

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

**Date: 2 September 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)	20 057	23 227	<b>43 284</b>	27 612	35 538	<b>63 150</b>	<b>↓31%</b>
Air Cargo (tons)	4 882	2 360	<b>7 241</b>	4 440	2 423	<b>6 863</b>	<b>↑6%</b>

### Monthly Snapshot

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

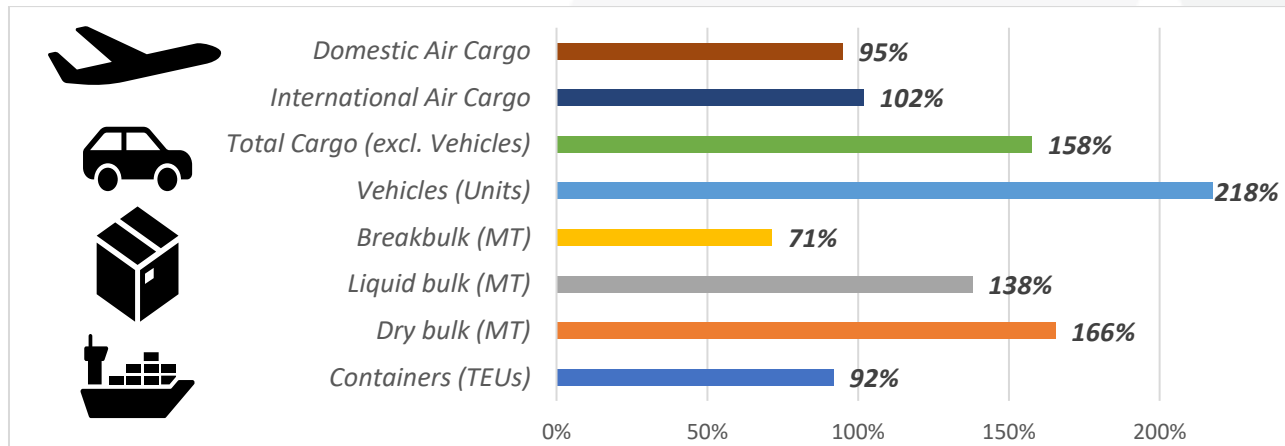


Figure 2 – Global year-to-date flows 2019-2022<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



### Key Notes

- An average of **~6 183 containers** was handled per day, with **~9 626 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **2 587 containers**, **↑36%** compared to last week.
- This week, cross-border queue times **↑0,6 hours**, with transit times **↓0,6 hours**, SA borders **~17 hours**.
- The "WCI" decreased for the 27<sup>th</sup> consecutive week, with spot rates down by **↑5%** to **\$5 662** per 40-ft.
- Global container trade growth will **↓2%** (2022) and **↓3%** (2023) before recovering by **↑2,5%** in 2024.
- The non-cellular fleet grew **↑21,6%** (y/y) but only accounted for **~1,1%** of the container market.
- Air cargo freight rates in August shows rates are up **↑0,5%** (m/m), **↑11,2%** (y/y), and **↑128%** vs. 2019.

<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 103<sup>rd</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 months' worth of available data compared to the same month in the previous year. All metrics: Jul versus Jul.

<sup>5</sup> 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.

## Executive Summary

This update – *the 103<sup>rd</sup> 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 again dominated by adverse weather conditions (especially in the form of strong winds), equipment breakdowns, congestion, and system downtime. Consequently, throughput was very low. The port of Durban suffered the most from the poor weather, and extensive hours were lost due to strong winds, which added to the backlogs and congestion already experienced. In Cape Town, NAVIS system downtime was reported on two separate occasions during the week for an approximate period exceeding one hour, while inaccurate vessel size calculations delayed the MOL Proficiency for approximately 16 hours. Furthermore, TPT continued to implement the four-hour review period for slot allocations this week while the incidence of cancelled and wasted slots remained high.

Internationally, the capacity shortage in the global container industry will not be solved by the added non-cellular capacity, despite the massive increase in the sector. Despite the current state, the industry will likely be over-supplied within the next couple of years as new vessels continue to enter service. Analysis from HSBC predicts that capacity will increase by **↑6,2%** in 2022, **↑6,5%** in 2023 and **↑8%** in 2024. Freight rates are plunging further as carriers' outlook appears less optimistic due to a mismatch between container growth and the supply of new vessels. However, the stabilisation of the market can be seen in the throughput levels. Consequently, the sector is set to bottom out in 2024, noting that its forecasts were well below the consensus for 2023-24. Further developments of note included **(1)** North European port congestion eases, **(2)** COVID lockdowns return to key Chinese port cities, and **(3)** Maersk is selling its Russian business.

South Africa's international air cargo volume increased somewhat this week (**↑6%**) but remains below trend lines due to a drop in import demand. Domestic cargo also increased – by **↑4%** – compared with the previous week. Internationally, weakening air cargo demand amid continued record inventory levels seemingly drives rates further down, albeit gradually. Further developments of note included **(1)** pilot strikes in Germany, **(2)** ITA Airways take-over by Delta and AF-KLM, and **(3)** more ventures by ocean carriers into the air space.

In the road freight sector, cross-border transit times for our borders averaged **19 hours** (**↑12%** w/w) this week, as delays continued at several SADC border posts, notably Dedza, Kopfontein, Kasumbalesa, Lebombo, and Trans Kalahari. Apart from regional cross-border delays, additional developments of note included **(1)** protests en route to Skilpadshek, **(2)** delays at Beitbridge and Asycuda downtime, and **(3)** new ZIMRA Commissioner General.

As we conclude, the logistics industry – led by the primary modality in sea freight – had a very challenging week, which resulted in poor container handling efficiency and consequent low throughput levels. Despite the reasons that explain most of this outcome, the poor week only emphasises that supply chains cannot cope with interruptions. However, as we know, our problems run deeper than adverse weather, equipment breakdowns, congestion, and system downtime. Indeed, many of the issues are systemic, especially in infrastructure updates (or lack thereof). For example, Bayhead Road has seen no systemic upgrades since around 1977, when the terminal opened. Unfortunately, we are not like the European or north American ports that, if hit by strikes, have nearby alternate ports to discharge cargo to keep the economy and industry functioning. Consequently, we must carefully change course and strictly focus on investment in our ports and surrounding infrastructure to avoid disruption. The massive truck congestion and low throughput only highlighted the system's failure. Simply put, we cannot afford to have the same conversation every week.

## Contents

<b>Weekly Snapshot .....</b>	<b>1</b>
<b>Monthly Snapshot.....</b>	<b>1</b>
<b>Key Notes .....</b>	<b>1</b>
<b>Executive Summary.....</b>	<b>2</b>
<b>Contents.....</b>	<b>3</b>
<b>1. Ports Update .....</b>	<b>4</b>
a. Container flow overview .....	4
b. Summary of port operations.....	7
i. Weather and other delays .....	7
ii. Cape Town.....	7
iii. Durban and Richards Bay .....	8
iv. Eastern Cape ports .....	9
v. Transnet Freight Rail (TFR).....	9
vi. General.....	10
<b>2. Air Update .....</b>	<b>10</b>
a. International air cargo .....	10
b. Domestic air cargo .....	11
<b>3. National Update .....</b>	<b>12</b>
a. SARS merchandise trade statistics: June.....	12
<b>4. Road and Regional Update .....</b>	<b>12</b>
a. Cross-border and road freight delays .....	12
<b>5. International Update .....</b>	<b>15</b>
a. Global shipping industry .....	15
i. Global port throughput.....	15
ii. Global containers capacity .....	16
iii. Global container freight rates .....	17
iv. Further developments of note.....	18
b. Global air cargo industry.....	19
i. Air cargo rates .....	19

## 1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

### a. Container flow overview

The following tables indicate the container flows reported for the last seven days and projections for the next seven days.

Table 2 – Container Ports – Weekly flow reported for 27 August to 2 September<sup>6</sup>

7-day flow forecast (27/08/2022 – 02/09/2022)		
TERMINAL	NO. OF CONTAINERS <sup>7</sup> TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	3 666	4 953
DURBAN CONTAINER TERMINAL PIER 2:	8 022	9 310
CAPE TOWN CONTAINER TERMINAL:	3 050	4 217
NGQURA CONTAINER TERMINAL:	4 301	3 622
GQEBERHA CONTAINER TERMINAL:	1 018	1 125
<b>TOTAL:</b>	<b>20 057</b>	<b>23 227</b>

Source: Transnet, 2021. Updated 02/09/2022.

