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COVID-19: Cargo movement update[1]

Date: 2 December 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)	27 008	36 922	**63 930**	23 972	31 331	**55 303**	↑16%
Air Cargo (tons)	5 527	3 285	**8 812**	5 105	3 457	**8 563**	↑3%

Monthly Snapshot

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

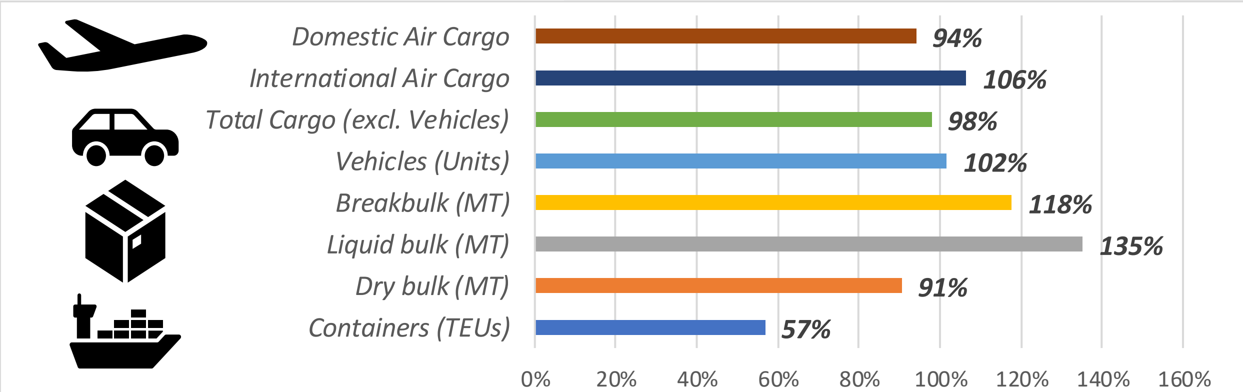
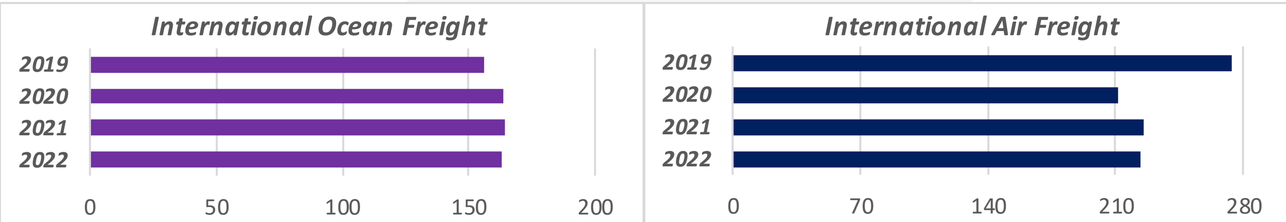


Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~9 133 containers** was handled per day, with **~8 300 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **1 983** containers, **↓40%** compared to last week.
- Cross-border queue times were **↑0,7 hours**, with transit times **↓3,6 hours**, SA borders **~7,0 hours** (**↓8%**).
- Global trade has significantly slowed, as the WTO "*Goods Trade Barometer*" currently reads **96,2** (**↓3,8%**).
- The RWI/ISL container throughput index substantially decreased by **↓3,4** to **124,2 points** in October.
- Liner schedule reliability improved by **↑6,6%** (m/m) to **52%**, with average late arrivals at **5,56 days**.
- The "*WCI*" decreased for the *40th consecutive week*, with spot rates down **↓5%** (**$120**) to **$2 284** per 40ft.
- Air cargo rebounded by **↑3,5%** (m/m) growth in October but remained **↓6,2%** down from October 2021.

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[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 116th 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: Oct vs Oct.
[5] For ocean, total Jan-Oct cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Oct cargo to and from ORTIA is used.

Executive Summary

This update – *the 116th 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 and shortages, adverse weather conditions, backlogs, power outages, road shows and congestion. The anomaly of road shows was a prominent feature in Durban this week across all shifts, while strong winds ensured significant delays in the Eastern Cape. Additionally, the 'Bear Mountain Bridge' encountered technical difficulties during her voyage from Singapore to Durban, resulting in a delayed arrival date and planned initially to omit her Cape Town call, but due to problems in Durban, this was switched around, and she will now omit Durban. Furthermore, TFR were once again on the receiving end of intermittent cable theft, causing minor delays on the rail corridors this week.

Globally, merchandise trade has slowed significantly in the last quarter, as the solid post-pandemic rebound is well and truly over. Moreover, the WTO further warns that trade growth will likely slow in the closing months of 2022 and into 2023 as the global economy continues to be buffeted by strong headwinds. These realities have been plain to see in the ocean modality recently, as throughput has decreased significantly. Consequently, carriers have resorted to juggling schedules as additional factors continue to drive freight rates down. This precipitous fall in freight rates – one of the major determinants of global inflation – will see bulging carrier balance sheets (which remain very healthy for now), probably wiped out by this time next year. Further developments of note included widespread industrial action continuing, notably in the US, China, and South Korea.

For airfreight, international cargo volumes remained high and increased slightly (**↑3%**, w/w), as domestic volumes are also slightly up **↑6%**. Nevertheless, as widely expected, the industry did not really experience a considerable increase in volumes for the week amid the increased consumer sales over the weekend. Moreover, the volume is lower than expected in terms of peak compared to the previous two years, indicating that economic activity has slowed in a climate of rising inflation, interest rates, and generally low growth. Internationally, the sentiment is shared, as IATA noted that headwinds in the air cargo industry persisted in October, depressed by high inflation rates in advanced economies, weak performance in the global flows of goods and services, the ongoing war in Ukraine, and the unusual strength of the US dollar.

In the cross-border road freight industry, several regional border posts continue to experience average border crossings in excess of 24 hours, notably Kasumbalesa, Katima Mulilo, Kazungula, and Oshikango. Besides the ongoing SADC reality of desperately slow crossings at many border posts, this week marks another where Beitbridge struggles with uniquely South African issues of power, water, and network issues. Fortunately, some positive regional news comes with the announcement that the Mchinji OSBP between Malawi & Zambia is now fully operational, which should speed up crossing times in the area.

In concluding this edition – *the third last of 2022* – the reality is apparent: we have had many challenges throughout the last couple of years, but we have also experienced many wins. However, we should also focus on the small wins – especially as our political economy becomes more uncertain and unpredictable. And the core win is that most role players are now collaborating much closer than ever. South Africa needs us, as our competitors are progressing while we are regressing – that is the reality. Therefore, it is absolutely vital to stitch the supply chain together. And this can only happen with the contribution of all role players in participating fully in a shared logistics network.

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 26 November to 2 December [6]

7-day flow forecast (26/11/2022 – 02/12/2022)		
TERMINAL	**NO. OF CONTAINERS[7] TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4 287	6 442
DURBAN CONTAINER TERMINAL PIER 2:	12 647	16 609
CAPE TOWN CONTAINER TERMINAL:	5 524	6 997
NGQURA CONTAINER TERMINAL:	3 424	5 816
GQEBERHA CONTAINER TERMINAL:	1 126	1 058
TOTAL:	**27 008**	**36 922**

Source: Transnet, 2021. Updated 02/12/2022.

Table 3 – Container Ports – Weekly flow predicted for 3 to 9 December

7-day flow forecast (03/12/2022 – 09/12/2022)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	5 189	7 052
DURBAN CONTAINER TERMINAL PIER 2:	12 098	14 050
CAPE TOWN CONTAINER TERMINAL:	5 139	6 071
NGQURA CONTAINER TERMINAL:	3 081	4 066
GQEBERHA CONTAINER TERMINAL:	607	750
TOTAL:	**26 114**	**31 989**

Source: Transnet, 2021. Updated 02/12/2022.

An average of **~9 133 containers** (↑**16%**) was handled per day for the last week (26 November to 2 December, *Table 2*), compared to the projected average of **~8 575 containers** (↑**7%** actual versus projected) noted in last week's report. A decreased average of **~8 300 containers** (↓**9%**) is predicted to be handled next week (3 to 9 December, *Table 3*). Port operations this past week were defined by equipment breakdowns and shortages, adverse weather conditions, backlogs, power outages, road shows and congestion.

