Economic growth and tourism Mayco member Mr James Vos has, on behalf of the City of Cape Town and businesses within the metro, engaged with Transnet leadership on the issues related to the congestion and inefficiencies at the port. In addition, he raised concerns around the price hike of up to 24% of port tariffs planned for the next financial year, which would put South African exporters at a significant disadvantage. According to Cape Chamber of Commerce and Industry president Jacques Moolman, most fruit exporters' success depends heavily on ensuring that the fruit enters the European market at just the right time. They need to ensure that their fruit reaches the destinations at the height of the European winter since prices for fresh fruit are at their highest. When the fruit is delayed and subsequently spoiled, South African exporters lose those markets to other southern hemisphere suppliers. Furthermore, other stakeholders were also affected; Massmart, a retail and wholesale group that owns brands such as Makro, Game, and Builder's Warehouse, reported significant disruptions to its supply chain due to the congestion and difficulties at the port.

iii. Durban

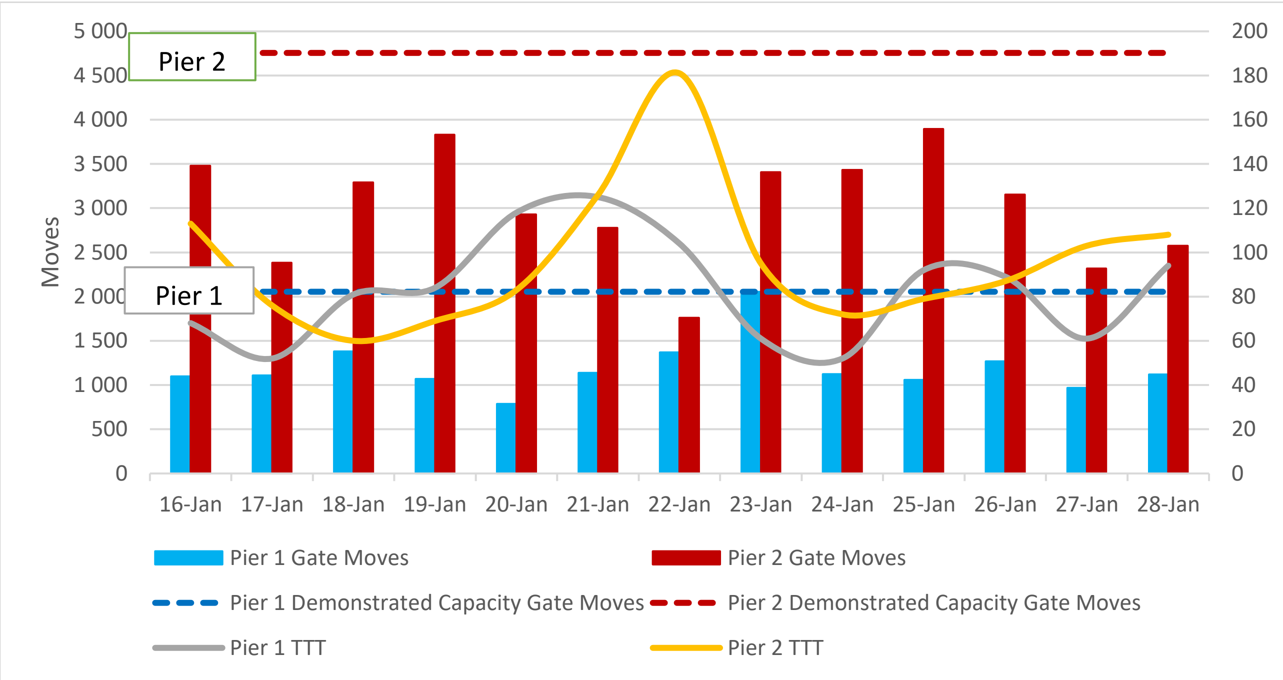
This week, Pier 2's most significant challenge revolved around limited crane availability due to planned maintenance. Furthermore, the port did not have a helicopter operational due to a fuel shortage. According to TNPA on Thursday, the new purchase order was finalised Wednesday, and the technical team was waiting for the supplier to deliver the fuel. Industry questioned the absence of a contingency plan on behalf of TNPA. On Monday, TPT informed the industry about incidents involving truck drivers that tested positive for alcohol and the issues around drivers taking and distributing photos of port operations and premises. Pier 1 recorded a total of 1 058 gate moves, 490 cancelled slots, and 130 wasted slots. The industry was further encouraged to address the 181 road stops and 120 unassigned containers. On Wednesday, Pier 2 recorded handling 2 317 gate moves with an average TTT of 103 minutes.

Minister of Transport Fikile Mbalula plans to visit the port on Monday to unveil various "critical investments" aimed at developing the current infrastructure and, in doing so, attracting more investment. Minister Mbalula had approved liquid bulk operating licenses, access rights for the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP), and the Construction of onshore LNG (Liquified natural gas) Regasification Facility. Furthermore, Transnet informed port users about the possibilities of applying for leasing various sections of the Maydon Wharf terminal, land, and buildings. A non-compulsory tender briefing session will be held on Monday, 31 January 2022.

Commenting on the three abandoned vessels at the Port of Durban, the South African Maritime Safety Authority (SAMSA) advised that the International Transport Workers Federation indicated that they are joining efforts to recoup the salaries owed to the crews. These vessels have a total of eighteen crew on board, eleven of which originate from India, six from Bangladesh, and one from Iran. A ship is considered abandoned when the vessel owner fails to provide food, medical care, and payment for the crew or communicate with the vessel for an extended period. In addition, these crew members ran out of food supplies. Luckily this week, the non-profit organisation Meals on Wheels provided the crews with much-needed food supplies and gas stoves.

