

COVID-19: Cargo movement update¹

Date: 15 October 2021

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 (TEUs)	24 604	28 610	53 214	24 102	29 500	53 602	↓1%
Air Cargo (tons)	4 776	3 049	7 825	4 934	2 998	7 932	↓1%

Monthly Snapshot

Figure 1 – Monthly⁴ cargo capacity levels, year on year (100% = baseline)

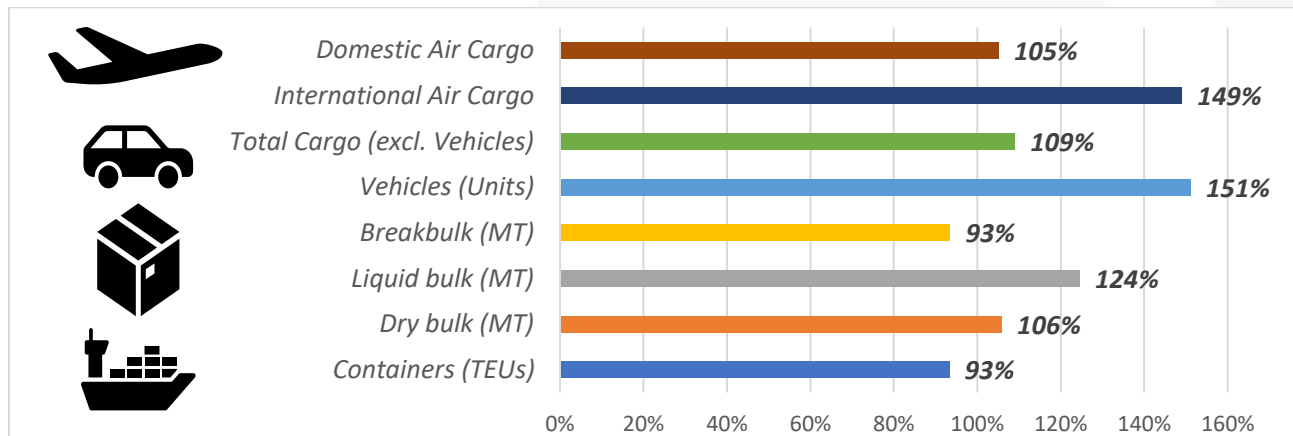


Figure 2 – Global year-to-date flows 2019-2021⁵: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of ~7 657 TEUs was handled per day this week, with ~7 602 TEUs projected for next week.
- This week, cross-border queue times are ↑4,1 hrs, with transit times ↓3,3 hrs (see [below](#)).
- Rail cargo handled out of Durban amounts to 3 456 containers, ↓1% compared to last week.
- The "WCI" decreased again this week, with freight rates ↓2,3% (or \$230) to \$9 900 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 60th 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 2020. Ocean: Aug versus Aug; Air: Sept versus Sept.

⁵ For ocean, total Jan-Aug cargo in metric tonnes, as reported by [Transnet](#) is used, while for air, Jan-Sept cargo to and from ORTIA is used.

- Global liner schedule reliability drops to an all-time low of **33,6%** in August 2021.
- Strong air cargo yields and near-record load factors are keeping the airline industry financially afloat.
- The IMF predicts global output at **↑5.9%** this year (**↓0.1%** from July's prediction), after the **↓3.1%** contraction of 2020. South Africa is expected at **↑5,0%** in 2021 (up from **↑4,0%**), and **↑2,2%** in 2022.

Executive Summary

This update – *the 60th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. On the pandemic, newly reported COVID-19 infections have once again shown a significant decrease, averaging around **724** per day (**↓28%** from last week's average of **1 012**). In total, the number of cases recorded in the country now stands at **2,91 million**⁶, with the death toll at **88 506** (up by **402**, which is another considerable drop from recent weeks). Globally, COVID-19 infections total more than **239 million**, with the death toll nearing **4,9 million** people. On the vaccination front, more than **6,61 billion** vaccine doses have now been administered worldwide⁷. For South Africa, this figure stands at **~19,83 million**, with a daily average of **~147 000** doses administered in the past seven days.

Globally, the IMF expressed concern that the global economic recovery has lost momentum and become increasingly divided, even as it stuck by its prediction for a robust rebound from the COVID-19 recession. In the latest "*World Economic Outlook*", the headline figure shows that global output is expected at **↑5.9%** worldwide this year, **↓0.1%** from what is anticipated in July and a bounce from the **↓3.1%** contraction of 2020. For South Africa, the message is somewhat better, as the IMF revised GDP growth upwards by **↑1%** despite July's insurrection. The projections show just how favourable the global economic indicators are, despite the ongoing humanitarian crisis.

Operationally, container port throughput levels remain relatively low, as has been the case in the last six weeks or so (see [Figure 3](#)). In fact, on Thursday, the Port of Cape Town was empty of any ships at the major terminals. Equipment issues this week revolved around the lack of available mobile harbour cranes in Durban and Cape Town, with Durban also operating with a sub-optimal number of straddle carriers. Furthermore, the issue with a lack of tugs at Eastern Cape ports also persists. Also, adverse weather resulted in minor delays across the country. On the rail cargo front, throughput remains steady, despite another derailment on the North-Coast line. Furthermore, productivity was slowed due to equipment failure and further incidents of cable theft.

Globally, the status quo of elevated rates, limited capacity, and port congestion remains, as uneven distribution of containers at major ports worldwide due to pandemic-related lockdowns and port suspensions persist. Indeed, the topic of equipment repositioning continues. For example, since the middle of last year, most shipping containers sent from Asia to North America and Europe have not been returned because of logistics disruptions and a lack of goods to stock them. In addition, the pent-up demand in the US remains, which, at elevated levels, continues pressure on the global system - resulting in record-low schedule reliability and ongoing capacity constraints globally. Other notable developments internationally revolve around **(1)** an update on global port congestion, **(2)** global schedule reliability, and **(3)** European ports at near capacity (see the detailed summary [below](#)).

Concerning airfreight, South Africa's international – and domestic cargo volume is **↓1%** compared to last week. Internationally, the volumes are at **~83%** compared with the same period in 2019, with domestic volumes around similar levels to this time last year. Internationally, the airline industry is recovering gradually from COVID-19, being led by strong cargo growth (**~37%** of total revenue) amid elevated yields

⁶ Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

⁷ Our World in Data, Coronavirus (COVID-19) Vaccinations. [Our World in Data](#)

(~\$3,40 per kilo) and near-record load factors. Unfortunately, the passenger market is still estimated to be only ~40% of pre-crisis levels in 2021. As a result, although vaccines will allow some governments to relax restrictions further to support global travel, the industry is forecast to make net losses of **\$52 billion** this year, cutting these losses to **\$12 billion** in 2022.

In conclusion, the welcome upward growth revision of the IMF continues to promote economic optimism despite the plethora of challenges currently facing the country. Nonetheless, as we have often shown in this series, the South African supply chain remains resilient despite its many shortcomings.

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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 October⁸

7-day flow forecast (09/10/2021 – 15/10/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	3 235	4 900
DURBAN CONTAINER TERMINAL PIER 2:	8 909	12 591
CAPE TOWN CONTAINER TERMINAL:	5 838	6 610
NGQURA CONTAINER TERMINAL:	5 740	2 935
GQEBERHA CONTAINER TERMINAL:	882	1 574
TOTAL:	24 604	28 610

Source: Transnet, 2021. Updated 15/10/2021.

Table 3 – Container Ports – Weekly flow reported for 16 to 22 October⁹

7-day flow forecast (16/10/2021 – 22/10/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 426	7 723
DURBAN CONTAINER TERMINAL PIER 2:	10 572	16 703
CAPE TOWN CONTAINER TERMINAL:	4 701	5 275
NGQURA CONTAINER TERMINAL:	5 125	4 993
GQEBERHA CONTAINER TERMINAL:	700	915
TOTAL:	27 524	35 609

Source: Transnet, 2021. Updated 15/10/2021.

An average of ~7 602 TEUs (↓1%) was handled per day for the last week (9 – 15 October, Table 2), with another increased average of around ~9 019 TEUs (↑19%) projected to be handled next week (16 – 22 October, Table 3). However, the volume handled in the last seven days is significantly less than predicted for the week (~9 917 TEUs – from last week's report), as several operational constraints pushed back productivity. Furthermore, minor weather delays at all ports also played their part in the resultant sub-optimal week number-wise.

