

# COVID-19: Cargo movement update<sup>1</sup>

**Date: 1 July 2022**

## Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current <sup>2</sup>			Previous <sup>3</sup>			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	30 941	32 976	<b>63 917</b>	27 961	32 749	<b>60 710</b>	<b>↑5%</b>
Air Cargo (tons)	4 993	2 815	<b>7 808</b>	5 386	3 058	<b>8 445</b>	<b>↓8%</b>

## Monthly Snapshot

Figure 1 – Monthly<sup>4</sup> cargo volume levels, year on year (100% = baseline)

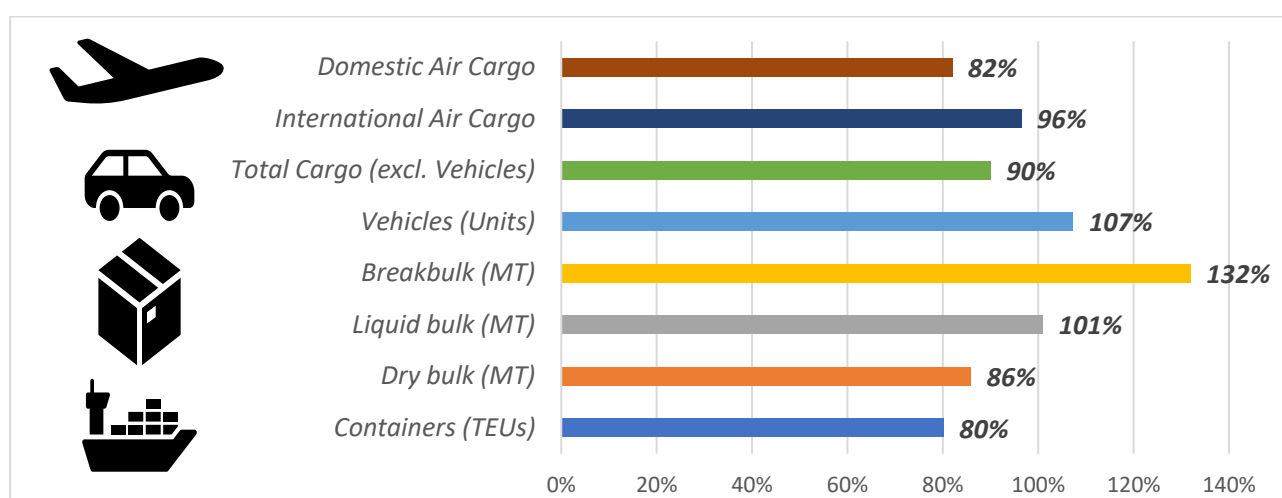
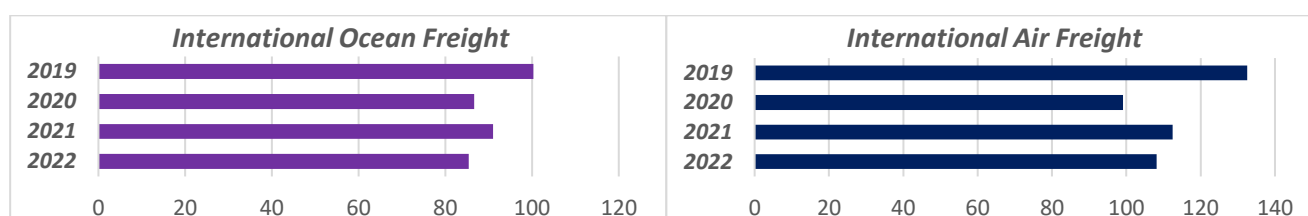


Figure 2 – Global year-to-date flows 2019-2022<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



## Key Notes

- An average of **~9 131 containers** was handled per day, with **~8 915** projected for next week.
- Rail cargo handled out of Durban amounted to **1 261** containers, **↑8%** compared to last week.
- This week, cross-border queue times **↓0,4 hours**, with transit times **↑2,6 hours** (see [below](#)).
- The "WCI" declined for the 18<sup>th</sup> straight week, with spot rates **↓3%** (or **\$220**) to **\$7 066** per 40-ft.
- The RWI/ISL container throughput index increased from **122,1** (revised) to **123,6** points in May.
- Liner schedule reliability improved by **↑2,1%** (m/m) to **36,4%**, with average late arrivals at **6,17 days**.
- South African container terminals all experienced significant improvements in connectivity in Q2 2022.

<sup>1</sup> 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 94<sup>th</sup> update.

<sup>2</sup> 'Current' means the last 7 days' (a week's) worth of available data.

<sup>3</sup> 'Previous' means the preceding 8-14 days' (a week's) worth of available data.

<sup>4</sup> 'Monthly' means the last full month's worth of available data compared to the same month in the previous year. All metrics: May vs. May.

<sup>5</sup> For ocean, total Jan-May cargo in metric tonnes, as reported by [Transnet](#) is used, while for air, Jan-May cargo to and from ORTIA is used.

### Executive Summary

This update – *the 94<sup>th</sup> of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Newly reported COVID-19 infections declined significantly this week, averaging approximately **469** per day (↓**47%** against last week's average of **885**). South Africa has recorded **3,99 million**<sup>6</sup> positive cases, with the death toll up to **101 793** this week (up by **89**). Globally, the case tally stands at **548 million** infected by COVID-19, with **6,3 million** deaths recorded. Around **12,1 billion** vaccine doses have been administered globally<sup>7</sup>, with South Africa now at **36,8 million**.

Port operations this past week were characterised by equipment breakdowns, delays in the Cape regions, and road congestion in the KZN region. However, the overall port performance showed a positive trend, with rail at DCT recovering and Pier 1 moving a record number of containers at waterside operations.

On the international shipping side, the ongoing narrative of increased container throughput amid decreasing spot rates continues, as schedule reliability and liner connectivity have also increased slightly. All the indicators point to a continuation of supply chain recovery, despite the warnings made by UNCTAD that the ongoing war in Ukraine is pushing up global shipping costs, stifling trade, and exacerbating existing supply chain disruptions (see [below](#)). As a result, many countries are looking elsewhere for the commodities they import, notably oil, gas, and grain. These disruptions have intensified rising food and fuel prices, with accelerated global inflation the net result. As mentioned in last week's report, rising freight costs – particularly containers – are responsible for ~**1,6%** of inflation globally. However, when the accompanying increase in grain prices is added, these two factors lead to a **3,7%** increase in consumer food prices globally. Further developments of note included **(1)** FIATA calling for a fair maritime market system, **(2)** Singapore continues \$14 billion port expansion, **(3)** MSC launches more solo services, and **(4)** ONE Line introducing overweight surcharges (see [below](#)).

South Africa's international air cargo sector volumes continue to post reasonable numbers despite a slight drop this week (↓**8%**), while domestic air cargo increased significantly (↑**28%**) after the quiet week last week. Operationally, the jet fuel shortages experienced at ORTIA in the aftermath of the KZN floods have been rectified, with fuel reserves back to normal levels. Internationally, the recovery in aviation continues to gain momentum, as financial forecasts indicate that airline losses are forecasted to be limited to **\$9,7 billion** in 2022. Other developments of note include **(1)** global air cargo capacity almost back to 2019 levels but might reduce in the future in Europe, as **(2)** the Dutch government on Friday ordered Schiphol to cut flight numbers by **12%**, with other major hubs potentially following suit.

On the road freight front, cross-border transit times for South African borders averaged around **13 hours** (no change) this week, as delays continue at Kasumbalesa, Kopfontein, and Groblersbrug. Apart from regional cross-border bottlenecks, this week's focus was on getting operations running at alternative borders to Kasumbalesa, notably Sakania and Mokambo. Further developments for road transport included **(1)** Chirundu started dipping all tankers – adding to delays, and **(2)** issues with Beitbridge boom gates because of load-shedding.

In concluding this week's report, there remain some causes for optimism in our extended logistics network. TPT shared positive news this week, as Pier 1 broke a volume record. The terminal handled 17 863 TEUs in a week, a one-week record. These metrics indicate that TPT is heading in the right direction after the devastation caused by the floods. Once the TTT, GCH and SWH numbers follow suit, moving towards the upper bounds of the set KPIs, our extended maritime economy will be on a winning track. And the same rings true for many aspects of our industry, as several important cogs need to work together to make the entire wheel turn.

<sup>6</sup> Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

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

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## COVID-19: Cargo movement update

### 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 25 June to 1 July<sup>8</sup>

7-day flow forecast (25/06/2022 – 01/07/2022)		
TERMINAL	NO. OF CONTAINERS <sup>9</sup> TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 924	5 300
DURBAN CONTAINER TERMINAL PIER 2:	14 057	14 101
CAPE TOWN CONTAINER TERMINAL:	5 458	6 850
NGQURA CONTAINER TERMINAL:	5 802	5 325
GQEBERHA CONTAINER TERMINAL:	700	1 400
<b>TOTAL:</b>	<b>30 941</b>	<b>32 976</b>

Source: Transnet, 2021. Updated 01/07/2022.

Table 3 – Container Ports – Weekly flow reported for 2 to 8 July

7-day flow forecast (02/07/2022 – 08/07/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	3 889	5 789
DURBAN CONTAINER TERMINAL PIER 2:	14 139	14 217
CAPE TOWN CONTAINER TERMINAL:	6 612	6 268
NGQURA CONTAINER TERMINAL:	4 174	4 821
GQEBERHA CONTAINER TERMINAL:	972	1 522
<b>TOTAL:</b>	<b>29 786</b>	<b>32 617</b>

Source: Transnet, 2021. Updated 01/07/2022.

An average of **~9 131 containers** (**↑5%**) was handled per day for the last week (25 June to 1 July, Table 2), compared to the projected average of **~9 047 containers** (**↑1%** actual versus projected) noted in last week's report. A decreased average of **~8 915 containers** (**↓2%**) is projected to be handled next week (2 to 8 July, Table 3). Operationally, a few minor delays were caused by equipment breakdown and several truck delays, but overall, our commercial ports had a good week (see the more detailed breakdown per port [below](#)).