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 28/01/2022.

iv. Eastern Cape ports

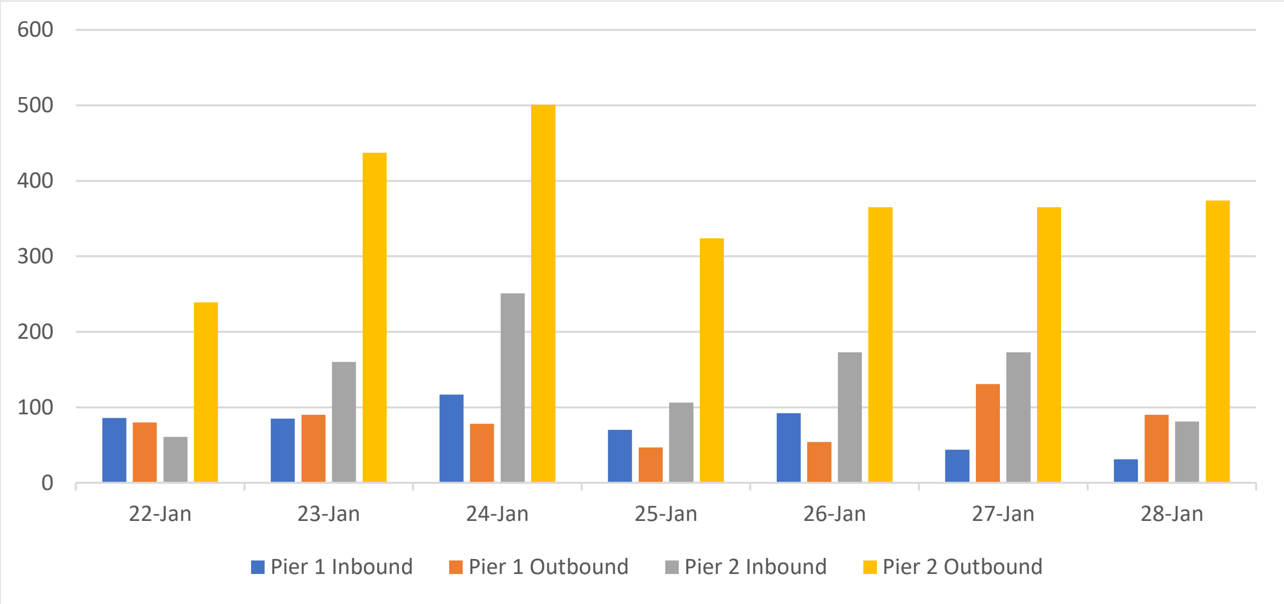
Challenges at the ports of the Eastern Cape this week involved intermittent crane and RTG breakdowns, wind stoppages, and network-related issues. On Monday, PECT recorded a stack occupancy of 18% for GP containers and 12% for reefers. The terminal managed to service 73 external trucks with an average TTT of 51 minutes. NCT recorded a GCH of 16 and an SWH of 40. The terminal handled 156 trucks on the landside with an average TTT of 40 minutes. On Wednesday, stacks for NCT were at 33% capacity for general-purpose containers and 30% for reefers.

v. Transnet Freight Rail (TFR)

On Wednesday, TFR reported 849 TEUs on hand for Durban Pier 2 but only managed to load four out of the five planned loads due to a crane failure. At Pier 1, there were 110 TEUs to be loaded, and the terminal managed to do only one out of two loading plans due to a congested yard. MPT Point terminal had 57 TEUs planned to be loaded via rail. TFR commented that it appears that the amount of cable theft incidents declined during December 2021, which is a positive sign. However, TFR is experiencing an increased number of incidents in the Durban area, luckily not affecting the main lines.

The following figure graphically illustrates rail movements from Durban during the week.

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



Source: Calculated using data from Transnet, 2021. Updated 28/01/2022.

In the last week (22 to 28 January), rail cargo to be handled out of Durban was projected at **4 705** containers, ↑14% than the previous week's **4 134** containers.

vi. General

This week, the industry stressed its concerns around the resignation of several aviation pilots during December 2021. As a result, only five pilots are available, which means that from 1 February 2022, both Richards Bay and Durban port will operate on a daytime pilotage service only. In addition, three pilots will be allocated to Durban and two to Richards Bay, even though it took almost ten years to resume a night pilotage operation at Richards Bay on 9 December 2021. According to industry, vessel owners and carriers pay extremely high TNPA Pilotage service fees, although TNPA advised that they cannot afford the pilots' asking packages. The industry further pointed to the limited positive results achieved by the TNPA pilotage school, which has been in operation for the last four to five years.

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 17 January. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *January 2021* averaged **~569 049 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

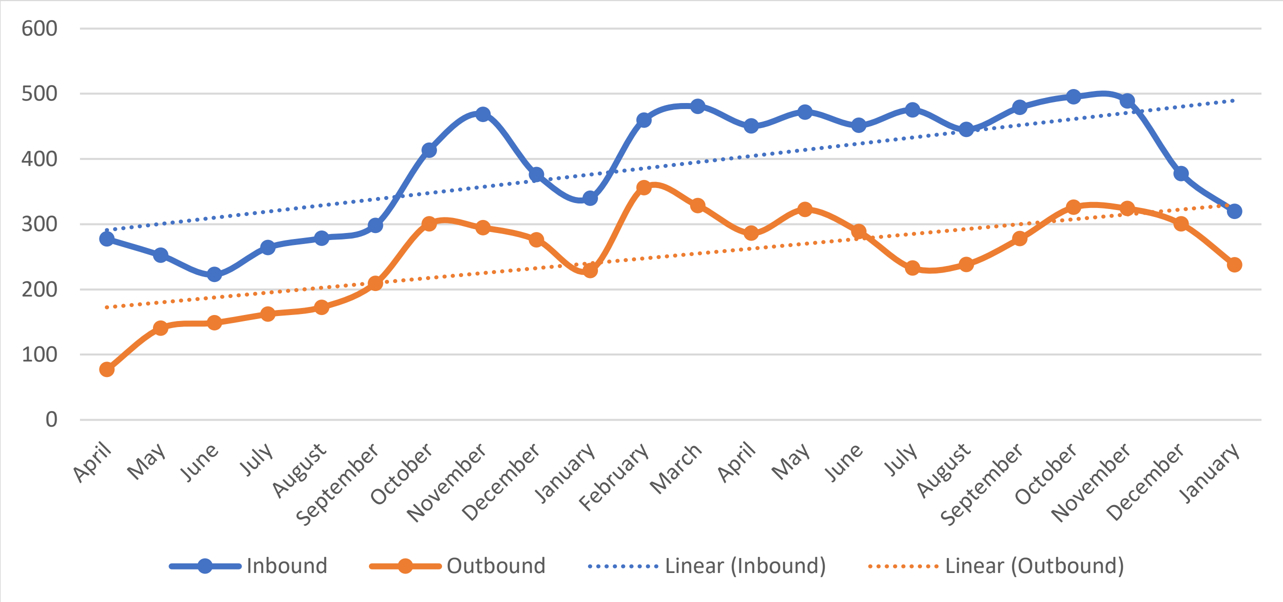
Flows	17-Jan	18-Jan	19-Jan	20-Jan	21-Jan	22-Jan	23-Jan
Volume inbound	510 542	207 388	376 167	379 678	294 526	302 292	643 819
Volume outbound	255 980	202 127	252 134	258 282	237 813	262 474	387 780
Total	**766 522**	**409 515**	**628 301**	**637 960**	**532 339**	**564 766**	**1 031 599**

