

COVID-19: Cargo movement update¹

Date: 27 August 2021

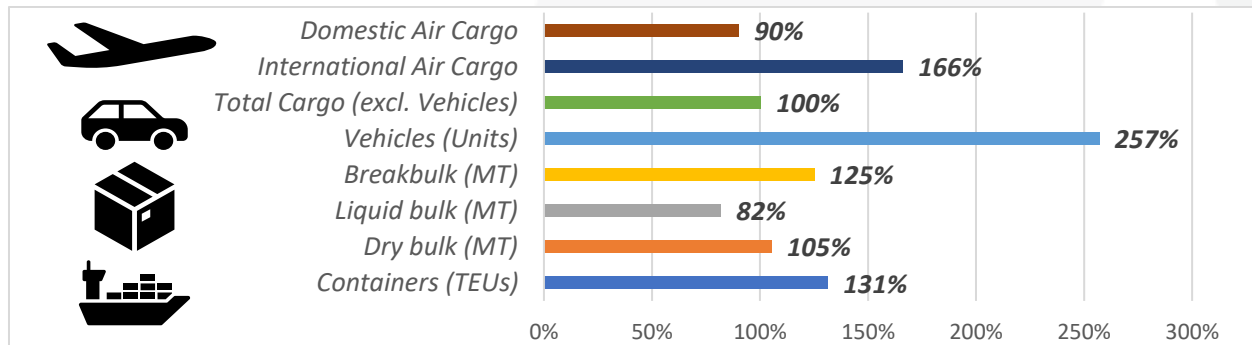
Weekly Snapshot

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)	30 954	26 516	57 470	28 616	29 582	58 197	↓1%
Air Cargo (tons)	4 290	2 390	6 680	4 578	2 187	6 764	↓1%

Monthly Snapshot

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



Year-to-date Tracker

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



Key Notes

- This week, an average of ~**8 210 TEUs** was expected to be handled per day, **↓1%** from last week.
- The "WCI" continues to increase, with freight rates **↑2,1%** (or **\$204**) to **\$9 818** per 40-ft this week. The main driver of the recent surge in rates has been a struggle to restore supply amid high demand. This week, other developments in the global container industry revolved around Ningbo fully reopening, congestion, and automation (see [below](#)).

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 53rd 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. For air, July versus July. The rest compared June 2021 versus June 2020.

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.

- Average cross-border queue time rose by **1 hr**, with transit times also up by **5 hrs** (see [below](#)).
- Robust cargo revenues continue to support airlines (**↑72%**) as both demand and yields remain strong.

Executive Summary

This update – *the 53rd of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Pandemic-wise, this week has seen a slight decrease in newly reported COVID-19 infections in South Africa, averaging approximately **11 760** infections per day (**↓2%** from last week's average of **12 021**). Consequently, as the third wave extends, the total number of cases recorded in the country continues to rise, now at **2,73 million**⁶, with the death toll rising to **80 826** (up by **2 132**). Worldwide COVID-19 infections now total more than **215 million**, with the death toll nearing **4,5 million** people. This week, a vaccination milestone has been reached as more than **5 billion** vaccine doses have now been administered⁷. For South Africa, this figure stands at **~11,5 million**. In the past seven days, an average of **200 000** doses was administered, still falling well short of the daily target of **400 000**.

Operationally, Transnet has vowed to continue to engage in dedicated daily recovery forums and meetings until all operations and entire supply chains have been restored. As with last week, concerted efforts have been made to clear the backlog at the ports, with another good week registered number-wise. Against that, however, the predicted struggles have shown their face as the Durban yard reached near-full stack occupancy levels for both general-purpose and reefer containers. The recurring theme in these reports, ensuring that our terminals can operate fluidly, remains pertinent. Consequently, Pier 2 continued to run the focussed mass evacuation model, which prioritises import evacuation. But the pressure is expected to continue, especially considering the near-term outlook of high import volumes and ongoing citrus exports. Other operational constraints included some weather delays, booking system inefficiencies, and further COVID-19 cases.

Globally, the container industry continues to be marred by congestion at both ends of the transatlantic trade routes. However, the outlook is slightly improved, with Ningbo-Zhoushan expected to be back to full operation by mid-week next week. Unfortunately, the number of cargo vessels at anchorage in California remains desperately high, as a setback has occurred in terms of container evacuations. In somewhat better news, the port of Long Beach announced the completion of a \$1,5 billion automated container terminal in a move to set a new industry standard.

Elevated freight rates remain the main feature of the global container narrative. Freight rates increased for a nineteenth consecutive week, as no restoration of normality is expected before the end of the year at the very earliest. In an explanation from McKinsey, the main drivers of elevated freight rates are still on the supply side, as capacity is approximately **↓11%** below maximum levels of September last year. Although global demand has increased with a significant shift in buying patterns, the overall demand levels are only **↑5%** up from the pre-crisis levels of 2019, but this is more than countered by limited capacity or supply. Thus, the outlook remains grim, as rates will remain high as the peak container season gets into full swing.

Most regional trade corridors experienced a significant increase in transit times in terms of cross-border road traffic movement. In addition, several other constraints were reported, including fake PCR certificates, a driver update from the DRC, and minor incidents of protest action (see a more detailed breakdown [below](#)). Finally, SARS announced a pilot to discontinue the printing CN2s as part of the process to expedite



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

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

movement through the border post and minimise border congestion at the Lebombo border post. This pilot will be extended to other borders if it is successful.

The focus has again been on the international scene for the air cargo industry this week, as cargo keeps driving airline financial performance whilst passenger recovery remains slow. Furthermore, despite the desperate attempts to contain costs, the fall in operating expenses in Q2 2021 (**↓35%**) remains well short of the decline in revenues. Similarly, across the key cost items, while fuel costs and user charges declined by **↓52%** and **↓48%**, respectively, the fall in labour cost was limited to **↓27%**. Finally, the resurfacing of positive COVID-19 cases in China threatens to derail cargo operations, as operations at Shanghai Pudong International Airport (PVG), the world's third busiest airport by cargo traffic, remained suspended following a new COVID-19 outbreak among the workforce. As the industry's experience in the container market has taught us, the possibility of these stoppages at important nodes rippling through the entire sector remains high.

Concluding this week's edition, our attention is drawn to the reality of the economic mess we are currently facing. According to the latest Stats SA data, the number of unemployed persons increased by 584 000 to **7,8 million** compared to the first quarter of 2021⁸. Also, because of the unrest and looting in early July, SASRIA expects claims of up to **R20 billion**, far more than initially anticipated⁹. Thus, once again, at another critical juncture, South Africa must get its own house in order if we are to derive any benefit while the drivers for recovery remain robust, and that situation cannot be expected to last indefinitely. Fortunately, the extended supply chain is playing its part by doing everything to ensure that volumes and productivity are constantly increased.



⁸ Stats SA. 24/08/2021. [Unemployment data.](#)

⁹ Letsie, T. 24/08/2021. [SASRIA expects claims of up to r20 billion - far more than expected.](#)

Contents

Weekly Snapshot	1
Monthly Snapshot.....	1
Key Notes	1
Executive Summary.....	2
Contents.....	4
1. Ports Update.....	5
a. Container flow overview	5
b. Summary of port operations.....	7
i. Weather delays	8
ii. Cape Town.....	8
iii. Eastern Cape	8
iv. Durban	8
v. Transnet Freight Rail (TFR).....	10
2. Air Update	11
a. International air cargo	11
b. Domestic air cargo.....	12
3. Regional Update	13
a. South African border closures.....	13
b. Cross-border delays.....	13
4. International Update.....	16
a. Global container industry	16
i. Global freight rates	16
ii. Further developments of note.....	18
b. Global aviation industry	19

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 table indicates the container flows reported for the last seven days and projections for the next seven days. The throughput remains elevated as attempts to clear the accumulated backlog persists.

Table 2 – Container Ports – Weekly flow reported for 21 to 27 August¹⁰

7-day flow forecast (21/08/2021 – 27/08/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 603	4 992
DURBAN CONTAINER TERMINAL PIER 2:	11 415	10 660
CAPE TOWN CONTAINER TERMINAL:	6 128	4 633
NGQURA CONTAINER TERMINAL:	6 279	5 178
GQEBERHA CONTAINER TERMINAL:	1 530	1 054
TOTAL:	30 954	26 516

Source: [Transnet](#), 2021. Updated 27/08/2021.