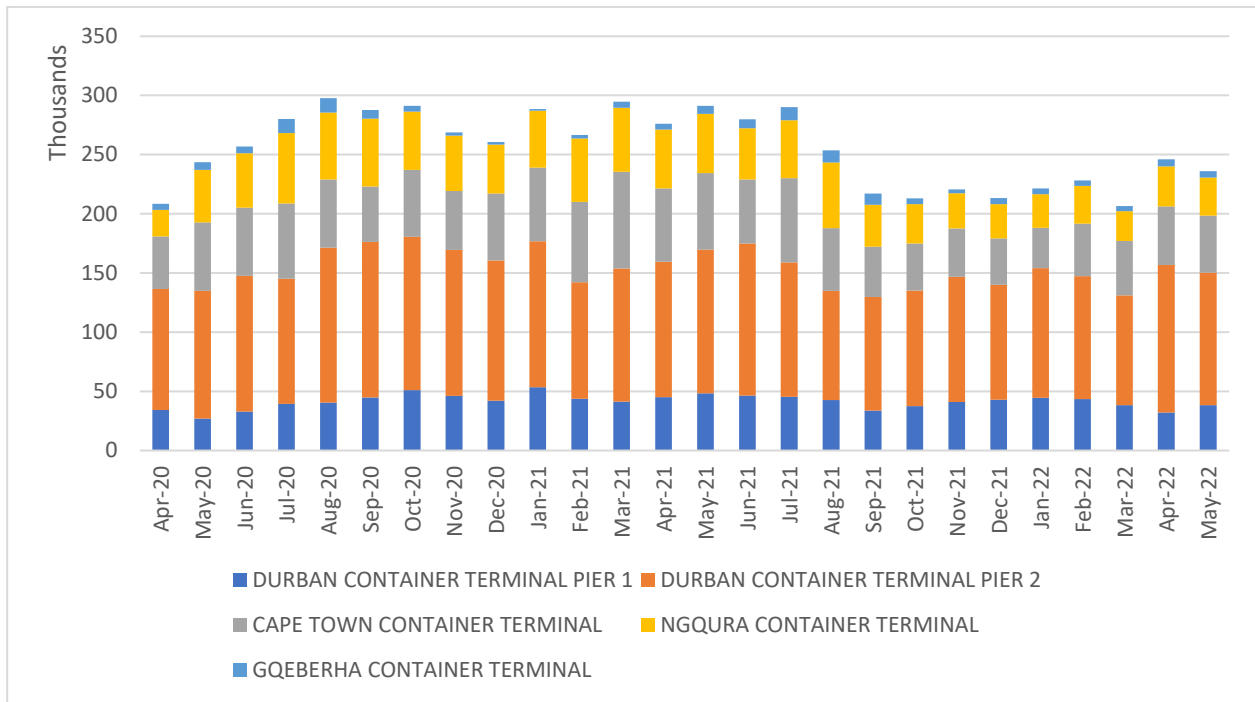
The following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the nationwide lockdown.

<sup>8</sup> It remains important to note that a fair percentage (approximately 40% according to the latest year-to-date TNPA figures) of containers are neither imported nor exported, but rather consist of empties and transshipments. 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 empty reefers in preparation for the deciduous fruit season.

<sup>9</sup> As mentioned before, in previous versions of the report, the measurement was incorrectly indicated as "TEUs", when it should have been noted as containers (20' and 40'). Incidentally, Transnet works on a ratio of approximately 1,4 TEUs per container.

## COVID-19: Cargo movement update

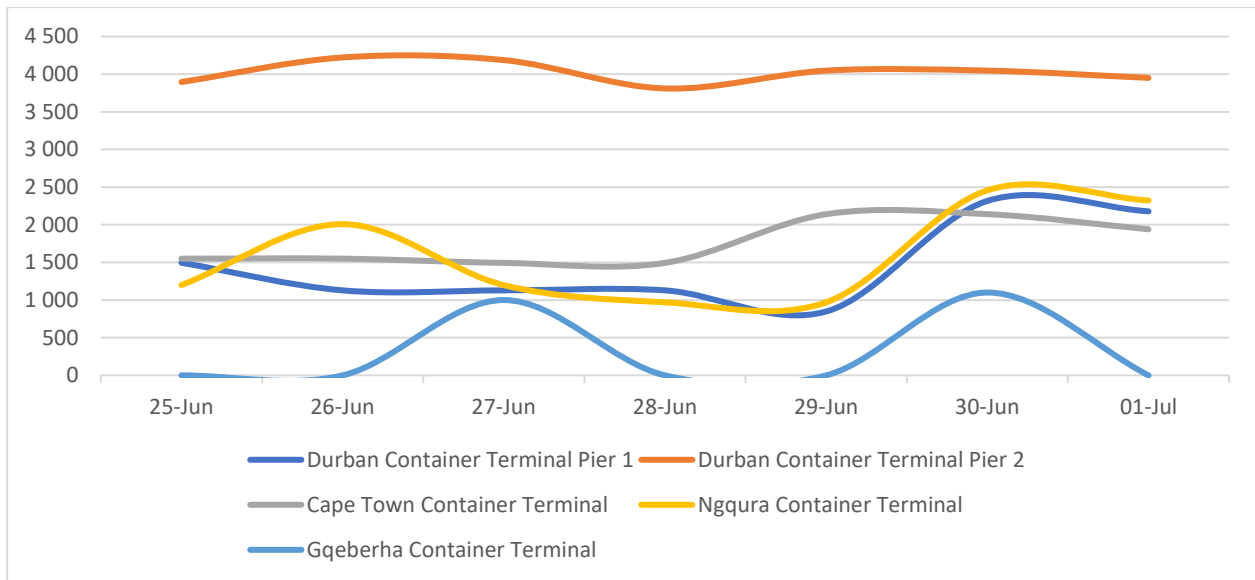
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

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

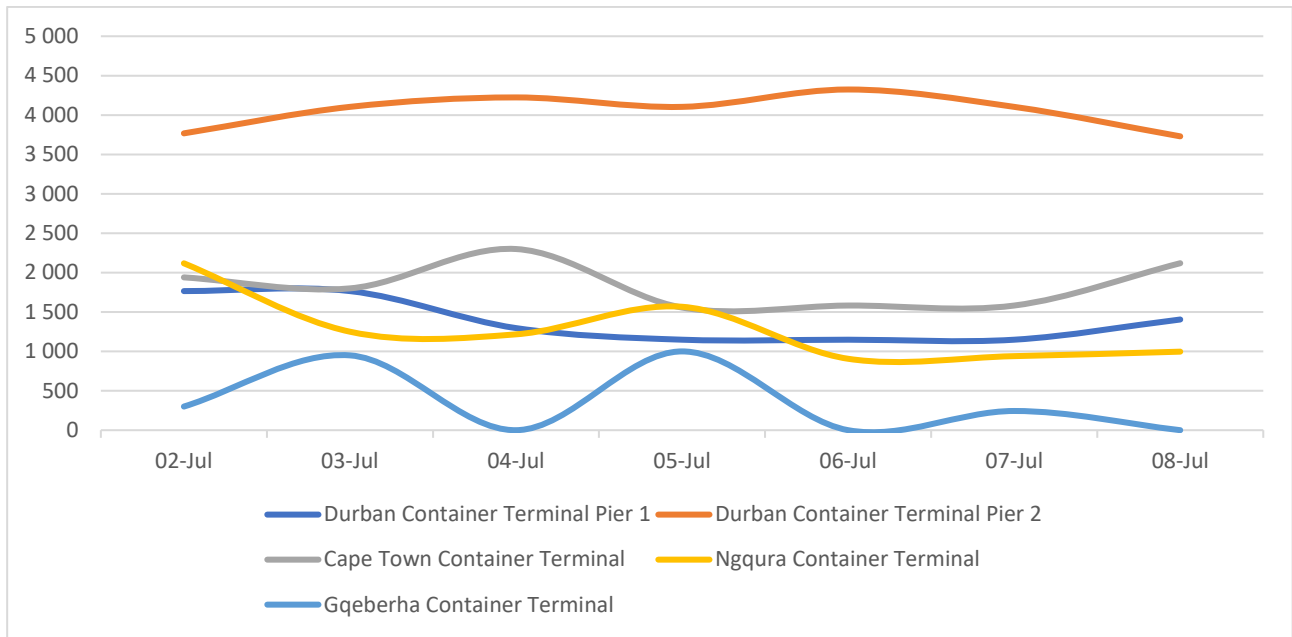
Figure 4 – 7-day flow reported for total container movements (25 June to 1 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

## COVID-19: Cargo movement update

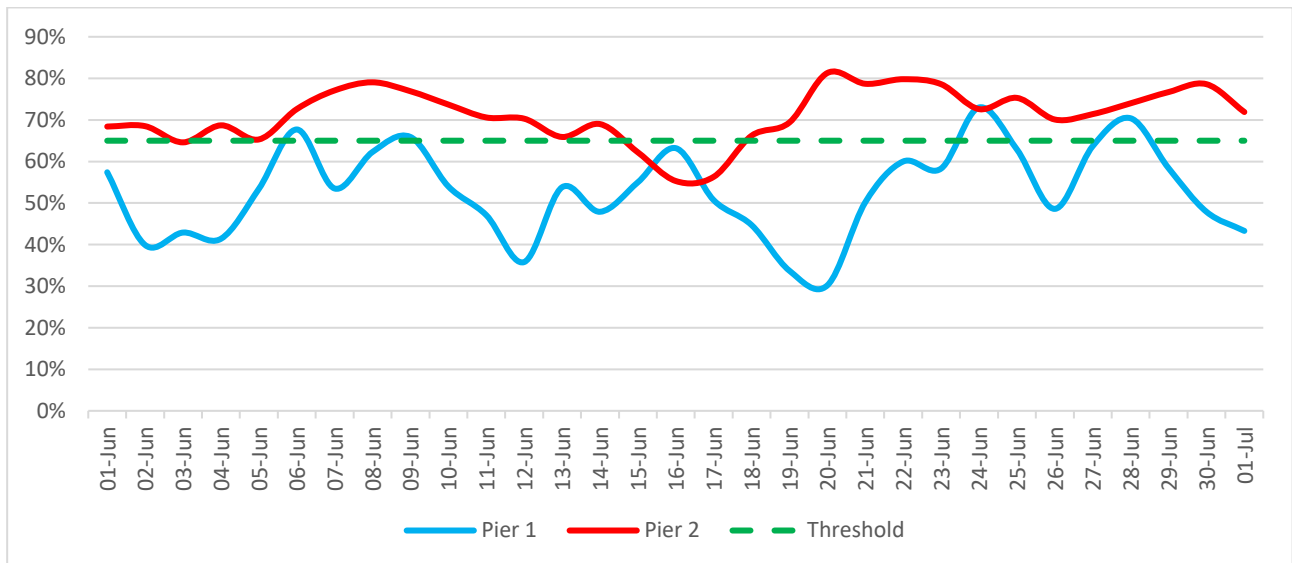
Figure 5 – 7-day forecast reported for total container movements (2 to 8 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

The following figure shows daily stack occupancy in both Durban terminals over the last five weeks.