Courtesy of ACOC. Updated: 24/01/2022.

The daily average volume of air cargo handled at ORTIA for the week starting 17 January amounted to **387 773 kg** inbound and **265 227 kg** outbound, amounting to an average of **653 000 kg** per day or **~115%** compared with January 2021. Compared to pre-COVID-19 times, the level is currently at **~80%** compared with the same period in 2020. The volume has picked up this week after the slow start in the first three weeks of the year, although not yet at desired levels.

Despite the recent trend of low volumes – which started around November last year - the following figure shows the increased monthly international freight movement at ORTIA since the pandemic.

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



Courtesy of ACOC. Updated: 24/01/2022.

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) handled in *January 2021* was **~57 781 kg** per day.

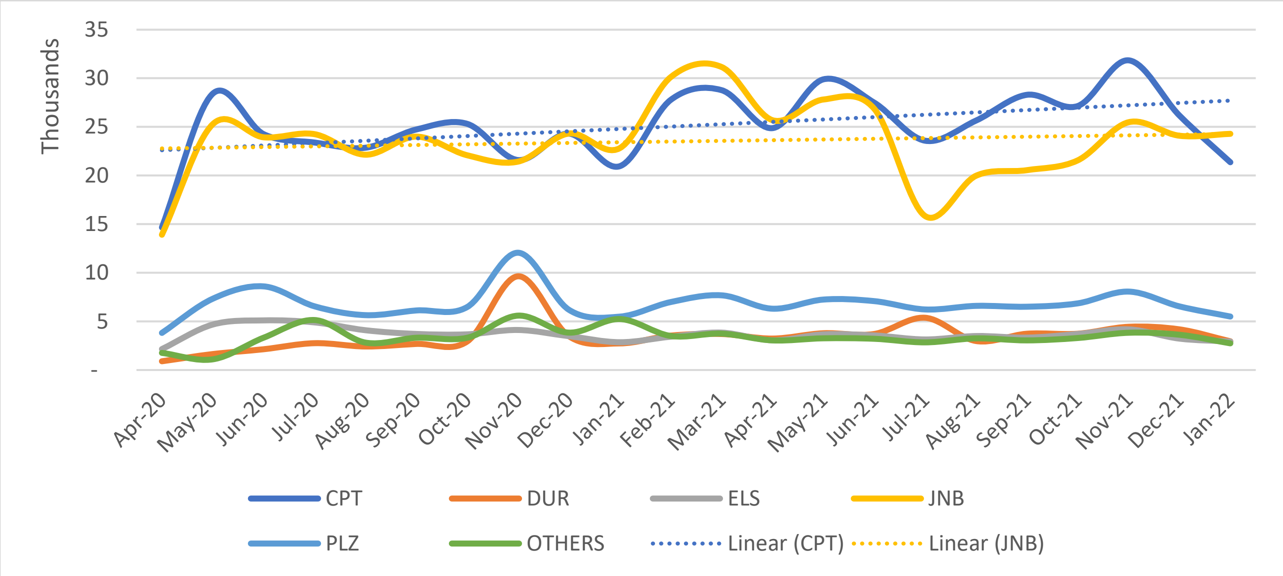
Table 5 – Total domestic inbound and outbound cargo

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**
Mar-Dec '21 Av.	**26 817**	**3 754**	**3 452**	**24 270**	**6 789**	**3 483**	**68 218**
Jan Average	**21 367**	**2 954**	**2 929**	**24 288**	**5 501**	**2 742**	**59 780**
18-Jan-21	37 755	4 867	7 282	59 442	9 341	4 975	**123 662**
19-Jan-21	37 682	4 504	6 245	26 826	12 286	4 367	**91 910**
20-Jan-21	38 537	5 055	4 532	47 721	9 850	5 016	**110 710**
21-Jan-21	17 560	3 449	2 517	28 067	4 835	2 390	**58 819**
22-Jan-21	3 051	778	17	811	294	3	**4 953**
23-Jan-21	4 234	2 146	268	371	1 572	968	**9 558**
24-Jan-21	42 158	4 048	6 303	52 623	10 031	4 446	**119 609**
Total for 2022:	**512 803**	**70 893**	**70 294**	**582 921**	**132 016**	**65 805**	**1 434 732**

Courtesy of BAC. Updated: 25/01/2022.

Currently, the average domestic air cargo moved in the last week was **~74 174 kg** per day, which is **↑11%** compared with the previous week and **~115%** compared to January 2021. The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster.

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



Courtesy of BAC. Updated 25/01/2022.

3. 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:

- CBRTA issued a statement saying their new Cross Easy online application is experiencing difficulties.
- Last week Zimra issued a notice saying that agents must also capture the trailer registration numbers (as well as the horse registration) on the E manifest. Transporters do not like this as it will force them to marry trucks to certain trailers instead of packing a trailer and then hooking it up to the first truck that arrives back at the deport. The industry feels that this proposal will decrease productivity.
- There were no border closures during the last seven days from a South African perspective. However, as a rule, traders should at all times stay abreast of border post communications on the SARS Customs and Excise website.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region. The improvement at Beit Bridge is most welcome, but the situation at Lebombo/Ressano Garcia remains a major concern.