Table 3 – Container Ports – Weekly flow reported for 3 to 9 September

7-day flow forecast (03/09/2022 – 09/09/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 349	5 842
DURBAN CONTAINER TERMINAL PIER 2:	13 595	16 020
CAPE TOWN CONTAINER TERMINAL:	3 752	8 745
NGQURA CONTAINER TERMINAL:	5 549	5 629
GQEBERHA CONTAINER TERMINAL:	1 210	1 694
<b>TOTAL:</b>	<b>29 455</b>	<b>37 930</b>

Source: Transnet, 2021. Updated 02/09/2022.

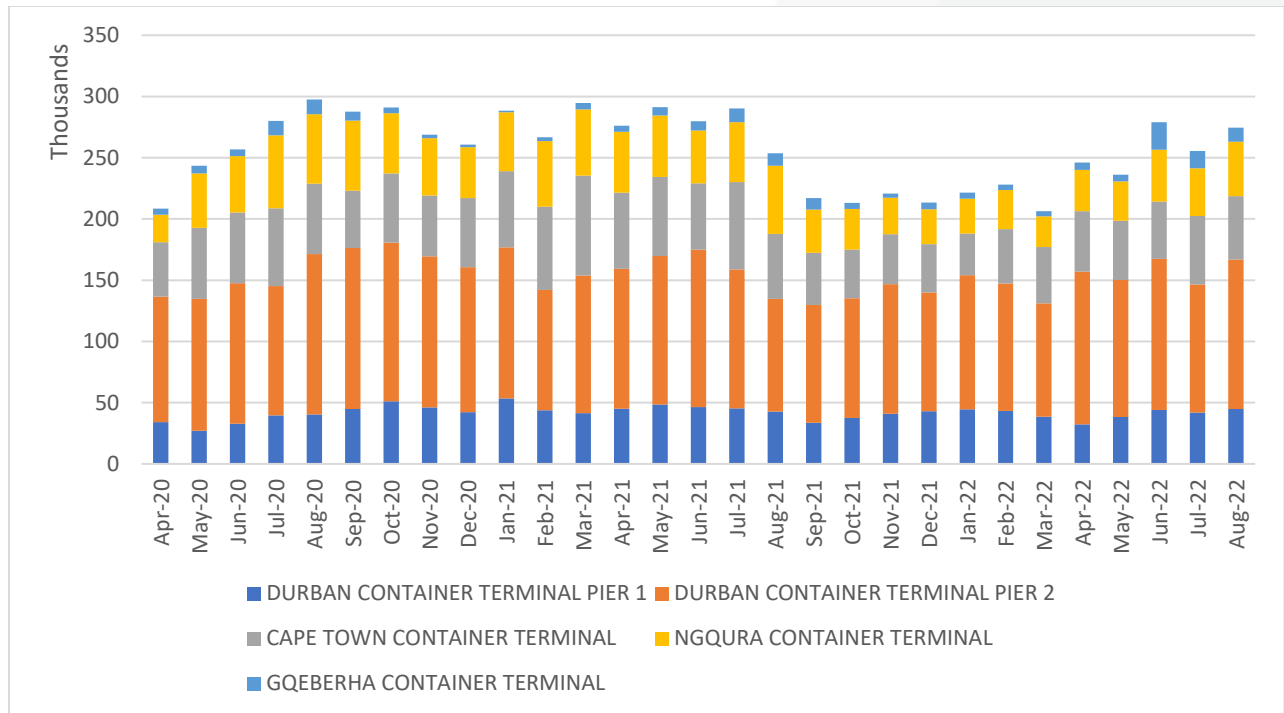
An average of **~6 183 containers** (↓22%) was handled per day for the last week (27 August to 2 September, Table 2), compared to the projected average of **~9 146 containers** (↓32% actual versus projected) noted in last week's report. An increased average of **~9 626 containers** (↑56%) is projected to be handled next week (3 to 9 September, Table 3). Port operations this past week were dominated by adverse weather conditions (especially in the form of strong winds), equipment breakdowns, congestion, and system downtime.

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

<sup>6</sup> 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 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 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.

<sup>7</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 and this figure will probably increase as the shift towards more 40' containers continues.

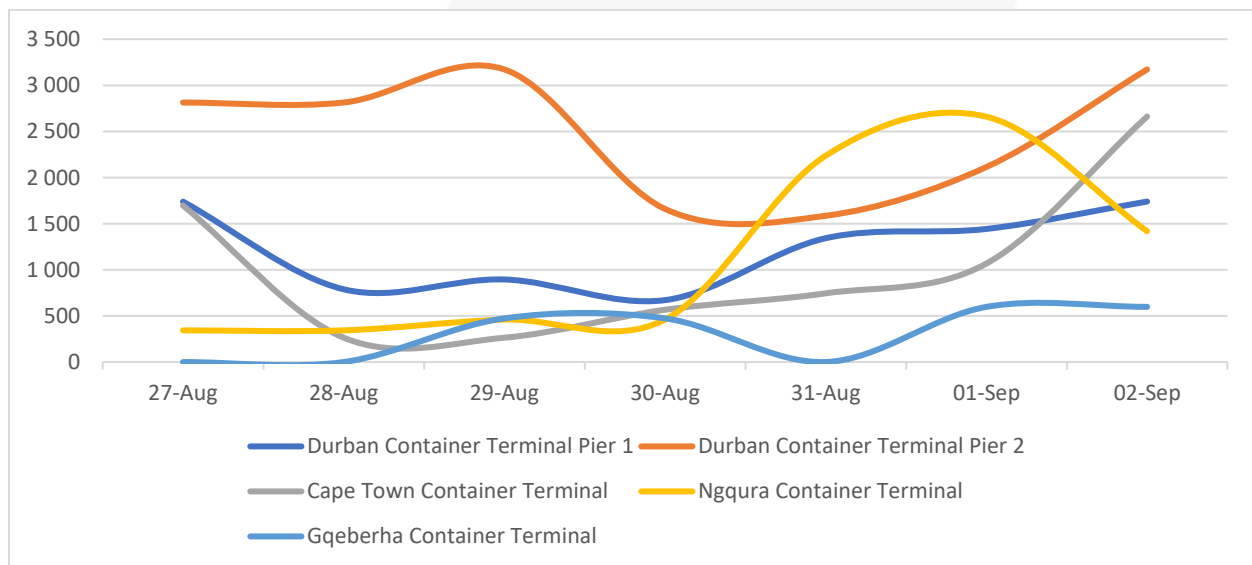
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 02/09/2022.

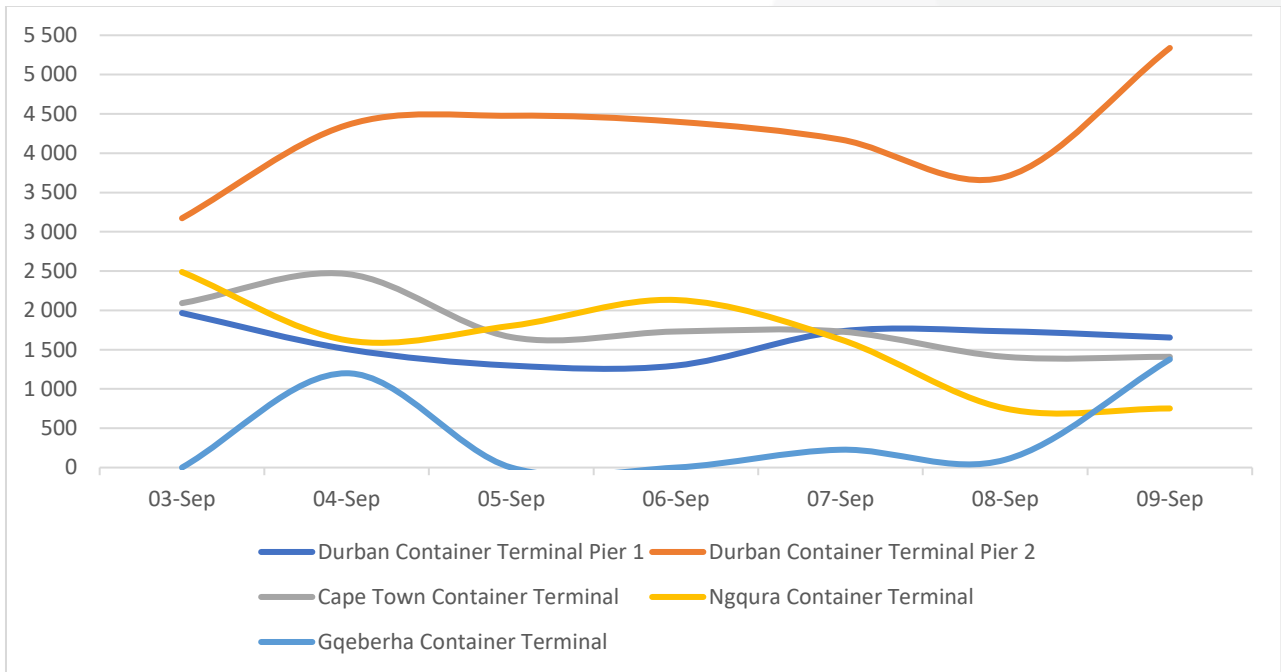
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (27 August to 2 September; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/09/2022.

