NATIONAL OFFICE
61 Katherine Street, Sandton, 2196
P.O. Box 652807, Benmore, 2010
www.busa.org.za
+27 11 784 8000

BUSINESS UNITY SOUTH AFRICA

# COVID-19: Cargo movement update[1]

## *Date: 26 August 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 (containers)** | 27 612 | 35 538 | **63 150** | 27 431 | 28 855 | **56 286** | ↑12% |
| **Air Cargo (tons)** | 4 440 | 2 423 | **6 863** | 4 342 | 2 014 | **6 355** | ↑8% |

## Monthly Snapshot

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

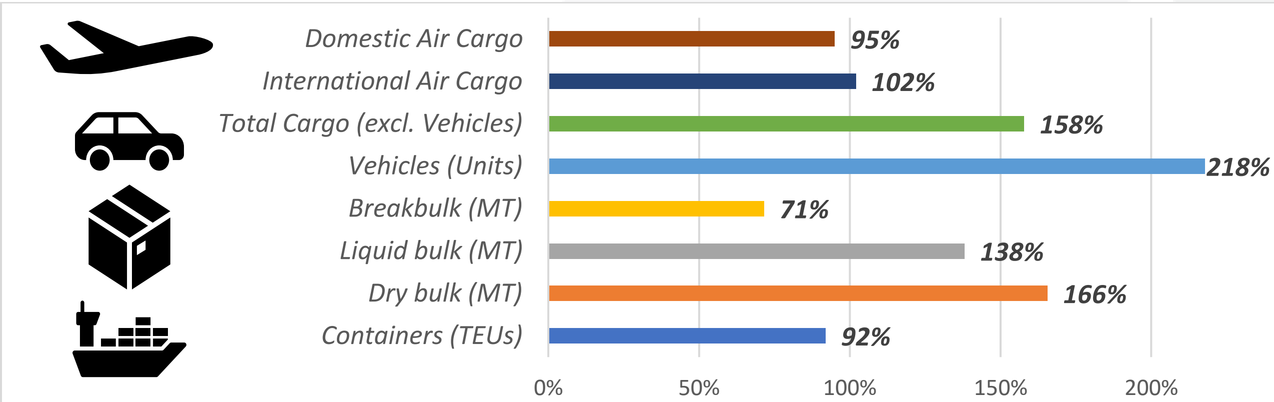



*Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)*


## Key Notes

- An average of **~9 021 containers** was handled per day, with **~9 146 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **1 904** containers, ↑2% compared to last week.
- Stats SA shows land transport (payload) increased by ↑14% (y/y) in June 2022; income at ↑18% (y/y).
- This week, cross-border queue times **↓1,5 hours**, with transit times **↓1,1 hours**, SA borders **~17 hours**.
- The WTO notes that world merchandise trade levelled with growth slowing to ↑3,2% (y/y) in Q1 2022.
- The "WCI" declined for the 26th straight week, with spot rates again **↓4%** (**$238**) – to **$5 986** per 40-ft.
- The global cellular fleet grew ↑3,8% (y/y) in August, but all-African services are down by ↓4,3% (y/y).
- Some respite for aviation, as the jet fuel price has retreated by ↓28% in August from its recent peak.

---

[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 102nd 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 months' worth of available data compared to the same month in the previous year. All metrics: Jul versus Jul.
[5] For ocean, total Jan-Jul cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Jul cargo to and from ORTIA is used.

**REGISTRATION NUMBER:** 2014/042417/08
**PRESIDENT:** Bonang Mohale **VICE PRESIDENT:** Adrian Gore **CEO:** Cas Coovadia **NEDLAC CONVENOR:** Kaizer Moyane
**DIRECTORS:** Angela Russell, Bongi Kunene, Busisiwe Mavuso, Christopher Campbell, Deidre Penfold, Gwarega Mangozhe, John Dludlu, John Purchase, Leon Campher, Roger Baxter, Stavros Nicolaou, Zoleka Lisa.

## Executive Summary

This update – *the 102nd of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Port operations this past week were characterised by equipment breakdowns, congestion, inclement weather conditions, and the national strike (primarily affecting Durban, causing delays. The nationwide strike on Wednesday took its toll on operations at Pier 2 in Durban as the terminal operated at 50% workforce capacity for most of the day. Luckily, our other national ports were not affected by the strike and continued their operations normally. However, Richards Bay experienced severe delays due to vessel ranging this past week, while downtime of the NAVIS booking system disrupted straddle carrier operations in the Eastern Cape. Furthermore, Transnet continued to implement the four-hour review period for slot allocations this week while cancelled and wasted slots remained high.

Internationally, in the shipping industry, while the challenging situation of port congestion has improved for US West Coast ports, supply chain disruption is far from over. There is growing congestion at US East Coast ports, a week-long strike at the UK's largest port of Felixstowe, following disruption at other major Europe ports such as Hamburg. In addition, China's zero-COVID policy means continued uncertainty over the entire operation of its key export facilities. Consequently, complete normalisation of the supply chain remains a long way off.

Furthermore, despite the growth in container capacity globally, the increase has not been shared across all regions, as three trades have significantly reduced – including Africa. These developments provide additional background on why container volume through South Africa has been muted recently. As container shipping lines enjoy what's left of their most profitable stretch on record, the wheel of fortune may be turning again for an industry all too familiar with sweeping boom and bust cycles. This week, the reality is evident as shown by the WTO, noting that global goods trade continued to grow in the second quarter of 2022 but that the pace of growth was slower than in Q1 and is likely to remain weak in the year's second half. Further developments of note included **(1)** Chinese droughts affecting supply chains, **(2)** Felixstowe strike updates, and **(3)** a note on global food security.

South Africa's international air cargo volume increased somewhat this week (**↑8%**) but remains below trend lines due drop in import demand. As with ocean freight cargo moving through our ports, we cannot manufacture volume and can only rely on market-driven demand to increase the flow of goods. Domestic cargo increased by **↑18%** compared with the previous week but remains down compared to last August (**~93%**). Operationally, an audit from the International Civil Aviation Organisation (ICAO) with the South African Civil Aviation Authority (SACAA) is currently underway in ORTIA and CTIA, so security has been tightened significantly. Otherwise, the status quo remains. Internationally, IATA shows how the jet fuel price has impacted the industry after recently retreating from 14-year peaks. Fortunately, with the price of crude oil back to around **$67 per barrel**, the trend augers well for a continuation of aviation recovery.

In the road freight sector, the current seasonally adjusted domestic payload split remains **~19/81** in favour of road transport (versus rail). Although the split is approximately the same as in recent years, rail transport's share continues to trend downwards. Cross-border transit times for our borders averaged **17 hours** (**↓15%** w/w) this week, as delays continued at several SADC border posts, notably Cassacatiza, Kopfontein, Kasumbalesa, Lebombo, and Zobue. Apart from regional cross-border delays, this week's main headline concerns protest actions at Beitbridge, which preceded the national shutdowns planned for the week.

Additional developments included **(1)** migration towards electronic payments at KM4, **(2)** the introduction of a $30 dangerous goods tax at Sakania, and **(3)** Zambian traffic police illegally stopping transporters.

In summary, it is worth highlighting the ongoing reduction in container freight rates as a positive cross-current to this week's announcement of another quarter of record inflation (**7,8%** - **↑1,5%** m/m)[6]. These increases have markedly impacted our industry, as supply chain costs have been soaring, particularly over the last 18 months. From raw materials, technology, and infrastructure – these increases have spilt over to logistics. As a result, the costs to produce and move goods across the supply chain made an unprecedented jump in 2021, worsened by persistent shortages of essential goods such as semiconductors, raw materials, and industrial equipment – giving the highest payer a competitive market advantage. Fortunately, sustained softening of freight costs has been recorded over the last 3-4 months, providing more optimism for the immediate future.

[6] Stats SA. 24/08/2022. P0141 - Consumer Price Index (CPI), July 2022.

# 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 20 to 26 August*[7]

| 7-day flow forecast (20/08/2022 – 26/08/2022) | | |
|---|---|---|
| **TERMINAL** | **NO. OF CONTAINERS[8] TO DISCHARGE (IMPORT)** | **NO. OF CONTAINERS TO LOAD (EXPORT)** |
| **DURBAN CONTAINER TERMINAL PIER 1:** | 4 861 | 6 947 |
| **DURBAN CONTAINER TERMINAL PIER 2:** | 13 682 | 14 829 |
| **CAPE TOWN CONTAINER TERMINAL:** | 4 263 | 6 514 |
| **NGQURA CONTAINER TERMINAL:** | 3 949 | 5 709 |
| **GQEBERHA CONTAINER TERMINAL:** | 857 | 1 539 |
| **TOTAL:** | **27 612** | **35 538** |

*Source: Transnet, 2021. Updated 26/08/2022.*

*Table 3 – Container Ports – Weekly flow reported for 27 to 2 September*

| 7-day flow forecast (27/08/2022 – 02/09/2022) | | |
|---|---|---|
| **TERMINAL** | **NO. OF CONTAINERS TO DISCHARGE (IMPORT)** | **NO. OF CONTAINERS TO LOAD (EXPORT)** |
| **DURBAN CONTAINER TERMINAL PIER 1:** | 4 589 | 6 241 |
| **DURBAN CONTAINER TERMINAL PIER 2:** | 14 564 | 16 615 |
| **CAPE TOWN CONTAINER TERMINAL:** | 4 012 | 6 813 |
| **NGQURA CONTAINER TERMINAL:** | 4 951 | 4 173 |
| **GQEBERHA CONTAINER TERMINAL:** | 737 | 1 330 |
| **TOTAL:** | **28 853** | **35 172** |

*Source: Transnet, 2021. Updated 26/08/2022.*

An average of **~9 021 containers** (**↑18%**) was handled per day for the last week (20 to 26 August, *Table 2*), compared to the projected average of **9 844 containers** (**↓8%** actual versus projected) noted in last week's report. An increased average of **~9 146 containers** (**↑1%**) is projected to be handled next week (27 August to 2 September, *Table 3*). Port operations this past week were characterised by equipment breakdowns, congestion, inclement weather conditions, and the national strike (primarily affecting Pier 2), causing delays.