Table 3 – Container Ports – Weekly flow reported for 28 August to 3 September¹¹

7-day flow forecast (28/08/2021 – 03/09/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 593	6 592
DURBAN CONTAINER TERMINAL PIER 2:	11 415	10 660
CAPE TOWN CONTAINER TERMINAL:	7 425	9 160
NGQURA CONTAINER TERMINAL:	5 320	6 004
GQEBERHA CONTAINER TERMINAL:	782	2 048
TOTAL:	31 535	34 464

Source: [Transnet](#), 2021. Updated 27/08/2021.

An average of ~8 210 TEUs (↓1%) was handled per day for the last week (21 – 27 August, Table 2), with an increased average of around ~9 428 TEUs (↑15%) expected to be handled next week (28 August – 3 September, Table 3). There is a slight change in the way that the data is presented. Previously, the figures reported were tabulated at the time of berthing and not when container handling is finished. A rolling average will be provided to offer a more transparent view since each container vessel's handling typically gets spread over several days.

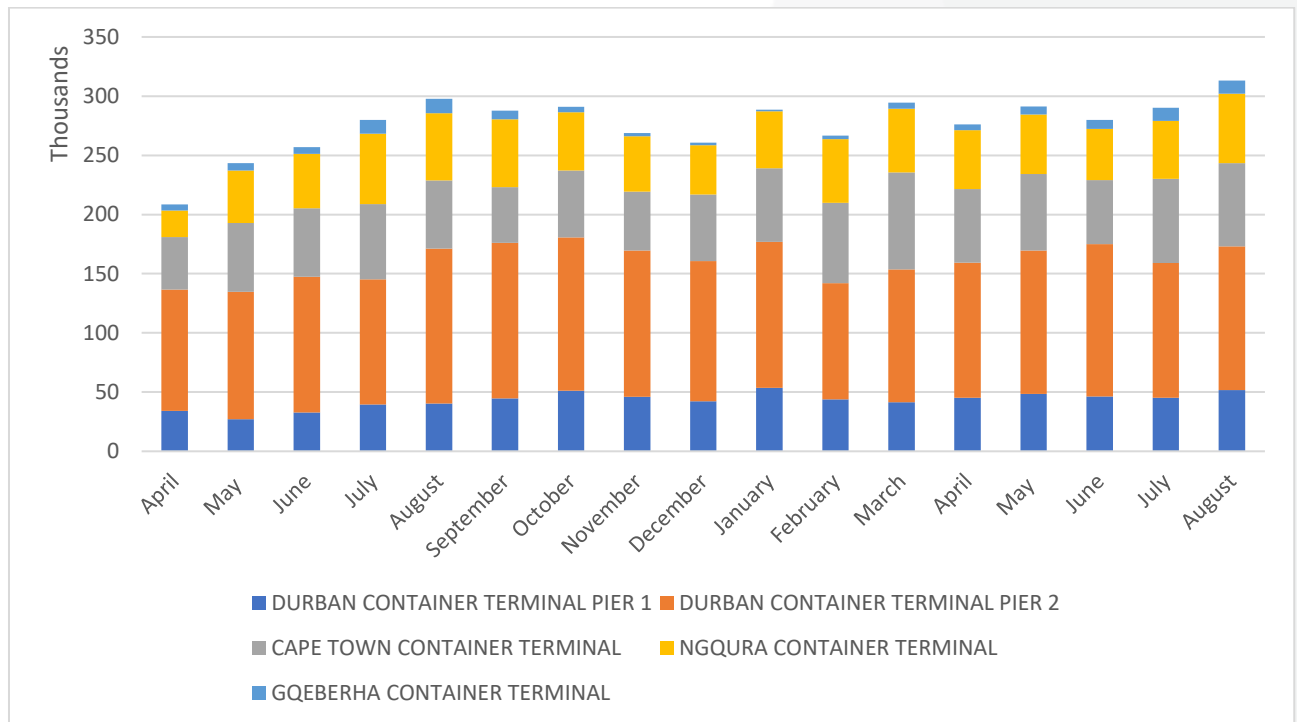
The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown.



¹⁰ It remains important to note that a fair percentage (approximately 25%, according to the most recent TNPA figures for June) 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.

¹¹ As notes above.

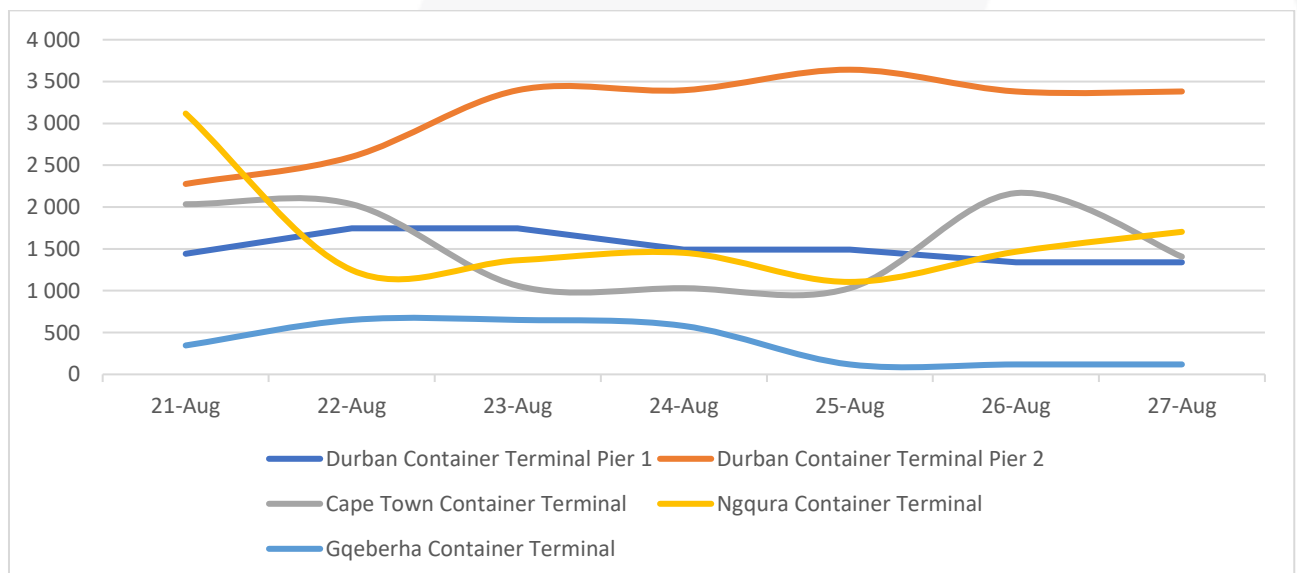
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet](https://www.transnet.co.za), 2021. Updated 27/08/2021.

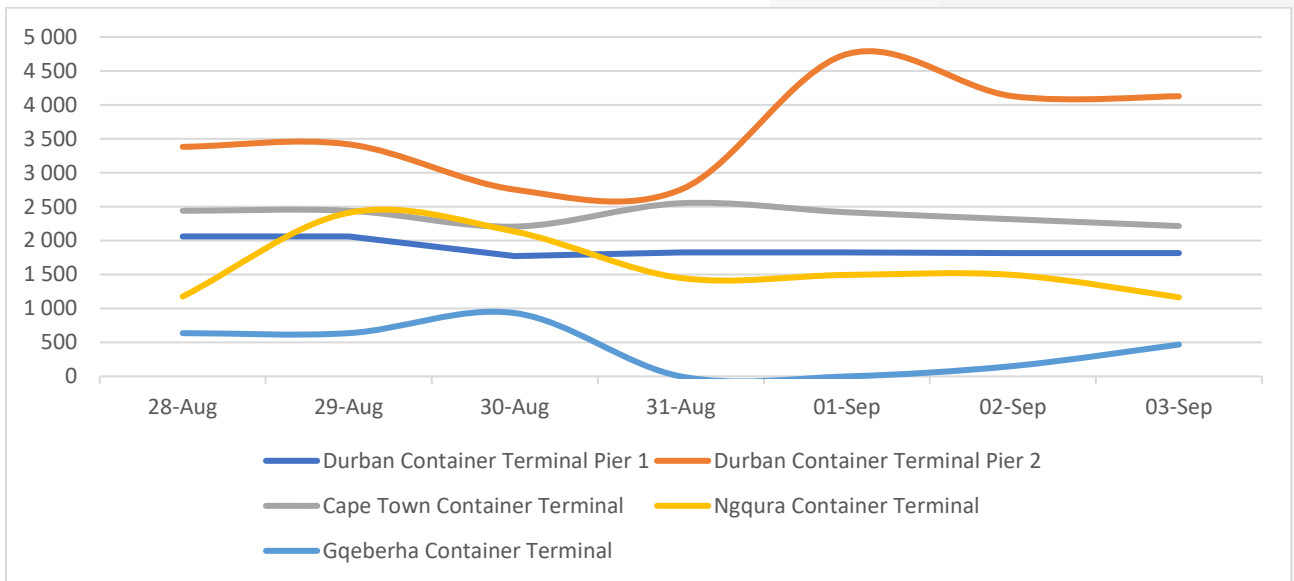
The figures below show the weekly container flows for the previous seven days and projections for the next seven days. Note that the following two tables have been adjusted from earlier versions in that the volumes depicted per day now consist of a *rolling average*. Since handling large container vessels will typically be spread across several days, a rolling average better represents the container throughput.

