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COVID-19: Cargo movement update[1]

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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)	22 522	28 481	**51 003**	25 806	29 359	**55 165**	**↓8%**
Air Cargo (tons)	5 281	2 360	**7 641**	4 785	2 859	**7 644**	**↓0.03%**

Monthly Snapshot

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

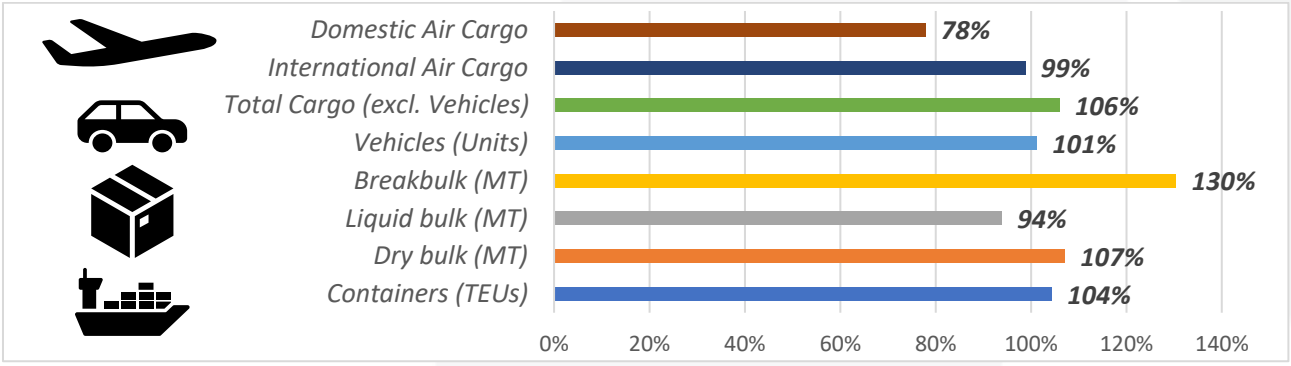
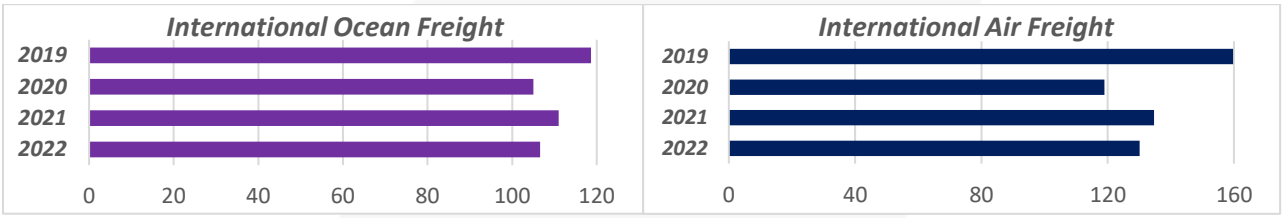


Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 286 containers** was handled per day, with **~8 423** projected for next week.
- Rail cargo handled out of Durban amounted to **1 598** containers, **↑14%** compared to last week.
- TNPA port statistics for June: containers are **↑33%** (m/m), **↑22%** (y/y), and **↑5%** versus 2020. Compared to 2019, YTD containers are at **↑0,8%**. Total cargo handled is **↑46%** (m/m), **↑15%** (y/y).
- This week, cross-border queue times **↑1,7 hours**, with transit times **↓1,4 hours** (*see below*).
- Fuelled by rising prices, the value of global trade is up to a quarterly record of **$7,7 trillion** in Q1 2022.
- Global container throughput is up by more than **800 000 TEUs** in May, with Sub-Saharan Africa also up.
- Global shipping containers increased by **↑13%** to **50 million TEUs** but were **15%-20%** less productive.
- The "WCI" declined for the 20th straight week, with spot rates **↓0,7%** (or **$52**) – to **$7 999** per 40-ft.

[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 96th 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 full month's worth of available data compared to the same month in the previous year. All metrics: Jun vs Jun.
[5] For ocean, total Jan-Jun cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Jun cargo to and from ORTIA is used.

Executive Summary

This update – *the 96th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Newly reported COVID-19 infections increased slightly this week, averaging approximately **489** per day (**↑22%** against last week's average of **399**). South Africa is approaching **4 million**[6] positive cases, with the death toll up to **101 915** this week (up by **47**). Globally, the case tally stands at **561 million** infected by COVID-19, with **6,37 million** deaths recorded. Around **12,2 billion** vaccine doses have been administered globally[7], with South Africa now at **37 million**.

Port operations this past week were mainly impacted by general issues relating to load-shedding, weather delays, and equipment shortages. Our commercial ports were not generally busy or congested; however, equipment availability remains an issue. The Eastern Cape ports are still making alternative plans to soften the blow of load-shedding, having little or no generator backup, while Durban port's helicopter is still out of action due to a fuel shortage. In addition, weather conditions and their accompanying side effects caused several delays, with the most notable example being approximately ten hours lost in Cape Town this week due to vessel ranging. In the Eastern Cape, port operations continued as per normal, except for TFR, as a derailment was reported during the week. Consequently, rail services were halted for three days at the end of the week and were expected to reopen on Sunday.

On the international shipping side, the entire landscape of global trade continues to change. The change can be seen with an increase in equipment supply being offset by poorer productivity (due to current port performance) and a change in regulations. This reality follows from last week's comments, with container fleets increasing by **↑1,7%** in H1 this year, to around **25,5 million TEU**. Nevertheless, despite the collective growth of carrier fleets and equipment, container throughput levels have levelled off, as the industry is at similar levels to those seen in September 2020[8]. There has been a slight increase for Sub-Saharan Africa lately, but numbers are still down on pre-pandemic levels. Incidentally, South Africa remains the dominant player in the region, accounting for more than a quarter of the imports (**25,4%**) and nearly half of all the exports (**49,9%**).

On a sectoral level, global goods and services sectors continue to experience opposing fortunes, as an update from UNCTAD shows. Most merchandise sectors – (bar transport equipment) are flourishing, whereas services sectors are very up and down. Information and communications technology (including e-commerce) continues to surge, while travel and tourism are still on their knees. Further developments of note included **(1)** an ITF report concluding that competition authorities have legally and unwittingly created disruptions and high rates, **(2)** labour strikes in German ports, and **(3)** further Shanghai mega-testing increases the threat of further Chinese lockdowns (see *below*).

South Africa's international air cargo was almost identical to last week, while domestic air cargo decreased slightly (**↓1%**) and remained similar to the levels seen last year. On the passenger side, in the last week (4 July to 10 July) at ORTIA, domestic flights have operated at a load factor of around **90%** (arrivals and departures), with international flights at approximately **75%**. As is the case internationally, aviation recovery continues. Internationally, IATA shows how the financial performance of the respective role players in the extended aviation supply chain varies. With international airlines slowly recovering back to normal economic conditions, going from a loss of close to **US$ 138 billion** in 2020 to a forecasted shortfall of **US$ 9,7 billion** in 2022), it remains a fact that most airlines have not, as a rule, been able to deliver regular profitability over extended periods, whilst other role players in the aviation value chains have.

[6] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[7] Our World in Data, Coronavirus (COVID-19) Vaccinations. Our World in Data
[8] Drewry. 30/06/2022. Port Throughput Indices.

On the road freight front, cross-border transit times for South African borders averaged **15 hours** (**↓17%** w/w) this week, as delays continue at Groblersbrug, Kasumbalesa, Kopfontein and Lebombo. Apart from regional cross-border blockages, this week's main focus revolved around the continuation of reducing the queue at Kasumbalesa by some kilometres. Further developments for road transport included **(1)** unnecessary NTBs in the region and **(2)** SARS industrial action.

In conclusion, the logistics and trade industry finds itself living in interesting times, as ongoing supply chain blockages coupled with the economic drivers of trade continue to stunt global growth. The global economy is characterised by war and geopolitical forces, sanctions, supply chain disruptions and inflation, all leading to heightened market uncertainty and volatility. These negative forces impact global growth, which will inevitably spill over into our economy. Therefore, despite excellent throughput figures presented by the ports in June, our industry should remain aware that external forces will likely inhibit cargo movement. Hence, we should continue with all efforts to ensure that smooth trade facilitation occurs at all times.

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 9 to 15 July[9]

7-day flow forecast (09/07/2022 – 15/07/2022)		
TERMINAL	**NO. OF CONTAINERS[10] TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4 376	5 968
DURBAN CONTAINER TERMINAL PIER 2:	10 103	11 700
CAPE TOWN CONTAINER TERMINAL:	4 552	5 505
NGQURA CONTAINER TERMINAL:	2 038	3 749
GQEBERHA CONTAINER TERMINAL:	1 453	1 559
TOTAL:	**22 522**	**28 481**

Source: Transnet, 2021. Updated 15/07/2022.

Table 3 – Container Ports – Weekly flow reported for 16 to 22 July

7-day flow forecast (16/07/2022 – 22/07/2022)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4 236	4 500
DURBAN CONTAINER TERMINAL PIER 2:	10 817	12 758
CAPE TOWN CONTAINER TERMINAL:	7 054	6 869
NGQURA CONTAINER TERMINAL:	5 553	4 631
GQEBERHA CONTAINER TERMINAL:	916	1 630
TOTAL:	**28 576**	**30 388**

Source: Transnet, 2021. Updated 15/07/2022.

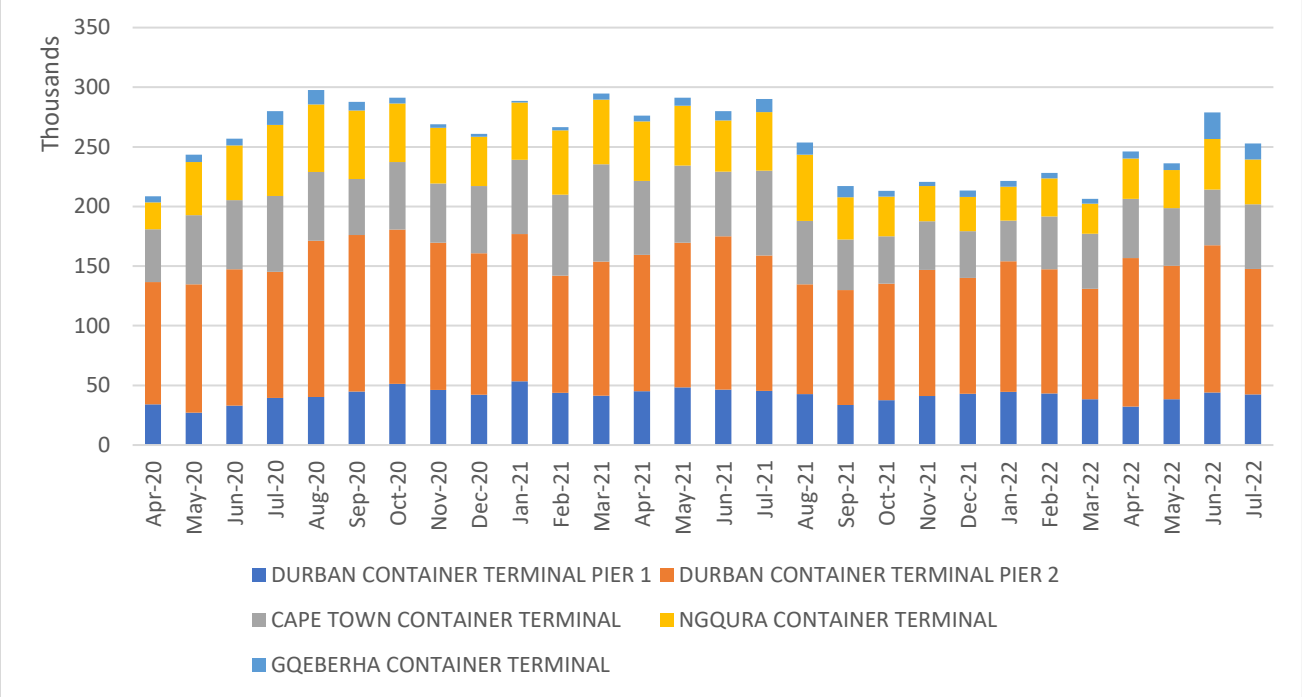
An average of **~7 286 containers** (↓**6%**) was handled per day for the last week (9 to 15 July, Table 2), compared to the projected average of **~7 560 containers** (↓**3%** actual versus projected) noted in last week's report. An increased average of **~8 423 containers** (↑**16%**) is projected to be handled next week (16 to 22 July, *Table 3*). Port operations this past week generally featured load-shedding, weather delays, and equipment shortages. Our commercial ports were not generally busy or congested, but equipment availability remains a perennial problem (see the more detailed breakdown per port *below*).