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

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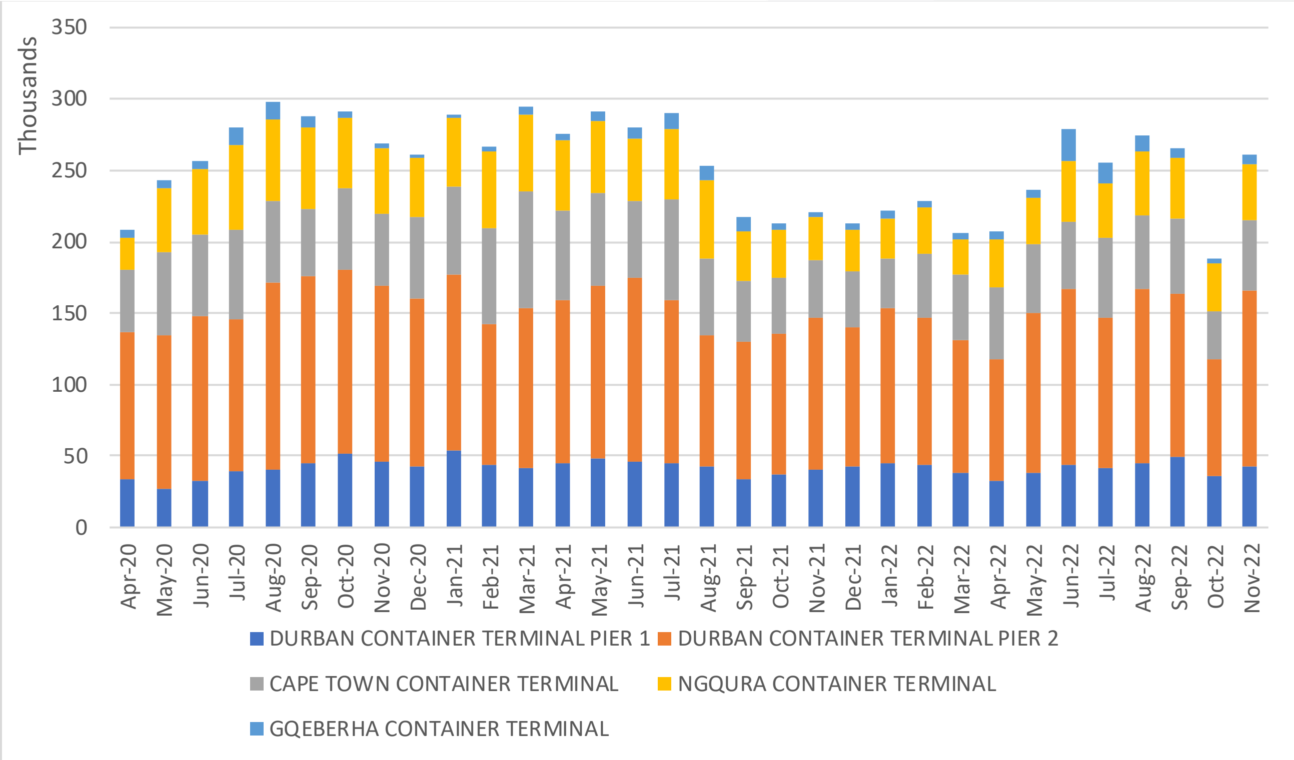
[6] It remains important to note that a large percentage (approximately 39% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transhipments. Due to the ongoing container imbalances, this proportion is fluctuating more than usual and has increased since December 2020. In recent months, empty numbers have dropped, a reflection of an improvement in worldwide container imbalances.

[7] 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.

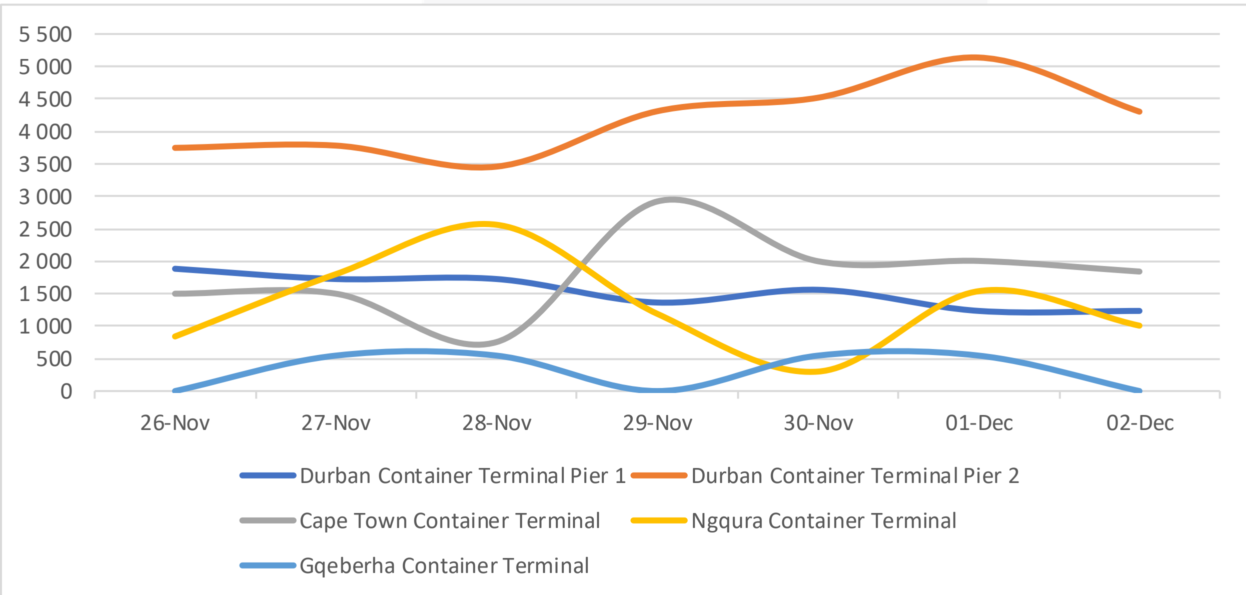
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 02/12/2022.

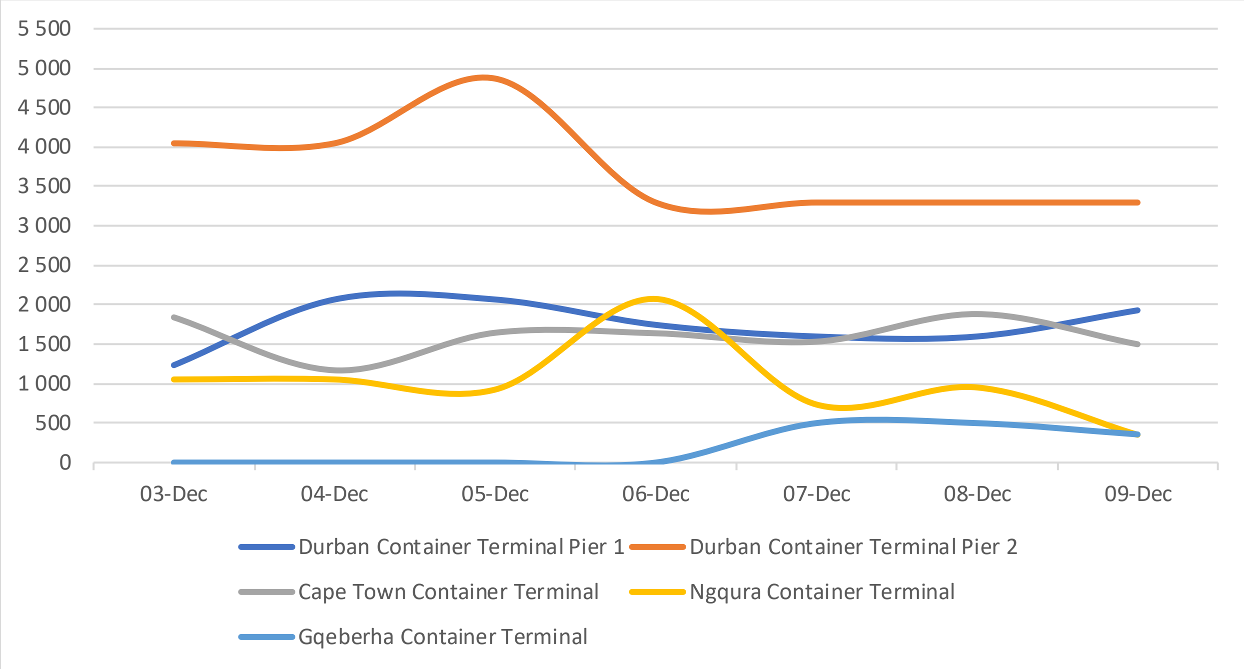
The figures below show the weekly container flows for the last seven days, followed by the projections for the seven days after that.

Figure 4 – 7-day flow reported for total container movements (26 November to 2 December; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/12/2022.

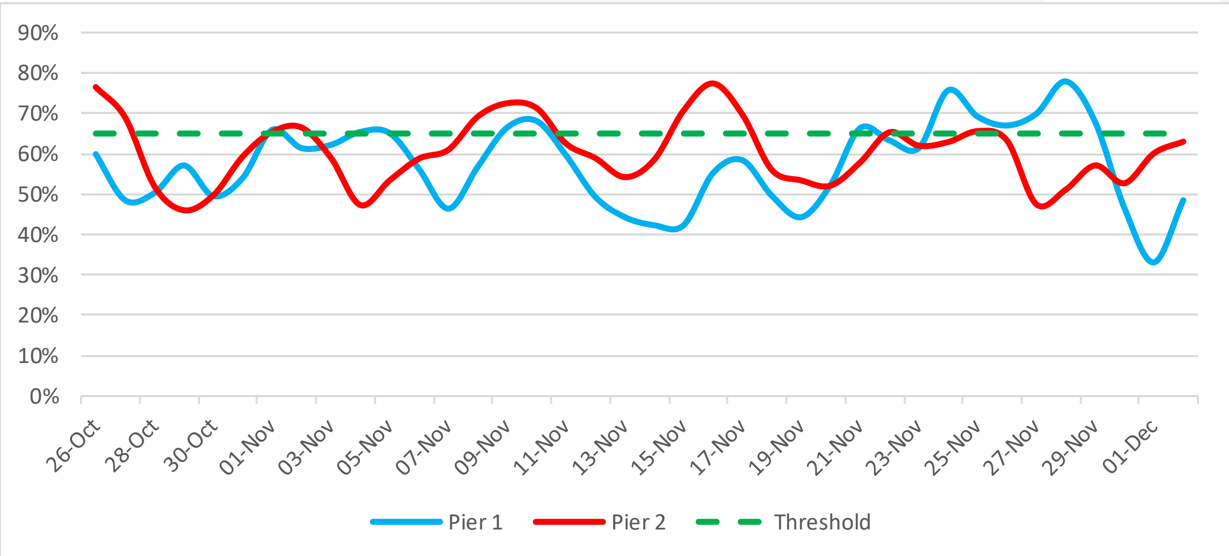
Figure 5 – 7-day forecast reported for total container movements (3 to 9 December; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/12/2022.

