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COVID-19: Cargo movement update[1]

Date: 13 January 2023

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)	21 967	27 493	**49 460**	21 384	23 639	**45 023**	↑10%
Air Cargo (tons)	2 955	1 973	**4 929**	2 578	1 736	**4 315**	↑14%

Monthly Snapshot

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

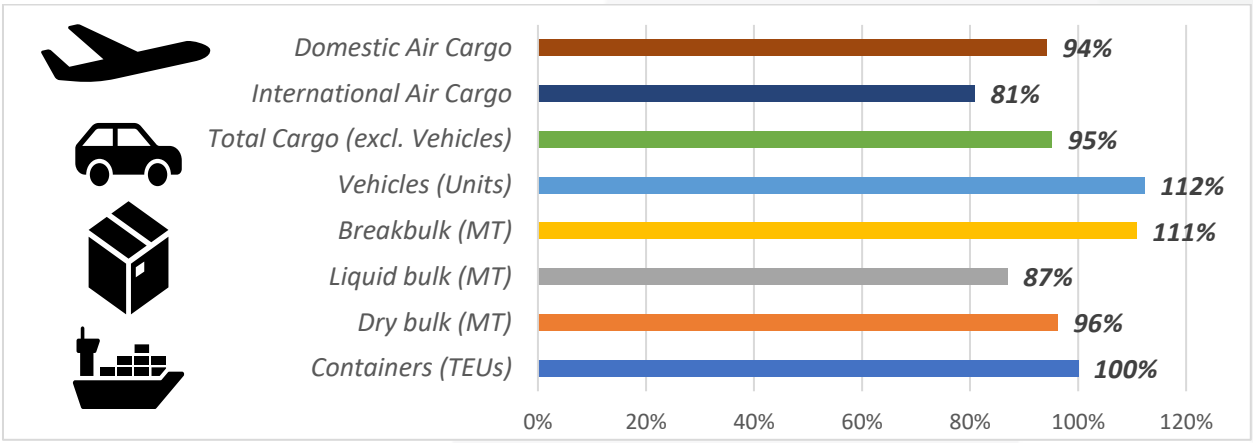
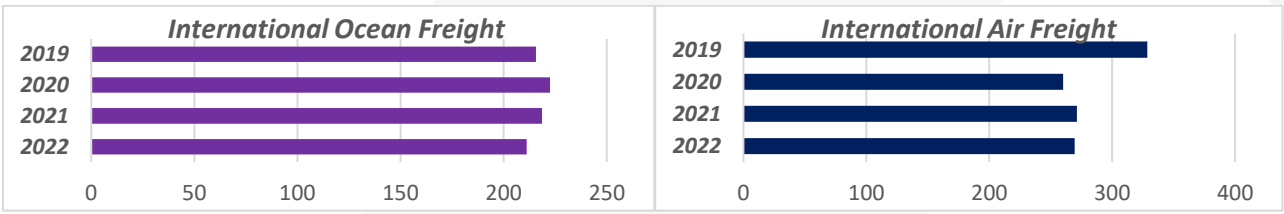


Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 066 containers** was handled per day, with **~6 835 containers** projected for next week.
- South Africa's container market has shown no growth since 2009, with the CAGR at **↓0,2%** since then.
- Rail cargo handled out of Durban amounted to **1 944** containers, **↓1%** compared to last week.
- Cross-border queue times were **↓0,7 hours**, with transit times **↓1 hour**, SA borders **~5,3 hours**.
- CTS container throughput (dry & reefer) is down by **↓1,2%** (m/m) and by **↓9,5%** (y/y) for November.
- Freight rates have stabilised to pre-pandemic levels, with the "*WCI*" spot rate **↓0,3%** (**$12**) to **$2 132** per 40ft.
- Liner schedule reliability improved by **↑4,7%** (m/m) to **56,6%**, with average late arrivals at **5,04 days**.
- Global air cargo (measured in CTKs) dropped by **↓13,7%** (y/y) in November, which is **↓10,1%** on 2019 levels.

[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 119th 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: Dec vs Dec.
[5] For ocean, total Jan-Dec cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Dec cargo to and from ORTIA is used.

Executive Summary

This update – *the 119th of its kind and the first for 2023* – contains a consolidated overview of the South African supply chain and the current state of international trade. This week, port operations were characterised by adverse weather conditions, frequent equipment breakdowns and shortages, load-shedding causing system challenges, and congestion. Cape Town experienced adverse weather conditions with strong south-easterly winds throughout the week and the most significant part of the weekend, ensuring delays. In addition, Durban and GCT experienced equipment breakdowns as several cranes were out of commission during the week. Furthermore, persistent cable theft and overhead power failures on the railways ensured operational difficulties and delays throughout the week.

In the global maritime economy, the containerised market has almost fully normalised after the roller-coaster rides of the last three years. Significant factors, such as the aftermath (and continuation of, in some parts) of the pandemic, the war, and major global inflation, are still playing a role, although less so than when we reviewed the outlook for the sector at this time last year. Carriers' coffers will suffer significant contractions with the freight bonanza of the last two years now a thing of the past, so shippers and forwarders can look forward to better rates and decreased shipping costs throughout the year. However, all is undoubtedly not well, as volumes have dropped significantly throughout the year and are not predicted to increase to previous peak numbers anytime soon. The impending Chinese New Year will also mean that 2023 will not get off to a fast start. In short, 2023 is likely to be a challenging year for ocean freight.

On the air freight front, the South African industry got off to a slow start this year. Nevertheless, volumes are set to pick up swiftly as the sector gets into full swing. Internationally, air cargo remains well below previous annual and pre-pandemic levels as significant headwinds persist. This implies that airlines will face elevated costs on virtually all fronts as the balance of risks remains tilted to the downside. Looking ahead, the main positive surprises that could produce significant upside in economic activity and air transportation would be an end to the war in Ukraine and all travel restrictions.

For road freight, our busiest border posts in the cross-border road freight market, Beitbridge, Groblersbrug, and Lebombo, remain congested as passenger flows remain high but are starting to ease. As a result, December cargo flows decreased through most borders, as crossing times were relatively high. Fortunately, the cargo congestion has decreased from last week, which paves the way for improved cargo flows to and from South African borders. Nevertheless, as has been the case for some time, cross-border road freight flows in SADC remain way too high to boost intra-African trade to the extent shown in the visions of the AfCFTA.

In concluding the *first edition of 2023*, it is perhaps pertinent to emphasise the need for a functioning logistics network amid all the economic woes plaguing our country. Improving the logistics network requires a multi-faceted approach, including investing in new technology, determining and monitoring KPIs, training staff thoroughly, and fostering interdepartmental and inter-functionary communications. Additionally, proper planning and setting goals, adoption of technology, and evaluating and redefining standard operating procedures are all key components of effective logistics performance. It is quite clear that in South Africa, we have significant room for improvement in most of these areas. Therefore, we must focus on bringing all these elements together collectively, as our logistics network is one of the most important levers in delivering socio-economic growth and development for our country in 2023.

Contents

1. Ports Update

This section provides an overview of the flow of containerised cargo through our 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 7 to 13 January [6]

7-day flow forecast (07/01/202 – 13/01/2023)		
TERMINAL	**NO. OF CONTAINERS[7] TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	5 099	5 498
DURBAN CONTAINER TERMINAL PIER 2:	9 780	11 836
CAPE TOWN CONTAINER TERMINAL:	4 306	4 762
NGQURA CONTAINER TERMINAL:	2 613	4 727
GQEBERHA CONTAINER TERMINAL:	169	670
TOTAL:	**21 967**	**27 493**

Source: Transnet, 2021. Updated 13/01/2023.

Table 3 – Container Ports – Weekly flow predicted for 14 to 20 January

7-day flow forecast (14/01/202 – 20/01/2023)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4 396	4 683
DURBAN CONTAINER TERMINAL PIER 2:	9 470	11 232
CAPE TOWN CONTAINER TERMINAL:	4 398	6 060
NGQURA CONTAINER TERMINAL:	1 977	4 621
GQEBERHA CONTAINER TERMINAL:	608	400
TOTAL:	**20 849**	**26 996**

Source: Transnet, 2021. Updated 13/01/2023.

