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COVID-19: Cargo movement update[1]

Date: 3 February 2023

Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current[2]			Previous[3]			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	23 166	29 306	**52 472**	24 331	24 262	**48 593**	↑8%
Air Cargo (tons)	3 757	2 230	**5 987**	3 928	2 628	**6 556**	↓9%

Monthly Snapshot

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

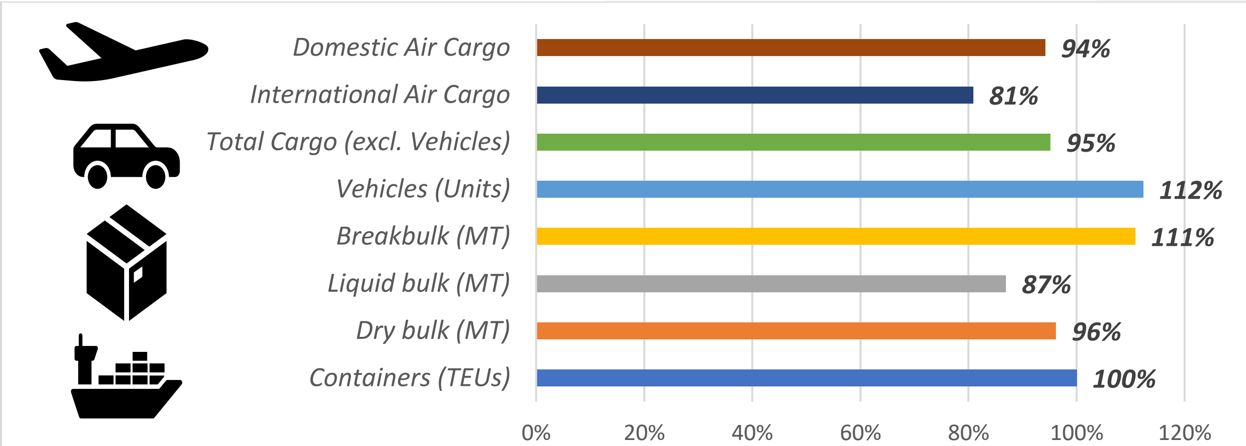
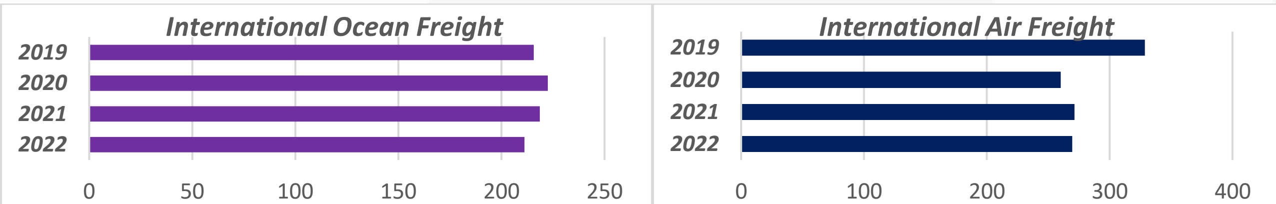


Figure 2 – Global year-to-date flows 2019-2022[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 496 containers** was handled per day, with **~8 129 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **2 083** containers, **↓8%** compared to last week.
- Cross-border queue times were **↑1,1 hours**, with transit times **↑2,3 hours**, SA borders **~9,8 hours** (**↑34%**).
- SARS merchandise trade (December): exports (**↓5,1%**, m/m), imports (**↓4,2%**); trade surplus: **R5,43 billion**. YTD: exports **↑11,1%** (y/y), imports **↑31,8%** (y/y), surplus: **R163,36 billion** (**↓55%** less vs 2021).
- The *RWI/ISL* container throughput index increased by **↑2,4** to **124,3 points** in December.
- Freight rates continue to decrease, with spot rates **↓1%** to **$2 034** and contract rates down **↓13,3%** (m/m).
- Global air cargo is down by **↓8%** (w/w), but Africa-Europe flows are up by **↑20%** in both directions.

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[1] This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 122nd update.
[2] '*Current*' means the last 7 days' (a week's) worth of available data.
[3] '*Previous*' means the preceding 8-14 days' (a week's) worth of available data.
[4] '*Monthly*' means the last months' worth of available data compared to the same month in the previous year; All metrics: Dec vs Dec.
[5] For ocean, total Jan-Dec cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Dec cargo to and from ORTIA is used.

Executive Summary

This update – *the 122nd of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. This week's port activity was characterised by the usual operational delays (weather, frequent equipment breakdowns and shortages, miscellaneous delays, load-shedding, and congestion). Cape Town experienced a similar week to last, as operations were delayed for more than 30 hours due to weather, berthing delays, and equipment challenges. Consequently, the industry has voiced concern regarding berthing delays, with some extending beyond nine days. Fortunately, in Durban, marine services improved this week, with the availability of tugs increasing to the standard four for most of the week. For rail, TFR reported that repairs needed on several rail lines due to the Durban flash floods had been delayed to mid-April. Lastly, TPT communicated their anticipated tariff increases for the new financial year starting from 1 April 2023.

Globally, container throughput experienced a slight uptick in December, pointing to some resilience and perhaps the start of a slow recovery post-Chinese New Year. However, despite the slight increase in throughput, container capacity deployment and schedule management remain the order of the day, as new analysis shows that most carriers are now once more operating at a loss – similar to the prevailing financial conditions during the 2010s – as rates continue to fall. Much has been made of the receding spot rate environment; however, there is now a record-breaking fall in long-term rates, with the Xeneta index posting its most significant monthly drop on record in January 2023. The same trends for South Africa have been noticed, although less pronounced than in the rest of the market. Other developments of note this week include **(1)** new orders of methanol-fuelled containerships, and **(2)** Hamburg Süd, Sealand, and Twill set to dissolve into Maersk global.

Concerning air freight, final figures for January point to a very subdued month for January, as international air freight is approximately down by **↓10%** compared to last year (and down by **↓9%**, w/w). The change is led by inbound cargo, mainly reflecting the state of the international air freight market, with demand currently very soft. The same is true internationally for the most part. The underlying indicators in the air cargo market also confirm the global economy's slowdown, especially in air freight, with volumes way down last week. Most of the movement is attributed to the Lunar Year; however, other regions are also down by **↓5%** compared to last week.

On the regional road freight front, our land border crossing times have averaged **~9,8 hours** (**↑34%**, w/w) this week, mainly due to very slow crossings into Zimbabwe through Beitbridge averaging **27 hours per HGV**. The explanation seems to originate at the CONDEP container depot in Zimbabwe, as reports received last week note that the **US$** was removed as an accepted currency on Zimra's System. Furthermore, inspections only commenced once the payment was reflected in Zimra's system, adding to the delays. Besides Beitbridge's struggles, several other border posts across the SADC region also experienced average crossings in excess of 24 hours, including Kasumbalesa (the slowest overall at **~3 days**), Katima/Mulilo, Milange, Santa Clara and Zobue/Mwanza.

In concluding this week's edition, it appears as if the current economic climate is piling on the woes of the South African business and consumers, with load-shedding now turning into a "*state of disaster*". Nevertheless, it is not all seemingly doom and gloom as the International Monetary Fund (IMF) this week raised its growth forecasts for the global economy slightly for 2023 to **2,9%** (slightly up from the **2,7%** predicted in October). Furthermore, following the UN's figures of last week, the IMF has also surprisingly raised its forecast for South African growth by **0,1%** to **1,2%**.

Up or down by decimals matter not, as the underlying reality is that the South African economy is not growing. For trade, container throughput is similar to 2013 levels, bulk volumes similar to 2015, and vehicle exports akin to 2011 (fortunately, the latest SARS figures point to an impressive year value-wise, even if the throughput continues to drag). However, for rail, the picture is even bleaker, as the rail corridor has been handling reduced volumes by as much as **↓80%** since 2010, which in part has prompted Transnet to look for a partnership solution this week[6]. With our impressive trade surplus of recent years eroding, the country is expected to become a net importer once, as was the case for much of the last two decades. As with the growth figures, the nuances do not matter; we are an open economy that relies on trade to flourish; therefore, we need a flourishing supply chain and logistics network to facilitate trade as best as possible.

[6] Bulbulia, T. 30/01/2023. Transnet approaches market for lease of container corridor.

Contents

1. Ports Update

This section provides an overview of the flow of containerised cargo through our 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 28 January to 3 February[7]

7-day flow forecast (28/01/2023 – 03/02/2023)		
TERMINAL	NO. OF CONTAINERS[8] TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 223	4 116
DURBAN CONTAINER TERMINAL PIER 2:	11 257	15 033
CAPE TOWN CONTAINER TERMINAL:	5 188	5 598
NGQURA CONTAINER TERMINAL:	2 401	4 409
GQEBERHA CONTAINER TERMINAL:	97	150
TOTAL:	**23 166**	**29 306**

Source: Transnet, 2021. Updated 03/02/2023.