[9] It remains important to note that a large percentage (approximately 44% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transhipments. Due to the ongoing container imbalances, this proportion is fluctuating more than usual and has increased since December 2020. In recent months, empty numbers have dropped, a reflection of an improvement in worldwide container imbalances, but there is the usual sharp increase with the importation of large numbers of empty reefers in preparation for the citrus fruit season.

[10] As mentioned before, in previous versions of the report, the measurement was incorrectly indicated as "TEUs", when it should have been noted as containers (20' and 40'). Incidentally, Transnet works on a ratio of approximately 1,4 TEUs per container and this figure will probably increase as the move towards more 40' containers continues.

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

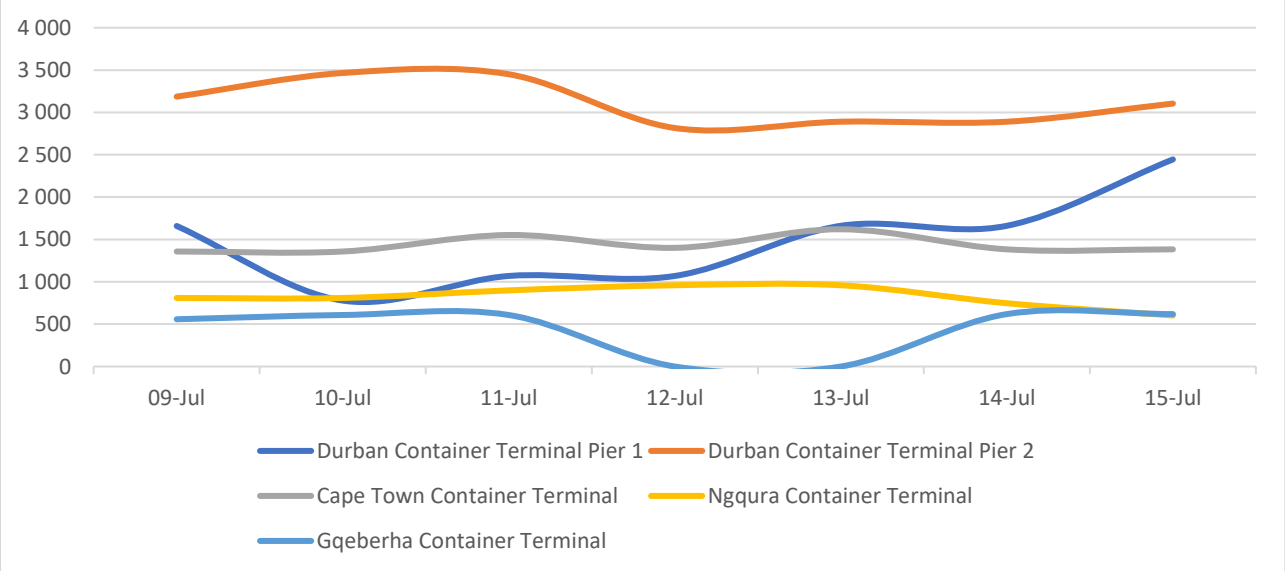
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

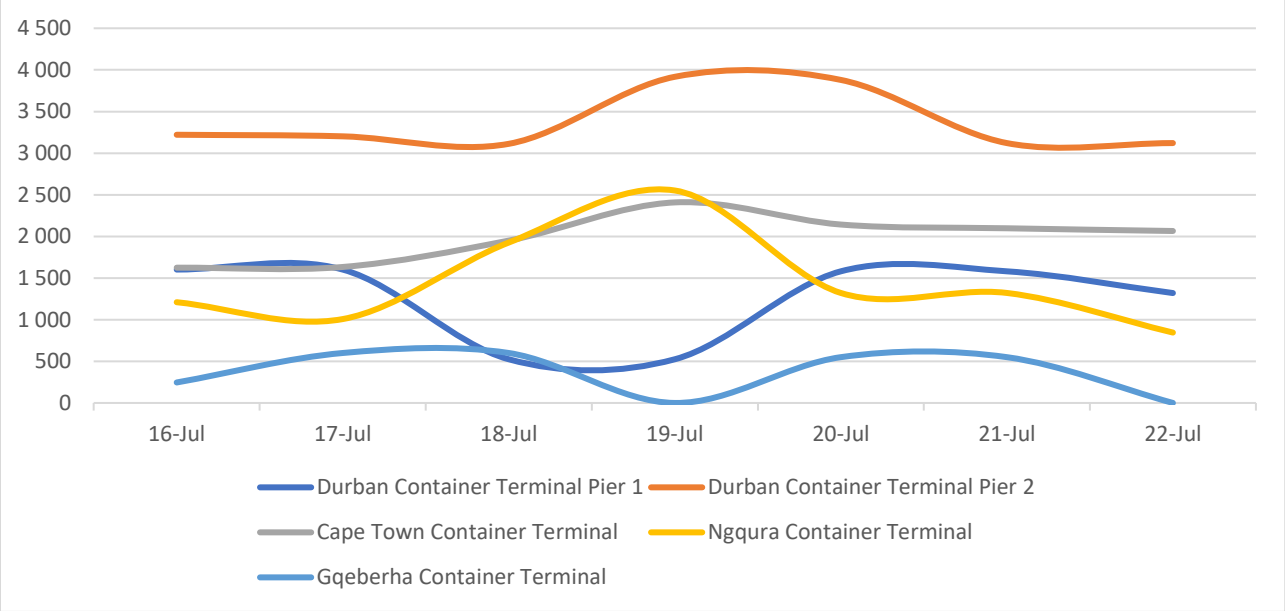
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (9 to 15 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

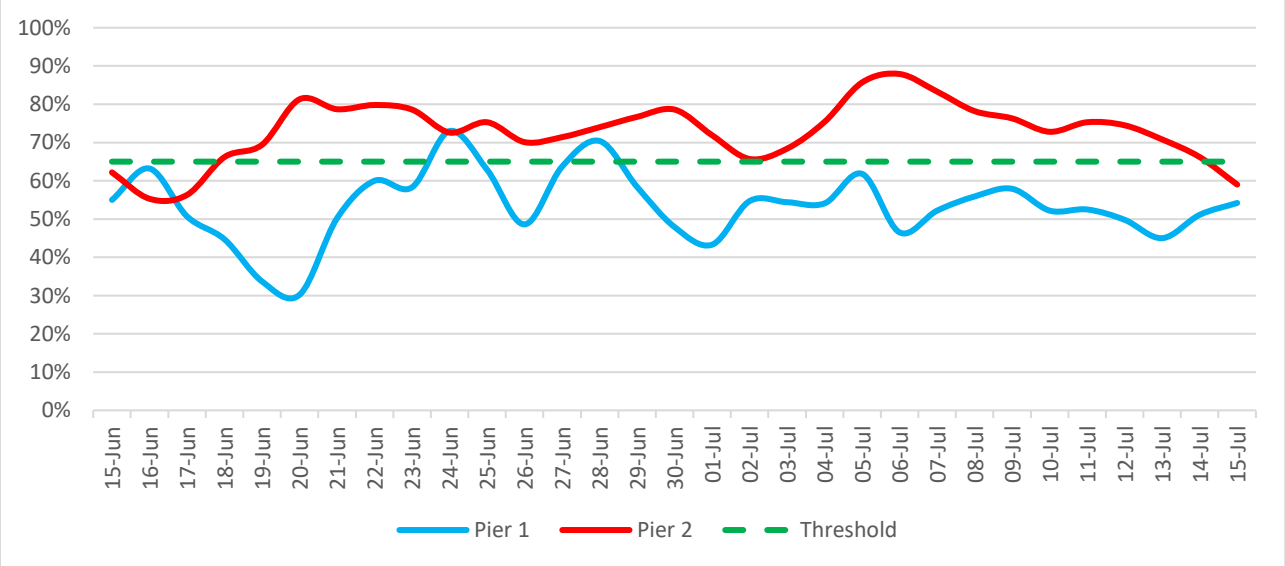
Figure 5 – 7-day forecast reported for total container movements (16 to 22 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

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

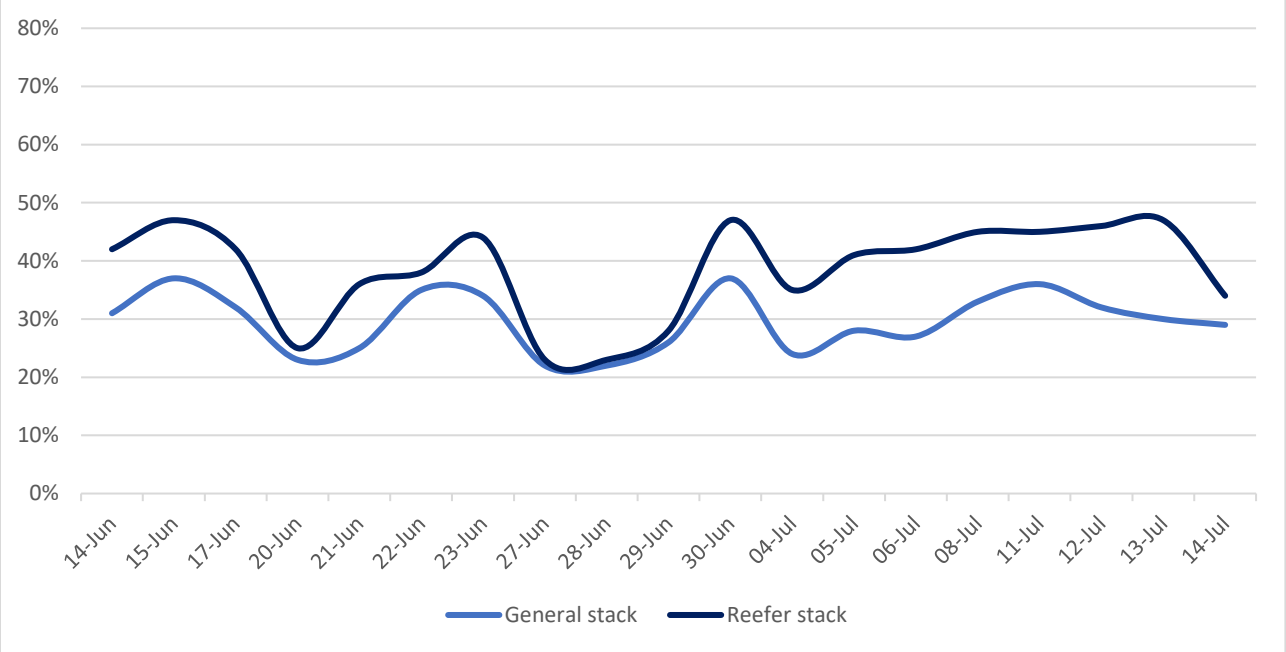
Figure 6 – Stack occupancy in DCT, general-purpose containers (15 June to present; per pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

