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COVID-19: Cargo movement update[1]

Date: 14 October 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)	-	-	-	24 903	28 498	**53 401**	↓100%
Air Cargo (tons)	5 002	2 538	**7 540**	4 914	2 787	**7 701**	↓2%

Monthly Snapshot

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

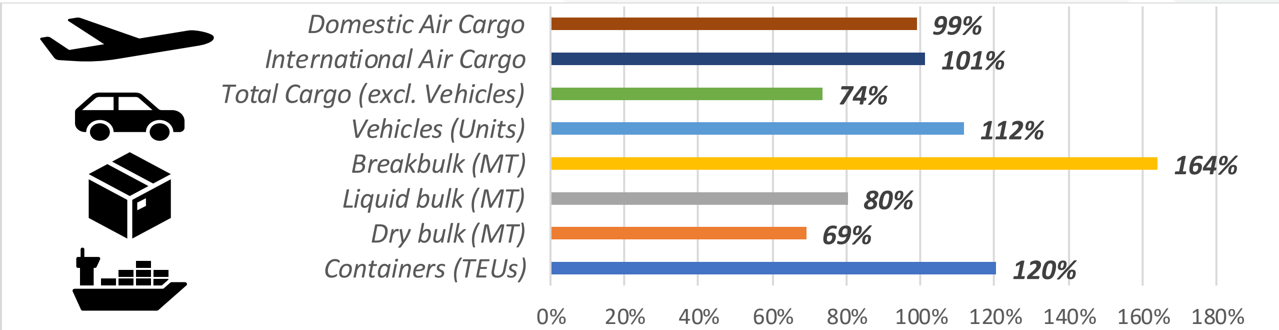
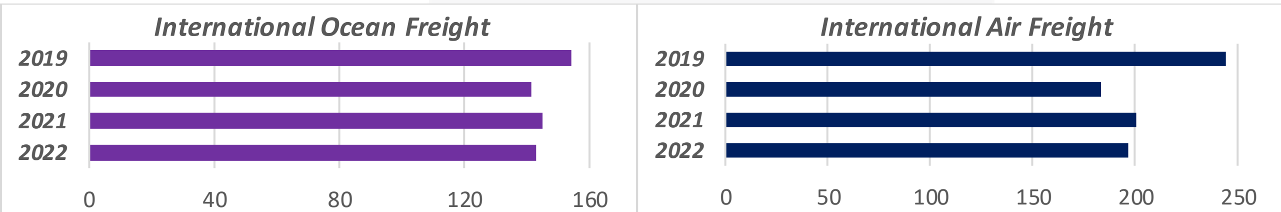


Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- Given the detrimental effects of the strike, although a limited number of containers was handled, it would be meaningless to offer any commentary, as there was no statistically significant level of activity at any container terminals during the week. Consequently, logistics delays in the supply chain were estimated to have cost our economy around **R530 million daily**.
- Rail cargo handled out of Durban amounted to **387** containers, **↓64%** compared to last week.
- Cross-border queue times were **↑0,1 hours**, with transit times **↑26 hours**, SA borders **~30 hours** (**↑226%**).
- The IMF has downgraded growth for 2022 (**↑3,2%**) and 2023 (**↑2,7%**), as SA is down **↓0,2%** to **↑2,1%**.
- CTS container throughput (imports & export) is down by **↓2,0%** (m/m) and by **↓4,2%** (y/y) for August.
- The "*WCI*" decreased for a *33rd consecutive week*, with spot rates down by **↓6%** (**$206**) to **$3 483** per 40ft.
- Air cargo freight rates in September are down **↓3,6%** (m/), **↓5,7%** (y/y), but up **↑123%** versus 2019.

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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 109th 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; Ocean: Aug vs Aug; Air: Sep vs Sep.
[5] For ocean, total Jan-Aug cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Sep cargo to and from ORTIA is used.

Executive Summary

This update – *the 109th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. As with last week, this week's central talking point concerned the strike action by UNTU and SAWATU, the major unions at Transnet. Consequently, there is little to report on port operations besides a major reduction in port volumes. Apart from the strike's impact, port operations were characterised by equipment breakdowns, shortages, and congestion. GCT did go windbound during the course of the week. However, no other weather-related delays were reported. Additionally, Durban experienced challenges with a pilot boat during the course of the week, adding insult to the injury already caused by the strike. Furthermore, TFR reported this week that the estimated return-to-service times of the second lines on the container corridor's Balgowan- and Cato-Ridge sections were further delayed due to the strike and continuous cable theft experienced.

In the global shipping industry, the latest container port throughput statistics have confirmed a picture of weakening demand resulting in lower throughput levels. These reduced throughput numbers further explain the dramatic fall in rates – which are dropping as quickly as they increased some 18 months ago. However, the positive side is that container handling efficiency is set to improve as global port congestion is easing across the world – in Asia, the Americas, and Europe. Further developments of note included **(1)** international strike action, **(2)** Poland port upgrades set to bypass Russian waters, and **(3)** Korean HMM coming up for sale.

South Africa's international air cargo volume decreased slightly this week (**↓2%**), as domestic volumes also decreased (**↓24%**). Collectively, the numbers are very similar to pre-pandemic times; however, concerted growth is not really forthcoming, as capacity remains limited. Indeed, many airlines still haven't returned to South Africa in full force, with many offering lower frequencies than pre-pandemic. Others will fly to Johannesburg with imports but then go to Kenya for exports. If perishable exporters opt to pay per kilo, there could be delays as cargo might be routed via the Middle East. However, that is less predictable than more reliable charters. Internationally, air freight rates continued their decline, as the industry expects a muted upcoming peak season.

In the cross-border road freight sector, massive delays were experienced at all major South African borders, as Beit Bridge, Groblersbrug, and Lebombo, in particular, saw significant increases in median crossing times. Collectively, it has taken an average of 30 hours for a heavy-goods vehicle to cross, which is abnormally high! Additional developments included **(1)** the DRC Government deploying patrol vehicles in criminally-affected areas and **(2)** increased volume at Kazungula, resulting in significantly higher crossing times due to the facility's inability to handle the extra vehicles wishing to avoid Beit Bridge.

In conclusion, international trade remains an essential driver of economic growth, development, and job creation. Facilitating trade must occur through shared infrastructure via shared responsibilities from all parties. Any failure to facilitate trade has dire consequences for every South African. Against the backdrop of low growth, high unemployment, and rising living costs, we are doing an injustice to ordinary South Africans by allowing this catastrophic situation to continue. Collectively, business calls on government and labour to swiftly resolve the current impasse, which has become a sovereign risk to the country that is more significant than the wage dispute itself. The strike will leave long-lasting scars, which will deepen exponentially if allowed to continue.

Contents

Authored by:

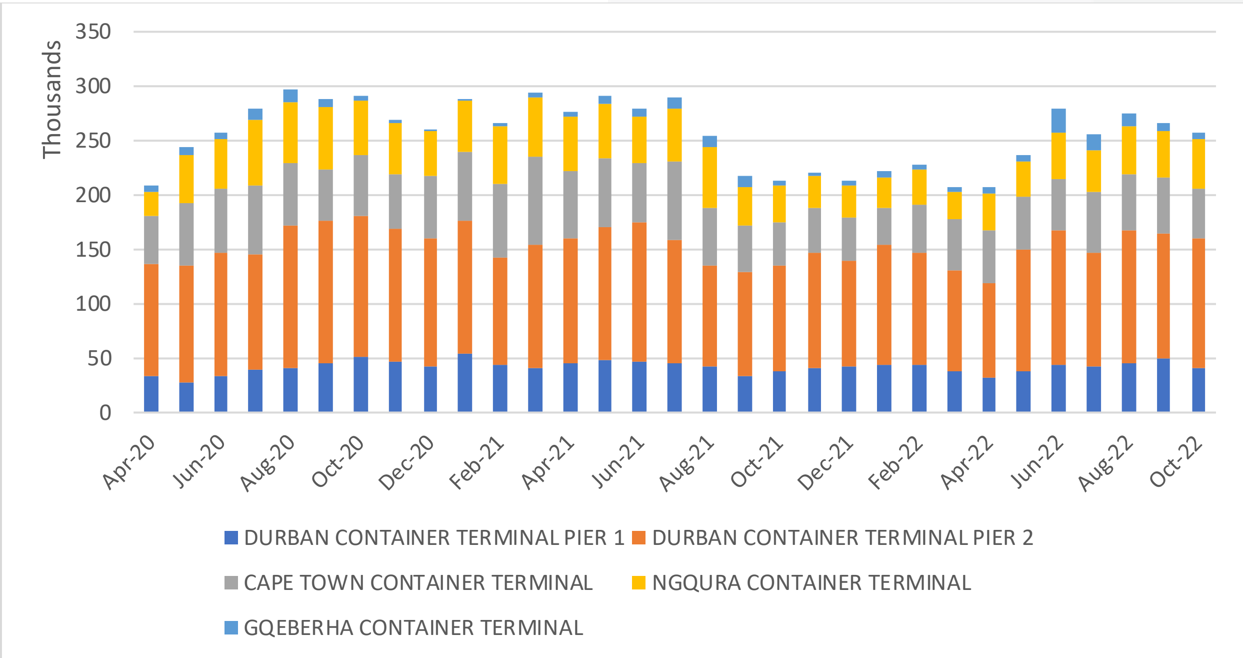
1. Ports Update

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

a. Container flow overview

Reporting on container movement this week was futile at best, given the dire labour situation. Naturally, therefore, the format of our report has been changed this week while we pray for a return to normality next week. Besides the strike action, the few reported port operations revolved mainly around equipment breakdowns, shortages, and congestion. For a longer view of the general decay, the following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the nationwide lockdown.