Figure 4 – 7-day flow reported for total cargo movement (21 to 27 August; per port; day on day)



Source: Calculated using data from [Transnet](https://www.transnet.co.za), 2021. Updated 27/08/2021.

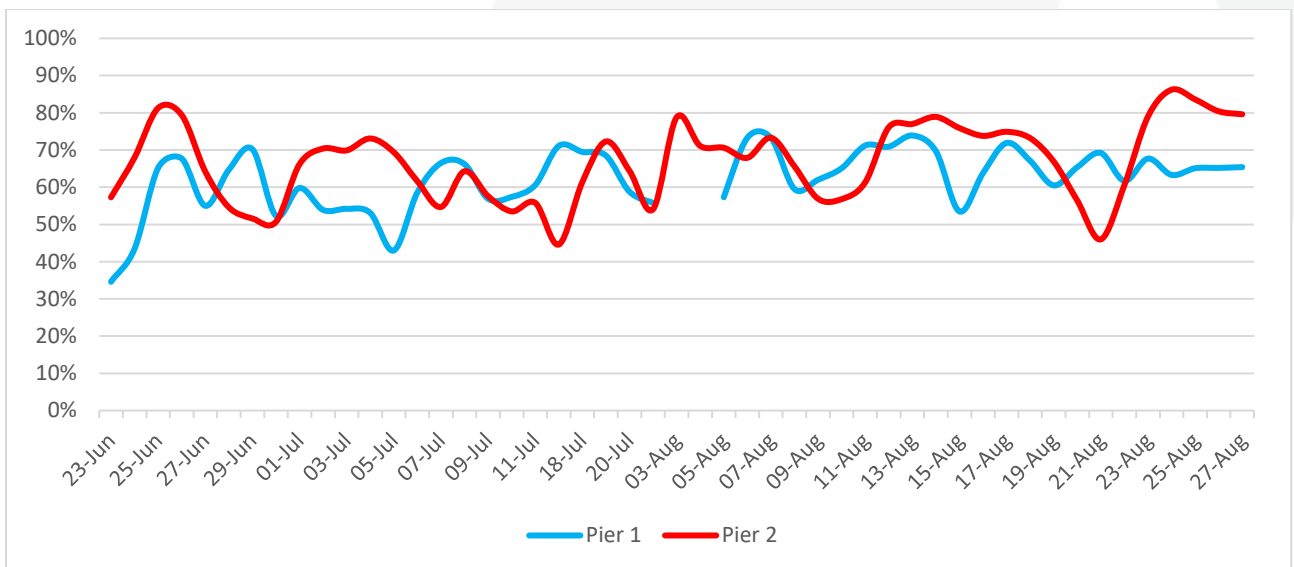
Figure 5 – 7-day flow reported for total cargo movement (28 August to 3 September; per port; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 27/08/2021.

The following figure shows daily stack occupancy in both DCTs since the end of June. In recent weeks, the stack occupancy has hovered around the optimum level of 65% in terms of operational fluidity.

Figure 6 – Stack occupancy in DCT, general-purpose containers (23 June to present; per pier; day on day)



Source: Calculated using data from [Transnet](#), 2021. Updated 27/08/2021.

b. Summary of port operations

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

i. Weather delays

At the beginning of this week, CTCT had moderate delays due to bad weather. Some vessels were ranging due to high swells. On Thursday and Friday, strong NNW winds and rain made waterside activities exceptionally difficult. Unfortunately, bad weather conditions were expected to last over the weekend, moving towards the Northern Cape area.

The port of Durban experienced mild delays due to strong winds, especially at Pier 1 on Monday. On Friday, both Piers were declared windbound from 08:30, ceasing both terminal's waterside operations. A wind speed was recorded at gusts above 83 km/h. TPT announced that booking slots for Pier 1 would only be made available when landside operations resumed and urged clients not to send trucks to the port without a valid booking slot. Pier 2 landside and rail was operating as per usual. The South African weather services sent out a warning of possible snowfall expected over the western parts of KwaZulu-Natal.

For our Eastern Cape ports, waterside operations were just as challenging on Thursday and Friday due to strong WSW winds and light showers, which lasted over the weekend.

ii. Cape Town

At the beginning of this week, CTCT had a total average stack occupancy of 39%, while TTT was hovering around 69 minutes. The total gate moves at CTCT averaged about 1 150 at the beginning of the week. Marine services reported problems with their workboat and delayed nine vessels (mostly fishing vessels) plus the sailing of the Maersk Altus. In addition, 12-hour delays were recorded due to the ranging of vessels along terminal quays, with the installation of shore tensioners postponed until further notice. To make things even more complicated, Marine services are still having minor problems with a pilot boat. The IPMS (Integrated Port Management System) is still non-operational, and a manual process to apply for Port Entry Permits was introduced on Thursday, 25 August.

Lastly, security arrested a truck driver that attempted to enter the port with false documentation. FPT handled eight vessels this past week and reported five positive COVID-19 cases. CTCT had 18 RTGs deployed this week and reported 33 COVID-19 cases.

iii. Eastern Cape

Starting this week, stack occupancy at NCT was at 54% capacity and 63% capacity at PECT. The average TTT recorded this week at NCT were averaging around 56 minutes.

iv. Durban

A completely full container stack at Durban port – especially at Pier 2 – posed several challenges for TPT this week. Total stack occupancy was at 68% at Pier 1 on Monday and 79% at Pier 2. From 23 August to 29 August, an additional seven vessels were expected at Pier 2 carrying 14 059 import containers. In addition, Pier 1 had five ships scheduled for berthing during the same period, holding 7 678 import containers. These figures portrayed yet another hectic week for TPT, where space constraints and limited equipment were already hampering operations. As per TPT, Pier 2 will continue to run the focussed mass evacuation model, which prioritises import evacuation between 06:00 and 10:00 and 22:00 and 01:00 due to its success in expediting import evacuations.

Furthermore, TPT appealed to shipping lines once again to assist with evacuation efforts. The average TTT stood at 140 minutes at Pier 2, with 108 recorded at Pier 1 at the beginning of the week. On Monday, Pier 2 had only 20 straddle carriers operating landside operations, leading to serious problems and delays. On

Wednesday, 25 straddle carriers were deployed to landside operations, bringing a small measure of relief (against an optimum operational requirement of at least 27).