Table 6 – Delays[10] 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**	48:00	96:00	100	3 000	700	24 640	33 600
SA/Zim	**Beit Bridge**	0:00	17:00	943	28 290	6 601	99 015	0
Moz/Zam	**Cassacatiza/Mlolo**	1:00	14:00	175	5 250	1 225	14 700	1 225
Zam/Zim	**Chirundu**	0:00	18:00	620	18 600	4 340	69 440	0
Moz/Mal	**Dedza**	2:00	16:00	50	1 500	350	4 900	700
SA/Bot	**Groblersbrug/Martins Drift**	1:00	11:00	400	12 000	2 800	25 200	2 800

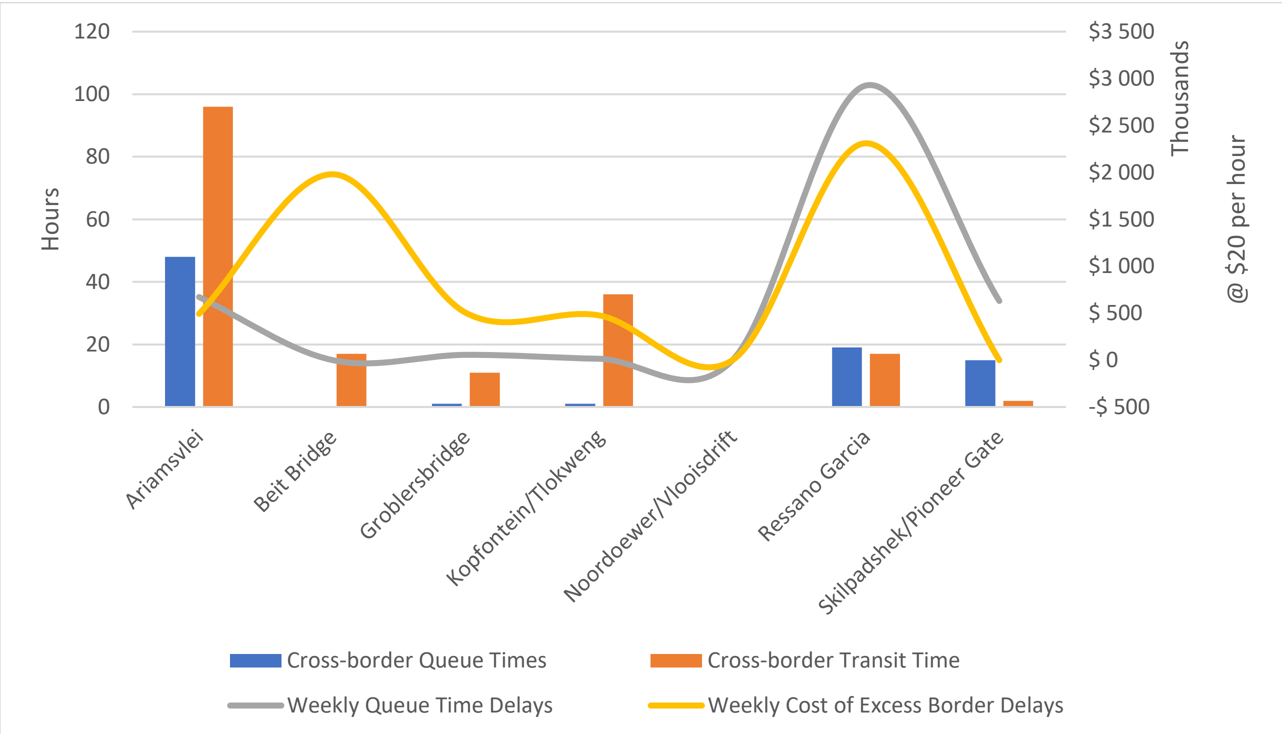
[10] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire 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
Zam/DRC	Kasumbalesa	0:00	66:00	750	22 500	5 250	210 000	0
Zam/Bot	Kazungula	0:00	12:00	240	7 200	1 680	16 800	0
SA/Bot	Kopfontein/Tlokweng	1:00	36:00	100	3 000	700	23 800	700
Moz/Zim	Machipanda/Forbes	1:00	8:00	320	9 600	2 240	13 440	2 240
Mal/Zim	Milange	0:00	5:00	30	900	210	630	0
Moz/Mal	Nakonde/Tunduma	0:00	1:00	500	15 000	3 500	0	0
Zim/Moz	Nyamapanda	1:00	1:00	100	3 000	700	700	700
SA/Moz	Lebombo/Ressano Garcia	19:00	17:00	1 100	33 000	7 700	115 500	146 300
Zam/Nam	Sheshek/Wenela	48:00	84:00	100	3 000	700	57 400	33 600
SA/Bot	Skilpadshek/Pioneer Gate	15:00	2:00	300	9 000	2 100	0	31 500
Nam/Bot	Trans Kalahari/Mamuno	0:00	5:00	100	3 000	700	2 100	0
Zam/Zim	Victoria Falls	1:00	4:00	114	3 420	798	1 596	798
Moz/Mal	Zobue/Mwanza	2:00	18:00	100	3 000	700	11 200	1 400
				6 142	**184 260**	**42 994**	**691 061**	**255 563**

Source: TLC & FESARTA, week ending 24/01/2022.