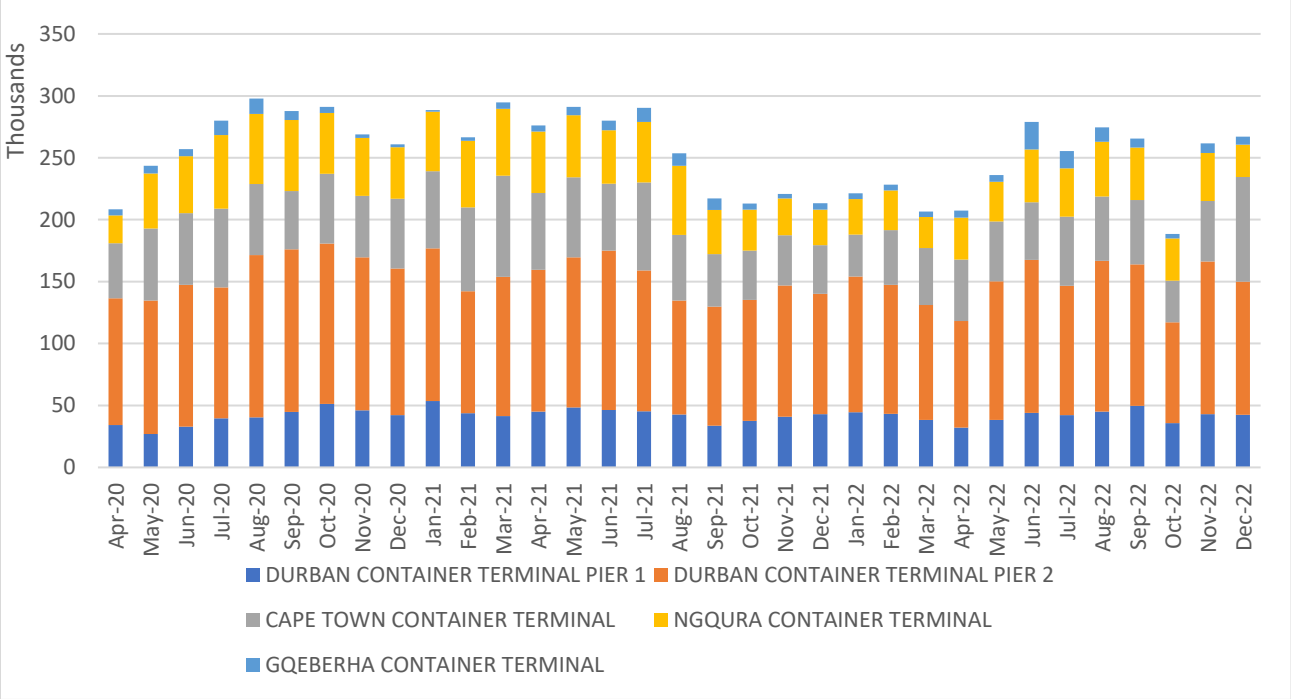
An average of **~7 066 containers** (↑**10%**) was handled per day for the last week (7 to 13 January, *Table 2*). A decreased average of **~6 835 containers** (↓**3%**) is predicted to be handled next week (14 to 20 January, *Table 3*). Port operations at the start of the year remained subdued but were characterised by adverse weather conditions, frequent equipment breakdowns and shortages, load-shedding causing system challenges, and congestion.

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

[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.

[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.

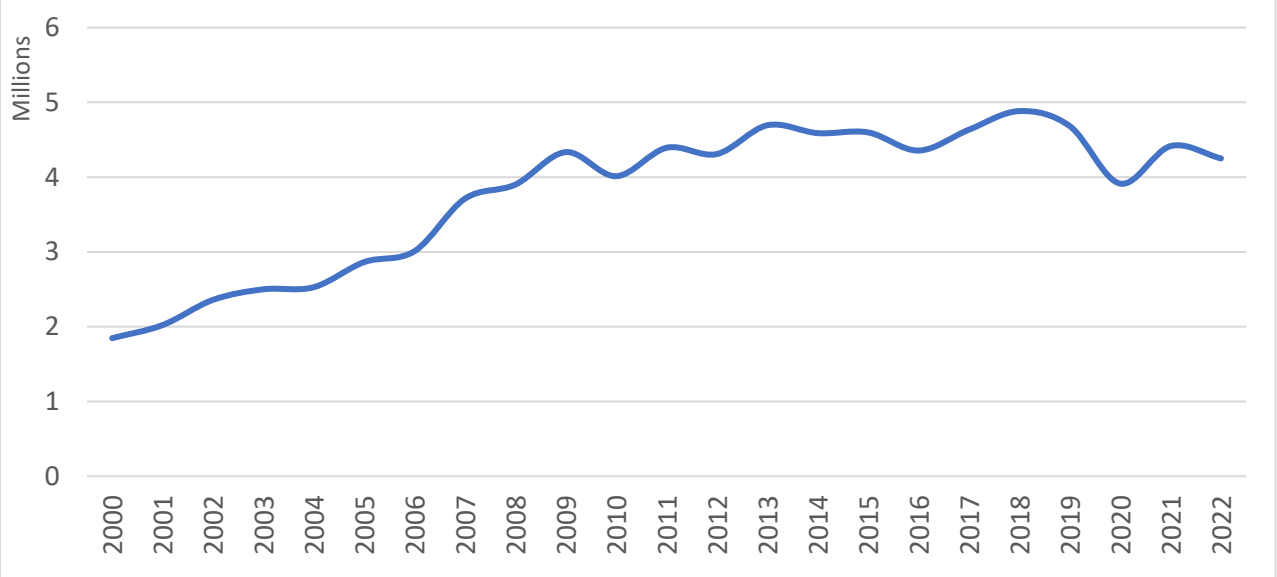
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 13/01/2023.

The figure shows that there has been no material growth after the strong, V-shaped recovery, which was seen after the hard lockdown. In fact, when looking further back – as illustrated below – South Africa's container market has shown no growth since 2009, which is shocking, to say the least. Growth in container volumes can be viewed as a reliable indication of the performance of an economy, so the zero-growth picture painted by these statistics is of great concern.

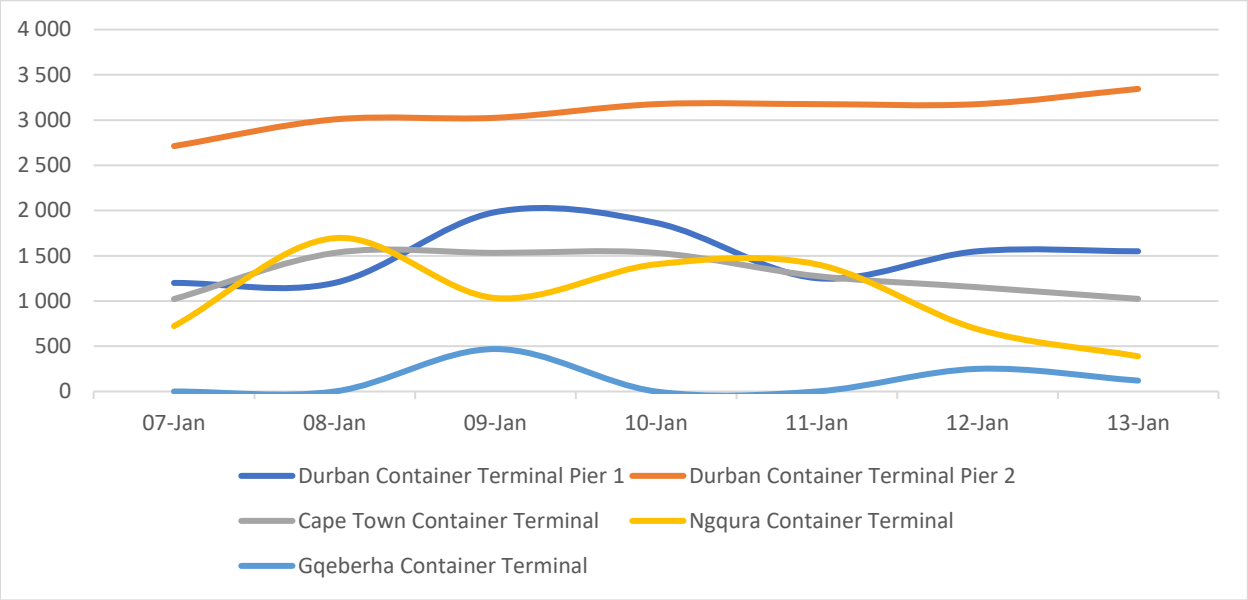
Figure 4 – Annual container throughput (TEUs)



Source: Consolidated data from Transnet, 2022.

