BUSINESS UNITY SOUTH AFRICA

NATIONAL OFFICE
61 Katherine Street, Sandton, 2196
P.O. Box 652807, Benmore, 2010
www.busa.org.za
+27 11 784 8000

COVID-19: Cargo movement update[1]

Date: 4 June 2021

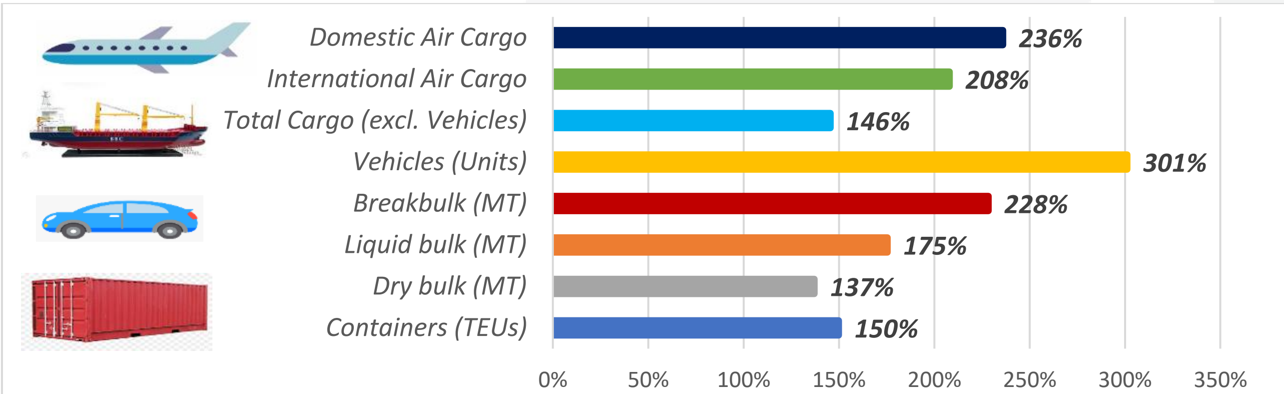
Weekly Snapshot

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)	24 831	34 213	**59 044**	35 634	38 656	**74 290**	**↓21%**
Air Cargo (tons)	4 703	3 212	**7 915**	4 812	3 255	**8 067**	**↓2%**

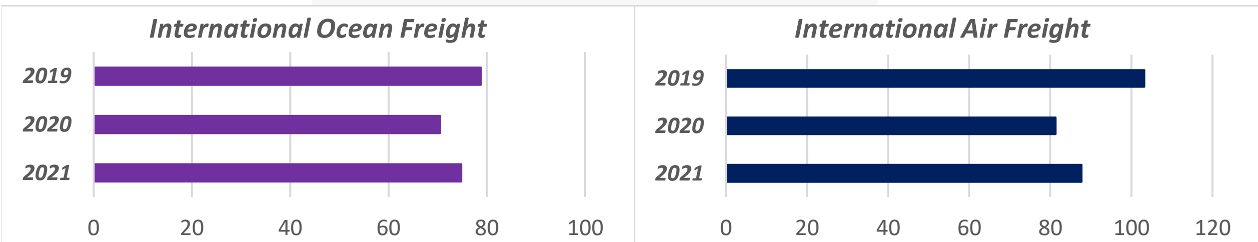
Monthly Snapshot

Figure 1 – Monthly[4] cargo flows, year on year



Year-to-date Tracker

Figure 2 – International year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~8 435 TEUs** per day was handled last week, **↓21%** from the previous week.

[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 40th 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. In this case, April 2021, and April 2020.
[5] For ocean, total Jan-Apr cargo in metric tonnes, as reported by Transnet is used, whereas for air, Jan-Apr cargo to and from ORTIA is used (see below).

- Both international – (↓2%) and domestic air cargo (↓5%) has decreased slightly this week.
- SA trade for April: Exports increased by ↑213,4% y-o-y, with imports rising by ↑25,8%.
- Freight rates saw another increase this week, with the "*WCI*" ↑**3,3%** to **$6 464** per 40-ft container.
- The pandemic has created a competitive advantage for air cargo, not only in speed but also in price. Furthermore, according to recent IATA data, Africa was the best-performing region in terms of air cargo.

Executive Summary

This update – *the 41st of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Pandemic-wise, the National Institute for Communicable Diseases (NICD) has stated that four provinces[6] have already entered the third wave of COVID-19 infections and have urged South Africans to remain vigilant. Although the effects have been less pronounced than expected, the situation can quickly turn for the worse. Nevertheless, the onset has resulted in the shift to Alert Level two on Sunday, 30 May[7].

This week's newly reported COVID-19 infections in South Africa have increased significantly once more to approximately **4 342** infections per day this week (↑**22%** from last week's average of **3 568**). As a result, the total number of cases recorded in the country now stands at **~1,67 million**[8], with a death toll of **56 765** (up by **595**). In absolute terms, South Africa has moved up a spot to **20th** place globally, having overtaken Czechia in the past week. Worldwide, more than **172 million** cases have now been recorded, with a total of **3,7 million** people losing their lives to the virus.

A total of **2,1 billion** vaccine doses have now been administered worldwide[9]; some countries are nearing the herd immunity threshold, such as Israel, UK, and the US. However, the fear of uneven distribution of the vaccine continues, as some countries – including South Africa – are far behind others. Indeed, this unfortunate state of affairs is the case for most of Africa. In total, South Africa has now issued **~1,2 million** vaccine doses. In summary, as stressed in previous editions, there is an urgent need to increase the tempo of vaccination.

South African has continued to increase its recent trade surplus on the trading front, which now stands at **R147,89 billion** for the year to date. The positive balance of payments – which commenced mid-way through 2020 – therefore not only continues but has gained momentum, which is positive for our local industries. Indeed, global trade depicts a similar story as all six primary drivers of global merchandise trade are trending above the baseline, according to the WTO's latest goods barometer index. Collectively, the WTO notes the strength of the trade recovery (see *below*), which further paints a potential rosy picture for South Africa. However, problems experienced at land borders (see *below*) revolving primarily around PCR validations do hamper regional trade (particularly exports), which has been flourishing of late. Indeed, the delays are evident in the cross-border road freight statistics, as queue and transit delays cost the industry a collective **R216 million** this week.

The week ended with reports of very low container numbers for the local maritime industry, as another significant decline in import numbers was observed. In addition to the low numbers reported, the central area of concern at commercial ports revolved around possible industrial action by Transnet workers. Some positive news includes the arrival of ten additional diesel-electric straddle carriers in DCT Pier 2 this week

[6] Northern Cape, Free State, North West, and Gauteng, according to the NICD. 03/06/2021. COVID-Update.
[7] SA Government. 30/05/2021. Disaster Management Act, 2002: Amendment of Regulations issued in terms of Section 27(2).
[8] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[9] Our World in Data, Coronavirus (COVID-19) Vaccinations. Our World in Data

and some positive developments around natural gas in Ngqura. Other welcome news includes DCT introducing a crime prevention initiative by implementing new technology (see *below*).

According to shippers, cargo freight rates are "out of control" on the international maritime front, as imbalances and accompanying consumer demand, unfortunately, still reign supreme. Other significant international news includes congestion persisting in Yantian, China, and several major European ports. Lastly, the scares of a cyber-attack on the Maersk booking system were quashed. The Danish shipping line confirmed that the recent challenges experienced by shippers were, instead, a result of internal technical difficulties.

The pandemic has certainly highlighted the pivotal role in global trade of the air cargo industry. IATA stresses the competitive advantage of air cargo, not only in speed but more recently also in price. With container freight rates continuing their exponential rise, the aviation industry is set to increase its share in shipping goods internationally even further, especially once additional air cargo capacity becomes available with the return of passenger flights to the global skies. While air cargo rates remained elevated, container rates have increased enormously since the onset of the pandemic and were more than three times higher than pre-crisis levels in April 2021. As a result, the relative price of air cargo vs ocean declined, supportive of air transport. As a result, cargo tonne-kilometres (CTKs) rose by ↑4,4% versus the pre-crisis levels and by ↑0,4% m/m from February for the industry.

In conclusion, it appears that trade volumes are trending upwards, but several operational constraints have accompanied this. Indeed, the few green shoots are being overshadowed by some rather gloomy dark clouds.

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 two 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 29 May to 4 June [10]

7-day flow forecast (29/05/2021 – 04/06/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 691	4 851
DURBAN CONTAINER TERMINAL PIER 2:	11 106	12 826
CAPE TOWN CONTAINER TERMINAL:	4 794	6 946
NGQURA CONTAINER TERMINAL:	3 408	8 035
GQEBERHA CONTAINER TERMINAL:	832	1 555
TOTAL:	**24 831**	**34 213**

Source: Transnet, 2021. Updated 04/06/2021.