Table 3 – Container Ports – Weekly flow predicted for 4 to 10 February

7-day flow forecast (04/02/2023 – 10/02/2023)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 163	5 161
DURBAN CONTAINER TERMINAL PIER 2:	9 620	11 099
CAPE TOWN CONTAINER TERMINAL:	6 439	9 244
NGQURA CONTAINER TERMINAL:	3 574	7 001
GQEBERHA CONTAINER TERMINAL:	226	376
TOTAL:	**24 022**	**32 881**

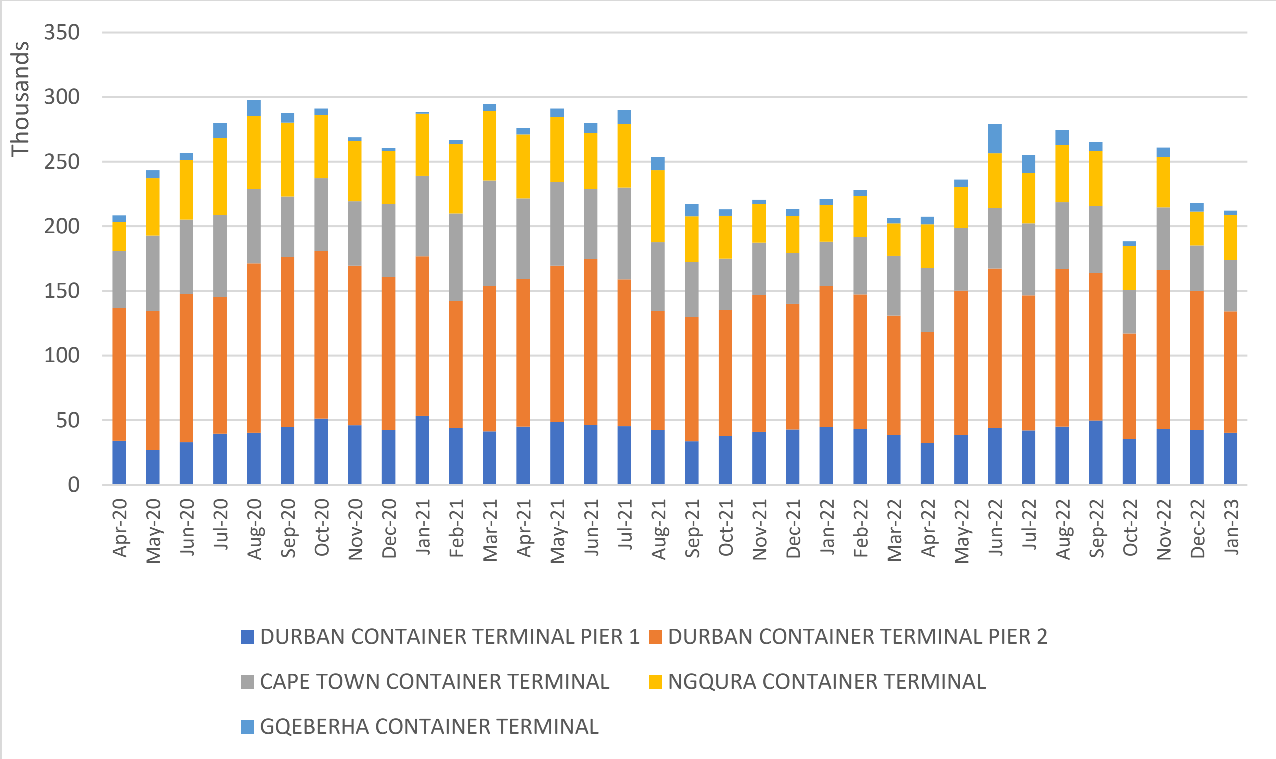
Source: Transnet, 2021. Updated 03/02/2023.

An average of **~7 496 containers** (↑9%) was handled per day for the last week (28 January to 3 February, *Table 2*), although way down compared to the projected average of **~9 567 containers** (↓22% actual versus projected) noted in last week's report. An increased average of **~8 129 containers** (↑8%) is predicted to be handled next week (4 to 10 February, *Table 3*). Port operations this week were characterised by adverse weather conditions, frequent equipment breakdowns and shortages, delays, load-shedding, and congestion.

The following figure illustrates the rolling *monthly* average flow of total containerised cargo passing through our commercial ports since the nationwide lockdown. Note that there was an error in the figures present for Cape Town last week, which has now been corrected. Accordingly, the total number of containers handled at the Cape Town Container Terminal amounted to **~40 000** in January.

[7] It remains important to note that a large percentage (approximately 39% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transhipments.
[8] As mentioned before, in previous versions of the report, the measurement was incorrectly indicated as "TEUs", when it should have been noted as containers (20' and 40'). Incidentally, Transnet works on a ratio of approximately 1,4 TEUs per container and this figure will probably increase as the shift towards more 40' containers continues.

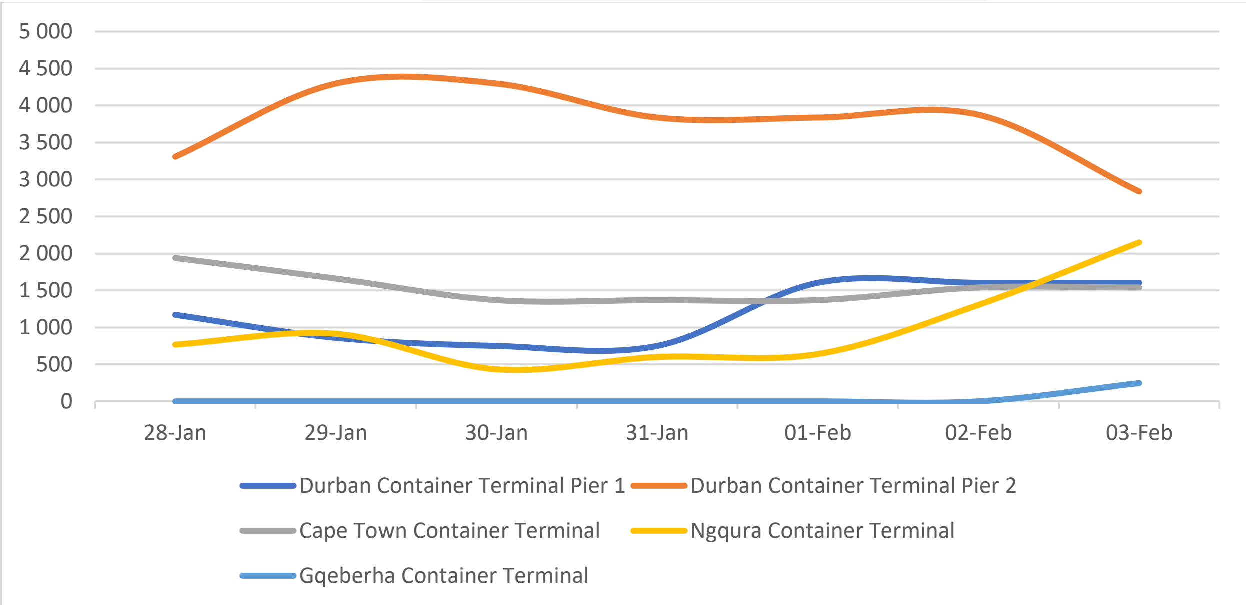
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

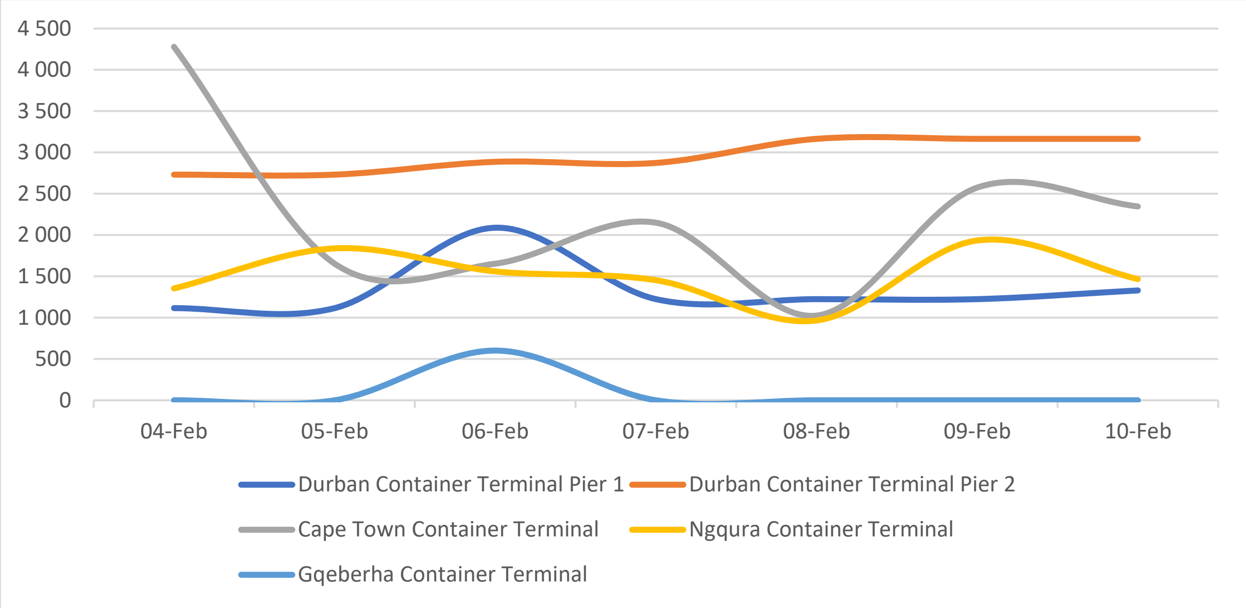
The following figures show the weekly container flows for the last seven days, followed by the projections for the seven days after that.