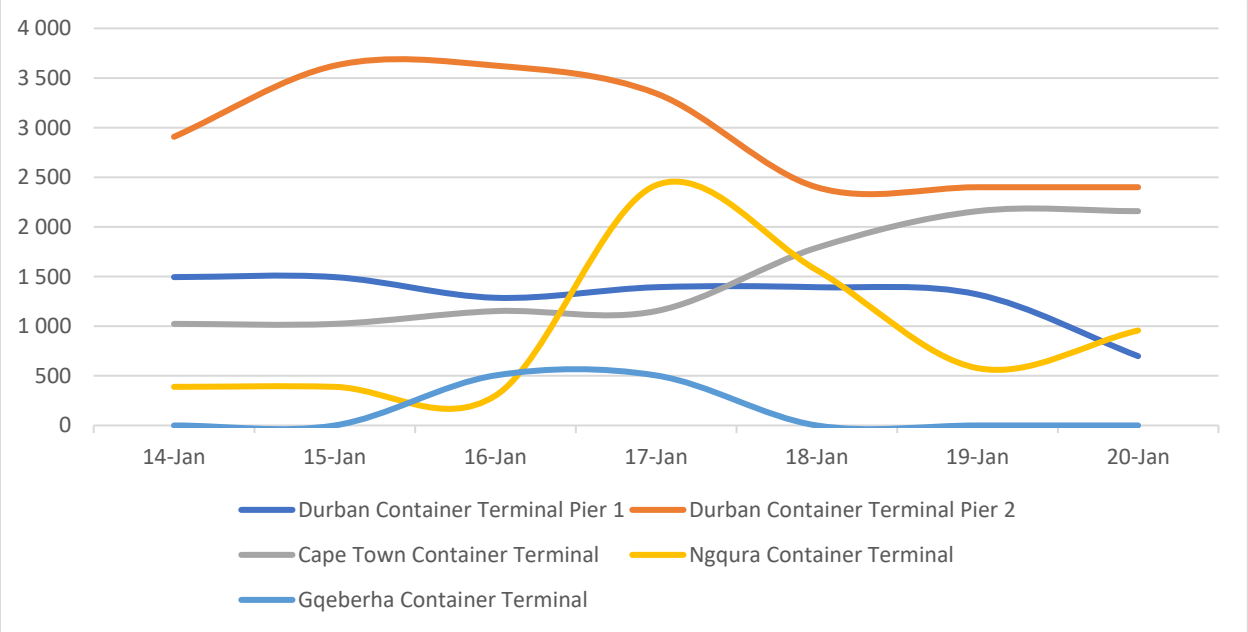
The figures below show the weekly container flows for the last seven days, followed by the projections for the seven days after that.

Figure 5 – 7-day flow reported for total container movements (7 to 13 January; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 13/01/2023.

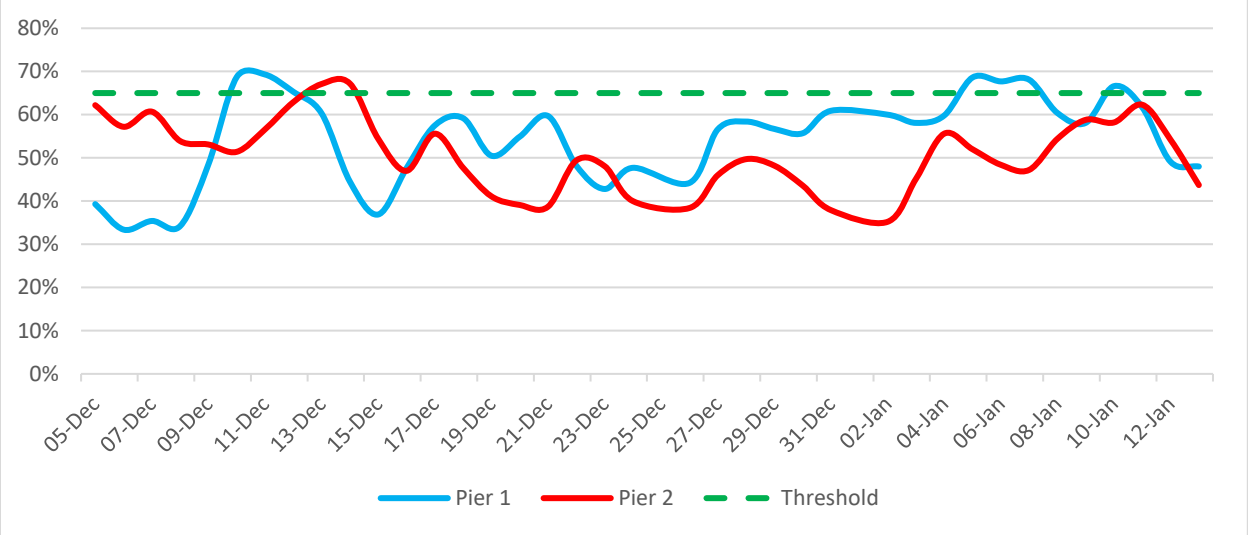
Figure 6 – 7-day forecast reported for total container movements (13 to 20 January; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 13/01/2023.

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

Figure 7 – Stack occupancy in DCT, general-purpose containers (5 December to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 13/01/2023.

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 very challenging week as strong winds and dense fog ensured operational delays and significant parts of the weekend.

Durban kicked off the year in a challenging fashion as equipment breakdowns and shortages, system failures, and adverse weather disrupted operations at the port. However, unlike Durban, Richards Bay experienced a better week as minimal delays were reported. Still, the build-up of trucks on the national road (N2) gives serious cause for concern, which is caused by a dysfunctional rail system.

Lastly, this week, equipment breakdowns and adverse weather conditions were the main contributors to delays at the Eastern Cape ports.

ii. Cape Town

On Monday, CTCT recorded three vessels at berth and four at outer anchorage. Stack occupancy for GP containers was 41%, reefers 78%, and empties 70%. In the latest 24-hour period to Tuesday, the terminal handled 1 752 TEUs across the quay while servicing 580 external trucks on the landside.

This week, Transnet reported that the shore tensioner is ready for utilisation; however, due to the holidays, the implementation thereof was prolonged. Therefore, the date of commissioning is still to be advised.

Lastly, some interesting numbers from MSC have shown that the CTCT lost 1 291 hours to wind, surging, and NAVIS downtime in 2022. Interestingly, this figure is **↓31%** down from the total delays experienced in 2021.

iii. Durban and Richards Bay

Pier 1 on Wednesday recorded two vessels at berth, operated by four gangs, and zero vessels at anchor. Stack occupancy was 62% for GP containers, with 2 364 imports on hand and 380 unassigned units. The terminal recorded 1 696 landside gate moves on Wednesday, with 127 wasted slots.

Pier 2 had three vessels at berth and one at anchorage on Tuesday. In the most recent 24 hours to Wednesday, stack occupancy was 58% for GP containers and 46% for reefers. The terminal had between 79 and 86 straddles in operation throughout the week, operated by 11 gangs. On Wednesday, there were 2 043 gate moves on the landside with a truck turnaround time of ~34 minutes and a staging time of ~35 minutes.

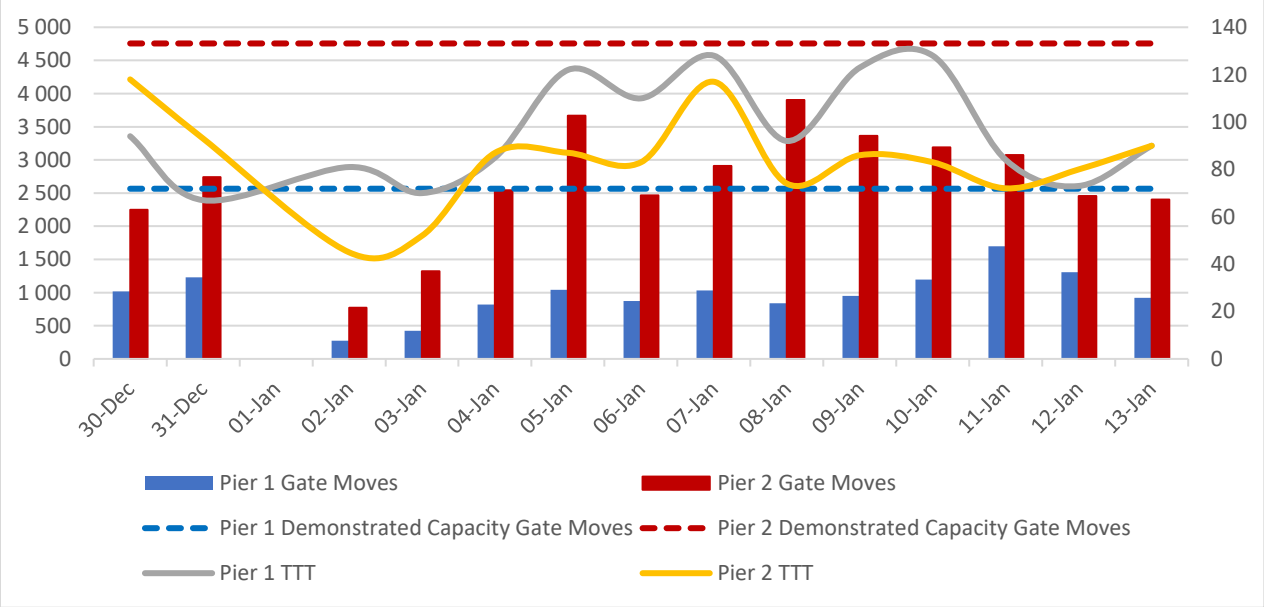
Durban MPT terminal, on Friday, recorded two vessels at berth and four at outer anchorage while handling an undisclosed number of containers on the waterside. Stack occupancy for breakbulk was very high at 95%, while stack occupancy on the container side was very low at 10%. In addition, three cranes, nine reach stackers, one empty handler, and 19 ERFs were in operation in the 24 hours leading to Saturday, complemented by two gangs operating breakbulk and container operations.