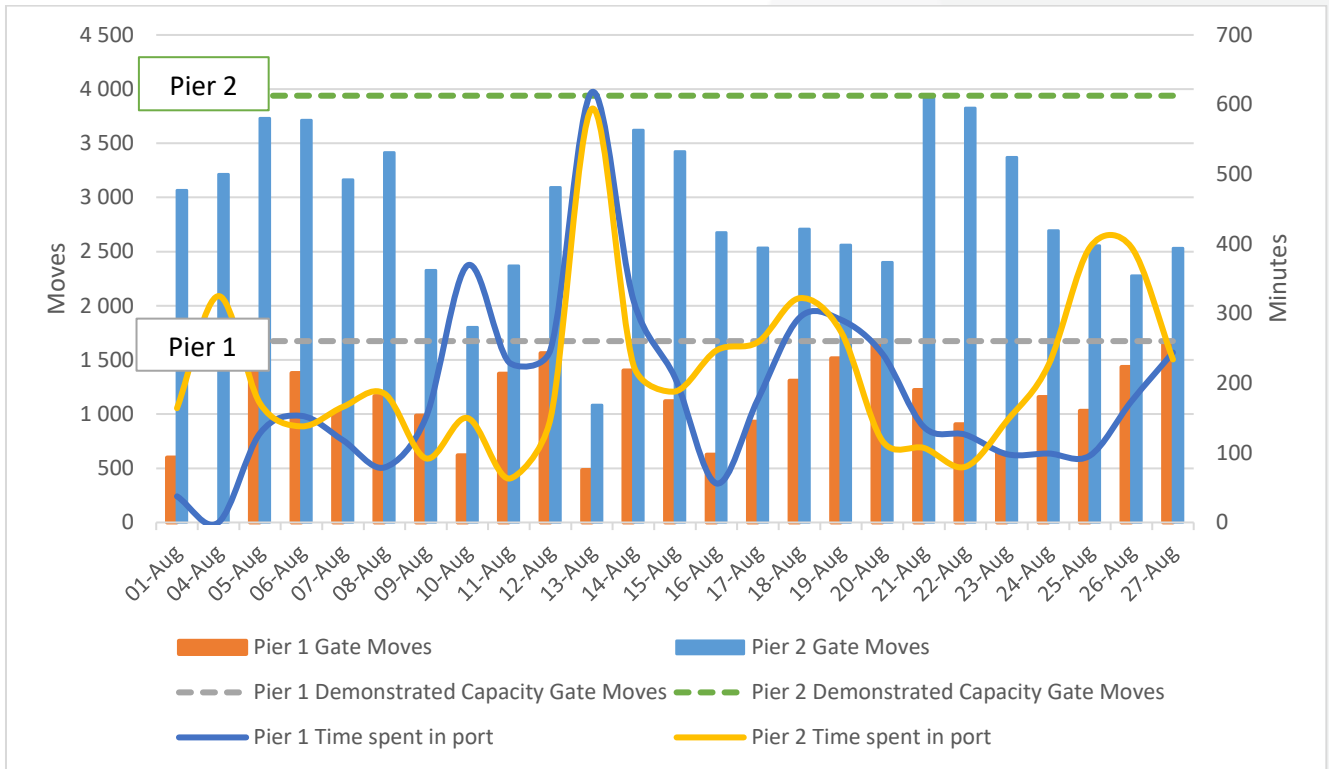
As of Wednesday this week, stack occupancy was still very high at 86% at Pier 2 and 63% at Pier 1. Reefer stack occupancy was exceptionally high at 95% capacity at Pier 2. As experienced last week, the industry reiterated that the extremely high volumes and poor turnaround times at Pier 2 could present a problem for collections at Pier 1. On average, trucks have been sitting in Pier 2 for around fourteen hours. In addition, transporters were struggling to turn around in the terminals. Severe congestion in Maydon Wharf was reported on Tuesday due to an incident in Sydney Road. This situation caused significant issues for TPT as they were unable to exercise any control inside Maydon Wharf, and it would seem as though the area had more trucks calling than it can handle. Also, tipper trucks destined for Maydon Warf blocked both the steel and Congella access bridges.

On Thursday, stack occupancy was still at a worrisome 99% at Pier 2 and 41% at Pier 1 for reefers. As a result, trucks dropping export containers were waiting for hours on end before getting turned away from the port. Trucking companies stressed the cost implications, highlighting their losses in terms of wages, diesel, and productivity. Frustrations were also raised due to the unavailability of trucking slots for certain towers. Another concern raised was that trucking companies could not make a booking during the week, forcing cargo owners to open on weekends. Moreover, a mail was sent out by Transnet advising port users that breakbulk cargo was not allowed into Durban Terminal. Finally, it was noted during the week that CMA CGM was demanding supporting Customs documents to move containers from DCT due to a request from Transnet to evacuate the landside area.

SAAFF advised its members to continue processing release documentation as normal to safeguard client confidentiality. Furthermore, it was reiterated that a SARS-released bill of entry, released Cargo Dues Order, and proof of payment of landside/freight charges should suffice to grant release over a container by any shipping line, and no commercial documents should be needed. Finally, on a health note, eleven active COVID-19 cases were regrettably reported at Piers 2 and 1.

The following figure – new to this edition of the report – shows a summary of the gate moves and time spent in the terminal, noting that operational efficiency could be improved, especially in terms of the time spent in the port.

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

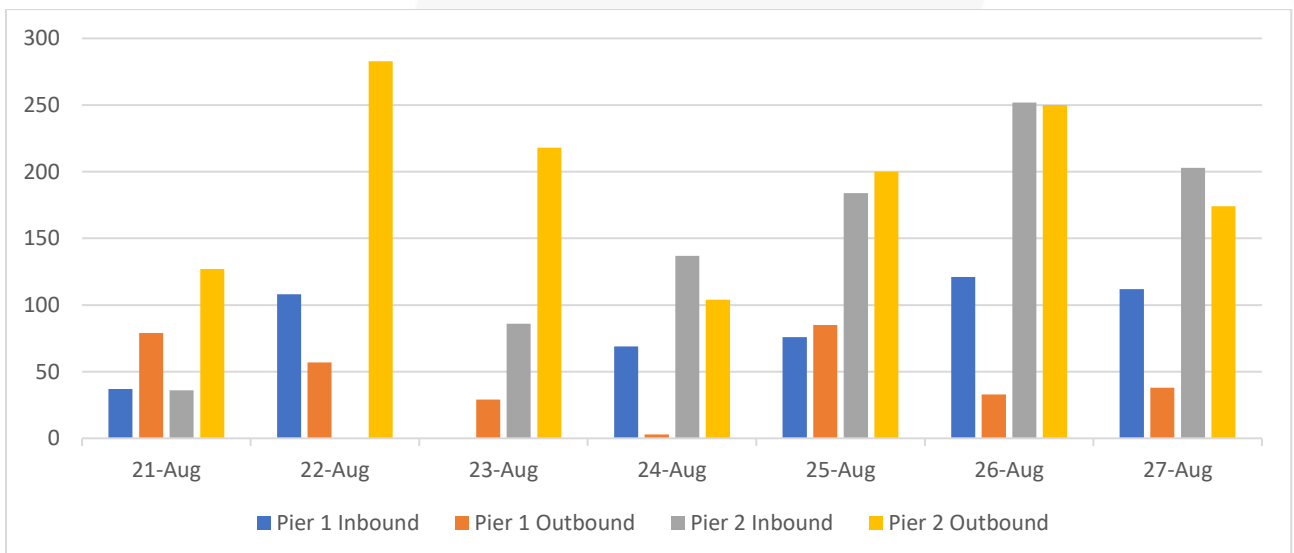


Source: Calculated using data from Transnet, 2021. Updated 27/08/2021.

v. Transnet Freight Rail (TFR)

The following figure graphically illustrates the total lack of rail movement from Durban for the week:

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



Source: Calculated using data from Transnet, 2021. Updated 27/08/2021.

This week (21-27 August), rail cargo handled out of Durban averaged around 102 containers inbound (75 for Pier 1 and 128 for Pier 2) and 120 containers outbound (46 for Pier 1 and 194 for Pier 2)) per day. Thus, the total rail cargo moved through Durban for the week amounts to 3 101 containers, **↓12%** lower than the previous week's 3 541 containers.

2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week starting 16 August. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in August 2020 averaged **~695 286 kg** per day. For 2019, this average was **~981 451 kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