Figure 4 – 7-day flow reported for total container movements (28 January to 3 February; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

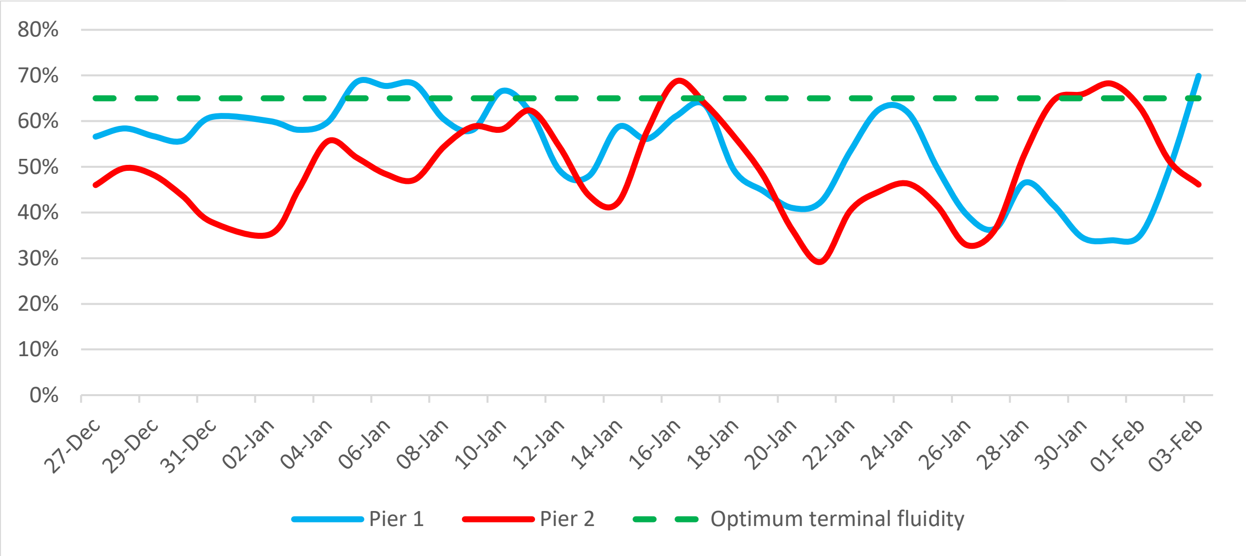
Figure 5 – 7-day forecast reported for total container movements (4 to 10 February; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

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

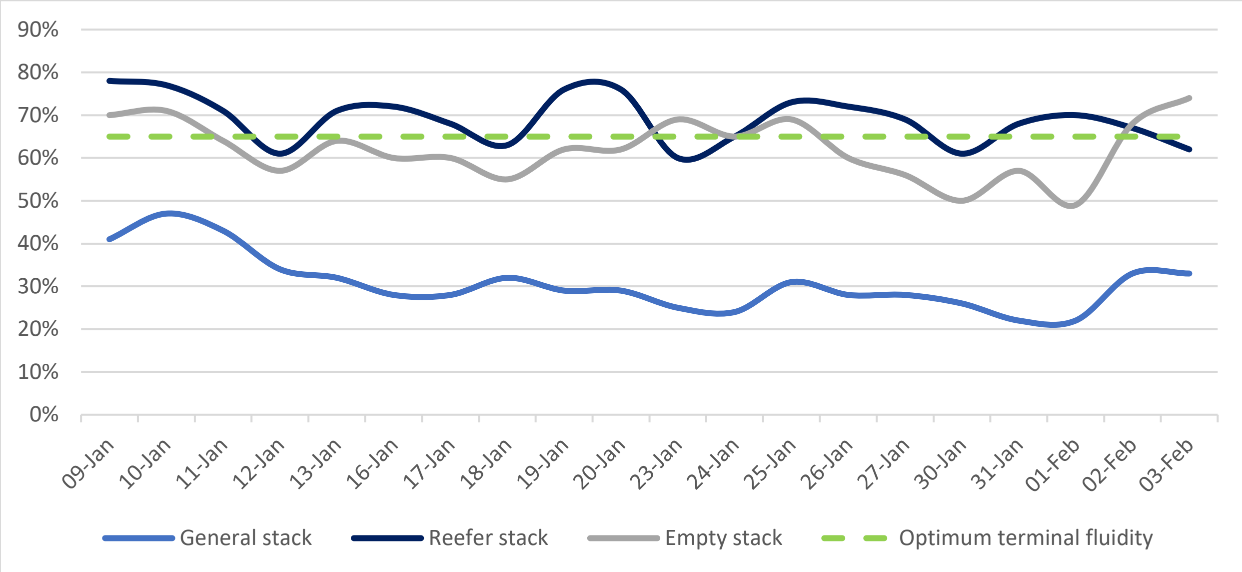
Figure 6 – Stack occupancy in DCT, general-purpose containers (27 December to present; day on day)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

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

Figure 7 – Stack occupancy in CTCT, GP, reefer, and empty stack (9 January to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

b. Summary of port operations

The following sections provide a more detailed picture of the operational performance of our commercial ports over the last seven days.

i. Weather and other delays

Cape Town experienced a carbon copy of last week's operational delays – this time primarily due to adverse weather conditions, berthing delays, and equipment challenges – halting operations by more than 30 hours.

Durban was destined for another challenging week as the frail marine fleet was the root of operational delays in the usual equipment challenges, load-shedding, backlogs, and congestion. Conversely, Richard Bay experienced a much better week in comparison, as only three vessel movements were delayed throughout the week due to weather.

Lastly, Eastern Cape ports lost 20 hours due to weather-related delays.

ii. Cape Town

On Wednesday, CTCT recorded three vessels at berth and six at outer anchorage. Stack occupancy for GP containers was 33%, reefers 67%, and empties 68%. In the latest 24-hour period to Thursday, the terminal handled 2 853 TEUs across the quay while servicing 1 174 trucks on the landside. Landside operations were further complemented with nine STS cranes and 23 RTGs. One RTG was out of commission due to planned maintenance.

One of the shore tensioners at the port is not equipped with the latest technological shore tensioning units and experienced a technical breakdown on the snatch-box unit. As a result, the unit was out of commission for about 12 hours on Monday, returning on Tuesday morning after some repairs.

Additionally, berthing delays at the Cape Town port are a growing cause of concern as such delays are currently extending beyond nine days, causing vessels to pile up and backlogs to form.

On Wednesday, Cape Town MPT recorded zero vessels at anchor and one at berth. In the 24 hours to Thursday, the terminal managed to service 158 external trucks at a truck turnaround time of ~11 minutes on the landside. Stack occupancy was captured at 31% for GP containers, 66% for reefers and 45% for empties. The terminal has one train waiting to be offloaded due to a shortage of space in the sheds.

iii. Durban and Richards Bay

Pier 1 on Tuesday recorded one vessel at berth, operated by two gangs, and zero vessels at anchor. Stack occupancy was 34% for GP containers, with 492 imports on hand and 43 unassigned units. The terminal recorded 1 231 landside gate moves on Thursday, with 631 cancelled slots and 72 wasted.

Pier 2 had four vessels at berth and two at anchorage on Wednesday. In the most recent 24 hours to Thursday, stack occupancy was 51% for GP containers and 20% for reefers. The terminal operated with 12 gangs and managed to move 4 184 TEUs across the quay. On Friday, there were 2 212 gate moves on the landside with a truck turnaround time of ~128 minutes and a staging time of ~207 minutes. Lastly, 373 rail import containers were on hand, with 230 moved by rail.

The marine service in Durban looked healthier this week as the number of tugs increased to four for the most significant part of the week. The second launch was also made available this week to aid marine services as a contingency plan should the marine fleet become more strained soon.

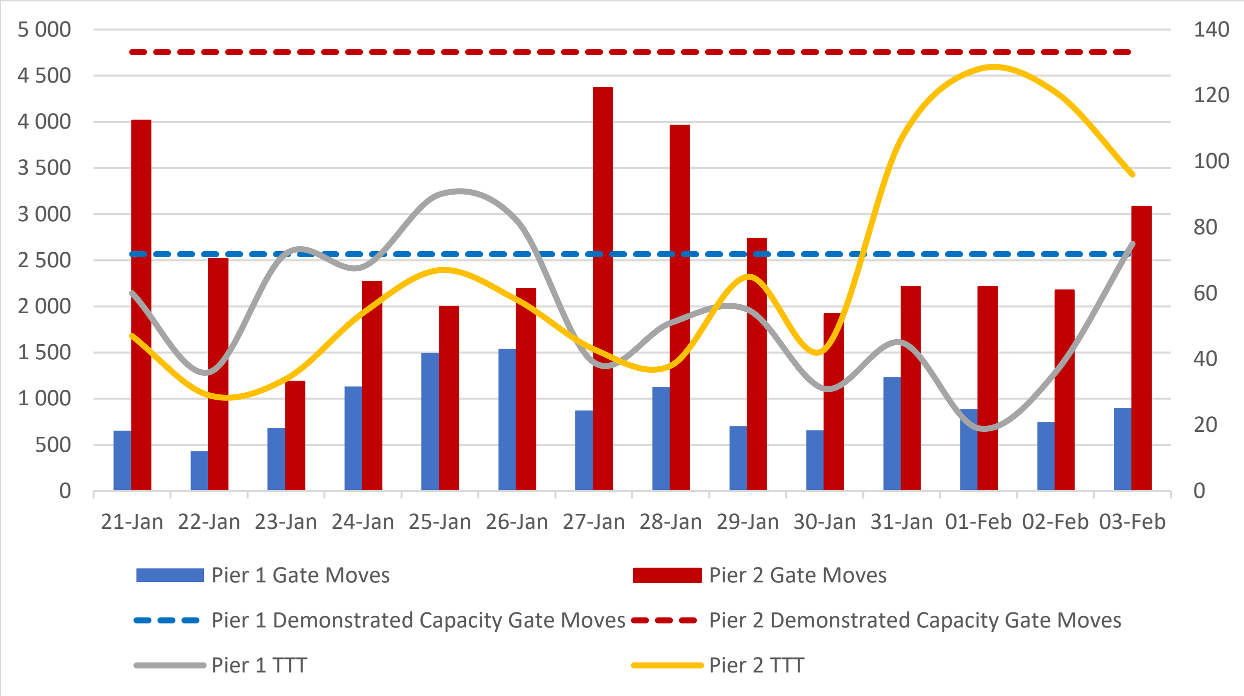
Durban MPT terminal, on Wednesday, recorded three vessels at berth and one at outer anchorage while handling 329 containers on the waterside. Stack occupancy for breakbulk improved slightly but remained high at 75%, while stack occupancy on the container side was recorded at 45%. In addition, two cranes, eight reach stackers, one empty handler, six forklifts and 14 ERFs were in operation in the 24 hours leading to Thursday, complemented by five gangs operating breakbulk and container operations.