On Wednesday, Richards Bay recorded 25 vessels at anchor, which translates to eight bulk, ten coal, three general, two bunkers, and two tankers. On berth, they recorded 13 vessels, six at DBT, five at MPT, two 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 up to Thursday.

Recently, the port of Durban experienced continuous challenges with the cranes at the north- and south quays, as five cranes were on extended outages during the early stages of the year. However, emerging reports this week stated that four cranes returned to service while crane 521 remains out of commission as the engineering team is still awaiting spares for the crane's repairs.

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 13/01/2023.

iv. Eastern Cape ports

GCT on Friday 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 Saturday. In the same period, stack occupancy was 40% for GP containers, 4% for reefers, and 14% for reefer ground slots. In addition, 124 trucks were serviced at a truck turnaround time of ~16 minutes, while no trains were serviced on the landside. Cranes 3 and 4 remain out of commission. Crane 3 will not return to operation on 16 January 2023 as anticipated, as the technical team are still awaiting spares. Crane 4 is still on course to return to operation on 19 January 2023.

NCT on Tuesday recorded one vessel on berth and zero vessels at outer anchorage. Marine resources of one tug, one shared pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading into Wednesday. In the same period, stack occupancy was 24% for GP containers and 5% for reefers. On Thursday, 865 TEUs were handled across the quay. Additionally, 466 trucks were serviced on the landside at a truck turnaround time of ~28 minutes.

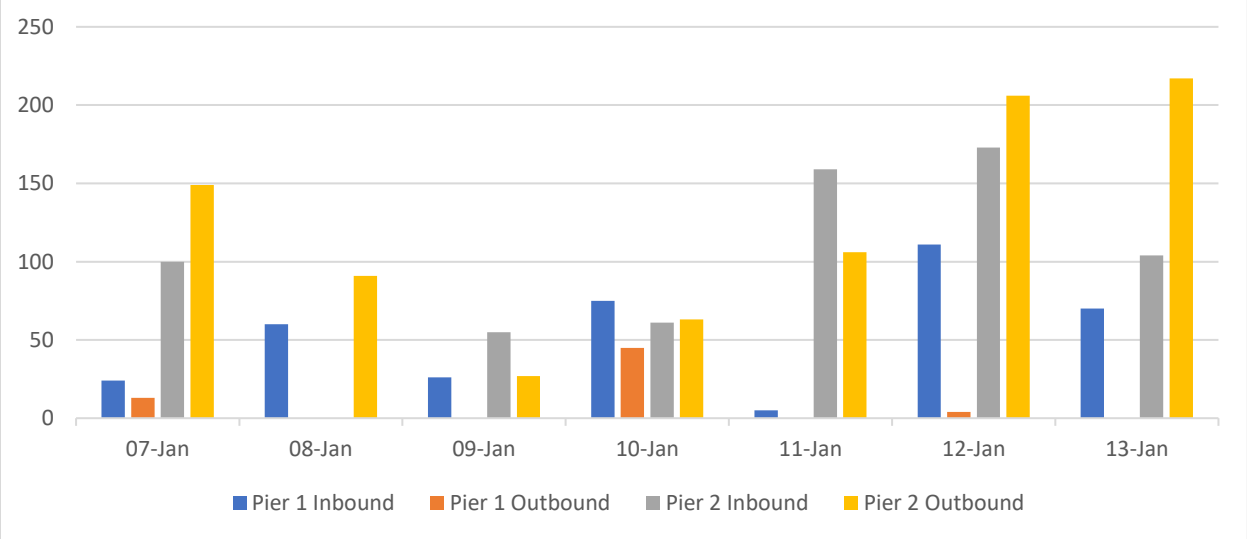
v. Saldanha Bay

On Thursday, Saldanha Bay recorded zero vessels at the outer anchorage and seven on the berth. Two tugs, one pilot boat, three pilots, two VTS staff, and two berthing masters were providing marine services at the port.

vi. Transnet Freight Rail (TFR)

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 13/01/2023.

In the last week (7 to 13 January), rail cargo handled out of Durban was reported at **1 944** containers, down by ↓**1%** from the previous week's **1 968** 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 2 January. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *January 2022* averaged **~613 769 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

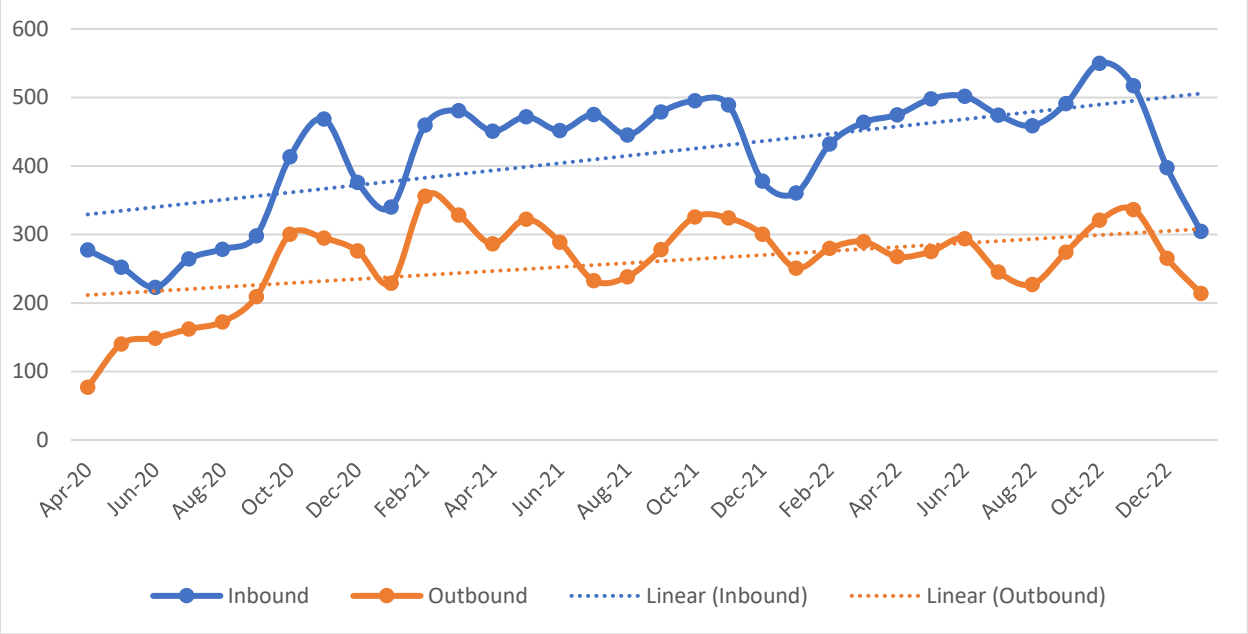
Flows	02-Jan	03-Jan	04-Jan	05-Jan	06-Jan	07-Jan	08-Jan
Volume inbound	196 581	220 594	176 887	153 463	245 341	221 916	854 059
Volume outbound	84 583	79 268	228 858	153 278	217 077	144 182	474 071
Total	**281 164**	**299 862**	**405 745**	**306 741**	**462 418**	**366 098**	**1 328 130**

Courtesy of ACOC. Updated: 10/01/2023.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **295 549 kg** inbound and **1 97 331 kg** outbound, resulting in an average of **492 880 kg per day** or **~80%** compared with January 2022. Also, the level is currently at **~87%** compared with the same period in 2021.

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: 10/01/2023.

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 *January 2022* was **~63 526 kg** per day.