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

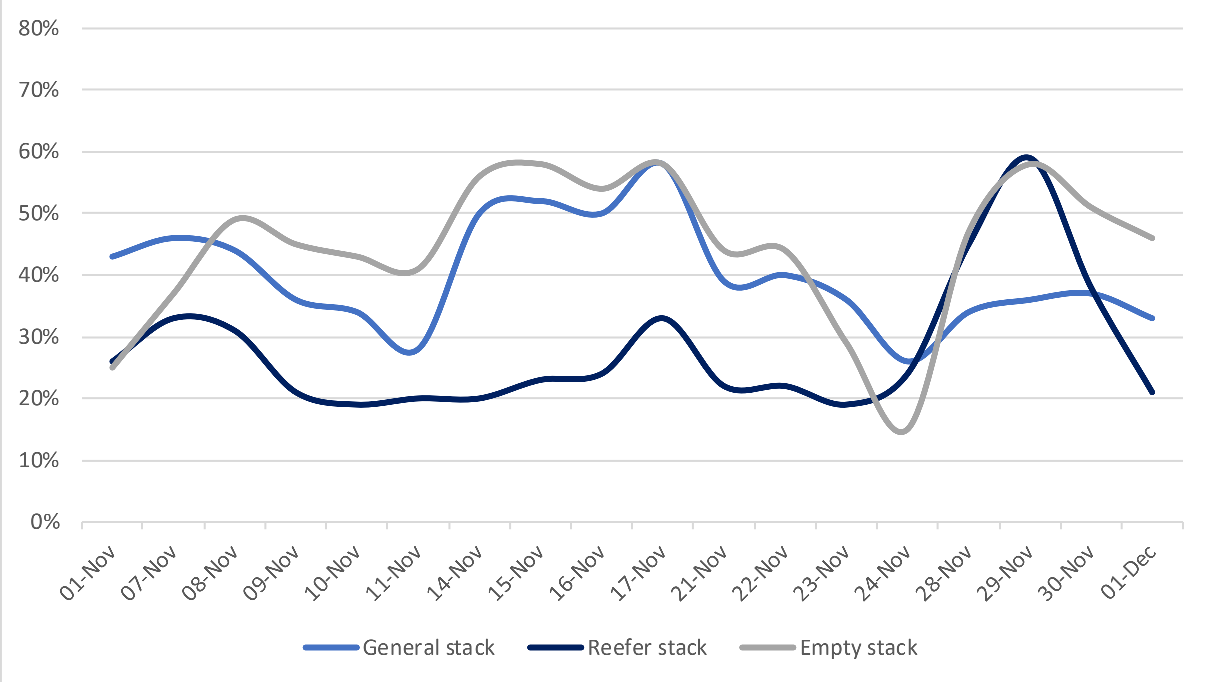
Figure 6 – Stack occupancy in DCT, general-purpose containers (26 October to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/12/2022.

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

Figure 7 – Stack occupancy in CTCT, GP, reefer, and empty stack (1 November to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 02/12/2022.

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

Cape Town experienced a challenging week this week as CTCT and MPT were windbound and fogbound for lengthy periods during the early stages of the week.

Durban's experience was similar to Cape Town, as weather conditions, equipment breakdowns and shortages, congestion, and road shows ensured operational delays throughout the week.

Richards Bay had a relatively good week as only two delays were reported due to marine resources experiencing difficulties servicing the vessels.

Lastly, the Eastern Cape ports had troubles with adverse weather conditions, equipment breakdowns, and a power outage resulting in operational delays throughout the week.

ii. Cape Town

On Tuesday, CTCT recorded three vessels at berth and two at outer anchorage. Stack occupancy for GP containers was 36%, reefers 59%, and empties 58%. In the latest 24-hour period to Thursday, the terminal handled 2 198 TEUs across the quay while servicing 1 303 external trucks and 46 trains on the landside. Berth 601 returned to operations on Monday around noon and promptly resumed duty. The advantages of having a full complement of cranes and berths are unfortunately negated thanks to inadequate landside equipment.

On Wednesday, Cape Town MPT recorded zero vessels at anchor and none at berth. In the 24 hours to Thursday, the terminal managed to service 143 external trucks at a truck turnaround time of ~6 minutes. Stack occupancy decreased to 18% for GP containers, 13% for reefers and 41% for empties. The next vessel was expected on Friday, 2 December, and there are strong calls for a return of the Amex service to this (currently under-utilised) terminal.

This week, the Bear Mountain Bridge vessel, unfortunately, encountered technical issues on her inbound voyage from Singapore to Durban, which will subsequently impact her arrival and departure dates. The new estimated arrival time in Durban is 14 December, while the new estimated time of departure is 17 December 2022. Due to the unfortunate events, she will omit her Cape Town call to ensure that she maintains her schedule.

iii. Durban and Richards Bay

Pier 1 on Thursday recorded two vessels at berth, operated by three gangs, and two vessels at anchor. Stack occupancy was 33% for GP containers, with 851 imports on hand and 105 unassigned units. The terminal recorded 1 850 landside gate moves on Thursday, with 1 000 cancelled slots and 182 wasted.

Pier 2 had three vessels at berth and one at anchorage on Wednesday. In the most recent 24 hours to Thursday, the terminal managed to handle 2 889 TEUs across the quay. Stack occupancy was 53% for GP containers and 23% for reefers. The terminal had between 79 and 86 straddles in operation throughout the week, operated by 11 gangs. On Wednesday, there were 3 361 gate moves on the landside with a truck turnaround time of ~81 minutes and a staging time of ~126 minutes. In addition, 219 rail import containers were on hand, with 302 moved by rail.

Furthermore, ongoing road shows may cause congestion and delays at Durban's Pier 2 over the next two weeks. Notifications are shared via the TPT call centre, but the schedule for the moment is as follows:

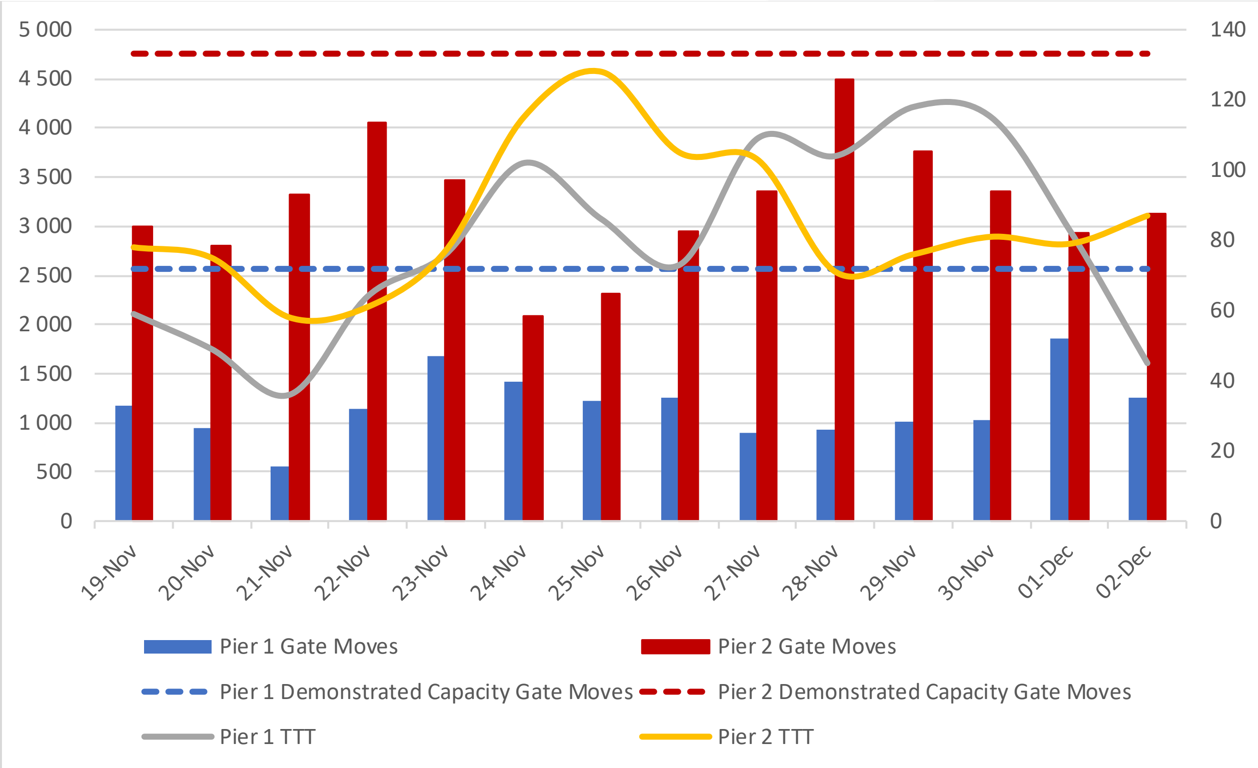
- 29 November: Tower 109, empty stack, over-heights, reefers, and A-check
- 5 December: Tower 202 and Tower 205
- 6 December: Tower 109, empty stack, over-heights, reefers, and A-check