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

Figure 7 – Stack occupancy in CTCT, general-purpose, and reefer containers (14 June to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

b. Transnet National Ports Authority: June update

Transnet National Ports Authority (TNPA) has released its consolidated monthly port statistics for June[11], showing a marked improvement in volume throughput across the board. The increased throughput in June builds on the already stronger numbers registered in May after April's low levels, primarily due to the KZN floods.

Table 4 – TNPA – Volume and growth: June 2022

	May	Jun	Movement	Monthly growth
Containers (TEUs)	**312 465**	**415 195**	**102 730**	**33%**
Landed	163 435	227 048	63 613	39%
Shipped	149 030	188 147	39 117	26%
Dry bulk (MT)	11 043 948	17 631 591	6 587 643	60%
Liquid bulk (MT)	3 004 296	2 873 069	-131 227	-4%
Breakbulk (MT)	449 716	601 122	151 406	34%
Vehicles (Units)	61 567	72 636	11 069	18%
Total Cargo (excl. Vehicles)	**14 497 960**	**21 105 782**	**6 607 822**	**46%**

Source: TNPA, updated 11/07/2022.

The two headline figures show that containerised cargo has increased by ↑**33%** (m/m), whereas total cargo moved has surged by a massive ↑**46%** (m/m), driven in particular by a sharp increase in dry bulk cargo handled. Moreover, all sub-sectors registered positive monthly returns bar liquid bulk (↓**4%**, m/m). These figures bode well for the rest of the year, especially considering that YTD cargo handled has been down in the first five months of the year. Most numbers have, in fact, been down even compared to the pre-

[11] Transnet. 2022. Port statistics. TNPA

pandemic levels of 2019. The following table provides a comparative overview of all cargo movement in and out of South Africa's ports for June 2022, compared to the same month in 2021 and 2020.

Table 5 – TNPA – Volume and growth: June 2020-2022

	Jun 2020	Jun 2021	Jun 2022	Growth: '21-'22	Growth: '20-'22
Containers (TEUs)	**341 280**	**394 041**	**415 195**	**5%**	**22%**
Landed	163 220	209 676	227 048	8%	39%
Shipped	178 060	184 365	188 147	2%	6%
Dry bulk (MT)	14 716 454	16 470 521	17 631 591	7%	20%
Liquid bulk (MT)	3 445 156	3 061 549	2 873 069	-6%	-17%
Breakbulk (MT)	203 281	461 814	601 122	30%	196%
Vehicles (Units)	21 391	71 791	72 636	1%	240%
Total Cargo (excl. Vehicles)	**18 364 891**	**19 993 884**	**21 178 418**	**6%**	**15%**

Source: TNPA, updated 11/07/2022.

The cyclical growth largely mirrors the monthly growth, with positive yearly returns for all sub-sectors except for liquid bulk (↓**17%**, y/y). Total cargo handled comes in at ↑**15%** (y/y) and ↑**6%** versus 2020. For containers, June 2022 sees a significant increase in containers at ↑**22%** (y/y), dominated by containers landed. For total cargo, the annual returns come to ↑**15%** (y/y). Of course, worth pointing out is the fact that these numbers only show throughput levels and show be viewed in conjunction with productivity and efficiency numbers (as mentioned weekly in the section *below*).

Furthermore, Transnet cannot "*force*" an increase in cargo through the port; they can only handle what is in front of them. But irrespective of low volumes, the focus must remain on performing at maximum efficiency levels. The following table provides a more in-depth year-to-date view of containerised cargo.

Table 6 – TNPA – Volume: YTD January-June 2020-2022: Containerised cargo

	2020			2021			2022		
	FULL	**EMPTY**	**TOTAL**	**FULL**	**EMPTY**	**TOTAL**	**FULL**	**EMPTY**	**TOTAL**
LANDED:									
DEEPSEA	626 313	160 473	**786 786**	741 240	172 436	**913 676**	735 551	154 280	**889 831**
COASTWISE	1 853	22 123	**23 976**	1 617	18 878	**20 495**	3 000	27 188	**30 188**
TRANSHIPPED[12]	135 658	48 696	**184 354**	125 078	55 674	**180 752**	159 754	42 844	**202 598**
TOTAL LANDED	**763 824**	**231 292**	**995 116**	**867 935**	**246 988**	**1 114 923**	**898 305**	**224 312**	**1 122 617**
SHIPPED:									
DEEPSEA	513 916	264 978	**778 894**	573 290	318 925	**892 215**	554 185	326 317	**880 502**
COASTWISE	2 981	20 801	**23 782**	1 575	19 322	**20 897**	3 088	20 376	**23 464**
TRANSHIPPED	135 234	45 153	**180 387**	133 241	55 687	**188 928**	107 760	36 854	**144 614**
TOTAL SHIPPED	**652 131**	**330 932**	**983 063**	**708 106**	**393 934**	**1 102 040**	**665 033**	**383 547**	**1 048 580**
GRAND TOTAL	**1 415 955**	**562 224**	**1 978 179**	**1 576 041**	**640 922**	**2 216 963**	**1 563 338**	**607 859**	**2 171 197**

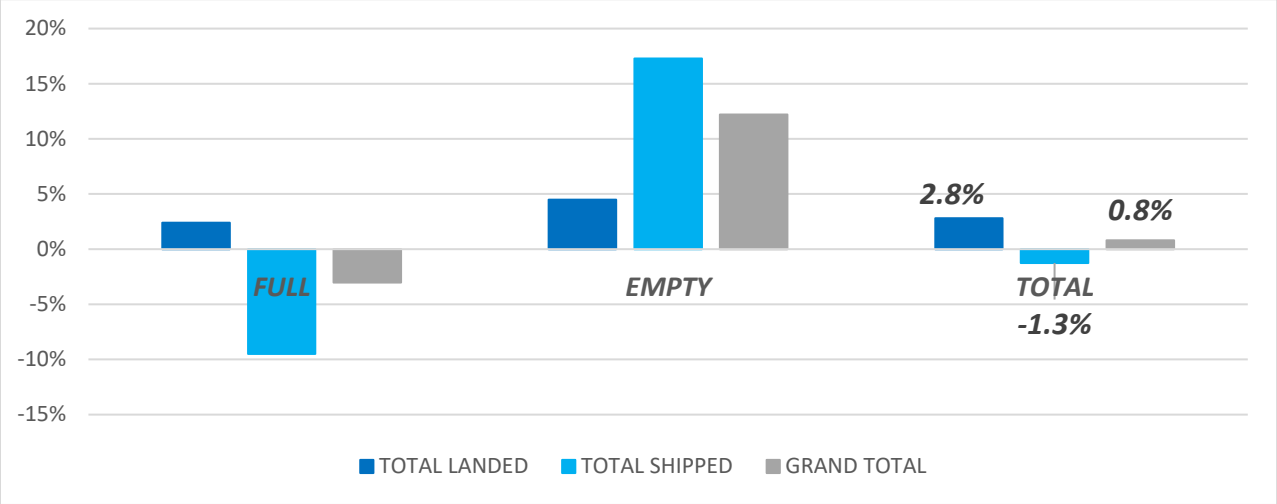
Source: TNPA, updated 11/07/2022.

As mentioned above, the annual numbers indicate that we are slightly down on YTD levels compared to 2021 (↓**2,1%**, y/y), with numbers expectantly substantially up from a pandemic-stricken 2020 (↑**9,8%**). However,

[12] 'Transhipped' means an act of off-loading cargo from one ship (generally at a hub port) and loading it onto another ship to be further carried to the final port of discharge. In the process, the cargo is often held at the transhipment port for a period.

as warned by the WB and UNCTAD (noted in last week's report), the hoped-for steady improvement since the onset of the pandemic has not materialised, as it appears that the robust recovery bull-run is seemingly at an end. Nevertheless, trade remains strong (see *below*), but evident in the numbers above is the ongoing increase in the number of empty containers handled. As a constant theme since the outbreak of the global pandemic, there has been a concerted drive to reposition empty containers worldwide. When we look further back – to 2019 – the numbers paint a very alarming picture of our container terminals, as illustrated below.

Figure 8 – TNPA – Growth: YTD January-June 2019 versus January-June 2022: Containerised cargo



Source: TNPA, updated 11/07/2022.

The total YTD comparison shows our containerised segment currently stands at **↑0,8%** compared to 2019, which is a substantial improvement on the **↓3,1%** of last month. The progress is mainly due to the strong numbers posted in June, as we end the year's first half back into positive territory compared to pre-pandemic levels. Nevertheless, this situation only points out the fact that there has been no real growth in three years. Furthermore, the change has been dominated by empty containers, which have increased by a massive **↑12,2%** since 2019. On the other hand, growth in full containers is down by approximately **↓3,1%** compared to pre-pandemic levels, which is a substantial improvement on the **↓8,9%** of last month. Ultimately, the figures posted for June provide optimism for the rest of the year, despite the caveat of many challenges currently in our industry. It seems clear that the continued decline in full container numbers accurately reflects the malaise in the general economy, which looks likely to be heading for a recession amid downward pressures primarily caused by inflation and poor macroeconomic stability.

c. 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 high swells on Monday and Thursday, and the terminal was fogbound on Wednesday until approximately 10:00. Vessel ranging was also experienced to a severe extent at berth 604

on Wednesday, which caused delays up to seven hours. On Thursday, the Multi-Purpose terminal also experienced slight rain, affecting the handling of water-sensitive bulk cargo there.