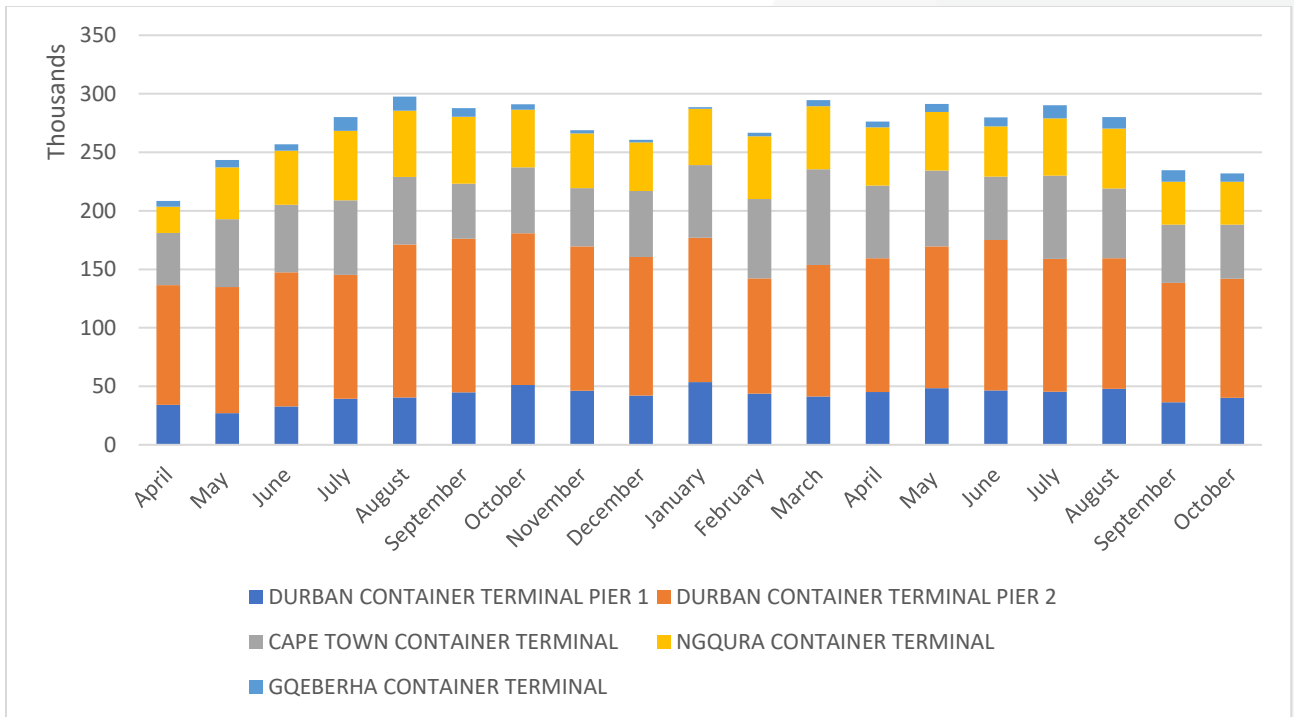
Nevertheless, for a holistic picture, the figure below displays the rolling *monthly* average flow of total containerised cargo movement for commercial ports since the start of the nationwide lockdown. A significant drop-off in containerised volume is evident in the last two months, and total volumes reached lows last seen in April/May 2020.



⁸ It remains important to note that a fair percentage (approximately 21%, according to the most recent TNPA figures for August) of containers are neither imported nor exported, but rather consist of empties. 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 worldwide container imbalances.

⁹ As noted above.

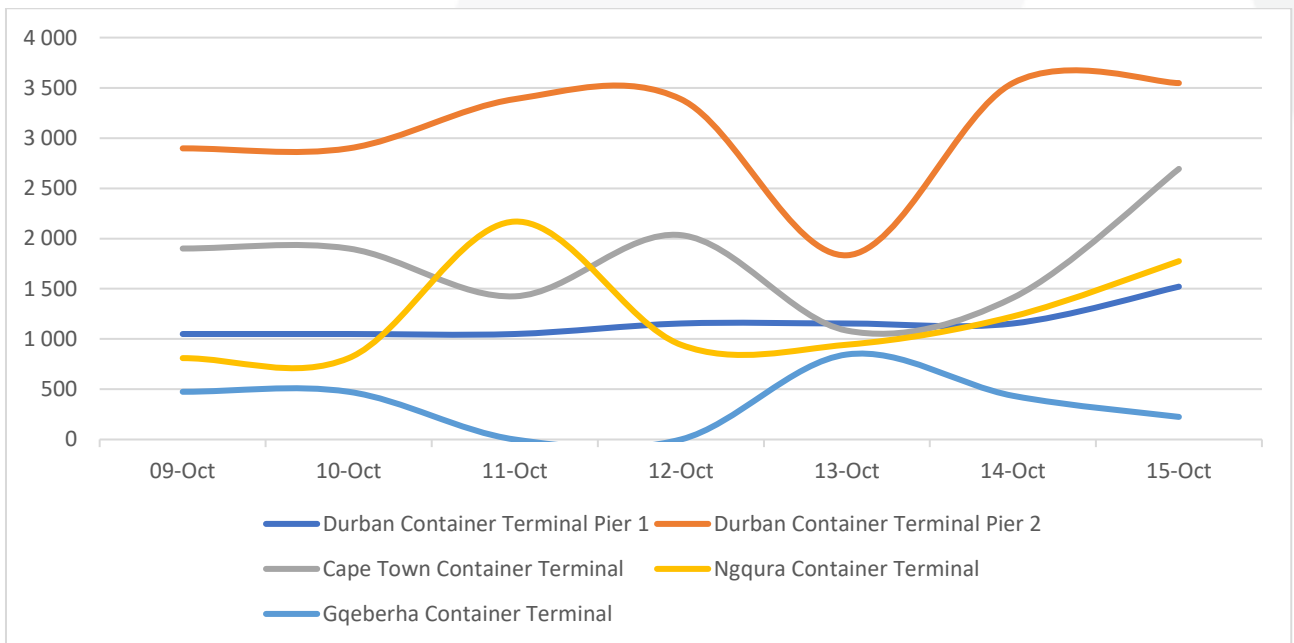
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from Transnet, 2021. Updated 15/10/2021.

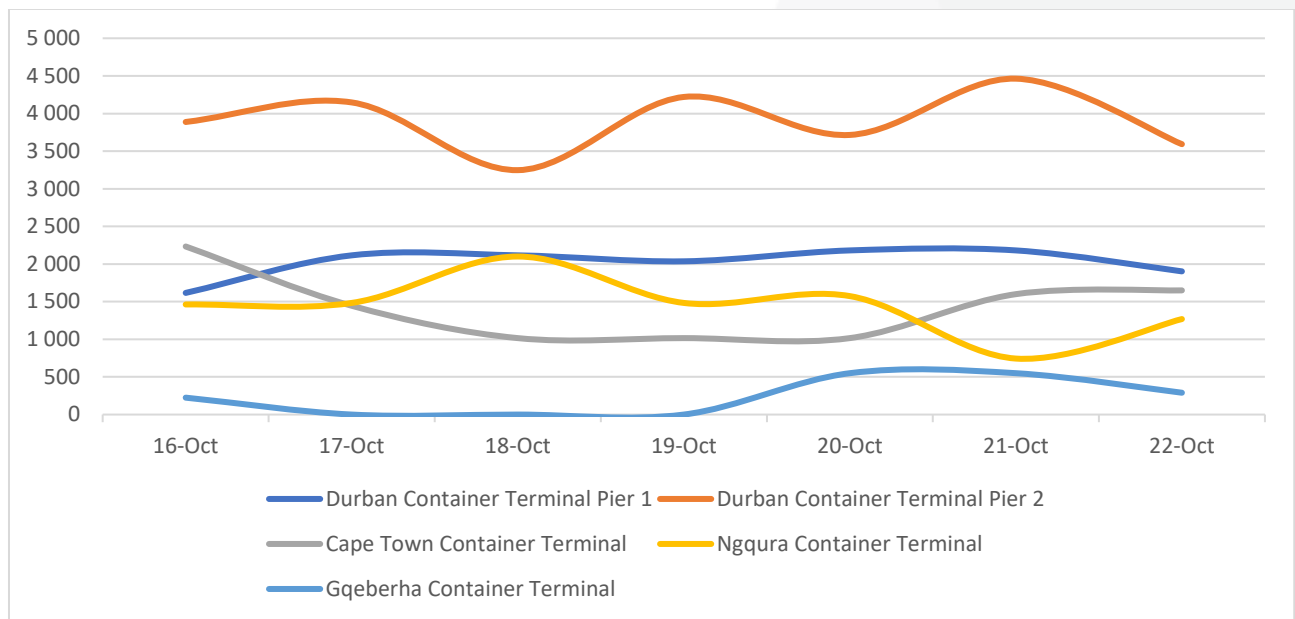
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total cargo movement (9 to 15 October; per port; day on day)



Source: Calculated using data from Transnet, 2021. Updated 15/10/2021.