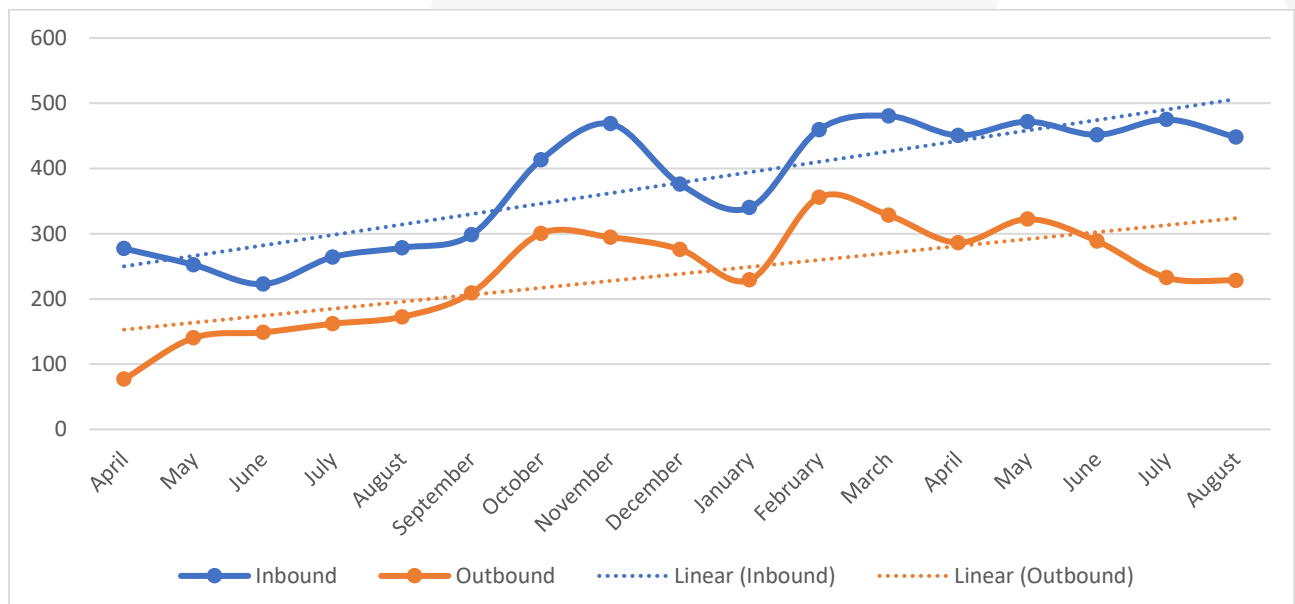
Flows	16-Aug	17-Aug	18-Aug	19-Aug	20-Aug	21-Aug	22-Aug
Volume inbound	438 502	297 196	344 205	356 632	366 470	437 734	762 297
Volume outbound	104 549	198 109	188 333	192 093	255 418	281 183	453 519
Total handled per day	543 051	495 305	532 538	548 725	621 888	718 917	1 215 816

Courtesy of ACOC. Updated: 23/08/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 16 August amounted to **429 005 kg** inbound and **239 029 kg** outbound. The total, therefore, amounts to an average of **668 034 kg** per day, or **~96%** compared to August 2020. Compared to pre-COVID-19 times, the level is currently only at **~68%** when compared with 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)



Courtesy of ACOC. Updated: 23/08/2021.

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 August 2020 was only ~59 559 kg¹² 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
Jul Average	23 583	5 374	3 144	15 839	6 229	2 844	57 013
1-10 Aug-21	24 172	2 563	3 232	15 670	5 831	2 951	54 418
11-Aug-21	42 654	5 014	6 684	29 181	14 177	6 642	104 353
12-Aug-21	38 224	5 914	5 595	36 445	10 739	4 839	101 755
13-Aug-21	18 028	1 736	3 106	27 043	5 002	3 553	58 467
14-Aug-21	763	172	8	493	83	19	1 537
15-Aug-21	4 361	17	68	444	254	296	5 440
16-Aug-21	47 647	5 874	5 122	27 657	11 624	5 545	103 469
17-Aug-21	36 189	3 610	5 408	32 500	8 735	4 996	91 438
18-Aug-21	42 654	5 014	6 684	29 181	14 177	6 642	104 353
19-Aug-21	38 224	5 914	5 595	36 445	10 739	4 839	101 755
20-Aug-21	19 798	1 622	2 969	24 323	4 026	2 827	55 566
21-Aug-21	1 679	338	94	694	150	37	2 990
22-Aug-21	1 619	40	83	202	248	94	2 286
23-Aug-21	44 560	4 540	5 968	28 176	11 390	5 809	100 443
24-Aug-21	38 218	5 126	5 073	38 318	11 089	4 892	102 716
25-Aug-21	36 238	3 809	5 388	30 299	8 788	4 970	89 492
26-Aug-21	37 880	5 006	4 586	29 901	9 611	4 887	91 871
Y-T-D Totals	6 158 245	859 152	795 869	5 909 465	1 577 646	760 253	16 060 631

Courtesy of BAC. Updated: 26/08/2021.

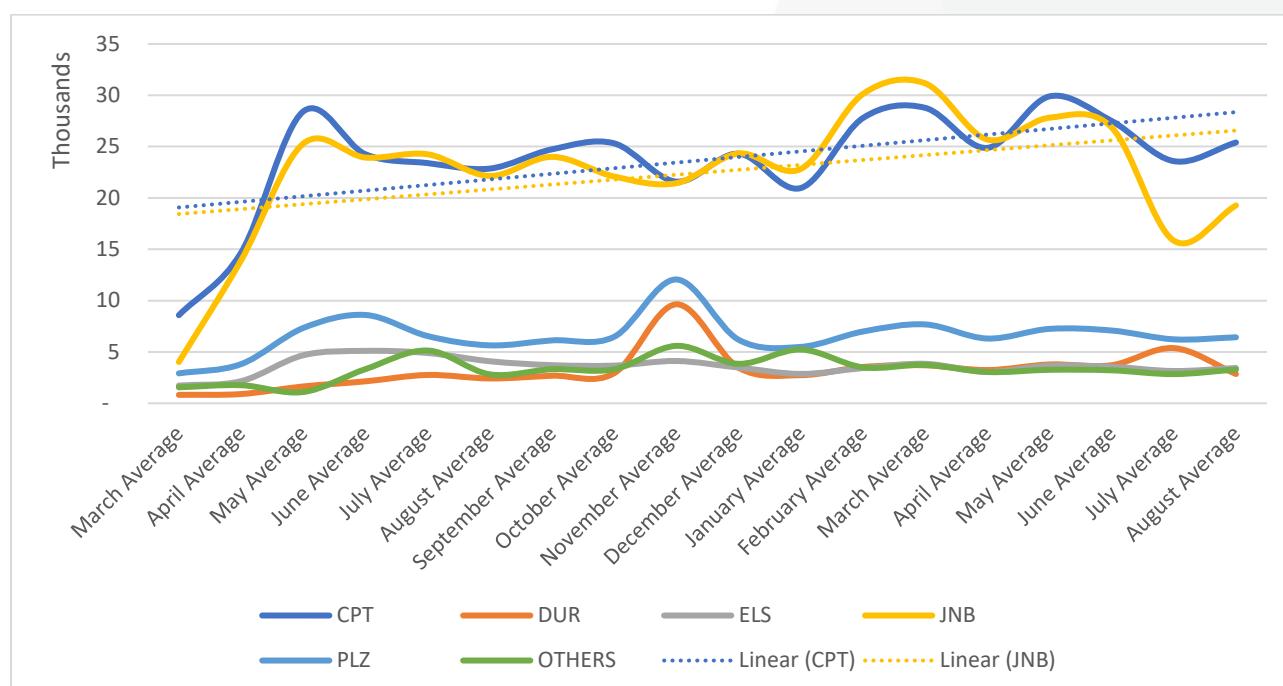
Currently, the average domestic air cargo moved in the last week was ~63 624 kg per day, which is ↓5% compared with the previous week. Moreover, the volume handled amounts to ~107% compared to August 2020.

The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with an upward trend in volumes registered since the start of the year.



¹² For Cape Town, the figure corresponds to 34 369 kg per day, and 3 129 kg per day for Durban during the same period (July 2020).

Figure 10 – Average domestic inbound and outbound cargo



Courtesy of BAC. Updated: 26/08/2021.

3. Regional Update

a. South African border closures

The following table notes several border posts which experienced closures throughout last week (information provided by SARS Customs).

Table 6 – South African border closures

Date	Border
27 August	Nakop closed at 10:00 for decongestion and will reopen at 12:00 today
25 August	Waverley Building in East London Customs office is closed until further notice.

Source: SARS. Updated: 27/08/2021.

In general, minimal border disruptions resulting in closures were experienced this week. Nevertheless, border crossing in the region was still very slow at some border posts, as noted below. As a rule, traders are at all times urged to stay abreast of border post communications on the SARS Customs and Excise [website](#). A final matter worth noting is the SARS Declaration Processing System, which was scheduled for maintenance on Friday, 27 August, between 18:00 to 20:30.

b. Cross-border delays

In a busy week as far as cross-border road notes are concerned; the following significant events have caused some delays in the SADC region this week:

- Truck movement Northbound through Beitbridge was particularly slow for the week, with regrettable reports received of police taking advantage of drivers. The overall state of the queues

at Beitbridge was poor and highly time-consuming, as reports were received of Port Health setting up a desk by the gate to check covid certificates despite the agreement that was reached some time ago.