The Eastern Cape experienced strong winds, which hampered vessel movements, and equipment breakdowns led to delays. TFR in the Eastern Cape also reported a derailment earlier in the week. Consequently, rail services were halted for three days towards the end of the week and were expected to reopen on Sunday. No weather delays were reported in Durban; however, the port helicopter has been out of action this week due to a fuel shortage. TNPA is currently in ongoing negotiations with the supplier to resolve the matter as soon as possible.

ii. Cape Town

On Thursday, CTCT recorded four vessels at outer anchorage and two vessels at berth worked by six gangs, six STS cranes, 22 RTGs, and 39 hauliers. Stack occupancy for GP containers was 29%, reefers 34% and empties 46%. In the latest 24-hour period to Friday, the terminal managed to handle 1 751 TEUs across the quay. In addition, the terminal serviced 1 258 external trucks on the landside, while six containers were moved via rail. High swells up to 5m were experienced and subsequently caused some delay as vessels could not enter the terminal. Serious vessel ranging was also experienced at berth 604 on Wednesday, which caused delays of up to seven hours.

Cape Town MPT on Thursday recorded zero vessels at anchor and zero at berth. In the latest 24-hour period to Friday, the terminal managed to handle 129 truck visits at a truck turnaround time of 13 minutes. Stack occupancy was recorded at 28% for GP containers, 80% for reefers and 25% for empties. Rain caused some delays as the bulk cargo is weather sensitive.

iii. Durban

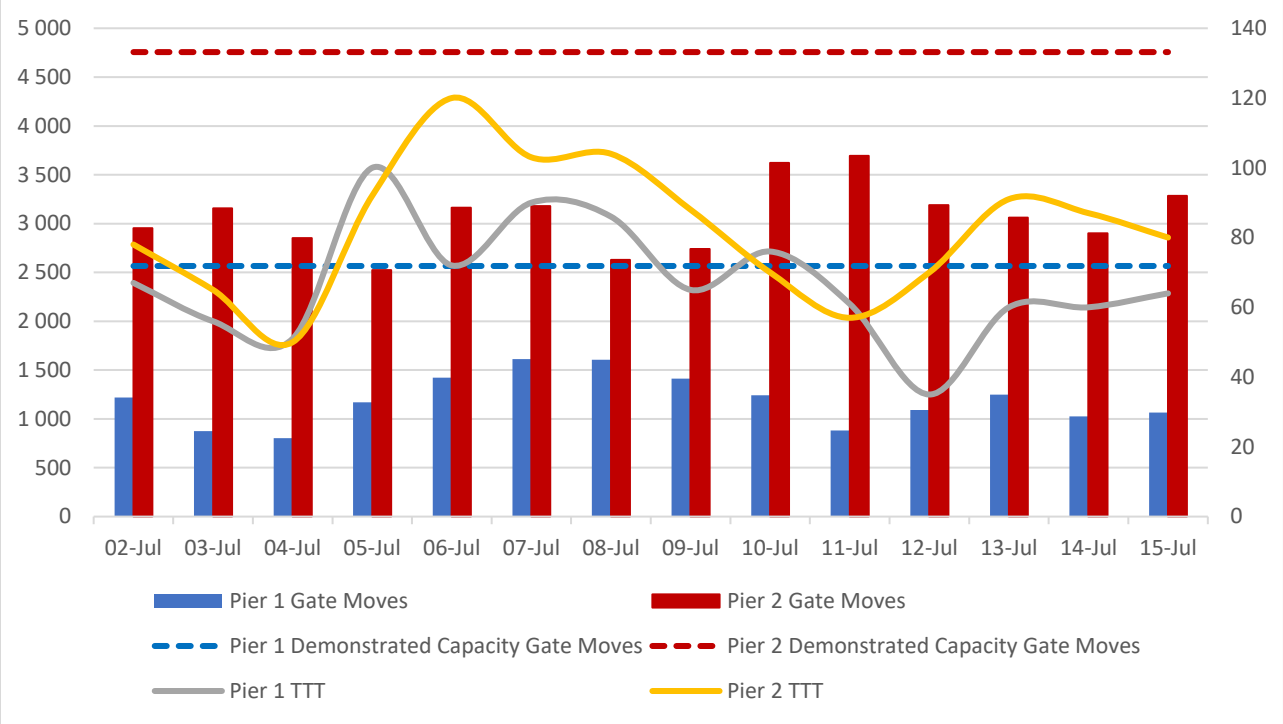
Pier 1 on Thursday recorded one vessel at berth, manned by four gangs, and none at anchor. Stack occupancy was 51% overall, with 2 257 imports on hand, 439 reefers and 197 unassigned units. The terminal recorded 1 027 gate moves on the landside, with 389 cancelled slots and 102 wasted. In addition, 29 TEUs were handled via rail. Over the week, the terminal recorded an average of 15 RTGs available.

On Thursday, Durban Pier 2 had four vessels at berth and two at anchorage. In the most recent 24 hours, the terminal managed to handle an impressive 3 979 TEUs across the quay. Stack occupancy was 66% overall. The terminal had between 80 and 86 straddles in operation throughout the week, manned by 12 gangs. Crane 534 remains on a prolonged outage, while crane 522 is expected back in operation by the end of the week. On the landside, the terminal recorded 2 902 gate moves with an average TTT of 87 minutes and a staging time of 110 minutes. A total of 32 rail import containers were on hand, with 224 TEUs moved by rail.

It is anticipated that there will be a drop in truck visits, stack issues in the Durban Container Terminals following congestion, and roadblocks on the N4 leading to Durban.

The following figure summarises the port performance of Durban's container terminals for the last two weeks, focusing on gate moves and time spent in the terminals.

Figure 9 – Gate moves (left axis), and time spent in the terminal (in minutes, right axis)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

iv. Eastern Cape ports

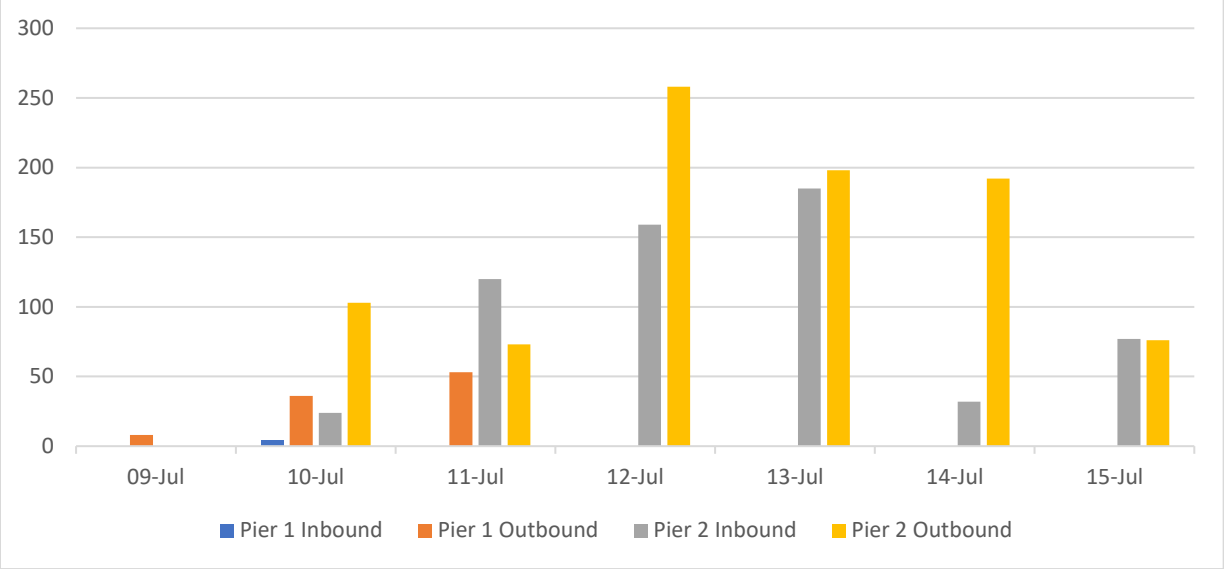
GCT on Wednesday recorded six vessels alongside and one vessel at berth. Regarding performance in the 24 hours to Wednesday, the terminal recorded a GCH of ~21 while handling an impressive 1 670 TEUs in the 24 hours. Stack occupancy was 43% for GP containers and 34% for reefers. In addition, the terminal recorded 241 external trucks with an average truck turnaround time of 27 minutes.

NCT had one vessel at berth, operated by three gangs, shifted to five gangs in the afternoon and one at outer anchorage on Wednesday. The terminal handled 2 173 TEUs across the quay and recorded an impressive SWH of ~54. Stack occupancy for GP containers was 35%, with reefers at 61% and reefer ground slots at 81% capacity, with 251 reefers handled during the 24 hours to Wednesday. On the landside, the terminal recorded an average TTT of 24 minutes. During the week, NCT reported a derailment involving 20 wagons and four locomotives. Investigations are still ongoing regarding the cause of the derailment and the extent of the damage.

v. Transnet Freight Rail (TFR)

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

Figure 10 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 15/07/2022.

In the last week (9 to 15 July), rail cargo handled out of Durban was reported at **1 598** containers, **↑14%** from the previous week's **1 405** containers. Albeit far from ideal numbers, rail cargo handled out of Durban continues to increase as the system recovers from the destruction of several critical key infrastructural links of the container corridor due to the floods.

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 4 July. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *July 2021* averaged **~731 461 kg** per day.

Table 7 – International inbound and outbound cargo from OR Tambo

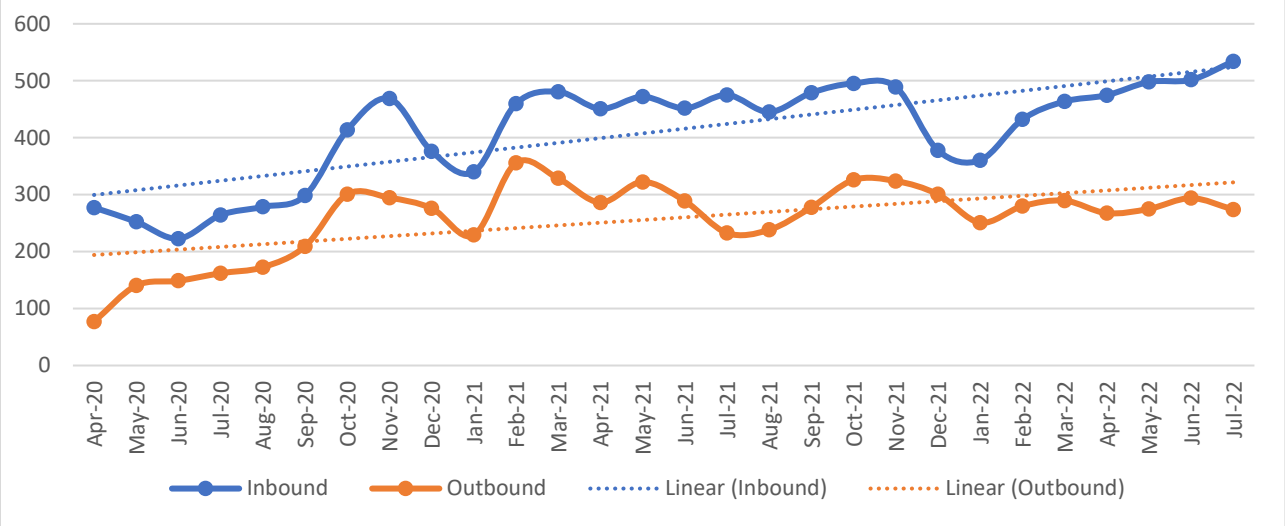
Flows	04-Jul	05-Jul	06-Jul	07-Jul	08-Jul	09-Jul	10-Jul
Volume inbound	579 185	291 699	408 827	464 071	393 752	341 457	1 217 889
Volume outbound	275 579	176 632	195 146	153 820	166 936	224 290	459 731
Total	**854 764**	**468 331**	**603 973**	**617 891**	**560 688**	**565 747**	**1 677 620**

Courtesy of ACOC. Updated: 11/07/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **528 126 kg** inbound and **236 019 kg** outbound, resulting in an average of **764 145 kg** per day or **~94%** compared with July 2021. Also, the level is currently at **~174%** compared with the same period in 2020.