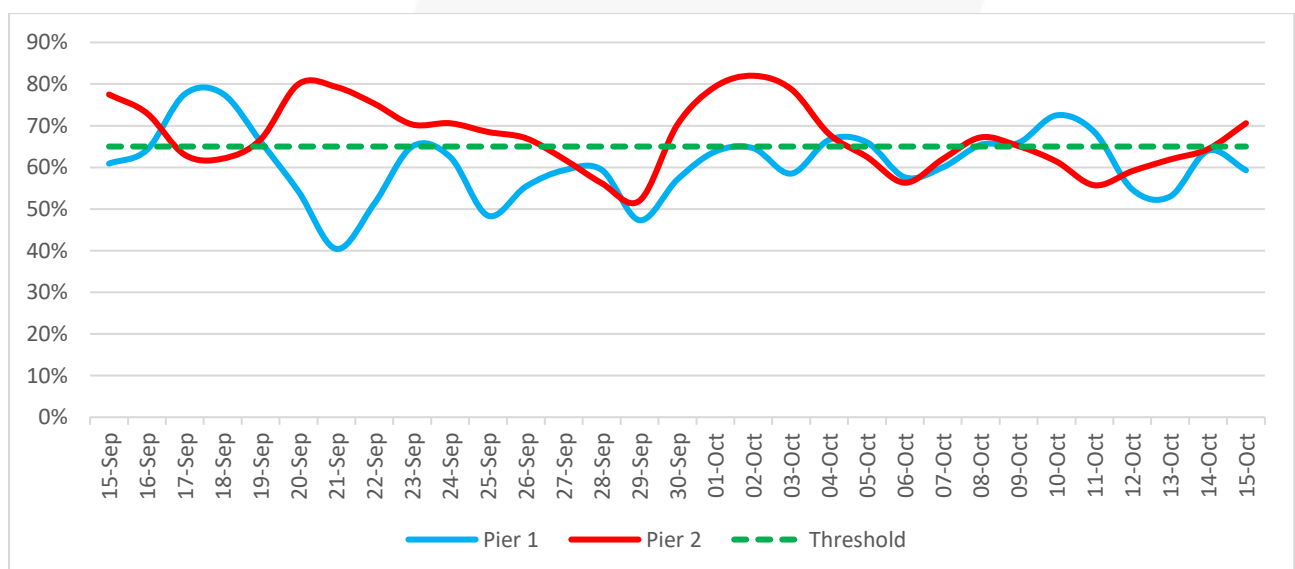
Figure 5 – 7-day flow reported for total cargo movement (16 to 22 October; per port; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 15/10/2021.

The following figure shows daily stack occupancy in both Durban terminals since the start of September, with pressure on operational fluidity a constant theme in the last few months. However, it appears as if both piers have been coping well with the pressures, albeit with the stack occupancy going in the opposite direction towards the end of the week. The stack occupancy levels have recently been keenly investigated by an ongoing initiative called the Durban Container Terminal "Control Tower". Getting the entire port system (landside, waterside, and terminal evacuation via road and rail) to function efficiently is vital in securing the supply chain.

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



Source: Calculated using data from [Transnet](#), 2021. Updated 15/10/2021.

b. Summary of port operations

The following sections provide a more in-depth overview of the operational performance of commercial ports over the last seven days.

i. Weather delays

Compared to last week, Cape Town experienced better weather conditions this week, resulting in favourable waterside productivity. Still, weather delays for the previous week amounted to 33 hours lost due to wind, fog or vessels ranging. Wind also played a role, as some strong NW winds were experienced through Wednesday night, halting waterside operations periodically.

Durban Pier 1 and 2 were windbound the previous weekend, with winds calming down Monday afternoon. The MPT terminal struggled with delays in working vessels due to light rain on Monday and power outages due to load shedding. Stronger winds affected waterside operations on Thursday and over the weekend.

Port Elizabeth and East London had favourable weather conditions this past week with only mild winds and no rain. Operations were not affected.

ii. Cape Town

At CTCT, the vessel turnaround time for the week averaged around 50 hours – or just over two days. Another three vessels are currently at anchor. The truck turnaround time (TTT) for the week averaged approximately 34,2 minutes. This week, discussions are ongoing around MPT operating with one MHC, the 550. Crane 400, which suffered a major failure, has been inspected by engineers. The situation is a major concern, as MPT's cranes have been experiencing consistent problems with reliability, and this is the terminal expected to handle the important USA trade. Should 550 also experience a failure, the terminal will be out of action. A decision on Crane 400 needs to be made, either dismantling a similar non-operational crane in Richards Bay or ordering spares from an overseas supplier. Neither option will result in a quick return to operations. The MHC in the Eastern Cape planned to be donated to Cape Town MPT is only scheduled to happen around mid-November. On Thursday, it was made known that the port of Cape Town was empty of any ships at its terminals. CTCT reported only one vessel berthing, while MPT reported no vessels expected to berth until 27 October. The main reason, according to industry stakeholders, is due to the marine challenges and equipment limitations. In addition to only one crane at MPT, intermittent tugs and pilot boat breakdowns heavily affect throughput.

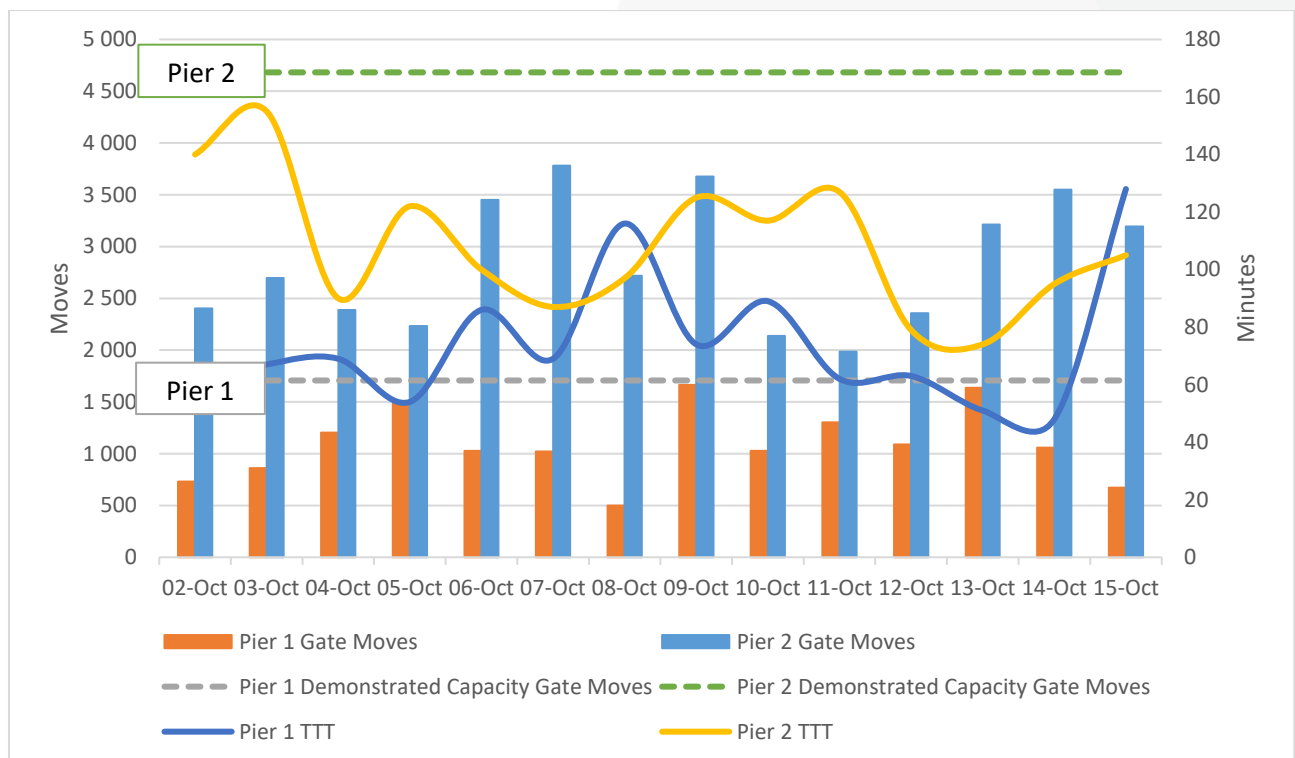
iii. Durban

At Durban Pier 1, RTG availability stood at 18, while SWH averaged around 45. TTT averaged 75 minutes last week, while staging time was at a high average of 157 minutes due to weather delays and congestion on Bayhead Road. Pier 2 last week had a straddle carrier availability of 58 and an average SWH of 49. Average TTT stood at 111 minutes, and staging time stood at an average of 165 minutes. Furthermore, some shipping lines registered complaints at DCT this week, revolving around obtaining slots and loading empties. With the massive demand for empties in the Far East and vessels leaving with un-utilised space capacity, principals are addressing this at the highest level at Transnet. In addition, an MHC was reported broken at Pier 1, which caused various delays, especially on the rail side. In addition, another two cranes were reported non-operational at Pier 2, also slowing down productivity. Wednesday, Pier 2 recorded an average TTT of 95 minutes and staging time of 97 minutes, while overall stack occupancy stood at 52% capacity. Pier 1 recorded stack occupancy at 53% capacity overall and 20% capacity for reefers only.