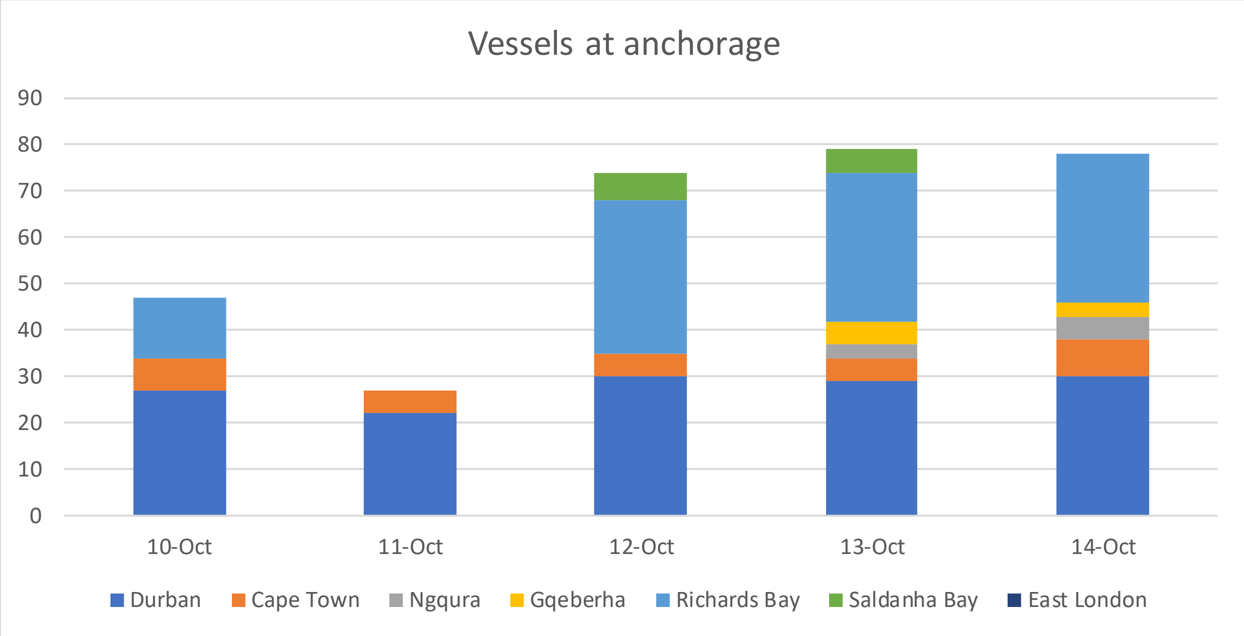
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

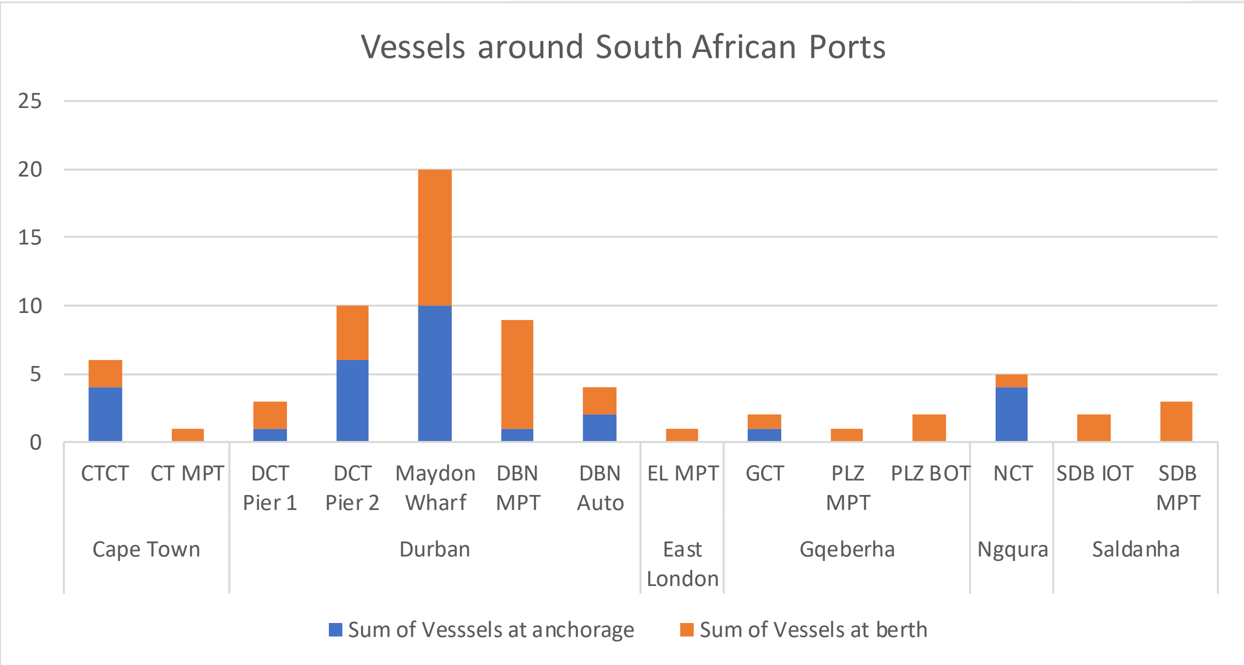
As a consequence of the strike, the number of vessels at anchorage has increased by order of magnitude in the last seven days. Furthermore, many vessels have decided to omit our ports altogether, as they would have missed their berthing windows in any case, further impacting downstream scheduling. Fortunately, some operations have continued, most notably at bulk and private terminals, as shown in *Figure 5*.

Figure 4 – Vessels at anchorage per port (all cargo vessel types)



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

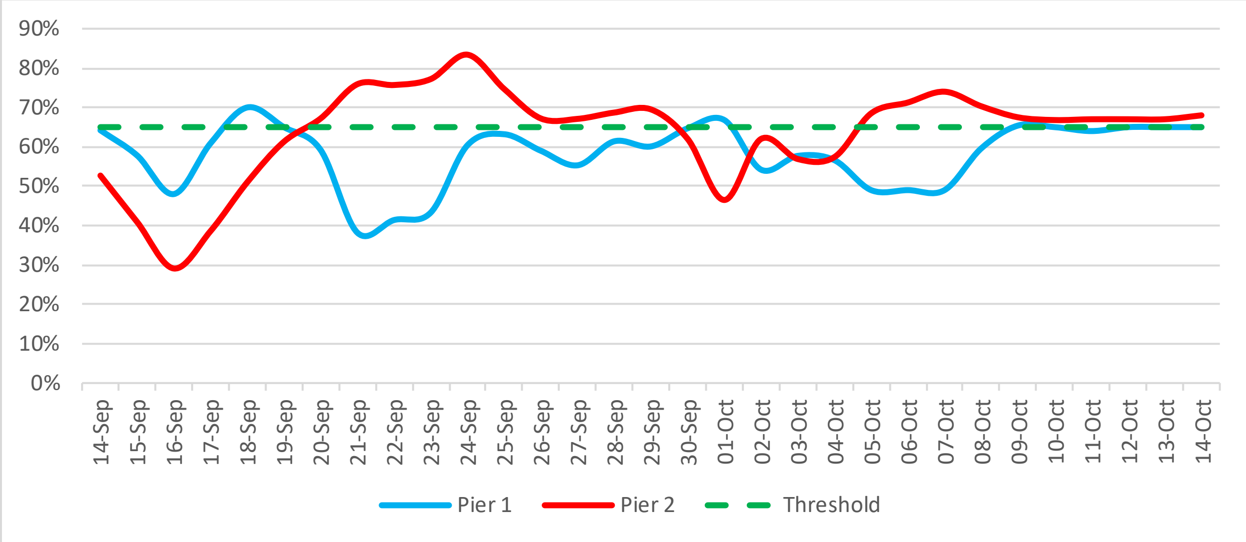
Figure 5 – Vessels in and around South African ports on 14 October



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

The following figure shows daily stack occupancy in both Durban terminals over the last five weeks. The concern is that, even when operations return, the terminal will be congested beyond any level permitting terminal fluidity, as boxes would almost be impossible to move.

Figure 6 – Stack occupancy in DCT, general-purpose containers (14 September to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

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

This week, Cape Town reported no delays unrelated to the national strike; however, the container terminal and the multipurpose terminal were both non-operational for the most significant part of the week, so it is safe to say that there would have been some weather-related delays otherwise.

Durban experienced a very challenging week on all fronts as they remain heavily constricted by the strike, while several operational delays added insult to injury this week. No delays were reported due to adverse weather conditions; however, vessel movements were delayed earlier this week due to an occupied berth and a prolonged shift change. Additionally, skeleton operations were further delayed at Pier 1 for several hours due to a power outage.

Like Durban, Richards Bay also experienced a good week in terms of the weather regarding weather conditions; but they were unfortunately not spared from other non-weather-related challenges halting operations. The main hurdle to be overcome in operations at Richards Bay is space constraints, as it was reported on Wednesday that 1,9 days' stock is on hand at South 32. Additionally, one vessel movement was delayed on Thursday for approximately 44 minutes due to the pilot not being ready.