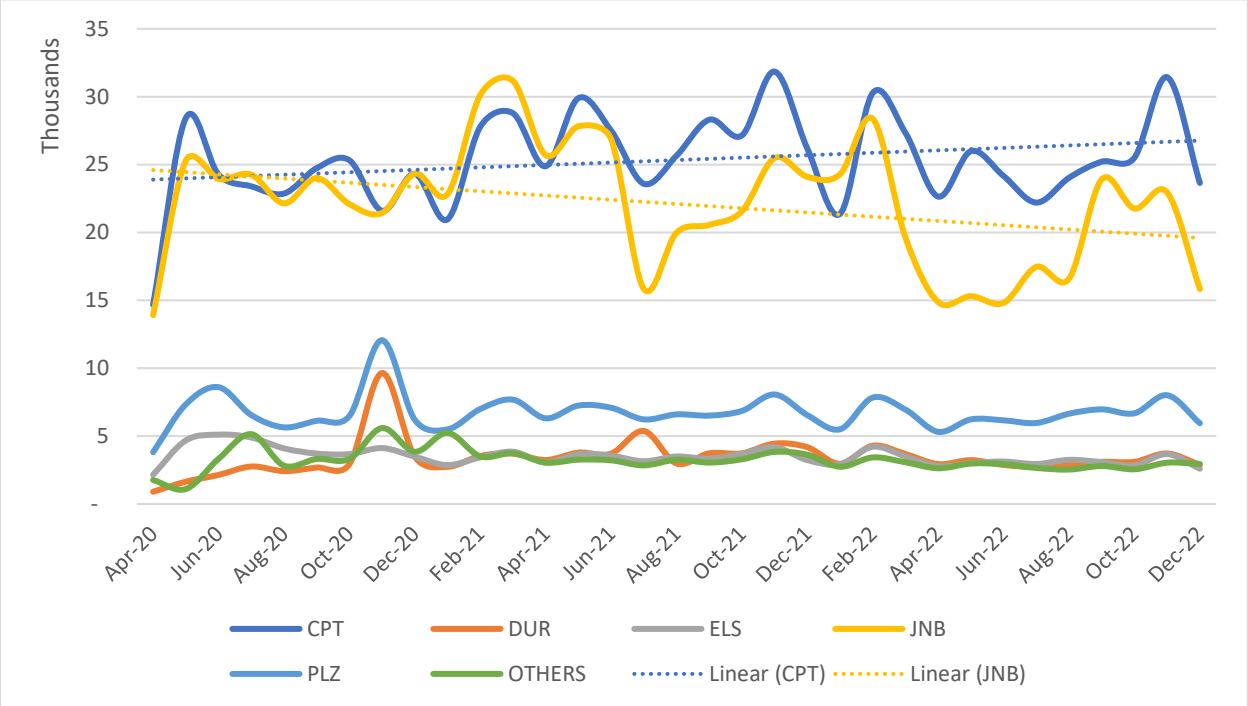
Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	JNB	PLZ	OTHERS	TOTAL
Mar-Dec '20 Ave.	**21 813**	**2 941**	**3 751**	**20 539**	**6 571**	**3 176**	**56 713**
Jan-Dec '21 Ave.	**26 817**	**3 754**	**3 452**	**24 270**	**6 789**	**3 483**	**68 218**
Jan-Dec '22 Ave.	**25 230**	**3 295**	**3 244**	**19 449**	**6 312**	**2 952**	**60 480**
December Ave.	23 644	2 881	2 593	15 834	5 942	2 946	**53 839**
29-Dec-22	22 501	3 121	2 119	11 252	6 744	2 366	**48 103**
30-Dec-22	11 078	1 672	1 163	5 498	2 281	1 195	**22 888**
31-Dec-22	1 305	42	33	167	79	32	**1 657**
01-Jan-23	544	254	8	18	15	3	**842**
02-Jan-23	1 451	301	158	450	364	186	**2 909**
03-Jan-23	29 154	2 815	3 519	16 733	7 007	3 623	**62 850**
04-Jan-23	27 814	3 110	2 617	13 215	7 298	4 055	**58 108**
Total for 2023:	**58 962**	**6 479**	**6 302**	**30 416**	**14 684**	**7 867**	**124 709**

Courtesy of BAC. Updated: 10/01/2023.

The average domestic air cargo moved last week was **~28 194 kg** per day, which is **↑18%** compared with the previous week, but only **~44%** compared to January 2022 as operations pick up for the year.

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



Courtesy of BAC. Updated: 10/01/2023.

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.

- During the first week of the year, the median border crossing times at South African borders were averaging **~5,3 hours** for the week, as HGVs volume were slightly down at the main border gates:
  - For example, Beitbridge volume was slightly down (**↓1,8%** northbound and **↓5,6%** southbound) in December, as general traffic was up, as is typically the case over the festive season. As a result, December's average crossing times were around **~13 hours**. Other borders of note for December showed the following changes in HGV crossings:
  - Lebombo decreased by **↓11,4%** with average crossing times around **~11 hours**.
  - Groblersbrug increased by **↑8,3%** with average crossing times slow, at around **~19 hours**.
- As always, transporters, traders, and cargo owners are encouraged to 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

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	4	3	20	11 730	2 737
Beitbridge	Zimbabwe-SA	410	7	3	17	12 300	2 870
Groblersbrug	SA-Botswana	248	1	2	5	7 440	1 736
Groblersbrug	Botswana-SA	157	0	0	1	4 710	1 099
Vioolsdrif	SA-Namibia	30	0	1	3	900	210
Noordoewer	Namibia-SA	20	0	0	1	600	140
Nakop	SA-Namibia	30	1	2	4	900	210
Ariamsvlei	Namibia-SA	20	0	1	4	600	140
Lebombo	SA-Mozambique	1 552	0	1	3	46 560	10 864
Ressano Garcia	Mozambique-SA	133	0	0	1	3 990	931
Skilpadshek	SA-Botswana	200	1	0	2	4 800	1 400
Pioneer Gate	Botswana-SA	100	1	1	2	2 400	700
	Average/Sum	**3 291**	**1:00**	**1:00**	**5**	**96 930**	**23 037**

Source: TLC, FESARTA, & Crickmay, week ending 08/01/2023.

[8] FESARTA TRANSIST Bureau.
[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.

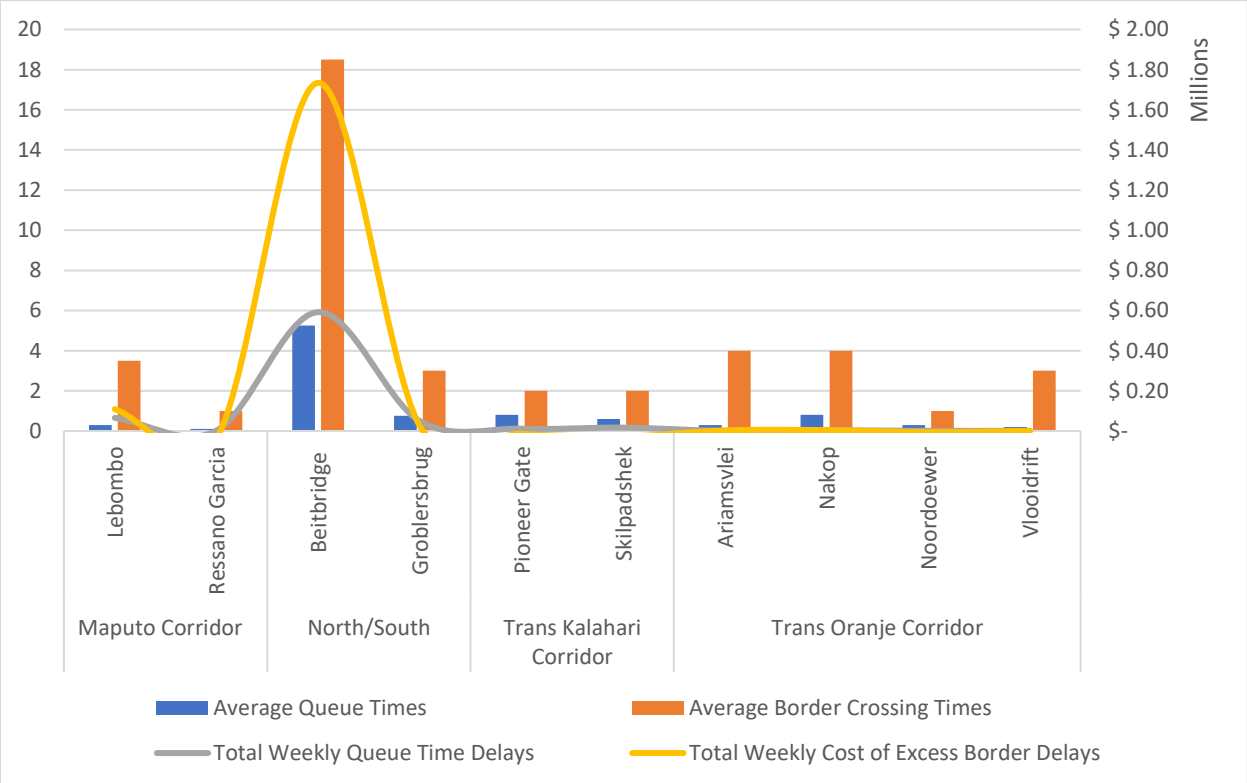
Table 7 – Delays summary – Corridor perspective

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	0:12	3:00	13:30	9 600	2 240
Dar Es Salaam Corridor	1 819	4:42	1:18	14:00	54 570	12 733
Maputo Corridor	1 685	0:12	0:30	2:18	50 550	11 795
Nacala Corridor	127	0:00	1:48	1:48	3 810	889
North/South	3 278	2:24	2:00	11:48	98 340	22 946
Trans Caprivi Corridor	116	3:30	7:00	26:48	3 480	812
Trans Cunene Corridor	100	0:54	27:54	41:00	3 000	700
Trans Kalahari Corridor	330	1:06	1:00	2:18	7 920	2 310
Trans Oranje Corridor	100	0:24	1:06	3:00	3 000	700
Average/Sum	**7 875**	**2:00**	**3:06**	**11:12**	**234 270**	**55 125**

Source: TLC & FESARTA, week ending 08/01/2023.