Durban MPT terminal, on Wednesday, recorded four vessels at berth and five at outer anchorage while handling 201 containers on the waterside. Stack occupancy remained high for breakbulk at 85%, while stack occupancy on the container side dropped to 41%. On the landside, 68 breakbulk trucks were serviced in the 24 hours leading to Thursday, while 346 containers were handled. In addition, two cranes, seven reach stackers, and five forklifts were in operation on Wednesday, complemented by six gangs operating breakbulk and container operations. One crane returned to operations this week, while another is expected back in commission by mid-December.

On Wednesday, Richards Bay recorded 32 vessels at anchor, which translates to six bulk, 16 coal, seven general, one bunker, and two tanker cargo vessels. On berth, they recorded ten vessels, three at DBT, four at MPT, three at RBCT, and none at the liquid bulk terminal. For marine resources, two tugs, one pilot boat, and one helicopter were in operation in the 24 hours leading to Thursday.

The following figure summarises the 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 02/12/2022.

iv. Eastern Cape ports

GCT on Thursday recorded zero vessels at outer anchorage and one at berth. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Friday. In the same period, stack occupancy was 45% for GP containers, 17% for reefers, and 55% for reefer ground slots. In addition, an undisclosed number of trucks was serviced on the landside at a truck turnaround time of ~17 minutes.

NCT on Thursday recorded two vessels on berth and zero vessels at outer anchorage. Marine resources of two tugs, one shared pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading into Friday. In the same period, stack occupancy was 26% for GP containers and 5% for reefers. On Thursday, 1 710 TEUs were handled across the quay. Additionally, 345 trucks were serviced on the landside, with a truck turnaround time of ~33 minutes.

This week, concerns were raised due to truck drivers not adhering to speed limits and causing unwanted accidents within the port. Due to this, the Port has undertaken a zero-tolerance stance on breaking terminal rules.

v. Saldanha Bay

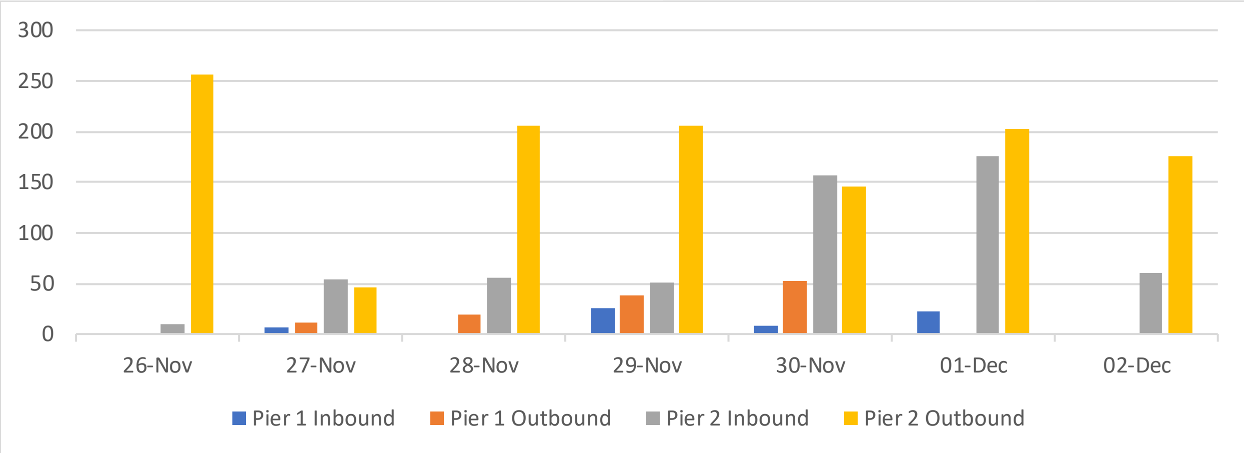
On Friday, Saldanha Bay recorded zero vessels at the outer anchorage and ten on the berth. Two tugs, one pilot boat, one pilot, and two VTS staff were operating the two-berth operation at the port for marine resources.

vi. Transnet Freight Rail (TFR)

This week, TFR were once again on the receiving end of intermittent cable theft, causing minor delays on the rail corridors. In addition, an overhead power outage near Ladysmith ensured that operations were delayed for an approximate period of ~90 minutes. Furthermore, there has still not been any cargo movement to Cato Ridge via TFR. However, there has been an improvement in volumes moving between Durban and City Deep over the past few days.

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 02/12/2022.

In the last week (3 to 9 December), rail cargo handled out of Durban was reported at **1 983** containers, down by **↓30%** from the previous week's **3 309** 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 21 November. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *November 2021* averaged **~813 045 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

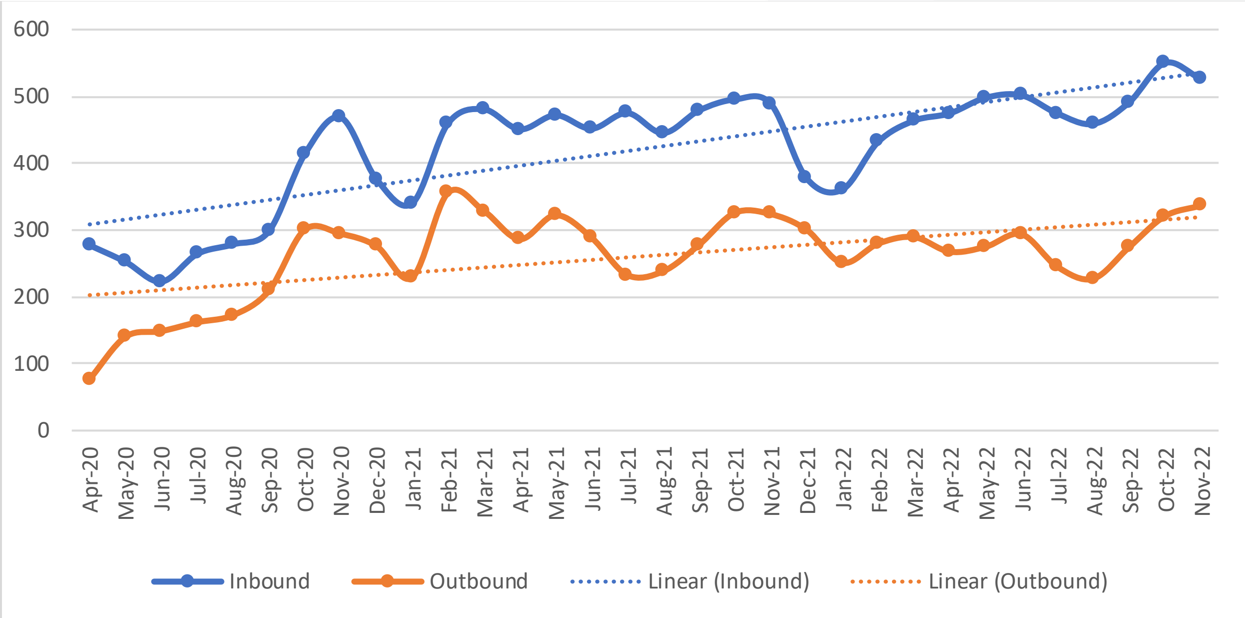
Flows	21-Nov	22-Nov	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
Volume inbound	714 720	414 350	400 649	418 782	319 714	355 936	1 245 046
Volume outbound	302 349	334 061	224 884	307 630	241 438	256 906	632 075
Total	**1 017 069**	**748 411**	**625 533**	**726 412**	**561 152**	**612 842**	**1 877 121**

Courtesy of ACOC. Updated: 30/11/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **552 742kg** inbound and **328 478kg** outbound, resulting in an average of **881 220kg per day** or **~108%** compared with November 2021. Also, the level is currently at **~117%** compared with the same period in 2020.

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: 30/11/2022.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) handled in *November 2021* was **~77 853 kg** per day.