Figure 6 – Stack occupancy in DCT, general-purpose containers (1 June to present; per pier; day on day)

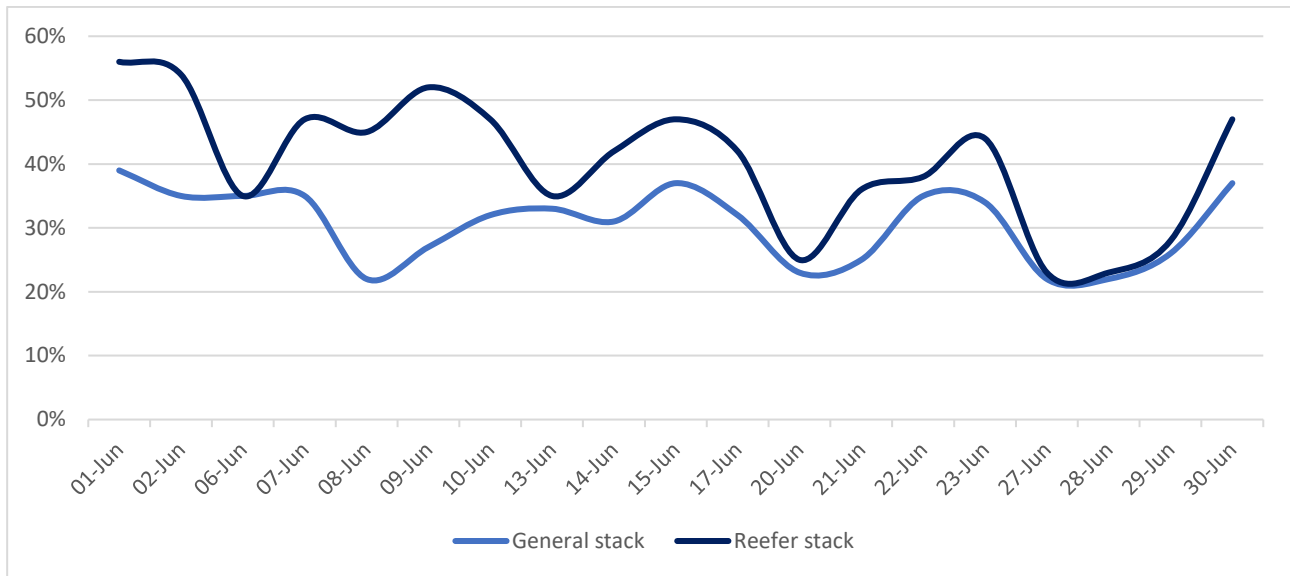


Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

The following figure shows daily stack occupancy in Cape Town over a similar period.

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Figure 7 – Stack occupancy in CTCT, general-purpose, and reefer containers (1 June to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

### 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 and other delays

None of the ports reported any weather delays; however, there were reports of equipment breakdowns causing minor delays.

#### ii. Cape Town

On Tuesday, CTCT recorded two vessels at outer anchorage and two vessels at berth worked by six gangs, six STS cranes, 18 RTGs, and 39 hauliers. Stack occupancy for GP containers was 26%, reefers 29% and empties 22%. In the latest 24-hour period, the terminal managed to handle 1 632 TEUs across the quay. In addition, the terminal serviced 1 188 external trucks on the landside at a truck turnaround time of 20 minutes, while 69 containers were moved via rail. Regarding delays, there were some issues equipment breakdowns and dredging taking place at berth 601 meant that not all cranes could be used in operations.

Cape Town MPT on Tuesday recorded zero vessels at anchor, with one container vessel at berth. In the latest 24-hour period, the terminal managed to handle 413 truck visits at a truck turnaround time of 8 minutes. Stacks were sitting at 32% for GP containers, 35% for reefers and 5% for empties. No challenges were reported.

#### iii. Durban

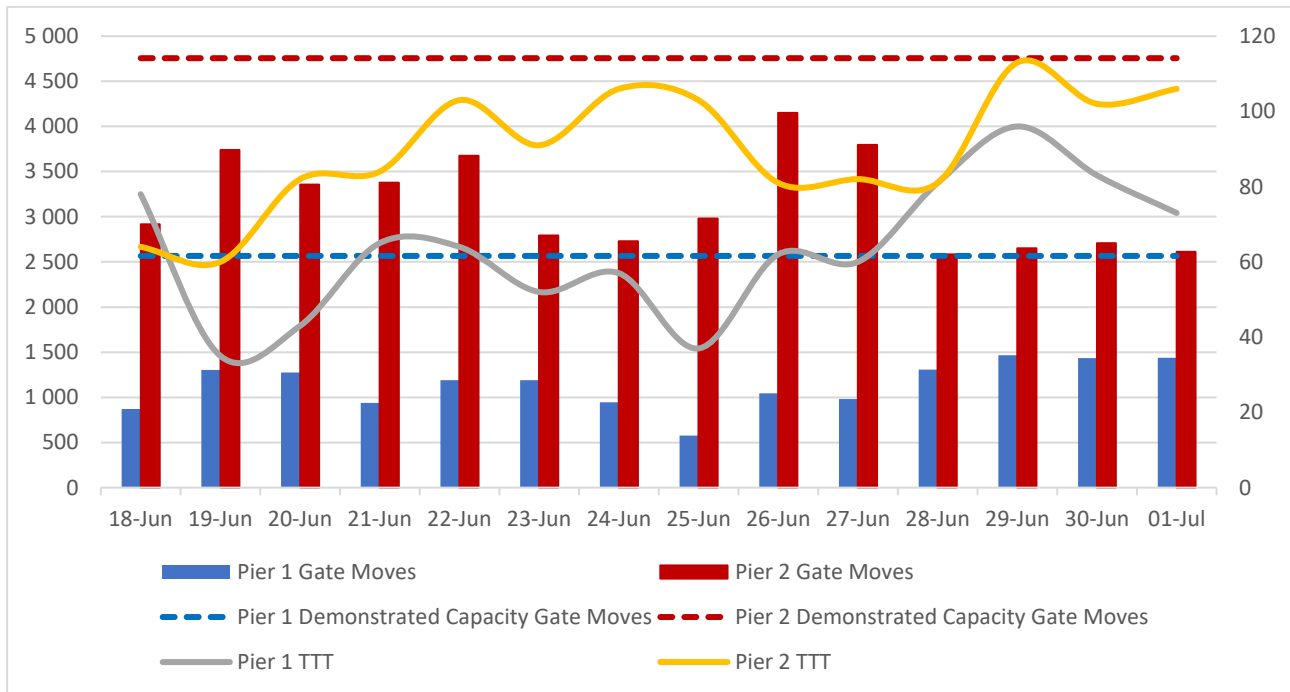
Pier 1 broke a volume record this week, as the terminal handled 17 863 TEUs in a week, a record for one week. These metrics indicate that TPT is heading in the right direction after the devastation caused by the floods. Once the TTT and SWH can follow suit and push the upper bound of the KPIs set, our extended maritime economy will be on a winning formula. Besides the volume, Pier 1 on Wednesday recorded two vessels at berth and none at anchor. Stack occupancy was 58% for GP and 35% for reefers, with 2 245 imports on hand, 457 reefers and 109 unassigned units. The terminal recorded 1 467 gate moves on the landside, with 864 cancelled slots and 138 wasted. 118 TEUs were handled via rail. Over the week, the terminal recorded an average of 17 RTGs available.

## COVID-19: Cargo movement update

Durban Pier 2 had a busier week than usual, recording three vessels at berth and three at anchorage on Wednesday. In the most recent 24 hours, the terminal managed to handle an impressive 4 987 TEUs across the quay. Stack occupancy was 77% overall, and for reefers specifically, 67%. The terminal had between 80 and 85 straddles in operation throughout the week, manned by 12 gangs. Cranes 522 and 534 remain on long outages. On the landside, the terminal recorded servicing 2 649 external trucks within an average TTT of 145 minutes and a staging time of 113 minutes. A total of 133 rail import containers were on hand, with 123 TEUs moved by rail.

The following figure summarises the port performance of Durban's container terminals for the last two weeks, focusing on gate moves and time spent in the terminals.

Figure 8 – Gate moves (left axis), and time spent in the terminal (in minutes, right axis)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

### iv. Eastern Cape ports

GCT on Wednesday recorded no vessels at anchorage and one vessel at berth. Regarding performance in the 24 hours to Wednesday, the terminal recorded a GCH of ~21 and an SWH of ~39 while handling 641 TEUs in the 24 hours. Stack occupancy was at 55% for GP containers and 31% for reefers. The terminal recorded 309 external trucks with an average truck turnaround time of 33 minutes. The terminal reported some straddle carriers out for repairs.