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

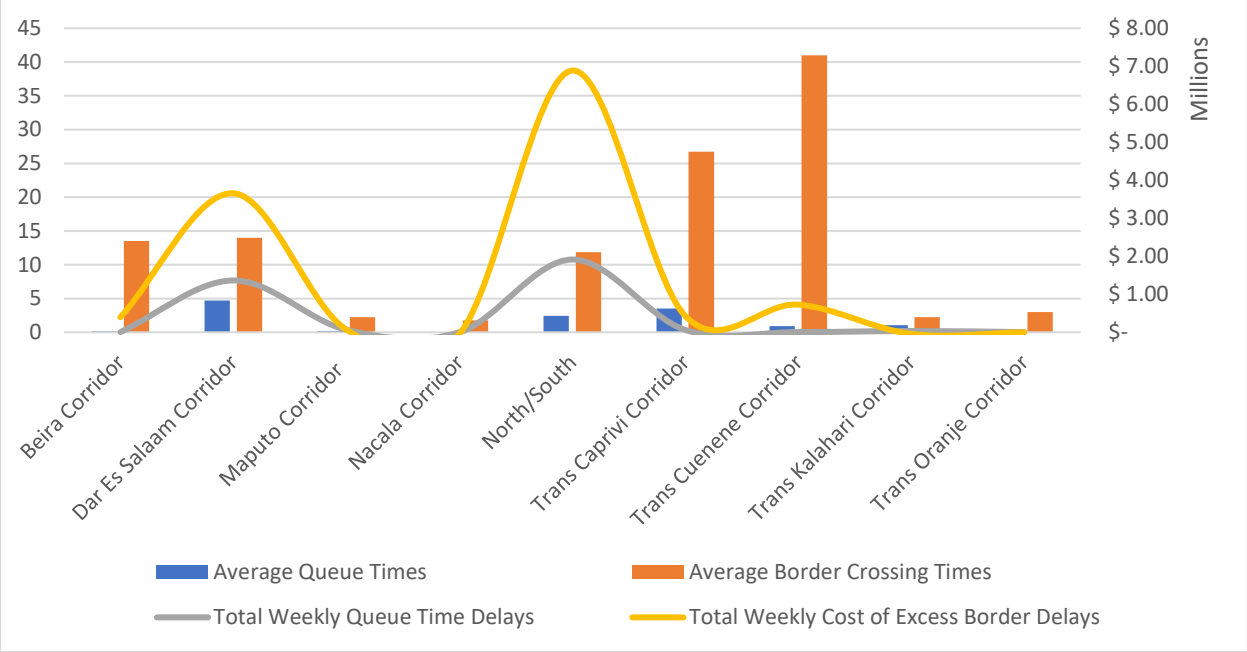
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)



Source: TLC & FESARTA, week ending 08/01/2023.

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 08/01/2023.

In summary, cross-border queue time has averaged **~2 hours** (down by **~0,7 hours** from the previous week's **~2,7 hours**), costing the transport industry an estimated **$6 million** (**R101 million**). Furthermore, the week's average cross-border transit times hovered around **~11,2 hours** (down by **~1 hour** from the **~12,2 hours** recorded in the previous report), at a cost to the transport industry of **$12 million** (**R212 million**). As a result, the total cost for the week amounts to an estimated **~R273 million** (down by **~R46 million** or **↓14%** from **R319 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 shipping industry and **(b)** the global aviation industry.

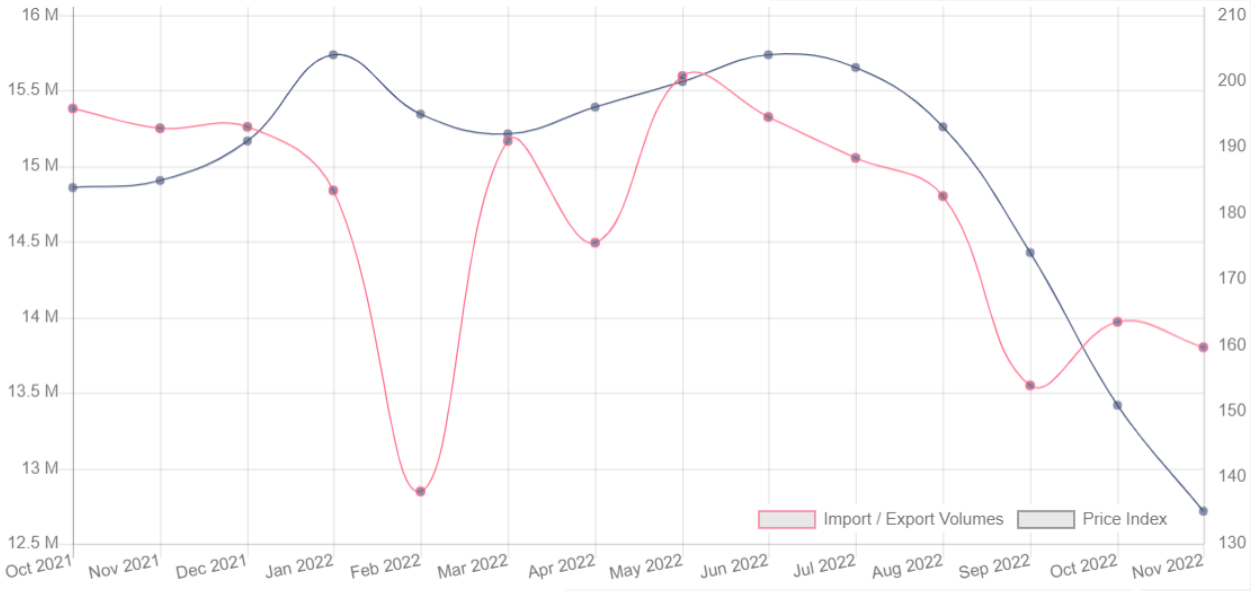
a. Global shipping industry

i. Container throughput volumes and outlook for the year

After a good recovery of **↑2,2%** in October, global container port throughput decreased by **↓1,2%** (m/m) in November, according to CTS's latest container throughput volumes[11]. Moreover, annual figures reported are still way down on last year's levels, currently at **↓9,5%** (y/y). This reality provides further sobering confirmation that global goods trade is in a slump and that the current times are perhaps indicating a moderation to a "new normal" – one which is very much lower than expectations at the start of the year. Many factors have played a role, none more than the global COVID pandemic effects, the Russia-Ukraine war, and massive global inflation. Fortunately, container prices have decreased significantly in recent months, which will aid the inflation figures in the medium term. The figure below shows the global volume and price index of total container volumes across all trade routes (dry and reefer containers):

[11] CTS. 17/01/2023. Container throughput volume and price index.