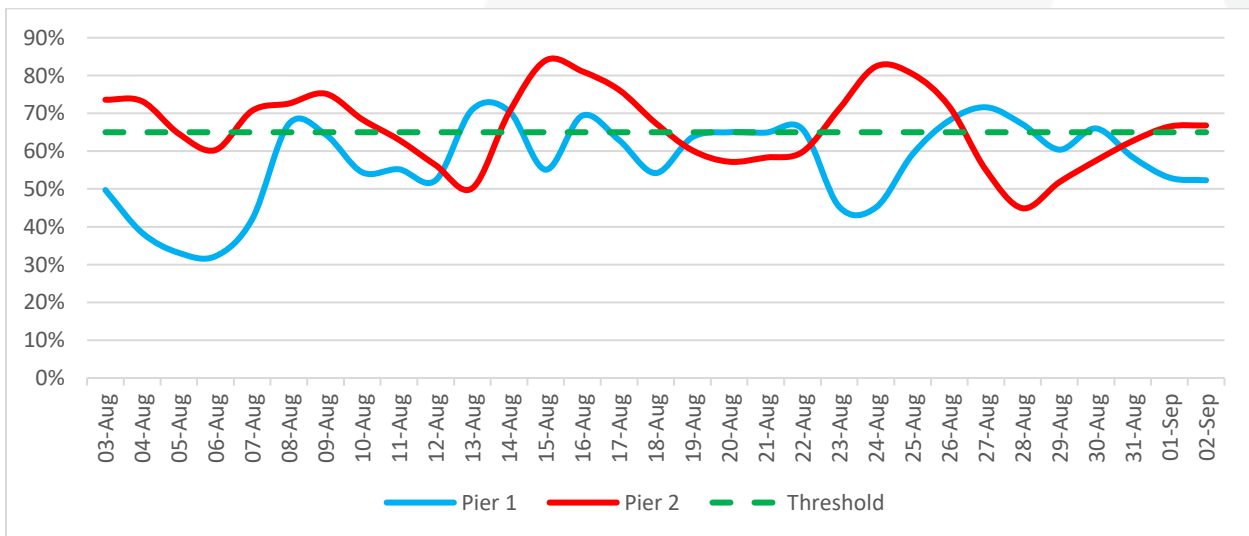
Figure 5 – 7-day forecast reported for total container movements (3 to 9 September; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/09/2022.

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

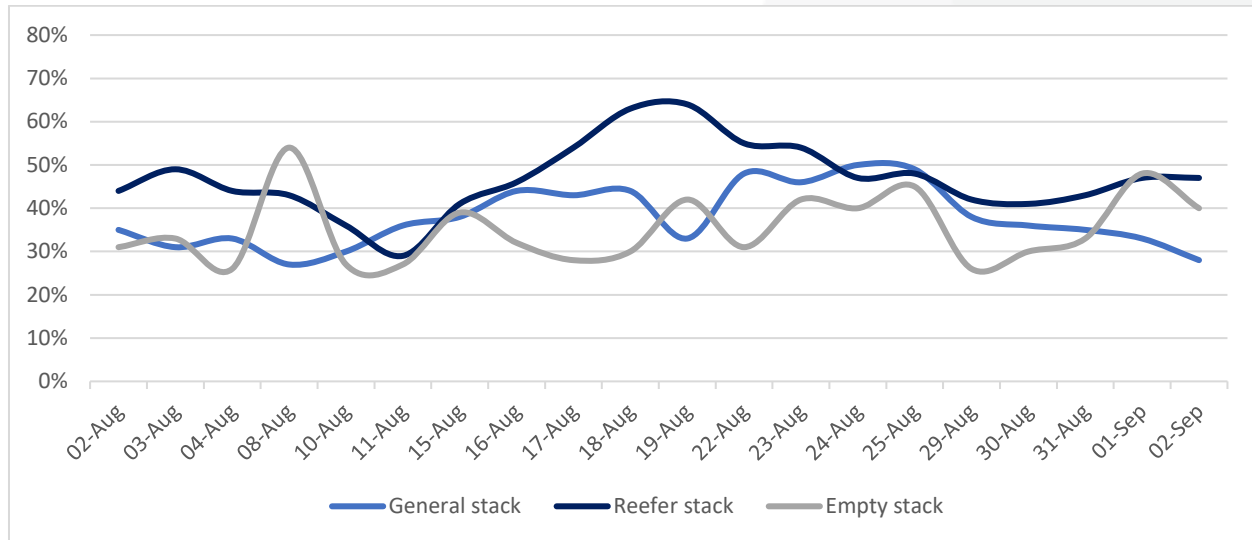
Figure 6 – Stack occupancy in DCT, general-purpose containers (3 August to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/09/2022.

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 (2 August to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/09/2022.

**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 conditions and other delays, as operations at the Cape Town container terminal were halted for extended periods during the week due to strong winds. NAVIS system downtime was reported on two occasions during the week for an approximate period exceeding one hour on both occasions, while severe delays were experienced on the MOL Proficiency vessel due to a miscalculation about the vessel size leading to the inability to berth at its designated berth.

Durban also experienced adverse weather conditions in the form of strong winds throughout the week, resulting in high swells causing berthing delays. Additionally, on Monday and Tuesday, strong winds halted operations at the port for the most significant part of two days creating cargo backlogs and congestion as slot bookings could not be honoured due to the port's closure.

Richards Bay experienced strong winds throughout the week, halting operations as the port was closed for most of Tuesday.

Unfortunately, the Eastern Cape ports were similarly affected as strong winds were also experienced, leading to vessel ranging and berthing delays.

**ii. Cape Town**

On Wednesday, CTCT recorded three vessels at berth and three at outer anchorage due to the adverse weather conditions experienced during the week. As a result, stack occupancy for GP containers was 33%, reefers 47%, and empties 48%. In the latest 24-hour period to Thursday, the terminal managed to handle 1 970 TEUs across the quay while servicing 1 432 external trucks and 39 trains on the landside. In addition,



CTCT advised that the second set of shore tensioners is still on track to arrive around 10 September, but they were unwilling to provide details of the carrying vessel, so this estimate should be treated with caution

Cape Town MPT, on Wednesday, recorded zero vessels at anchor and one at berth. In the latest 24-hour period to Wednesday, the terminal could unfortunately not accommodate any trucks due to adverse weather conditions halting operations at the port. Stack occupancy has again improved and was recorded at 32% for GP containers, 47% for reefers and 4% for empties.

### iii. Durban and Richards Bay

Pier 1 on Wednesday recorded two vessels at berth, manned by five gangs, and one vessel at anchor. Stack occupancy was 58% for GP containers and 78% for reefers with 1 596 imports on hand, 765 reefers and 100 unassigned units. The terminal recorded 1 178 gate moves on the landside on Thursday, with 195 cancelled slots and 762 wasted.

On Thursday, Pier 2 had four vessels at berth and five at anchorage. In the most recent 24 hours to Friday, the terminal managed to handle an impressive 2 499 TEUs across the quay considering the adverse weather conditions experienced throughout the week. Stack occupancy was 67% for GP containers and 100% for reefers highlighting the backlogs created by the weather conditions. The terminal had between 79 and 86 straddles in operation throughout the week, operated by ten gangs. On Thursday, there were 2 448 gate moves on the landside with an average TTT of 78 minutes and a staging time of 80 minutes. A total of 54 rail import containers were on hand, with 298 volumes moved by rail.

This week, Transnet advised that haulier operations were to start at berth 108 from 1 September; however, the change in approach won't replace the use of straddle carriers entirely. Additionally, concerns were raised this week by Transnet in terms of the current berthing delays experienced as well as the cranes situated at berth 108. The concerns surrounding the cranes at berth 108 are fuelled by their age, as they are the oldest cranes at the terminal. However, Transnet is prioritising maintenance on these cranes to ensure that they remain in commission, while they are also exploring other avenues to alleviate the berthing delays experienced.