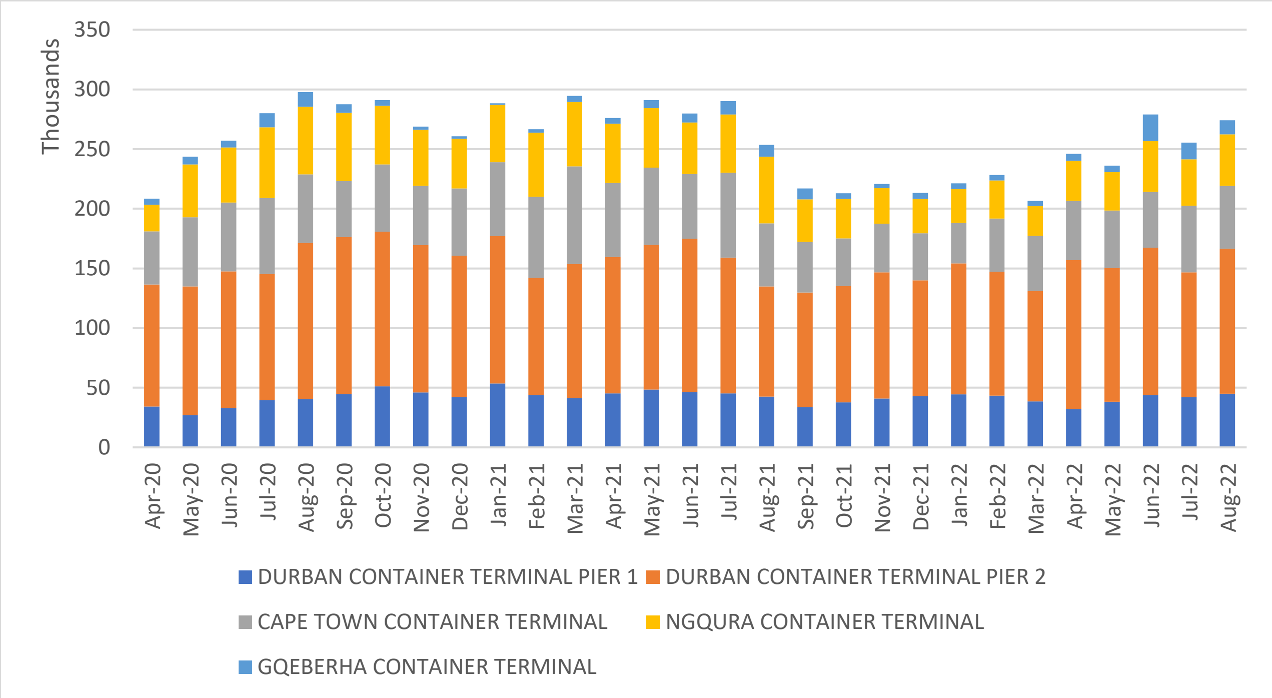
The following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the nationwide lockdown.

---

[7] It remains important to note that a large percentage (approximately 39% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transhipments. 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 an improvement in worldwide container imbalances, but there is the usual sharp increase with the importation of large numbers of empty reefers in preparation for the citrus fruit season.

[8] 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 and this figure will probably increase as the move towards more 40' containers continues.

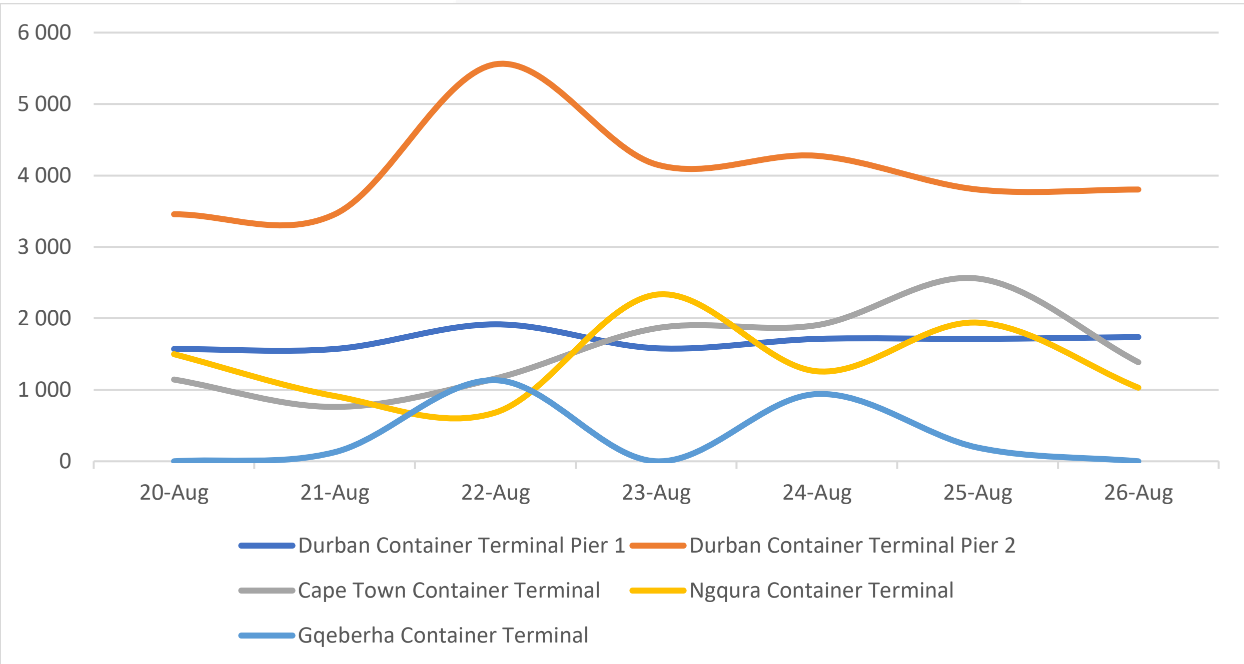
*Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)*




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

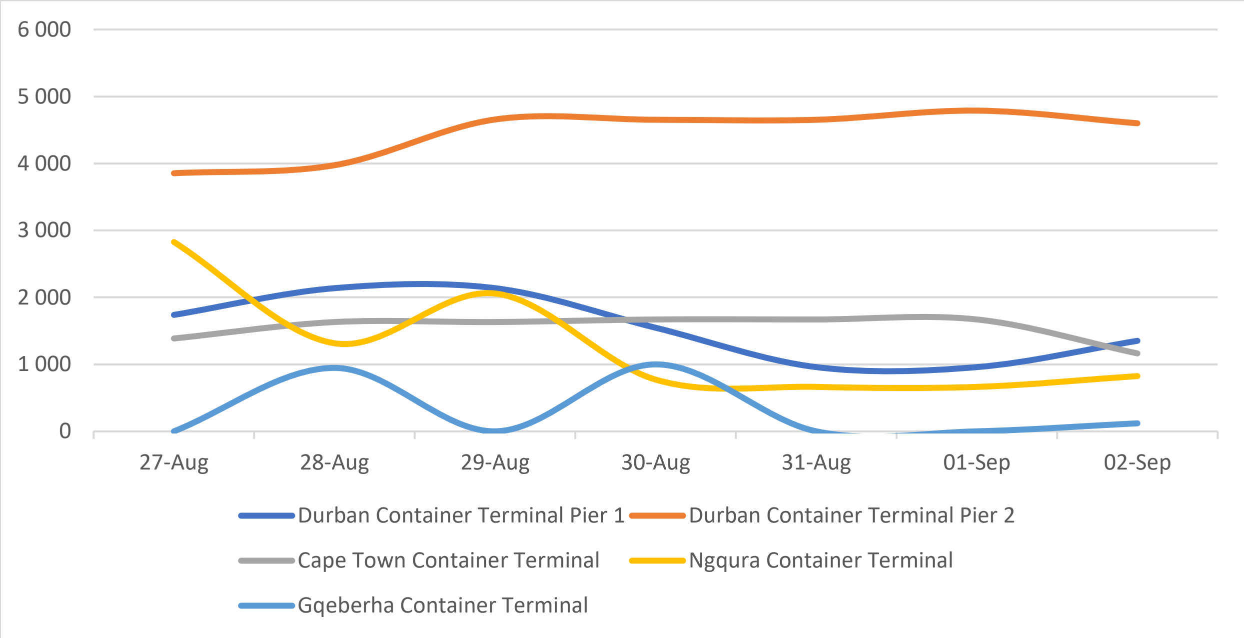
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

*Figure 4 – 7-day flow reported for total container movements (20 to 26 August; per port; day on day)*