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

Figure 11 – International in – and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 11/07/2022.

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 *July 2021* was **~57 013 kg** per day.

Table 8 – Total domestic inbound and outbound cargo

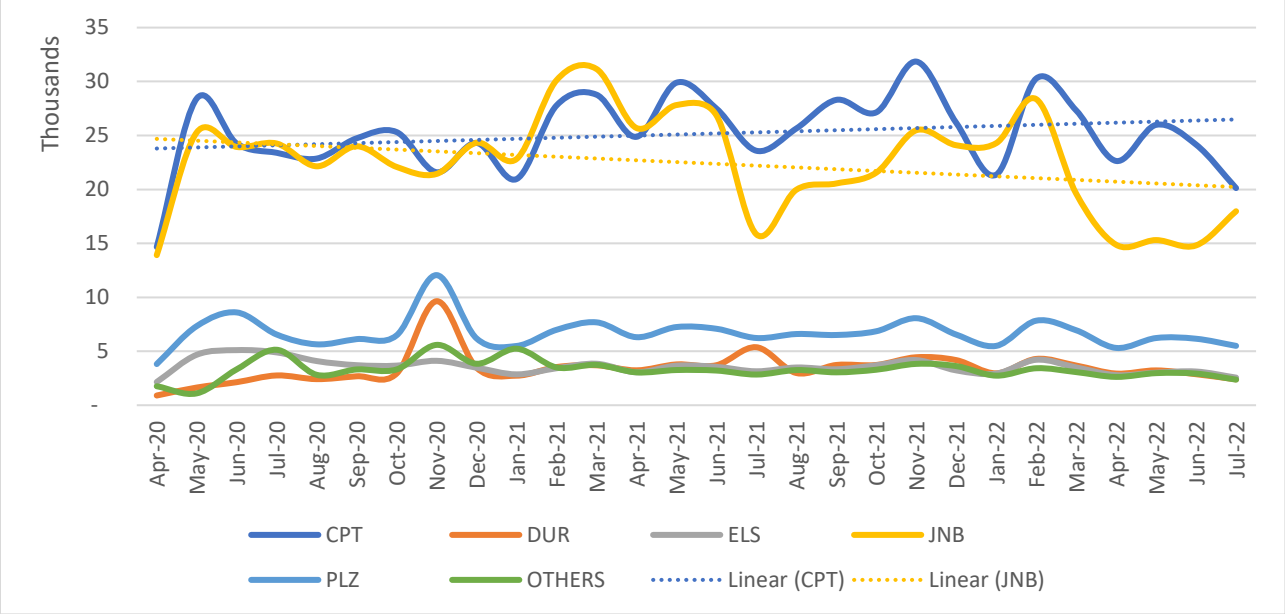
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	**21 813**	**2 941**	**3 751**	**20 539**	**6 571**	**3 176**	**56 713**
Jan-Dec '21 Av.	**26 817**	**3 754**	**3 452**	**24 270**	**6 789**	**3 483**	**68 218**
Jan Average	**21 367**	**2 954**	**2 929**	**24 288**	**5 501**	**2 742**	**59 780**
Feb Average	**30 276**	**4 291**	**4 213**	**28 370**	**7 835**	**3 428**	**78 412**
Mar Average	**27 325**	**3 677**	**3 504**	**19 611**	**6 946**	**3 069**	**64 131**
Apr Average	**22 637**	**2 934**	**2 787**	**14 870**	**5 311**	**2 627**	**51 165**
May Average	**25 622**	**3 039**	**2 909**	**14 743**	**6 119**	**2 914**	**55 346**
Jun Average	**24 151**	**2 872**	**3 122**	**14 812**	**6 160**	**2 931**	**54 048**
Jul Average	**20 123**	**2 397**	**2 559**	**17 978**	**5 500**	**2 371**	**50 928**
05-Jul-22	37 649	3 722	4 693	26 693	8 340	4 628	**85 725**
06-Jul-22	34 448	4 459	4 100	34 658	9 093	4 326	**91 084**
07-Jul-22	25 409	3 522	3 410	23 585	8 939	2 373	**67 238**
08-Jul-22	17 022	2 621	2 699	25 976	5 246	2 507	**56 071**
09-Jul-22	1 448	186	39	803	130	58	**2 663**
10-Jul-22	1 567	411	167	6 089	1 148	504	**9 886**
11-Jul-22	37 432	3 403	5 436	41 459	11 076	3 738	**102 544**
Total for 2022:	**4 896 679**	**639 862**	**627 839**	**3 821 706**	**1 218 765**	**567 906**	**11 772 757**

Courtesy of BAC. Updated: 13/07/2022.

The average domestic air cargo moved last week was **~59 316 kg** per day, which is **↓1%** compared with the previous week and **~104%** compared to July 2021.

The following figure shows the monthly domestic freight movement at our commercial airports during the state of disaster, with OR Tambo figures trending down in recent months.

Figure 12 – Average domestic inbound and outbound cargo (thousands)



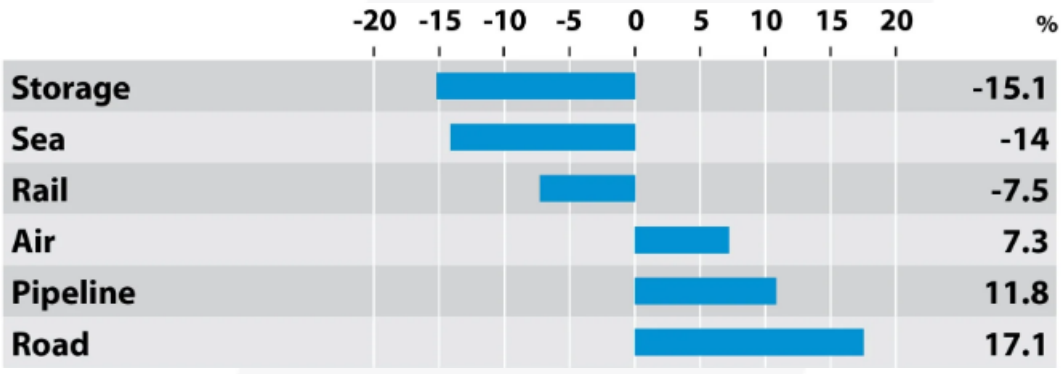
Courtesy of BAC. Updated: 13/07/2022.

3. National update

a. Ctrack Transport and Freight Index

In the aftermath of the heavy rains and floods in KwaZulu-Natal in mid-April, which caused significant disruption to the Port of Durban and its links to the hinterland, the logistics sector of South Africa remains under pressure. These were the takeaways from the latest Ctrack "*Transport and Freight Index*", which reported a decline of **↓1,1%** (m/m) compared to June, with the annual figure still equating to a **↑4,7%** improvement. Nevertheless, Ctrack notes that an apparent moderation is evident, as illustrated below:

Figure 13 – Ctrack sectors change (y/y)



Source: Ctrack and Economists.co.za

Ctrack notes that during May, road freight once again remained the star performer and has taken up the slack created by the ongoing underperformance of the rail freight sector. Moreover, some interesting trends

have been developing on the two main routes. The class four trucks (extra-heavy trucks) travelling on the two main corridors revealed that the N4 corridor had increased, while the number of trucks using the N3 corridor has stagnated since July 2021. The N3 has been hard hit in the past year, from the looting in July 2021 to the most recent (and recurring) blockades. These wildcat actions cost the logistics industry millions. Add to this the negative impact the flooding has had on the operations at the port of Durban, and it is probably no surprise that exporters are looking for alternative export terminal options.

Indeed, the privately run port in Mozambique's capital Maputo has been expanding its capacity to receive shipments, with a 1,05km stretch of newly dredged berths that will allow larger cargo vessels to dock at Maputo. In addition, recent reports on the port's expansions highlighted that Capesize bulk cargo ships, which cannot pass through the Panama or Suez canals because of their size, will now be able to call in at Maputo. These are significant developments, as we have pointed out previously in these reports. But it must be said that we should always take a regional view of supply chains because it is supply chains that compete, not countries. So, we must focus on developing all avenues to national and regional growth is critical, including getting our house in order.

4. Road and Regional Update

a. Cross-border and road freight delays

The following events have caused some delays on roads in and around the SADC region this week:

- For South African borders, clearing times in the last week averaged around **15 hours** (**↓17%** w/w)
- Regionally, the cross-border road freight industry continues to struggle with NTBs, as notifications were received that the banks no longer accept Dollar notes older than 2013.
- Furthermore, crime incidents continue to persist, as thieves stole six trucks and trailers at a Truckstop in Gauteng.
- Some good news comes from Kasumbalesa, as Zambia Revenue Authority (ZRA) said they had reduced the Kasumbalesa queue by 15 kilometres over the past week.
    - The target is to normalise Kasumbalesa within two weeks.
    - Currently, 500 Northbound vehicles are processed daily; however, these numbers fall significantly short of the necessary target for normalisation.
- Lastly, there still seems to be some confusion concerning the required COVID regulations in various African countries.
    - Although South Africa has done away with all regulations, countries like Zimbabwe still enforce them.
    - Consequently, transporters and their agents are encouraged to ensure that they are updated on the regulations on their respective routes.
- During the last seven days, there were no closures of any South African borders. However, SARS warned that some service level disruptions might be experienced due to industrial action[13]. As a countermeasure, SARS notified trade of the relaxation of some of the paper-based procedures required when applying for SADC certificates of origin covering cargo exported from South Africa[14]. As is always the case, we encourage traders to stay abreast of border post communications as per the SARS website.
- Transporters, traders, and cargo owners are still encouraged to use the non-tariff barrier (NTBs) online tool developed by UNCTAD and the AfCFTA Secretariate.

[13] SARS. 14/07/2022. Latest on the SARS Industrial action impact.
[14] SARS. 15/07/2022. SADC certificates of origin for cargo exported from South Africa.

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region, with lengthy queuing times at Groblersbrug, Kasumbalesa, Kopfontein and Lebombo, resulting in ongoing delays.