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

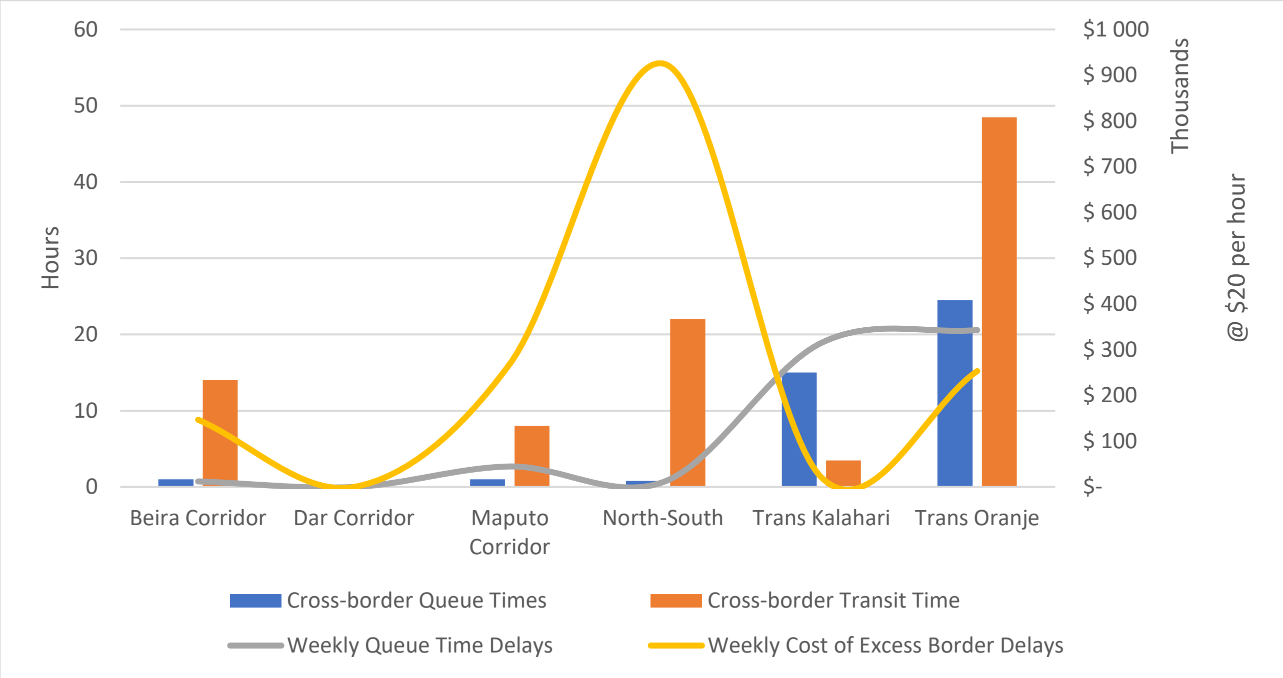
Figure 11 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in $ thousands)



Source: TLC & FESARTA, week ending 24/01/2022.

The following figure echoes 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 24/01/2022.

In summary, the cross-border queue time has averaged **~7,8 hours** (up by **~5,2 hours** from the **~2,5 hours** recorded in the previous report), costing the transport industry an estimated **$5,1 million** (**R82 million**). Furthermore, the week's average cross-border transit times hovered around **~21,6 hours** (up by **~4,6 hours** from the **~16,9 hours** recorded in the previous report), costing the transport industry **$14 million** (**R221 million**). As a result, the total cost for the week amounts to an estimated **~R303 million** (up by **~↑R42 million** or **↑16%** from **R261 million** in the previous report).

4. International Update

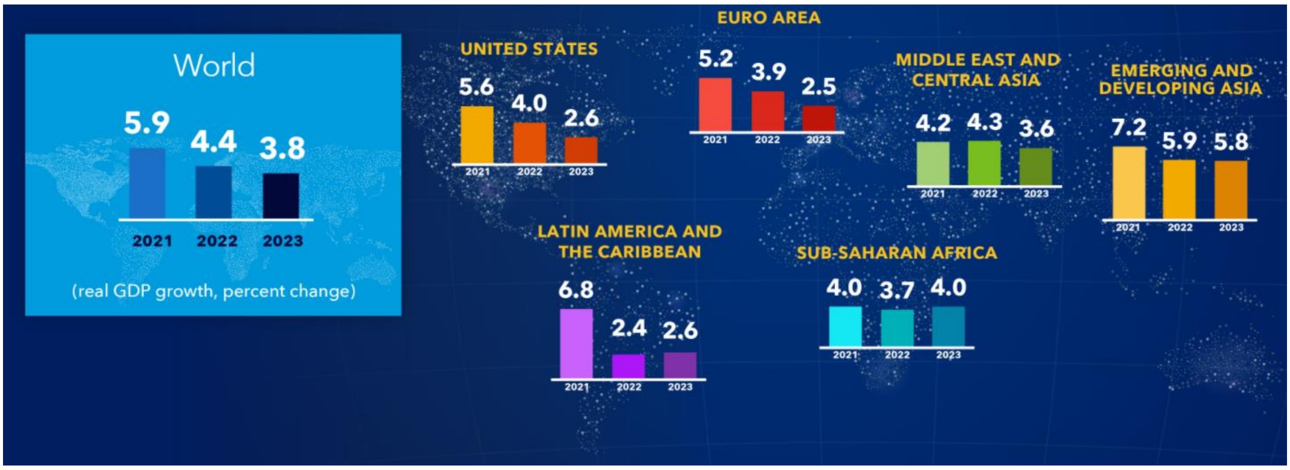
The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on **(a)** the global economy, **(b)** the global container industry, and **(c)** the global aviation industry.

a. Global economy

In the latest "*World Economic Outlook*", the IMF warned that the global economy would enter 2022 in a weaker position than initially expected[11]. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. In addition, rising energy prices and supply disruptions have resulted in higher and broader-based inflation than anticipated, notably in the United States and many emerging markets and developing economies. As a result, global growth is expected to moderate from **↑5,9%** in 2021 to **↑4,4%** in 2022—half a percentage point lower than in the October "*World Economic Outlook*"[12]. The downward revision mainly reflects forecast markdowns in the two largest economies – China and the United States. The following illustrations show the region projections for 2021, 2022, and 2023, with a general downward trend in the offing over the next two years.

[11] IMF. 25/01/2022. World Economic Outlook: January 2022.
[12] IMF. 12/10/2021. World Economic Outlook: October 2022.