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

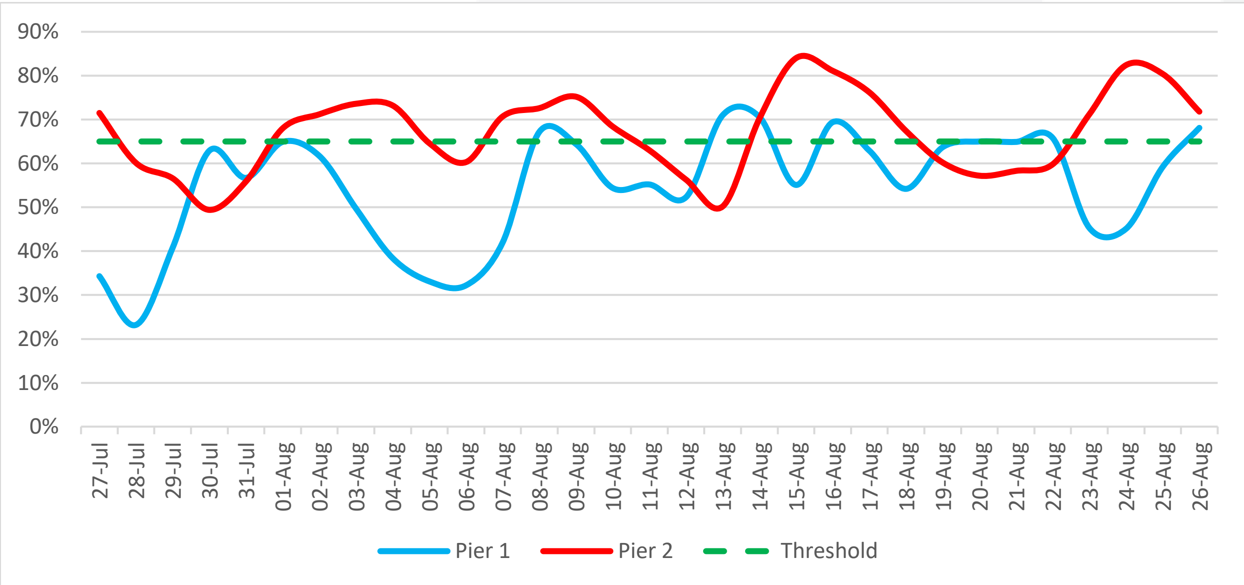
*Figure 5 – 7-day forecast reported for total container movements (27 August to 2 September; per port; day on day)*




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

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

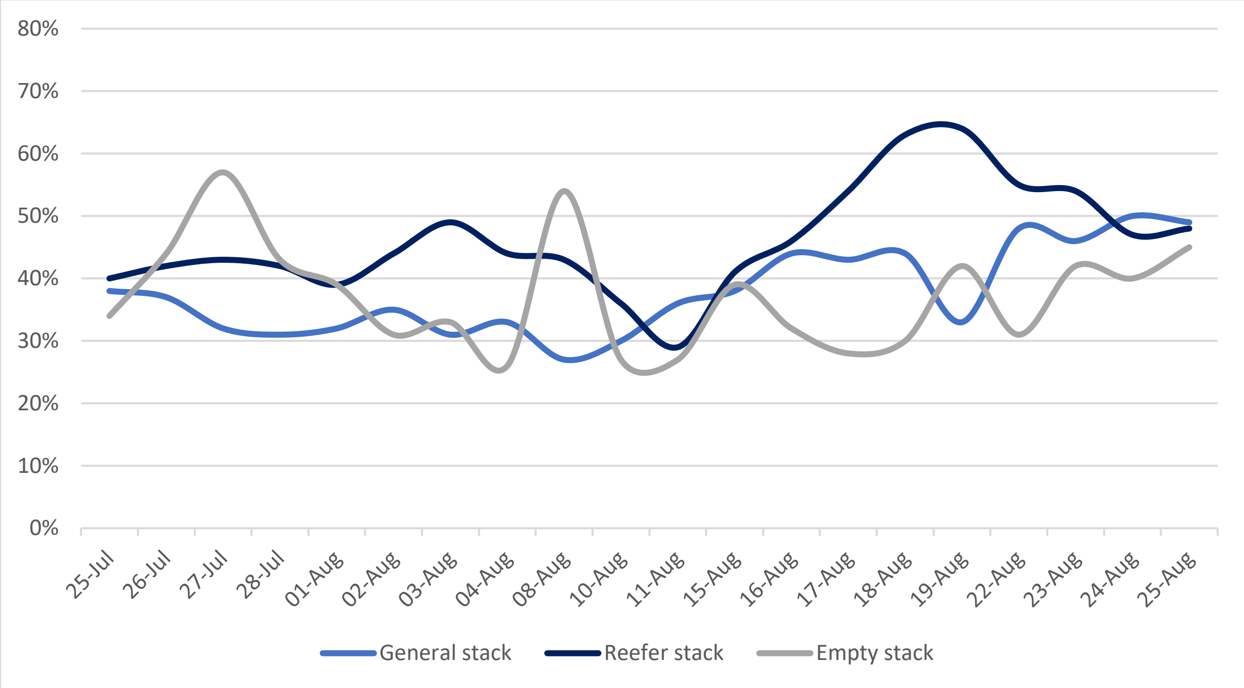
*Figure 6 – Stack occupancy in DCT, general-purpose containers (27 July to present; per Pier; day on day)*




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

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

*Figure 7 – Stack occupancy in CTCT, general-purpose, reefer, and empty stack (25 July to present, day on day)*




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

### 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

Our ports experienced a very challenging week with unfavourable weather and other delays as operations at the Cape Town container terminal were delayed for approximately eight hours due to vessel ranging in the 24 hours leading to Tuesday. They were also delayed for another five hours in the same 24 hours due to smoke and the accompanying effects impacting drivers in the terminal. We have not received any reports about the smoke's cause.

Durban's Pier 2 was primarily affected by the national strike on Wednesday, resulting in the terminal operating with only 50% of its human resources complement for the best part of the 24 hours leading to Thursday. During the latter stages of Wednesday, workforce capacity was reduced to 25% before increasing back to 70% for the night shift.

Richards Bay experienced delays due to high swells, which halted port operations for an approximate 14-hour period.

The Eastern Cape ports almost made it through the week unscathed; however, the ports also experienced vessel ranging, which caused minimal delays, while the NAVIS system was down for approximately one hour, impacting the 14 straddle carriers in operation on Tuesday.

### ii. Cape Town

On Wednesday, CTCT recorded one vessel at outer anchorage and three at berth. Stack occupancy for GP containers was 47%, reefers 30%, and empties 50%. In the latest 24-hour period to Wednesday, the terminal managed to handle 1 862 TEUs across the quay, with 17 RTGs in operation and five RTGs undergoing maintenance. In addition, the terminal serviced 1 422 external trucks and 89 trains on the landside. In addition, CTCT advised that the second set of shore tensioners is still on track to arrive around 10 September, while the national strike on Wednesday did not impact operations at the terminal.

Cape Town MPT on Tuesday recorded zero vessels at anchor and two at berth. In the latest 24-hour period to Wednesday, the terminal managed to handle 43 truck visits at a truck turnaround time of 10 minutes. Stack occupancy has again improved and was recorded at 29% for GP containers, 31% for reefers and 37% for empties. In addition, low volumes, unfortunately, remain a feature at MPT; however, a continuous collaborative approach is still undertaken between Transnet and Cape Town MPT to ensure that the low volumes do not persist. The USA export trade has been hard-hit due to the reduced number of calls scheduled by the carriers, with all sailings fully booked for weeks ahead. This phenomenon is a natural consequence of the decisions of ocean carriers to reduce call frequency.

### iii. Durban and Richards Bay

Pier 1 on Wednesday recorded two vessels at berth, manned by five gangs, and none at anchor. Stack occupancy was 59% for GP containers and 33% for reefers with 1 190 imports on hand, 334 reefers and 344 unassigned units. The terminal recorded 1 212 gate moves on the landside on Wednesday, with 733 cancelled slots and 85 wasted.

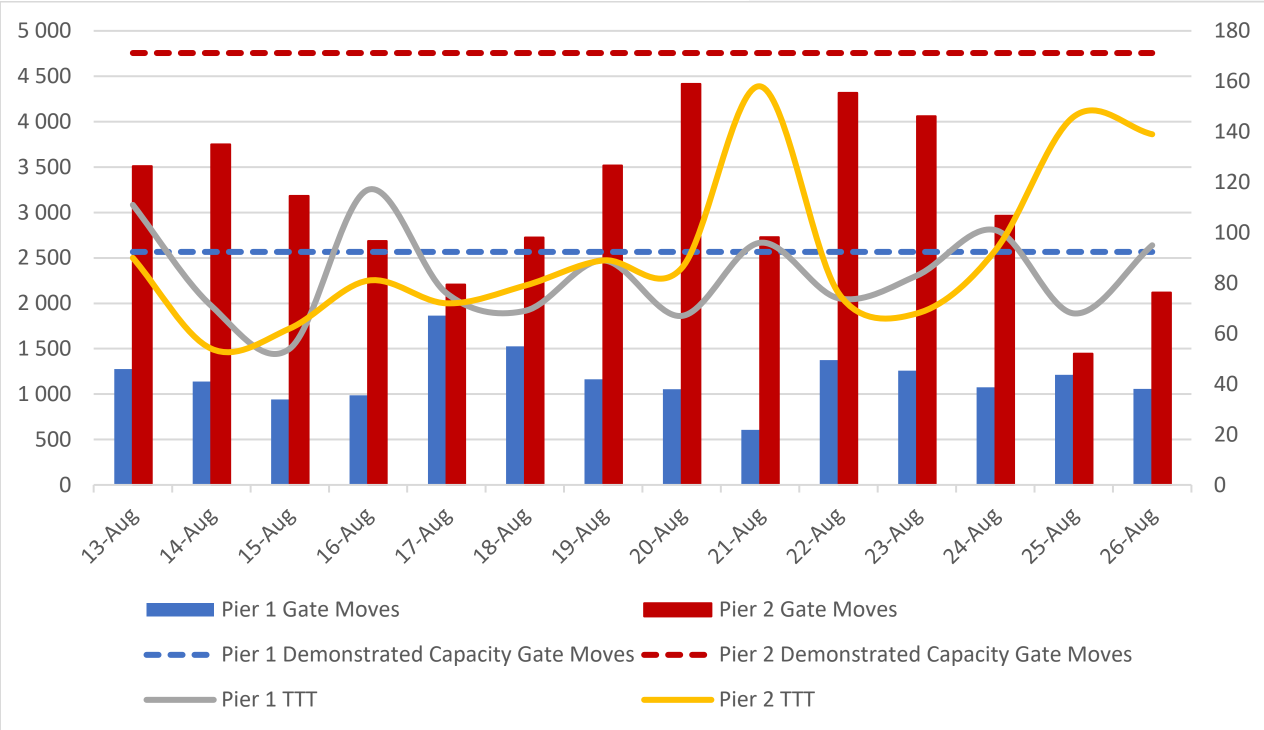
On Tuesday, Pier 2 had four vessels at berth and two at anchorage. In the most recent 24 hours to Wednesday, the terminal managed to handle an impressive 4 068 TEUs across the quay. Stack occupancy was 71% for GP containers and 63% for reefers. The terminal had between 79 and 86 straddles in operation throughout the week, manned by 12 gangs. On Tuesday, there were 4 061 gate moves on the landside with an average TTT of 68 minutes and a staging time of 42 minutes. A total of 345 rail import containers were on hand, with 205 volumes moved by rail.