NCT had another busy week, with two vessels at berth and two at outer anchorage on Wednesday. The terminal handled 1 614 TEUs across the quay and recorded a poor GCH of ~17 and an SWH of ~44. Stack occupancy for GP containers was 32%, with reefers at 35% and reefer ground slots at 46% capacity, with 205 reefers handled during the 24 hours to Wednesday. On the landside, the terminal recorded only 422 gate moves with an average TTT of 42 minutes. The terminal did experience slower operations due to RTG breakdowns.

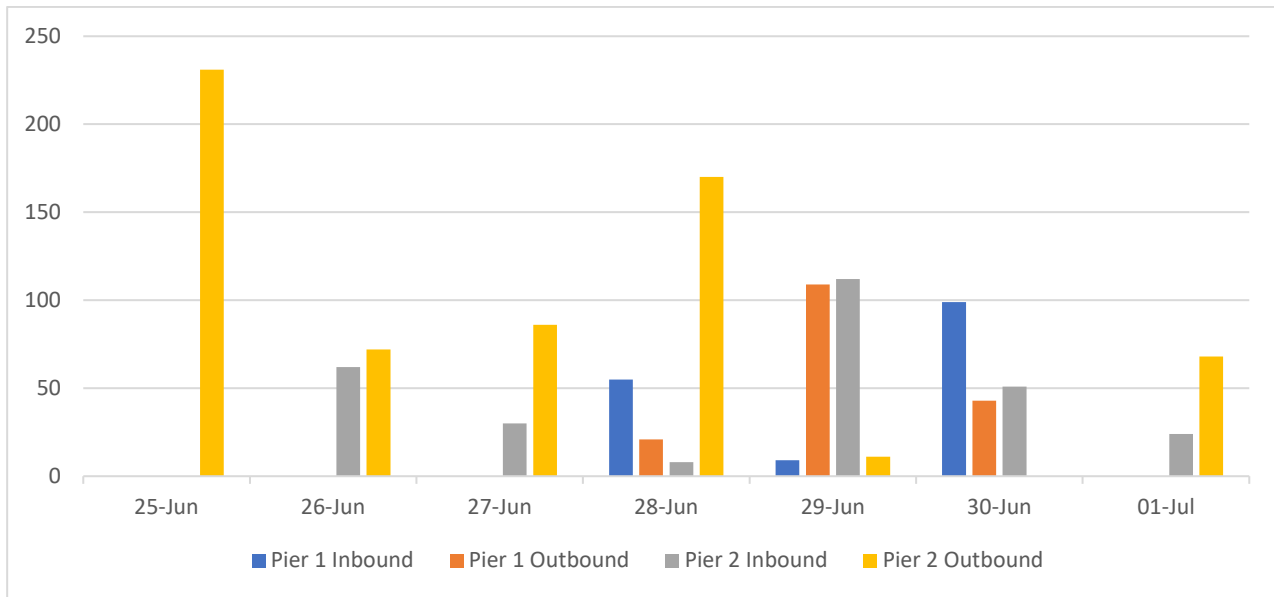
### v. Transnet Freight Rail (TFR)

Operations are slowly returning to normal with continued improvements in the movement of containers via rail through DCT. The following figure shows the rail cargo evacuated from DCT in the last week.



## COVID-19: Cargo movement update

Figure 9 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 01/07/2022.

In the last week (25 June to 1 July), rail cargo handled out of Durban was reported at **1 261** containers, **↑8%** from the previous week's **1 172** containers.

## 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 beginning 20 June. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *June 2021* averaged **~740 464 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

Flows	20-Jun	21-Jun	22-Jun	23-Jun	24-Jun	25-Jun	26-Jun
<b>Volume inbound</b>	533 238	372 077	499 279	499 323	366 704	268 938	955 763
<b>Volume outbound</b>	140 836	308 132	192 757	236 806	197 256	245 483	649 094
<b>Total</b>	<b>674 074</b>	<b>680 209</b>	<b>692 036</b>	<b>736 129</b>	<b>563 960</b>	<b>514 421</b>	<b>1 604 857</b>

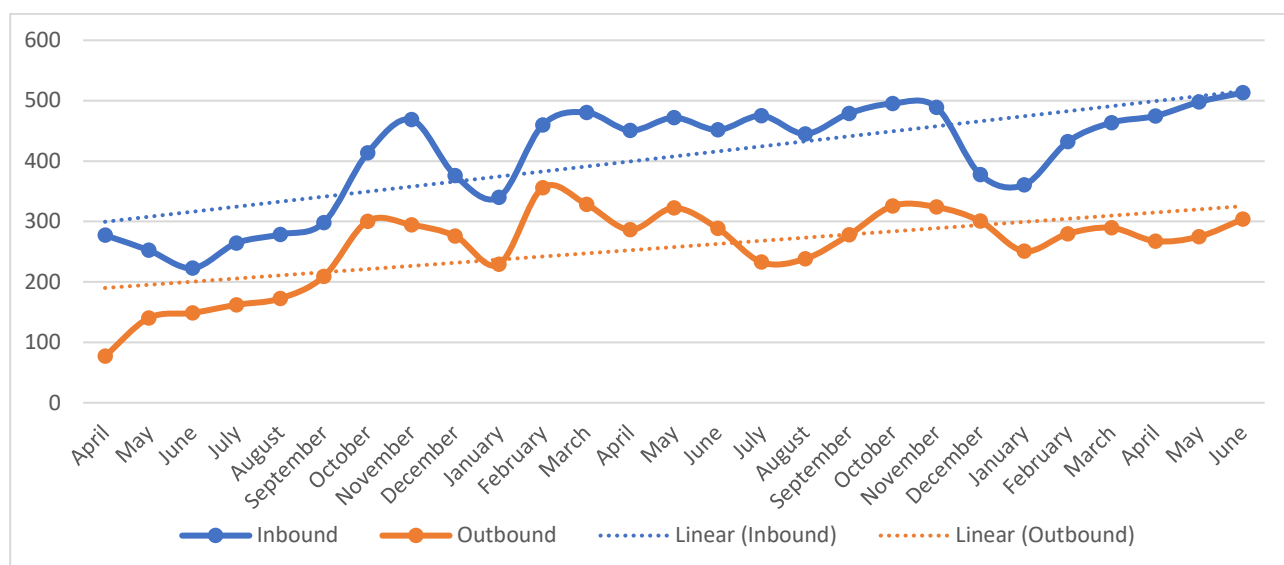
Courtesy of ACOC. Updated: 27/06/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **499 332 kg** inbound and **281 481 kg** outbound, resulting in an average of **780 812 kg** per day or **~96%** compared with June 2021. Also, the level is currently at **~208%** compared with the same period in 2020. The good operational news out of ORTIA is that the fuel shortages are a thing of the past as reserves are back to normal.

The following figure shows the monthly global freight movement at ORTIA since the pandemic outbreak.

## COVID-19: Cargo movement update

Figure 10 – International in – and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 27/06/2022.

### b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the state of disaster period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) handled in June 2021 was ~71 932 kg per day.

Table 5 – Total domestic inbound and outbound cargo

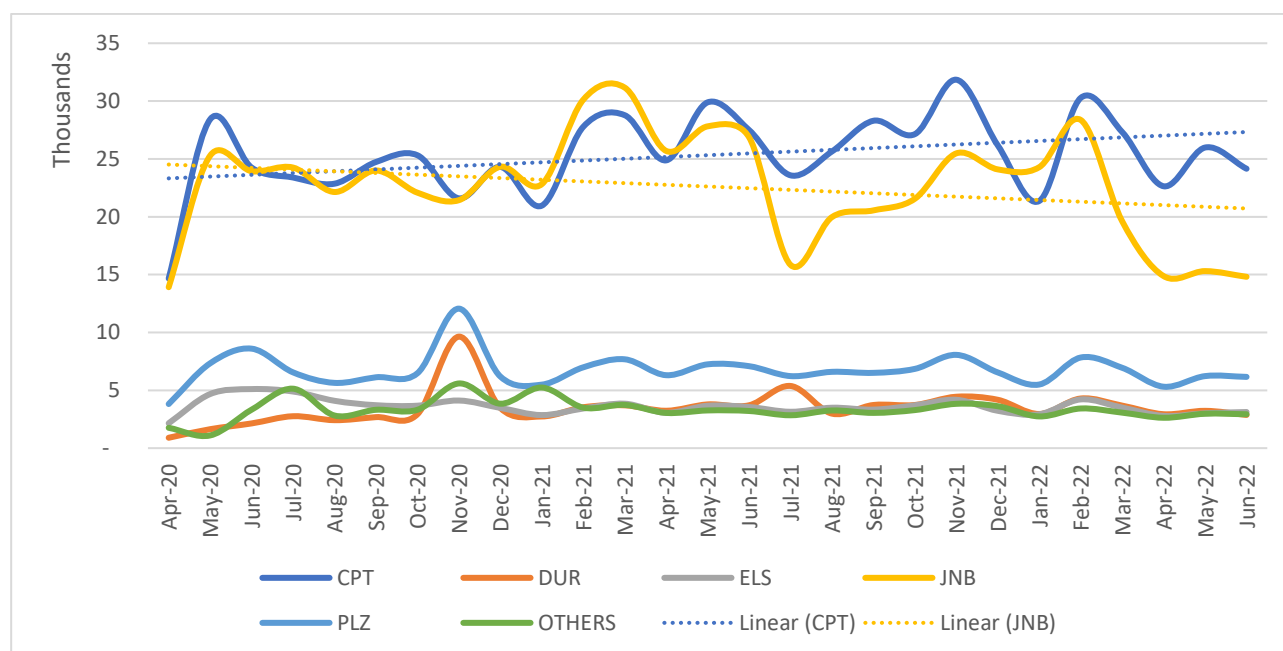
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	21 813	2 941	3 751	20 539	6 571	3 176	56 713
Jan-Dec '21 Av.	26 817	3 754	3 452	24 270	6 789	3 483	68 218
Jan Average	21 367	2 954	2 929	24 288	5 501	2 742	59 780
Feb Average	30 276	4 291	4 213	28 370	7 835	3 428	78 412
Mar Average	27 325	3 677	3 504	19 611	6 946	3 069	64 131
Apr Average	22 637	2 934	2 787	14 870	5 311	2 627	51 165
May Average	25 622	3 039	2 909	14 743	6 119	2 914	55 346
Jun Average	24 151	2 872	3 122	14 812	6 160	2 931	54 048
21-Jun-22	42 788	4 700	5 613	26 090	9 529	4 352	93 072
22-Jun-22	41 838	4 745	5 246	23 329	9 342	4 734	89 234
23-Jun-22	36 310	4 017	4 213	23 249	9 237	3 513	80 539
24-Jun-22	15 408	3 764	3 920	14 290	4 606	2 476	44 465
25-Jun-22	1 448	721	28	427	117	93	2 834
26-Jun-22	1 470	259	253	411	647	231	3 269
27-Jun-22	41 440	2 889	5 404	25 458	9 276	4 310	88 775
<b>Total for 2022:</b>	<b>4 552 254</b>	<b>600 054</b>	<b>585 977</b>	<b>3 540 423</b>	<b>1 130 328</b>	<b>529 354</b>	<b>10 938 389</b>