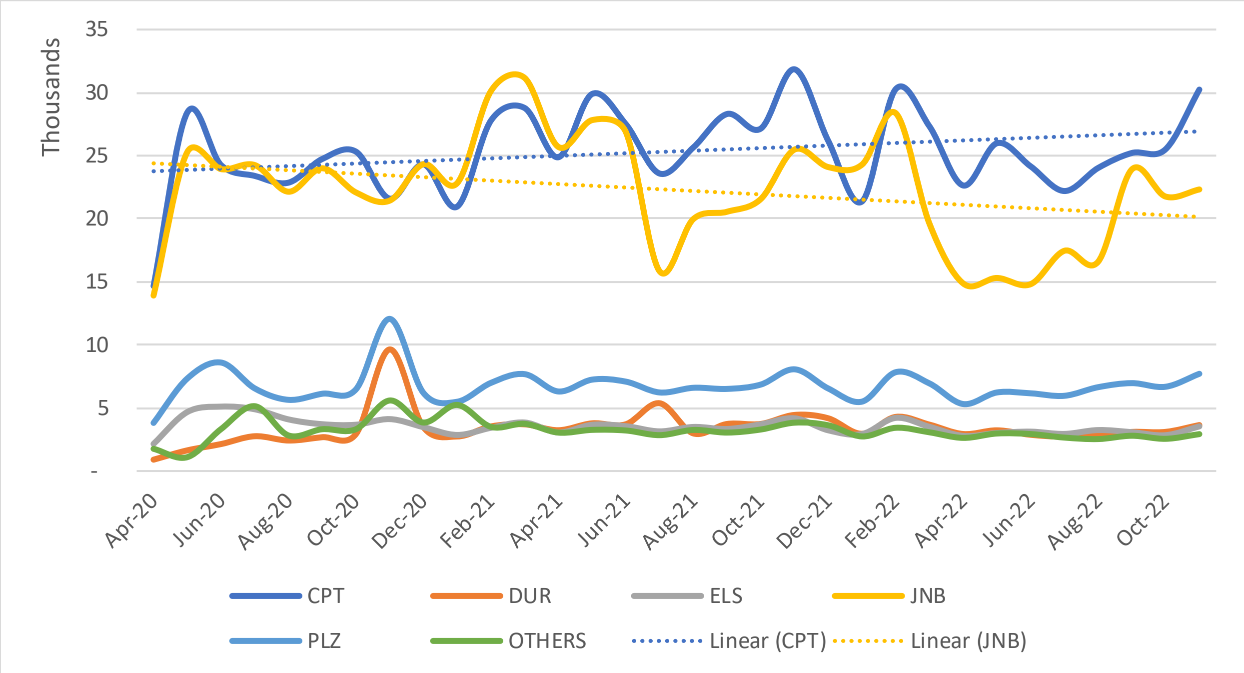
Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	JNB	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**
Sep Average	**25 212**	**3 102**	**3 080**	**23 913**	**6 968**	**2 796**	**65 071**
Oct Average	**25 509**	**3 103**	**2 841**	**21 757**	**6 681**	**2 554**	**62 446**
Nov Average	**30 236**	**3 644**	**3 539**	**22 321**	**7 708**	**2 925**	**70 372**
22-Nov-22	47 809	4 632	5 249	26 396	11 021	4 868	**99 973**
23-Nov-22	43 490	4 921	5 678	34 129	10 324	4 839	**103 381**
24-Nov-22	48 281	7 056	4 749	30 182	15 043	5 400	**110 711**
25-Nov-22	24 675	3 433	3 012	16 457	7 927	3 412	**58 915**
26-Nov-22	1 157	190	135	1 409	125	131	**3 145**
27-Nov-22	2 353	612	314	796	766	86	**4 926**
28-Nov-22	55 931	5 435	4 987	29 769	12 112	4 254	**112 489**
Total for 2022:	**8 534 136**	**1 081 310**	**1 075 193**	**6 790 781**	**2 189 116**	**950 834**	**20 621 371**

Courtesy of BAC. Updated: 30/11/2022.

The average domestic air cargo moved last week was **~70 506kg** per day, which is **↑6%** compared with the previous week and **~91%** compared to November 2021.

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



Courtesy of BAC. Updated: 30/11/2022.

3. Road and Regional Update

a. Cross-border and road freight delays

This week, the following points are worth mentioning in terms of challenges and delays on roads in South Africa and the surroundings in the SADC region.

- Last week, clearing times at South African borders remained largely unchanged and averaged **~7,0 hours** (**↓8%**, w/w); however, queue times improved significantly compared to last week.
- This week, Beitbridge struggles with the uniquely South African issues of power, water, and network breakdowns.
- Fortunately, some positive regional news comes in the form of the Mchinji OSBP between Malawi & Zambia is now fully operational and should speed up crossing times in the area.
- 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 Secretariat. However, given the questionable effectiveness of this platform, transporters are encouraged to contact FESARTA and join their TRANSIST Bureau[8], which has arguably achieved much greater success.

The following table shows the changes in bidirectional flows through South African borders

[8] FESARTA TRANSIST Bureau.

Table 6 – Delays[9] summary – South African borders

Border Post	Direction	HGV[10] Arrivals per day	Queue Time (hours)	Border Time – Best 5% (hours)	Border Time – Median (hours)	HGV Tonnage per day	Weekly HGV Arrivals
Beitbridge	SA-Zimbabwe	391	00:54	06:00	22:00	11 730	2 737
Beitbridge	Zimbabwe-SA	410	02:24	03:00	13:00	12 300	2 870
Groblersbrug	SA-Botswana	248	00:08	01:42	17:00	7 440	1 736
Groblersbrug	Botswana-SA	157	00:18	00:00	01:00	4 710	1 099
Vioolsdrif	SA-Namibia	30	00:18	01:00	03:00	900	210
Noordoewer	Namibia-SA	20	00:18	01:00	02:00	600	140
Nakop	SA-Namibia	30	00:24	01:00	06:00	900	210
Ariamsvlei	Namibia-SA	20	00:24	01:00	01:30	600	140
Lebombo	SA-Mozambique	1 552	00:18	01:00	10:00	46 560	10 864
Ressano Garcia	Mozambique-SA	133	00:12	01:00	04:00	3 990	931
Skilpadshek	SA-Botswana	200	00:54	01:00	03:00	4 800	1 400
Pioneer Gate	Botswana-SA	100	00:54	01:00	02:00	2 400	700
	Average/Sum	**3 291**	**00:40**	**01:32**	**07:03**	**96 930**	**23 037**

Source: TLC, FESARTA, & Crickmay, week ending 27/11/2022.

Table 7 – Delays summary – Corridor perspective

Corridor	HGV Arrivals per day	Queue Time (hh:mm)	Border Time – Best 5% (hh:mm)	Border Time – Median (hh:mm)	HGV Tonnage per day	Weekly HGV Arrivals
Beira Corridor	320	00:06	02:42	19:00	9 600	2 240
Dar Es Salaam Corridor	1 819	08:58	02:15	16:30	54 570	12 733
Maputo Corridor	1 685	00:15	01:00	07:00	50 550	11 795
Nacala Corridor	127	00:00	00:00	00:00	3 810	889
North/South	3 278	03:35	03:23	13:25	98 340	22 946
Trans Caprivi Corridor	116	00:36	01:48	33:45	3 480	812
Trans Cunene Corridor	100	00:00	10:24	17:15	3 000	700
Trans Kalahari Corridor	330	01:29	01:00	02:30	7 920	2 310
Trans Oranje Corridor	100	00:21	01:00	03:08	3 000	700
Average/Sum	**7 875**	**02:49**	**02:34**	**11:36**	**234 270**	**55 125**

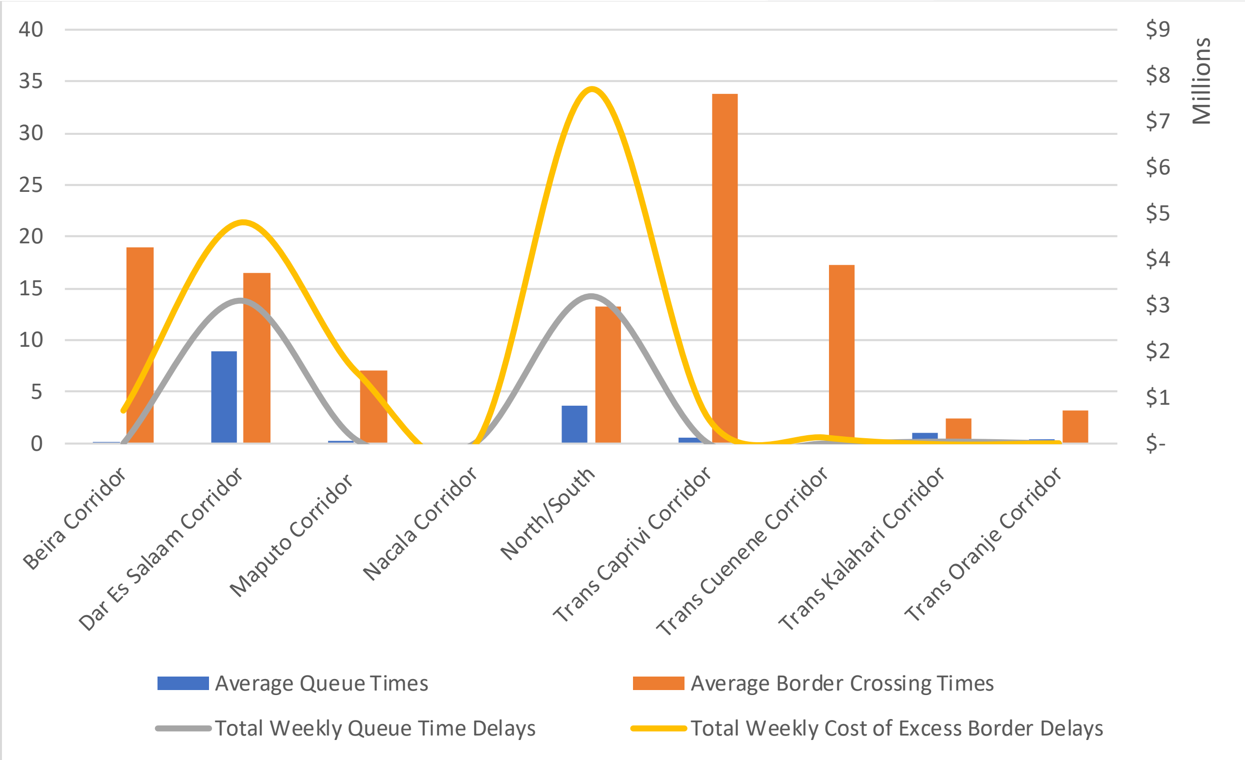
Source: TLC & FESARTA, week ending 27/11/2022.