On Wednesday, Transnet advised port users of the closure of Vetch Road at Maydon Wharf precinct due to maintenance requirements. The road is planned to be closed from 20 October till 22 October 2021. The port of Durban is operating currently with only four tugs, as the fifth is out of commission. Heavy goods vehicles (HGVs) accessing residential roads is becoming an increasing problem, particularly in eThekweni and its surroundings. It appears that GPS tracking systems are a common cause, where drivers are not aware of correct or appropriate local routes, and system mapping sends them on unsuitable roads. A current serious concern in Durban is HGVs exiting the N3 at Tollgate and turning right onto Mazisi Kunene Road (South Ridge Road). Truckers have been asked not to use this road. At Durban Auto terminal, a fire was quickly extinguished that started due to power outages in the early hours of Wednesday morning.

The following figure summarises port operations in Durban for the last two weeks, focusing on gate moves and time spent in the terminal.

Figure 7 – Gate moves, and time spent in the terminal (in minutes)



Source: Calculated using data from Transnet, 2021. Updated 15/10/2021.

iv. Eastern Cape ports

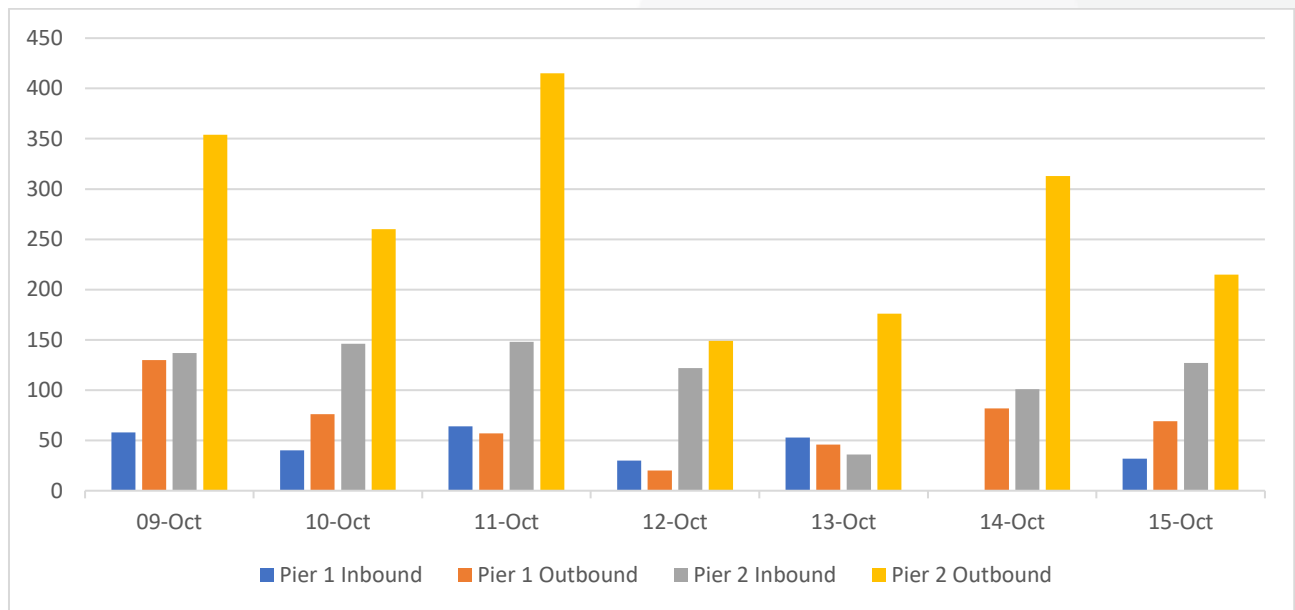
Last week, the TTT at NCT averaged around 35 minutes. RTG availability stood at 25. On Monday, overall stack occupancy at NCT stood at 30% capacity for general-purpose containers and 56% for reefers. PECT recorded a stack occupancy of 54% capacity for general containers and 28% capacity for reefers. Still, another week has gone by where one tug is rotating between NCT and PECT. A tug in the dry dock at PECT is expected to be operational from 25 October. In addition, the tug being sent from Durban has been cleared following technical issues.

v. Transnet Freight Rail (TFR)

TFR advised customers on Thursday of a derailment that happened on Wednesday on the North coastline. Train 6410 derailed with seven wagons of timber at Duff Road, whereupon the train service was suspended for the rest of the day. In addition, another cable theft incident that happened on Wednesday night was reported. The total number of missing containers increased to nine, instead of six, due to customers' new claims of missing containers. Productivity this week was also slowed down due to the broken RMGs, and light rain experienced earlier this week.

The following figure graphically illustrates rail movements from Durban during the week, highlighting the marked decrease.

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



Source: Calculated using data from Transnet, 2021. Updated 15/10/2021.

This week (9 to 15 October), rail cargo handled out of Durban amounts to **3 456** containers, **↓1%** than the previous week's **3 492** containers.

vi. General

On Wednesday, at approximately 19h00, Richards Bay experienced a fire that affected the conveyor system for TPT. A similar occurrence was reported last week. Firefighters immediately responded, supported by the city and the industry on-site. Port users within the Bayvue Precinct (along Newark Road) were urged to take safety precautionary measures by avoiding the area.

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 starting 4 October. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *October 2020* averaged **~713 982 kg** per day. For 2019, this average was **~946 660 kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

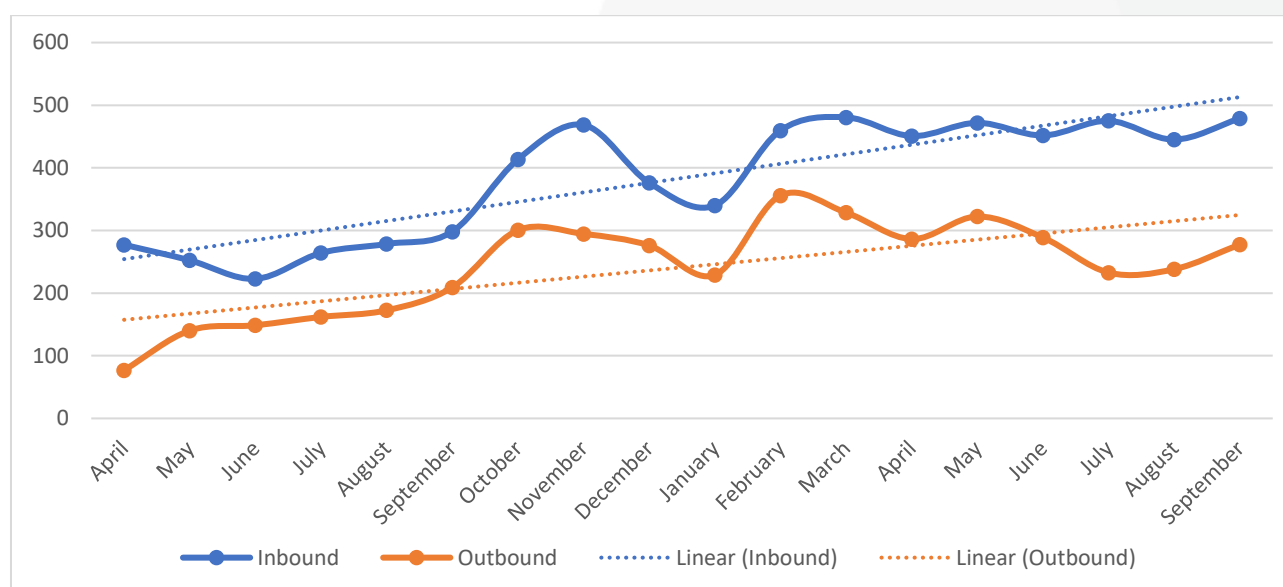
Flows	04-Oct	05-Oct	06-Oct	07-Oct	08-Oct	09-Oct	10-Oct
Volume inbound	610 090	290 351	456 200	501 225	249 043	398 135	838 272
Volume outbound	266 226	216 254	290 532	203 183	265 165	304 411	588 410
Total handled per day	876 316	506 605	746 732	704 408	514 208	702 546	1 426 682

Courtesy of ACOC. Updated: 13/10/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 4 October amounted to **477 617 kg** inbound and **304 883 kg** outbound. This amounts to an average of **782 500 kg** per day, or **~110** compared to October 2020. Compared to pre-COVID-19 times, the level is currently only at **~83%** compared with the same period in 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster.