This week, Transnet continued to conduct operations under the four-hour slot allocation review period; however, the amount of cancelled and wasted slots remained higher than usual. According to investigations conducted, Transnet advised that the high count of cancelled/wasted slots is attributed to tendencies followed by many transporters booking as many slots as possible once they become available to ensure that each estimated daily volume has a spot in the queue. As a result, more often than not, estimated volumes differ from actual volumes, leading to slots being amended (which causes an automatic cancellation on the system), cancelled, or even wasted.

This week, Transnet advised that the Durban helicopter is still only undertaking day-shift operations; however, they are actively sourcing and training the right candidate to execute night-shift operations. Transnet further advised that they anticipate providing final feedback next week to determine when night-shift operations for the helicopter will commence. Additionally, one tug remains out of commission at the dry dock undergoing repairs and is anticipated to be back in commission by next week.

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 26/08/2022.*

### iv. Eastern Cape ports

GCT on Tuesday recorded one vessel at anchorage and one alongside. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Wednesday. In the 24 hours leading up to Wednesday, stack occupancy was 37% for GP containers and 47% for reefers. GCT also reported having two STS cranes and 14 straddles in operation while servicing 290 external trucks on the landside with a TTT of 35 minutes.

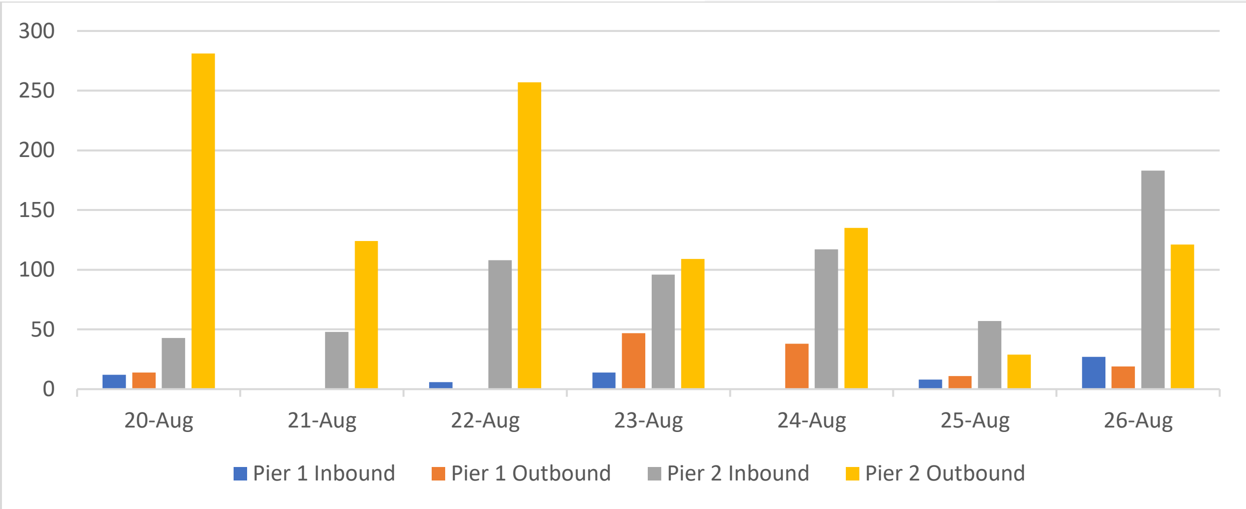
NCT on Wednesday recorded one vessel alongside manned by five gangs and one vessel at outer anchorage. Marine resources of two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Thursday. In the 24 hours leading up to Thursday, stack occupancy was 21% for GP containers, 28% for reefers, and 90% for ground slots. On Wednesday, 1 942 TEUs were handled across the quay. Regarding equipment availability, seven STS cranes and 26 RTGs were operating in the 24 hours leading to Thursday. Additionally, 483 trucks were serviced on the landside, with a truck turnaround time of ~24 minutes.

### v. Transnet Freight Rail (TFR)

Earlier this week, Transnet reported that continuous assessments were being conducted on the Balgowan section of the container corridor between Durban and Johannesburg. Still, an estimated time for the return to service of the second line could not yet be provided due to the complexity of these investigations. However, TFR remains hopeful that the estimated return time will be by 17 September. Furthermore, confusion arose earlier this week as conflicting reports were received regarding the return time of the second line on the Durban-Cato Ridge railway, which flooded in April. However, TFR confirmed during the decongestion meeting on Friday, 26 August, that the second line is expected back in commission by the end of September, putting a stop to the confusion bed.

The following figure shows the rail cargo evacuated from DCT in the last week.

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




*Source: Calculated using data from Transnet, 2022. Updated 26/08/2022.*

In the last week (20 to 26 August), rail cargo handled out of Durban was reported at **1 904** containers, **↑2%** from the previous week's **1 861** 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 15 August. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *August 2021* averaged **~706 163 kg** per day.

*Table 4 – International inbound and outbound cargo from OR Tambo*

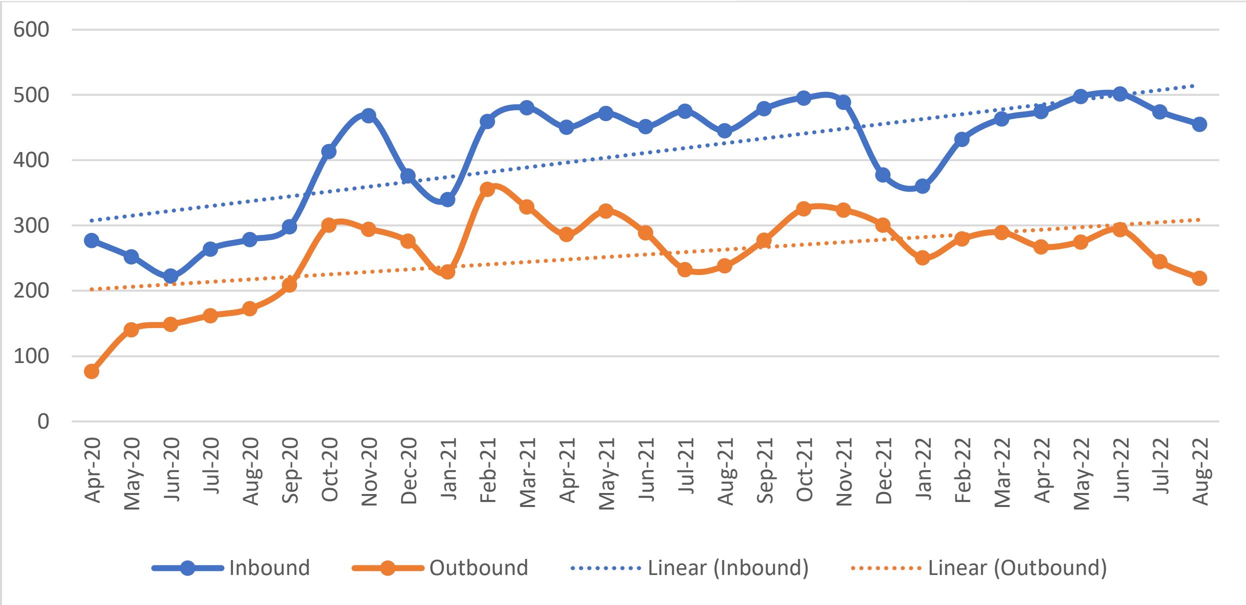
| Flows | 15-Aug | 16-Aug | 17-Aug | 18-Aug | 19-Aug | 20-Aug | 21-Aug |
|---|---|---|---|---|---|---|---|
| **Volume inbound** | 508 425 | 393 075 | 339 849 | 392 621 | 325 931 | 349 139 | 798 917 |
| **Volume outbound** | 270 846 | 170 818 | 229 963 | 149 815 | 193 153 | 229 905 | 451 395 |
| **Total** | **779 271** | **563 893** | **569 812** | **542 436** | **519 084** | **579 044** | **1 250 312** |

*Courtesy of ACOC. Updated: 17/08/2022.*

The daily average volume of air cargo handled at ORTIA the previous week amounted to **443 994 kg** inbound and **242 271 kg** outbound, resulting in an average of **686 265 kg per day** or **~85%** compared with August 2021. Also, the level is currently at **~152%** compared with the same period in 2020. In recent weeks, the overall tonnages have been dropping due to a drop in import demand. As with ocean freight cargo moving through our ports, we cannot manufacture volume and can only rely on market-driven demand to increase the flow of goods. The immediate outlook in that regard is not favourable, with looming stagflation and underlying economic weakness.