Courtesy of BAC. Updated: 28/06/2022.

The average domestic air cargo moved last week was ~57 455 kg per day, which is ↑28% compared with the previous week and ~83% compared to June 2021. The following figure shows the monthly domestic freight movement at our commercial airports during the state of disaster, with OR Tambo figures trending down in recent months.

## COVID-19: Cargo movement update

Figure 11 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 28/06/2022.

### 3. Road and Regional Update

#### a. Cross-border and road freight delays

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

- For South African borders, clearing times in the last week averaged around **13 hours**, unchanged from the previous week.
- Some good news for Kasumbalesa, as FESARTA successfully engaged with the Commissioner-General of ZRA, Dingani Banda, and the Commissioner of Customs ZRA, Sydney Chibbabbuka, to open the Mokambo and Sakania border posts with DRC to ease the congestion. As a result, the industry hopes to see the queue at Kasumbalesa, which is currently 70 km and has been like this for months, dwindling to normality in the coming weeks. FESARTA will continue to monitor the situation and keep the pressure on ZRA should things not go according to plan. FESARTA remains committed to achieving its objective to clear the backlog at Kasumbalesa.
- Last week, Chirundu started dipping all tankers, regardless of what they were carrying. Also hampering movements was a shortage of seals. These delays resulted in drivers staying longer on the Zambian side, with officials taking as long as 15 minutes to check every vehicle before it was released.
- Beitbridge had a few issues recently, including the gate boom's inability to move because of power outages and load-shedding on the South African side.
- During the last seven days, there were no closures of any South African borders. However, we encourage traders to stay abreast of border post communications as per the SARS [website](#).
- Transporters, traders, and cargo owners are still encouraged to use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariate.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region, with lengthy queuing times at Kasumbalesa, Kopfontein, and Groblersbrug resulting in ongoing delays.

## COVID-19: Cargo movement update

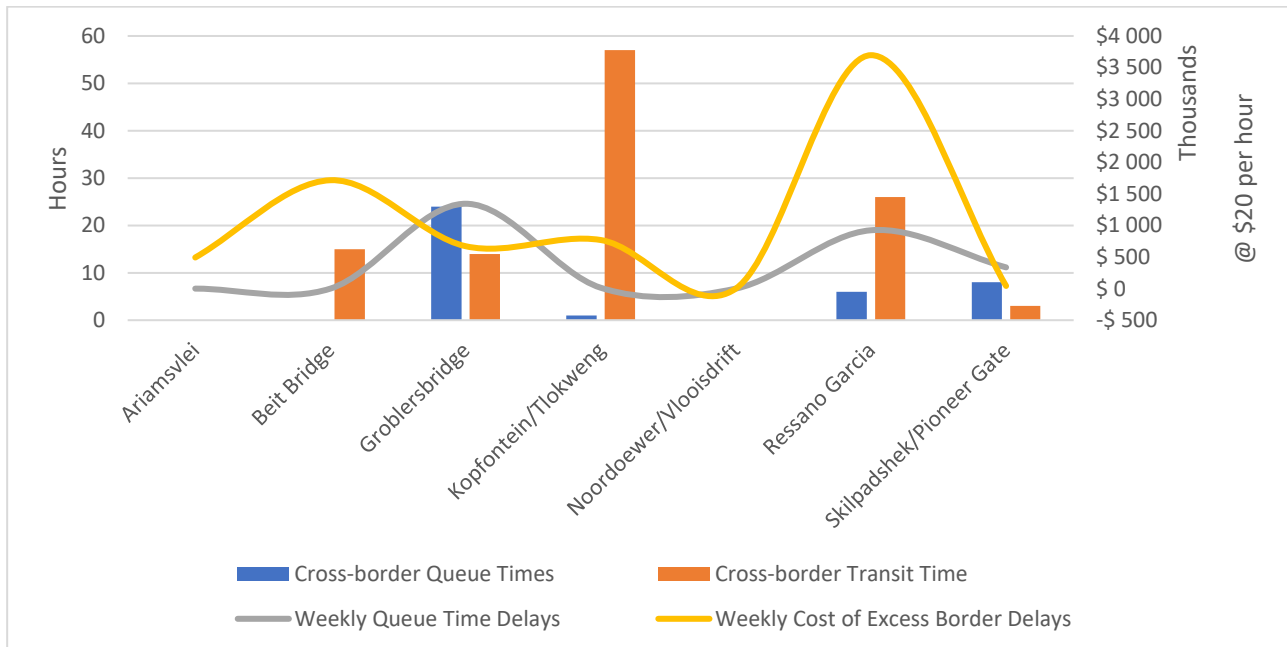
Table 6 – Delays<sup>10</sup> summary – Selected SADC borders

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	-	0:00		0	0	24 640	0
SA/Zim	Beitbridge	0:00	15:00	943	28 290	6 601	85 813	0
Moz/Zam	Cassacatiza/Mlolo	1:00	15:00	175	5 250	1 225	15 925	1 225
Zam/Zim	Chirundu	0:00	18:00	620	18 600	4 340	69 440	0
Moz/Mal	Dedza	2:00	18:00	50	1 500	350	5 600	700
SA/Bot	Groblersbrug/Martins Drift	24:00	14:00	400	12 000	2 800	33 600	67 200
Zam/DRC	Kasumbalesa	192:00	55:00	750	22 500	5 250	278 250	1 008 000
Zam/Bot	Kazungula	0:00	16:00	240	7 200	1 680	23 520	0
SA/Bot	Kopfontein/Tlokweng	1:00	57:00	100	3 000	700	38 500	700
Moz/Zim	Machipanda/Forbes	1:00	10:00	320	9 600	2 240	17 920	2 240
Zim/Moz	Nyamapanda	1:00	11:00	100	3 000	700	6 300	700
SA/Moz	Lebombo/Ressano Garcia	6:00	26:00	1 100	33 000	7 700	184 800	46 200
SA/Bot	Skilpadshek/Pioneer Gate	8:00	3:00	300	9 000	2 100	2 100	16 800
Nam/Bot	Trans Kalahari/Mamuno	-	31:00	100	3 000	700	20 300	0
Zam/Zim	Victoria Falls	1:00	4:00	114	3 420	798	1 596	798
Moz/Mal	Zobue/Mwanza	2:00	19:00	100	3 000	700	11 900	1 400
				<b>5 412</b>	<b>162 360</b>	<b>37 884</b>	<b>820 204</b>	<b>1 145 963</b>

Source: TLC & FESARTA, week ending 27/06/2022.

The following graph shows the weekly change in cross-border times and associated estimated cost.

Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



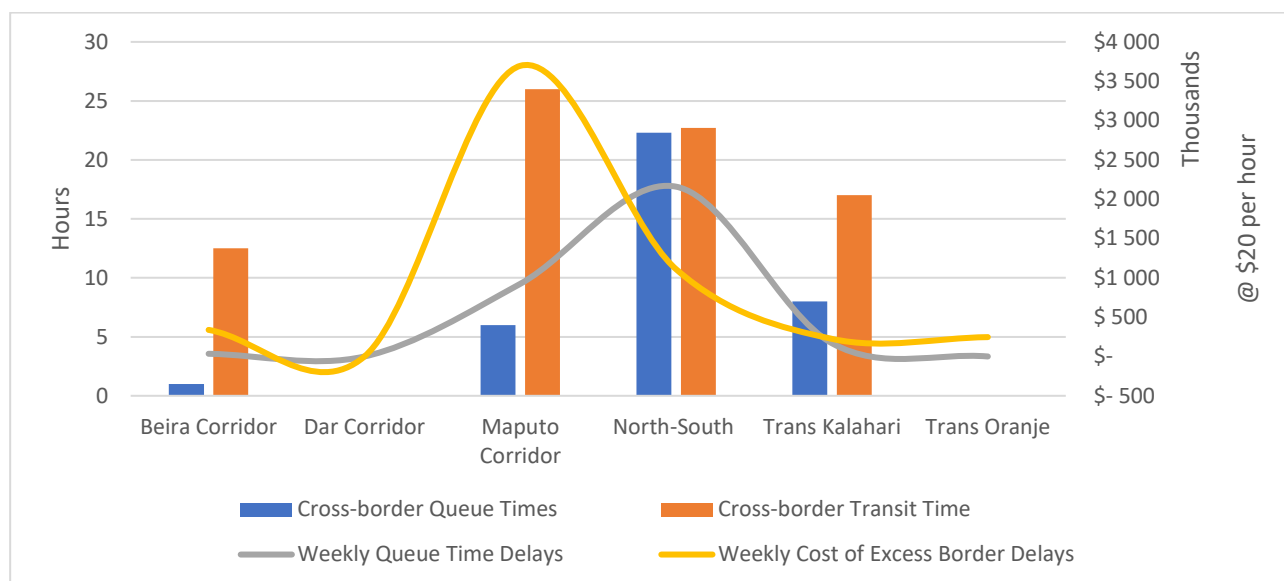
Source: TLC & FESARTA, week ending 27/06/2022.