The Eastern Cape also experienced a challenging week as minimal operations were conducted due to the national strike. The GCT also went windbound on Tuesday morning during the operational shift between 06:00 and 14:00, which delayed operations for an undisclosed period.

ii. Cape Town

This week, in Cape Town, both the container- and multipurpose terminals were non-operational due to the ongoing strike led by UNTU and SATAWU. On Tuesday, CTCT recorded two vessels at berth and three at outer anchorage, while overall stack occupancy was 29%. In the latest 24-hour period to Tuesday, the terminal facilitated 18 moves with one gang in operation. It was further reported that approximately four vessels omitted the port during the early stages of the week. At the end of the week, Cape Town MPT recorded one vessel at anchor and one at berth, with an overall stack occupancy of approximately 33%. Privately operated FPT performed well throughout the week, in the process attracting some vessels that would have used CTCT in normal conditions.

iii. Durban and Richards Bay

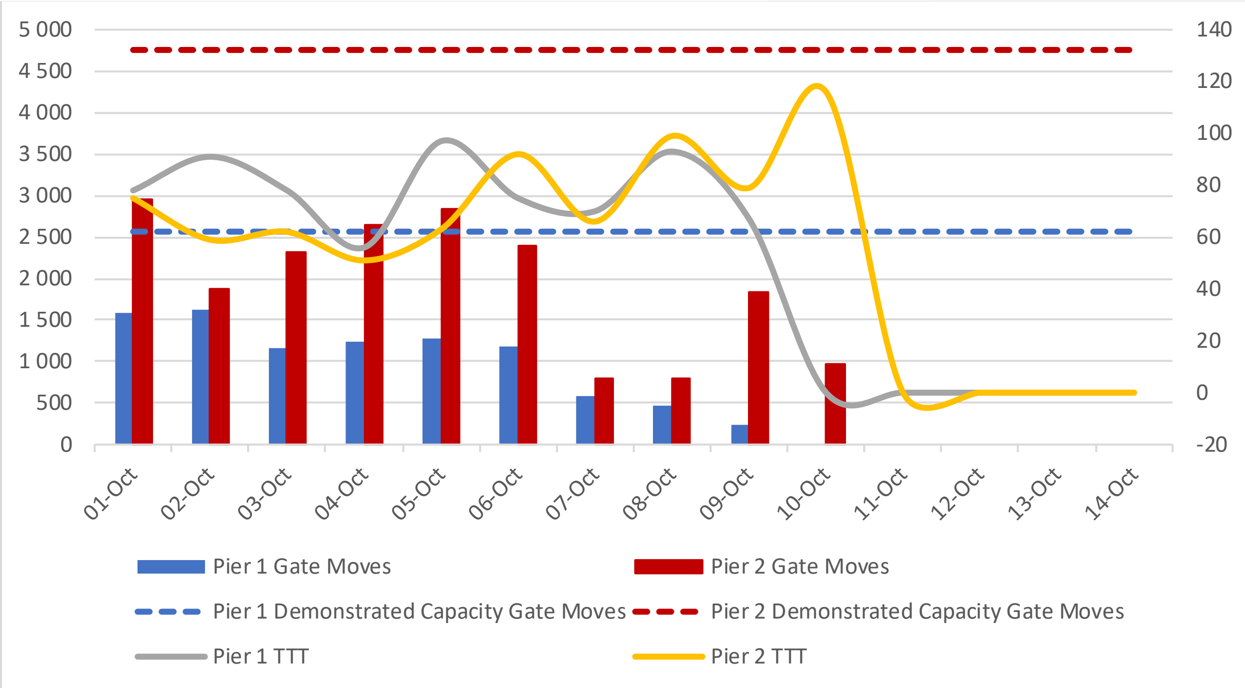
Pier 1 on Friday recorded two vessels at berth, operated by two gangs, and one vessel at anchor. Stack occupancy was 65% GP containers, with 2 295 imports on hand, 75 reefers and 67 unassigned units. The terminal recorded 167 gate moves on the landside on Thursday, with 240 TEUs handled. Despite the human resource challenges, the terminal managed to service a few trucks on the landside.

Pier 2 had four vessels on berth and six at anchorage on Friday. Stack occupancy was high at 67% for GP containers. The entire week saw minimal to no operations on both the waterside and the landside, which is highlighted by the worrying 66 gate moves facilitated in the 24 hours leading to Friday and the number of vessels omitting the Durban port. Additionally, on Friday, the terminal had 3 438 imports on hand.

During the week, the port also experienced difficulties as one pilot boat went out of commission on Tuesday, causing berthing delays in an already fragile operating system. In the absence of the pilot boat and helicopter, launches were deployed to assist with berthing operations. Transnet engineers re-commissioned the pilot boat by Wednesday morning. Unfortunately, the problems with the boat had not been resolved, and it went out of commission once more during the night shift. As a result, the Richards Bay helicopter was summoned to assist with berthing operations. The challenges experienced with the pilot boat were swiftly attended to as it was back in commission on Friday morning.

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



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

iv. Eastern Cape ports

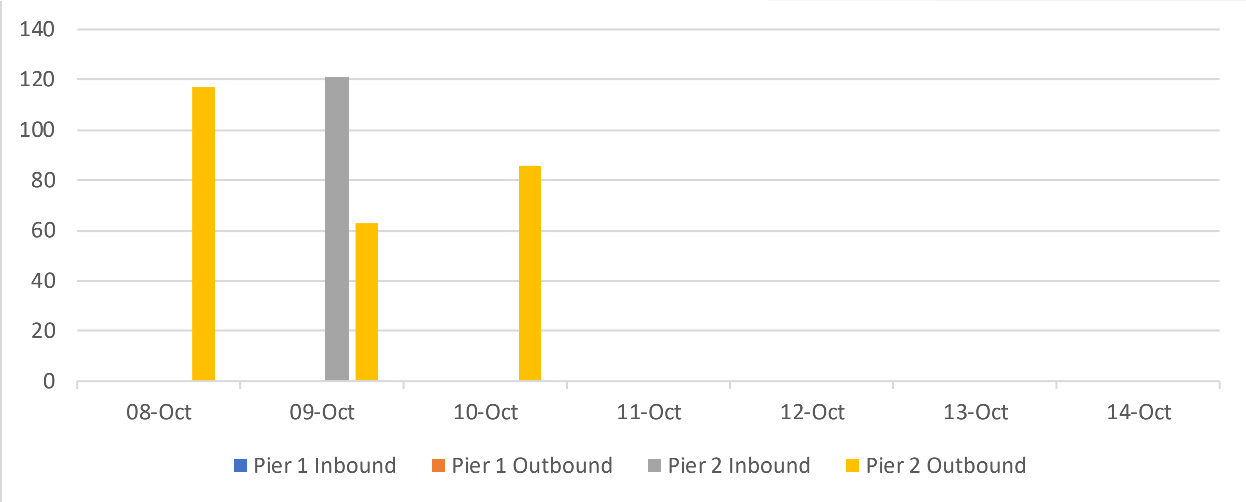
On Friday, GCT recorded one vessel on berth and one at outer anchorage. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Friday. In the same period, stack occupancy was 38% for GP containers and 1% for reefers. In addition, no external trucks were serviced on the landside due to the violent nature of the strike as experienced at the Eastern Cape ports. No reefers were handled as resources remained limited due to the strike.

NCT on Wednesday recorded one vessel at berth and four 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 into Thursday. In the same period, stack occupancy was 21% for GP containers and 7% for reefers, while the one gang could facilitate only 260 moves while it was operational. Operations were minimal for the most significant part of the week due to the strike.

v. Transnet Freight Rail (TFR)

This week, it was reported that the second line on the Balgowan and Cato Ridge sections of the container corridor was set to resume service on 10 October 2022; however, factors such as the strike and continuous cable theft have caused more delays. Furthermore, the strike severely impacted all operations at TFR, as operations were halted for the most significant part of the week.

Figure 8 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 14/10/2022.

In the last week (8 to 14 October), rail cargo handled out of Durban was reported at **387** containers, down by **↓64%** from the previous week's **1 078** containers. Again, this is a fairly meaningless statistic in the face of the strike.

vi. General: Union strikes

On Monday at 13:00, the CCMA facilitated a meeting between the Transnet management team and the respective UNTU and SATAWU unions regarding the industrial strike action. It was reported that the involved parties agreed on the picketing rules associated with the strike; unfortunately, an impasse on the wages remained. As a result, Transnet decided to increase its wage offer and subsequently presented it to the unions, which was once again rejected.

With the existing standstill of wage negotiations between Transnet and its unions, our national port operations remain clouded by the ongoing industrial action. In addition, it was reported on Friday that the strikes in the Eastern Cape became violent towards the end of the week, thus intimidating employees not engaging in the strike. This situation further lowered hope for any prospects of operational improvement in the coming week, having already sustained huge losses due to most of our national ports being non-operational for the most significant part of the week.

vii. The total economic cost of the Union strikes

Cost:

- Research shows that depending on the magnitude (i.e., an idle hour – versus an idle day), logistics delays to the supply chain cost our economy around **R530 million per day** (revised after initial estimates speculated that the figure could be between **R100 million** and **R1 billion** per day).
- However, there is a cumulative effect, i.e., **~R530 million** on day 1, **~R550 million** on day 2, etc.
- However, when calculating the **total economic cost**, the final consequence of the devastating impact is far higher than that:
- According to the latest SARS merchandise stats, **R343 billion** worth of goods were traded (imports and exports) by the country in August.