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

*Figure 10 – International cargo from OR Tambo (millions)*




*Courtesy of ACOC. Updated: 24/08/2022.*

### 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 *August 2021* was **~61 953 kg** per day.

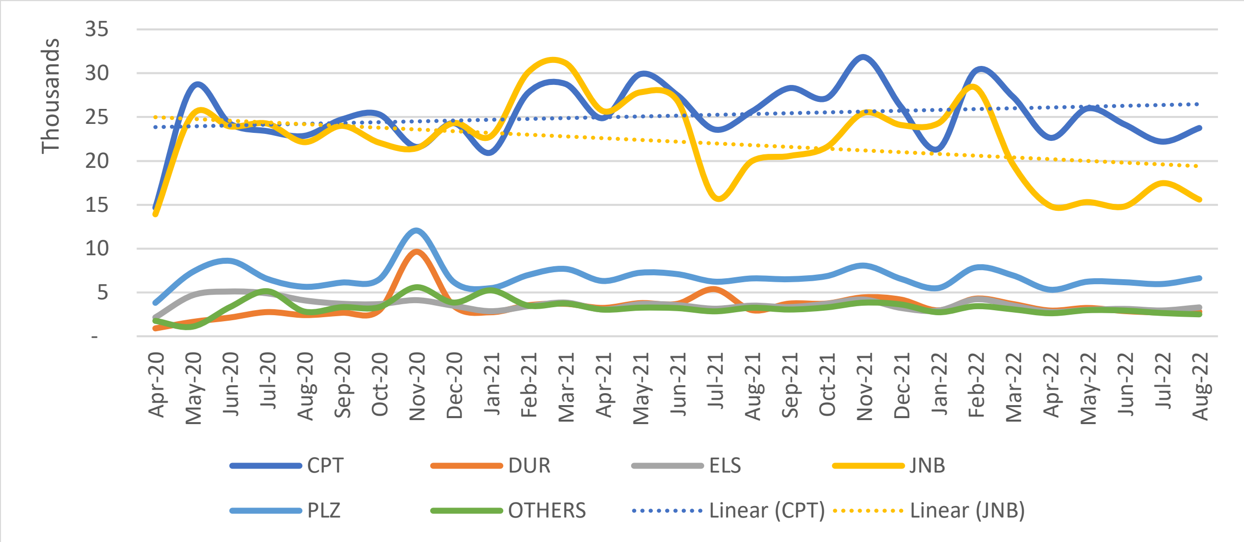
*Table 5 – Total domestic inbound and outbound cargo*

| 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-Jun – 22 Av.** | **25 230** | **3 295** | **3 244** | **19 449** | **6 312** | **2 952** | **60 480** |
| **Jul Average** | **22 196** | **2 715** | **2 943** | **17 462** | **5 963** | **2 650** | **53 929** |
| **Aug Average** | 23 755 | 2 793 | 3 296 | 15 585 | 6 618 | 2 502 | **54 549** |
| **16-Aug-22** | 38 390 | 3 967 | 4 304 | 23 066 | 9 337 | 3 619 | **82 684** |
| **17-Aug-22** | 39 310 | 3 638 | 4 823 | 24 740 | 15 749 | 4 042 | **92 301** |
| **18-Aug-22** | 37 092 | 4 944 | 5 541 | 23 304 | 10 557 | 3 995 | **85 433** |
| **19-Aug-22** | 15 116 | 3 731 | 2 952 | 14 122 | 5 181 | 2 123 | **43 225** |
| **20-Aug-22** | 1 765 | 347 | 2 | 890 | 200 | 1 | **3 203** |
| **21-Aug-22** | 2 216 | 425 | 467 | 497 | 1 356 | 88 | **5 049** |
| **22-Aug-22** | 41 723 | 4 332 | 7 435 | 24 278 | 11 862 | 3 404 | **93 035** |
| **Total for 2022:** | **5 886 038** | **759 117** | **763 431** | **4 508 122** | **1 488 712** | **679 017** | **14 084 437** |

*Courtesy of BAC. Updated: 24/08/2022.*

The average domestic air cargo moved last week was **~57 847 kg** per day, which is **↑18%** compared with the previous week and **~93%** compared to August 2021. Operationally, an audit from the International Civil Aviation Organisation (ICAO) with the South African Civil Aviation Authority (SACAA) is currently underway in ORTIA and CTIA, so security has been tightened accordingly. Otherwise, the *status quo* remains. The following figure shows our commercial airports' monthly domestic freight movement since the pandemic.

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




*Courtesy of BAC. Updated: 24/08/2022.*

## 3. Road and Regional Update

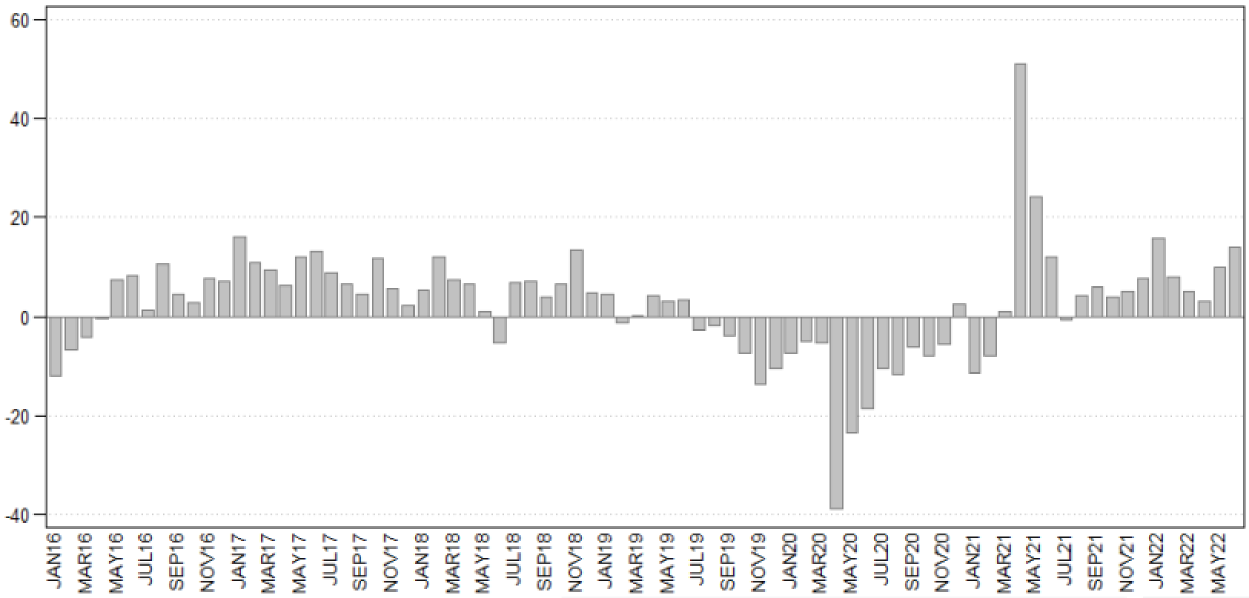
### a. South African land transport

On Monday, 20 August, Stats SA released June's monthly land transport statistics[9]. The headline figures show that the volume of goods transported (payload) increased by a massive **↑14,1%** (y/y) in June 2022, compared with June 2021. Over the same period, the corresponding income grew by around **↑18,0%**, which bodes well for the domestic transport and logistics sector[10]. The following figure from Stats SA shows the bi-monthly percentage change in the freight transportation sector.

[9] Stats SA. 22/08/2022. Land transport.

[10] Note: Due to the nature of Stats SA's methodology being survey-based, the information provides us with a proxy and by no means paints the entire picture of the market.

*Figure 12 – Freight transportation: y/y percentage change in payload*




*Source: Stats SA*

The figure shows that there has been sustained growth in freight transport payload over the last 11 months. Compared with the previous three months, the seasonally adjusted payload increased by **↑3,1%** in the second quarter. By sector, road freight increased by **↑4,7%**, while rail freight decreased by **↓4,0%** - highlighting the ongoing underperformance of that modality. The table below shows that the current seasonally adjusted domestic payload split remains **~19/81** in favour of road transport. Although the split is approximately the same as in recent years, rail transport continues to trend downwards.

*Table 6 – Seasonally adjusted payload for the latest three months by type of transport*

| Payload | Jan – Mar '22 (000 tons) | Weight | Apr – Jun '22 (000 tons) | % Change (3-months) | Share of total change (%) |
|---|---|---|---|---|---|
| Rail | 42 860 | 18,5 | 41 138 | -4,0 | -0,7 |
| Road | 188 446 | 81,5 | 197 245 | 4,7 | 3,8 |
| **Total** | **231 306** | **100** | **238 384** | **3,1** | **3,1** |

*Source: Stats SA*

The table again shows that the continued drive to increase rail's share of overland volumes has not had any noticeable effect. This situation is specifically apparent in the container freight sector, as shown weekly in *Figure 9* in our reports. However, the period in question still includes the anomalous effect of the KZN floods of April. The private sector continues to make a strong case for third-party access to rail. Sadly, the terms and conditions laid down by Transnet for access to slots remain unattractive, and this impasse will remain unresolved until more reasonable conditions are proposed.

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

This week, the following events have caused some challenges and delays on roads in and around the SADC region.

- Last week, clearing times at South African borders averaged around **17 hours** (**↓15%** w/w).
- Protest action on Tuesday, 23 August, saw Beitbridge at a standstill, but fortunately, the road was cleared by 14:30 that day.
- No more cash payments would be accepted at KM4 en route to the Lebombo border, as electronic payments are now the only accepted payment method.
- The Sakania border community instituted a tax of $30 on all vehicles carrying dangerous products (including fuel).
- Traffic police in Kafue in Zambia illegally stopped transporters, claiming they did not stop at traffic lights. The Zambian authorities have been notified.
- During the last week, 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 may still use the non-tariff barrier (NTBs) online tool developed by UNCTAD and the AfCFTA Secretariate. However, given the mixed success of the platform, transporters are encouraged to contact FESARTA and join their TRANSIST Bureau[11], which has arguably achieved much greater success.