Table 3 – Container Ports – Weekly flow forecasted for 5 to 11 June[11]

7-day flow forecast (05/06/2021 – 11/06/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 681	5 879
DURBAN CONTAINER TERMINAL PIER 2:	13 014	14 113
CAPE TOWN CONTAINER TERMINAL:	5 228	6 855
NGQURA CONTAINER TERMINAL:	4 623	6 486
GQEBERHA CONTAINER TERMINAL:	510	1 180
TOTAL:	**30 056**	**34 513**

Source: Transnet, 2021. Updated 04/06/2021.

An average of **~8 435 TEUs** (**↓21%**) was handled per day for the last week (22-28 May, Table 2), with a decreased average of around **~9 224 TEUs** (**↑9%**) expected to be handled next week (29 May-4 Jun, Table 3). The same week in June 2020 – at around ***week 10*** of the initial lockdown – showed a daily average of **~12 194 TEUs**.

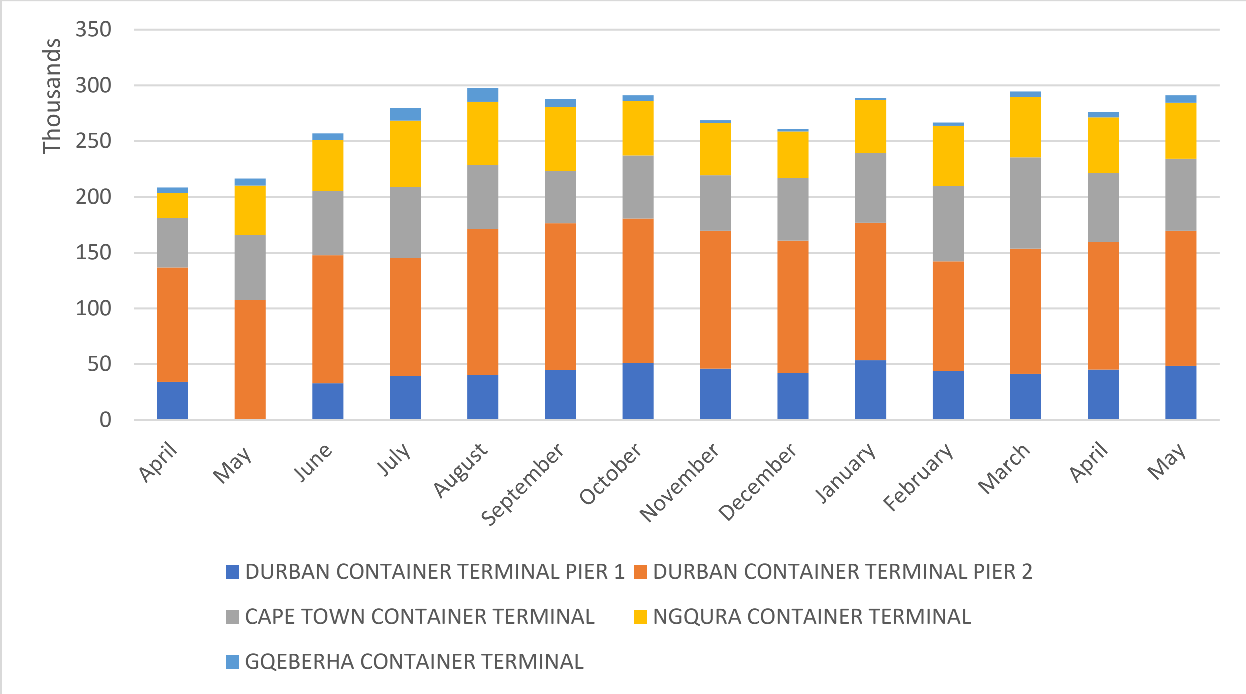
In addition to the low numbers reported, the narrative at commercial ports revolved around wage strikes, equipment updates, the ongoing citrus export season, and exciting gas developments for Ngqura (see summary *below*).

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

[10] It remains important to note that a fair percentage (approximately 29%, according to the most recent TNPA figures for April) of containers are neither to be imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and have increased since December 2020.

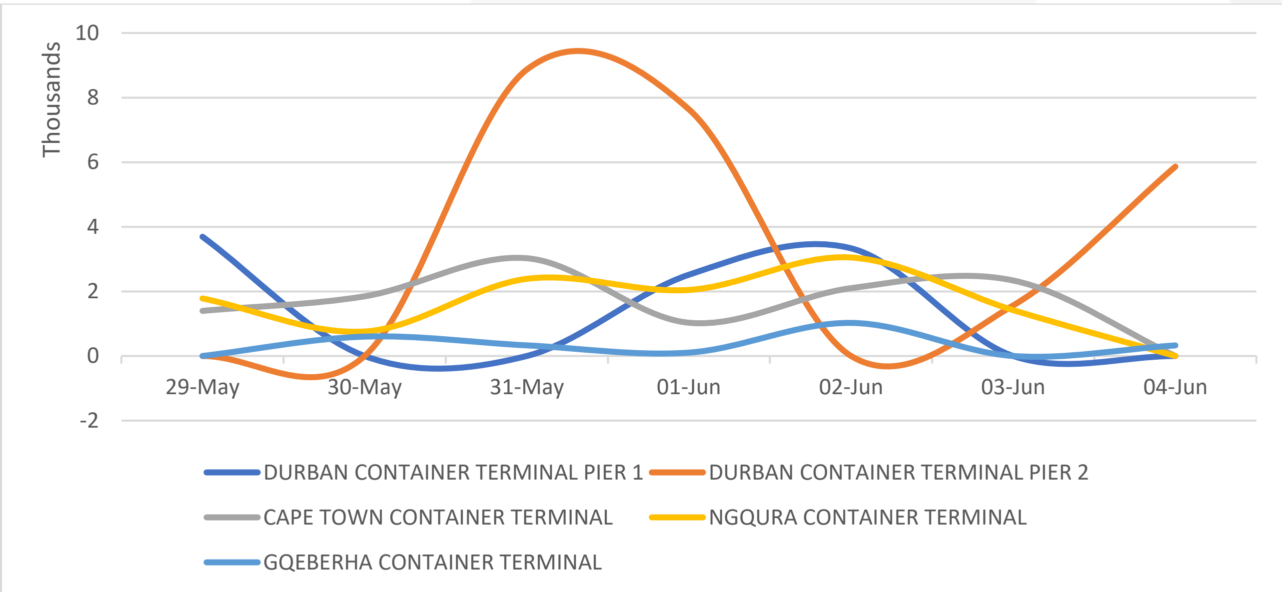
[11] As noted in *footnote 1*.

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



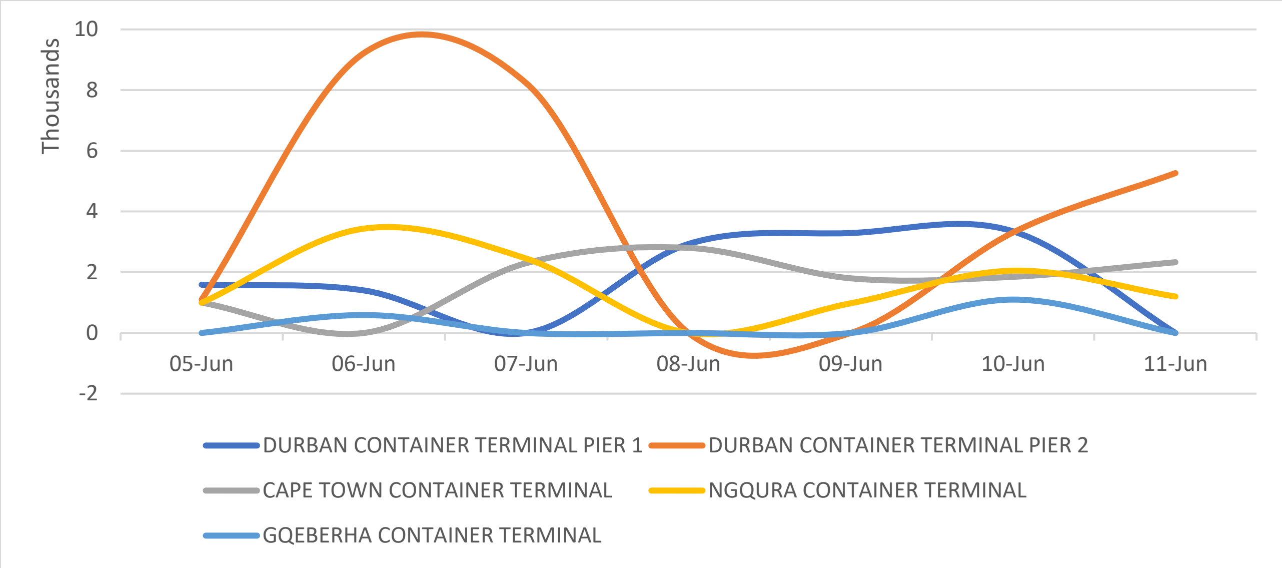
Source: Calculated using data from [Transnet](), 2021. Updated 04/06/2021.