- Considering that **~70%** of South Africa's international trade in merchandise is processed via the ocean modality, the current inactivity blocks more than **R8 billion worth of goods each day**.
- The impact is actually greater than that caused by the energy crisis, especially when the ripple effect is considered.
- Sectoral examples include:
    - The mining sector lost **R50 billion** this year due to Transnet's deteriorating performance. However, it could have generated another **R100 billion in revenue which would have generated another R27 billion in tax,** were it not for capacity constraints on the country's ports and rail network.
    - For coal, only **~R260 million** of our **R1 billio**n potential daily volume is getting through the ports.
    - For forestry, we are losing more than **2 500 tons of production daily, equating** to **R120 million per day** in foreign exchange earnings, as the product cannot be exported.
    - For chemicals, there are input products and finished products critical for **water**, **mining** and **agriculture** that cannot be delivered. In particular, **fertiliser**, already in short supply due to the Ukraine-Russia war, has been held up – which could spill over into a health and nutrition crisis.
    - In agriculture, we are entering the peak export season for a number of products (some of our most labour-intensive and highest export-earning industries), and this strike has hit the sector particularly hard.
    - For vehicles and their components, in trying to evacuate vehicles for exports, one needs to load them onto carrier transport, and processes are not working seamlessly in this regard. Furthermore, for components, at least **25%** of SA's automotive component manufacturers currently have prolonged shutdown levels because of the Transnet industrial action and related supply chain issues.
    - For pharmaceuticals, important medical inputs have been held up at our ports, which poses a serious health risk which must be addressed urgently.
- The loss estimates shown here are conservative at best, and losses will likely run more into the **billions daily**!

Time:

- A one-day loss in port activity usually results in a minimum of **10 days to reach full efficiency after operations are restored**. However, the economic loss has a ripple effect on the economy, resulting in further foreign revenue loss at a time when our balance of trade is already deteriorating steadily. At the current level of throughput, and assuming that the strike will come to an end early in the coming week, this implies a three-month recovery period before port operations are restored to normal – a 'normal' which was already unsatisfactory.

Service reliability:

- Shipping lines will continue to omit SA ports (Maersk has already implemented several contingency plans[6]), resulting in fewer vessel calls, smaller calls (if they do happen), a decline in international connectivity, and ultimately, a decrease in international goods trading partners, market access, and demonstrated capacity to link our logistics with the necessary capacity for trade and economic growth.
- Potential loss of appetite for direct investment and irreversible (and potentially irreparable short-term) international reputational damage.

[6] Maersk.

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 3 October. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *October 2021* averaged **~848 566 kg** per day.

Table 2 – International inbound and outbound cargo from OR Tambo

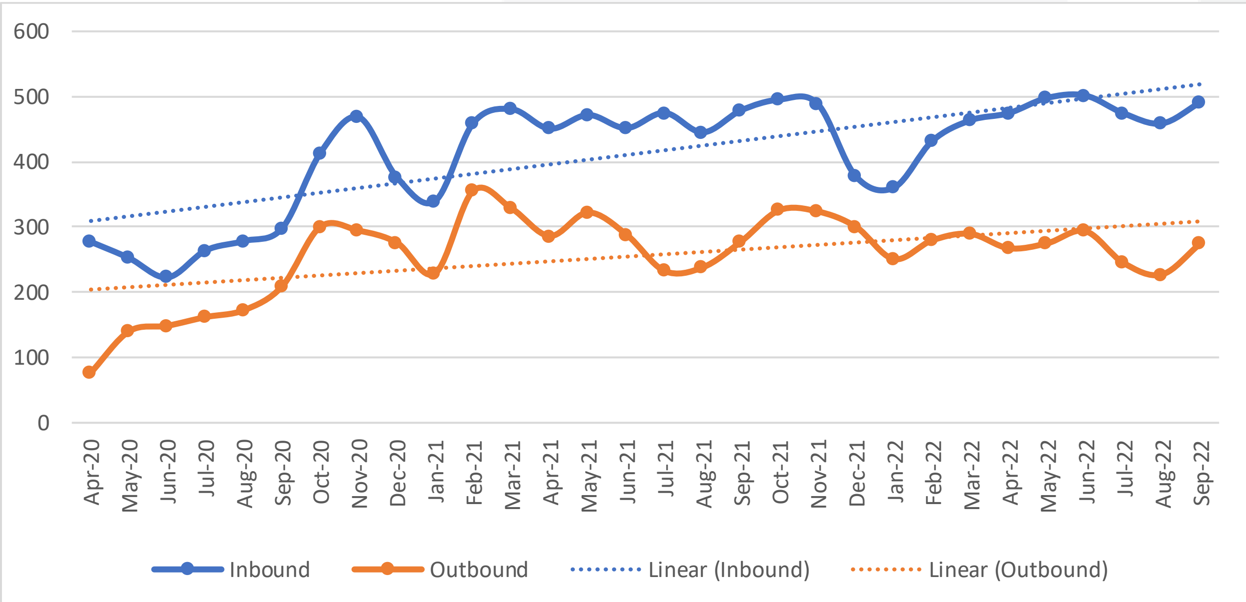
Flows	03-Oct	04-Oct	05-Oct	06-Oct	07-Oct	08-Oct	09-Oct
Volume inbound	474 147	383 856	365 132	456 791	457 786	369 980	994 044
Volume outbound	181 974	230 327	206 680	240 467	240 608	212 889	463 613
Total	**656 121**	**614 183**	**571 812**	**697 258**	**698 394**	**582 869**	**1 457 657**

Courtesy of ACOC. Updated: 10/10/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **500 248 kg** inbound and **253 794 kg** outbound, resulting in an average of **754 042 kg per day** or **~89%** compared with October 2021. Also, the level is currently at **~106%** compared with the same period in 2020.

The following figure shows the comparative quarterly global freight movement at ORTIA since the pandemic outbreak, with a continued positive trend experienced, notably for inbound cargo:

Figure 9 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 10/10/2022.

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 *October 2021* was **~66 284 kg** per day.

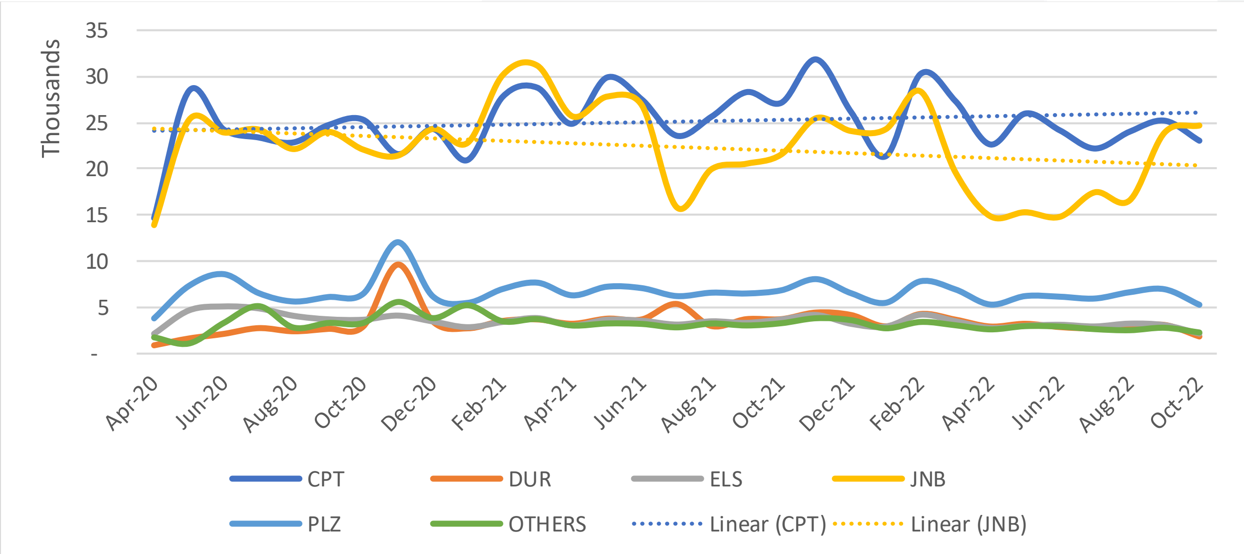
Table 3 – Total domestic inbound and outbound cargo

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**
Sep Average	**25 212**	**3 102**	**3 080**	**23 913**	**6 968**	**2 796**	**65 071**
Oct Average	**23 042**	**1 854**	**2 169**	**24 690**	**5 286**	**2 285**	**59 326**
04-Oct-22	45 771	2 830	4 985	34 809	9 522	5 031	**102 947**
05-Oct-22	39 728	4 726	4 273	20 571	9 758	4 248	**83 304**
06-Oct-22	35 363	4 035	3 472	24 702	10 114	3 675	**81 361**
07-Oct-22	16 932	3 589	2 772	26 120	5 935	2 334	**57 682**
08-Oct-22	1 074	349	8	704	481	62	**2 676**
09-Oct-22	2 267	572	394	530	765	69	**4 597**
10-Oct-22	40 982	5 330	4 881	22 337	10 425	4 759	**88 714**
Total for 2022:	**7 126 394**	**909 264**	**912 546**	**5 685 404**	**1 825 094**	**814 328**	**17 273 030**

Courtesy of BAC. Updated: 11/10/2022.