Table 9 – Delays[15] summary – Selected SADC borders

Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
SA/Zim	Beitbridge	0:00	13:00	943	28 290	6 601	72 611	0
Zam/Zim	Chirundu	0:00	18:00	620	18 600	4 340	69 440	0
Moz/Mal	Dedza	2:00	12:00	50	1 500	350	3 500	700
SA/Bot	Groblersbrug/Martins Drift	24:00	15:00	400	12 000	2 800	36 400	67 200
Zam/DRC	Kasumbalesa	192:00	65:00	750	22 500	5 250	330 750	1 008 000
Zam/Bot	Kazungula	0:00	21:00	240	7 200	1 680	31 920	0
SA/Bot	Kopfontein/Tlokweng	1:00	54:00	100	3 000	700	36 400	700
Moz/Zim	Machipanda/Forbes	1:00	9:00	320	9 600	2 240	15 680	2 240
Mal/Zam	Milange	0:00	3:00	30	900	210	210	0
Moz/Mal	Nakonde/Tunduma	-	-	500	15 000	3 500	0	0
Zim/Moz	Nyamapanda	1:00	6:00	100	3 000	700	2 800	700
SA/Moz	Lebombo/Ressano Garcia	20:00	26:00	1 100	33 000	7 700	184 800	154 000
SA/Bot	Skilpadshek/Pioneer Gate	17:00	6:00	300	9 000	2 100	8 400	35 700
Zam/Zim	Victoria Falls	1:00	3:00	114	3 420	798	798	798
Moz/Mal	Zobue/Mwanza	2:00	15:00	100	3 000	700	9 100	1 400
				5 667	**170 010**	**39 669**	**827 449**	**1 271 438**

Source: TLC & FESARTA, week ending 11/07/2022.

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

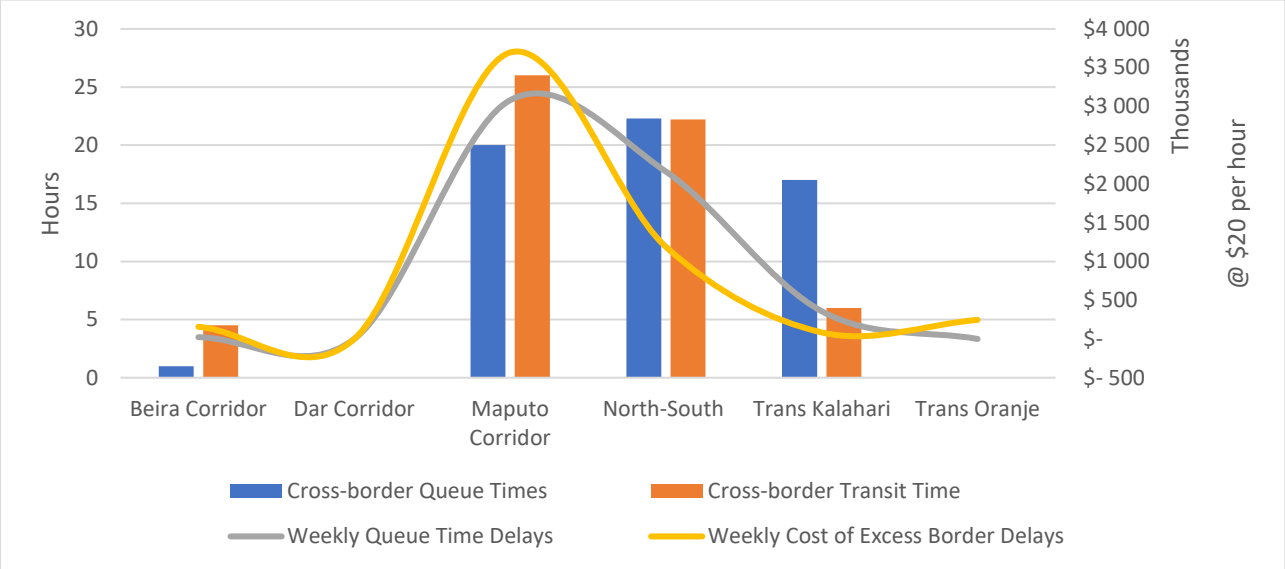
Figure 14 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)

Source: TLC & FESARTA, week ending 11/07/2022.

[15] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

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

Figure 15 – Weekly cross-border delays & est. cost from a corridor perspective (hours & $ thousands)



Source: TLC & FESARTA, week ending 11/07/2022.

In summary, cross-border queue time has averaged **~17,4 hours** (up by **~1,7 hours** from the **~15,7 hours** recorded in the previous report), costing the transport industry an estimated **$25 million** (**R407 million**). Furthermore, the week's average cross-border transit times hovered around **~16,6 hours** (down by **~1,5 hours** from the **~18,1 hours** recorded in the previous report), costing the transport industry **$17 million** (**R265 million**). As a result, the total cost for the week amounts to an estimated **~R672 million** (up by **~R43 million** or **↑7%** from **R649 million** in the previous report).

5. International Update

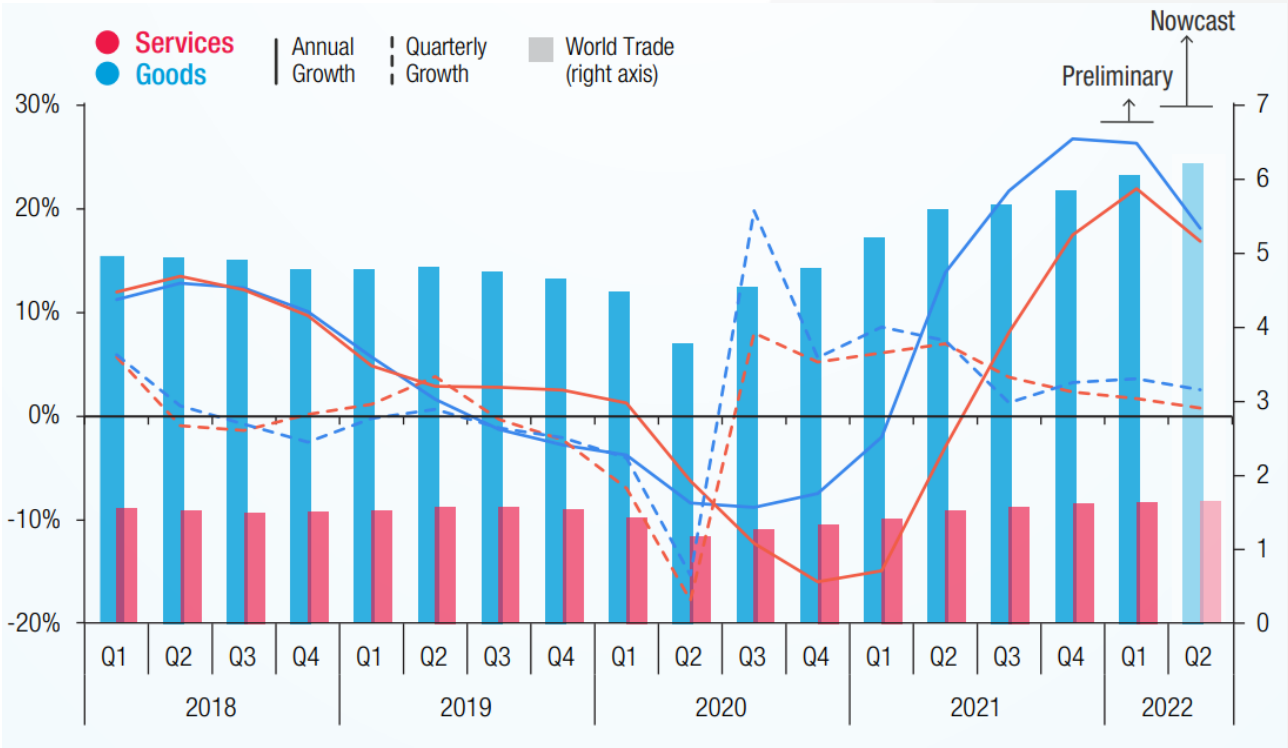
The following section provides some context around the global economy and the subsequent impact on trade, including an update on **(a)** the global economy, **(b)** the global shipping industry, and **(c)** the global air cargo industry.

a. Global economy: International trade trends

The United Nations Conference for Trade and Development (UNCTAD) released its latest "*Global trade update*"[16] for July, with the value of global trade rising to a quarterly record of **$7,7 trillion** in Q1 2022. However, the increase – approximately **$1 trillion** to Q1 2021 (**↑15%**, q/q) – is fuelled by rising commodity prices, as trade volumes have increased much lower. Trade in goods (merchandise) and trade in services both grew during Q1 2022, with goods reaching about **US$ 6,1 trillion** (**↑25%** y/y and **↑3,6%** q/q). Trade in services totalled about **US$ 1,6 trillion** (**↑22%** y/y and **↑1,7%** q/q). For South Africa, trade continued to perform robustly, as imports in Q1 were **↑19%** versus 2019 and **↑8%** relative to Q4 2021. Exports were even more robust, with Q1 2022 figures coming in at **↑46%** versus 2019 and **↑10%** comparable to Q4 2021. Looking ahead, UNCTAD warns that trade growth is expected to remain positive but continue to slow during Q2 2022.

[16] UNCTAD. 07/07/2022. Global trade update: July.

Figure 16 – Goods and services trade (US$ trillion) and trade growth (%)



Source: UNCTAD

Despite the impressive growth, UNCTAD notes that most of the merchandise trade growth during the last year was nominal, as trade volumes increased at a much lower rate. The divergence between values and volumes is due to rising commodity prices, especially for energy products, and general inflation. Furthermore, the war in Ukraine is starting to influence trade, mainly through price increases, as further tightening policies and geopolitical frictions are expected to affect global trade during 2022 negatively. The outlook is typified by:

- Slower than expected economic growth
- Effect of the conflict in Ukraine
- Continuing challenges for global supply chains
- Trade agreements and regionalisation trends
- A transition towards a greener global economy
- Rising concerns for debt sustainability

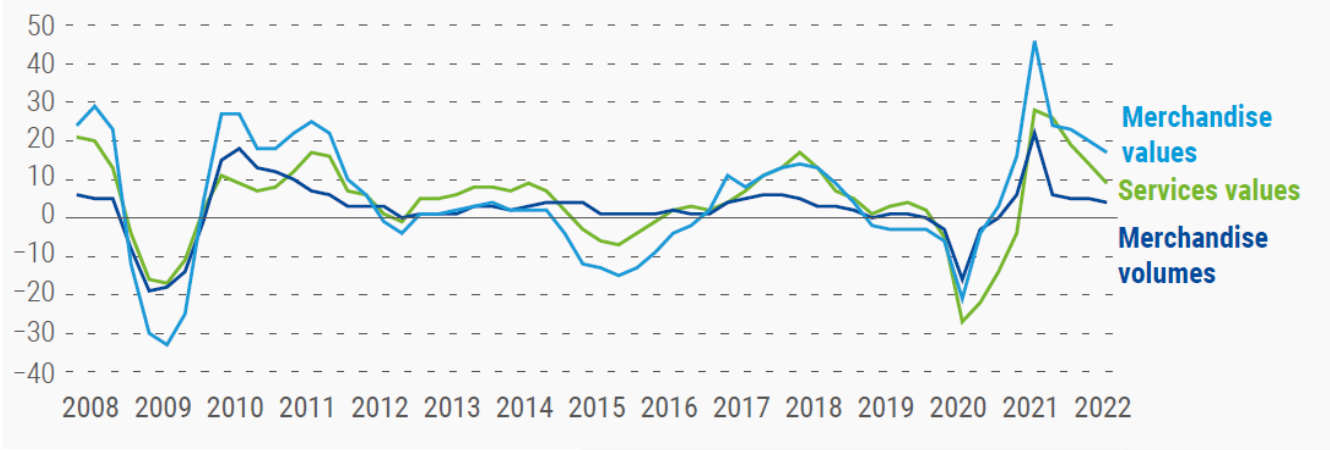
Indeed, during the last two years, global trade has been on a roller-coaster ride as the COVID-19 pandemic has dramatically influenced business. The effects of the economic downturn on international trade have been noteworthy due to their rapidity and intensity. These effects have been felt concerning the initial decline, the robust rebound, and expected moderations. UNCTAD notes that, in comparison with recent crises, the trade decline in 2020 was similar to the global financial crisis of 2008/09 but substantially worse than the recession in 2015[17].