- Riots over municipal rates in Middelburg intensified, with police setting up roadblocks in and around the town¹³.
- Due to the situation at Kamao Mine in DRC, convoys of armed trucks have been employed for the vehicles travelling from Kamao. Unfortunately, very regrettably, a driver was shot and killed on that route last week.
- SARS announce the discontinuation of printing CN2s as part of the plan to expedite movement through the border posts and minimise border congestion, initially at the Lebombo border post.
- In addition, SARS will soon pilot a new Number Plate Recognition (NPR) system to eliminate the need for manifests and CN2 notices to be presented at the border for arrival and exit control measures. Instead, the process will be driven through the advance submission of manifests in the RCG system.
- Lastly, the NBMCC - Committee of the Border Management Authority has informed the Agency that Port Health authorities have noted an increase in the number of fake PCR certificates presented by drivers at land ports.

Apart from these developments, investigations continue into cross-border delays experienced at several 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 7 – Delays¹⁴ 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	30:00	100	3 000	700	24 640	1 400
SA/Zim	Beit Bridge	6:00	24:00	943	28 290	6 601	145 222	39 606
Moz/Zam	Cassacatiza/Mlolo	1:00	17:00	60	1 800	420	6 300	420
Zam/Zim	Chirundu	36:00	18:00	616	18 480	4 312	68 992	155 232
Moz/Mal	Dedza	2:00	32:00	50	1 500	350	10 500	700
SA/Bot	Grobliersbrug/Martins Drift	26:00	12:00	400	12 000	2 800	28 000	72 800
Zam/DRC	Kasumbalesa	0:00	46:00	592	17 760	4 144	165 760	0
Zam/Bot	Kazungula	0:00	35:00	212	6 360	1 484	48 972	0
SA/Bot	Kopfontein/Tlokweng	24:00	61:00	100	3 000	700	41 300	16 800
Moz/Zim	Machipanda/Forbes	1:00	7:00	320	9 600	2 240	11 200	2 240
Moz/Mal	Milange	0:00	4:00	40	1 200	280	560	0
Moz/Mal	Nakonde/Tunduma	0:00	2:00	500	15 000	3 500	0	0
Zim/Moz	Nyamapanda	1:00	10:00	100	3 000	700	5 600	700
SA/Moz	Ressano Garcia	16:00	20:00	400	12 000	2 800	50 400	44 800
Zam/Nam	Shesheke/Wenela	0:00	24:00	100	3 000	700	15 400	0
SA/Bot	Skilpadshek/Pioneer Gate	22:00	4:00	300	9 000	2 100	4 200	46 200

¹³ Khoza, M. 20/08/2021. [Violent protests over municipality rates rock Middelburg.](#)

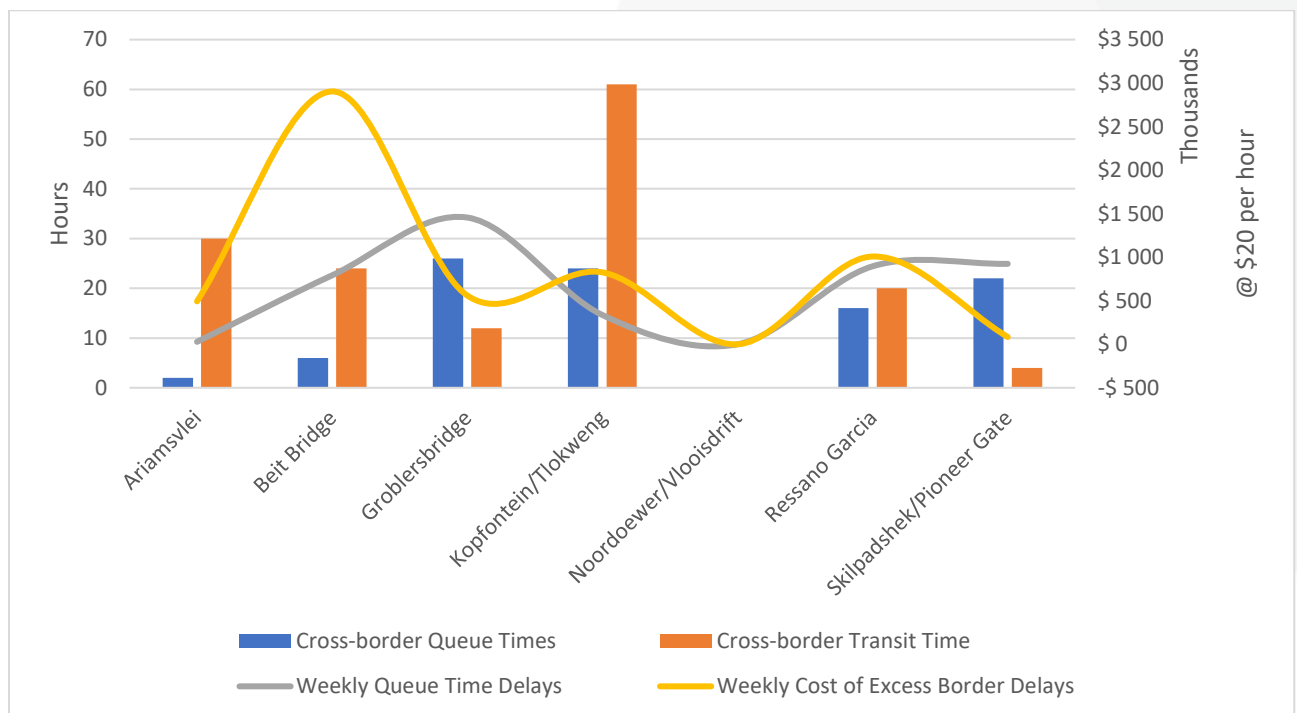
¹⁴ It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire border 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.

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/Bot	Trans Kalahari/Mamuno	0:00	38:00	110	3 300	770	27 720	0
Zam/Zim	Victoria Falls	1:00	6:00	114	3 420	798	3 192	798
Moz/Mal	Zobue/Mwanza	2:00	15:00	100	3 000	700	9 100	1 400
				5 157	154 710	36 099	667 058	383 096

Source: TLC & FESARTA, week ending 23/08/2021.

The following graph shows the weekly change in cross-border times (and associated estimated cost) from South Africa's perspective.

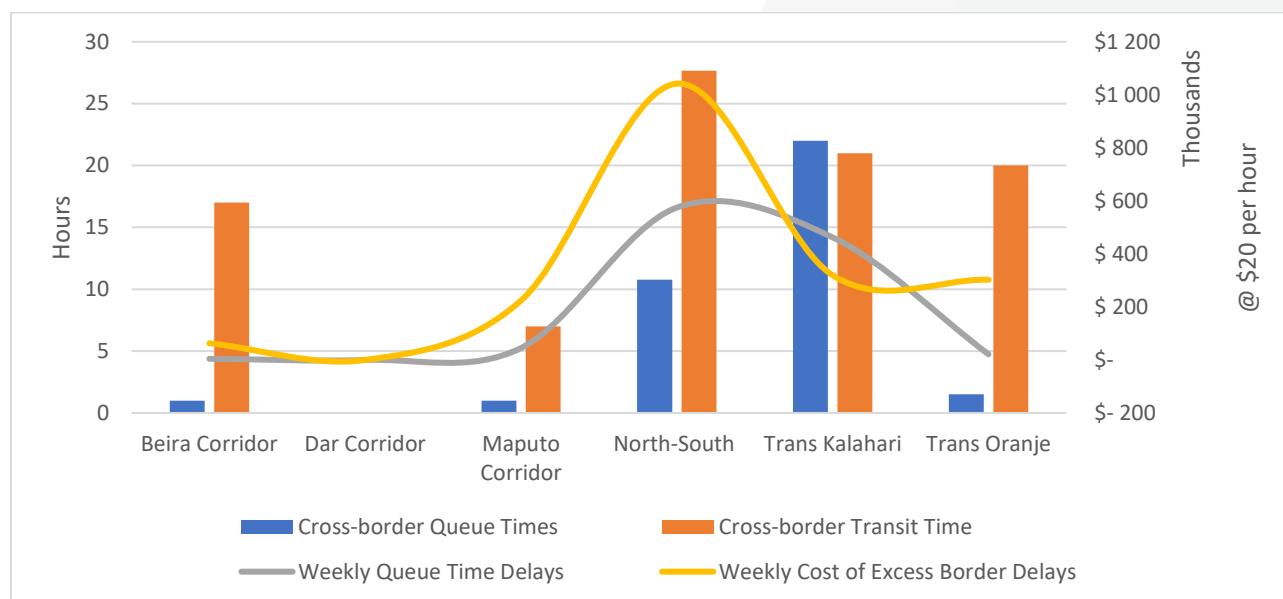
Figure 11 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in \$ thousands)



Source: TLC & FESARTA, week ending 23/08/2021.