<sup>10</sup> 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.

## COVID-19: Cargo movement update

The following figure echoes those above, this time from a corridor perspective.

Figure 13 – Weekly cross-border delays & est. cost from a corridor perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 27/06/2022.

In summary, cross-border queue time has averaged **~14,9 hours** (down by **~0,4 hours** from the **~15,3 hours** recorded in the previous report), costing the transport industry an estimated **\$23 million (R367 million)**. Furthermore, the week's average cross-border transit times hovered around **~18,4 hours** (up by **~2,6 hours** from the **~25,8 hours** recorded in the previous report), costing the transport industry **\$16 million (R262 million)**. As a result, the total cost for the week amounts to an estimated **~R629 million** (down by **~R97 million** or **↓13%** from **R726 million** in the previous report).

### 4. International Update

The following section provides some context around the global economy and the subsequent impact on trade, including an update on **(a)** global trade, **(b)** the global shipping industry, and **(c)** the global air cargo industry.

#### a. Global trade

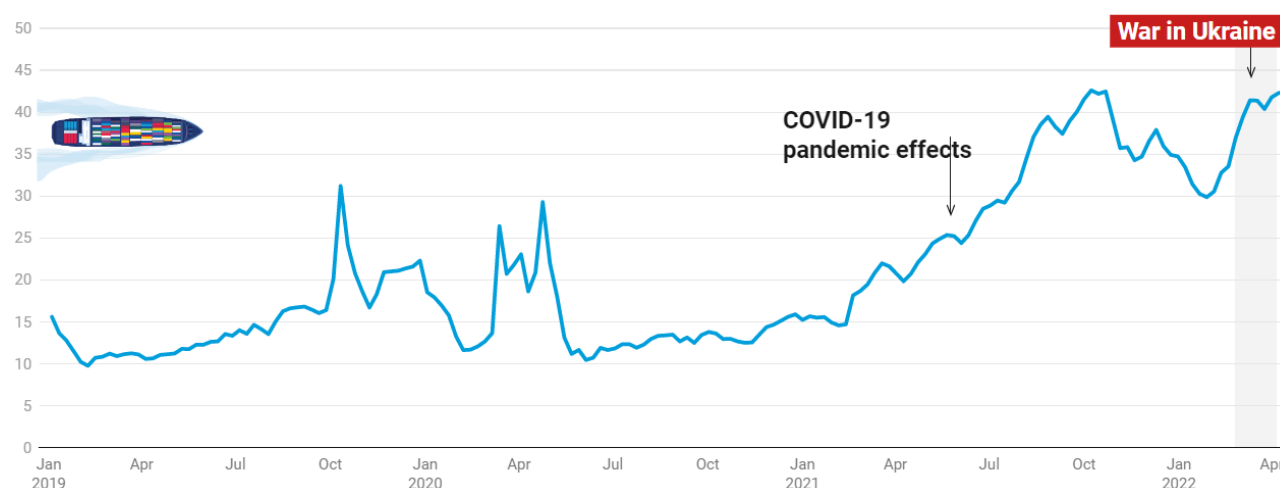
This week, the UN Conference on Trade and Development (UNCTAD) warned that the ongoing war in Ukraine is pushing up global shipping costs, stifling trade, and exacerbating existing supply chain disruptions. In a report entitled "*Maritime trade disrupted: The war in Ukraine and its effects on maritime trade logistics*"<sup>11</sup>, UNCTAD says Ukraine's trading partners now have to turn to other countries for the commodities they import, notably oil, gas, and grain. Even before the outbreak of the war, grain prices and shipping costs were on the rise, but the war in Ukraine has exacerbated this trend and reversed a temporary decline in shipping prices. UNCTAD says that between February and May 2022, the price paid for transporting dry bulk goods such as grains increased by nearly **↑60%**.

As mentioned in last week's report, rising freight costs – particularly containers – are responsible for **~1,6%** of inflation globally. However, when the accompanying increase in grain prices is added, these two factors result in a **3,7%** increase in consumer food prices globally. In addition, rising energy costs have also added to the struggles, as by the end of May 2022, the global average price for fuel had increased by **↑64%** since January. The following figure illustrates the result of these inhibitory factors in all (not only containers – see [below](#)) markets:

<sup>11</sup> UNCTAD. 28/06/2022. [Maritime Trade Disrupted: The war in Ukraine and its effects on maritime trade logistics](#).

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Figure 14 – Clark Sea Index – all shipping markets (thousand US\$ per day)



UNCTAD calls for urgent action to open Ukraine's ports to international shipping so the country's grain can reach overseas markets at lower shipping costs. UNCTAD says continued collaboration is needed among vessel flag states, port states and other actors in the shipping industry to maintain all necessary services. This collective drive will help keep the negative impacts on costs, insurance premiums and operations to a minimum. UNCTAD also says alternative ways of transport must be pursued and that easing transit and the movement of transport workers – even temporarily – can reduce the pressure on cross-border trade and transit. Lastly, UNCTAD calls for more international support for developing countries, especially the most vulnerable economies, as the war in Ukraine magnifies the challenges posed by the COVID-19 pandemic and the climate crisis.

### b. Global shipping industry

#### i. Container port throughput

The latest *RWI/ISL*<sup>12</sup> figures showed a slight increase in global container throughput, which was led by the recovery of Chinese ports despite continuously disturbed supply chains. The *RWI/ISL* index increased seasonally adjusted from **122,1** (revised) to **123,6** points in May<sup>13</sup>. The main driver of the recovery was the significant increase in throughput witnessed in Chinese ports, as the Chinese index rose from **130,6** (revised) to **133,8** points. On the other hand, the North Range Index, an indicator of economic development in the northern euro area and Germany, also increased – albeit slightly – from **109,7** (revised) to **111,5** points. The following figure shows the apparent moderation in the throughput volume after the colossal rise experienced in the aftermath of the hardest lockdown during the start of the pandemic.

<sup>12</sup> Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL)

<sup>13</sup> *RWI/ISL*. 30/06/2022. [RWI/ISL Container Throughput Index: Recovery of container throughput in spite of continuously disturbed supply chains.](#)

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Figure 15 – RWI/ISL Container throughput index (2015 = 100)



Source: [RWI/ISL](#)

The RWI/ISL Container Throughput Index consists of data from 90 international ports, constituting approximately **64%** of global container traffic. As is typically the case, we look forward to seeing the movement of Drewry's "*Container Port Throughput Index*", which is more comprehensive than the RWI/ISL Index. Nevertheless, the RWI/ISL serves as a good precursor of throughput data and is released a month earlier. Commenting on the latest change, the RWI's Torsten Schmidt noted that container throughput continues to be influenced by disturbing supply chains. As a result, throughput decreased in the ports of many emerging markets (including South Africa, where containers were **↓2%** (m/m) and **↓20%** (y/y) for May<sup>14</sup>).

### ii. Schedule reliability and liner connectivity

According to the latest May figures published by Sea Intelligence, global liner schedule reliability<sup>15</sup> has slightly improved and continues to follow a similar pattern as in 2021. Liner Schedule reliability rose by **↑2,1%** (m/m) to **36,4%**<sup>16</sup>. Although the monthly improvement is insignificant, the bigger picture shows that the global liner network is still deeply in negative territory, as reliability levels have been low since the significant drop starting around July 2020, with the annual figure remaining down **↓2,3%** (y/y). Despite reduced scheduling certainty, the global average delay for vessels waiting at ports has continued to improve, as the average decreased to **6,17 days** (**↓0,37** m/m). The improvement means that average delays are on par with last year's. The following side-by-side figures illustrate reliability and delays in the last five years.

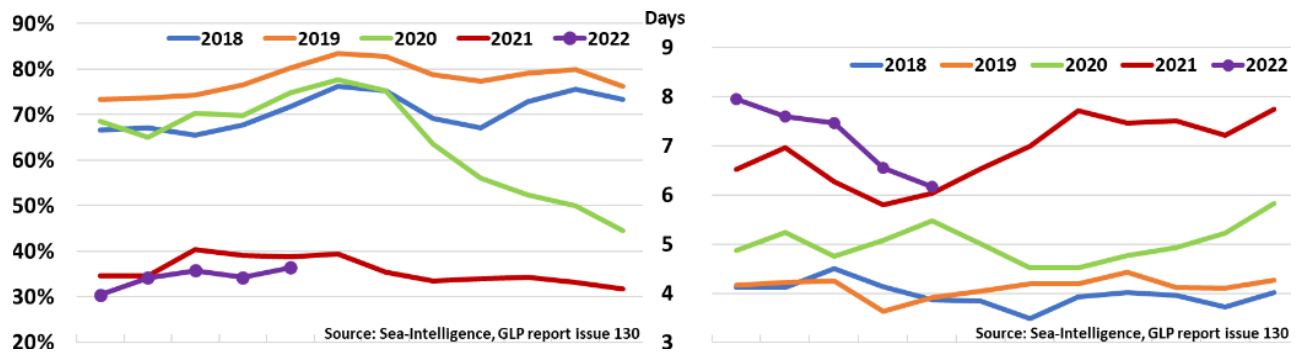
<sup>14</sup> Transnet. 2022. Port statistics. [TNPA](#)

<sup>15</sup> Although the metric produced by Sea Intelligence provides a decent overview of the current state of liner service levels, few insights are provided in the methodology used to measure reliability. For example, is it calculated on set schedules determined when a service commences, or is it measured more flexibly considering each consecutive berthing window per port per service?