Overall, global trade declined by about **$2,5 trillion** in 2020 (**↓9%** y/y). However, according to UNCTAD data, as economic conditions improved in 2021, the value of global trade rebounded strongly, reaching a record

[17] UNCTAD. 24/06/2022. Impact of the COVID-19 pandemic on Trade and Development: Lessons Learned.

high of about **$28,5 trillion**, equivalent to an increase of approximately **↑13%** compared with pre-pandemic levels. The following figure illustrates the long-term view:

Figure 17 – International trade trends (y/y growth rates, %)



Source: UNCTAD

Aggregate trade statistics mask considerable differences in the effects of the pandemic on trade across economic sectors, within both goods and services. Overall, a large part of the effect on international trade flows has depended on changes in demand patterns. Due to lockdown measures, demand declined in most sectors in the first half of 2020. However, trade in essential products such as foodstuffs was significantly more resilient. Moreover, trade in critical goods to mitigate the pandemic's effects increased, including pharmaceuticals, medical devices, and personal protective equipment.

In 2020, trade was also substantially more resilient in the categories of products for which demand increased due to lockdown measures, such as home office and fitness equipment. In addition, successful mitigation and adaptation measures and the availability of vaccines led to a resumption of global demand in 2021. However, the picture is less rosy for services, as travel and tourism industries continue to struggle (still **↓51%** down on 2019 levels), with transport, goods-related services, and other related services returning to pre-pandemic levels. The only real services winner during the pandemic was information and communications technology (ICT) services (which includes e-commerce and telecommunications services), approximately **↑21%** compared with pre-pandemic levels. Ultimately, the after-effects of the pandemic will continue to shape the trade landscape for the foreseeable future.

b. Global shipping industry

i. Container throughput volume and price index

After a significant reduction in global container volume in April, there has been a strong recovery and considerable increase recorded in May, according to CTS's latest container throughput volumes[18]. The figure below, which shows the global volume and price index of total container volumes across all trade routes (dry and reefer containers), replicates the initial view provided by the latest *RWI/ISL*[19] reported two weeks ago[20].

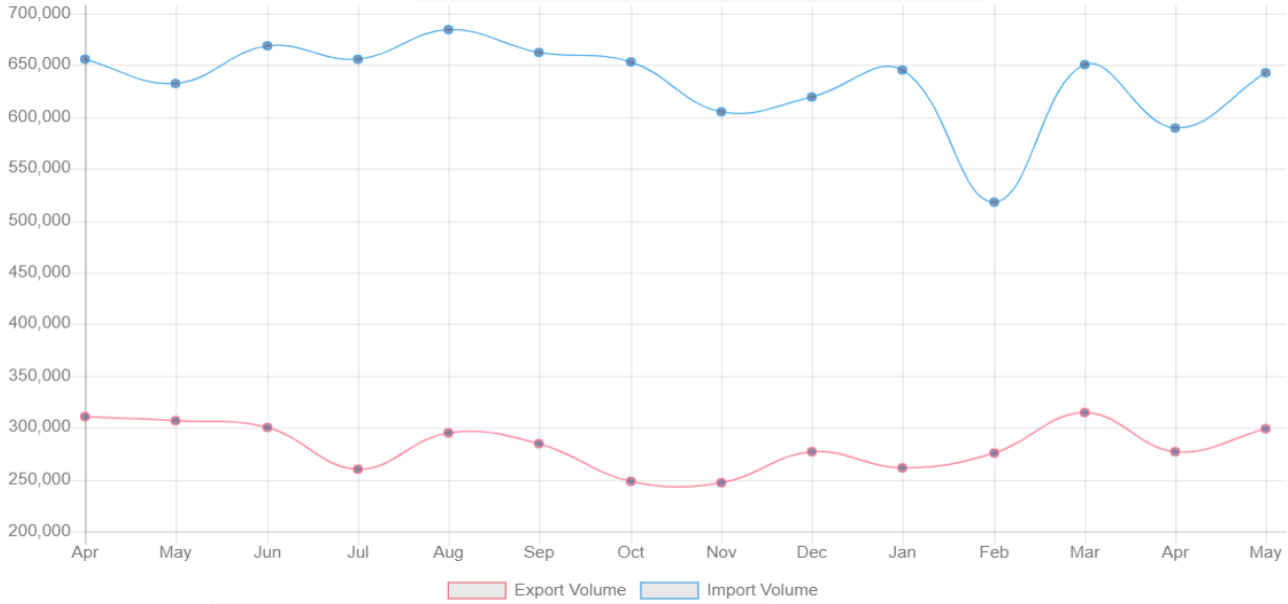
[18] CTS. 12/07/2022. Container throughput volume and price index.
[19] Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL)
[20] RWI/ISL. 30/06/2022. RWI/ISL Container Throughput Index: Recovery of container throughput in spite of continuously disturbed supply chains.

Figure 18 – Global container volume (millions of TEU) and price index

Source: CTS

The chart, which shows monthly values for the last 13 months, shows that the reduction caused by the various constraints in the previous month (the spread of Omicron, ongoing effects of Russia's war with Ukraine, and others) have been overturned. For May, container volumes (import and export) have been pushed up by nearly **800 000 TEUs**. Consequently, container volumes are up by **↑5,3%** (m/m), but down by **↓4,2%** (y/y). According to CTS, the price index contrasts Drewry's assessment (see *below*), with the index continuing to increase by **↑4%** this month. Regionally, for Sub-Saharan Africa, container throughput volume increased substantially in May, with both imports and exports increasing:

Figure 19 – Sub-Sahara Africa container volume (imports and exports)



Source: CTS

For the month, import volumes are up by **↑9,1%** (m/m), with exports increasing by **↑7,7%** (m/m). Despite these strong monthly returns, the volume has not moved much in the last 12 months. Compared to the previous year, in May, imports increased by **↑1,7%** (y/y), while exports dropped by **↓2,6%** (y/y) over the same period. Incidentally, when comparing these figures from TNPA figures for May[21], South Africa accounts for more than a quarter of the (**25,4%**) and nearly half of the exports - coupled with a robust performance in June (as noted *above*) – perhaps put the debate about South Africa still being the "*gateway to Africa*" to bed, at least for the time being.

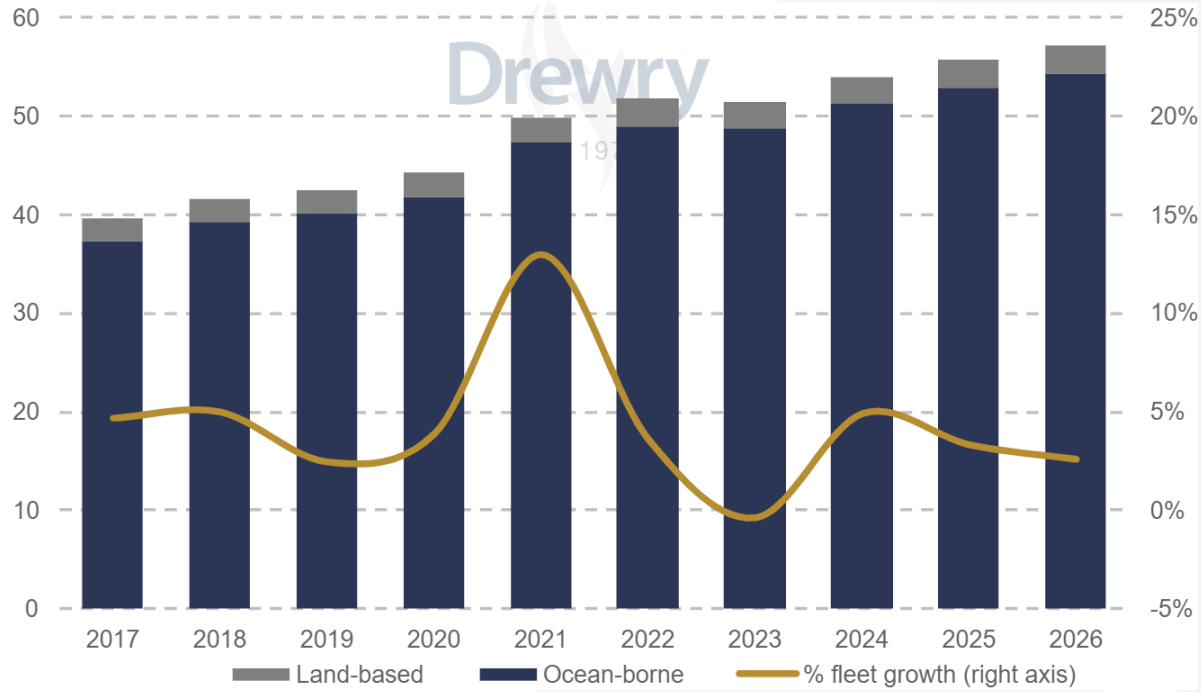
ii. Container shipping equipment growth and surplus

The global pool of shipping containers increased by **↑13%** to almost **50 million TEUs** in 2021, three times the prior growth trend. This growth reflected lessors and ocean carriers ordering a record number of containers while retiring fewer ageing units, as congestion across global supply chains meant containers were an estimated **15%** to **20% less productive** than in pre-pandemic times, according to Drewry's annual "*Container Census Report*"[22]. Based on that analysis, each container averaged **18,1 lifts** in 2021 compared with **19,2** in 2020 and between **19,5** and **20,6** in the 2010s. Moreover, the number of containers per slot of vessel capacity increased by **↑8%** in 2020 when the pandemic started, with the elevated capacity levels remaining throughout 2021.

As mentioned last week, a substantial amount of equipment is "*stuck in the system*" because of various delays (mainly caused by ongoing supply chain disruptions and port congestion). Drewry's analysis has reiterated this situation, with some **6 million** surplus containers now in the global equipment pool because of the over-supply. However – while large by historic standards – this surplus is considered manageable for the industry. With new IMO emissions regulations coming into force in January 2023, forcing some ships to sail slower, much of the current surplus equipment is expected to be absorbed. In addition, evidence suggests that some carriers plan to have more buffer stock in their equipment pools, while fewer new containers will be built in the next two years.