The following figure illustrates a similar picture to those above, this time from a corridor perspective. Again, significant transit delays on the North-South corridor have continued.

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



Source: TLC & FESARTA, week ending 23/08/2021.

In summary, the cross-border queue time has averaged **~8,2 hours** (rising by **~1 hour** from last week's recorded time of **~7,2 hours**), costing the transport industry an estimated **\$7,66 million (R123 million)**. Furthermore, as with the queue times, the average cross-border transit time has also experienced a substantial increase to **~20,3 hours** (much higher than last week's experience at **~15,2 hours**), costing the transport industry **~\$13,34 million (R213 million)**. Regionally, transit times in all major corridors (besides the Dar corridor) have been high this week. Therefore, the total cost for the week amounts to **~R336 million** (up by **~R27 million** or 9% from **R309 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 global container industry and **(b)** the global aviation industry.

a. Global container industry

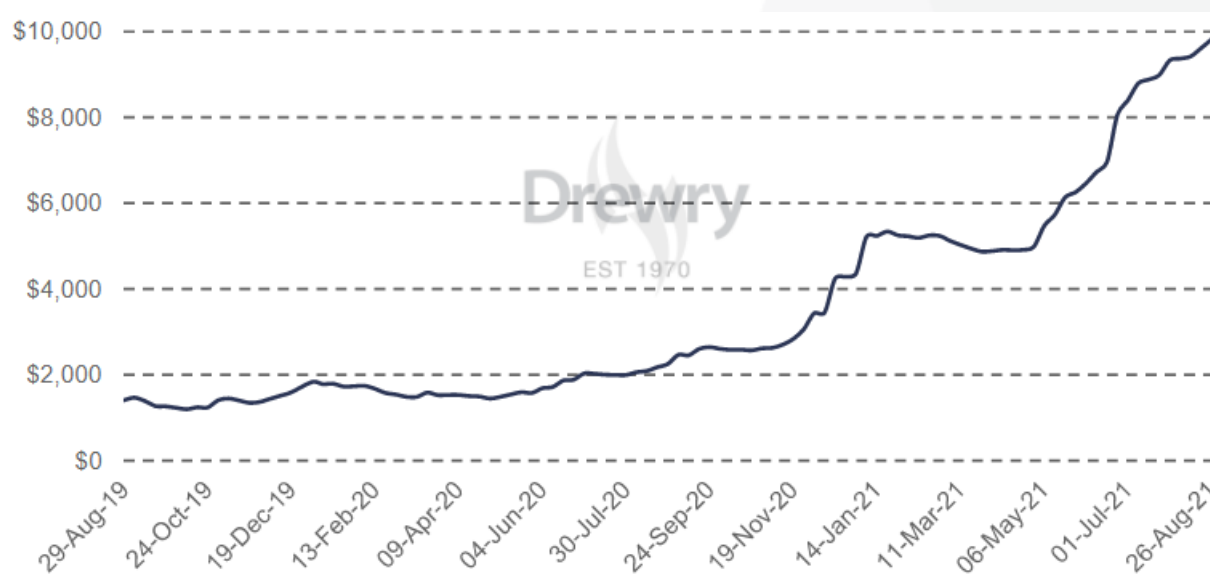
i. Global freight rates

A nineteenth consecutive increase in global container freight rates was experienced this week, as the "World Container Index" (WCI) increased by **↑2,1%** (or **\$204**) to **\$9 818** per 40-ft container¹⁵. The following figure summarises the astonishing rise in the two-year spot price of the index, which is now nearing the **\$10 000** mark.



¹⁵ Drewry Supply Chain Advisors. 26/08/2021. [World Container Index](#).

Figure 13 – World Container Index – Assessed by Drewry (\$ per 40 ft. container)



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

The average composite index now stands at a mammoth **↑351%** higher compared to the same time last year. Freight rates on Eastbound Transpacific lanes surged 4% to \$11 362 from Shanghai to Los Angeles and 5% to \$14 136 from Shanghai to New York per 40ft container. These increases come as no surprise, as major hubs at both ends of the route are still struggling with significant congestion issues. For the Europe-Asia trade, spot rates from Shanghai to Genoa gained \$203 to reach \$13 464 for a 40ft box, a change of 594% y/y. Fortunately, freight rates on Rotterdam to New York and Rotterdam to Shanghai remain stable at the previous week's level. Drewry expects rates to increase further in the coming week.

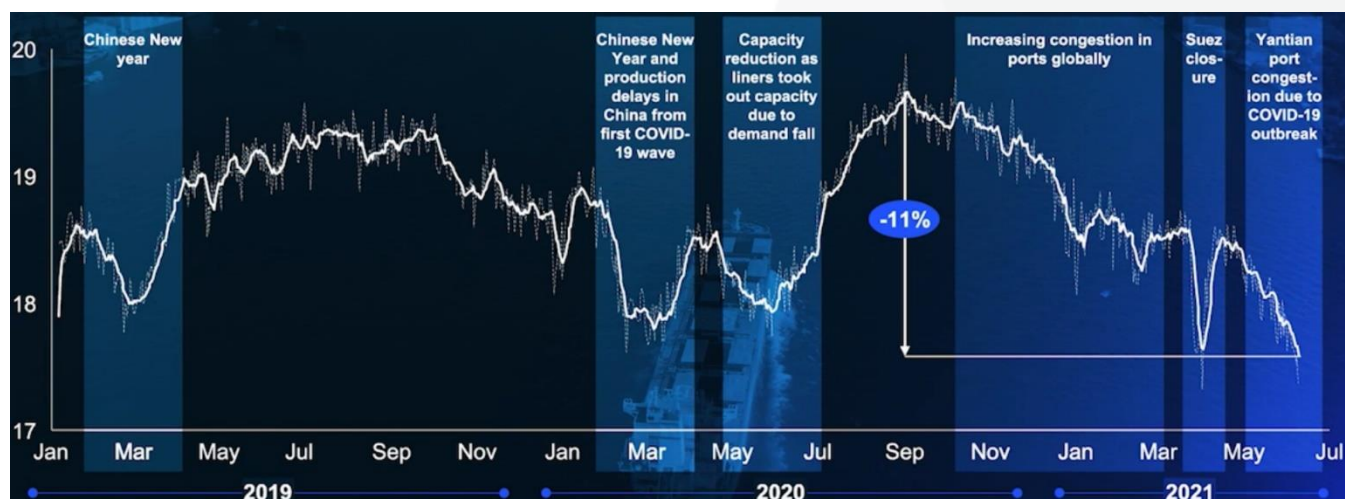
To make some sense of the overall picture in global shipping, McKinsey & Company has provided an overview of the cause of these high shipping rates¹⁶, noting the following key points:

- Container demand has risen by only 5% since 2019 levels. Therefore, even with existing capacity, shipping lines should have been able to handle the global rise in demand.
- However, demand rose particularly significantly in the US, especially for consumer goods.
- The massive shift of consumption patterns in the US – where consumers typically have larger homes and more space to fill with home offices, gyms, DIY equipment and recreational areas – was particularly noticeable in consumer goods. For example, furniture and household equipment increased **↑28%**, and motor vehicles and parts **↑28%**).
- Spending on services (especially recreational services like travel and entertainment **↓31%**), in turn, fell significantly.
- This shift caused major import hubs (such as LA/Long Beach) to experience an increase of greater than 40% in imports. This situation led to significant congestion, as the ports and hinterland infrastructure could not handle the surge.
- In addition to the significant spike in demand, there was a significant drop in supply, as shown below.



¹⁶ McKinsey & Company. 20/08/2021. [What's going on with shipping rates?](#)

Figure 14 - Daily container sailing capacity (million TEUs)



Source: [McKinsey & Company](#)

- COVID-19 initially created serious doubts that supply would exceed demand, resulting in some shipping lines withdrawing capacity.
- However, even considering normal drops in supply (such as annually around the Chinese New Year), global container capacity was at a near-maximum in September 2020.
- Since then, several factors have caused an 11%-drop in capacity.
- These constraints have been led by congestion, COVID-19 cases in ports, the Ever Given blocking the Suez Canal, and the time taken to clear the resulting backlog.