The average domestic air cargo moved last week was **~60 183 kg** per day, which is **↓24%** compared with the previous week and **~91%** compared to October 2021.

Figure 10 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 11/10/2022.

3. 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 South Africa specifically, but also in and around the SADC region.

- Last week, clearing times at South African borders increased substantially and averaged **~30,3 hours** (**↑226%** w/w).
- Trucks travelling through the DRC have become easy targets for criminals. Hopefully, changes are forthcoming, as the DRC Government has deployed three patrol vehicles in the affected area, allowing operations to resume from 06:00 to 20:00, seven days a week.
- Kazungula's crossing times are significantly up due to the facility's inability to handle the extra vehicles that used to use Beitbridge.
  - Incidentally, when looking at longer-term trends, the following averages have been found:
  - Beitbridge: Daily volume is down by **↓19%** since 2016.
  - Chirundu: Daily volume is up by **↑38%** since 2016.
  - Forbes: Daily volume is up by **↑36%** since 2016.
  - Kazungula: Daily volume is up by **↑110%** since 2018.
  - Kasumbalesa: Daily volume is up by **↑23%** since 2018.
  - Nakonde: Daily volume is up by **↑54%** since 2018.
- 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[7], 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, as queue times at Beit Bridge and Kasumbalesa shot up significantly this week. As mentioned last week, the data analysis from FESARTA has evolved and will begin to include the analytics expertise of Crickmay[8]. The following table will showcase the changes in flows through South African borders, which will now illustrate bi-directional border delays on vehicle movements:

Table 4 – 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	Zimbabwe-SA	472	10:48	17:00	35	14 160	3 304
Beitbridge	SA-Zimbabwe	410	12:06	10:06	88	12 300	2 870
Groblersbrug	SA-Botswana	166	0:12	14:48	67	4 980	1 162
Groblersbrug	Botswana-SA	238	1:06	14:48	67	7 140	1 666
Noordoewer	Namibia-SA	20	0:12	9:00	9	600	140
Vioolsdrif	SA-Namibia	30	0:18	9:00	9	900	210
Ariamsvlei	Namibia-SA	20	0:18	8:00	8	600	140
Nakop	SA-Namibia	30	0:48	7:24	11	900	210
Lebombo	SA-Mozambique	1 553	0:18	9:12	30	46 590	10 871
Ressano Garcia	Mozambique-SA	148	0:12	7:30	19	4 440	1 036

[7] FESARTA TRANSIST Bureau.
[8] Some of the audience of the weekly Cargo Movement Report will be familiar with the work of Crickmay and SAAFF in developing the "Transport Monitoring Tool" for the Durban and other South African ports. For more information, please contact SAAFF and Crickmay.
[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.

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
Skilpadshek	SA-Botswana	200	3:54	2:00	8	4 800	1 400
Pioneer Gate	Botswana-SA	100	0:54	13:00	14	2 400	700
	Average/Sum	**282**	**3**	**10**	**30**	**99 810**	**23 709**

Source: TLC & FESARTA, week ending 03/10/2022.

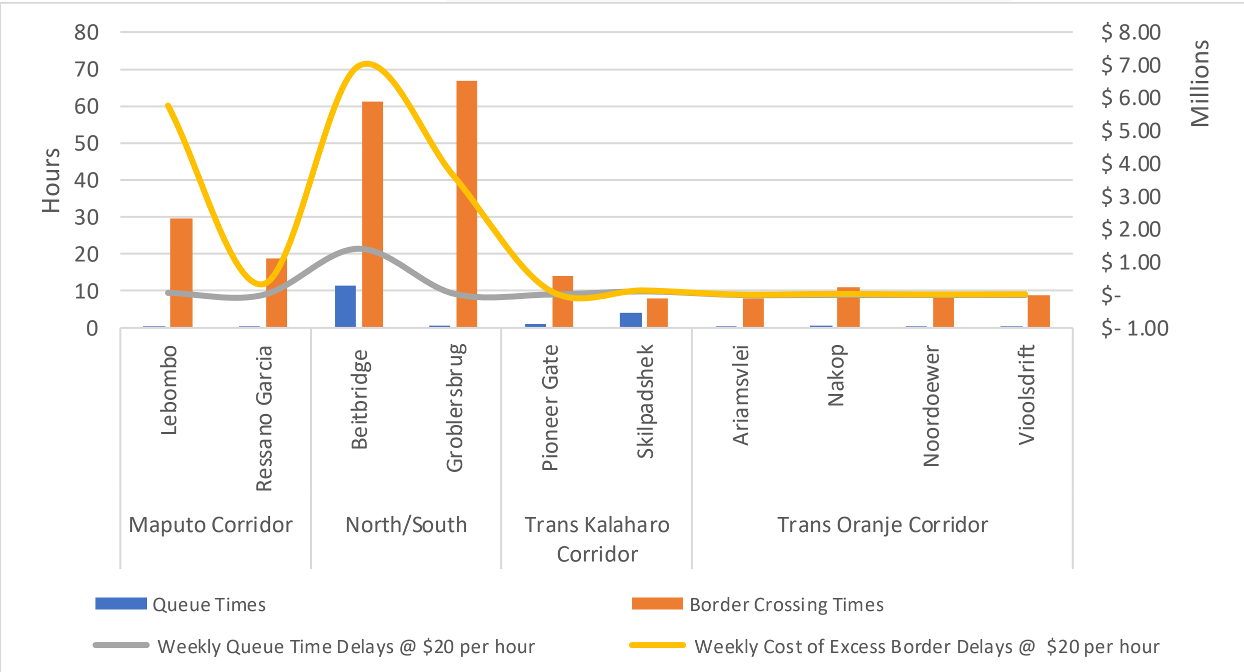
Table 5 – Delays summary – Corridor perspective

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	160	0	25	38	96 00	2 240
Dar Es Salaam Corridor	303	6	17	43	54 570	12 733
Maputo Corridor	851	0	8	24	51 030	11 907
Nacala Corridor	32	2	1	3	3 810	889
North/South	210	4	19	44	100 740	23 506
Trans Caprivi Corridor	58	3	30	36	3 480	812
Trans Cunene Corridor	50	0	210	210	3 000	700
Trans Kalahari Corridor	83	2	8	11	7 920	2 310
Trans Oranje Corridor	25	0	8	9	3 000	700
Average/Sum	**190**	**3**	**24**	**40**	**237 150**	**55 797**

Source: TLC & FESARTA, week ending 03/10/2022.

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

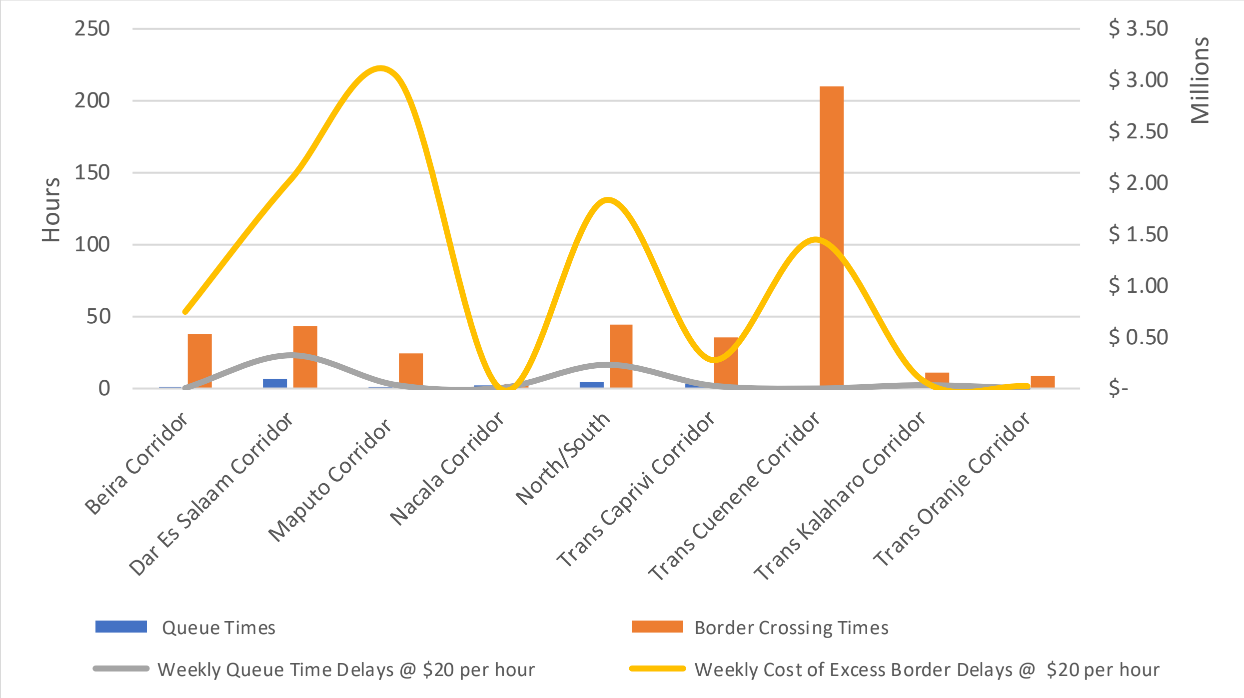
Figure 11 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)



Source: TLC & FESARTA, week ending 10/10/2022.