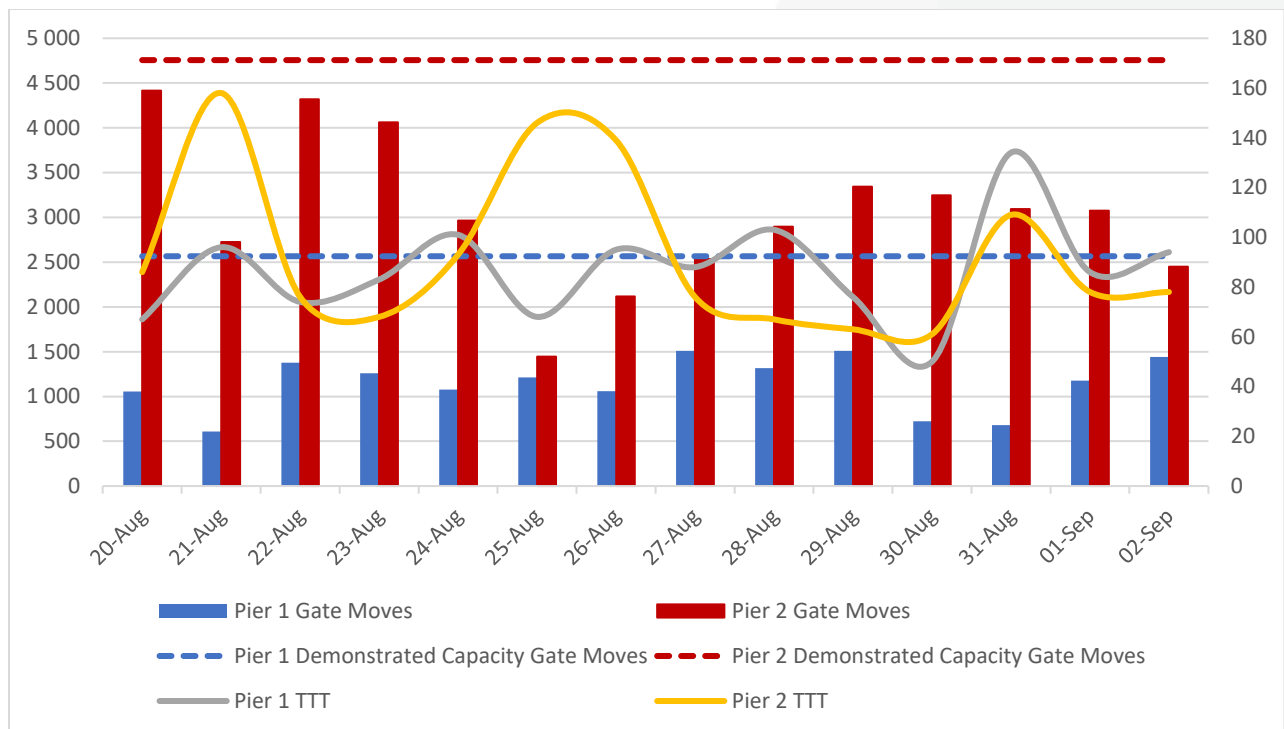
Operations under the four-hour slot allocation review period were continued this week; however, due to the adverse weather conditions experienced throughout the week, many slot bookings could not be honoured, leading to backlogs and congestion at the port. TPT is working hard to clear the backlogs and alleviate the delays experienced.

Furthermore, this week TNPA 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 02/09/2022.

**iv. Eastern Cape ports**

GCT on Tuesday recorded zero vessels 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 39% for GP containers and 40% for reefers. GCT also reported operating two STS cranes and 15 straddles while servicing 287 external trucks on the landside with a TTT of 43 minutes.

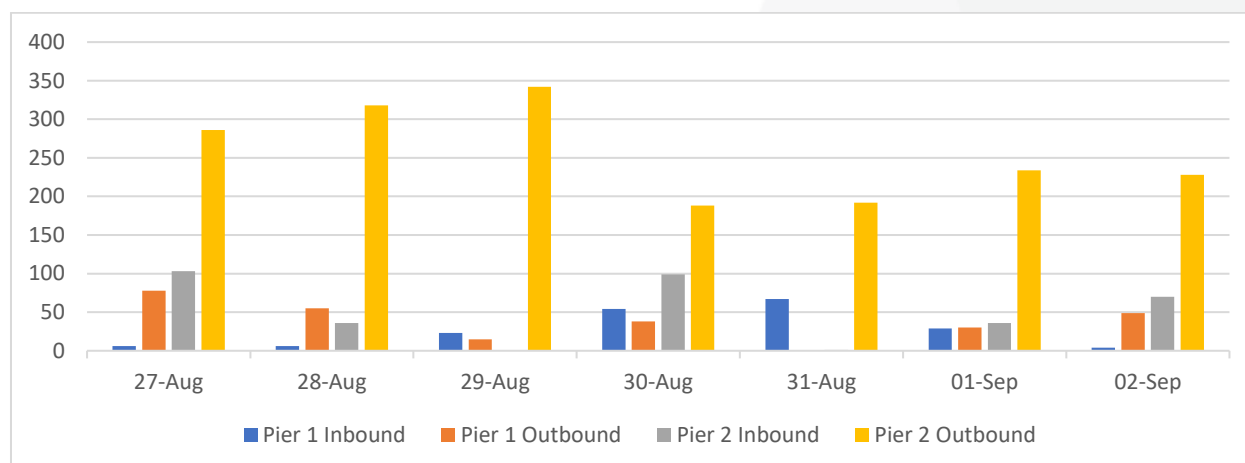
NCT on Tuesday recorded two vessels alongside manned by six gangs and two vessels at outer anchorage. Marine resources of two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Wednesday. In the 24 hours leading up to Wednesday, stack occupancy was 25% for GP containers, 16% for reefers, and 38% for ground slots. On Tuesday, 1 452 TEUs were handled across the quay. Regarding equipment availability, seven STS cranes and 25 RTGs were operating in the 24 hours leading to Wednesday. Additionally, 242 trucks were serviced on the landside, with a truck turnaround time of ~36 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. Unfortunately, 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, the estimated return time of the second line on the Durban-Cato Ridge railway, which flooded in April last year, is still on course by the end of September 2022.

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 02/09/2022.

In the last week (27 August to 2 September), rail cargo handled out of Durban was reported at **2 587** containers, up by **↑36%** from the previous week's **1 904** containers.

#### vi. General

Transnet CEO, Portia Derby, led a delegation that met with Chinese officials to resolve all current legal disputes with the China Railway Rolling Stock Corporation (CRRC). The delegation also included Transnet's legal officer and the CEOs of Transnet Freight Rail and Transnet Engineering<sup>8</sup>.

## 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 22 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	22-Aug	23-Aug	24-Aug	25-Aug	26-Aug	27-Aug	28-Aug
Volume inbound	468 141	404 229	506 773	399 956	314 448	316 113	1 007 627
Volume outbound	218 809	197 151	182 787	165 122	175 262	230 553	482 028
<b>Total</b>	<b>686 950</b>	<b>601 380</b>	<b>689 560</b>	<b>565 078</b>	<b>489 710</b>	<b>546 666</b>	<b>1 489 655</b>

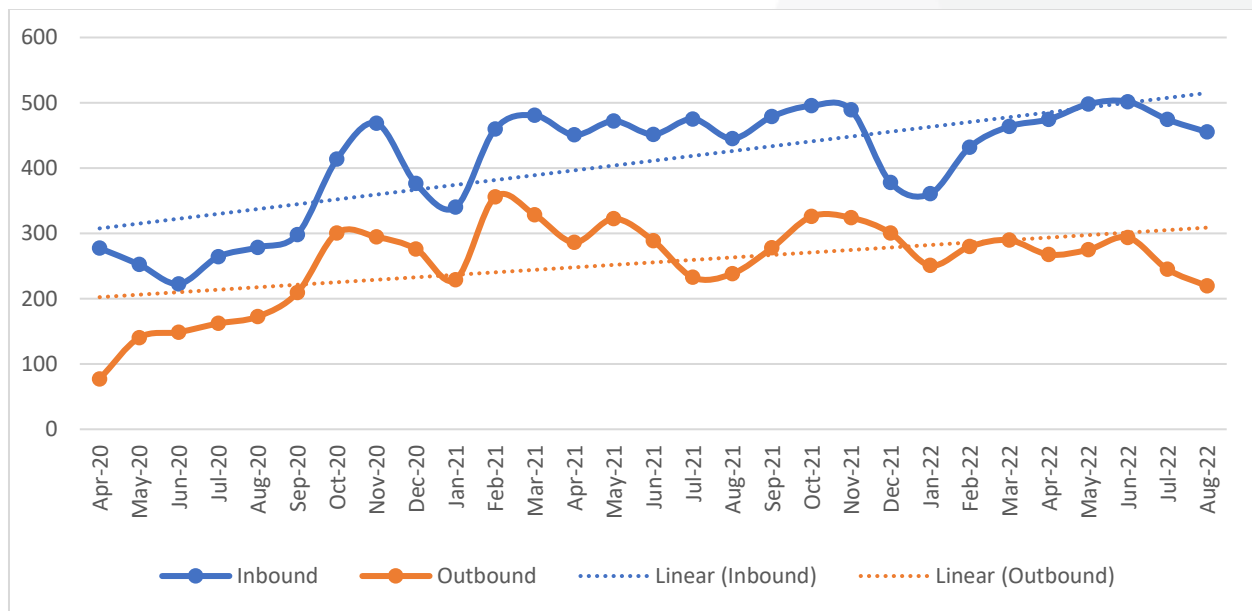
Courtesy of ACOC. Updated: 29/08/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **488 184 kg** inbound and **253 959 kg** outbound, resulting in an average of **724 143 kg per day** or **~89%** compared with August 2021. Also, the level is currently at **~161%** compared with the same period in 2020.