Figure 9 – International inbound and outbound cargo from OR Tambo (thousands); and COVID level (1 to 5)



Courtesy of ACOC. Updated: 13/10/2021.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *October 2020* was only **~63 677 kg¹⁰** per day.

Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	21 813	2 941	3 751	20 539	6 571	3 176	56 713
Jan Average	20 961	2 739	2 859	22 818	5 491	5 238	57 781
Feb Average	27 777	3 537	3 427	30 117	6 988	3 503	75 348
Mar Average	28 781	3 702	3 845	31 166	7 680	3 740	78 914
Apr Average	24 875	3 234	3 058	25 694	6 306	3 046	66 213
May Average	29 891	3 781	3 669	27 817	7 245	3 261	75 664
Jun Average	27 498	3 706	3 556	26 873	7 086	3 213	71 932

¹⁰ For Cape Town, the figure corresponds to **40 278 kg** per day, and **3 808 kg** per day for Durban during the same period (October 2020).

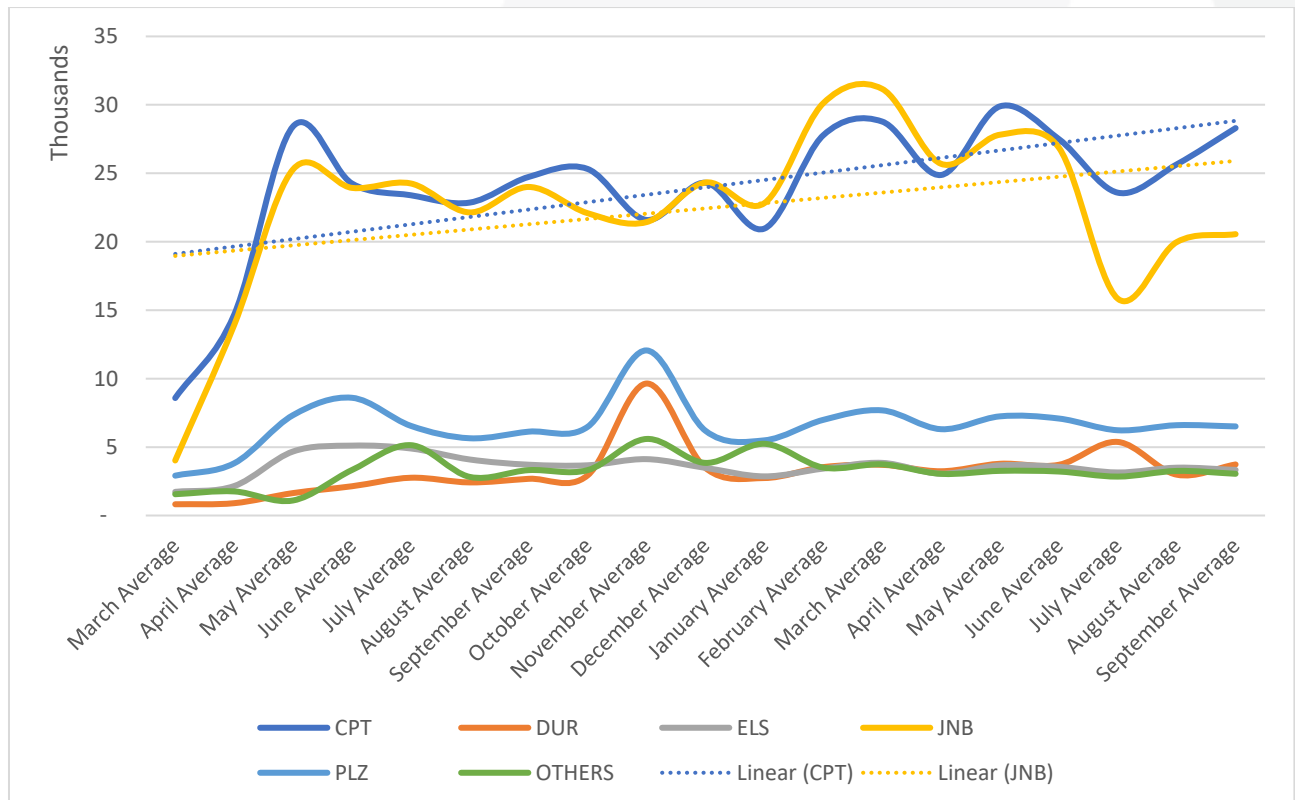
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Jul Average	23 583	5 374	3 144	15 839	6 229	2 844	57 013
Aug Average	25 649	2 983	3 495	19 973	6 597	3 256	61 953
Sep Average	28 301	3 730	3 332	20 554	6 509	3 048	63 650
05-Oct-21	42 038	5 028	4 562	33 821	10 684	5 587	101 720
06-Oct-21	47 720	3 384	5 457	33 006	9 604	4 804	103 976
07-Oct-21	41 554	5 661	6 361	23 875	9 279	5 165	91 894
08-Oct-21	18 631	2 964	2 395	30 390	7 100	4 268	65 748
09-Oct-21	4 128	1 915	43	1 673	366	82	8 207
10-Oct-21	2 498	388	404	629	301	553	4 772
11-Oct-21	43 541	3 862	5 681	28 723	11 004	4 949	97 761
Grand Totals	7 465 271	1 032 411	961 503	6 924 631	1 899 372	913 139	19 196 327

Courtesy of BAC. Updated: 14/10/2021.

Currently, the average domestic air cargo moved in the last week was **~64 572 kg** per day, which is **↓1%** compared with the previous week and **~101%** compared to October 2020.

The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with the upward trend in volumes registered since the start of the year flattening noticeably due to reduced months in July and August, notably in Johannesburg. However, volumes have subsequently picked up noticeably.

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



Courtesy of BAC. Updated 14/10/2021.

3. Road and Regional Update

a. Cross-border delays

The following events have caused some delays in the SADC region this week:

- Monday, 11 October, was an important day for Beit Bridge's new facilities, as the entire toll system was implemented that morning at 08:00. However, to get things running, as many trucks as possible were squeezed into the control zone (including the truck park), as any trucks already in the control zone would be exempt from paying the fee, which led to a considerable amount of chaos.
- The minister of Transport and Logistics in Zambia, Frank Tayali, has said there is a need for toll fees at Kazungula and Victoria falls to be harmonised because we could get truckers diverting from Kazungula because of the payment.
- From South Africa's point of view, there were, fortunately, no border disruptions resulting in gate closures. However, as a rule, traders are at all times urged to stay abreast of border post communications on the SARS Customs and Excise [website](#).

Apart from these developments, investigations continue into cross-border delays experienced at several other SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week.

Table 6 – Delays¹¹ 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
Nam/SA	Ariamsvlei/Nakop	2:00	11:00	100	3 000	700	24 640	1 400
SA/Zim	Beit Bridge	192:00	20:00	943	28 290	6 601	118 818	1 267 392
Moz/Zam	Cassacatiza/Mlolo	1:00	11:00	175	5 250	1 225	11 025	1 225
Zam/Zim	Chirundu	1:00	15:00	620	18 600	4 340	56 420	4 340
Moz/Mal	Dedza	2:00	20:00	50	1 500	350	6 300	700
SA/Bot	Groblersbrug/Martins Drift	72:00	13:00	400	12 000	2 800	30 800	201 600
Zam/DRC	Kasumbalesa	0:00	49:00	750	22 500	5 250	210 000	0
Zam/Bot	Kazungula	0:00	21:00	240	7 200	1 680	31 920	0
SA/Bot	Kopfontein/Tlokweng	1:00	45:00	100	3 000	700	30 100	700
Moz/Zim	Machipanda/Forbes	1:00	7:00	320	9 600	2 240	11 200	2 240
Moz/Mal	Milange	0:00	5:00	40	1 200	280	840	0
Moz/Mal	Nakonde/Tunduma	0:00	2:00	550	16 500	3 850	0	0
Zim/Moz	Nyamapanda	1:00	2:00	100	3 000	700	0	700
SA/Moz	Ressano Garcia	15:00	30:00	1 100	33 000	7 700	215 600	115 500
Zam/Nam	Shesheke/Wenela	0:00	8:00	100	3 000	700	4 200	0
SA/Bot	Skilpadshek/Pioneer Gate	10:00	8:00	300	9 000	2 100	12 600	21 000
Nam/Bot	Trans Kalahari/Mamuno	0:00	42:00	100	3 000	700	28 000	0
Zam/Zim	Victoria Falls	1:00	3:00	114	3 420	798	798	798
Moz/Mal	Zobue/Mwanza	2:00	21:00	100	3 000	700	13 300	1 400
				6 202	186 060	43 414	806 561	1 618 995