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 Cassacatiza, Kopfontein, Kasumbalesa, Lebombo, and Zobue. Finally, the deterioration of Lebombo's numbers is cause for concern.

*Table 7 – Delays[12] 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 |
|---|---|---|---|---|---|---|---|---|
| SA/Zim | Beitbridge | 0:00 | 15:00 | 845 | 25 350 | 5 915 | 76 895 | 0 |
| Moz/Zam | Cassacatiza/Mlolo | - | 30:00 | 60 | 1 800 | 420 | 11 760 | 0 |
| Zam/Zim | Chirundu | 18:00 | 20:00 | 616 | 18 480 | 4 312 | 77 616 | 77 616 |
| Moz/Mal | Dedza | 2:00 | 20:00 | 50 | 1 500 | 350 | 6 300 | 700 |
| SA/Bot | Groblersbrug/Martins Drift | 2:00 | 15:00 | 362 | 10 860 | 2 534 | 32 942 | 5 068 |
| Zam/DRC | Kasumbalesa | - | 62:00 | 750 | 22 500 | 5 250 | 315 000 | 0 |
| Zam/Bot | Kazungula | 0:00 | 16:00 | 212 | 6 360 | 1 484 | 20 776 | 0 |
| SA/Bot | Kopfontein/Tlokweng | 1:00 | 36:00 | 100 | 3 000 | 700 | 23 800 | 700 |
| Moz/Zim | Machipanda/Forbes | 1:00 | 11:00 | 320 | 9 600 | 2 240 | 20 160 | 2 240 |
| Mal/Zam | Milange | 0:00 | 6:00 | 30 | 900 | 210 | 840 | 0 |
| Moz/Mal | Nakonde/Tunduma | - | 18:00 | 550 | 16 500 | 3 850 | 61 600 | 0 |
| Zim/Moz | Nyamapanda | 1:00 | 9:00 | 100 | 3 000 | 700 | 4 900 | 700 |
| SA/Moz | Lebombo/Ressano Garcia | 10:00 | 37:00 | 1 623 | 48 690 | 11 361 | 397 635 | 113 610 |
| SA/Bot | Skilpadshek/Pioneer Gate | 4:00 | 13:00 | 300 | 9 000 | 2 100 | 23 100 | 8 400 |
| Nam/Bot | Trans Kalahari/Mamuno | - | 1:00 | 100 | 3 000 | 700 | -700 | 0 |
| Zam/Zim | Victoria Falls | 1:00 | 5:00 | 114 | 3 420 | 798 | 2 394 | 798 |
| Moz/Mal | Zobue/Mwanza | 2:00 | 23:00 | 100 | 3 000 | 700 | 14 700 | 1 400 |
| | | | | **6 232** | **186 960** | **43 624** | **1 114 358** | **211 232** |

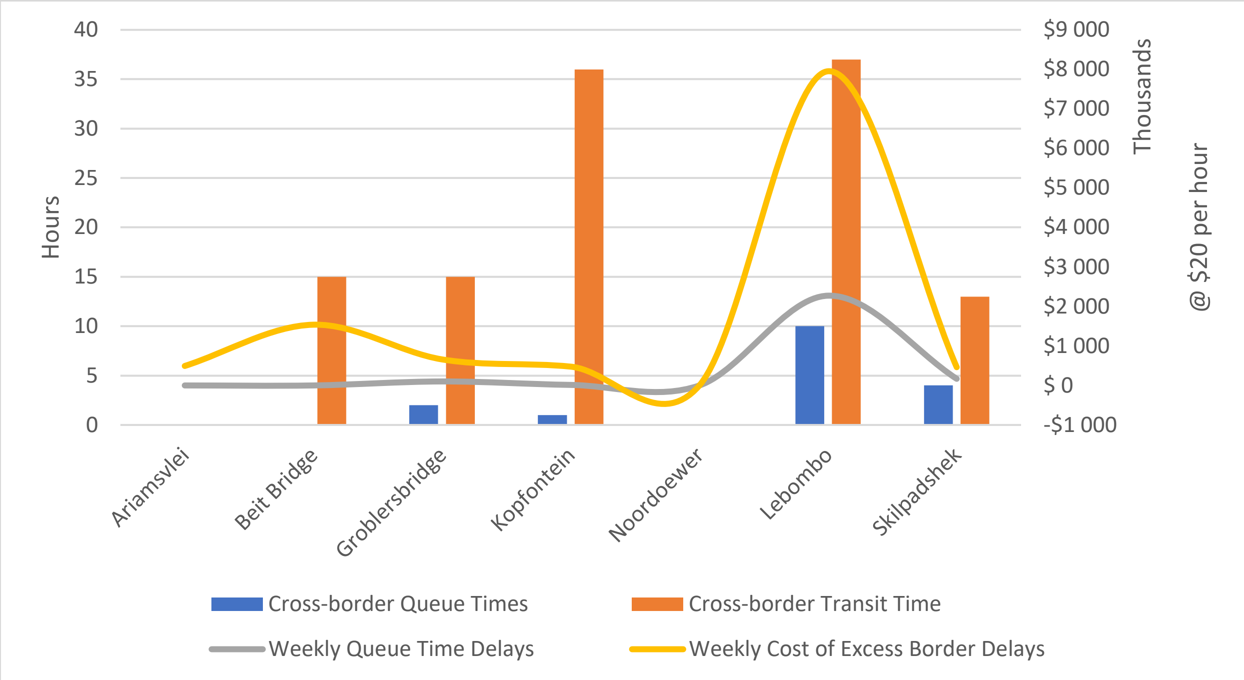
*Source: TLC & FESARTA, week ending 22/08/2022.*

[11] FESARTA TRANSIST Bureau.

[12] 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.

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

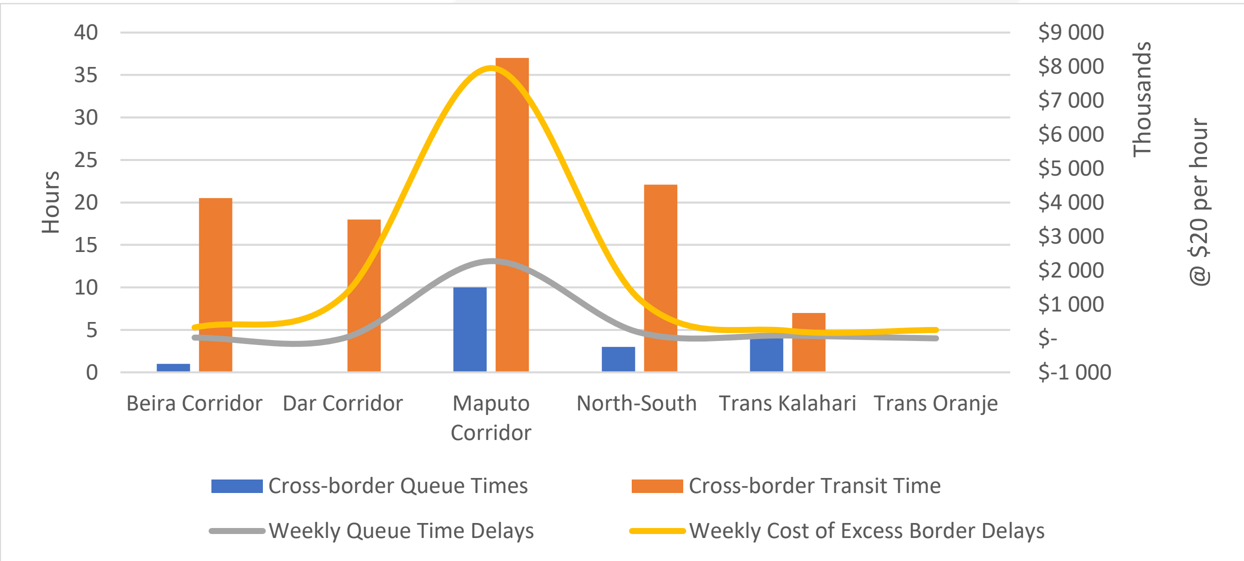
*Figure 13 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)*




*Source: TLC & FESARTA, week ending 22/08/2022.*

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

*Figure 14 – Weekly cross-border delays & est. cost from a corridor perspective (hours & $ thousands)*




*Source: TLC & FESARTA, week ending 22/08/2022.*

In summary, cross-border queue time has averaged **~3 hours** (down by **~1,5 hours** from the **~4,5 hours** recorded in the previous report), costing the transport industry an estimated **$4 million** (**R68 million**). Furthermore, the week's average cross-border transit times hovered around **~18,7 hours** (down by **~1,1**

**hours** from the **~19,8 hours** recorded in the previous report), costing the transport industry **$22 million** (**R357 million**). Incidentally, despite the average decrease in both transit and queue times, voluminous borders experienced an increase, resulting in the total cost for the week amounting to an estimated **~R424 million** (up by **~R33 million** or **↑8%** from **R391 million** in the previous report).