Figure 4 – 7-day flow reported for total cargo movement (29 May to 4 June; per port; day on day)



Source: Calculated using data from the [Transnet]() updates, 2021. Updated 04/06/2021.

Figure 5 – 7-day flow reported for total cargo movement (5 to 11 June; per port; day on day)



Source: Calculated using data from the Transnet updates, 2021. Updated 04/06/2021.

b. Summary of port operations

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

i. Weather delays

No extended operational delays were recorded for Cape Town port due to wind or rain this week, although strong winds of around 25 knots were recorded on Wednesday. Temperatures are expected to increase slightly over the weekend, followed by stronger Southerly winds around Tuesday next week.

Port operations were affected throughout the week at Durban port due to adverse weather conditions. DCT Pier 1 experienced a five-hour delay overnight on Sunday due to wind. While conditions seemed to have improved quickly, moderate SSW winds of around 34km/h and rain brought operations to a halt again on Thursday and Friday. Very heavy rain and wind on Friday also prevented loading most forms of bulk cargo onto vessels at Maydon Wharf terminal.

The Eastern Cape had somewhat calm but cold weather conditions this past week, with no disruptions due to wind or rain recorded. Temperatures are expected to increase over the weekend, together with slight Southerly winds.

ii. Cape Town

CTCT only handled around 11 800 containers this week, while stack occupancy hovered at an average of 20% for reefers. Fortunately, productivity was once again decent, touching 24 GCH during the period. However, some delays were experienced because of ranging.

Following the recent ranking of the World Bank's CPPI 2020, MEC for Agriculture Ivan Meyer had a meeting with the Citrus Growers Association (CGA) and voiced concerns raised regarding the current state of service delivery experience at the Port of Cape Town. According to the provincial government, in the 2020/21 financial year, there were 5 064 incidents of equipment breakdowns across all three shifts at the port, equivalent to about 14 breakdowns per day. As a result, the provincial government is calling on President Cyril Ramaphosa to visit the port urgently.

iii. Durban

The 10 additional diesel-electric straddle carriers arrived in DCT Pier 2 this week. The total number of new single straddle carriers ordered from Poland and China at DCT is now 33, with an outstanding balance of 12 expected to arrive in July 2021. Although the additional equipment is expected to relieve struggling operational teams, it will take the technical team another month to carry out hot and cold commissioning. These straddle carriers were shipped 50% commissioned to allow for flexible transfer. These new additions come with some safety and technological advances, including user-friendly interfaces activating blind spot detection and the ability to regulate and monitor driver behaviour. A fascinating feature is the new local crane monitoring system which ultimately improves maintenance and productivity of the equipment by providing a mechanical and performance status report in real-time, thus allowing for timely fault management.

In addition to new equipment at DCT, the terminal introduced a crime prevention initiative called the Driver Management Solution (DTMS). Both trucks and truck drivers will be enrolled on an electronic system. Currently, only truck verification happens upon entering the terminal. Certain terminals make use of the gate operating system GAMCO, which verifies trucks as the driver swipes a truck RFID card at the in-gate cubicle, with no driver verification options. The new electronic system truck verification will include scanning the truck licence disk regardless of the terminal's own gate operating system. Driver identification will also need to be verified even if the driver details sometimes change while trucks wait at the staging areas.

With the maize export programme is in full swing, Maydon Wharf is exceptionally busy. The terminal handles most of the maize export traffic together with its normal bulk and breakbulk loads. Difficult weather conditions that closed in towards the end of the week added to the burden. Some serious truck congestion issues were experienced around the Maydon Wharf area because of delays caused due to the weather on Thursday. Because there are very few staging areas and good access controls at Maydon Wharf, trucks carrying maize were forced to wait in the surrounding areas of the city until the loading of vessels commenced, leaving commuters frustrated with congestion piling up along access roads feeding into the city. The effects of this were felt even in areas not commonly associated with the port. Fortunately, around mid-morning on Friday, the traffic flow recovered. There have been talks regarding a new staging area built by Bidvest in Hammersdale just outside Durban, which should be available mid-June. With a bit of luck, this new facility will help take some of the pressure off traffic flows into the city during peak seasons.

iv. Eastern Cape

An initiative by the Mediterranean Shipping Company (MSC) to aid South Africa's (SA) citrus season saw NCT mobilise three ship-to-shore cranes, five RTGs, and three gangs, enabling the discharge of 1 995 empty reefer containers from the 'MSC Altair'. The vessel was diverted to NCT, originally scheduled to sail from the Far East to West Africa. However, the third COVID-19 wave and a shortage of reefer containers globally placed massive pressure on the capacity efficiency of our terminals and the supply chain, as seen last year. This prompted MSC Chairman Salvatore Sarno, in liaison with his head office in Geneva, to call for the vessel's detour. This action will undoubtfully assist South African citrus exporters with the season starting in May and ending in October for the Ngqura, Port Elizabeth, Cape Town, and Durban container terminals. It is estimated that TPT and the Cape Town Container Terminal, whose season only begins in October and ends in March, will move over 150 000 TEUs of citrus.

Some exciting news for Ngqura terminal revolves around developing LNG (Liquified Natural Gas) operations led by DNG Energy. The company is planning to deploy a 125 000 CBM-capacity floating storage unit (FSU) in the port of Ngqura around September or October this year. The FSU will enable the operation to offer a ship-to-ship LNG refuelling facility using the company's two LNG bunker vessels. LNG is natural gas in liquid form formed when the gas is cooled to minus 161 degrees Celsius. The gas volume reduces by 600 times when chilled to this temperature, thereby makeing it possible for specially designed ocean tankers and trucks to transport substantial energy over short and long distances. Moreover, LNG can be utilised as an alternative transportation fuel, as it burns cleaner than petrol and diesel and cuts greenhouse gas emissions significantly.

v. Transnet Freight Rail (TFR)

TFR reported further incidents of cable theft on the NATCOR line this week. The latest incident occurred early on Thursday morning in the section between Elsburg and Union. As a result, several trains from the Reef have cancelled their journeys. In addition, incidents of power failure have further hindered trains running on the NATCOR line due to weather conditions and load shedding.

During the last week, 34 cable theft incidents were recorded across the system, resulting in a staggering five incidents per day. Engineering teams are put under extreme pressure with continual exhausting repair and replacement duties. Theft of cables and parts and ongoing vandalism on railway property have a severely destructive impact on service delivery and the overall health of the rail system.

The protest issue in Krugersdorp has been going on for over a month now, resulting in further delays on the direct line to Gaborone. In addition, the Warrenton line has now become congested through handling traffic, for which it was not designed, to add to the delays.

vi. General

Following the heated but deadlocked wage negotiations between Transnet and the labour unions – the South African Transport and Allied Union (SATAWU) and the United National Transport Union (UNTU) – the Transnet Bargaining Council has scheduled a conciliation process. Transnet has advised that they cannot accede to the demands made by the unions because the economic downturn has made it impossible for them to fund any level of increase. For the last nine months of 2020, Transnet reported a decline in volumes, resulting in sharply reduced revenue. The company stated that its main priority is to ensure operational and financial improvements to sustain jobs and increase growth. Further updates after the conciliation are awaited with interest.

On Thursday, 3 June, the Department of Transport held a meeting regarding the movement of "road to rail" of high cube containers and, more specifically, the moratorium on the carriage of High Cube containers, which is due to expire on 24 July 2021. Unfortunately, no progress or additional measures were reported, and a further meeting will be held on 10 June at which more clarity is expected. Regulation 224 (b) of the National Road Traffic Act of 1996 stipulates that the maximum legal height limit for vehicles without an abnormal permit is 4.3 meters. The overall height of a flat deck trailer with a high cube container is a mere 0.2 metres above the regulation height. In 2011 the National Department of Transport put into place a moratorium, exempting the operation of vehicles transporting International Organisation for

Standardisation (ISO) containers from the provisions of regulation 224 (b) for a period of seven years. The moratorium came to an end on 31 December 2018 but was extended several times until July 2021. In that time, several million high cube containers have been transported on local roads with no apparent ill effects, and so the position of DoT is difficult to comprehend.