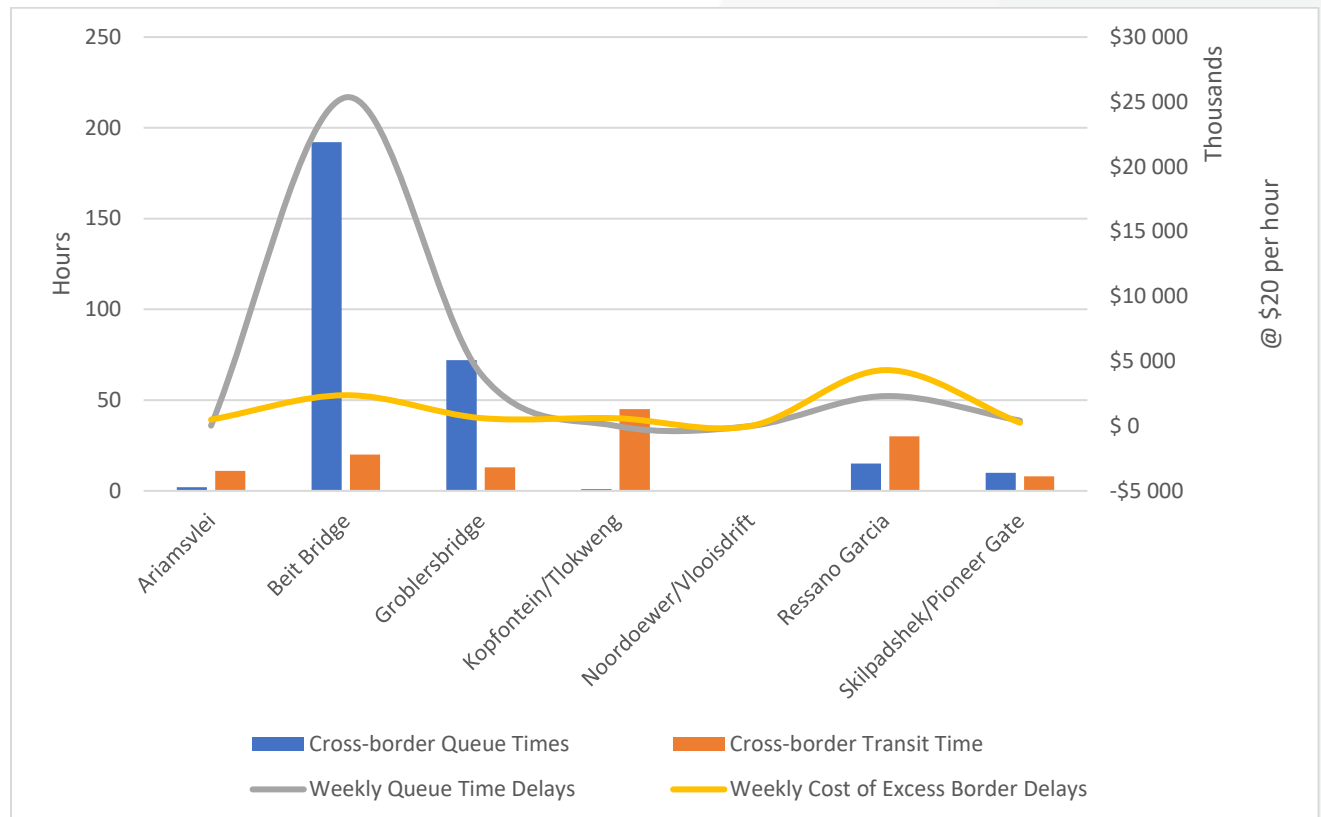
Source: TLC & FESARTA, week ending 13/10/2021.



¹¹ 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 graph shows the weekly change in cross-border times (and associated estimated cost) from South Africa's perspective. As with the last couple of weeks, the region's glaring problems at land border crossings are concentrated at Beit Bridge.

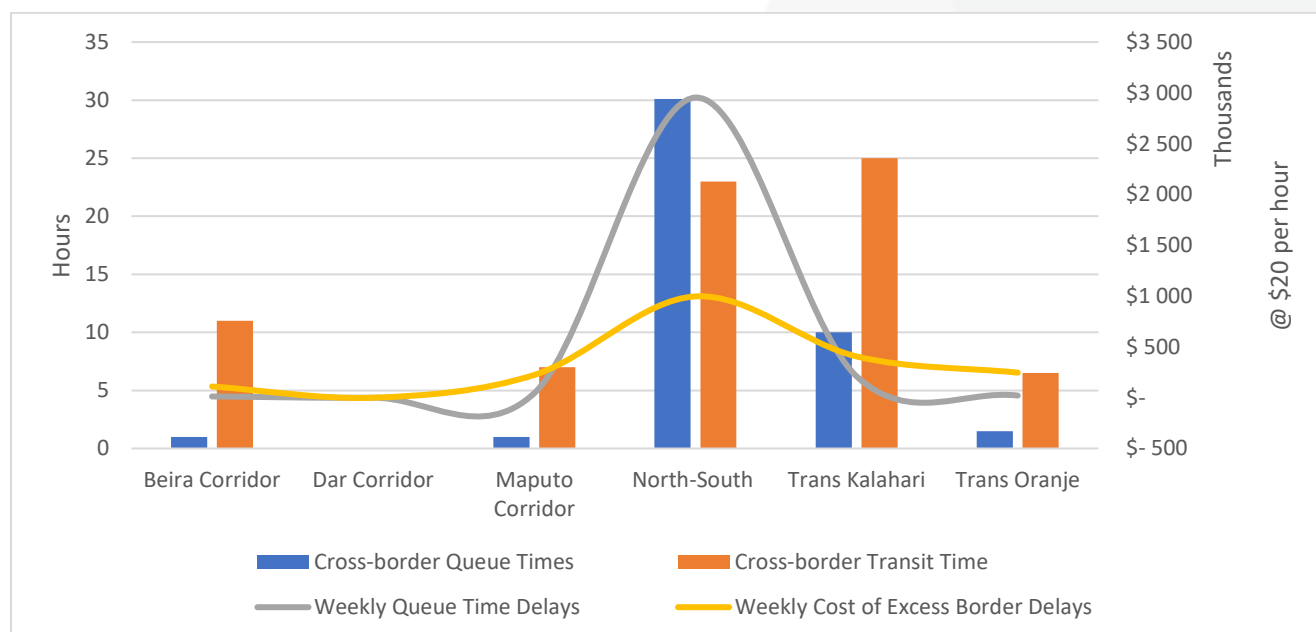
Figure 11 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in \$ thousands)



Source: TLC & FESARTA, week ending 13/10/2021.

The following figure depicts a similar picture to those above, this time from a corridor perspective. For this week, the issues at Beit Bridge are spilling over along the North-South corridor, with the Trans Kalahari corridor also experiencing delayed transit times.

Figure 12 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in \$ thousands)



Source: TLC & FESARTA, week ending 13/10/2021.

In summary, the cross-border queue time has averaged **~17,7 hours** (rising by **~4,1 hours** from last week's recorded time of **~13,6 hours**), costing the transport industry an estimated **\$32 million (R518 million)**. Apart from this, the week's average cross-border transit times hovered around **~16,7 hours** (falling by **~3,3 hours** from the **~19,9 hours** recorded last week), costing the transport industry **\$16 million (R258 million)**. As a result, the total cost for the week amounts to **~R776 million** (up by **~R128 million** or **↑19%** from **R648 million** the previous week).

4. International Update

The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on **(a)** the world economic outlook, **(b)** the global container industry, and **(c)** the global aviation industry.