Figure 13 – Growth projections by region (percentage, 2021-2023)



Source: IMF

The primary determinants adding to the challenges created by the spread of Omicron have been supply disruptions, higher inflation, record debt, and persistent uncertainty. The IMF has revised its 2022 inflation forecasts for advanced and emerging markets and developing economies, with elevated price pressures expected to persist for longer. Supply-demand imbalances are assumed to decline over 2022 based on industry expectations of improved supply, as demand gradually rebalances from goods to services and extraordinary policy support is withdrawn. For South Africa, the IMF has downgraded the growth forecast (**↓0,3%** for 2022), considering a softer than expected second half in 2021 and a weaker outlook for investment as business sentiment remains subdued. Consequently, South Africa's growth forecast stands at **↑4,6%** for 2021, **↑1,9%** for 2022, and **↑1,6%** for 2022. These have been revised from the October edition.

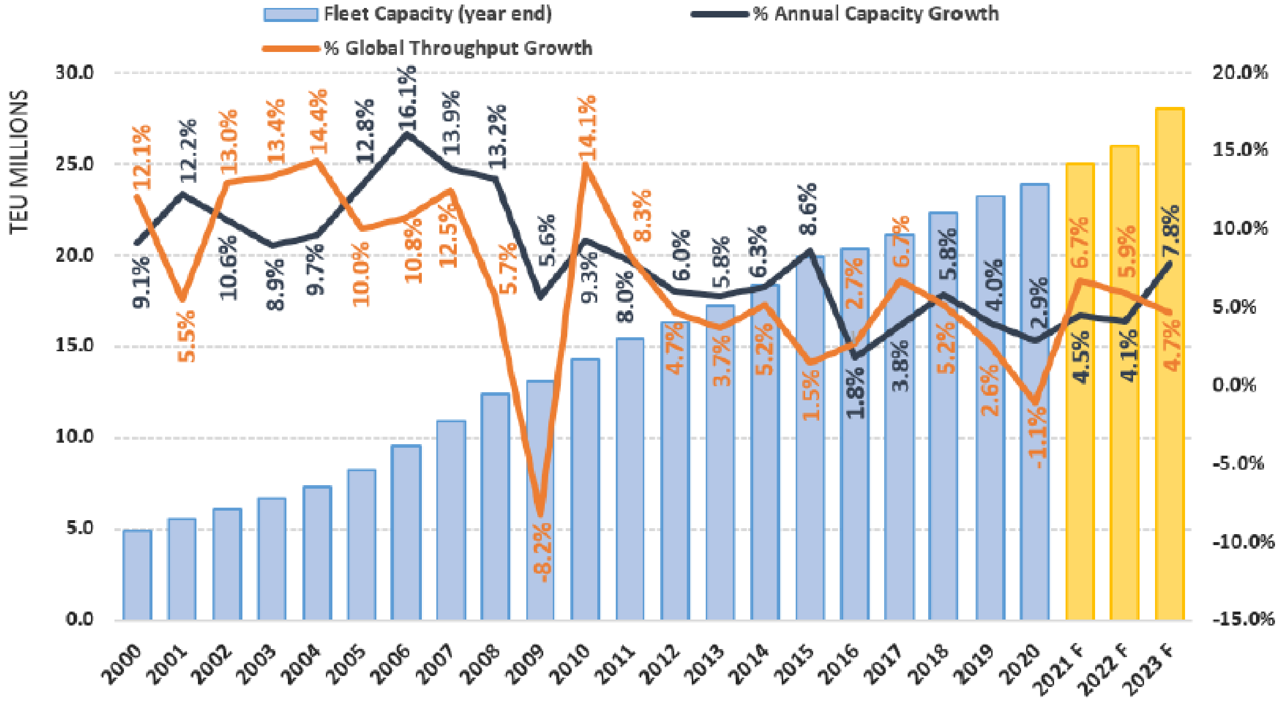
b. Global container industry

i. Cellular fleet growth and global throughput

In the latest "*Monthly Monitor*"[13], Alphaliner predicts global container throughput to grow at **↑5,9%** for 2022 and **↑7,8%** for 2023. These growth figures are set against an expected fleet capacity growth of **↑4,5%** for 2022 and **↑4,1%** for 2023. Consequently, the disparity in the fleet – and throughput growth indicates a continuation of existing congestions and associated supply chain constraints. Moreover, the forecasts – although elevated compared to those made by Drewry (see *below*) – do not bode well for the hoped-for relief in freight rates. Whatever equilibrium may be reached, it seems certain that a "new normal" will be established, with shippers fearing that the "new normal" might be closer to **$5 000** - **$7 000** per 40-ft container, rather than the **$3 000** - **$5 000** originally hoped for. The following graph shows the disparity in the fleet – and throughput growth predicted by Alphaliner.

[13] Alphaliner. 24/01/2022. Monthly Monitor.

Figure 14 – Cellular fleet growth versus global throughput (TEU millions)