Transnet Port Terminals (TPT) is bringing an exciting new service to the front-line traders by developing a mobile application with TATA Consultancy Services (TCS). The APP is called *Cargo Connect,* and its purpose is to enhance the customer experience and augment the broader supply chain by increasing network visibility. Features provided by this app include real-time container and vessel status updates, and operational notifications pushed to users. It will also enable mobile terminal instruction requests such as pre-advice, truck appointments and assignments, and a road haulage operating system. The release of the app is expected in the second quarter of 2021.

2. Air Update

a. International air cargo

The following table shows the inbound and outbound air cargo flows to and from ORTIA for the week starting 24 May. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in May 2020 averaged **~574 121 kg** per day[12]. For 2019, this average was **~945 673 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

Flows	24-May	25-May	26-May	27-May	28-May	29-May	30-May
Volume inbound	504 042	407 196	440 662	373 954	360 632	371 553	834 002
Volume outbound	180 113	317 938	299 244	189 954	278 712	324 114	658 437
Total handled per day	**684 155**	**725 134**	**739 906**	**563 908**	**639 344**	**695 667**	**1 492 439**

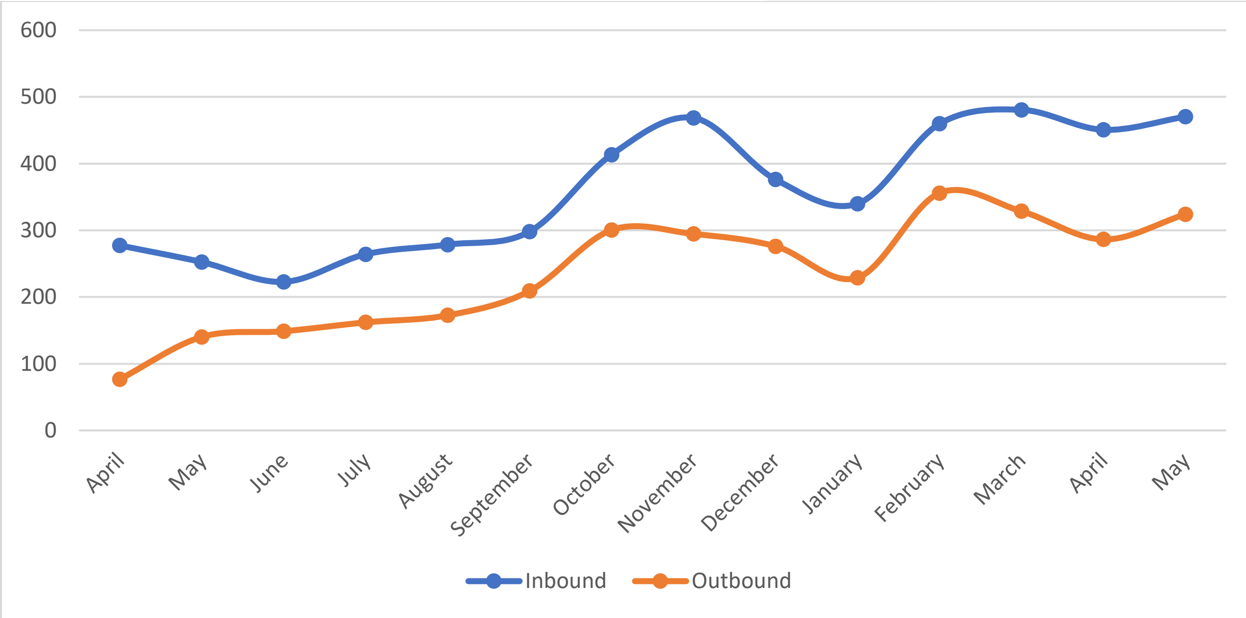
Courtesy of ACOC. Updated: 31/05/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 24 May amounted to **470 292 kg** inbound and **321 216 kg** outbound. The total, therefore, amounts to an average of **791 508 kg** per day, or **~200%** compared with the same week in May 2020 (**~213%** last week). In terms of the monthly comparison, the international aviation industry's operating capacity levels are **~208%** that of last year, as *Figure 1* above clearly illustrates. Compared to pre-COVID-19 times, the level is currently at **~76%** when compared with 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year.

[12] Note, when including statistics from South Africa's other two international airports, Cape Town International and King Shaka (Durban) International airports, the total figure rises to 577 337 kg per day.

Figure 6 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 31/05/2021.

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 *May 2020* was approximately **32 878 kg**[13] 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**
1-25 May Av.	**30 647**	**3 836**	**3 749**	**27 565**	**7 477**	**3 358**	**76 634**
26-May-21	44 383	5 816	6 072	51 623	10 335	4 416	**122 646**
27-May-21	44 383	5 816	6 072	51 623	10 335	4 416	**122 646**
28-May-21	44 651	5 907	5 340	29 869	9 843	4 979	**100 589**
29-May-21	18 503	3 504	3 475	34 455	4 635	3 220	**67 792**
30-May-21	2 333	928	84	2 221	120	7	**5 692**
31-May-21	2 867	210	63	1 028	118	453	**4 738**
Grand Total	**3 905 975**	**501 921**	**496 833**	**4 066 624**	**996 005**	**487 133**	**10 454 489**

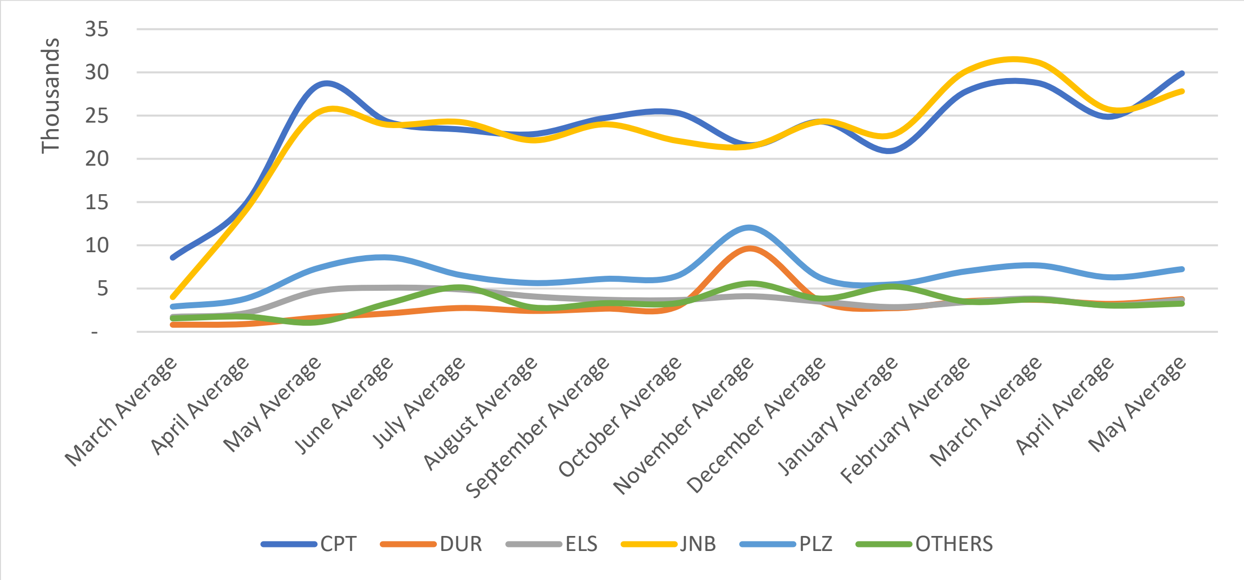
Courtesy of BAC. Updated: 01/06/2021.

Currently, the average domestic air cargo moved in the last week was **~77 073 kg** per day, showing a decrease of **↓5%** compared with the previous week. In summary, the volume handled amounts to approximately **~150%** compared to 2020. The following figure shows monthly domestic freight movement

[13] For Cape Town, the figure corresponds to **25 438 kg** per day, and **1 000 kg** per day for Durban during the same period (May 2020).

at respective local commercial airports during the state of disaster, with volumes generally trending above the number registered at the same time last year:

Figure 7 – Average domestic inbound and outbound cargo



Courtesy of BAC. Updated: 01/06/2021.

3. Regional Update

a. SARS merchandise trade stats

On Monday, 30 April, SARS released merchandise trade stats for March[14]. Exports have increased by a massive ↑**213,4%** y/y, with imports rising over the same period by ↑**25,8%**. As with the current trend, these figures overall translate to increasing the trade balance surplus from last month to **R147,89 billion** for the year to date. The trade balance for April alone came in at **R51,24 billion**. This positive balance of payments – which commenced mid-way through 2020 – therefore not only continues but has gained momentum, which is positive for local industries. However, South Africa remains a very open economy that is very sensitive to changes in the global trade environment, as has been seen throughout these reports.