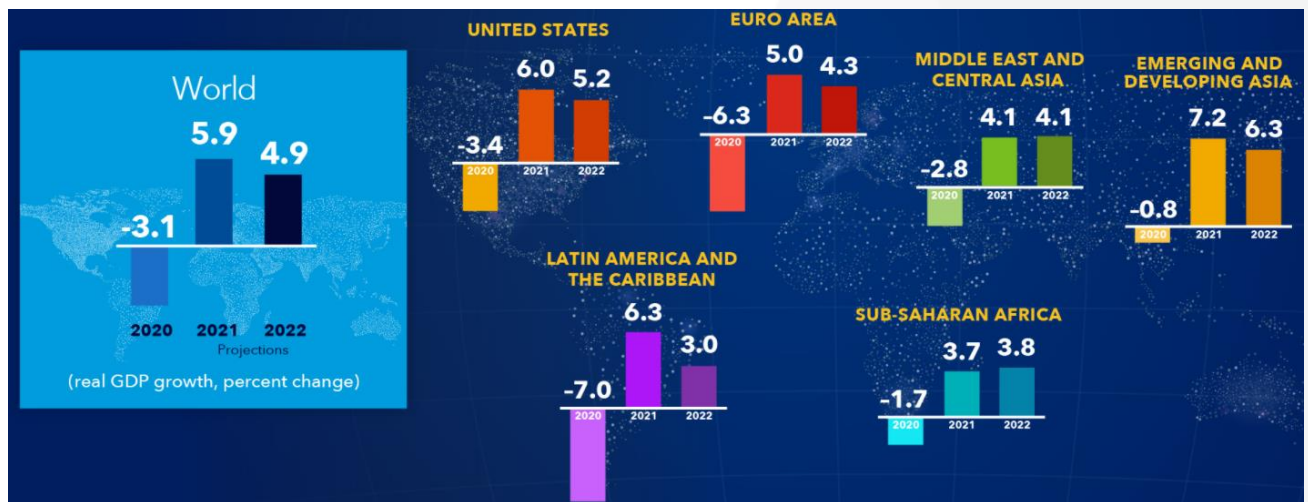
a. World economic outlook

This week, the International Monetary Fund (IMF) released its quarterly "World Economic Outlook" for the year's third quarter¹². In the report, the IMF expressed concern that the global economic recovery has lost momentum and become increasingly divided, even as it stuck by its prediction for a robust rebound from the COVID-19 recession. The headline figure shows that global output is expected at **↑5.9%** worldwide this year, **↓0.1%** from what is anticipated in July and a bounce from the **↓3.1%** contraction of 2020, it said on Tuesday in its latest World Economic Outlook. It held the forecast for 2022 at **↑4.9%**. Sub-Saharan Africa is projected to grow at **↑3.7%** for 2021 and **↑3.8%** for 2022, revised upwards from April's forecast. The following figure illustrates the current growth projections.



¹² IMF. 27/07/2021. [World Economic Outlook](#).

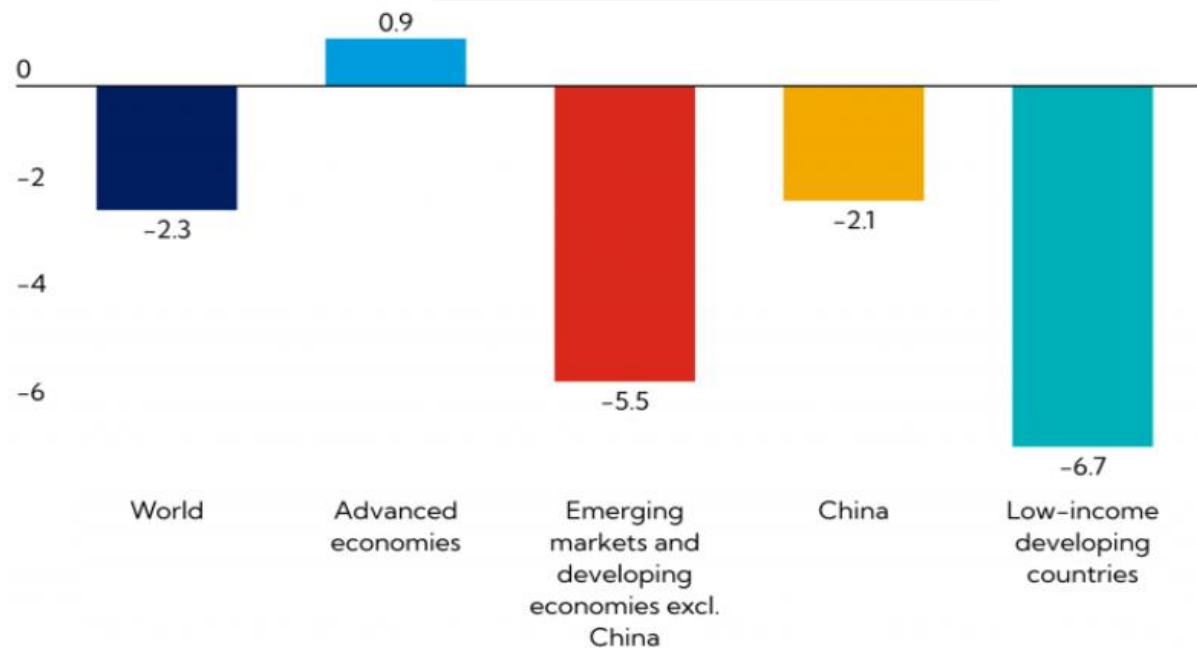
Figure 13: World Economic Outlook – October (growth projections, percentage change)



Source: [IMF](#)

The global economy is predicted to grow at **↑5.9%** in 2021 and **↑4.9%** in 2022, only slightly from the previous forecast. However, prospects for emerging markets and developing economies have been marked down for 2021. Gita Gopinath's (the IMF's Chief Economist) recurring blog outlined dangerous divergence in economic prospects across countries as the biggest concern for growth¹³. Aggregate output for the advanced economy group is expected to regain its pre-pandemic trend path in 2022 and exceed it by 0.9% in 2024. By contrast, aggregate output for the emerging market and developing economy group (excluding China) is expected to remain 5.5% below the pre-pandemic forecast in 2024, resulting in a serious setback to any prospects of improvements in their living standards. The following figure notes the disparities of fortunes across the globe.

Figure 14: World Economic Outlook – October (growth projections, percentage change)



Source: [IMF](#)

¹³ Gopinath, G. 12/10/2021. [A Hobbled Recovery Along Entrenched Fault Lines](#).

Gopinath notes that these divergences are a consequence of the "great vaccine divide" and significant disparities in policy support. For example, while almost 60% of the advanced economies are fully vaccinated, and some are now receiving booster shots, about 96% of low-income countries remain unvaccinated. Furthermore, many emerging markets and developing economies, faced with tighter financing conditions and a greater risk of de-anchoring inflation expectations, are withdrawing policy support more quickly despite more significant shortfalls in output.

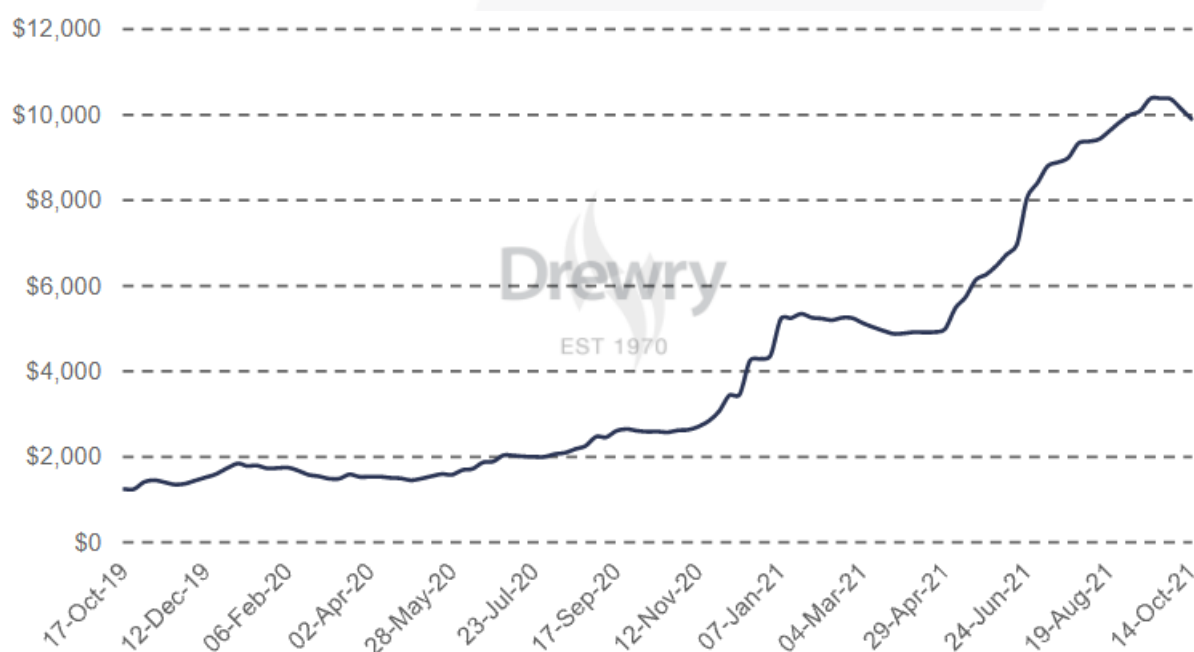
Notwithstanding the ongoing economic shortfalls in the country, the IMF has significantly upwardly revised its growth forecast for South Africa for this year and next year. As a result, the IMF expects South Africa to grow at **↑5,0%** in 2021 (up from **↑4,0%**) and **↑2,2%** in 2022 (no change from July's forecast).

b. Global container industry

i. Global freight rates

Drewry's "World Container Index" (WCI) composite index decreased for a second consecutive week, falling **↓2,2%** (or **\$231**) to **\$9 900** per 40-ft container¹⁴. The underlying problems remain, as uneven distribution of containers at major ports worldwide due to pandemic-related lockdowns and port suspensions are behind the elevated costs. In addition, since the middle of last year, most shipping containers sent from Asia to North America and Europe have not been returned because of logistics disruptions and a lack of goods to stock them. Consequently, when supply remains the same and demand goes up, the price will follow in simple economic terms. The following figure illustrates the ongoing situation by summarising the astonishing rise in the two-year spot price of the index, with cargo owners and shippers hopeful that the rate will continue its fall.