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

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



Source: TLC & FESARTA, week ending 10/10/2022.

In summary, cross-border queue time has averaged **~3,1 hours** (up by **~0,1 hour** from the previous week's **~3 hours**), costing the transport industry an estimated **$5,9 million** (**R119 million**). Furthermore, the week's average cross-border transit times hovered around **~40 hours** (up by **~26 hours** from the **~14 hours** recorded in the previous report), costing the transport industry **$53 million** (**R1 059 million**). As a result, the total cost for the week amounts to an estimated **~R1 178 million** (up by **~R776 million** or **↑193%** from **R402 million** in the previous report).

4. International Update

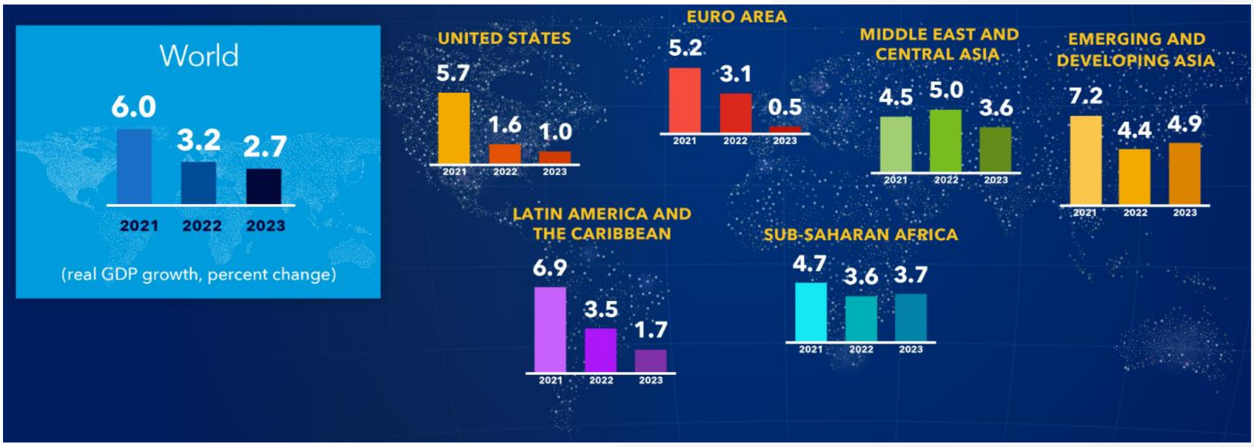
The following section provides some context around the global economy and its impact on trade, including an update on **(a)** the international economy, **(b)** the global shipping industry and **(c)** the global air cargo industry.

a. International economy

On Tuesday, 11 October, the International Monetary Fund (IMF) released its latest "*World Economic Outlook*"[11], warning that global economic activity will significantly slow down and the that "*the worst is yet to come*". In summary, the outlook notes that global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than in several decades. In addition, the cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic weigh heavily on the outlook. Collectively, the estimate for global growth is forecast to slow from **↑6,0%** in 2021 to **↑3,2%** in 2022 and **↑2,7%** in 2023. These figures are the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the COVID-19 pandemic.

[11] IMF. 11/10/2022. Countering the cost-of-living crisis - October 2022..

Figure 13 – Growth by region (%)



Source: IMF

The current global inflation levels have been a significant concern for developed and developing countries. The IMF cautions that global inflation is forecast to rise from **4,7%** in 2021 to **8,8%** in 2022 but to decline to **6,5%** in 2023 and to **4,1%** by 2024. The IMF advises that monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by incentivising productivity and easing supply constraints, while multilateral cooperation is necessary to fast-track the green energy transition and prevent fragmentation. For South Africa, the IMF lowered its growth forecast to only **↑2,1%** this year (down by **↓0,2%** from July. For next year, the IMF expects growth of **↑1,1%** (down by **↓0,3%**). In contrast, it expects Sub-Saharan Africa as a whole to grow by **↑3,7%** next year.

b. Global shipping industry

i. Global port throughput volume and price index

The latest container port throughput statistics have confirmed the market sentiment of weakening demand resulting in lower throughput levels. According to CTS's latest container throughput volumes[12], global volumes are down by **↓2,0%** (m/m), which is similar to last month's decrease. These numbers once again confirm the heavily disrupted nature of the maritime and supply chain environment recently. The figure below, which shows the global volume and price index of total container volumes across all trade routes (dry and reefer containers), is slightly worse than the overview provided by the latest *RWI/ISL*[13] reported two weeks ago[14].

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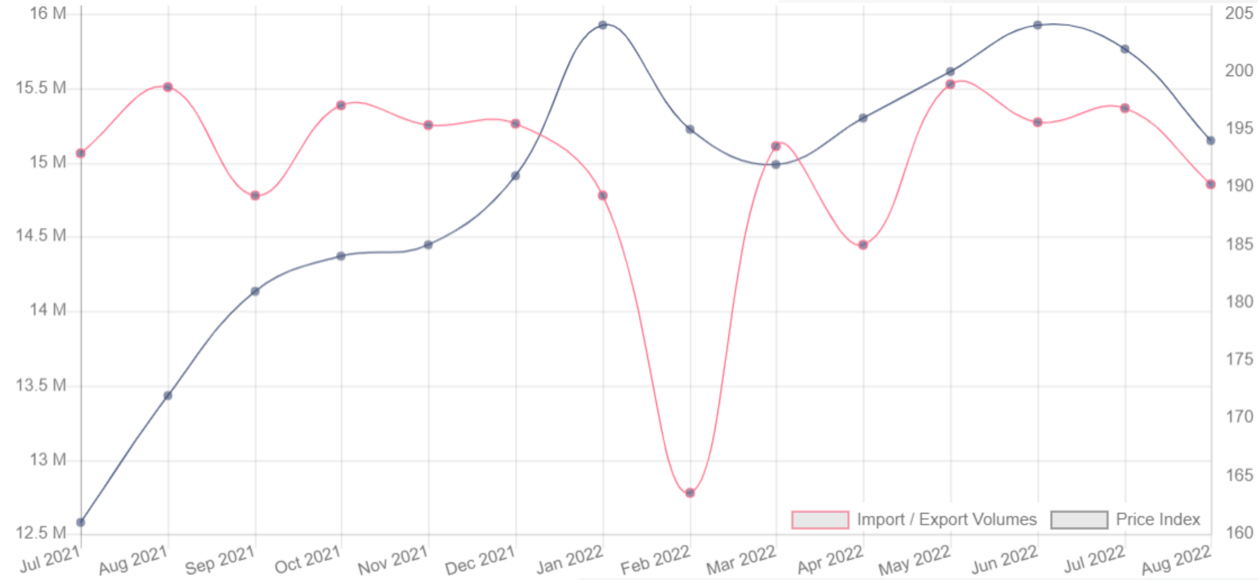
[12] CTS. 10/10/2022. Container throughput volume and price index.
[13] Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL)
[14] RWI/ISL. 30/09/2022. RWI/ISL Container Throughput Index: Increasing container throughput indicates easing of tension of disturbed supply chains.

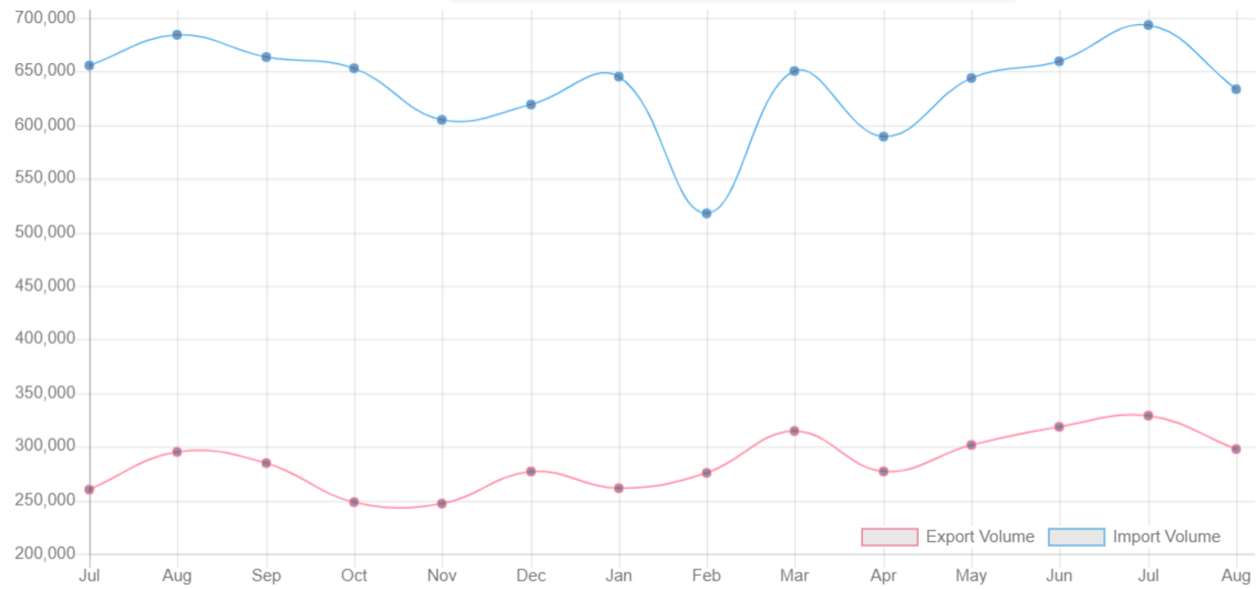
Figure 14 – Global container volume (millions of TEU) and price index