[21] TNPA. 2022. Port Statistics.
[22] Drewry. 13/07/2022. Container Census & Leasing Annual Review & Forecast 2022/23.

Figure 20 – World container fleet by operational end-user (million TEU) and growth rate (%)



Source: Drewry

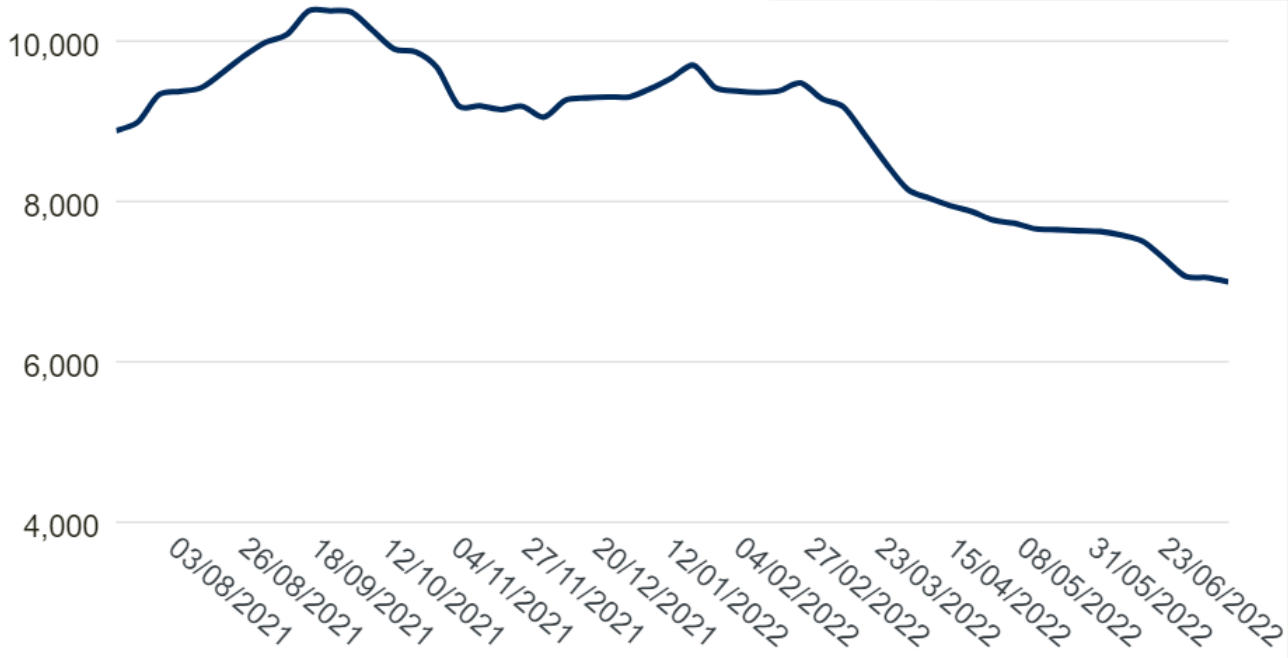
Equipment output in 2022 and 2023 will be much lower than last year, at **3,9** and **2,4 million TEUs,** respectively, with replacement accounting for most orders. While newbuild and second-hand prices will fall, a return to the *very low prices of 2019 is not anticipated* as manufacturers are expected to manage their capacity and pricing strategies very carefully. Meanwhile, the secondary market remains robust, and the uses for ex-trading containers to be used continue to expand. Forecasts indicate that ocean carriers will be the main equipment buyers over the next two years, with lessors then retaking control, raising their share of the pool to **54%** by 2026 (currently around **51%,** according to the latest Alphaliner[23] statistics).

iii. Global container freight rates

For the 20th straight week, global container freight rates continued their decline, as Drewry's "*World Container Index*" decreased – albeit only marginally at **↓0,7%** (or **$52**) – to **$7 999** per 40-ft container this week[24]. Although the rates are steadily decreasing, strikes at German ports and congestion at other North European container hubs prevent a slump in spot rates as consumer demand from Asia crumbles[25]. Consequently, the long-term average remains high, as the YTD average stands at **$8 321** per 40ft container, which remains **$4 788** higher than the five-year average of **$3 533**. In summary, the composite index is **↓21%** (y/y) compared to this time last year:

[23] Alphaliner. 2022. Top 100.
[24] Drewry. 07/06/2022. World Container Index.
[25] Wackett, M. 15/07/2022. Spot rates underpinned by congestion while demand falls.

Figure 21 – World Container Index – assessed by Drewry ($ per 40 ft. container)



Source: Drewry Ports and Terminal insights

On the major East-West trade lanes, the most significant change occurred on the Rotterdam – Shanghai route, down by **↓7%** (w/w). Only two routes remain higher compared to the same time in 2021, as some carriers have finally resorted to offering discounts to keep capacity high. Nevertheless, several ships sailed from Asia to North Europe this week with load factors "*below 90%*"[26]. However, port congestion in North Europe is taking out significant capacity as ships suffer long waiting times to berth with slower working once alongside, and this could tip the supply and demand balance back in favour of the shipping lines in the immediate future. So last week's question remains unanswered: is the downward pressure on rates demand- or supply-driven[27].

iv. Further developments of note

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

1. **ITF concludes that competition authorities have legally created disruptions and high rates:**
    a. A report from the International Transport Forum (ITF) – an OECD think tank – notes that global regulation has failed shippers and forwarders by engineering a situation in which shipping lines can legally 'manufacture' capacity shortages[28].
    b. The ITF report[29] calls for competition authorities worldwide, including the Federal Maritime Commission in the US and the European Commission's Competition Directorate, to "*limit the possibilities of joint capacity management in order to introduce more real competition between carriers*".
    c. The ITF makes the following recommendations:
        i. Improve competition monitoring in container shipping
        ii. Reconsider the competition arrangements for liner shipping
        iii. Focus regulatory attention on fair competition in door-to-door container transport

[26] Wackett, M. 15/07/2022. Spot rates underpinned by congestion while demand falls.
[27] Alan Murphy. 06/07/2022. Downward pressure on rates demand driven?
[28] Savvides, N. 12/07/2022. Disruption and high freight rates created by competition authorities, says ITF.
[29] ITF. 12/07/2022. Performance of Maritime Logistics.

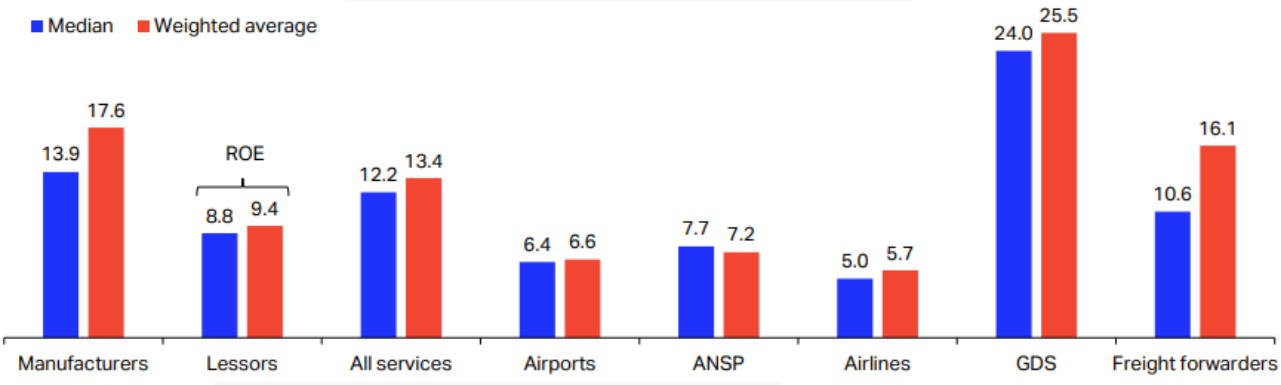
iv. Increase transparency of container shipping rates and charges
v. Collect performance on the containerised transport chain
vi. Secure the strategic value of container shipping
vii. Charge users of public maritime infrastructure more to increase cost coverage

2. **Strike action and labour shortages in German ports:**
   a. Dockers at the German container hubs of Hamburg, Bremerhaven and Wilhelmshaven walked out on Thursday morning at the start of a 48-hour strike which will heighten the pressure on container terminals already struggling with very high yard density levels and increased dwell time.
   b. Last-minute talks between the employers, the Central Association of German Seaport Companies (ZDS) and the trade union ver.di, representing 12,000 port workers, were suspended yesterday evening with no agreement yet[30].
   c. The third 'warning strike' is the longest so far and will further aggravate port congestion at Hamburg's container terminals, where yard density now stands at an inefficient level of 90%.
3. **Further COVID scares threaten a continuation of Chinese lockdown disruptions:**
   a. With mass testing again underway, there are renewed fears that Shanghai could go back into lockdown and disrupt the peak season[31]. It has only been five weeks since the major port and manufacturing hub emerged from its two-month "zero-COVID" ordeal, and already several districts are undergoing mass testing again.
   b. The average waiting time for vessels to berth in Shanghai was 12 to 24 hours, and "most terminals" have severe congestion at Ningbo due to the bad weather. Qingdao has also been impacted by fog and bad weather resulting in an average waiting time of 48 to 96 hours.

c. Global air cargo industry

In the latest IATA "*Chart of the Week*", the International Air Transport Association provided a fascinating breakdown of the financial performance of the respective role players in the extended aviation supply chain. With international airlines slowly recovering back to normal economic conditions, going from a loss of close to **US$ 138 billion** in 2020 to a forecasted shortfall of **US$ 9,7 billion** in 2022), it remains a fact that most airlines have not, as a rule, been able to deliver regular profitability over extended periods (with the notable exception of the decade immediately preceding the COVID-19 crisis). The following graph shows the returns on invested capital (ROIC) throughout the aviation value chain:

Figure 22 – Operating performance (ROIC) across the aviation value chain



Source: IATA

[30] Wackett, M. 14/07/2022. German dockers begin two-day strike adding to congestion woes.
[31] Whelan, S. 12/07/2022. Shanghai Covid scare raises spectre of further lockdown disruption.

IATA notes that over the 2012-2019 period, airline ROIC was **↑5,7%** on average, which is clearly at the bottom of the spectrum. On the opposite end, recording **↑25,5%** average ROIC, IATA found a limited number of participants in the global distribution system (GDS). Similarly, IATA notes that higher ROIC correlates closely with a relative lack of competition in that part of the value chain. Typically, there are only two or three significant upstream aviation value chain participants. These industries, therefore, operate as an oligopoly. In addition, airports are often effectively monopolies as nearby competing airports are a rarity. However, the number of airlines worldwide is well more than **1 000**.

The fact that the upstream value-chain participants consistently record superior profits compared to the hypercompetitive airline industry reveals the exercise of market power that their oligopolistic or monopolistic industry structure confers upon them. IATA ends by highlighting the importance of airlines, which have delivered enormous benefits to their customers as ticket prices have fallen by approximately **50%** on average in real terms over the past 30 years. Ultimately, this evolution has brought about the growth upon which all participants in the value chain depend.