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

<sup>8</sup> Steyn, L. 01/09/2022. [A crucial deal for SA economy: How Transnet, staid Chinese giant struck a truce.](#)

Figure 10 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 29/08/2022.

**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.

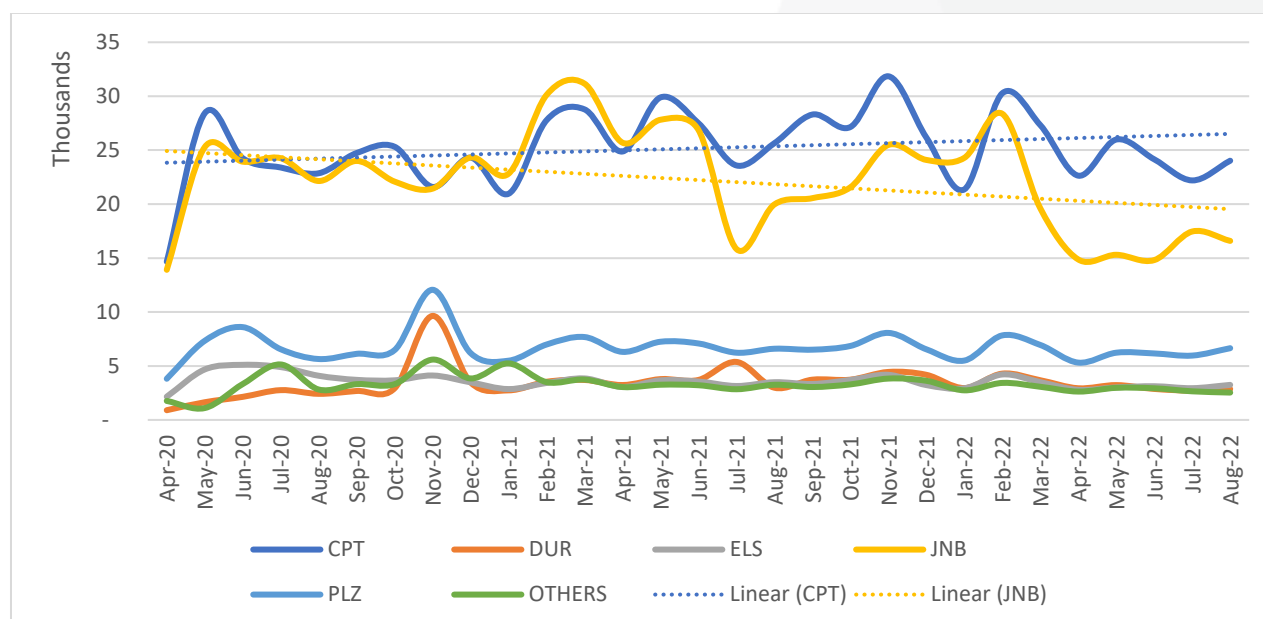
Table 5 – Total domestic inbound and outbound cargo

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	24 025	2 854	3 247	16 590	6 646	2 534	55 895
23-Aug-22	36 874	5 460	4 820	26 328	9 356	3 721	86 560
24-Aug-22	36 600	3 399	4 768	24 010	9 884	4 296	82 958
25-Aug-22	38 609	4 585	4 010	25 484	10 259	4 246	87 192
26-Aug-22	16 436	3 364	2 466	24 112	4 900	2 184	53 462
27-Aug-22	1 388	259	34	614	112	22	2 428
28-Aug-22	3 387	254	243	211	358	108	4 560
29-Aug-22	40 802	3 999	5 296	37 478	12 262	3 863	103 699
<b>Total for 2022:</b>	<b>6 060 134</b>	<b>780 438</b>	<b>785 068</b>	<b>4 646 359</b>	<b>1 535 842</b>	<b>697 455</b>	<b>14 505 295</b>

Courtesy of BAC. Updated: 31/08/2022.

The average domestic air cargo moved last week was ~60 123 kg per day, which is ↑4% compared with the previous week and ~97% compared to August 2021. 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: 31/08/2022.

### 3. National Update

#### a. SARS merchandise trade statistics: July

On Wednesday, 31 August, SARS released merchandise trade stats for July<sup>9</sup>, with trade continuing to increase significantly annually (led by substantial increases in imports) but is slightly down compared to last month. Monthly exports decreased from June (↓4,1%, m/m), as did imports (↓5,0%, m/m). Nevertheless, the current figures still result in a positive trade balance of **R24,76 billion** for July, which is approximately similar to June. However, despite another positive month with healthy numbers posted in July, the trade balance for 2022 continues to deteriorate from the surplus recorded for the same period in 2021. For the YTD figures, the preliminary trade balance of **R156,71 billion** is a deterioration from the **R285,13 billion** positive trade balance for the comparable period in 2021. This change is primarily attributed to a substantial increase in YTD imports, growing at **↑41,6%** (y/y). Exports, in turn, also rose, coming in at **↑24,3%** (y/y).

Regionally, trade with BELN countries for July resulted in a trade surplus of **R10,55 billion**, resulting from exports of **R15,47 billion** and imports of **R4,92 billion**. Exports to our neighbouring countries increased by **↑1,7%** (m/m) between June and July, with imports decreasing – by **↓7,9%** (m/m) – over the same period. Consequently, we see another improvement in the cumulative figures for the year, indicating a positive trade balance with BELN countries – from **R56,92 billion** in 2021 to **R67,65 billion** trade balance surplus for 2022.

### 4. Road and Regional Update

#### 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 **19 hours** (**↑12%** w/w), led by sharp deteriorations at Lebombo and Kopfontein. Furthermore, the situation at Skilpadshek didn't help and exacerbated the delays.

<sup>9</sup> SARS. 31/08/2022. [Merchandise trade stats](#).

- The N4 en route to Skilpadshek was closed due to protests around Dinokana during the week, which continued into the weekend.
- Delays were experienced at Beitbridge, with traffic moving slower than usual. It is possible that the Asycuda downtime – which affected the whole country – impacted the situation.
- Lastly, Regina Chinamasa has been appointed as ZIMRA Commissioner General<sup>10</sup>.
- 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](#)<sup>11</sup>, 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 Dedza, Kopfontein, Kasumbalesa, Lebombo, and Trans Kalahari.

Table 6 – Delays<sup>12</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
SA/Zim	Beitbridge	0:00	14:00	845	25 350	5 915	70 980	0
Moz/Zam	Cassacatiza/Mlolo	-	15:00	60	1 800	420	5 460	0
Zam/Zim	Chirundu	18:00	20:00	616	18 480	4 312	77 616	77 616
Moz/Mal	Dedza	2:00	32:00	50	1 500	350	10 500	700
SA/Bot	Grobblersbrug/Martins Drift	2:00	14:00	362	10 860	2 534	30 408	5 068
Zam/DRC	Kasumbalesa	-	53:00	750	22 500	5 250	267 750	0
Zam/Bot	Kazungula	0:00	18:00	212	6 360	1 484	23 744	0
SA/Bot	Kopfontein/Tlokweng	1:00	45:00	100	3 000	700	30 100	700
Moz/Zim	Machipanda/Forbes	1:00	11:00	320	9 600	2 240	20 160	2 240
Mal/Zam	Milange	0:00	3:00	30	900	210	210	0
Zim/Moz	Nyamapanda	1:00	3:00	100	3 000	700	700	700
SA/Moz	Lebombo/Ressano Garcia	19:00	57:00	1 623	48 690	11 361	624 855	215 859
SA/Bot	Skilpadshek/Pioneer Gate	-	26:00	100	3 000	700	16 800	0
Nam/Bot	Trans Kalahari/Mamuno	1:00	1:00	114	3 420	798	-798	798
Zam/Zim	Victoria Falls	2:00	15:00	100	3 000	700	9 100	1 400
Moz/Mal	Zobue/Mwanza	0:00	14:00	845	25 350	5 915	70 980	0
				<b>5 382</b>	<b>161 460</b>	<b>37 674</b>	<b>1 187 585</b>	<b>305 081</b>

Source: TLC & FESARTA, week ending 29/08/2022.