Source: Alphaliner

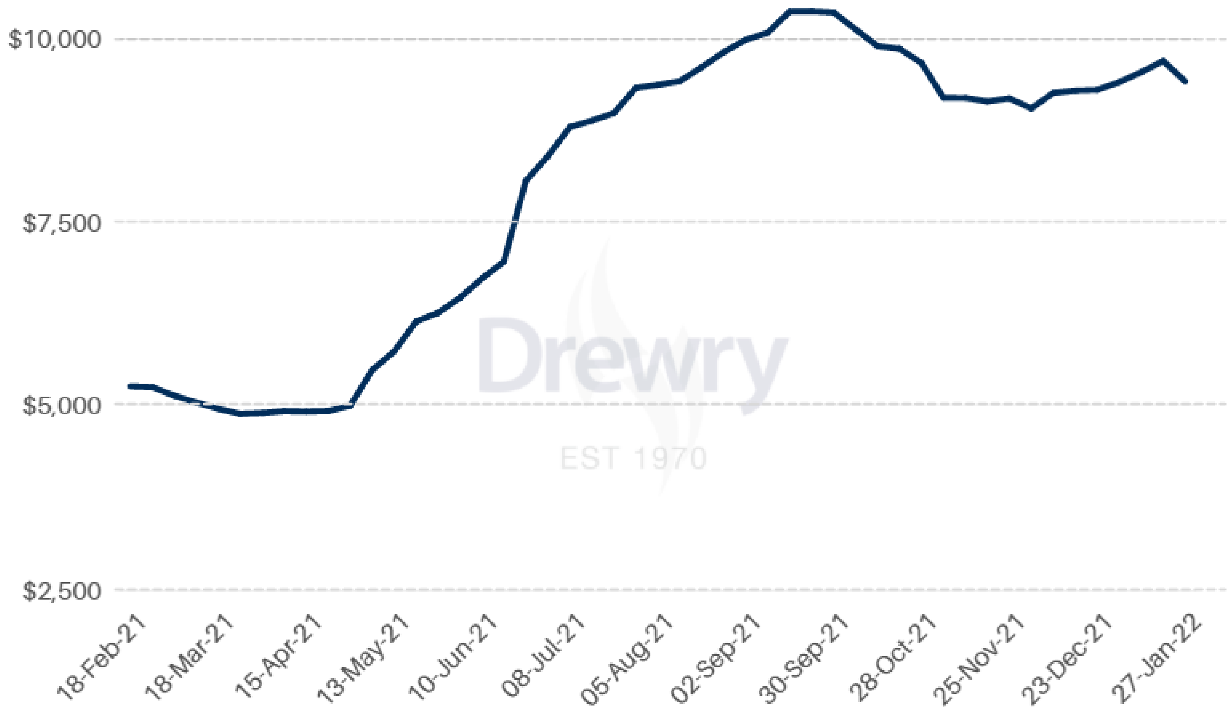
On 1 December 2021, the liner capacity stocks stood at **25,25 million TEUs**, constituting a **↑4,5%** annual increase. Despite the inflated order book (**~23%** of the existing fleet), most of the additional capacity will be added in three to five years. The charter share (half of the fleet) shows the current state of supply chains, with capacity shortages (in certain places) adding to the congestion constraints. However, it can be said that charter rates and capacity are trending downward, albeit slower than expected. Therefore, the restoration of liner supply chains will constantly be revised further into the future.

ii. Global container freight rates

After five consecutive weeks of increases, there appears to be some respite for shippers, as Drewry's "*World Container Index*" decreased significantly. This week sees the composite WCI falling by **↓2,9%** (or **$278**) to **$9 420** per 40-ft container[14]. Nonetheless, these elevated levels remain a far cry from what the market would regard as equilibrium, even in the face of the unprecedented supply chains struggles and demand surges since the pandemic. Despite a weakening in demand and Drewry downgrading its 2022 outlook for world port throughput to **↑4,6%**, from its previous assessment of **↑5,2%**, the consultancy firm expects ocean carriers to increase overall profits by **$200 billion** this year[15]. Although spot prices remain an essential driver of the current financial bonanza enjoyed by carriers, the ongoing financial boom will be supported by the trend towards longer-term contracts being signed at much higher rates. For spot rates, the following figure summarises the one-year spot price of the index:

[14] Drewry. 27/01/2022. World Container Index.
[15] Wackett, M. 25/01/2022. Carrier 'gravy train' steams ahead, thanks to congestion and new contracts.

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



Source: *Drewry Ports and Terminal insights*

The average composite index remains up by ↑**79%** y/y, with the y/t/d average currently standing at **$9 518** per 40ft container, which is **$6 594** higher than the five-year average of **$2 924**. In total, three of the major eight major East-West trades routes experienced significant decreases this week – all originating in Shanghai. These include Shanghai to Rotterdam (↓**3%**), - Los Angeles (↓**5%**), and – New York (↓**5%**). The major change comes from the Shanghai – Los Angeles route, up by ↑**5%** (or **$217**) to **$13 987**. Because of the current supply chain constraints, Drewry expects rates to remain stable in the coming week with no marked long-term relief for cargo owners.

iii. Further developments of note

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

1. **Secondary trades suffer as carriers continue to focus on lucrative routes:**
   a. Transpacific carriers deployed **1,3 million TEU** more capacity on the Asia-North America trade last year than in 2020, a massive ↑**31%** increase in slots[16]. Furthermore, Asia-Europe saw a rise of ↑**10%** in slots. The changes are primarily because of the immense financial reward created by consumer demand shooting through the roof.
   b. Consequently, many secondary trade routes have suffered. Indeed, the biggest losers from the capacity shift were the intra-Asia trades, down ↓**11%** across the various connecting services, equating to a loss of more than **331 000** slots.
   c. Meanwhile, capacity for African services connecting Asia, Europe and the US decreased by ↓**6%** last year, to **1,68 million TEU**.
2. **Bloomberg says "*Global Supply Chains Near Make-or-Break Point for Easing in 2022*":**
   a. Global supply chains are nearing a turning point that is likely to help determine whether logistics headwinds abate soon or keep restraining the worldwide economy and prop up inflation well into 2022, according to several new barometers of the strains[17].

[16] Wackett, M. 26/01/2022. Secondary trades suffer as carriers continue to chase the big bucks.
[17] Murray, B. & Varley, K. 24/01/2022. Global supply chains near maker-or-break point for easing in 2022.

b. Bloomberg Economics' latest supply constraint index for the US shows that shortages have trended modestly lower for six months. Furthermore, port traffic shows container congestion continues to disrupt the US supply chain from Charleston, South Carolina, to the West Coast. Queuing ships for Los Angeles and Long Beach, California, continued to extend into Mexican waters, totalling **111 vessels** late on Sunday, nearly double the number seen in July.

c. Because of the constraints at LA/LB, the ports of Newark & New Jersey are close to usurping Los Angeles at the top of the rankings[18]. However, in an attempt to ease future flows of container vessels to LA/LB, the US Army Corps of Engineers is set to help the Port of Long Beach improve the navigation of bigger ships. According to a press statement from the White House, the US Army Corps of Engineers will invest **$14 billion** from President Biden's "*Bipartisan Infrastructure Law and Other Appropriations*" to strengthen port and waterway supply chains and bolster climate resilience[19].