Regarding regional trade, trade with BELN countries for April resulted in a trade surplus of **R6,74 billion**, ↓**2,3%** from March. The change was caused by a simultaneous decrease in exports (↓**13,4%**) and an increase in imports (↑**30,1%**). Nevertheless, the cumulative trade balance surplus for 2021 remains high, currently at **R30,92 billion**, compared to **R25,06 billion** in 2020.

b. South African border closures

The following borders experienced operational delays during the last seven days:

Table 6 – South African border closures

Date	Border	Alternative
3 June 2021	Ramatlabama port opens at 6h00 and closes at 14h00, daily until 4 June.	Skilpadshek
3 June 2021	Qachasnek is still closed due to the unavailability of Port Health Officials.	-
2 June 2021	Kopfontein port closed at 18h00.	Skilpadshek

[14] SARS. 31/05/2021. Merchandise trade stats.

2 June 2021	Ramatlabama port is closed and will reopen tomorrow morning at 6h00.	Skilpadshek
2 June 2021	Qachasnek port remains closed until further notice.	-
2 June 2021	Jeppes Reef has reopened.	-
1 June 2021	Qachasnek port is closed until further notice.	-
1 June 2021	Ramatlabama port is closed and will reopen tomorrow morning at 6h00.	Skilpadshek

Source: SARS. Updated:04/06/2021.

The cause of these border delays has been a contentious issue of late, as delays have occurred partly due to non-functional Port Health operations and not COVID-19 cases. However, reports from the industry have stated that some land borders have closed because of the inability to validate PCR certificates. Furthermore, desperate traders and carriers made an offer to pay nurses from the private sector to conduct this function, which was, regrettably, denied. To remove this constraint, the private sector has strongly suggested that **(1)** the borders are adequately staffed and operating as per regular trading hours, and **(2)** the Department of Home Affairs are equipped with cell phone applications to validate the PCR certificates.

The private sector hopes that the issue of PCR certificates will be resolved swiftly, as these unnecessary border closures are severely hampering regional trade. For further updates on these closures, the private sector is urged to consult the SARS Customs and Excise website.

c. Cross-border delays

The following significant events have caused cross-border delays in the SADC region this week:

- The border queues at Chirundu increased significantly after some reports were made that Zimra were no longer observing the 24-hour operating hours. Subsequently, Zambia published a notice asking all people transporting goods across the Zambian border to pre-clear all goods before reaching the border.
- There was a serious accident on the road between Chirundu and Lusaka, where regrettably, two drivers died.
- Chirundu re-instituted COVID-19 72-hour certificate requirements for all drivers as the constraints around certification and validation continues.
- DRC sent out communication that all empty vehicles must make use of the Mokambo border until further notice.
- Lastly, Botswana issued a ban on all cloven-hoofed animals and their products coming from South Africa because of an outbreak of foot and mouth disease.

Besides these significant events, investigations continue into cross-border delays experienced at several SADC border posts on the regional road freight front. The following table uses geofencing data to summarise delays experienced at several borders during the last week.

Table 7 – 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
Nam/SA	Ariamsvlei/Nakop	2:00	2:00	100	3 000	700	0	1 400
SA/Zim	Beit Bridge	0:00	19:00	943	28 290	6 601	112 217	0
Moz/Zam	Cassacatiza/Mlolo	1:00	26:00	60	1 800	420	10 080	420

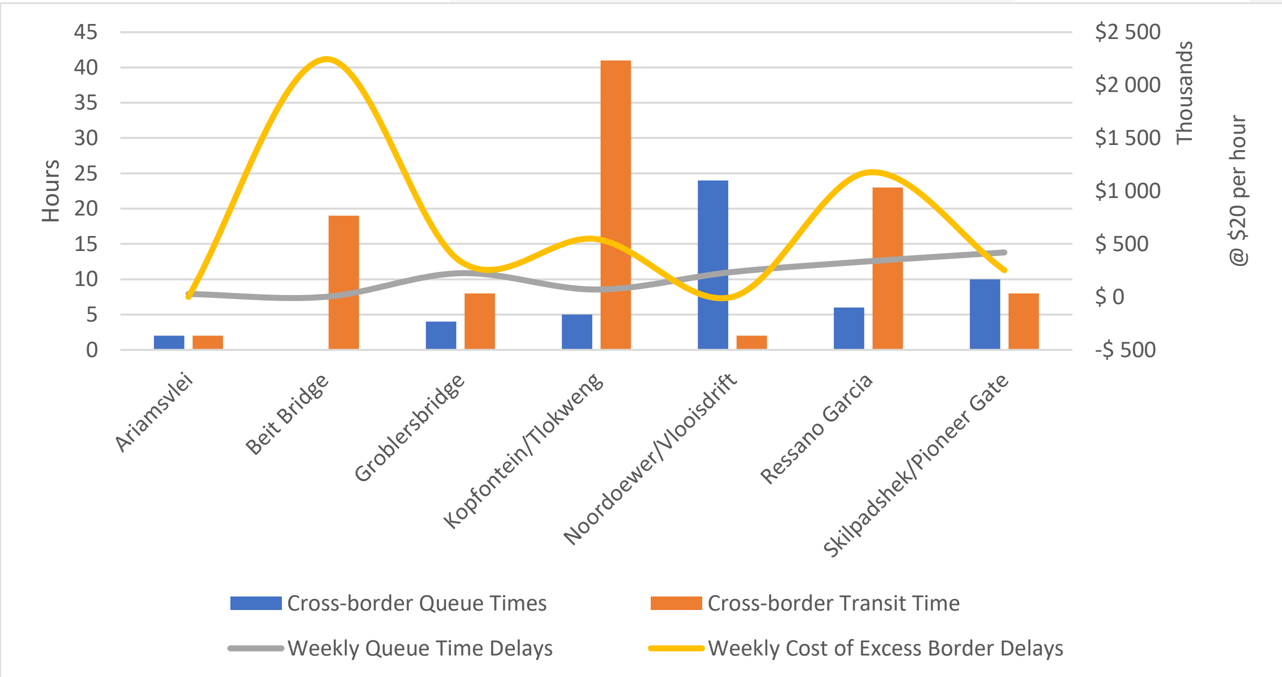
[15] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire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

Zam/Zim	Chirundu	0:00	23:00	616	18 480	4 312	90 552	0
Moz/Mal	Dedza	2:00	36:00	50	1 500	350	11 900	700
SA/Bot	Groblersbrug/Martins Drift	4:00	8:00	400	12 000	2 800	16 800	11 200
Zam/DRC	Kasumbalesa	6:00	50:00	592	17 760	4 144	165 760	24 864
Zam/Bot	Kazungula	0:00	19:00	212	6 360	1 484	25 228	0
SA/Bot	Kopfontein/Tlokweng	5:00	41:00	100	3 000	700	27 300	3 500
Moz/Zim	Machipanda/Forbes	1:00	7:00	320	9 600	2 240	11 200	2 240
SA/Bot	Milange	0:00	4:00	40	1 200	280	560	0
Zam/Tan	Nakonde/Tunduma	0:00	119:00	500	15 000	3 500	0	0
Nam/SA	Noordoewer/Vlooisdrift	24:00	2:00	70	2 100	490	0	11 760
Zim/Moz	Nyamapanda	1:00	8:00	100	3 000	700	4 200	700
SA/Moz	Ressano Garcia	6:00	23:00	400	12 000	2 800	58 800	16 800
Moz/Nam	Shesheke/Wenela	0:00	32:00	100	3 000	700	21 000	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	0:00	0	0	0	0	0
Zam/Zim	Victoria Falls	1:00	7:00	114	3 420	798	0	798
Moz/Mal	Zobue/Mwanza	2:00	15:00	100	3 000	700	9 100	1 400
				5 117	**153 510**	**35 819**	**577 297**	**96 782**

Source: TLC & FESARTA, week ending 31/05/2021.

The following graph shows the weekly change in cross-border times from South Africa's perspective. In addition, the estimated cost to the industry is also shown.