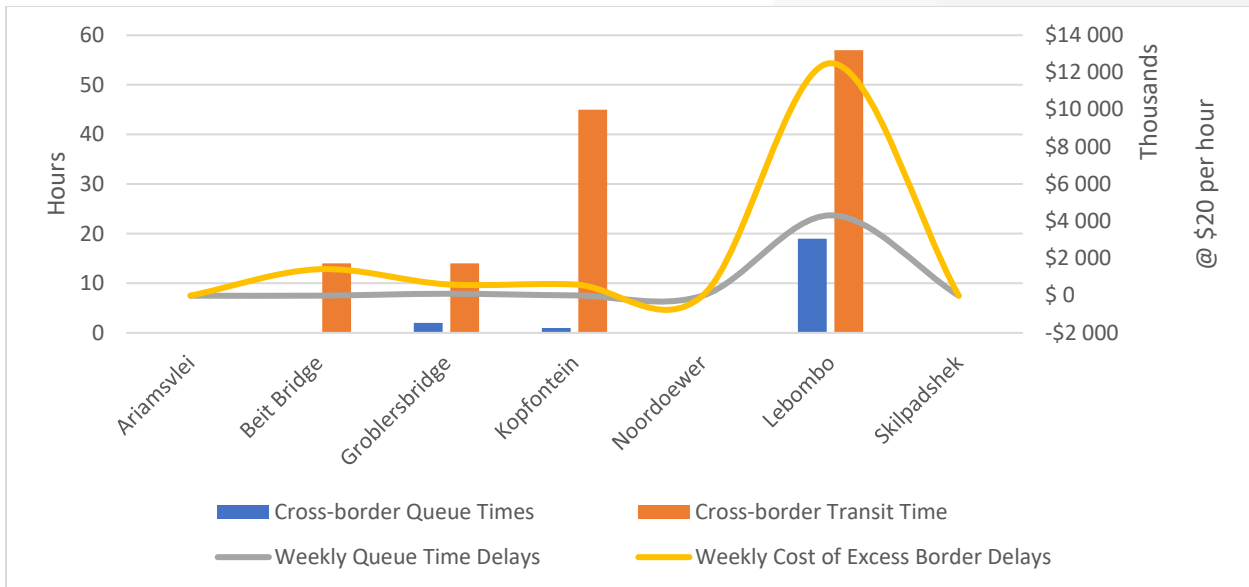
The following graph shows the weekly change in cross-border times and associated estimated costs.

<sup>10</sup> Mangudhla, T. 26/08/2022. [Chinamasa appointed substantive Zimra boss.](#)

<sup>11</sup> [FESARTA TRANSIST Bureau.](#)

<sup>12</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.

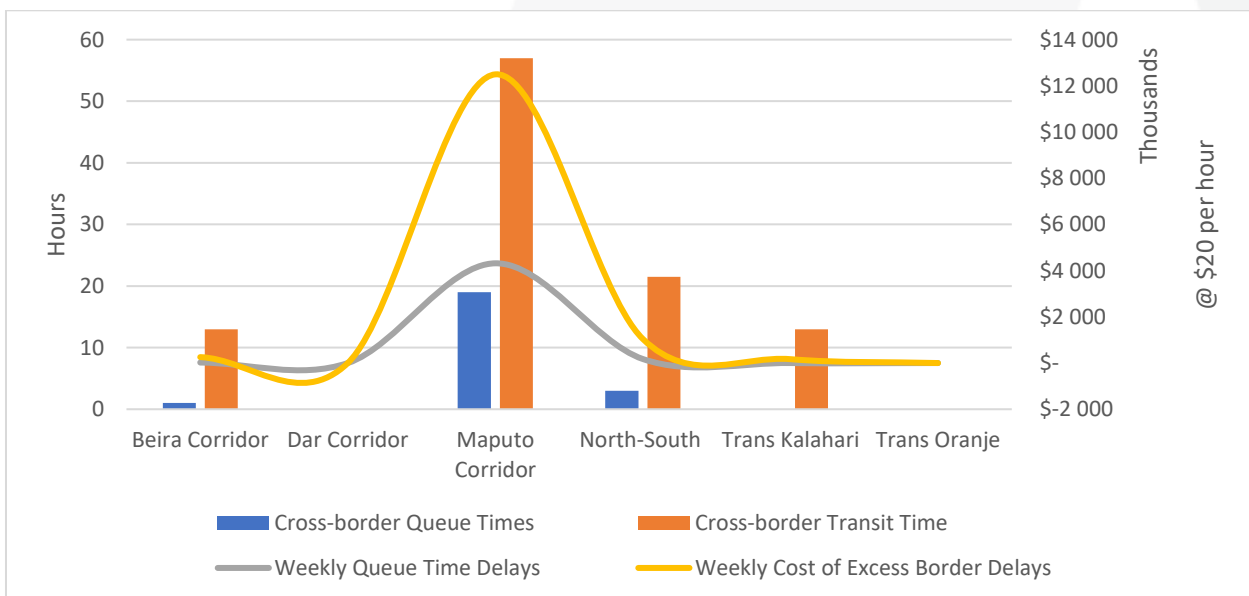
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 29/08/2022.

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 29/08/2022.

In summary, cross-border queue time has averaged **~3,6 hours** (up by **~0,6 hours** from the **~3 hours** recorded in the previous report), costing the transport industry an estimated **\$6 million (R98 million)**. Furthermore, the week's average cross-border transit times hovered around **~18,2 hours** (down by **~0,5 hours** from the **~18,7 hours** recorded in the previous report), costing the transport industry **\$24 million (R380 million)**. As a result, the total cost for the week amounts to an estimated **~R478 million** (up by **~R54 million** or **↑13%** from **R424 million** in the previous report).



## 5. International Update

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

### a. Global shipping industry

#### i. Global port throughput

The latest *RWI/ISL*<sup>13</sup> figures showed that global port throughput remained stable at **126,2 points** in July (no change, with the same number recorded in June). Ports in northern Europe, however, have recorded a decrease in container throughput activity<sup>14</sup>. In recent months, Chinese ports continued to be a strong driver of throughput as the rest of the market moderated. However, Chinese ports are currently displaying a slight weakening in container throughput activity, as the index for Chinese ports decreased from **137,4** to **136**. In addition, the North Range Index, an indicator for economic development in northern Europe and Germany, has recorded a more significant decrease in July from **113** (revised) to **110,7**. The following figure shows how China continues stimulating global trade in containerised goods.

Figure 14 – *RWI/ISL* Container throughput index (2015 = 100)



Source: [RWI/ISL](#)

Regarding the development, RWI's head of economic research, Torsten Schmidt, notes that the stabilisation of container throughput is still at a high level. Moreover, the cargo trade, which had stagnated due to disturbed supply chains, is finally starting to flow again, and the recent decrease in container freight rates indicates an easing of container trade tensions. The *RWI/ISL* Container Throughput Index consists of data from 90 international ports, constituting approximately 64% of global container traffic.

<sup>13</sup> Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL)