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

[9] 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.

[10] Heavy Goods Vehicles.

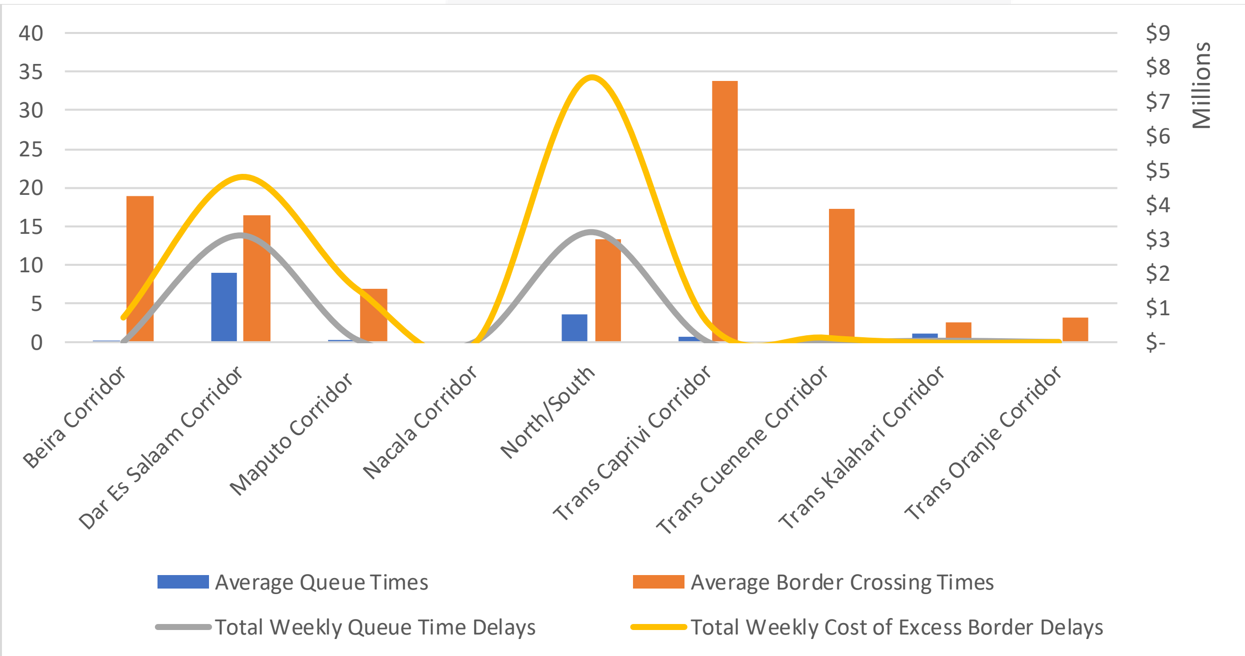
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)



Source: TLC & FESARTA, week ending 27/11/2022.

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 27/11/2022.

In summary, cross-border queue time has averaged **~2,8 hours** (up by **~0,7 hours** from the previous week's **~2,1 hours**), costing the transport industry an estimated **$6 million** (**R113 million**). Furthermore, the week's average cross-border transit times hovered around **~11,6 hours** (down by **~3,6 hours** from the **~14,2 hours** recorded in the previous report), costing the transport industry **$15 million** (**R271 million**). As a result, the total cost for the week amounts to an estimated **~R384 million** (up by **~R34 million** or **↑10%** from **R350 million** in the previous report).

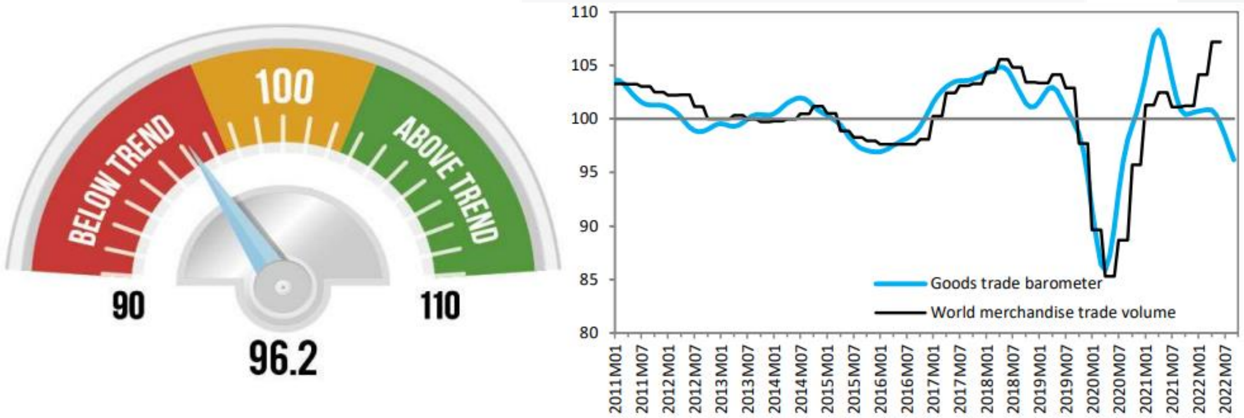
4. International Update

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

a. Global trade outlook

On Monday, 28 November, the World Trade Organisation (WTO) released its latest "*Goods Trade Barometer*", noting a rapid decline way below the trend level as global import demand weakens[11]. The WTO further warns that trade growth will likely slow in the closing months of 2022 and into 2023 as the global economy continues to be buffeted by strong headwinds. The current reading of **96,2** is well below both the baseline value for the index and the previous reading of **100,0** (**↓3,8%**), reflecting cooling demand for traded goods:

Figure 14 – Goods Trade Barometer (Index value, trend = 100)



Source: [WTO]

The composite index – a leading indicator of global trade – showed that world merchandise volume growth continued to slow in the second quarter of 2022. Although merchandise volume showed a growth return of **↑4,7%** from 2021Q2, the increase is similar to the **↑4,8%** registered in Q1. On a sector level, the index was weighted down by negative readings in five of the six sub-indices, notably export orders (**91,7**), air freight (**93,3**), and electronic components (**91,0**). The exception was automotive products, which returned an index of **103,8**. However, the other key sectors – container shipping (**99,3**) and raw materials (**97,6**) – were more or less on-trend. According to the latest forecast, world trade is expected to decelerate further in the second half of 2022 and remain subdued in 2023 due to several related shocks, including the war in Ukraine, high energy prices, inflation, and monetary tightening in major economies.

[11] WTO. 28/11/2022. Goods barometer sinks below trend as global import demand weakens.

b. Global shipping industry

i. Global port throughput

The latest *RWI/ISL*[12] figures showed that global port throughput decreased significantly to **120,8 points** in September (down by a massive **↓3,4** from September's revised **124,2 points**)[13]. The decreased activity was led by a significant reduction in northern Europe, as container throughput in China remained relatively stable. After recording a significant decrease in the previous month. As a result, the index for Chinese ports decreased from **130,8** to **129,8**. Meanwhile, Europe's growth activity has plummeted for October – from **115,0** to **108,4**.

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

Source: RWI/ISL

Regarding the latest development outlook, worldwide container throughput could indicate the beginning of a globally weak economic phase in the winter semester. The increased energy costs are taking their toll on worldwide production and impacting global trade. Recession fears, energy struggles, ongoing war, and waning new export orders are all putting downward pressure on the container market.