Stack occupancy at the Ro-Ro terminal improved substantially compared to the previous week; however, industry stakeholders should be aware that the terminal is expecting very high volumes in the coming week. Approximately 17 600 Import volumes and 5 000 export volumes are expected, which could congest the stacks further and cause backlogs and delays.

On Tuesday, Richards Bay recorded 20 vessels at anchor, which translates to four bulk, nine coal, three general, three bunkers, and one tanker vessel. On berth, they recorded ten vessels, three at DBT, six at MPT, one at RBCT, and none at the liquid bulk terminal. For marine resources, two tugs, one pilot boat, and one helicopter were in operation in the 24 hours leading up to Wednesday. This week, the port continued operations with the Durban helicopter as the Richards Bay helicopter was still undergoing repairs. Reports suggested that the helicopter would return to service by the end of the week, and after, the Durban helicopter would return home.

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

Figure 8 – Gate moves (left axis), and time spent in the terminal (in minutes, right axis)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

iv. Eastern Cape ports

GCT on Wednesday recorded zero vessels at outer anchorage and none at berth. However, marine resources comprising one tug, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Thursday. In the same period, stack occupancy was 11% for GP containers, 2% for reefers, and 2% for reefer ground slots while moving no TEUs across the quay. In addition, an undisclosed number of trucks were serviced at a truck turnaround time of ~11 minutes on the landside. Finally, Crane 4 made its anticipated return this week, while Crane 3 remains out of commission.

NCT on Tuesday recorded three vessels on berth and one vessel at outer anchorage. Marine resources of one tug, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading into Wednesday. In the same period, stack occupancy was 36% for GP containers and 10% for reefers. On Monday, 770 TEUs were handled across the quay. Additionally, 410 trucks were serviced on the landside at a truck turnaround time of ~35 minutes.

This week, the tug from NCT safely completed its journey to Durban to aid its marine fleet. Upon arrival in Durban, the port engineers inspected the tug after it started to service the waterside.

v. Transnet Freight Rail (TFR)

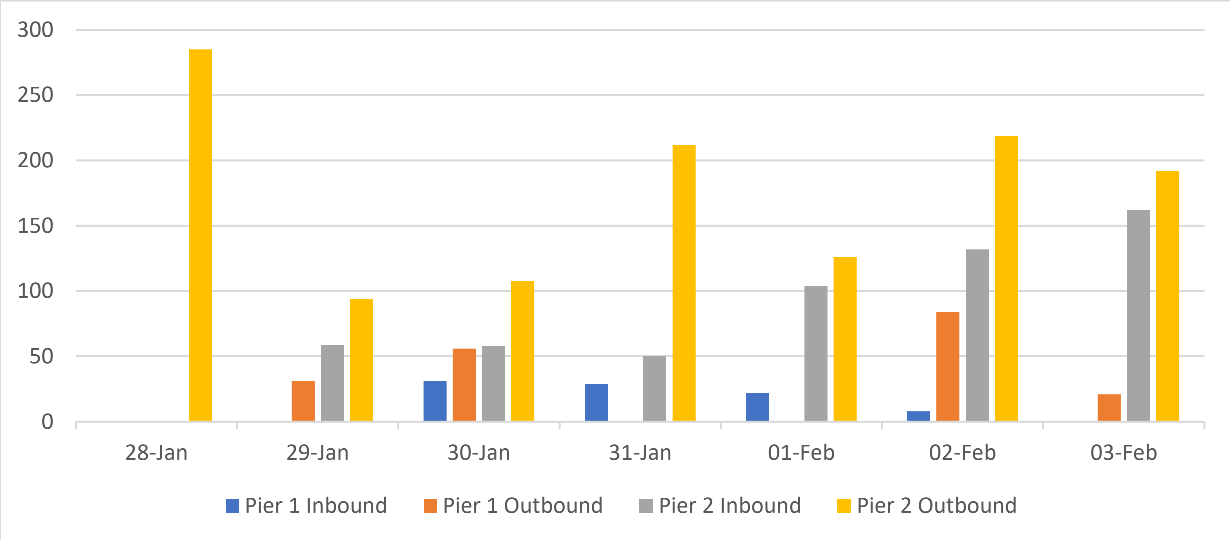
According to reports, the status of the repairs needed on several rail lines due to the Durban flash floods are as follows:

- Mount Vernon was the area most affected by the floods, and the initial target date for all repairs to be completed was 31 January. However, due to the amount of rain and other delays, the target for the completion of repairs shifted to mid-April.
- Additionally, the target date for all repairs to be completed on the Relay Room in Bayhead was the end of March; however, due to delays, the target date also shifted to mid-April.

Thus, the industry can but hope to see a return to 42 slots across rail lines by mid-April should the repairs go according to plan. These repairs, along with the RFQ TFR communicated to the market this week provides a glimmer of hope that rail can return to handling volumes of a bygone era when it used to be productive. More on the rail industry's struggles below.

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

Figure 9 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2022. Updated 03/02/2023.

In the last week (28 January to 3 February), rail cargo handled out of Durban was reported at **2 083** containers, down by ↓8% from the previous week's **2 255** containers.

vi. TPT tariff increases

TPT communicated their anticipated tariff increases for the new financial year starting 1 April[9]. TPT referenced unexpected cost increases in 2022 (including inflation and expected ZAR depreciation), explaining the higher tariff increases for the respective terminals. The headline shows that TPT will increase handling changes at the Container and Ro-Ro, Breakbulk and Agricultural Terminals by **↑8%**.

Additionally, the following adjustments have been made:

- Reefer power supply charges have been increased by **↑18,65%** - accounting for ESKOM surcharges.
- The *Fuel Neutrality* and the *Operations Stabilisation* cost recovery tariffs will be removed, as the contribution during 2022 has included TPTs calculations of the new tariffs.
- TPT will charge a penalty of R170 000 for every mis-declared hazardous container.
- TPT will endeavour to work other bays in the vessel, but where this is not possible and the respective crane goes on standby, the shipping line will be charged a fee of **R35 000 per crane, per hour** (or part thereof) for each crane which is placed on standby.

[9] TPT. 02/02/2023. Container Tariffs: 1 April 2023 – 31 March 2024.

- Where the container terminal permits break bulk, TPT will levy a crane hire of **R35 000 per crane per hour** (or part thereof) to compensate for the lost revenue from standard container movements. Quoted charges for the breakbulk tonnage will still apply.
- Storage charges at DCT have also been revised. Industry role players are encouraged to review these charges, along with the ongoing encouragement to transporters to honour their booking slots.

2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week beginning 23 January. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *January 2022* averaged **~613 769 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

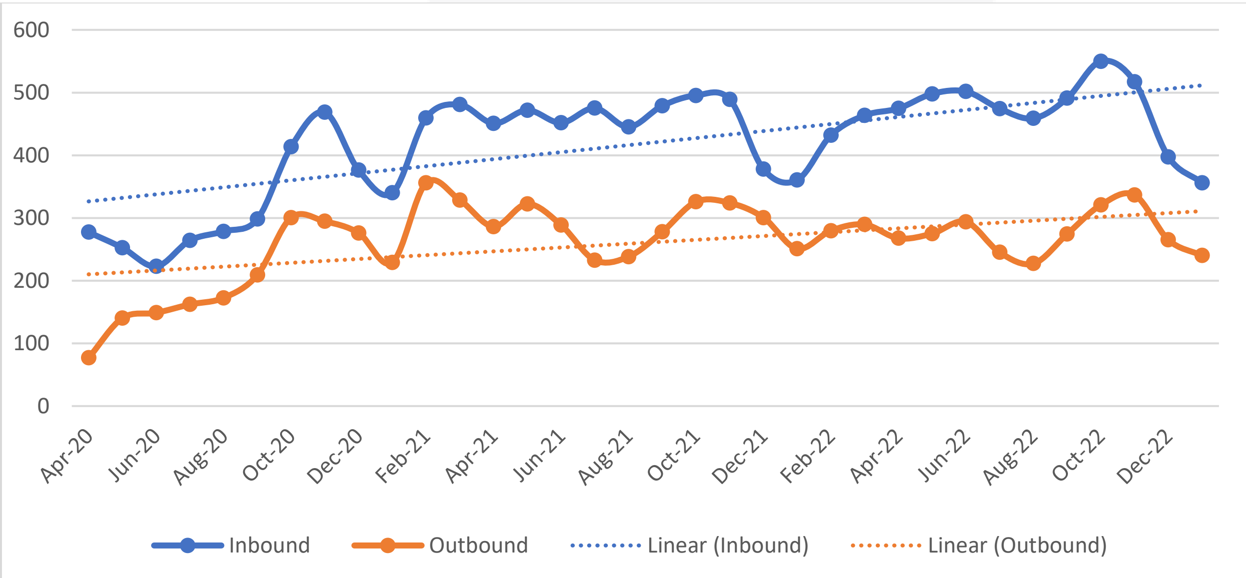
Flows	23-Jan	24-Jan	25-Jan	26-Jan	27-Jan	28-Jan	29-Jan
Volume inbound	530 178	235 768	419 784	255 668	289 751	250 035	648 860
Volume outbound	257 376	152 920	226 929	192 716	203 155	197 889	330 178
Total	**787 554**	**388 688**	**646 713**	**448 384**	**492 906**	**447 924**	**979 038**

Courtesy of ACOC. Updated: 31/01/2023.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **375 721 kg** inbound and **223 023 kg** outbound, resulting in an average of **598 744 kg per day** or **~98%** compared with January 2022. Also, the level is currently at **~86%** compared with the same period pre-pandemic in 2019.