<sup>16</sup> Murphy, A. 29/06/2022. [Schedule reliability remains between 30% and 40%](#).

## COVID-19: Cargo movement update

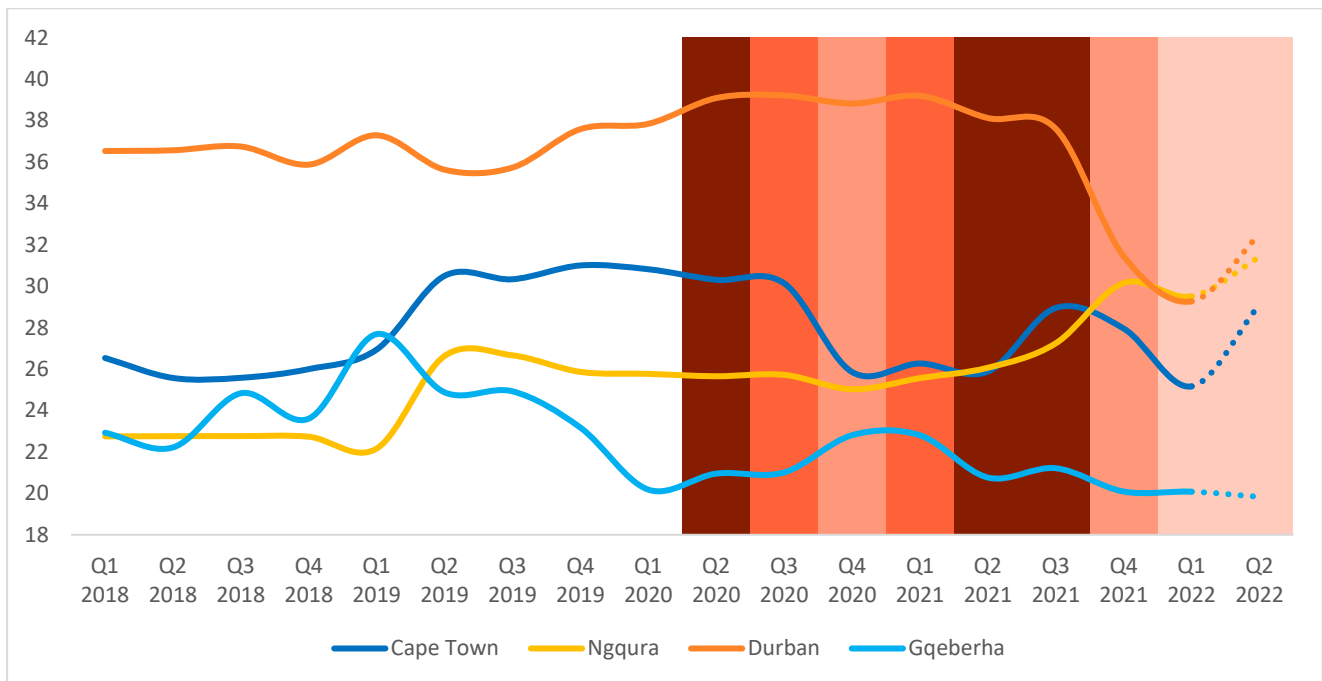
Figure 16 – Global schedule reliability (%) and average days for late vessel arrivals (days)



Source: [Sea Intelligence](#)

On an individual carrier level, Maersk was once again the most reliable top-14 carrier in May 2022 at **47,5%** ( $\uparrow 2,8\%$ ), followed by Hamburg Süd at **43,7%** ( $\uparrow 1,2\%$ ). In addition, there were six carriers with schedule reliability of **30%-40%** and six with schedule reliability of **20%-30%**. In summary, global liner services continue to be plagued by port congestion, human resource constraints, and widespread equipment shortages at key ports connecting the global network. On the latter, UNCTAD has released their latest "*liner shipping connectivity index*" for Q2 of 2022<sup>17</sup>. The following image shows the change in connectivity for South African ports:

Figure 17 – Liner shipping connectivity index (maximum Q1 2006 = 100) and lockdown level (darkest = 5)



Source: [UNCTAD](#)

When the pandemic broke out (Q2 2020), most container terminals in South Africa saw their shipping connectivity sharply reduced until at least Q1 this year, when lockdown restrictions were well and truly eased. Using Q2 2020 as a base period, Cape Town lost a massive  $\downarrow 25\%$  of connectivity, whereas Durban lost  $\downarrow 17\%$ . On the other hand, Ngqura was unaffected and gained connectivity ( $\uparrow 15\%$ ), while Gqeberha remained approximately the same. Fortunately, the connectivity has been seemingly restored, as Cape Town ( $\uparrow 15,7\%$ , q/q), Ngqura ( $\uparrow 6,5\%$ , q/q), and Durban ( $\uparrow 11,1\%$ , q/q) all experienced significant improvements in connectivity from the first quarter, as more and more liner vessels stop at South African terminals. Ultimately, for the South

<sup>17</sup> UNCTAD. 29/06/2022. [Liner shipping connectivity index](#).



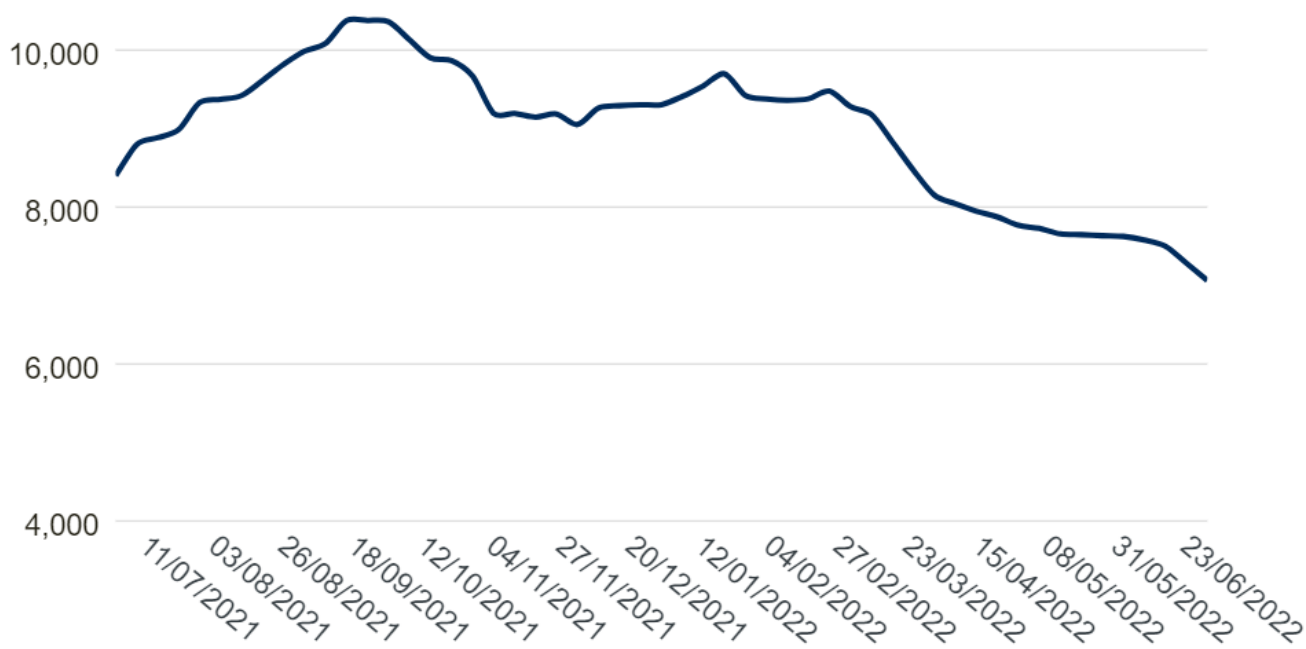
## COVID-19: Cargo movement update

African container industry to link throughput volume and trade growth, we need container terminals which are better connected globally. These latest developments are encouraging, and we trust they will continue for the foreseeable future.

### iii. Global container freight rates

For the 18<sup>th</sup> straight week, global container freight rates continued their decline, as Drewry's "World Container Index" decreased by a significant **↓3%** (or **\$220**) to **\$7 066** per 40-ft container this week<sup>18</sup>. Despite the increase in all shipping markets, as noted above, container freight rates continue to decline, as the composite index is **↓16%** (y/y) compared to this time last year, as shown here:

Figure 18 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

Although the long-term average remains high – the YTD average at **\$8 421** per 40ft container remains **\$4 930** higher than the five-year average of **\$3 490** – container freight rates are maintaining their welcome decline. On the major East-West trade lanes, decreases were experienced on all eight major routes this week, resulting in only New York – Rotterdam and the reverse route still higher than last year. In a seemingly patriotic gesture against a backdrop of rising inflation, French carrier CMA CGM has announced it is lowering ocean freight rates to support the purchasing power of French households. It will introduce a **€500** reduction per container on all imports for its major retailer customers in France and its overseas territories for a year from 1 August<sup>19</sup>. The move not only attempts to relieve inflationary pressure on the French economy but will hopefully stimulate lacklustre demand.

Indeed, the drop in demand (and resultant free-fall in rates) has resulted in carriers returning to blank sailing schedules, with the 2M Alliance cutting back its services by as much as **71%** in the second week of May. Between mid-May and mid-June, data shows The Alliance is expected to blank **33%** of its Asia export sailings, with the Ocean Alliance (**37%**) and the 2M Alliance (**39%**) blanking at a higher rate<sup>20</sup>. This capacity management will contribute to keeping rates at artificially elevated levels, particularly on the most affected Asia-to-Europe-lane.