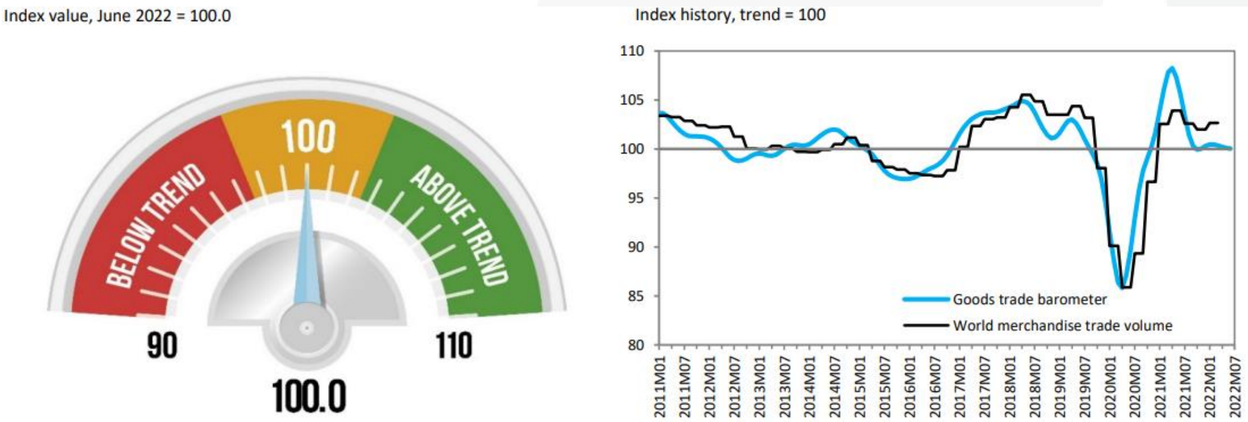
## 4. International Update

The following section provides some context around the global economy and its 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

The latest World Trade Organisation (WTO) "*Goods Trade Barometer*" shows steady merchandise trade but below the recent trend line[13]. The index, therefore, suggests that global goods trade continued to grow in the second quarter of 2022 but that the pace of growth was slower than in Q1 and is likely to remain weak in the year's second half. The volume of world merchandise trade plateaued with annual growth slowing to **↑3,2%** in the first quarter of 2022, down from **↑5,7%** in the fourth quarter of 2021. The slowdown in Q1 only partly reflected the impact of the conflict in Ukraine, which broke out in late February. Lockdowns in China also weighed heavily on trade in the first quarter.

*Figure 15 – WTO Goods trade barometer*




*Source: WTO*

The barometer's component indices are mixed, with most showing on or below trend growth. The forward-looking export orders index (100,1) is on trend but has turned down. The automotive products index (99,0) is slightly below trend but has lost its upward momentum. Indices for air freight (96,9) and electronic components (95,6) are below trend and pointing down, while the raw materials index (101,0) has recently risen slightly above trend. The main exception is the container shipping index (103,2), which has risen firmly above the trend as shipments through Chinese ports have increased due to the easing of COVID-19 restrictions. Nevertheless, as the rest of this week's report indicates, demand-side growth is unlikely to provide the containerised industry with sustained growth into 2023.

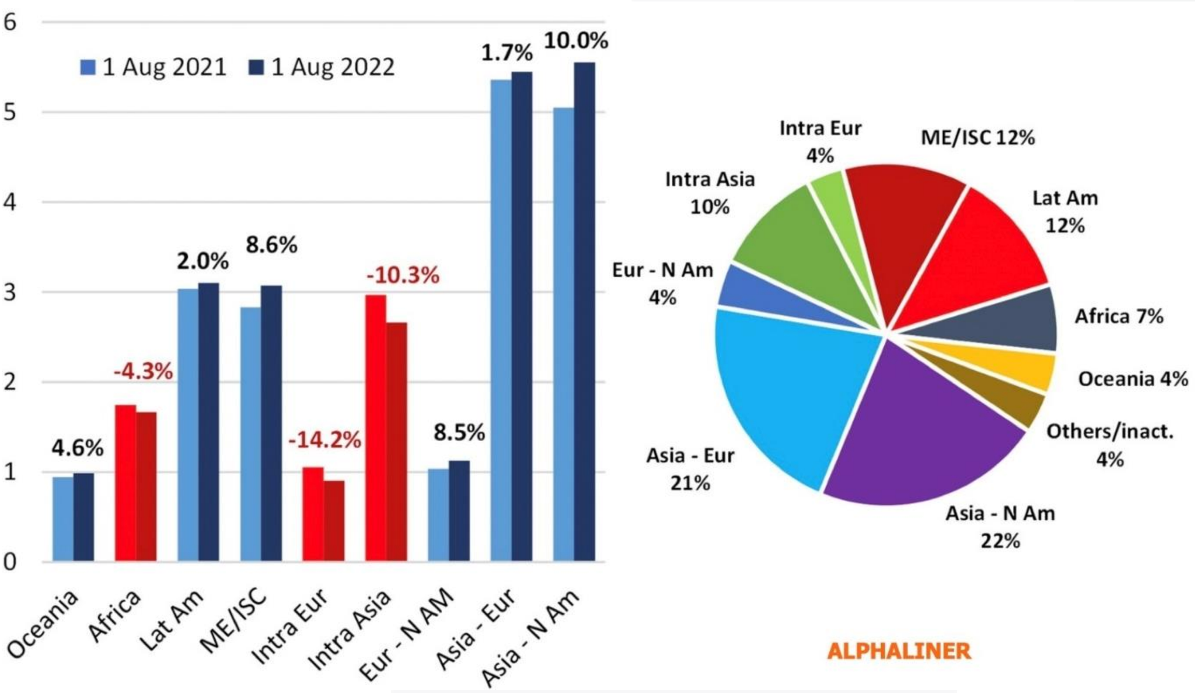
[13] WTO. 23/08/2022. Goods Barometer points to stagnating global trade growth.

## b. Global shipping industry

### i. Global trade deployment by cellular capacity

Updated data from Alphaliner[14] has shown that the global cellular capacity grew by ↑3,8% (y/y). However, the growth has not been shared across all regions, as three trades have significantly reduced. The intra-Europe trade was the worst hit as the total capacity of cellular ships deployed in dedicated intra-European services was down ↓14,2% compared to last year – highlighting the ongoing issues of congestion, staffing, and now the container barge shortages[15]. The two other regions with a reduced offering are intra-Asia services, down by ↓10,3%, and all Africa-related services, down by ↓4,3%, according to data from Alphaliner. The following side-by-side figures show the deployment growth and share:

*Figure 16 – Growth in global trade deployment by cellular TEU capacity (million TEU) and share per region*




*Source: Alphaliner*

The narrative behind Africa's reduction is emphasised by UNCTAD calculations, showing that the impact of higher freight rates on consumer prices is five times stronger in small island states than the world average[16]. What is further detrimental for Africa is that between the consolidation of NileDutch and Bollore, disturbing services, availability of equipment, and problematic scheduling of calls, African economies ended up with some of the worst upheaval inflicted on global shipping[17]. Moreover, the lack of connectivity for many nations is something regulators need to investigate, urged Olaf Merk, a shipping expert at the OECD-affiliated think tank International Transport Forum (ITF). As global carriers continue to reposition their capacity to trade lanes with the highest demand or profit potential, regulators must catch up with this situation and take the necessary action to prevent abuse of the power wielded by the major ocean carriers.

Meanwhile, in the latest analysis by Sea Intelligence[18], their data shows that the excess global demand has almost been eliminated. Moreover, the data shows that the extreme spikes in freight rates in 2021 were

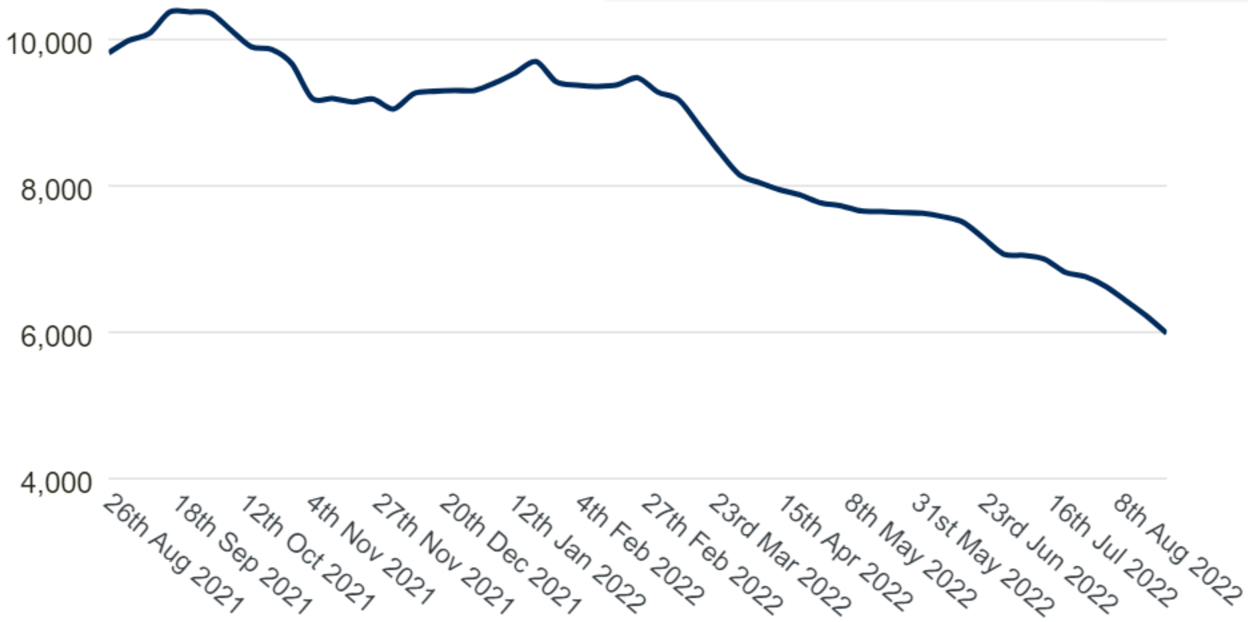
[14] Alphaliner. 24/08/2022. Alphaliner.
[15] Whiteman, A. 23/08/2022. Congestion and capacity shortage in Europe sees barge surcharges soar 150%.
[16] UNCTAD. 18/11/2022. High freight rates cast a shadow over economic recovery.
[17] Chambers, S. 24/08/2022. Regional liner squeeze takes harsh toll on developing nations.
[18] Murphy, A. 25/08/2022. Issue 578 of the Sunday Spotlight.

indeed driven by a situation where demand suddenly exceeded capacity globally, primarily caused by the unavailability of capacity. The recent trend towards normalisation has also mainly been driven by gradual improvements in schedule reliability and vessel delays. As long as improvements continue, we should expect that the supply/demand balance will continue to decline, and freight rates will be under increasing pressure downwards.