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

Figure 10 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 31/01/2023.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) handled in *January 2022* was **~63 526 kg** per day.

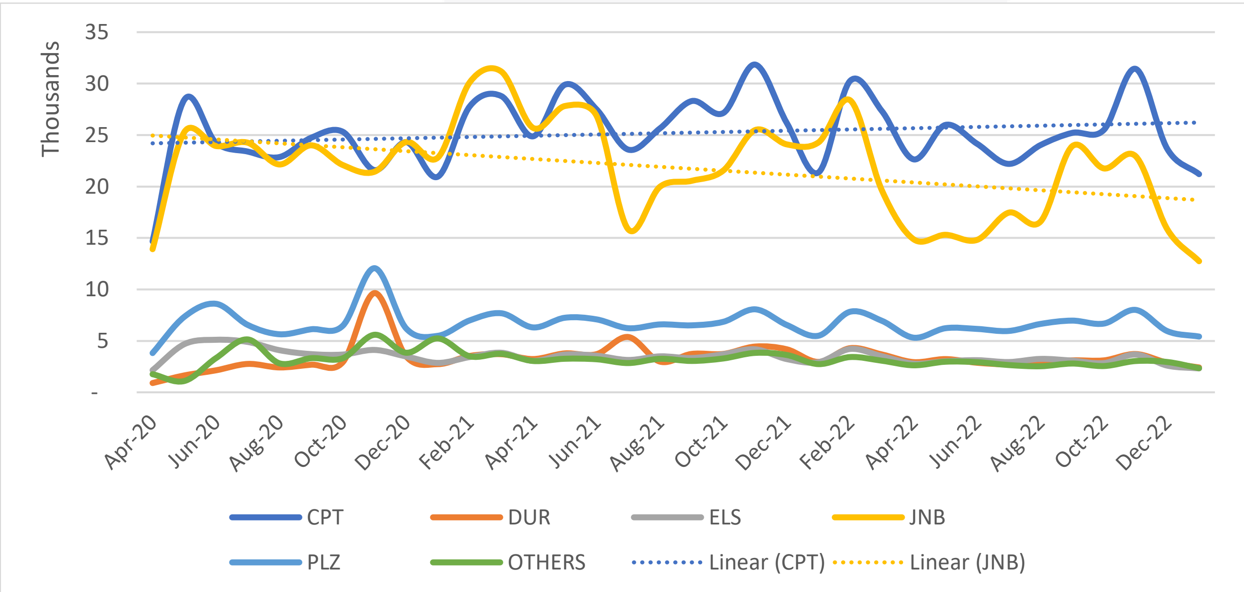
Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	JNB	PLZ	OTHERS	TOTAL
Mar-Dec '20 Ave.	**21 813**	**2 941**	**3 751**	**20 539**	**6 571**	**3 176**	**56 713**
Jan-Dec '21 Ave.	**26 817**	**3 754**	**3 452**	**24 270**	**6 789**	**3 483**	**68 218**
Jan-Dec '22 Ave.	**25 230**	**3 295**	**3 244**	**19 449**	**6 312**	**2 952**	**60 480**
December Ave.	**23 644**	**2 881**	**2 593**	**15 834**	**5 942**	**2 946**	**53 839**
January Ave.	21 303	2 384	2 371	13 130	**5 582**	**2 401**	**47 170**
24-Jan-23	37 057	4 612	5 715	20 948	11 214	3 728	**83 274**
25-Jan-23	35 155	3 529	3 987	22 482	10 195	3 918	**79 265**
26-Jan-22	38 507	3 663	3 943	27 648	11 274	4 362	**89 397**
27-Jan-22	16 640	2 481	2 685	13 011	4 658	2 772	**42 248**
28-Jan-22	806	266	6	1 581	203	136	**2 999**
29-Jan-22	624	358	107	194	421	399	**2 103**
30-Jan-22	38 587	3 234	4 658	23 229	10 663	4 155	**84 527**
Total for 2023:	**12 596**	**639 080**	**71 522**	**71 131**	**59 032**	**393 885**	**167 467**

Courtesy of BAC. Updated: 31/01/2023.

The average domestic air cargo moved last week was **~54 830 kg** per day, which is **↓5%** compared with the previous week, but only **~86%** compared to January 2022 as operations pick up for the year.

Figure 11 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 31/01/2023.

3. National Update

The following section provides some context around the national economy relating to trade, including an update on **(a)** SARS merchandise trade and **(b)** land transport – Stats SA and the Ctrack index.

a. SARS Merchandise Trade Stats: December

On Tuesday, 31 January, SARS released the latest trade figures for December's monthly trade statistics[10], with trade continuing to increase significantly annually – led by substantial increases in imports. However, monthly trade expectedly decreased, with exports down from November by **↓5,1%** (m/m) and imports down by **↓4,2%** (m/m). Nevertheless, we still recorded a trade surplus of **R5,43 billion** for December. The monthly change adds to the annual surplus of **R193,28 billion**; however, the YTD figures show a significant deterioration from the **R431,74 billion** positive trade balance recorded in 2021. Annual figures show that exports amounted to **R2 013,62 billion**, a significant increase of **↑11,1%** (y/y); however, imports also increased substantially and amounted to **R2 013,62 billion**, which is a massive increase of **↑31,8%** (y/y). Ultimately, forecasts indicate that we will return to the reality of being a net importer of goods, except if we can adopt labour-intensive export-orientated strategies to open the path to more sustainable development[11].

Regionally, trade with BELN countries for December resulted in a trade surplus of **R11,24 billion**, resulting from exports of **R15,23 billion** and imports of **R3,99 billion**. As with the cumulative figures, exports to our neighbouring countries decreased by **↓17,3%** (m/m) between November and December, with imports also decreasing – by **↓30,2%** (m/m) – over the same period. Nevertheless, the cumulative figures for the year point to a substantial positive trade balance with BELN countries and a growth from 2021 figures – from **R106,35 billion** in 2021 to **R122,41 billion** trade balance surplus for 2022.

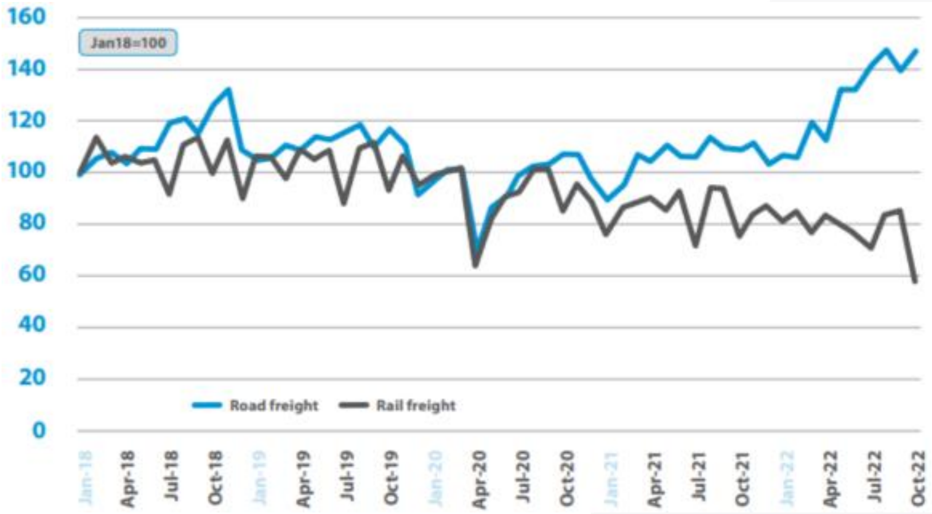
b. STATS SA – Land Transport Survey and Ctrack Freight Index

In the previous week, STATS SA released the latest "*Land Transport*" survey figures[12], with the headline that the volume of goods transported (payload) increased by **↑14,8%** (y/y) in November 2022. Also, the corresponding income increased by **↑17,7%** (y/y) over the same period. These figures provide further evidence of **(1)** South Africa's high freight demand and **(2)** the cost of doing business, which continues to be at elevated levels compared to this time last year. A further damning statistic for our rail industry is that the split between road and rail regarding the seasonally adjusted payload for the last three months has increased to an astonishing **87/13** in favour of road (this split was **80/20** just earlier in 2022[13]). Indeed, across the last three months, road increased by **↑1,5%**, while rail decreased by a massive **↓17,3%**.

The deterioration of rail freight has been a reality for some time now; however, the astonishing acceleration in recent months has been nothing short of a disaster. Indeed, the latest Ctrack "*Transport and Freight Index*" confirms the decline, as rail decreased by **↓17,3%** in the last quarter[14]. The divergence between road versus rail can be seen in the following figure:

[10] SARS. 31/01/2022. Trade Statistics: December.
[11] De Baissac, C. 06/09/2020. An essay: South Africa's economic decline in detail – and the narrow path away from failure.
[12] STATS SA. 23/01/2023. Land Transport Survey: November 2022.
[13] STATS SA. 23/05/2022. Land Transport Survey: March: 2022.
[14] Ctrack. 26/01/2023. Transport and Freight Index: December 2022.