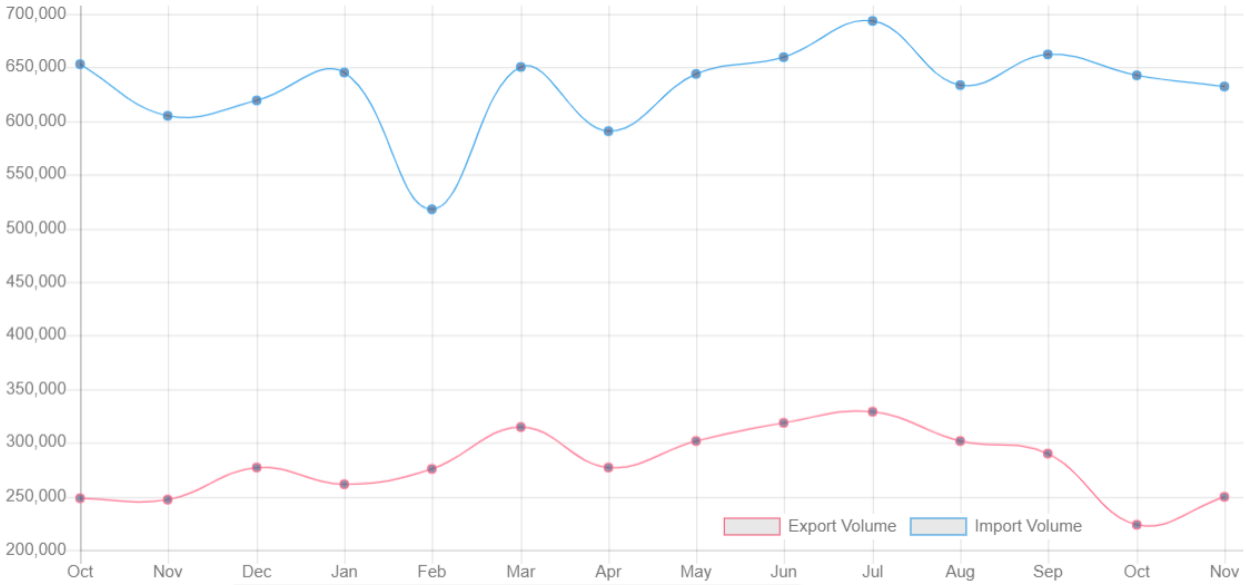
Figure 14 – Global container volume (millions of TEU) and price index



Source: CTS

As shown in the graph, the CTS version of the price index loosely follows Drewry's assessment, with the index dropping by some **↓10,6%** this month and is substantially below the same time last year (**↓27,0%**, y/y), although less so than other global indices. Worth noting is the fact that the CTS index includes dry and reefer numbers and prices. Regionally, for Sub-Saharan Africa, container throughput volume decreased again in November – although exports received a boost – primarily due to the uptick in South African volumes after the massive slump during the labour action in October:

Figure 15 – Sub-Sahara Africa container volume (imports and exports)



Source: CTS

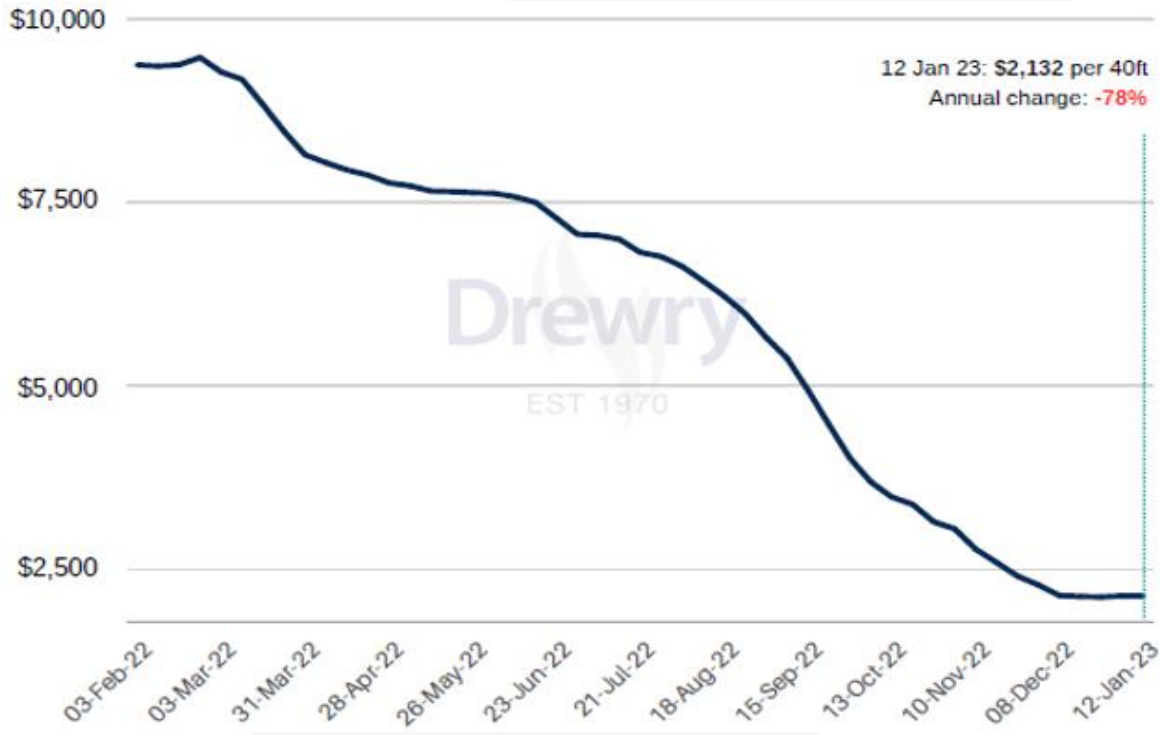
For November, import volumes are down by **↓1,8%** (m/m), with exports increasing by a substantial **↑11,7%** (m/m). Annually, on the import side, volumes are slightly up by **↑4,4%** (y/y), whereas exports are up by a mere **↑0,9%** (y/y). Incidentally, when comparing these figures with TNPA's published figures for November[12], South Africa accounts for nearly a third of the imports (**30%**) and almost three-quarters (**73,7%**) of the exports.

Looking ahead, some positive signs have seemingly aided the recovery of the containerised market (such as China's COVID policy reversal). However, a recent surge in cases has been crippling supply chains once again as infected workers are forced to quarantine, increasing congestion at large ports such as Shanghai, Ningbo, and Qingdao. Furthermore, the impact on supply chains could yet be amplified by Chinese New Year (which kicks off on 22 January), with more people travelling at this time, potentially triggering a further surge in infections. Consequently, shippers and BCOs exporting from China should expect more delays in the coming weeks as most carriers adjust their schedules to avoid limited port and terminal operations during the upcoming festive period in China.

ii. Global container freight rates

Over the festive period, global container spot rates have finally stabilised after their rapid descent and are now close to pre-pandemic levels. The latest Drewry "*World Container Index*" shows a marginal decrease this week, as the index is down by **↓0,3%** (**$12**) to **$2 132** per 40-ft container – roughly similar to the same level reported in the last version of 2022:

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



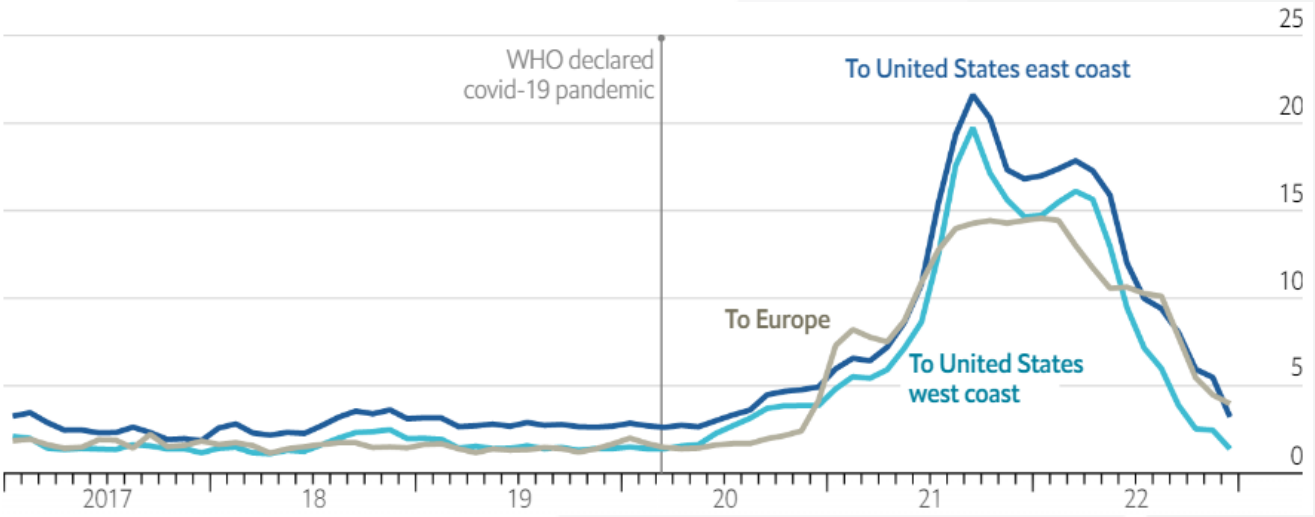
Source: Drewry Ports and Terminal insights

The composite index remains **↓78%** below the corresponding spot price quoted last year and **↓79%** lower than the peak reached in September last year (**$10 377**). Moreover, the rate is now **↓21%** lower than the 10-year average but remains **↑50%** higher than the 2019 (pre-pandemic) rate of **$1 420**. Regionally, three

[12] TNPA. 2022. Port Statistics.

of the eight major routes experienced further declines, while two others showed an increase. The following figure illustrates a longer-term view, as the rapid decline was *almost* as quick as the swift ascent:

Figure 17 – Chinese freight rates to Europe and the US ($ per 40 ft. container)



Source: Freightos via TIME

The current market expects rates to continue to decrease, albeit with only small week-on-week reductions across the next few weeks. On the contract side of the market, efforts to keep volume high have been made as carriers are offering BCOs a wide range of new, flexible, long-term contract options this year. Nevertheless, capacity will continue to be strategically placed, as some trade lanes (notably the transatlantic) have avoided the worst of the freight rate collapse contagion affecting export services from Asia[13]. However, as capacity from new-built vessels is added (although some expect delivery of a quarter of the scheduled orderbook will be postponed[14]), carriers must find a way to deploy them strategically. As a result, some are slowing down their ships and deploying extra tonnage on more robust routes as they endeavour to soak up surplus capacity. However, collectively, Drewry's "*Cancelled Sailings Tracker*" remains very high and is hovering around a **23% cancellation rate**[15] this week.