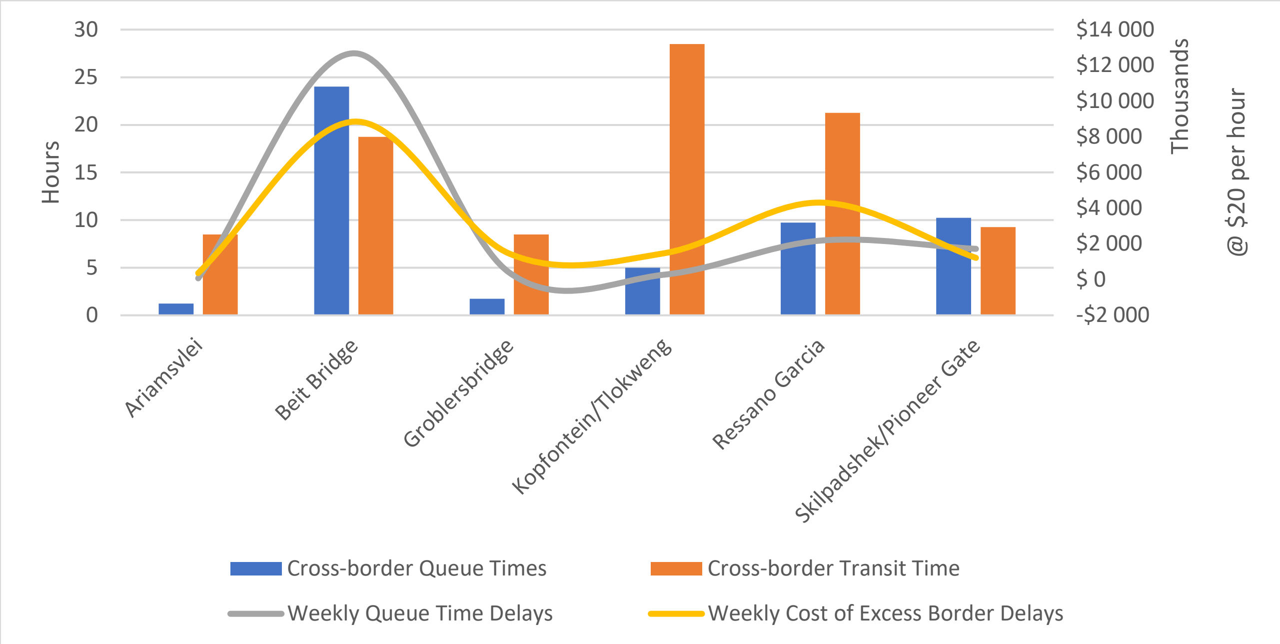
Figure 8 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, week ending 31/05/2021.

Compared with previous weeks, the cross-border transit times remain high at Beit Bridge, Kopfontein, and Lebombo (Ressano Garcia). The following figure summarises the delays for the month of May, emphasising that Beit Bridge, Kopfontein, and Ressano Garcia are once again the poorest performers.

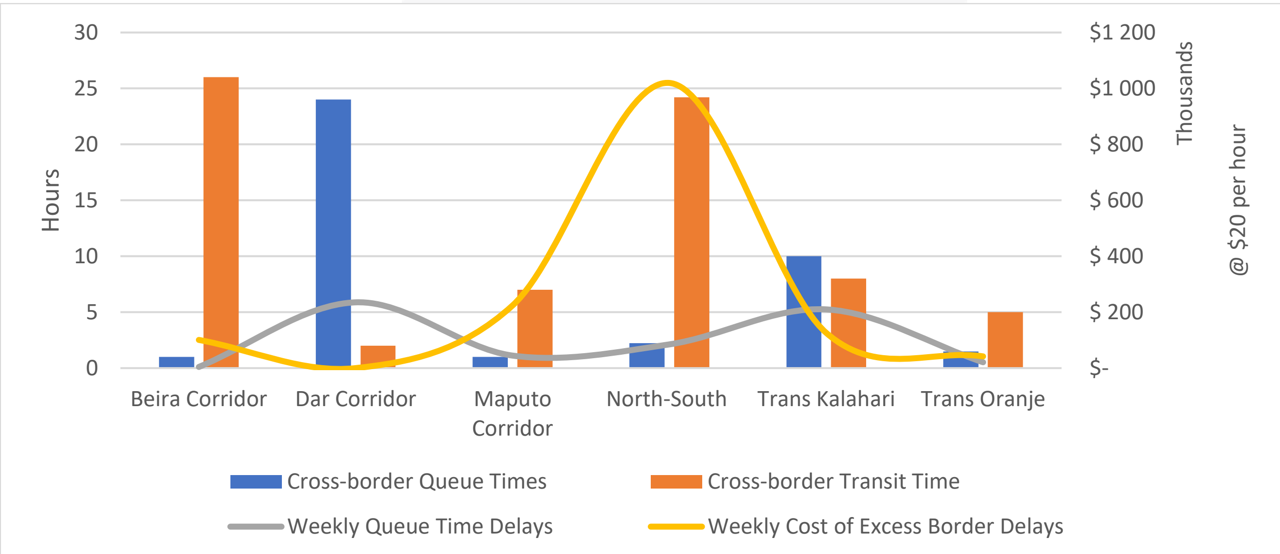
Figure 9 – Monthly (May) cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, month ending 31/05/2021.

The following figure illustrates a similar figure to the one above, this time from a corridor perspective.

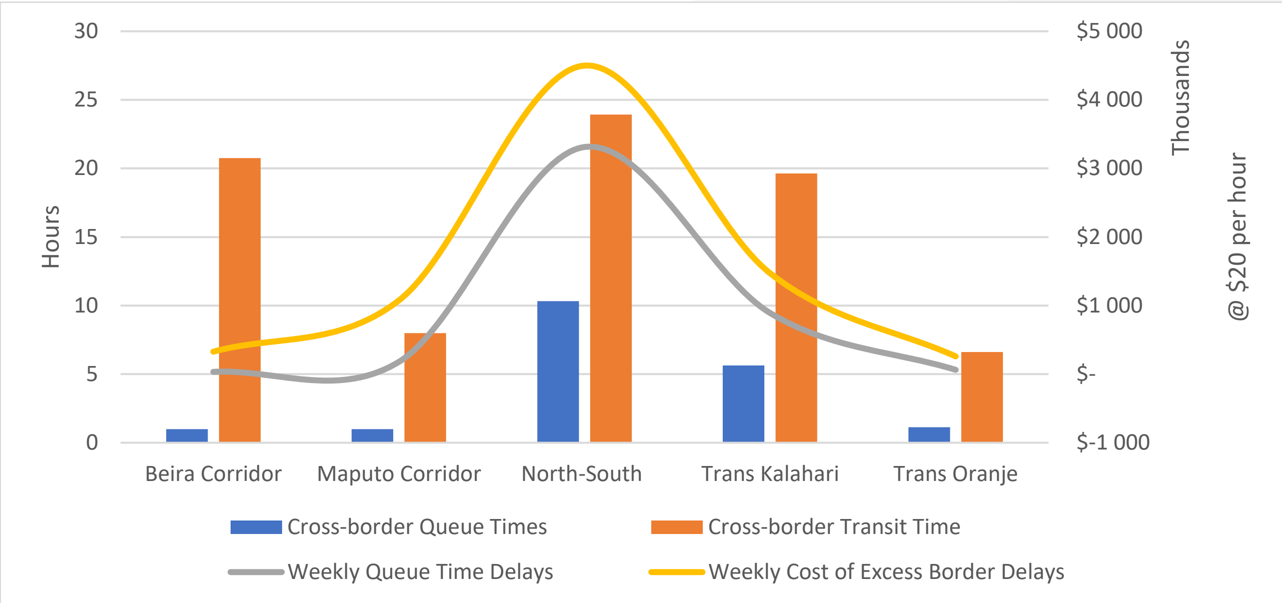
Figure 10 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, week ending 31/05/2021.

This week's significant changes display a considerable regression for traffic moving through Beira and the North-South corridor gates. Moreover, the Dar corridor remains slow, as the queue times experienced throughout the last couple of weeks have remained. The following figure summarises the delays for the month of May, showing that all transit times remain slow through all the major corridors in SADC.

Figure 11 – Monthly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, month ending 31/05/2021.

In summary, the cross-border queue time has averaged **~3,9** hours (which is slightly higher than the experience last week at **~3,8** hours) and cost the transport industry an estimated **$1,9 million** (**R31 million**). In comparison, the average cross-border transit time has also increased this week to **~23,6 hours** (from **~14,1 hours**), which cost the transport industry **~$11,5 million** (**R185 million**). Thus, the total cost for the week amounts to **~R216 million** (up by **~R11 million** from **R205 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)** global trade, the **(b)** global container industry, and the **(c)** global aviation industry.