3. **Shipping emissions rose 4,9% in 2021:**

   a. According to Simpson, Spence & Young, global shipping's carbon dioxide emissions posted a y/y increase of **↑4,9%** in 2021 and were higher than in 2019[20]. In total, shipping accounts for approximately **3% of the world's emissions**[21].

   b. The rise in emissions over 2021 represents "*an inconvenient truth*" for the International Maritime Organization (IMO), the shipbroker said in its annual industry outlook.

   c. The IMO has agreed to cut ships' carbon emissions by **40%** by 2030 amid intense criticism for failing to agree on further curbs to meet international climate-change objectives.

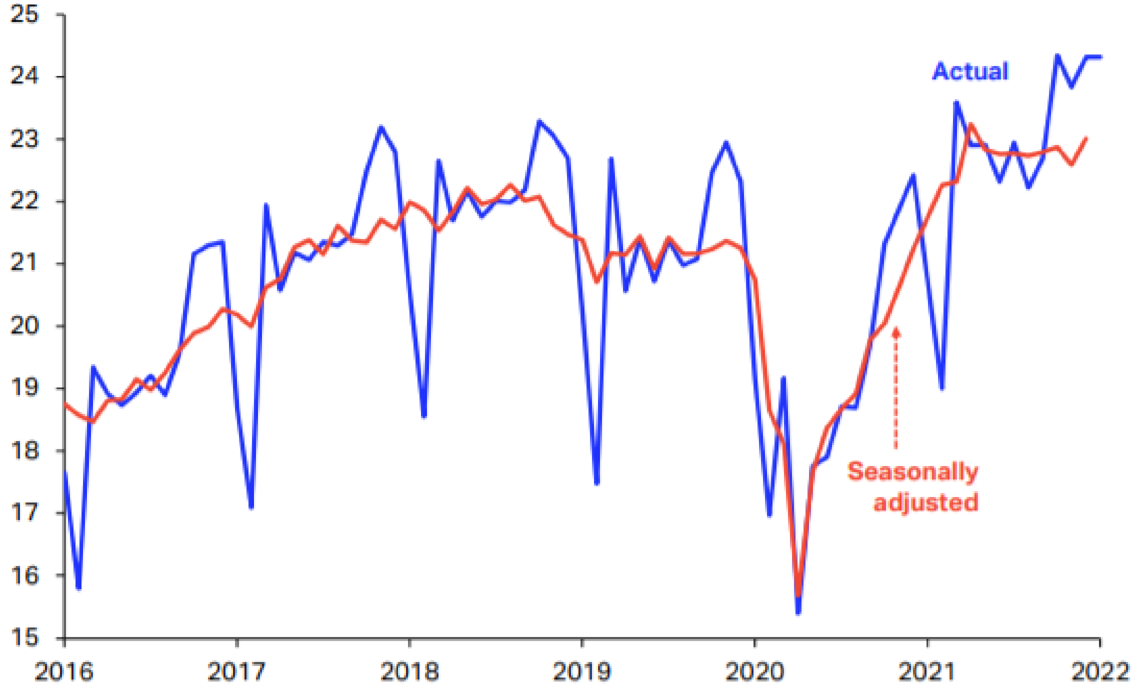
   d. Longer tonne-mile trades, higher sailing speeds for some vessel types and increased port congestion increased emissions. Furthermore, emissions increased most for the gas carrier fleet, followed by containership and bulk carrier emissions. The global tanker fleet also lifted CO^2 output as global oil demand recovered towards the end of the year.

c. Global aviation industry

After a slight dip in November, global air cargo rebounded by **↑8,9%** versus December 2019, according to the latest "*Air Cargo Market Analysis*" by the International Air Transport Association (IATA)[22]. In 2021 overall, air cargo volumes – measured in industry-wide cargo tonne-kilometres (CTKs) – rose by an enormous **↑18,7%** y/y, the second-best yearly performance since IATA's series started in 1990. The annual performance is only behind 2010, which saw a massive boom following the depressed 2009 caused mainly by the global financial crisis. In summary, cargo volumes were **↑3,5%** above the pre-crisis 2018 peak. The following figure shows the comparative growth in the last five years, noting the strong performance in 2021:

[18] Wackett, M. 24/01/2022. New York nudges biggest US container port title as west coast imports flatline.
[19] White House. 19/01/2022. FACT SHEET: Biden-Harris Administration Announces Historic Investment to America's Port and Waterway Infrastructure.
[20] Simpson, Spence & Young. 2022. Outlook 2022.
[21] Wiese Bockmann. 24/01/2022. Shipping emissions rise 4.9% in 2021.
[22] IATA. 25/01/2022. Air Cargo Market Analysis.

Figure 16 – CTK levels, actual and seasonally adjusted



Source: [IATA]

Even though the available cargo tonne-kilometres (ACTKs) fell by 10.9% compared to pre-pandemic levels of 2019, air cargo remained robust throughout 2021. IATA notes that air cargo has been driven by a balance between strong demand for goods – including PPE at the end of the year – and supply chain issues partly linked to a lack of capacity. Nevertheless, cargo capacity did come back slowly during the year due to growing international passenger traffic. Indeed, passenger numbers rose to **41,6%** of 2019 levels compared with **34,2%** in 2020 as more markets reopened with vaccination progress[23]. Furthermore, in December 2021, ACTKs were a mere **↓4,7%** below the same month in 2019. As previously reported, the tight market led to exceptionally high load factors and elevated air cargo rates.

In other aviation news, Lufthansa Cargo is the latest carrier to suffer operationally from an outbreak of COVID-19 and has been forced to cancel all transit traffic through Frankfurt[24]. Meanwhile, in a joint bid with MSC, the German airline is set to take over Italy's new ITA Airways[25]. Lastly, Geodis has expanded its Asia Pacific airfreight network via a partnership with Malaysia's Air Asia X, following surging volumes and a continued lack of belly-hold capacity across the region[26].

[23] IATA. 25/01/2022. Air Passenger Market Analysis.
[24] Lennane, A. 26/01/2022. COVID-hit Lufthansa Cargo cancels all transit freight via Frankfurt hub.
[25] Lennane, A. 25/01/2022. MSC and Lufthansa in joint bid to take over Italy's new ITA Airways.
[26] Whelan, S. 26/02/2022. Geodis air freight tie-up with Air Asia X will ease pressure on supply chains.