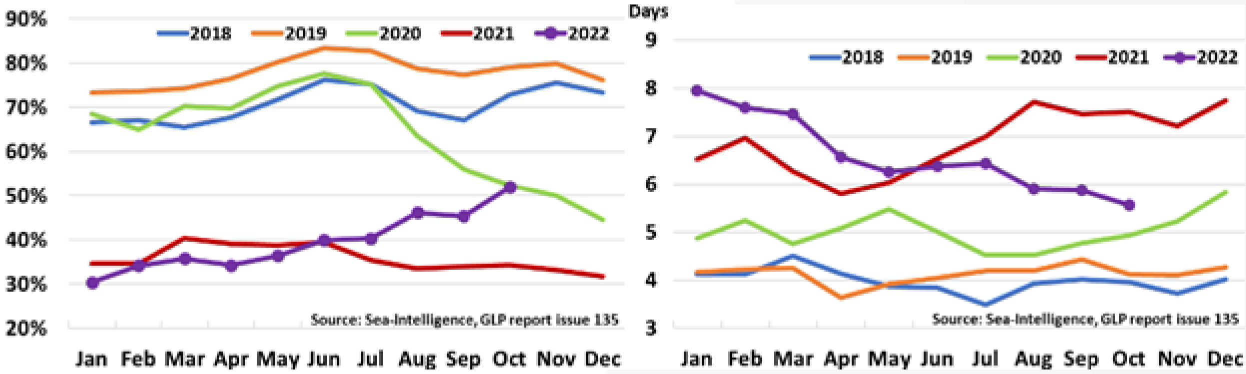
ii. Schedule reliability

According to the latest October figures published by Sea Intelligence, global liner schedule reliability[14] continues its strong upward trend. For the month, schedule reliability rose by a significant **↑6,6%** (m/m) to **52%**[15], which means that reliability was approximately similar to this time two years ago. Furthermore, the average delay for LATE vessel arrivals has been dropping sharply this year, tapering slightly in the past few months. Moreover, the average delay improved by **↓0,31 days** (m/m) to **5,56 days** in October, which means

[12] Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL), which consists of data from 94 international ports, constituting approximately **66%** of global container traffic, and includes the South African ports of Cape Town, Durban, and Ngqura.
[13] RWI/ISL. 30/11/2022. RWI/ISL Container Throughput Index: Sharp decline in container throughput indicates a weak phase in the global economy.
[14] 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?
[15] Murphy, A. 01/12/2022. Schedule reliability continues on an upwards trend.

that the delay figure is now firmly below the 6-day mark and substantially improved over the respective 2021 number. The following side-by-side figures illustrate reliability and delays in the last five years.

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 October 2022 at **56,4%**. Maersk was followed by its 2M-alliance partner, MSC, at **52,7%**, with CMA CGM the only other carrier reporting a reliability rate of over **50%**. The bigger picture indicates that liner reliability has improved after the massive slump that commenced last year. However, with ongoing cancelled sailings (Drewry's "*Cancelled Sailings Tracker*" puts the industry figure at **13%** this week[16]) and further sailing volatility, the improvement of schedule reliability is less celebrated than perhaps earlier in the year. Indeed, *Sea Intelligence* this week noted how fluctuations had increased sharply compared to before the pandemic[17].

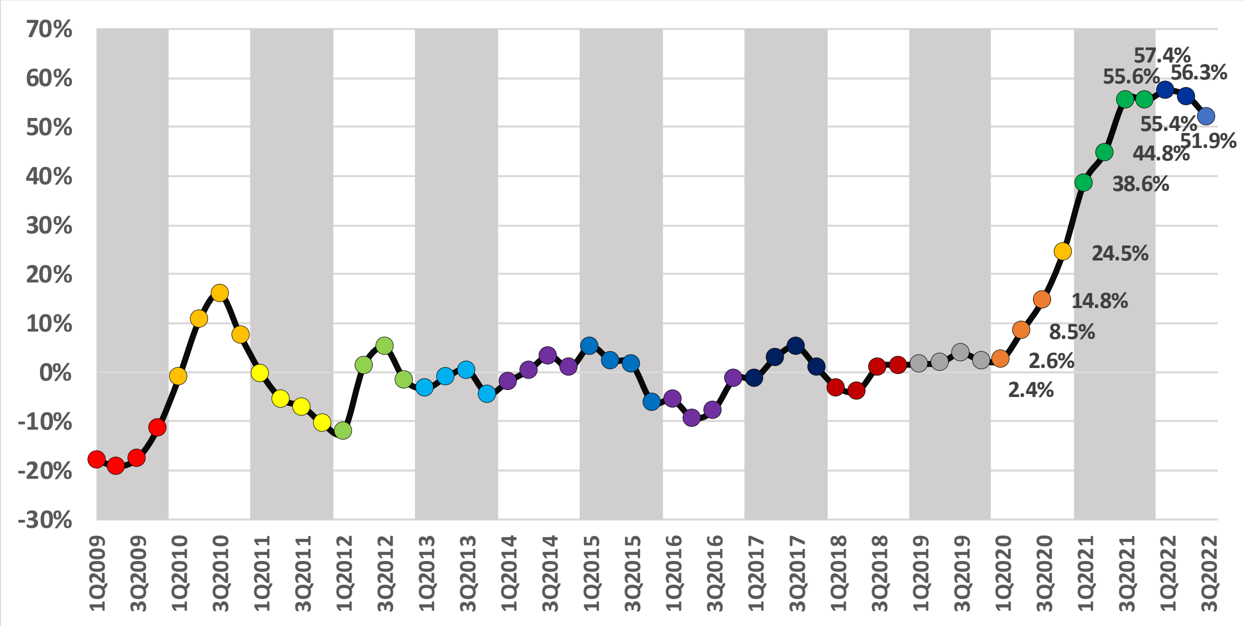
iii. Global carrier profits

The ongoing shipping line bonanza has reached its apex and is set to decline spectacularly – perhaps even to the average operating margin of **↓1,7%** for the eleven years between 2009 (including) and 2019 – as the liner market is rapidly normalising. For the third quarter of 2022, the average operating margins for the container industry fell for the second consecutive quarter in Q3, after the ten leading carriers expectedly reported across-the-board declines. According to Alphaliner's[18] recent analysis, the industry, on average, reported an operating margin of **↑51,9%** for Q3, slightly down from the **↑56,3%** recorded in Q2.

Although still very high by conventional measures, the average profits are now the lowest in five quarters, reflecting a decline in revenues and a corresponding rise in costs. As a result, the average earnings per TEU fell by **↓3%** versus the second quarter. However, despite the general industry trend, the performance was not uniform, as four of the top 10 (Maersk, COSCO, ONE, and Hapag-Lloyd) increased average earnings per box. The movement suggests that these carriers have successfully secured more lucrative contract rates and are less exposed to the tumbling spot market. Maersk, in particular, reported the 6th highest margin at **48,5%**, while Wan Hai (**~39,5%**) represented the lowest margin among the top 10 carriers in Q3. Apart from these top four, the following six carriers' average earnings per TEU fell by **↓6,8%** versus the second quarter.

[16] Drewry. 02/09/2022. Cancelled Sailings Tracker - 2 September.
[17] Murphy, A. 01/12/2022. Increased sailing volatility.
[18] Alphaliner. 30/11/2022. Alphaliner.

Figure 17 – Main carriers' average[19] core EBIT margin (%, per quarter)



Source: Adjusted from Alphaliner

The graph illustrates the massive contrasting fortunes from the pandemic onwards compared to the previous 11 years, where carrier operating profits were negative on average. Since then, profits have shot up to around **↑12,6%** in 2020 and nearly **↑50%** in 2021, which begs the question of whether only perfect competitive market forces were at play. Although the ongoing plummeting rates (see below) indicate that the ceiling has been reached, the ocean carriers will continue strategically with capacity deployment to maintain high financial returns.

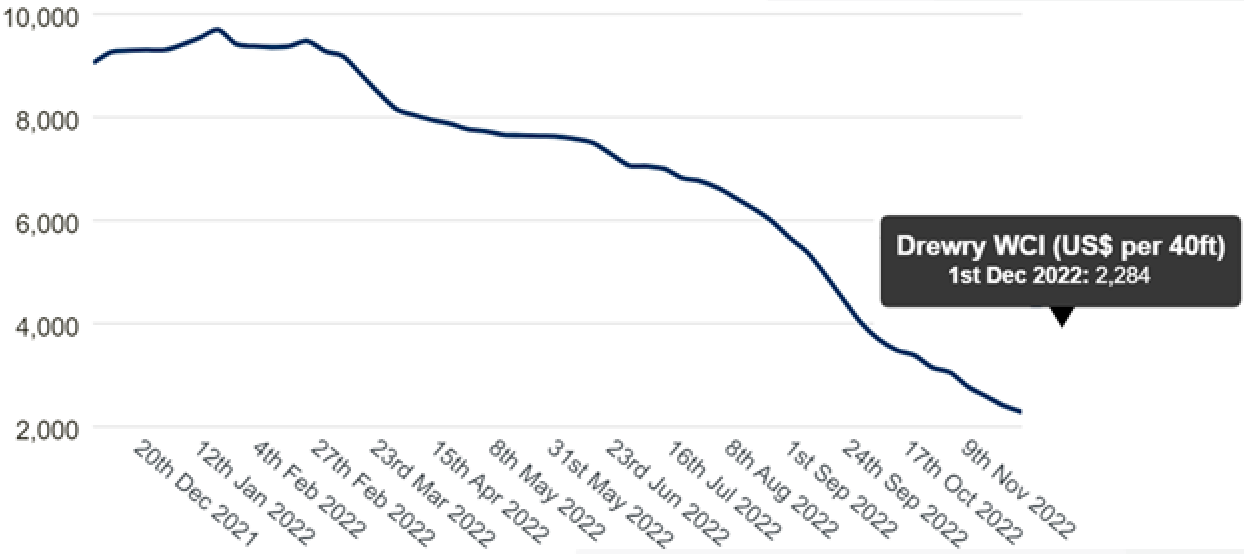
Looking immediately ahead, Alphaliner is warning carrier results could fall up to **↓70%** in the fourth quarter, with Israel's ZIM on track to log the most significant fall[20]. Looking further ahead, returns may be very low in 2023, as demand is expected to be muted with a concurrent oversupply of very large new ships, leading analysts to anticipate significant idling of tonnage over the coming 12 months. Indeed, some Chines ports have already seen a mountainous build-up of empty containers.[21] Fortunately, the balance sheets of global carriers have been exponentially boosted in the last 24 months, which makes the prospects of a hard landing much more palatable for these economic actors. It's clear that 2023 will usher in much more challenging times for the global carrier community; however, only time will tell exactly how challenging that proves.