<sup>18</sup> Drewry. 30/06/2022. [World Container Index](#).

<sup>19</sup> Todd, S. 01/02/2022. [French government 'presses' CMA CGM to cut ocean rates for retail imports](#).

<sup>20</sup> Schultz, J. 30/06/2022. [State of Logistics 2022: Ocean](#).

## COVID-19: Cargo movement update

Likewise, fluctuating spot rates have resulted in a sharp change in contract behaviour – at least in the US. Under normal market conditions, **41%** of Federal Maritime Commission (FMC) contract filings are done in April-May<sup>21</sup>. However, in 2020 the FMC saw a significant shift towards November and December –reflective of the substantial rate increases, prompting a considerable number of shippers to negotiate new service contracts for 2021 much earlier than usual to safeguard against further market disruption. Then in 2021, the FMC saw an even more extreme shift, as a staggering **38%** of all original filings were made in December 2021, clearly in an effort by the shippers to pre-empt more disruptions in 2022. Regarding freight rates in the near future, Drewry expects the index to decrease slowly in the next few weeks. For shippers, at least, a continuation of the ongoing trend will be welcomed.

### iv. Further developments of note

Apart from the overview provided above, there were some additional noteworthy developments this week:

#### 1. FIATA calls for a balanced and fair maritime market system:

- a. In a plea to address the threats to the global supply chain in the maritime sector, FIATA (International Federation of Freight Forwarders Associations) has called for changes to create a better functioning maritime system given the current constraints<sup>22</sup>.
- b. FIATA said that the maritime supply chain continues to experience record disruptions and unpredictability, and freight forwarders play a key role in the effective movement of goods - ensuring access to the global logistics supply chain for shippers in all economies. However, FIATA warns that this free access to the global logistics chain is threatened by the world's largest shipping lines' apparent intention to eliminate or restrict freight forwarders from their services.
- c. FIATA continued by stating that the major shipping lines are abusing their dominant position in the market and distorting free-market competition with detrimental impacts on the consumer.
- d. FIATA called for a review of regulatory measures supporting shipping lines to ensure that they are fit for purpose and do not hinder the process of fair market competition. FIATA called for five policy actions:
  - i. Investments directed towards decarbonisation rather than vertical integration
  - ii. Measures supporting the shipping industry that are fit for purpose in the new economic environment
  - iii. Incentivising carbon offsets
  - iv. Development of a data charter for the logistics and transport industry
  - v. Establishment of a formalised and consistent platform for global collaboration between all supply chain actors

#### 2. The world's biggest transshipment hub – Singapore – continues on \$14 billion port expansion:

- a. Despite unprecedented congestion in global supply chains, one of the world's busiest ports is backing an ambitious modernisation plan to provide solutions. A decade ago, Singapore launched a project to build the biggest automated container port by 2040 that will double the existing space and cut back on human resources using drones and driverless vehicles<sup>23</sup>. Operations started at two new berths last year, and construction work is continuing on the next phase.
- b. The plan, set in place long before the onset of supply-chain upheaval, now appears prescient. Gateways for seaborne trade in the US and Europe are currently struggling to handle cargo flows smoothly and quickly, creating bottlenecks that are blamed on everything from labour shortages to uneven demand patterns.

<sup>21</sup> Sea Intelligence. 28/06/2022. [Sharp change in US contract behaviour](#).

<sup>22</sup> FIATA. 30/06/2022. [FIATA calls for balanced and fair maritime market system](#).

<sup>23</sup> Koh, A. & Park, K. 28/06/2022. [Singapore's \\$14 Billion Mega-Port Takes Aim at Shipping Chaos](#).

## COVID-19: Cargo movement update

- c. Exporters in Asia face delays getting goods transported to customers in the US and Europe, and the situation has only worsened this year with lockdowns in China and the war in Ukraine. While Singapore's geographical location in the Strait of Malacca means it doesn't have some of the burdens faced by end-destination ports, and the government has influence over trade unions that many other nations can't copy, its expansion plans offer a possible way forward.

### 3. MSC launches more solo services after massive capacity increase:

- a. MSC has launched yet another standalone service on the transatlantic trade, bringing its market share in that lane towards 50%<sup>24</sup>. The latest loop takes the carrier's new services on the route to five since April – all independent of the 2M Alliance.
- b. According to the latest figures from Alphaliner<sup>25</sup>, MSC commands ~17,4% of the global container fleet, with another ~32,9% of their existing fleet on their order book.

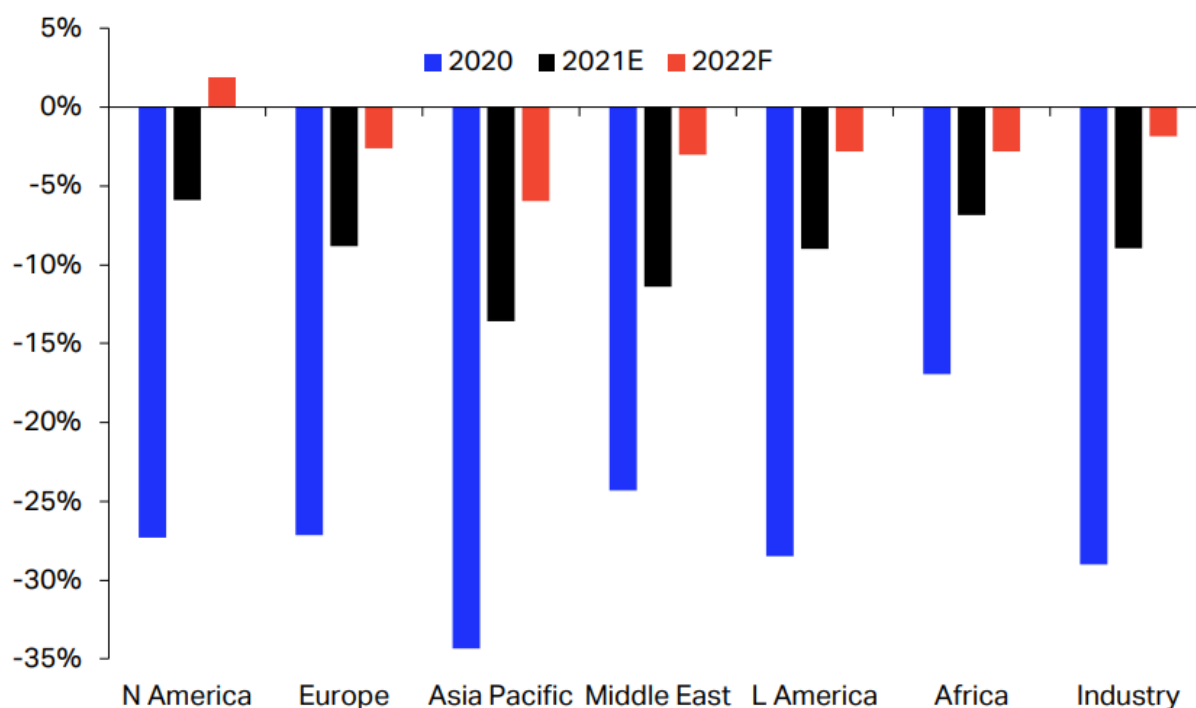
### 4. Japanese carrier ONE line becomes the first to apply overweight surcharges:

- a. Asia-Europe ocean carriers are cracking down on shippers who incorrectly declare westbound booking container weights and make last-minute verified gross mass (VGM) amendments, with ONE Line imposing a weight discrepancy fee that would be applicable from 1 July<sup>26</sup>.
- b. Mis-declared booking weights can cause the weight allocations of individual alliance partners to be exceeded, ships to shut out cargo, contracts to underperform, and revenue to be lost.
- c. ONE said the penalty fee would apply where the cargo weight deviated by more than ±3 tons per TEU from the bill of lading instructions and VGM documentation.

### c. Global air cargo industry

The recovery in aviation continues to gain momentum, as shown by the latest International Air Transport Association (IATA) "Chart of the week"<sup>27</sup>:

Figure 19 – Airline region operating margin (% revenue)



Source: [IATA](#)

<sup>24</sup> Wackett, M. 29/06/2022. [MSC launches more solo services after 'meteoric' capacity increase.](#)

<sup>25</sup> Alphaliner. 30/06/2022. [Alphaliner TOP 100.](#)

<sup>26</sup> Wackett, M. 28/06/2022. [Shippers to pay the penalty as ONE becomes first to apply overweight charge.](#)

<sup>27</sup> IATA. 01/07/2022. [Recovery in EBIT margins is on track in all regions.](#)

## COVID-19: Cargo movement update

After a hit to net post-tax profits of close to **\$138 billion** in 2020, the loss is forecasted to be limited to **\$9,7 billion** in 2022. This performance represents an EBIT (earnings before interest and taxes) margin of **↓1,8%**, which is a significant improvement compared to **↓29%** in 2020 and better than IATA's October 2021 forecast of **↓2,7%**. And fortunately, progress is predicted for all regions.

In other air cargo news, global air cargo capacity is almost back to 2019 levels as passenger flights and their belly hold capacity makes a "fundamental return" to the market. Between 13 and 26 June, global air cargo capacity was down only **~4%** compared with the corresponding pre-COVID period in 2019<sup>28</sup>. However, in Europe, the situation might change soon, as news that the Dutch government on Friday ordered Schiphol to cut flight numbers by **12%** next year has led to fears that other European airports may also impose reductions<sup>29</sup>. The cuts will be in force for the next five years – but the government has not said what will happen after that, making planning impossible for the airport authority. The reasons for the cut are primarily environmental, emissions and noise, and Schiphol is now working furiously to adapt its service offering to airlines accordingly.

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<sup>28</sup> Whelan, S. 30/06/2022. [Full bellies again for air cargo, but some players still hungry for freighters.](#)

<sup>29</sup> Lennane, A. 28/06/2022. [Order to cut flights at Schiphol 'a challenge' and raises fears at other airports.](#)