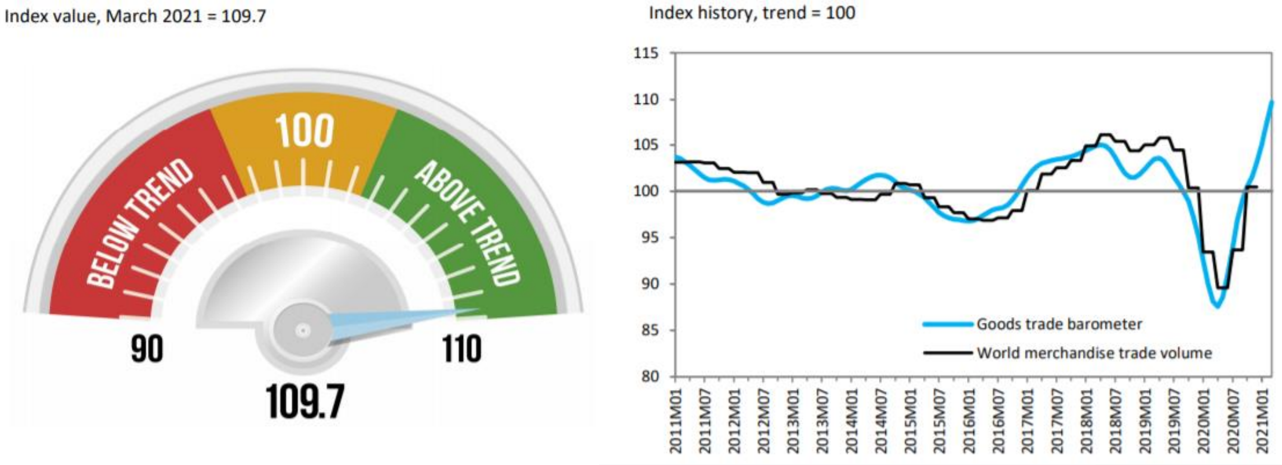
a. Global trade

i. WTO: Global goods trade

The World Trade Organisation (WTO) released its latest "*Goods Trade Barometer*"[16], noting the strength of the trade recovery. The barometer – a composite leading indicator for world trade – shows a reading of 109,7 is nearly **↑10** points above the baseline value of 100 for the index and **↑21,6** points y/y. The following side-by-side figures indicate the recent uptick.

[16] WTO. 28/05/2021. Goods Trade Barometer.

Figure 12 – Goods trade barometer



Source: WTO

The WTO notes that the latest barometer reading is broadly in line with the WTO's current trade forecast issued on 31 March[17], which predicted an ↑8% pickup in the volume of world merchandise trade in 2021 following a ↓5,3% decline the previous year. The WTO further reports that all the barometer's component indices were above the trend in the last month, with the most significant gains seen in:

- Electronic components (115,2)
- Export orders (114,8)
- Air freight (111,1)

In summary, the immediate outlook for global trade bodes well for the rest of the year, with the effects of the pandemic forecasted to be wiped out entirely by the end of the year.

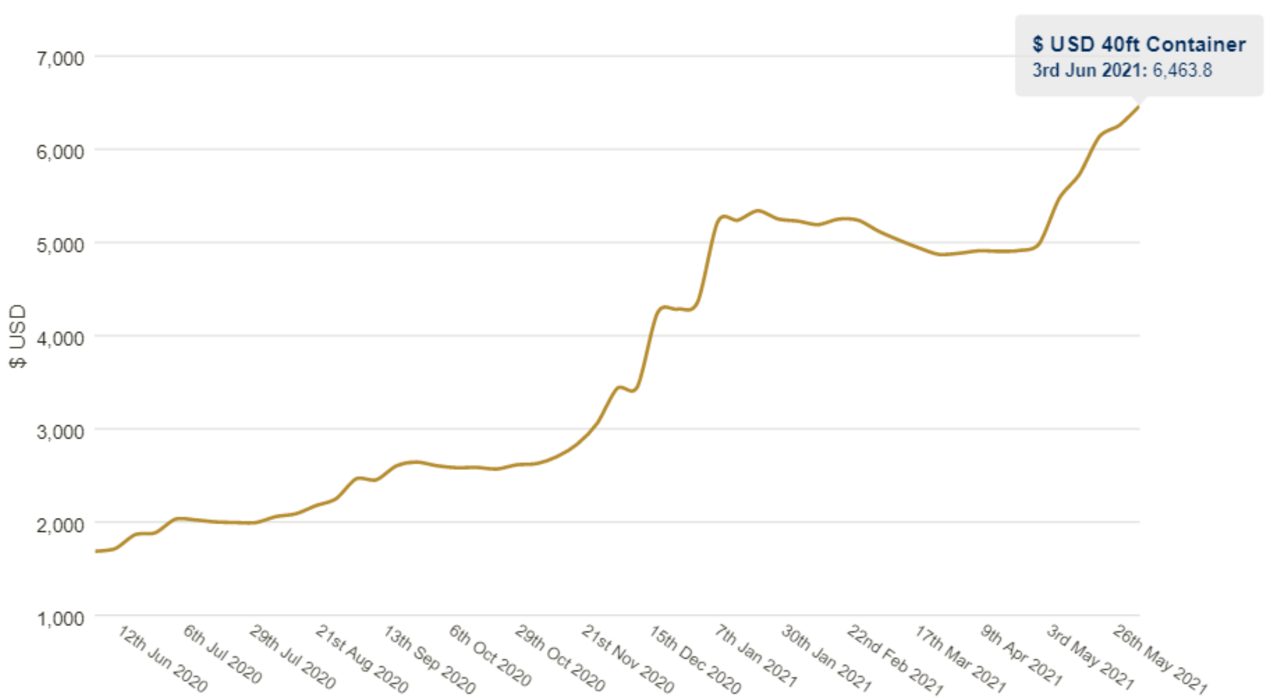
b. Global container industry

i. World Container Index

Continuing its recent surge, the "*World Container Index*" (WCI) increased by **↑3,3%** to **$6 464** per 40-ft container**,** according to Drewry[18]. Due to an overall shortage of boxes, port congestion, and poor global efficiency – all amid record demand – freight rates are "out of control" as Cyprus shipowner Andreas Hadjiyannis reportedly receives as much as **$145,000** daily for an 80-day voyage[19]. However, market demand remains very strong despite the runaway rates, as other options via the air modality are seemingly exhausted, even with air freight enjoying a competitive advantage (*see below*). In summary, the following figure highlights the two-year spot price trend for the index.

[17] WTO. 31/03/2021. World trade primed for strong but uneven recovery after COVID-19 pandemic shock.
[18] Drewry Supply Chain Advisors. 03/06/2021. World Container Index.
[19] Bockman, M. 03/06/021. Boxship daily rates hit record high with six-figure sum fixed for single voyage.

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 **$5 299** per 40-ft container (**↑310%** compared to last year) as all eight major East-West routes experienced rate increases last week. Indeed, the rate is **$3 382** higher than the five-year average of **$1 916** (up by **$21** since last week). Drewry expects the rates to remain stable next week.

ii. Further developments of note

Besides the main factors impacting the global container industry mentioned above, some additional notable developments took place within the industry this week.

1. **Heavy port congestion remains in Yantian, China.**
    a. Container vessels are piling up near Yantian Port amid heavy congestion after the port increased the suspension of outbound laden boxes. This was partly motivated by the positive COVID test results from several of the port's employees.
    b. Because of the suspension, several containerships are now clustered in the Daya Bay area of the South China Sea, as can be seen in the Lloyd's List Intelligence vessel-tracking data [20].
    c. Some carriers have, however, decided to bypass the port. The past 48 hours saw a raft of schedule omissions, with ONE announcing 12 of its vessels would skip Yantian and nearby Shekou between 30 May and 13 June, with a further two services switching to Nansha, in Guangzhou[21].
2. **Port congestions also present at major European ports.**
    a. Port congestion at the main container hubs of North Europe impacts alliance networks and further disrupts already stretched supply chains[22].

[20] Lloyd's List. 01/06/2021. Box ships piling up near Yantian Port amid heavy congestion.
[21] Whelan, S. 02/06/2021. Exporting restarts at Yantian, but carriers bypass port as congestion reigns.
[22] Wackett, M. 01/06/2021. 2M drops a Hamburg call to avoid 'exceptional' vessel waiting times.

b. The 2M partners, Maersk and MSC, advised customers today their AE7/Condor Loop 4 would omit Hamburg for the next four weeks to discharge cargo at Bremerhaven.