Source: CTS

The annual change is even more pronounced, as container volumes (import and export) have decreased by a substantial **↓4,2%** (y/y). Concerning freight rates, the CTS version of the price index contrasts Drewry's assessment, with the index only dropping by some **↓4,4%** this month but remaining higher compared to the same time last year (**↑11,3%**, y/y). 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 in August, with both imports and exports waning:

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



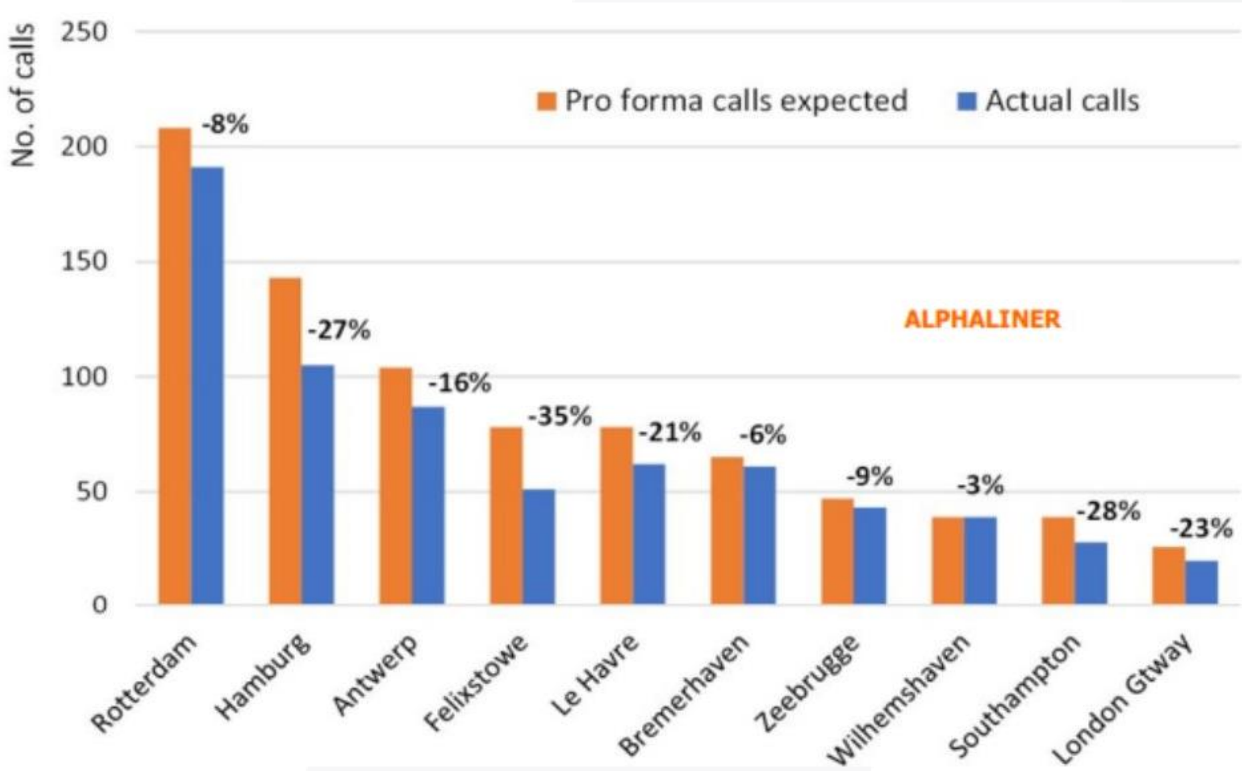
Source: CTS

For August, import volumes are down by ↓8,4% (m/m), with exports decreasing by ↓8,2% (m/m). Moreover, annual throughputs on the import side indicate similar returns and are down by ↓7,4% (y/y), where exports are slightly up at ↑0,9% (m/m). Incidentally, when comparing these figures with TNPA's published figures for August[15], South Africa accounts for more than a third of the imports (**30,1%**) and more than two-thirds (**70,5%**) of the exports, showing our regional dominance. Nevertheless, with the inactivity due to the ongoing strikes, the numbers later in the year are bound to look much different, and not for the better!

ii. Port congestion

Port congestion globally is easing, which is set to free up capacity further and might further explain the free-fall in container freight rates. Indeed, global port congestion has dropped to 10,5%, the lowest level in 10 months, from a peak of 15% in March[16]. Until recently, as many as double-digit shares of global capacity were stuck in the system due to long waiting times at anchorage. However, despite the ongoing call reductions worldwide, congestion is easing, especially in Europe, as shown here:

Figure 16 – Port call of Far East – North Europe loops in Q3 2022



Source: *Alphaliner*

All major ports have significantly reduced actual calls versus expected (pro forma) calls as shipping lines have attempted to limit deployed capacity strategically. The situation is similar, as the number of ship calls waiting to enter Los Angeles/Long Beach is down to less than then ships, compared to the historical high of 109 waiting queuing up for the San Pedro Bay twin ports in January 2022. This week, Drewry's "*Cancelled Sailings Tracker*" remains high, currently hovering around a **9% cancellation rate**[17] - as further cuts to services continue, this week by 2M[18]. Nevertheless, it undoubtedly appears that the global supply chain constraints

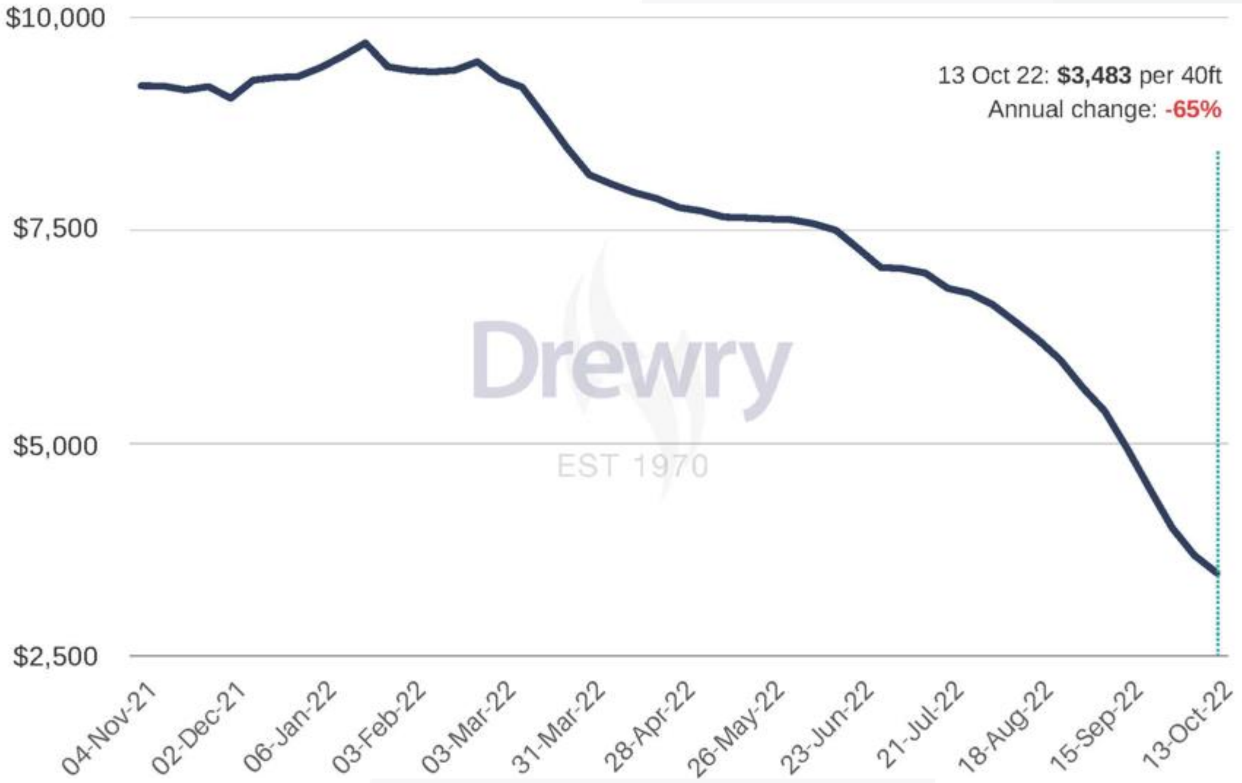
[15] TNPA. 2022. Port Statistics.
[16] Whelan, S. 11/10/2022. Blank sailings fail to prop up rates: 'we need capacity withdrawn permanently.
[17] Drewry. 07/10/2022. Cancelled Sailings Tracker – 07 Oct.
[18] Wackett, M. 11/10/2022. Maersk and MSC cull Asia-North Europe capacity as bookings founder.