Figure 12 – Road versus rail payload index (January 2018 = 100)



Source: Ctrack and economists.co.za

Rail was not the only declining sector during the last quarter, as pipelines (**↓21,2%**), sea (**↓18,2%**), storage (**↓9,2%**), and road (**↓4,0%**) all declined in the last quarter. These figures were, of course, significantly influenced by the 11-day Transnet strike, which severely debilitated the industry. Consequently, the reality for transport and freight led Ctrack to headline their latest report with "*The South African logistics sector ended 2022 on the back foot.*" Therefore, the industry has significant work to claw back lost time in 2023. Moreover, it can be done, as Transnet showed when the first full week post the strike was the best-recorded throughput for the year by our calculations (TPT handled **10 183 containers** per day for the week ending 4 November).

4. Road and Regional Update

a. Cross-border and road freight delays

This week, the following points are worth mentioning in terms of challenges and delays on roads in South Africa and the surroundings in the SADC region.

- This week, the median border crossing times at South African borders averaged **~9,8 hours** (**↑34%**, w/w) for the week.
- The explanation behind the slow crossings between SSA's busiest land border crossing – Beitbridge – seems to originate at the CONDEP container depot in Zimbabwe, as reports received last week note that the US$ was removed as an accepted currency on Zimra's System.
  - Consequently, all Dollar payments had to be done manually – adding days to the clearing times.
  - Furthermore, CONDEP inspections only commenced once payment has been reflected.
  - FESARTA continues to engage with Zimra on this matter.
- As always, transporters, traders, and cargo owners are encouraged to use the non-tariff barrier (NTBs) online tool developed by UNCTAD and the AfCFTA Secretariat. However, given the

questionable effectiveness of this platform, transporters are encouraged to contact FESARTA and join their TRANSIST Bureau[15], which has arguably achieved much greater success.

The following table shows the changes in bidirectional flows through South African borders

Table 6 – Delays[16] summary – South African borders

Border Post	Direction	HGV[17] Arrivals per day	Queue Time (hours)	Border Time – Best 5% (hours)	Border Time – Median (hours)	HGV Tonnage per day	Weekly HGV Arrivals
Beitbridge	SA-Zimbabwe	391	6	5	27	11 730	2 737
Beitbridge	Zimbabwe-SA	410	4	3	12	12 300	2 870
Groblersbrug	SA-Botswana	248	2	2	14	7 440	1 736
Groblersbrug	Botswana-SA	157	0	0	1	4 710	1 099
Vioolsdrif	SA-Namibia	30	0	1	3	900	210
Noordoewer	Namibia-SA	20	0	1	2	600	140
Nakop	SA-Namibia	30	0	2	6	900	210
Ariamsvlei	Namibia-SA	20	0	1	1	600	140
Lebombo	SA-Mozambique	1 552	0	1	7	46 560	10 864
Ressano Garcia	Mozambique-SA	133	0	1	2	3 990	931
Skilpadshek	SA-Botswana	200	1	0	2	4 800	1 400
Pioneer Gate	Botswana-SA	100	1	1	2	2 400	700
	Average/Sum	**3 291**	**01:00**	**01:00**	**07:00**	**96 930**	**23 037**

Source: TLC, FESARTA, & Crickmay, week ending 29/01/2023.

Table 7 – Delays summary – Corridor perspective

Corridor	HGV Arrivals per day	Queue Time (hh:mm)	Border Time – Best 5% (hh:mm)	Border Time – Median (hh:mm)	HGV Tonnage per day	Weekly HGV Arrivals
Beira Corridor	320	0	5	18	9 600	2 240
Dar Es Salaam Corridor	1 819	10	6	22	54 570	12 733
Maputo Corridor	1 685	0	1	5	50 550	11 795
Nacala Corridor	127	0	6	6	3 810	889
North/South	3 278	4	6	19	74 791	22 946
Trans Caprivi Corridor	116	4	13	34	3 480	812
Trans Cunene Corridor	100	1	10	33	3 000	700
Trans Kalahari Corridor	330	1	1	2	7 920	2 310
Trans Oranje Corridor	100	0	1	3	3 000	700
Average/Sum	**7 875**	**03:00**	**05:00**	**16:00**	**210 721**	**55 125**

Source: TLC, FESARTA, & Crickmay, week ending 29/01/2023.

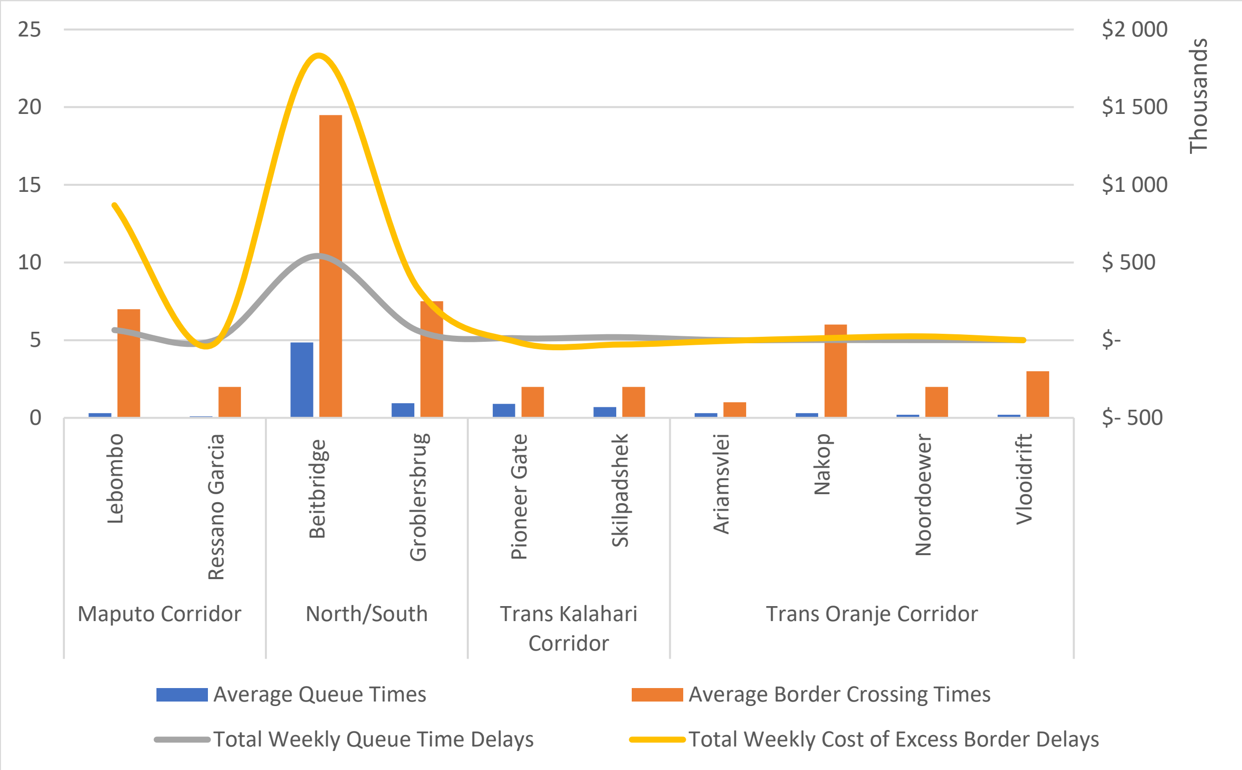
The following graph shows the weekly change in cross-border times and associated estimated costs:

[15] FESARTA TRANSIST Bureau.

[16] 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.

[17] Heavy Goods Vehicles. Note: These statistics are rolling averages; therefore, they would not typically change weekly, rather monthly.

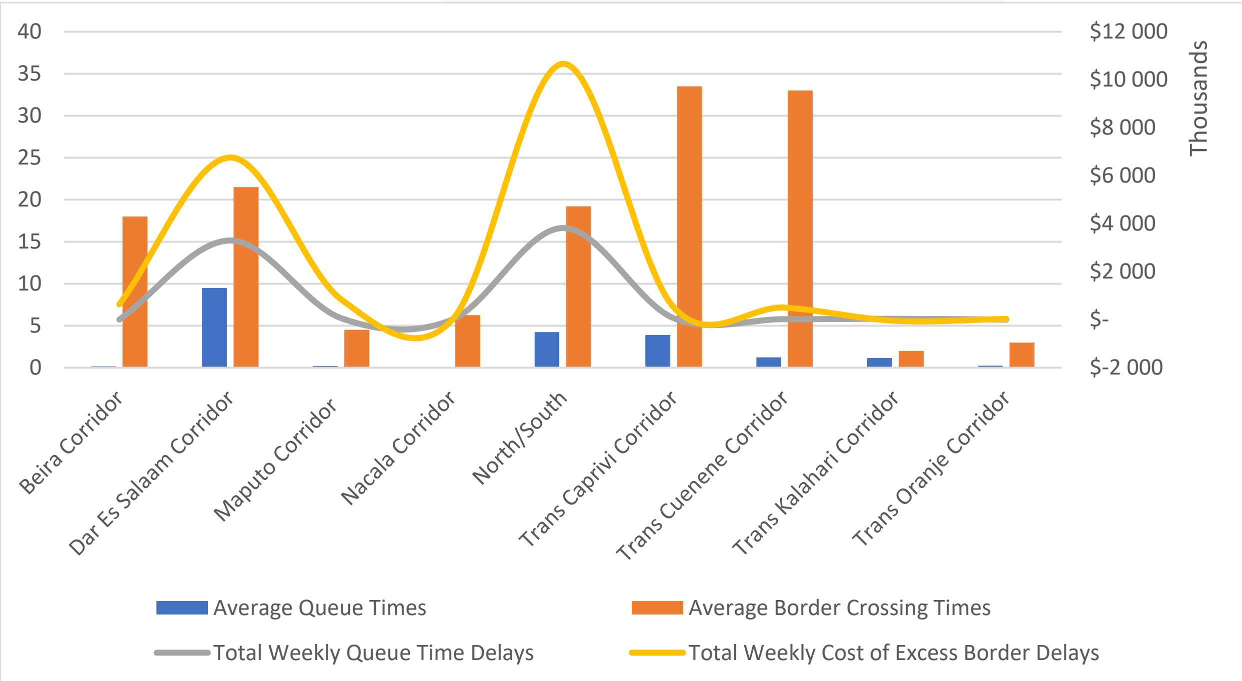
Figure 13 – Weekly cross-border delays & est. cost from a SA border perspective (hours & $ thousands)



Source: TLC, FESARTA, & Crickmay, week ending 29/01/2023.