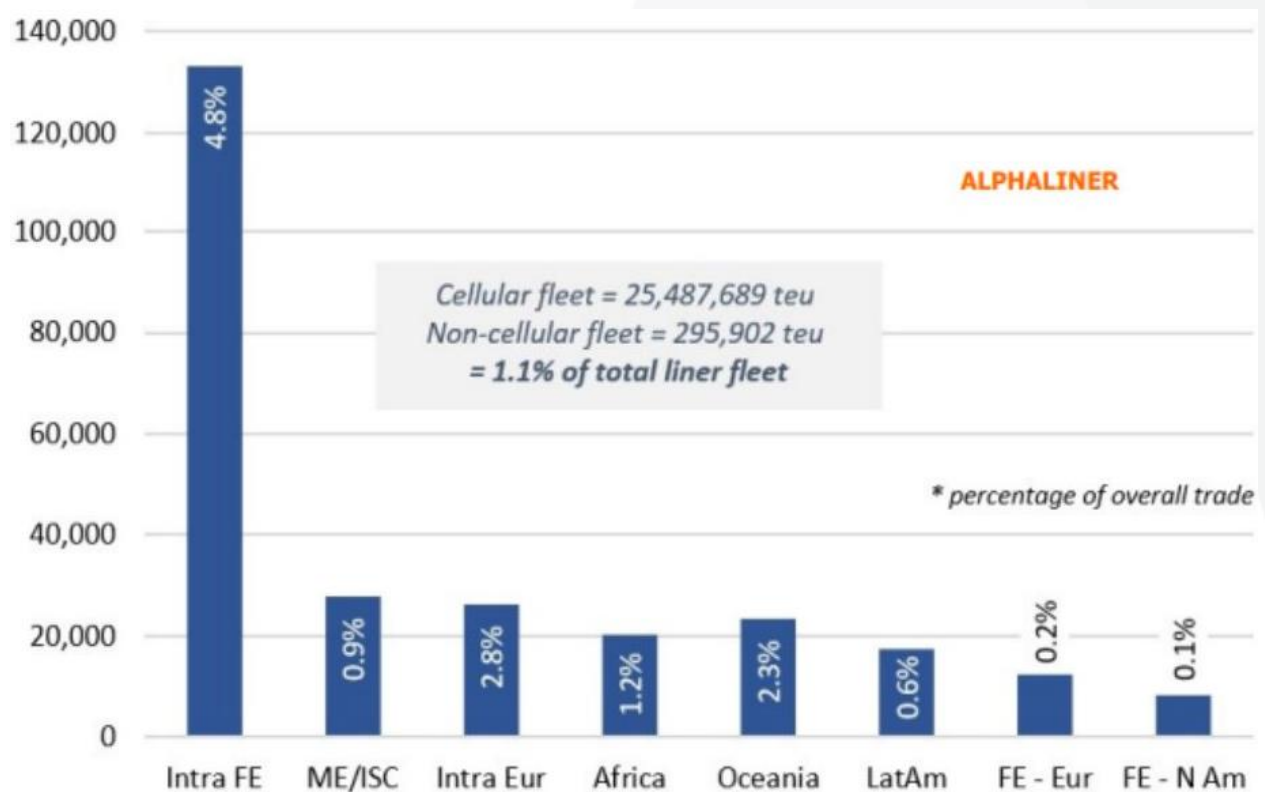
<sup>14</sup> *RWI/ISL*. 30/08/2022. [RWI/ISL Container Throughput Index: Container throughput stagnates.](#)



## ii. Global containers capacity

This week, Alphaliner highlighted that the increased deployment of the global non-cellular fleet would not solve the liner shortage due to the capacity stuck in the system. Despite headlines of additional non-container entrants onto regular liner trades over the past year – a hallmark of the shipping boom of last year – the numbers remain insignificant. For example, the total capacity of non-cellular ships deployed on regular liner services in August has increased by **↑21,6%** (y/y), according to Alphaliner<sup>15</sup>. However, these vessels represent only **~1,1%** of the container fleet active on liner services. Nevertheless, it is worth noting that a fair proportion of the non-cellular vessels are specialised reefer ships that typically take around 5 000 pallets and then load containers on deck. And these vessel types are essential for South Africa, especially fresh fruit exports.

Figure 15 – Non-cellular vessels operating in regular trade lanes (TEUs, % of trade, per region)



Source: [Alphaliner](#)

As has been typically the case, non-cellular vessels make up a relatively significant portion of intra-Far East trade, but it is still only 4,8%. However, since the average capacity of these ships only stands at around **~525 TEU**, their global effect is limited. Furthermore, their role – which increased during the massive boom through 2021 – is expected to decrease soon as cargo demand subsides. Elsewhere, a new report by HSBC projects that global container trade will decline **↓2%** in 2022 and **↓3%** in 2023 before recovering by **↓2,5%** in 2024. By contrast, vessel capacity will increase by **↑6,2%** in 2022, **↑6,5%**, and **↑8%** in 2023 and 2024, respectively<sup>16</sup>.

However, in continued attempts to adjust capacity deployment and maintain high rates, some **~9%** of capacity is due to be pulled from the Asia - Europe trades by ocean carriers over the next 12 weeks<sup>17</sup>. These

<sup>15</sup> Alphaliner. 31/08/2022. [Alphaliner](#).

<sup>16</sup> Wackett, M. 01/09/2022. [Liner profits set to hit new high in Q2, but there are choppier waters ahead](#).

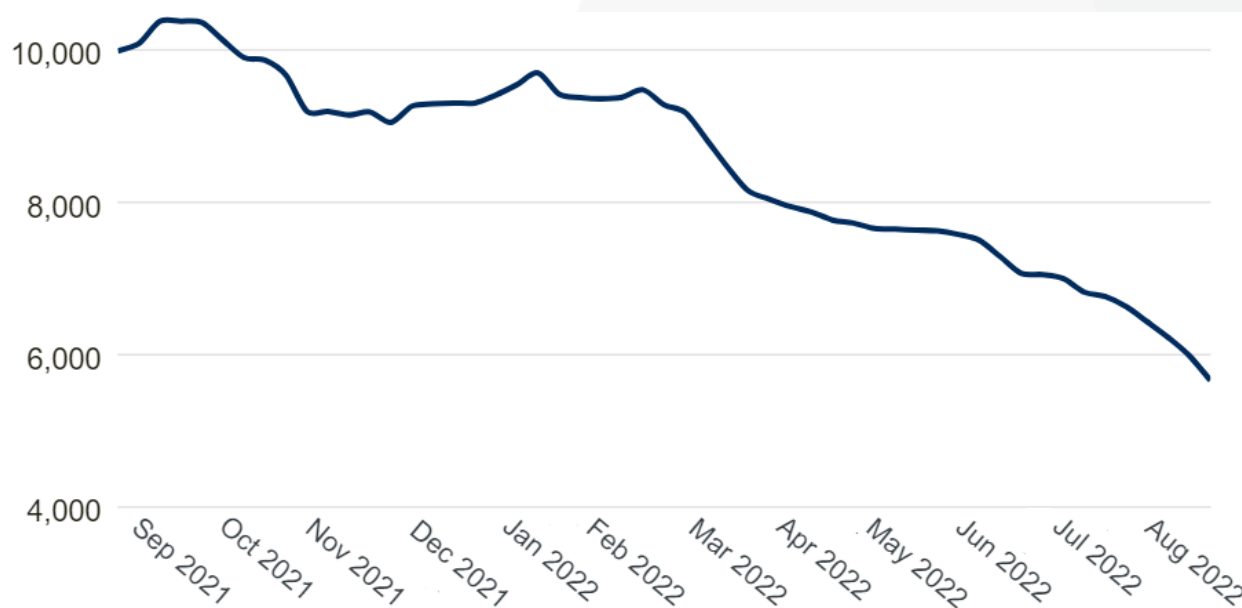
<sup>17</sup> Whiteman, A. 31/08/2022. [Carriers unveil blanking programmes to prop up rates as peak season sags](#).

include CMA CGM that will blank **five sailings** in the period around China's Golden Week, removing close to 100,000 TEU from those trades. Moreover, the 2M Alliance of Maersk and MSC will pull **10%** of its capacity on the trade between now and the Chinese holiday, blanking seven sailings, while The Alliance pulls **18%**, blanking 10. Commentators have suggested that the failure of a peak season to materialise in the build-up to Golden Week has likely driven the lines to reduce capacity as they look for ways to maintain rates that have recently "collapsed", particularly on Asia-Europe routes. Drewry's "Cancelled Sailings Tracker" puts the industry figure at 97 cancelled sailings out of 756 scheduled sailings, representing a **13%** cancellation rate<sup>18</sup>.

### iii. Global container freight rates

Global container freight spot rates accelerated their decline – now for the 27<sup>th</sup> week in a row, according to Drewry's "World Container Index". The rate decreased by a substantial **↓5%** (or **\$324**) – to **\$5 662** per 40-ft container this week<sup>19</sup>, which is a massive **↓43%** lower than this time last year when rates were trading at their peak:

Figure 16 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

The composite index remains **↑55%** higher than the five-year average of **\$3 664**. This week, five of the eight routes fell on the major East-West trade lanes, with a substantial **↓9%** (w/w) drop on the Shanghai – Los Angeles route, which follows two consecutive drops of **↓6%** (w/w). Therefore, in three weeks, the route has come down by nearly **\$1 000**. This major route is having a significant impact on decreasing freight rates. The shipping lines seem to have had to return to reality, making last year's rapid rise all the more questionable. For the next few weeks, we expect a further continuation of the rate decrease.

As liner profits are set to hit a new high in the second quarter, the outlook appears less optimistic for carriers, as the deep slide in rates from current levels will be driven by a mismatch between container growth and the supply of new vessels. The sector is set to bottom out in 2024, noting its forecasts were well below consensus for 2023-24<sup>20</sup>. As volumes drop, long-term rates are beginning to follow the trend set by the spot

<sup>18</sup> Drewry. 02/09/2022. [Cancelled Sailings Tracker - 2 September](#).

<sup>19</sup> Drewry. 01/09/2022. [World Container Index](#).

<sup>20</sup> Hand, M. 01/09/2022. [A downcycle is unavoidable for container shipping in 2023-24 and profits will fall by 80%](#).

market<sup>21</sup>. Consequently, profits are set to plunge, but not to the loss-making levels of the previous two decades, which was often the reality for carriers.