Figure 15 – World Container Index – Assessed by Drewry (\$ per 40 ft. container)



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

Despite the back-to-back decreases, the average composite index still stands at **↑283%** higher than it was at the same time last year. Also, the year-to-date average composite index of the WCI remains exceptionally high, currently at **\$7 126** per 40ft container, which is **\$4 629** higher than the five-year average of **\$2 497**. Of

¹⁴ Drewry Supply Chain Advisors. 14/10/2021. [World Container Index](#).

all the eight major routes, only New York – Rotterdam increased this week (**↑3%**), as the other seven routes decreased by between one and two per cent. Cargo owners and shippers have welcomed the consecutive weeks of decreases. However, the market is still waiting for a much more significant reduction after the relentless surge in rates which commenced approximately a year ago. However, the indication is that any meaningful moderation will not occur before the Chinese New Year next year, with no real return to anything approaching normality before the end of 2022. In the short run, Drewry expects rates to remain steady next week. Lastly, with the profit bonanza of 2021, ocean carriers are under pressure to target long-term contracts in a febrile market¹⁵.

ii. Further developments of note

Apart from the ongoing story of rising container throughput and freight rates, some additional noteworthy developments occurred around the world this week:

1. An update on US West Coast & Chinese port congestion:

- a. According to Marine Traffic, the US West Coast's backlog continues, with 60 container vessels awaiting berthing at Long Beach and Los Angeles ports on Friday¹⁶.
- b. On the other side of the trade lane, congestion has fallen sharply, with the number of ships at anchor off Shanghai/Ningbo down by nearly **50%** over the past 18 days¹⁷.
- c. However, the situation is unstable, as congestion might increase, as terminals in Shenzhen, Hong Kong and Guangzhou have suspended services in the face of the approaching cyclone¹⁸.

2. Schedule reliability drops to an all-time low:

- a. According to Sea Intelligence's latest "*Global Liner Performance*" (GLP) report¹⁹, schedule reliability dropped to an all-time low of **33,6%** in August 2021, with reliability hovering for most of the year between **35%-40%**.
- b. IATA lists the reliability at **37%**, with the average delays now more than **seven days** per vessel²⁰.
- c. The ongoing issues around schedule reliability are set to further reshuffle supply chains, as more shippers are turning towards direct capacity in the already hotly contested charter market²¹.

3. Ports at full capacity across northern Europe:

- a. Across Northern Europe, most ports are suffering from congestion. Furthermore, the situation in the US has been exacerbated by the strong rebound in the Pacific trades, in contrast to the flat Asia-Europe volumes compared with pre-pandemic levels²².
- b. Compared with the US, vessel delays are less severe but still add to schedule disruption that reverberates across networks.

c. Global aviation industry

Air cargo capacity has continued its steady increase in recent months, as relaxed lockdown restrictions and a return of passenger flights keep the rebound going. With cargo yields elevated (~**\$3,40** per kilogram) and cargo load factor at near-historic highs, the cargo industry is keeping many airlines financially afloat. Indeed,

¹⁵ Savvides, N. 12/10/2021. [Ocean carriers under pressure target long-term contracts in febrile market.](#)

¹⁶ Marine Traffic. 15/10/2021. [Port of Los Angeles.](#)

¹⁷ Miller, G. 11/10/2021. [China port congestion falls sharply, trans-Pacific shipping rates retreat.](#)

¹⁸ Chen, S. 12/10/2021. [Chinese ports halt operations as cyclone approaches.](#)

¹⁹ Sea Intelligence. 27/09/2021. [Global Liner Performance \(GLP\) report.](#)

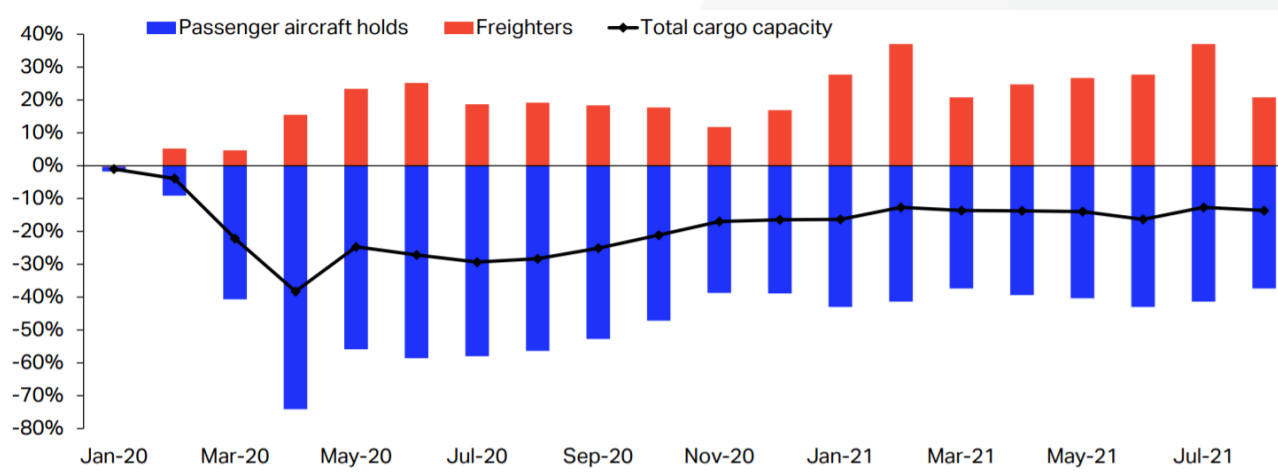
²⁰ IATA. 12/10/2021. [Macro and Air Cargo Outlook - World Cargo Symposium.](#)

²¹ Bartlett, C. 15/10/2021. [More shippers will reshuffle supply chains and charter ocean capacity direct.](#)

²² Porter, J. 14/10/2021. [Ports at full capacity across northern Europe.](#)

with air cargo prices also more competitive against the current elevated container freight rates, the air cargo industry continues to grow from strength to strength. Moreover, despite the strong global trade recovery, air cargo is still trending above goods trade with air cargo revenues close to one-third of the airline operating revenues, according to the International Air Transport Association (IATA)²³. The figure summarises the air cargo capacity in segments of freighters and passenger holds.

Figure 16 – Air cargo capacity (% change versus 2019)



Source: [IATA Economics](#)

The increase of industry-wide capacity is clear from the figure, albeit slower than expected. Fortunately, unlike the global economy (and access to vaccines), air cargo growth is industry-wide and across all regions (led by the North Pacific region). Besides the overall view, other specific areas worthy of consideration include the following:

- Despite headwinds, air cargo continues to be strong cargo tonne-kilometres (CTKs) in August 2021 rose **↑8%** above pre-crisis levels.
- Current cargo revenues represent **~37%** of all airline revenues, with the figure expected to moderate to **~26%** in 2022.
- Inventory rebuilding is an opportunity for air cargo, as, despite the lack of capacity, air cargo is less congested than ocean shipping.

In conclusion, the airline industry is recovering gradually from COVID-19, although the passenger market is still estimated to be only **~40%** of pre-crisis levels in 2021. Air cargo continues to perform and is expected to be strong in 2022 with the support of strong global trade. Vaccines will allow some governments to relax restrictions further to support international travel, hopefully reaching **~61%** of 2019 levels in 2022. The industry is forecast to make net losses of **\$52 billion** this year, cutting these losses to **\$12 billion** in 2022.



²³ IATA. 12/10/2021. [Macro and Air Cargo Outlook - World Cargo Symposium](#).