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

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



Source: TLC, FESARTA, & Crickmay, week ending 29/01/2023.

In summary, cross-border queue time has averaged **~3,4 hours** (up by **~1,1 hours** from the previous week's **~2,3 hours**), costing the transport industry an estimated **$7 million** (**R128 million**). Furthermore, the week's average cross-border transit times hovered around **~15,7 hours** (up by **~2,3 hours** from the **~13,4 hours** recorded in the previous report), at a cost to the transport industry of **$20 million** (**R350 million**). As a result, the total cost for the week amounts to an estimated **~R479 million** (substantially up by **~R126 million** or **↑36%** from **R353 million** in the previous report).

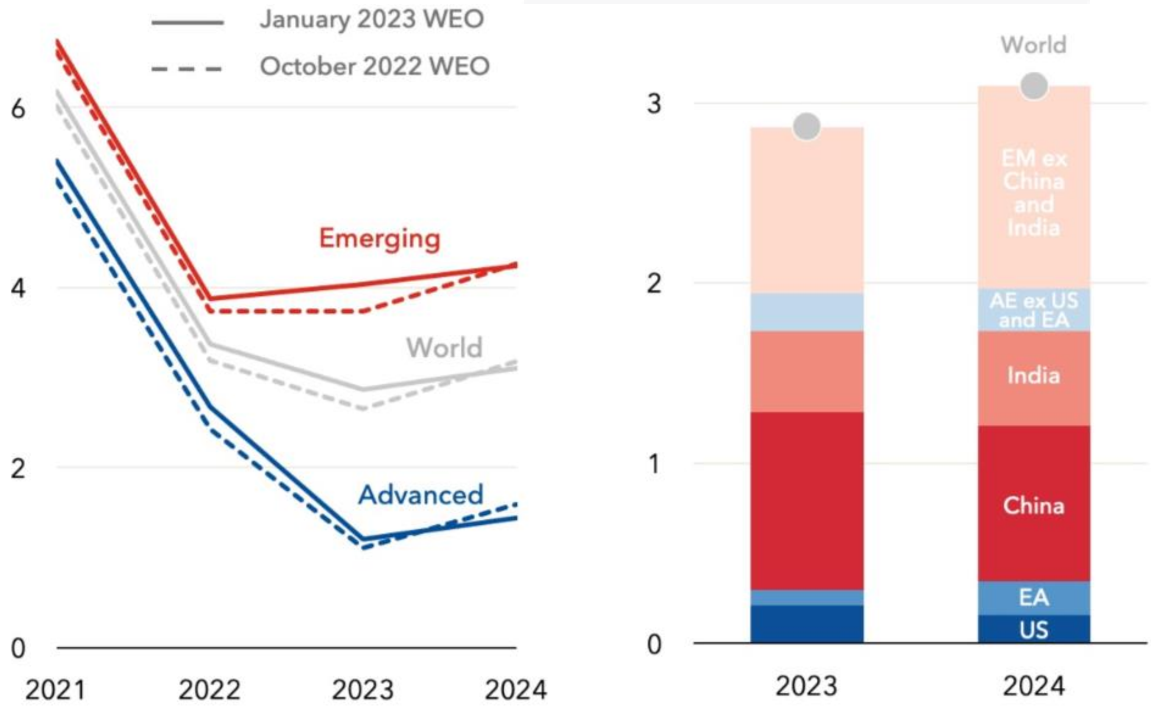
5. International Update

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

b. IMF world economic outlook: January

This week, the IMF released their latest "*World Economic Outlook*" for January[18], with global growth projected to accelerate to an estimated **↑2,9%** in 2023 (upwardly revised by **0,2%**). The outlook is in apparent contrast to the UN's predictions report last week, which expects output to hover around **↑1,9%** in 2023[19]. Looking ahead, the Fund believes growth will bottom out this year and increase to **↑3,4%** in 2024, with the war, inflation, and central banks' contractionary monetary policy the main economic levers of the global economy. The following side-by-side figure illustrates the growth projections and shares in the output:

Figure 15 – Growth projections (%, y/y) and contribution to world GDP growth (% share)



Source: IMF

[18] IMF. 30/01/2023. World Economic Outlook: January 2023.
[19] UN. 25/01/2023. United Nations World Economic Situation and Prospects (WESP).

For South Africa, the IMF somehow predicts that South Africa will grow at **↑1,2%** in 2023 and **↑1,3%** in 2024 (which is slightly more realistic – albeit still optimistic compared to the SARB – compared to the UN's prediction of **↑1,5%** in 2023 and **↑1,8%** in 2024). The IMF lists "*weaker external demand, power shortages, and structural constraints*" as the main drivers reflecting the estimates.

c. Global shipping industry

i. Container throughput

The latest *RWI/ISL*[20] figures showed that global port throughput experienced a slight uptick to **124,3 points** in December (up by a significant **↑2,4** from November's revised **121,9 points**)[21]. A significant increase led the increased activity in both European and Chinese ports. The numbers provide some momentum against the maritime industry's apparent doom and gloom narrative. Indeed, the recovery of container throughput has intensified toward the end of the year. The revival has now reached European ports, so bottlenecks concerning some upstream products should have eased further. The respective indices show that the index for Chinese ports increased from **133,3** to **138,3**. Likewise, Europe's growth activity has also accelerated in December – from **121,9** to **124,3**. Incidentally, Drewry's "*Container Port Throughput*" – for November – increased monthly (**↑0,8%**) but remains down by **↑1,6%** yearly. For Africa, monthly movement is significantly up (**↑13,6%** versus November – primarily due to the Transnet strike recovery) but remains down versus last year, at **↓7,3%**. Nevertheless, the uptick in global throughput is welcomed in the industry:

Figure 16 – RWI/ISL Container throughput index (2015 = 100)

Source: RWI/ISL

ii. Container capacity deployment and cancelled sailings

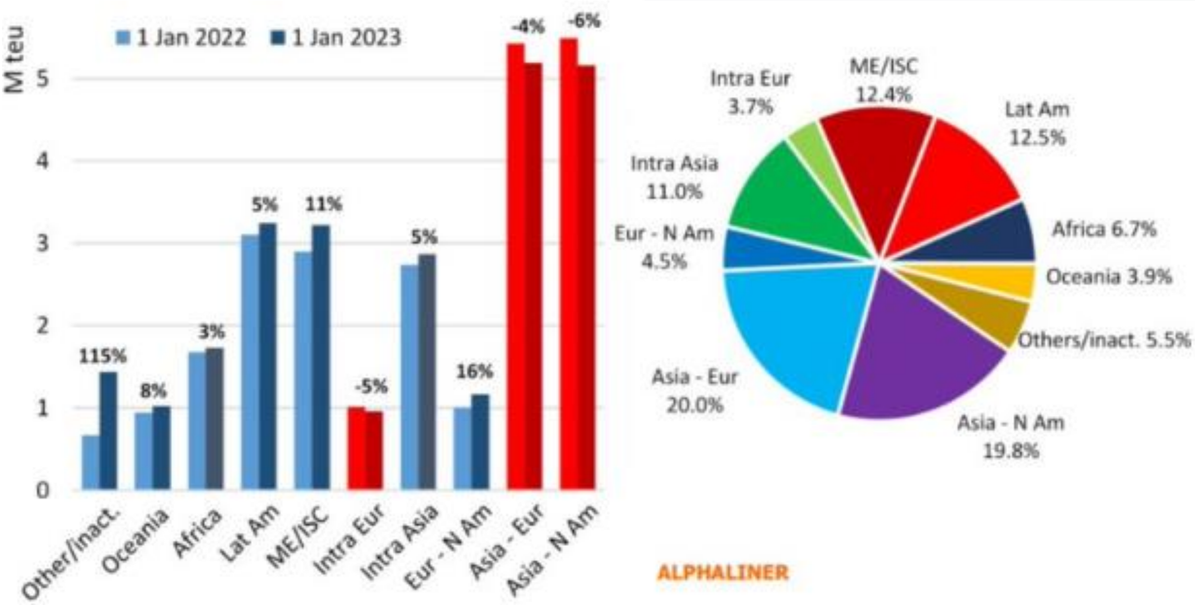
Despite the slight increase in container throughput in December, container capacity deployment and schedule management remain the prevailing global topic in liner shipping. Consequently, there has been a

[20] Container Throughput Index of RWI – Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics (ISL), which consists of data from 94 international ports, constituting approximately **66%** of global container traffic, and includes the South African ports of Cape Town, Durban, and Ngqura.