#### iv. Further developments of note

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

##### 1. North Europe port congestion eases:

- a. Persistent port congestions in Northern European ports have eased, primarily due to a combination of waning demand, ending of strikes, and holidays<sup>22</sup>. Moreover, a wage settlement last week at German ports is also expected to relieve the high yard density at Hamburg's box terminals in the coming weeks.
- b. According to new weekly data produced by supply chain intelligence company eeSea for the port of Rotterdam, congestion at the Dutch gateway and neighbouring Antwerp has declined significantly in the past few weeks.
- c. Data shows that the longest wait time for a containership to berth at Rotterdam's terminals plunged from ~23 days, on 22 August, to just four days on 29 August. At Antwerp-Bruges, the most extended wait times, which had already been reduced to 4,8 days by 22 August, were further improved to 2,1 days on 29 August. However, the longest wait time at Hamburg was still extremely high on 29 August, at ~27 days, having reduced from ~31 days on 22 August.

##### 2. COVID lockdowns return to key Chinese port cities:

- a. COVID lockdowns are ticking up in China again, with neighbourhoods in key port cities such as Shenzhen and Dalian forced back home this week and mass testing underway at other important maritime gateways, including Tianjin<sup>23</sup>.
- b. There seems to be no let-up in China's zero-COVID policy, which has greatly stretched global supply chains this year. Fortunately, while outbreaks have been getting more widespread in the last fortnight, lockdowns are pursued neighbourhood by neighbourhood rather than city-wide, and quarantine times have been cut back since June.

##### 3. Maersk sells its stake in Russian ports business:

- a. A.P. Moller-Maersk's terminals business, APM Terminals, has agreed to divest its ~31% shareholding in Global Ports Investments (GPI) to long-standing partner Delo Group<sup>24</sup>.
- b. Following the announcement of Maersk's commitment to discontinue activities in Russia earlier this year, APMT has entered into a binding agreement, subject to regulatory approvals, to divest its entire stake in GPI.
- c. With the divestment of its shares in GPI, APMT will no longer be involved in any entities operating in Russia or own any assets in the country. Although the move by Maersk and others can be applauded on a geopolitical level, businesses withdrawing from Russia are not helping the global disruptions.

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<sup>21</sup> Wackett, M. 02/09/2022. [End of capacity crunch sees spot freight rates continue to tumble.](#)

<sup>22</sup> Wackett, M. 30/08/2022. [N Europe port congestion eases as demand falls and strikes and holidays end.](#)

<sup>23</sup> Chambers, S. 30/08/2022. [Covid lockdowns return to key Chinese port cities.](#)

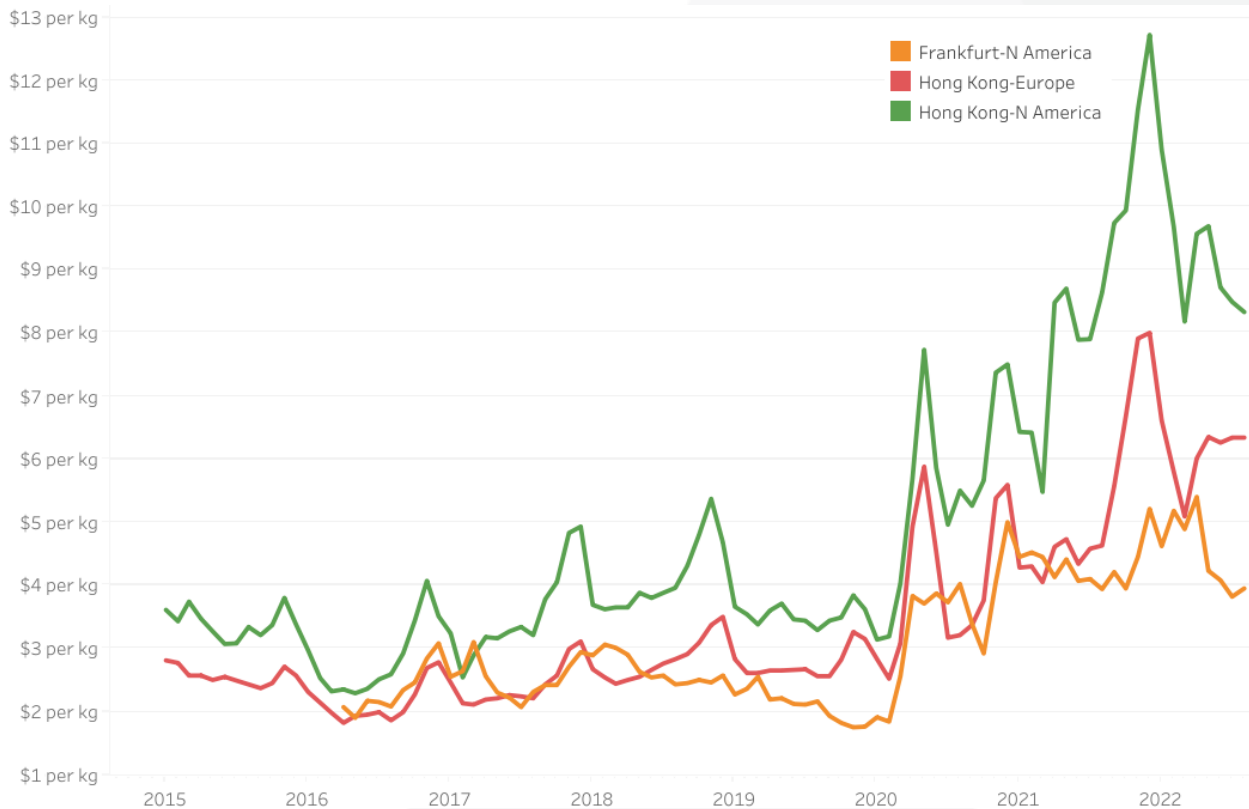
<sup>24</sup> Chambers, S. 30/08/2022. [Maersk sells its stake in Russian ports business.](#)

## b. Global air cargo industry

### i. Air cargo rates

Weakening air cargo demand amid continued record inventory levels seemingly drives rates further down, albeit gradually<sup>25</sup>. In August, rates are up **↑0,5%** versus last month, **↑11,2%** from a year ago – and **↑128%** versus August 2019, as the "Baltic Exchange Airfreight" shows below:

Figure 17 – Baltic Exchange Airfreight Index (\$ per kg)



Source: [BAI](#)

High inventory levels are typically seen as a precursor to demand weakness and the following drop-off in rates. Persistent congestion in the supply chain is another factor that's helping to keep absolute rates stable: ongoing port bottlenecks; labour challenges in the US and Europe in the ocean, rail, and trucking; continued labour scarcity; and the potential for climate and geopolitical shocks to energy prices to name a few. On the major routes, the prevailing rates are currently:

- Frankfurt – North America is currently trending at **\$3,95** per kg – **↑3,4%** (m/m), and **↑0,3%** (y/y).
- Hong Kong – North America is currently trending at **\$8,33** per kg – **↓1,9%** (m/m) and **↓3,6%** (y/y).
- Hong Kong – Europe is stable at **\$6,34** per kg but up by **↑36,9%** (y/y).

With the ongoing subdued volumes, air cargo rates will likely remain stable or grind directionally lower. As a result, the spread between current rates and year-over-year pricing should continue to moderate.

In other cargo news, Lufthansa Cargo has confirmed to customers that pilot union Vereinigung Cockpit (VC) has called for an all-day strike, which took place on Friday, 2 September<sup>26</sup>. Also involving Lufthansa, a joint venture between the German airline and MSC that has to take on 80% of ITA Airways has been rebuffed in

<sup>25</sup> Brett, D. 02/09/2022. [Airfreight rates to grind lower despite high inventories.](#)

<sup>26</sup> Lennane, A. 01/09/2022. [Lufthansa Cargo confirms pilot strike tomorrow and revamps schedules.](#)

favour of Delta and AF-KLM (now connected, of course, to CMA CGM)<sup>27</sup>. Ocean carriers are increasing their ventures in the air space, as elsewhere, Maersk Air Cargo geared for operations with a demonstrator flight between Seoul Incheon and Greenville Spartanburg in South Carolina<sup>28</sup>. German forwarder Senator International, acquired by Maersk in June, has for several years operated regular charter flights to Greenville-Spartanburg, initially to cater for cargo heading to and from BMW's production plant in Spartanburg.

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<sup>27</sup> Lennane, A. 01/09/2022. [Italy rejects Lufthansa/ MSC bid and picks AF-KLM for ITA Airways.](#)

<sup>28</sup> Todd, S. 31/08/2022. [Maersk Air Cargo gears up for take-off with 'demonstrator flight' today.](#)