Indeed, the high number of blanked sailings from Asia to North Europe is leading to some carriers operating "*ghost ship*" loops on the trade lane[16]. For example, Alphaliner reported early in January that the 2 M's AE1/Shogun service was showing just the 14 036 TEU MSC Alexandra on a proforma loop that would typically deploy 11 vessels, ranging from 13 000 to 20 000 TEU. All these factors mean that liner profits will slide to around **$15 billion** (from **$290 billion** last year), with shippers enjoying more affordable freight rates and better service reliability.

iii. Further developments of note

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

1. **FMC ruling could be crucial in other "unfair D&D fee" complaints:**
    a. A US Federal Maritime Commission small claims officer's (SCO) decision to uphold trucker TCW Inc's complaint over detention and demurrage (D&D) charges by Taiwan carrier Evergreen could open the way for more cases to be brought[17].

[13] Wackett, M. 11/01/2023. Ocean carriers find a way to deploy their expanding fleets.
[14] Chambers, S. 06/01/2023. Container shipping's tricky 2023 outlook.
[15] Drewry. 13/01/2023. Cancelled Sailings Tracker - 13 Jan.
[16] Wackett, M. 04/01/2023. Demand slump sees 2M 'ghost ship' sailings out of Asia.
[17] Savvides, N. 03/01/2023. FMC ruling could be crucial in other 'unfair D&D fee' complaints.

b. The Evergreen decision was made public on 29 December. In early January, Hapag-Lloyd, in a case filed on 16 December, waived more than $150 000 in demurrage fees for a Wisconsin-based forwarder.

c. An FMC interpretive rule that requires D&D charges to be levied only where this will encourage the flow of cargo through ports and storage facilities – an effort to prevent carriers from profiteering – saw the SCO argue that daily charges for containers unavailable for pick-up or drop-off were unacceptable.

2. **Global schedule reliability continues its upwards trend:**

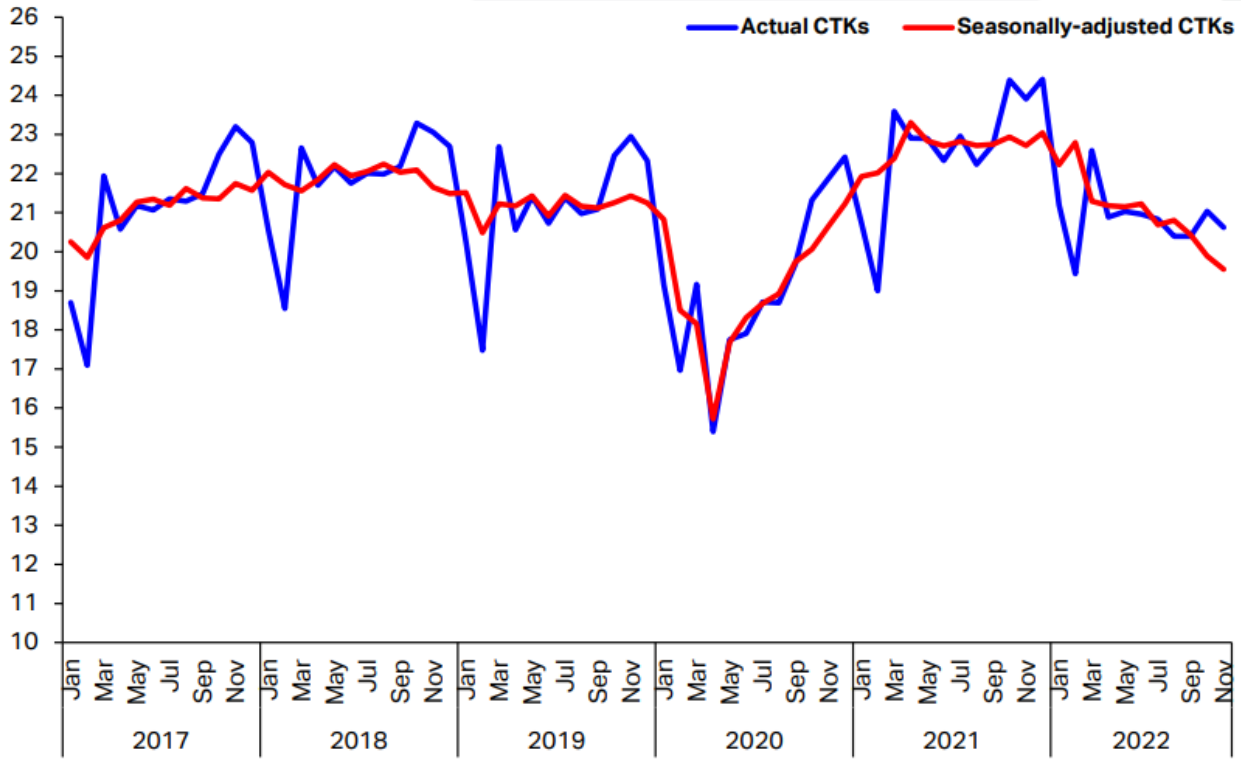
a. Global schedule reliability improved by **↑4,7%** (m/m) to **56,6%** in November 2022. In addition, the average delay for late vessel arrivals has been improving consistently since the start of the year[18]. In November 2022, the average delay improved again, dropping by another **-0,58 days** (m/m) to **5,04 days**. Both schedule reliability and average delay are now better than the 2020 level.

b. Global air cargo industry

i. Air cargo market outlook and current market trends

The health of the global air cargo market remains poor, as global air cargo tonne-kilometres (CTKs) dropped by **↓13,7%** (y/y) in November, according to the latest IATA "*Air Cargo Market Analysis*". This is also **↓10,1%** lower than the CTKs for the same month in 2019. The industry performed less well than expected in a traditional peak season due to multiple headwinds in the current global economy. The following figure shows the recent trend, as airlines can expect the balance of risks to remain tilted to the downside:

Figure 18 – Industry CTKs (actual and seasonally adjusted since 2017)



Source: IATA

[18] Murphy, A. 29/12/2022. Schedule reliability continues its upwards trend.

Other key metrics include the following:

- Available cargo tonne-kilometres (ACTKs) contracted by **↓1,9%** (y/y) in November – a second annual decrease in a row since April 2022 – which is mainly due to airlines responding to supply imbalances from the softening demand.
- Latin America resumed its strong performance in international CTKs, registering a **↑7,0%** (y/y) growth in November compared with only **↑0,3%** (y/y) growth in October. Asia Pacific (APAC) region saw the most significant y/y decline among the regions in international CTK, driven by China's rising COVID cases and shrinking export orders. Airlines in Africa saw a smaller decline in international CTKs of **↓6,3%** (y/y) compared with October.
- Inflation in the G7 countries pulled back to **7,4%** in November from **7,8%** in October - the greatest decline so far in 2022. Oil prices also decreased in November despite the still unusually wide jet-fuel spread.

In summary, most of the headwinds from 2022 are likely to remain with us through 2023, though they may be unlikely to intensify on the whole. Consequently, cargo traffic is predicted to drop by another **↓4%** in 2023, while yields and revenues are also expected to weaken compared to last year's levels.

ENDS

ACKNOWLEDGEMENT:

*This initiative – **The COVID-19 Cargo Movement Update** – was borne collectively by Business at large to provide visibility of the movement of goods during the pandemic. The report is authored by the South African Association of Freight Forwards (SAAFF) and distributed by Business Unity South Africa (BUSA). SAAFF acknowledges the input of several key business partners in compiling these reports, which have become a weekly industry staple. This edition is proudly sponsored by DACHSER.*