[21] RWI/ISL. 27/01/2023. RWI/ISL Container Throughput Index: Revival of container throughput reaches Europe.

significant amount of service shuffling going on. For South Africa specifically, we have noticed a significant reduction in transhipments, with much intra-regional African trade now going through smaller ports such as Maputo, Dar es Salaam, and Mombasa. This trend has been ongoing since 2017 (incidentally, South Africa has seen its share of transhipments drop from around **24%** in 2017 to **17%** in 2022 – not surprising that our container industry has not grown since 2013, with a significant amount of trade now going elsewhere). Also, despite the announced 2M split, there has been a slight increase in cross-alliance cooperation[22]. Nevertheless, globally, we have witnessed a shift in tonnage to the Middle East and India lately, as poor demand in China – coupled with falling rates – have led to significant changes in the global container fleet deployment:

Figure 17 – Global container deployment fleet by trade (% change y/y; share per trade)



Source: Alphaliner

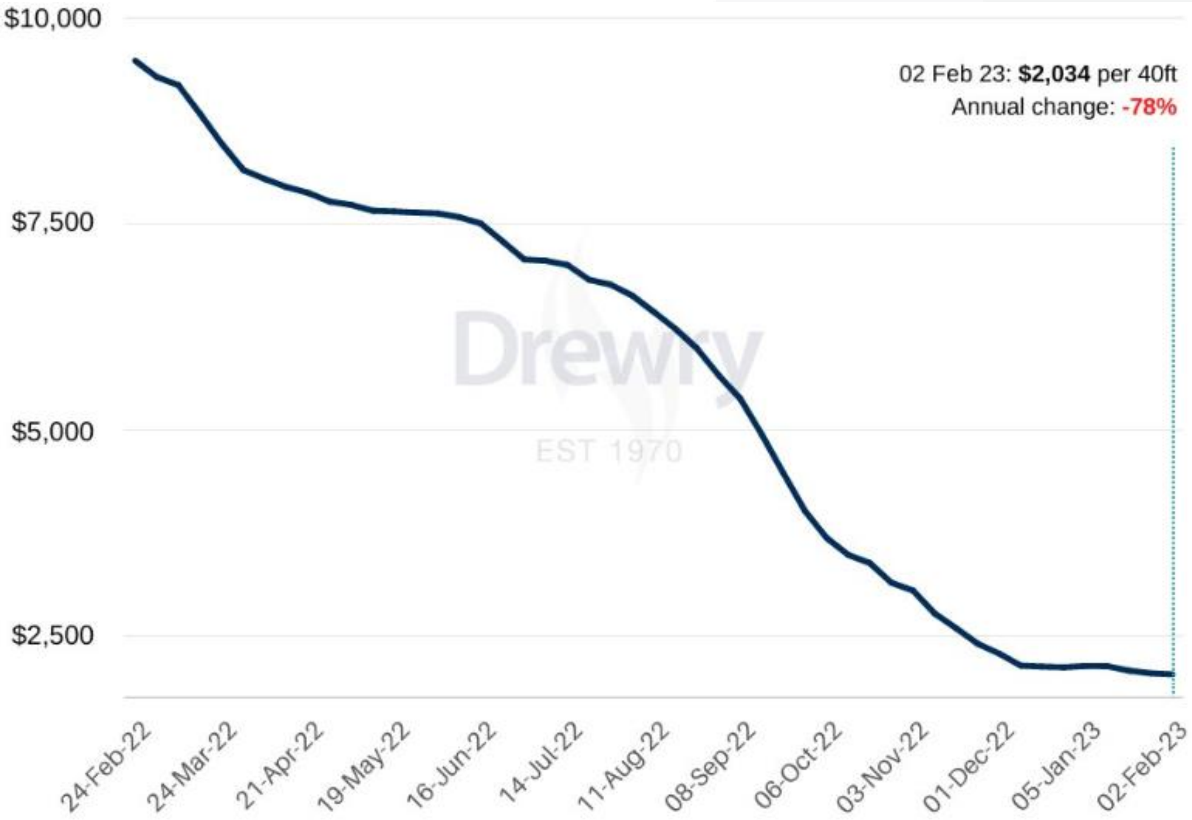
Alphaliner reports that more than **565 000 TEU of capacity** was withdrawn from the Asia - North America and Asia – Europe trades in 2022. This process continues with Hapag-Lloyd closing down its China - Germany Express service and Ellerman re-deploying ships on the more lucrative trades. Conversely, some significant increases occurred elsewhere, with the active container fleet on the Transatlantic increased by an impressive **↑16,2%** in 2022, equivalent to 162 300 additional TEU slots. Tonnage-wise, the most significant shift is to the Middle East and India services (**↑11%**), where 320 600 TEU of fleet capacity was added last year. Consequently, there has been a vessel-size shift, as Indian ports are now handling an increasing number of 13 000 – 15 000 TEU ships, which have been replaced by Megamax vessels (18 000-21 000 TEU) on the East-West trades. Although overall Asia – US trades have seen a reduction of **↓6%**, *Sea Intelligence* this week notes that the post-Chinese New Year capacity remains very high, with China – US West Coast trade still registering a **↑6,1%** increase from 2022[23]. As Drewry's "*Cancelled Sailings Tracker*" shows this week, re-shuffling is set to continue as the tracker registered an approximate **14% cancellation rate**[24] this week. However, this figure has been subsiding lately, further normalising the container market.

[22] Wackett, M. 01/02/2023. Cross-alliance cooperation on the increase as market weakens.
[23] Murphy, A. 31/01/2023. Post-CNY capacity still very high.
[24] Drewry. 03/02/2023. Cancelled Sailings Tracker - 3 February.

iii. Global container freight rates

There has been another decrease in global container freight rates this week, with the latest Drewry "*World Container Index*" moderately down by **↓1%** (**$13**) to **$2 034** per 40-ft container:

Figure 18 – World Container Index assessed by Drewry ($ per 40 ft. container)



Source: Drewry Ports and Terminal insights

The composite index is now **↓78%** below the corresponding spot price quoted last year and **↓24%** lower than the 10-year average of **$2 693**. Regionally, the index in all trade lanes stayed within a 3%-bound compared to last week, as spot rates internationally have seemingly settled around the **$2 000 mark**. Incidentally, most carriers are now operating at a loss based on a mark-to-market basis at this spot price point, according to an analysis by investment bank Jefferies[25]. Mark-to-market is an accounting practice that involves adjusting the value of an asset to reflect its value as determined by current market conditions. While much has been written about the declining spot rate environment, there is also now a record-breaking fall in long-term rates, according to Xeneta[26]. The global XSI® posted its most significant ever month-on-month drop on record in January 2023. It fell by **↓13,3%** from December, down to **364,15 points** (January 2017 = 100), making it the fifth consecutive month of falling prices on the index. For South Africa, although there has been a slight decrease in both spot and contract rates, the decrease continues to occur much more

[25] Chambers, S. 02/02/2023. Liners now in the red on a mark-to-market basis.
[26] Xeneta. 31/01/2023. Xeneta Shipping Index (XSI®) Contract Market: January 2023.

delayed and less pronounced than in the rest of the market. Ultimately, rates are likely to remain stable in the near future.

iv. Further developments of note

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

1. **The drive to introduce cleaner-energy vessels continue with additional methanol ships ordered:**
    a. French carrier CMA CGM has ordered a dozen 13 000 TEU methanol-fuelled containerships at Hyundai Samho Heavy Industries. The new buildings are the second set of methanol-powered ships CMA CGM has ordered, increasing the number of such vessels in the French carrier's orderbook to 18[27].
    b. Last August, CMA CGM commissioned six 15 000 TEU methanol-powered ships at China's Dalian Shipbuilding for delivery during the second half of 2025. CMA CGM believes that no single fuel can achieve the industry's target of achieving zero carbon in 2050, and all eligible fuels should be explored.
2. **Maersk unifying brands – Hamburg Süd, Sealand, and Twill set to dissolve:**
    a. Maersk's announcement on Friday that it intends to retire brands, including Hamburg Süd, Sealand and Twill, has met with a mixed reaction from the industry.
    b. Some share Maersk's conclusion that a singular unified brand is a way forward to enable the company to "*better respond*" to its customers. Still, others bemoan the potential loss of the more personal contact they have enjoyed with the subsidiaries[28].
    c. Some sentiments include that "*Maersk is a deep-sea operator and shortsea is a very different cup of tea; also, although everybody knows it's a Maersk company, Sealand doesn't rub that in your face and give you the feel of some autonomy*."

d. Global air cargo industry

i. Latest air cargo market trends

The underlying indicators point to a continuation of a "soft" air cargo market, as global air cargo tonnages dropped significantly this week, as was expected given the early start of the Lunar New Year on 22 January. Figures for the week ending 29 January show a decrease of **↓8%** in worldwide tonnages compared with the previous week, according to World ACD's latest analysis[29]. The global average rate level also decreased significantly by **↓9%** (w/w); however, when considering all flows to and from Mainland China, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, and Vietnam combined, tonnage dropped a staggering **↓37%**. All other flows decreased by only **↓5%**, with a **↓4%** reduction in the average rate. Notably, however, has been a noticeable increase in cargo flows between Africa and Europe, up by **↑20%** in both directions. A rekindling of old trading partners, perhaps? One might gather as much if it had not been the Chinese New Year. Ultimately, the story told by these figures is one confirming the slowdown of the global economy, especially in air freight.

In other aviation news, the last 747 to be manufactured yesterday was delivered to customers Kuehne + Nagel and Atlas Air, which brings an end to an era of an industry stalwart[30]. Also concerning new builds,

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[27] Li, M. 02/02/2023. CMA CGM books another dozen 13 000 TEU methanol-powered ships.
[28] Wackett, M. 30/01/2023. Maersk 'takes a risk' binning historic and well-liked brands.
[29] World ACD. 03/02/2023. Lunar New Year and economic slowdown impact demand
[30] Lennane, A. 01/02/2023. End of an era as the last B747 to be built takes to the skies.

there has been a surge in freighter orders despite the apparent paradigm shift in cargo with the major reduction in flights and waning air cargo demand[31].

ENDS[32]

[31] Whiteman, A. 01/02/2023. Surge in freighter orders by carriers, despite 'paradigm shift' in air cargo.

[32]**ACKNOWLEDGEMENT:**

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