iv. Global container freight rates

Global container freight rates continue to free-fall as space issues and network connectivity has started to reign supreme – much in contrast to the preceding 18 months or so. This week, Drewry's *World Container Index*" decreased for a *40th consecutive week* – down by another **↓5%** (**$120**) to **$2 284** per 40-ft container this week[22]:

[19] Average of CMA CGM (incl APL to 2Q 2016), COSCO (since Q1 2019), CSCL (to 1Q 2016), EMC, Hanjin (to 3Q 2016), Hapag Lloyd (in cl CSAV to 2014), HMM, Maersk, ONE (from 2Q 2018, formerly KL/MOL/NYK), WHIL, YML, Zim.
[20] Chambers, S. 30/11/2022. Carrier results could fall up to 70% in the fourth quarter: Alphaliner.
[21] Whelan, S. 30/11/2022. Decaying demand sees China's ports building empty container mountains.
[22] Drewry. 01/12/2022. World Container Index - 01 Dec.

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



Source: [Drewry Ports and Terminal insights]()

The composite index is now ↓**75%** below the corresponding spot price quoted last year and ↓**15%** lower than the ten-year average of **$2 693**, indicating a return to more normal prices (whatever those might be). Nevertheless, the current rate remains ↑**61%** higher than the 2019 (pre-pandemic) rate of **$1 420**. The year-to-date composite index remains high at **$6 731** per 40ft container – and continues to decline as the year advances. The most significant change this week once again comes on the heavily traded Shanghai – Rotterdam route (↓**10%**, w/w), which has now plummeted by ↓**85%** this year – the most of any major East-West trade.

For South Africa, rates continue to follow the global trend, albeit slightly delayed and not exactly evenly spread – at least compared to our East African counterparts. For example, this week's quoted rates to Durban were almost **40% more expensive** than the same origin flowing to Mombasa, which may indicate carriers' perception of delays in South African ports and the expenses there. The forecast is set to continue; however, the balance between space and rates will now drive the narrative more significantly compared to anytime in the preceding 18 months. This reality can be highlighted by the ongoing high rate of blank sailings, with Drewry's "*Cancelled Sailings Tracker*" hovering around a **13% cancellation rate**[23] this week. Nevertheless, Maersk notes that the reassessment might not be all bad, as carriers adapt services to meet the short and longer-term reduction in demand[24]. For South Africa, the trends have seen a slight reduction of larger vessels, as it appears as if we – and our regional counterparts – are instead in need of smaller but more frequent services. However, the pitfalls for carriers remain, especially in the charter market, where many new entrants on long-haul lanes persist with unprofitable services[25].

v. Further developments of note

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

1. **Industrial action continues globally:**
   a. In the US, legislators have moved swiftly to avert a rail stoppage[26]. After the House of Representatives passed proposed legislation to avert a crippling stoppage on Wednesday,

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[23] Drewry. 02/12/2022. Cancelled Sailings Tracker - 2 Dec.
[24] Wackett, M. 29/11/2022. Things 'not all bad', says Maersk as it revamps network for the 'new normal'.
[25] Li, M. 02/12/2022. High charter termination rates force some liner operators to run at a loss.
[26] Putzger, I. 02/12/2022. US Senate backs new law to prevent supply chain chaos from rail strike.

the Senate wasted no time in passing the bill yesterday, clearing the way for President Biden to sign it into law.

b. In South Korea, shippers have encouraged the government to stand firm as significant supply chain delays continue because of striking truckers. Estimates have put the losses at around $224 million per day. The South Korean government has refused to bargain with striking truckers, beginning the second week of the dispute, after a second round of negotiations collapsed.[27] Police in Busan, home to South Korea's leading container port, have begun escorting truckers through picket lines operated by their striking colleagues[28]. The strike's timing came during November when Korean exports fell by double digits, threatening to further slow economic growth[29].

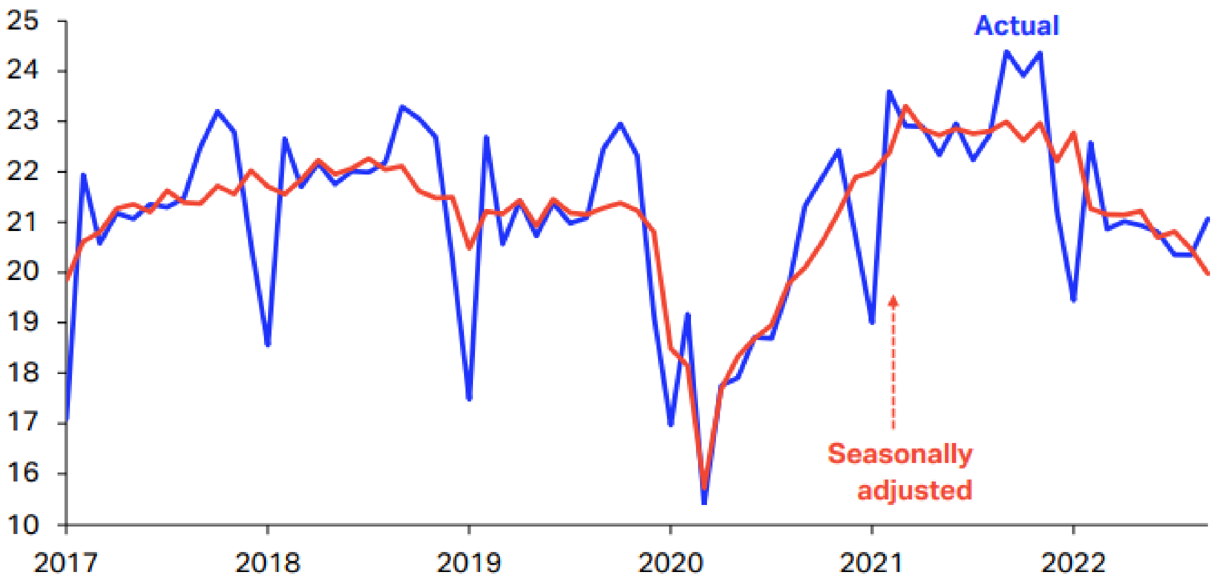
c. In China, anti-lockdown protests have broken out across multiple cities, and the new COVID restrictions threaten supply chains again[30]. A fire which killed ten people in Urumqi, the capital of the western Xinjiang region, appears to have triggered widespread unrest and heavy-handed reprisals from the authorities.

c. Global air cargo industry

i. Air cargo market analysis

This week, the International Air Transport Association (IATA) released its latest "*Air Cargo Market Analysis*" for October[31]. The headline figure shows that industry cargo tonne-kilometres (CTKs) rebounded in October with a **↑3,5%** (m/m) growth compared with September. However, despite the seemingly positive short-term movement, the annual figure elucidates the stagnate nature of air cargo, as industry CTKs are **↓6,2%** down from October 2021:

Figure 19 – Container vessel calls and average waiting time (days) at selected South African ports



Source: Drewry Ports and Terminal insights

Largely echoing the sentiment of the WTO outlined above, headwinds in the air cargo industry persisted in October, including high inflation rates in advanced economies, weak performance in the global flows of

[27] Li, M. 30/11/2022. Government must stand firm, say shippers after latest Korean strike talks fail.
[28] Li, M. 29/11/2022. Lines adopt 'wait-and-see' pose in Korea as truck strike negotiations fail.
[29] Kim, S. 01/12/2022. Korea exports post double-digit drop as China demand weakens.
[30] Whelan, S. 28/11/2022. Protests at China lockdowns spread, with supply chains looking vulnerable again.
[31] IATA. 30/11/2022. Air Cargo Market Analysis.

goods and services, the ongoing war in Ukraine, and the unusual strength of the US dollar. All of these factors put downward pressure on air cargo growth. Other key points include the following:

- Available cargo tonne-kilometres (ACTKs) increased by ↑**2%** (m/m) but contracted y/y (↓**0,6%**) for the first time since April 2022.
- The industry cargo load factor (CLF) was a low **47,6%**, down by ↓**7,4%** in October from ↓**7,0%** in September.
- The new export orders – historically a leading indicator for air cargo shipments – were still not particularly buoyant, as the global PMI remains in negative territory (~46) and is down by ↓**9%** since July.