– at least in the shipping industry – are ending. In a perverse way, this might be a helping hand for SA – there are reports of lines deciding to wait outside SA ports rather than "cutting and running" because there is no employment for them at the other end.

iii. Global container freight rates

Container spot rates have continued their rate of decrease (now for a *33rd consecutive week*), as Drewry's "*World Container Index*" decreased by another significant **↓6%** (**$206**) to **$3 483** per 40-ft container[19]. The composite index is **↓65%** below the spot prices quoted this time last year and continues to trend below the five-year average (**↓7%**) of **$3 732**:

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



Source: Drewry Ports and Terminal insights

The expectations are for the rates to continue to decrease and for the industry to normalise. However, the rapidly deteriorating supply-demand outlook has not stopped carriers from pushing ahead with capacity expansion plans, with Maersk and MSC both confirming further orders for new tonnage last week, propelling the containership orderbook to a new record high of **7,44 million TEU**[20].

iv. Further developments of note

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

1. **Labour issues abound as international strike action continues:**
    a. Ongoing strike action is not only affecting South African ports, as there are several instances of essential dock workers (as they are referred to in most nations) continuing to protest the massive cost of living increases[21]. In addition, as in South Africa, strike action at German and

[19] Drewry. 13/10/2022. World Container Index.
[20] Whelan, S. 11/10/2022. Blank sailings fail to prop up rates: 'we need capacity withdrawn permanently'.
[21] Drewry. 11/10/2022. Ports face more disruption from strike action as cost-of-living crisis bites.

UK ports have caused significant disruption to carrier schedules and adversely impacted port performance – with average call durations rising substantially after the strike.

b. In the UK, dockworkers at the Port of Liverpool on Tuesday, 11 October, started a week-long walkout organised by the Unite union[22], demanding a pay rise in line with inflation (RPI – currently around 12,3%). However, the port owner, Peel Ports, has already threatened strikers with layoffs, citing a marked reduction in the container volume[23].

c. In the US, most of the nearly 12 000 unionised railroad workers voted to reject a tentative labour agreement brokered in part last month by President Joe Biden[24]. The move comes amid a decline in US goods imports and other signs of economic trouble

d. In France, truck drivers face more fuel shortages as unions plan to prolong strikes at the country's biggest refineries, leaving a third of its filling stations with supply shortfalls[25].

2. Poland port upgrades set to bypass Russian waters:

a. Poland's only deep-water port, the Port of Gdansk, is getting investments that will boost its capacity by 50% in the next three years, as the trade gateway plays a more prominent role in shipping routes that Russia's war in Ukraine is redrawing.

b. DCT Gdansk is getting **€864 million** in financing to upgrade its two terminals and build a third, according to the European Bank for Reconstruction and Development (EBRD), a consortium of lenders.

c. The port is the only deep-water terminal in the Baltic Sea able to receive ultra-large container vessels that move consumer goods and machinery between Europe and Asia. It's also a nexus for rail shipments across the region, including freight from Ukraine. The investments will make the port one of the ten biggest in Europe.

d. "*It is currently experiencing high demand, with two existing terminals operating near full capacity*," the EBRD said in a statement on Wednesday[26]. Terminal 3 will receive its first ships by the end of 2024, with completion expected the following year, according to the EBRD, which was founded after the collapse of the Soviet Union to finance economic development in Eastern and Central Europe. Stage one of the Gdansk expansion aims to add capacity to handle **1,5 million TEUs**, up from the **current 2,9 million**. These developments come after Poland opened a new canal to the Baltic sea in September[27].

3. Korean shipping line HMM coming up for sale:

a. The world's 8th largest container line, Korean HMM, is coming up for sale, as state-owned entities want to reduce the stranglehold on the liner. HMM's second-largest shareholder, Korea Ocean Business Corp (KOBC), wants to reduce its shareholding and end its management over the flagship liner operator by 2024[28].

b. And KOBC, a state-supported ship finance institution, wants the state to divest its entire interest in HMM by the end of 2025, disclosed lawmaker Shin Jeong-Hoon, a member of the National Assembly's Agriculture, Forestry, Livestock, Food, Oceans and Fisheries Committee, today. These developments are set to spark some interest from other role players in the container market.

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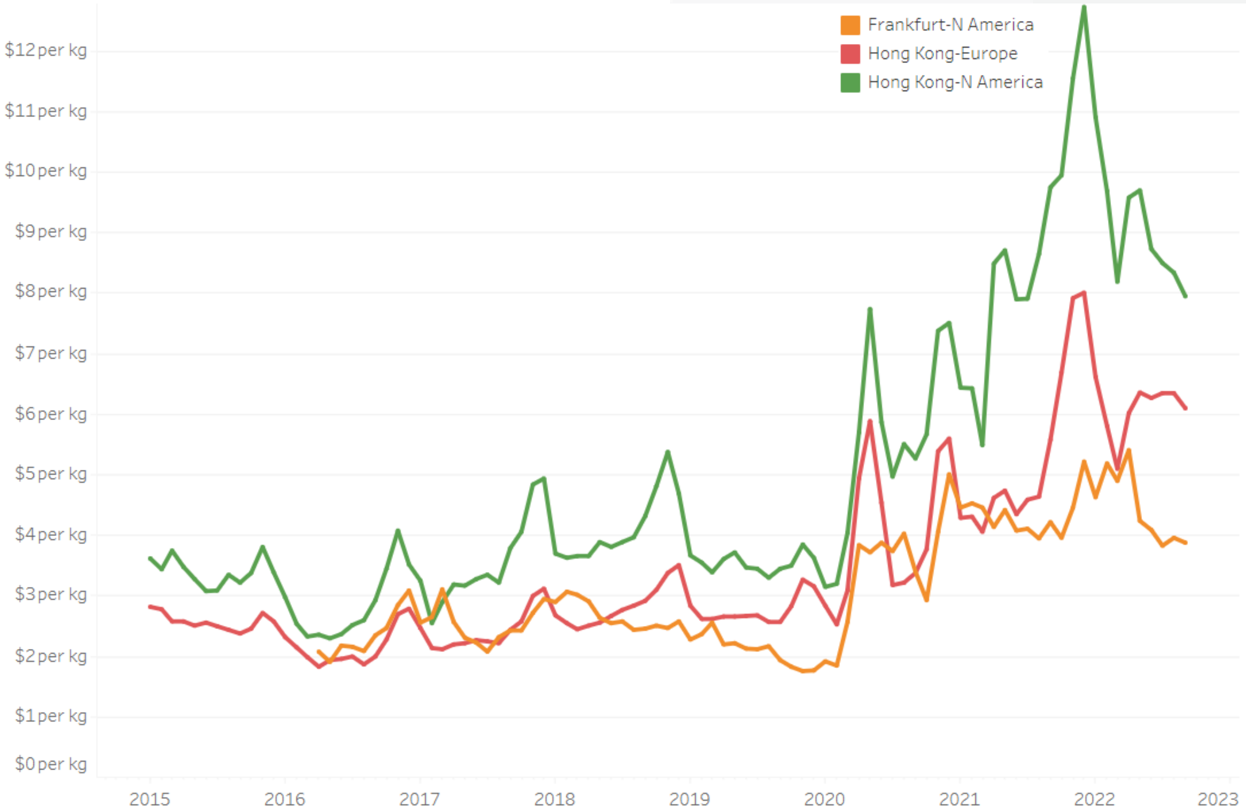
22 Unite. 10/10/2022. Unite slams Peel Ports' latest attempt to intimidate workers as 'desperate'.
23 Farhat, E. 07/10/2022. Liverpool Port Plans Job Cuts as Trade Slump Adds to Strike Woes.
24 Beene, R. 10/10/2022. Rail Union Rejects Biden-Backed Deal, Reviving Strike Risk.
25 Nussbaum, A. & De Beaupuy, F. 10/10/2022. France Moves to Break Blockades at Strike-Ridden Oil Refineries.
26 EBRD/Pyrkalo, S. 12/10/2022. EBRD lends €100 million for new Gdansk port terminal.
27 Moskwa, W. 17/09/2022. Poland Opens New Canal to Baltic Sea to Bypass Russian Waters.
28 Li, M. 11/10/2022. Coming up for sale: Korean shipping line HMM, but it will be expensive.

c. Global air cargo industry

i. Air cargo rates

Weakening air cargo demand amid continued high inventory levels is seemingly driving rates further down, as the industry anticipates a non-existent, or at best, muted peak season[29]. In September, average rates are down ↓**3,6%** versus last month, ↓**5,7%** from a year ago – and ↑**123%** versus September 2019, as the "*Baltic Exchange Airfreight* " shows below:

Figure 18 – Baltic Exchange Airfreight Index ($ per kg)



Source: BAI

October is typically a time of year when retailers typically make their final push to ship goods from abroad in time for holiday shopping, and freight rates are highest, but so far, signs of peak season in air cargo are challenging to find[30]. Instead, rates continue to slide as global economic clouds dampen demand and airlift supply rises with the recovery of passenger travel. On the major routes, the prevailing rates are currently:

- Frankfurt – North America is currently trending at **$3,87** per kg – ↓**2,0%** (m/m), and ↓**8,1%** (y/y).
- Hong Kong – Europe is currently trending at **$6,09** per kg – ↓**3,9%** (m/m) and ↑**9,3%** (y/y).
- Hong Kong – North America is currently trending at **$7,94** per kg – ↓**4,7%** (m/m) and ↓**18,5%** (y/y).

Airlines are cutting back activity in China to coincide with the *Golden Week* national holiday when factories are closed. In a typical year, a burst of catch-up flights would follow, but the past has proven a poor barometer for logistics predictions this decade.

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[29] Lennane, A. 10/10/2022. Air cargo players can wave goodbye to a peak season as the market softens.
[30] Kulisch, E. 07/10/2022. Air cargo peak season evaporates on low demand, higher capacity.