McKinsey concludes that the increase in demand has not been the most significant driver in the price increases, but rather, the reduction in supply because of the congestion. Carriers are desperately trying to add back capacity (hence the spike in new ship orders), speed up turnaround time (in some cases by not accepting export cargo, as has happened in South Africa), and charter additional ships. However, it will take some time before the market settles, as we are also entering into the traditional peak season in container shipping. Therefore, McKinsey expects that normalisation will likely only occur by the end of the year. Lastly, the longer-term implications are likely to create a shift in contracting, with longer-term contracts between shippers and shipping lines, with potential enforceable volume commitments in the agreements. Also, the container shipping industry is expected to return to an oversupplied position.

ii. Further developments of note

Apart from the ongoing story of rising freight rates and port congestion mentioned above, some additional important developments occurred around the world this week, including a further update on Ningbo:

1. Ningbo-Zhoushan update:

- On Monday, 23 August, Ningbo's Meishan terminal partially reopened, as three containerships entered the terminal after days of waiting at anchorage¹⁷. A full reopening is expected on Wednesday 1 September¹⁸.
- Unfortunately, these closures will exacerbate equipment shortages, as was the experience with Yantian recently¹⁹. In addition, data from the equipment platform Container xChange indicates that early disruptions at Yantian and nearby terminals in May and June are still

BUSA

¹⁷ Shen, C. 23/08/2021. [Ningbo's Meishan terminal partially reopens](#).

¹⁸ Shen, C. 24/08/2021. [Ningbo's Meishan terminal to fully reopen next week, says OOIL](#).

¹⁹ Baker, J. 23/08/2021. [Ningbo disruption adds to the equipment shortage](#).

causing "disruptive ripples" in the supply chain. Consequently, stakeholders are bracing themselves for a drawn-out return to normality.

2. West Coast congestion:

- a. After a slight easing of congestion in the second quarter, peak season demand has seen more ships waiting for berths at Long Beach and Los Angeles. Unfortunately, with retail inventories at record lows, there is no immediate sign of any relief²⁰.
- b. On Friday, 27 August, a total of 45 cargo vessels were waiting at anchorage outside the twin ports of Long Beach and Los Angeles, according to Marine Traffic²¹.

3. Long Beach completes a \$1,5 billion automated container terminal:

- a. With two major instances already this year of a staggering number of ships waiting outside the port, some welcome news of the completion of an automated terminal at Long Beach has been received. The \$1,5 billion projects turned two existing terminals into a single 304-acre site. In addition, it has automated container-handling equipment yielding enhanced throughput capacity, ranking it as the sixth-busiest seaport in the US²².
- b. Once in full production over the next few months, the automated operations will result in an additional 1 million TEUs of capacity for the port of Long Beach and bring its capacity up to 3,5 million TEUs per year²³.

b. Global aviation industry

On Thursday, 26 August, the International Air Transport Association (IATA) released its latest "*Airline Financial Monitor*" for July/August²⁴. Initial Q2 2021 results show that net losses of airlines at the aggregated level diminished compared with Q1 2021. Nevertheless, IATA cautioned that, despite an improved performance, new COVID-19 restrictions in some large domestic markets on the recovery track and tight international travel restrictions pose downside risks to the recovery. Furthermore, despite desperate attempts to control costs, the fall in operating expenses in Q2 2021 (↓35%) remains short of the decline in revenues. Across the key cost items, while fuel costs and user charges declined by ↓52% and ↓48%, respectively, the fall in labour cost was limited to ↓27%. The following figure highlights the annual changes to pre-crisis of 2019-levels.

²⁰ Baker, J. 23/08/2021. [US west coast congestion ratchets up again.](#)

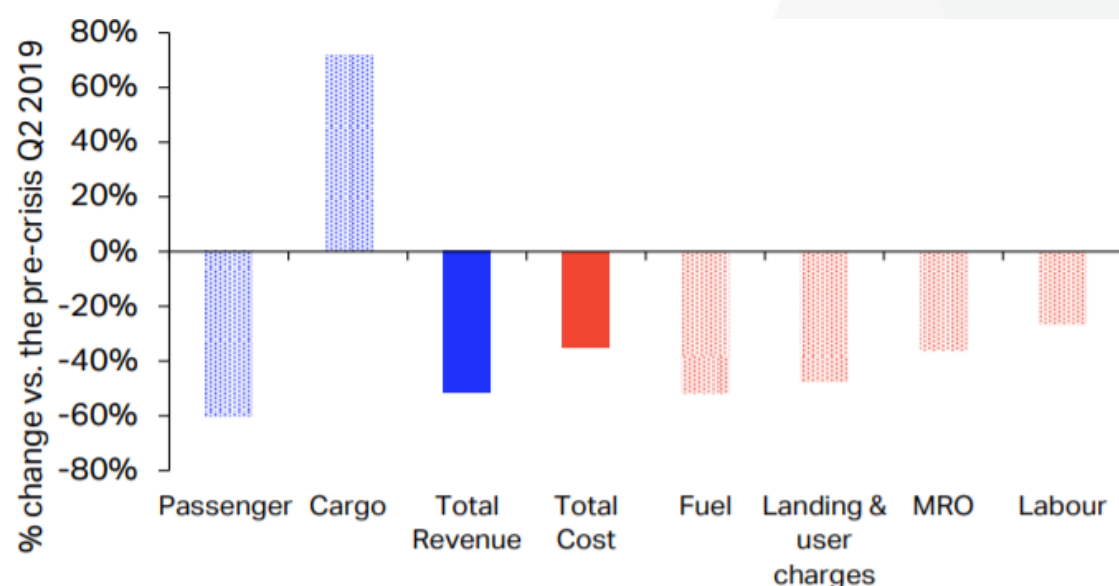
²¹ Marine Traffic. 27/08/2021. [Port of Long Beach.](#)

²² Watkins, E. 23/08/2021. [Long Beach completes \\$1.5bn automated container terminal.](#)

²³ PT. 23/08/2021. [Completion of Long Beach port's automated terminal hailed as creating a 'new bar' for the industry.](#)

²⁴ IATA, 26/08/2021. [Airlines Financial Monitor.](#)

Figure 15 – Percentage change in operating costs and revenue (Q2 2021 versus Q2 2019)



Source: [IATA Economics](#)

As the illustration notes, cargo operations remain a solid financial driver as the restricted nature of the operating landscape continues. Robust cargo revenues continue to support airlines (**↑72%**) since both demand and yields remain strong. But against this, Q2 2021 passenger revenues declined by **↓60%** compared to pre-crisis levels in Q2 2019. At the regional level, North American airlines showed the best outcome (**↓49%**). The Asia Pacific and European carriers posted passenger revenues down **↓63%** and **↓66%**, respectively, compared with the pre-crisis level.

In other aviation news, the stringent COVID-19 lockdown regulations that have brought some container terminals in China to a halt threaten to spill over into the aviation industry. For example, cargo operations at a terminal of Shanghai Pudong International Airport (PVG), the world's third busiest airport by cargo traffic, remained suspended following a new COVID-19 outbreak among its workforce²⁵. Two cargo workers, a Chinese national and an Ethiopian national were included among four locally transmitted cases in mainland China's tally of 20 new confirmed infections for 20 August, announced on Saturday²⁶.

The outbreak occurred at ground handling agent Shanghai International Airport Services (SIAS), which handles operations for major cargo carriers including Air China, Qatar Airways, and Cathay Pacific. Consequently, significant delays and backlogs are expected over the coming days as airport authorities implement sanitation protocols for hundreds of employees. The closure at PVG has already led Japanese carmaker Mazda to suspend operations at its plants in Hiroshima and Yamaguchi due to disrupted supplies of in-vehicle components using semiconductors.

The longer-term impact is expected to last for a while, as flights have been diverted. "*The impact of this suspension will see a serious backlog in Pudong in the coming days. Airlines are diverting flights to airports to the south or west of China,*" a SEKO spokeswoman said. In addition, some critical Chinese gateways have applied for a 'closed-loop management' rule due to the increase in cases, meaning that the handling rate is only at 30 to 40 per cent of normal levels, with import cargo required to undergo rigorous inspections. Lastly, cargo flight cancellations are already impacting airfreight rates, with a further increase expected²⁷.

BUSA

²⁵ Everstream. 25/08/2021. [COVID-19 Outbreak at Shanghai Pudong Airport Disrupts Critical Export Shipments.](#)

²⁶ Horwitz, J. & Zhou, W. 21/08/2021. [Shanghai places hundreds in quarantine after airport COVID-19 cases.](#)

²⁷ Liang, X. & Tan, S-L. 24/08/2021. [China cargo freight: coronavirus cases divert flights at Shanghai airport, 'serious backlog' expected.](#)