### ii. Global container freight rates

Global container freight spot rates continue to decrease – now for the 26th week in a row, according to Drewry's "*World Container Index*". The rate decreased by **↓4%** (**$238**) – to **$5 986** per 40-ft container this week[19], which is a staggering **↓42%** lower than the peak of **$10 377** reached in September last year. The composite index is now **↓39%** (y/y) compared to the previous year but remains **↑64%** higher than the five-year average of **$3 648**:

*Figure 17 – World Container Index – assessed by Drewry ($ per 40 ft. container)*




*Source: Drewry Ports and Terminal insights*

This week, five of the eight routes fell on the major East-West trade lanes, with the most significant drop occurring – as last week – on the Shanghai – Los Angeles route, down by **↓6%** (w/w). Although the rates have decreased significantly over the previous few months (and most container lines' revenues come from long-term contracts), they are still very much elevated from 2019 levels and continue to fuel the substantial profits made by shipping lines. Lower spot rates will be a factor in the subsequent contract rate negotiations, giving more leverage to customers, who have had little choice but to accept what rates have been offered to them in the last two years. Meanwhile, this week, Klaus-Michael Kühne, the top joint shareholder in Hapag-Lloyd, said he feels uncomfortable with Germany's top container line's stellar profits and that the profits are excesses that cannot be understood at all. Therefore, although customers will seemingly pay any price to maintain their supply chains, these levels won't go on for much longer[20]. Similarly, Drewry expects another long continuation of rates decreasing.

[19] Drewry. 11/08/2022. World Container Index.
[20] Kühne, K-M. 24/08/2022. Klaus-Michael Kühne 'not comfortable' with Hapag-Lloyd's stellar earnings.

### iii. Further developments of note

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

1. **Drought and power shortages bring crucial factories in China to a standstill:**
   a. The ongoing drought and power rationing have triggered the closure of factories along the crucial Yangtze River commercial corridor[21]. In addition, a record heatwave in China's southwest Sichuan province has led to depleted reservoirs and rolling blackouts as hydropower plants were forced to reduce electricity output. New research has shown that the ongoing heatwave in China is the ***most severe ever recorded in the world***[22].
   b. Factories in Sichuan were ordered to shut for six days for power rationing – a regular feature during China's hot summers – but the province is a key manufacturing region, specialising in the battery, semiconductor, and solar panel industries. So, while the factory closures are limited to Sichuan, the power rationing could have a knock-on effect on supply chains.
   c. Indeed, droughts are also a hot topic in Europe, as the drought caused waterways from the Rhine to the Danube to fail at the worst possible moment as the climate crisis worsened[23]. Fortunately, the water levels had risen enough over the weekend and into the week for barge services to resume, although the return has not stopped barge operators from levying surcharges[24].
2. **Felixstowe strike update:**
   a. Strikes at the UK's largest container port started on Sunday and were initially planned for eight days. However, with the substantial wage increase in line with inflation (which hit a record of **10,1%** recently), the current port operator's offer of **7%** and a **£500** one-off bonus could prolong the delays[25] and potentially have a ripple effect across the constantly stretched supply chains[26]. As a result, some carriers have decided to omit the port as predicted last week[27].
   b. Moreover, the port of Felixstowe has told its dockers not to report until Tuesday, meaning they will lose the opportunity to work overtime on Monday's bank holiday[28].
   c. Meanwhile, in Germany, the long-running wage dispute between the ver.di union's 12 000 members and the port employers, the Central Association of German Seaport Companies, was resolved on Tuesday as an agreement was reached on a **9,4%** pay increase from 1 July for the container sector, followed by a further **4,4%** from 1 June next year[29].
3. **Global food security:**
   a. Ukraine's corn and wheat are leaving ports again, but the volumes are significantly below average[30]. Moreover, farmland was lost to the war, and weak local prices threatened its next wheat harvest. As a result, nations have to adapt to safeguard their supplies.
   b. India needs to consider grain imports a few months after Prime Minister Narendra Modi boldly declared that his country was ready to "feed the world" in the wake of Russia's

---

[21] Whelan, S. 22/08/2022. Drought and power shortages bring crucial factories in China to a standstill.
[22] Herrera, M. 23/08/2022. Heatwave in China is the most severe ever recorded in the world.
[23] Wilkens, et. Al. 10/08/2022. Historic Drought Threatens to Cripple European Trade.
[24] Whiteman, A. 23/08/2022. Congestion and capacity shortage in Europe sees barge surcharges soar 150%.
[25] Bloomberg. 23/08/2022. Felixstowe strike could drag on as workers demand 10% pay rise.
[26] Baker, J. 23/08/2022. Strike impacts will be felt beyond Felixstowe.
[27] Baker, J. 22/08/2022. Carriers skip Felixstowe as strike action starts.
[28] Wackett, M. 24/08/2022. Felixstowe dockers lose overtime and union threatens 'action until Xmas'.
[29] Wackett, M. 24/08/2022. Felixstowe dockers lose overtime and union threatens 'action until Xmas'.
[30] Durisin, M, et. al. 25/08/2022. Ukraine's Wheat Is Flowing Again But Fears Grow About Next Crop.

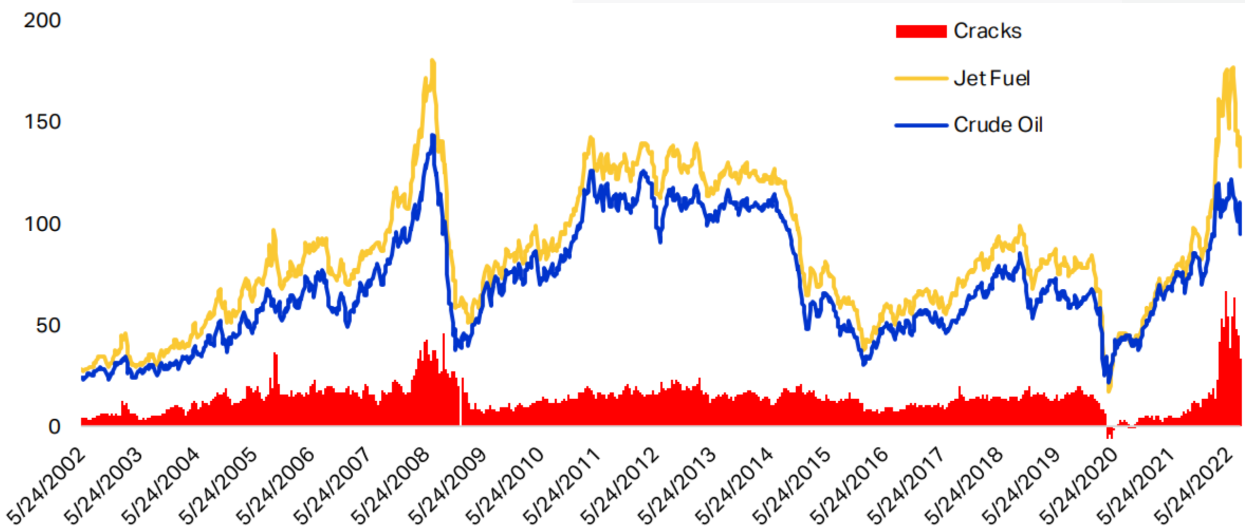
invasion of Ukraine[31]. It will also likely restrict some rice exports with its supply under threat[32].

c. The world's two biggest wheat importers have to adapt. Indonesia is ramping up its grain output to improve food security[33], while Egypt has scrapped plans to curb bread subsidies crucial to feeding its people.

### c. Global air cargo industry

The increased input cost experienced throughout the world has also impacted the air cargo industry – particularly concerning jet fuel. Fortunately, according to an analysis from the International Air Transport Association (IATA), the soaring prices are trending downwards[34]. The jet fuel price has recently retreated by **↓28%** in early August from its peak. For airlines, the increase in jet fuel prices represented a significant challenge as this cost typically accounts for **20% to 25%** of total operational costs. Indeed, the jet fuel price rose by more than **↑70%** during the first six months of 2022, marking one of the steepest increases since at least 2002:

*Figure 18 – Jet fuel and oil prices since 2002 (US$ per barrel)*




*Source: IATA*

As depicted above, the price of jet fuel significantly outpaced the increase in crude oil, resulting in cracks between jet fuel and oil. Following Russia's invasion of Ukraine, the Brent crude oil price increased by over **↑30%** as of June due to a sudden loss of supply from Russia, the third largest oil producer in the world. Adding to that is the crack spread between jet fuel and crude oil prices. Lifted by the strong post-COVID recovery in demand for air transportation and amid continued supply shortages, the cracks reached an all-time high of close to **$67 per barrel** in June. These two forces boosted the jet fuel price to its highest level in 14 years. Fortunately, the difference is back to around **$67 per barrel**, which augers well for a continuation of aviation recovery.

[31] Parija, P. & Beniwal, V. 21/08/2022. India May Import Wheat in Blow to Modi Goal of Feeding World.
[32] Parija, P. 26/08/2022. India Set to Curb Some Rice Exports in Risk to Global Supply.
[33] Listiyorina, E. 20/08/2022. Indonesia Ramps Up Grain Production to Improve Food Security.
[34] IATA. 19/08/2022. Soaring jet fuel prices now trending downward.