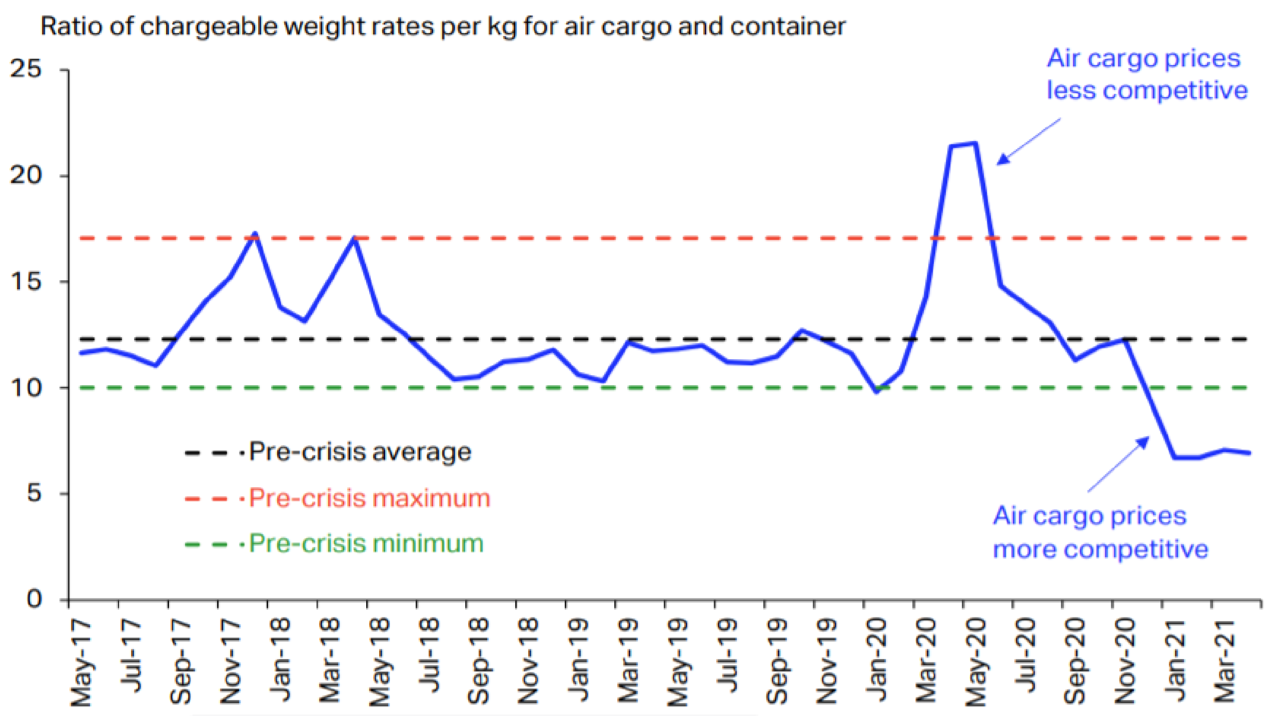
3. **Technical challenges with Maersk's booking system were experienced.**
   a. The Danish mega-carrier has confirmed that a failure of its booking systems was not due to a cyber-attack but rather the result of a technical failure.
   b. Maersk's booking site was down for several hours on Wednesday, preventing customers from accessing information and booking cargo[23].
   c. Service has been subsequently restored, with the carrier assuring users that security remains intact.

c. Global aviation industry

i. Air cargo competitiveness

The pandemic has brought to light the pivotal role that the air cargo industry plays in global trade. Air cargo has provided a viable alternative to maritime transport for traders in dire need in terms of speed and reliability. It has consequently dramatically increased its share in global trade. A new analysis[24] by the International Air Transport Association (IATA) highlights the competitive advantage of air cargo, not only in speed but also in price. Moreover, with container freight rates continuing their upward march, the aviation industry is set to increase its share in shipping goods internationally even further. The increased market share will be even more pronounced when additional air cargo capacity becomes available with the return of passenger flights to the global skies. The following figure illustrates the competitive advantage that air cargo currently enjoys. The ratio shown on the chart compares air cargo and ocean freight rates per kg of chargeable weight, assuming nine tons per 40 ft container.

Figure 14 – Competitive advantage of air cargo: Not only speed but also price.



Source: Boeing, IATA CargoIS, Freightos Baltic Index, via IATA Economics

[23] Savvides, N. 02/06/2021. Maersk's 'technical challenges' with booking system not a cyber-attack.
[24] IATA. 28/05/2021. Competitive advantage of air cargo: Not only speed but also price.

An ongoing narrative during the pandemic has been regular supply chain disruptions. Indeed, supply chain security is at the heart of this report's existence. These disruptions, congestion, and lack of capacity in ocean freight have led to significant increases in ocean freight rates. Many companies have therefore turned to air cargo. However, choosing a different mode of transport is not always a perfect substitute. Air cargo, for example, allows fast shipping but was roughly 12 times more expensive than ocean transport in the two to three years before the crisis.

However, since mid-2017, IATA notes that the ratio of prices had been trending in the range of 10 and 17. The ratio spiked in Q2 2020 due to the grounding of the passenger fleet and strict lockdowns at that time – airfares were roughly **↑85%** above pre-crisis values in Q2. While air cargo fares remained elevated, container fares have increased enormously since then and were more than three times higher than pre-crisis levels in April 2021. As a result, the relative price of air cargo vs ocean declined, supporting a switch to the air mode of transport. In Q1 2021, air cargo has grown **↑5,6%** compared to Q1 2019, while container throughput increased by **↑6,1%**. In contrast, in Q2 2020, when air cargo fares were close to 20 times those of containers, air cargo was relatively weaker. (Cargo-tonne kilometres was down **↓17,5%** y/y in Q2, whereas container throughput was **↓7,8%**).

Air cargo also tends to overperform other means of transport at the start of an economic upturn due to restocking cycles when businesses turn to air to refill inventories as demand rises rapidly. But with strong consumer demand and the lack of container capacity expected to continue until late 2021 at the earliest, air cargo is likely to remain a viable alternative to container shipping for some businesses for an extended period. In summary, IATA notes that the upshot is that air cargo is expected to continue to perform well compared to other modes for most of 2021.

ii. Regional briefing: Africa and the Middle East

On Tuesday, 1 June, IATA released their monthly "State of the region: Africa & Middle East" update for May[25], with the following key headlines:

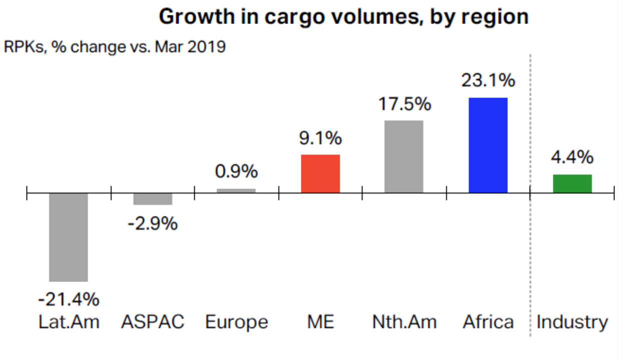
- The economic scenario continues to improve across the three key economies that IATA tracks.
- Amongst the major regional currencies, the ZAR appreciated the most versus the US$ (**↑3,8%**), reflecting a current account surplus and improving global risk sentiment with which the currency is tightly correlated.
- Global cargo volumes reached the highest level in IATA's time series history in March, although their growth softened modestly compared with February.
- Industry-wide CTKs rose by **↑4,4%** versus the pre-crisis levels and **↑0,4%** m/m from February.

The following side-by-side figures show the current state of the cargo market, with change measured in CTKs.

[25] IATA. 01/06/2021. State of the region: Africa & Middle East.

Figure 15 – Growth in cargo volumes

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Middle East	-9.5	6.7	9.1	9.1
Africa	1.4	24.7	46.5	23.1
World	-9.1	3.8	9.2	4.4
Routes (segment basis)				
Middle East - Asia	-7.0	16.9	26.9	16.9
Middle East - Europe	-18.1	-7.1	-8.1	-10.4
Africa - Europe	-20.6	-12.9	-5.6	-9.0
Middle East - Nth America	-8.5	15.1	16.5	28.2
Africa - Middle East	-31.5	-22.0	-18.6	-16.0
Africa - Asia	9.0	38.2	111.2	38.7



Source: [IATA]

In summary, IATA notes that cargo capacity has been recovering from the temporary fall in early 2021 when some airlines grounded passenger aircraft amidst new virus spikes. As a result, industry-wide available cargo tonne-kilometres picked up **↑5,6%** m/m in March and were approximately **↓12%** below the pre-crisis levels. Finally, in a coup for the continent, African airlines performed the strongest of all regions, with CTKs up just over **↑23%** compared to the pre-crisis levels in March 2019. As was the case throughout 2020, the Africa-Asia market remained the key driver behind the swift recovery.