

## COVID-19: Cargo movement update<sup>1</sup>

**Date: 29 July 2022**

### Weekly Snapshot

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

Flows	Current <sup>2</sup>			Previous <sup>3</sup>			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	25 746	34 990	<b>60 736</b>	24 881	26 955	<b>51 836</b>	<b>↑17%</b>
Air Cargo (tons)	4 558	2 318	<b>6 875</b>	4 579	2 369	<b>6 948</b>	<b>↓1%</b>

### Monthly Snapshot

Figure 1 – Monthly<sup>4</sup> cargo volume levels, year on year (100% = baseline)

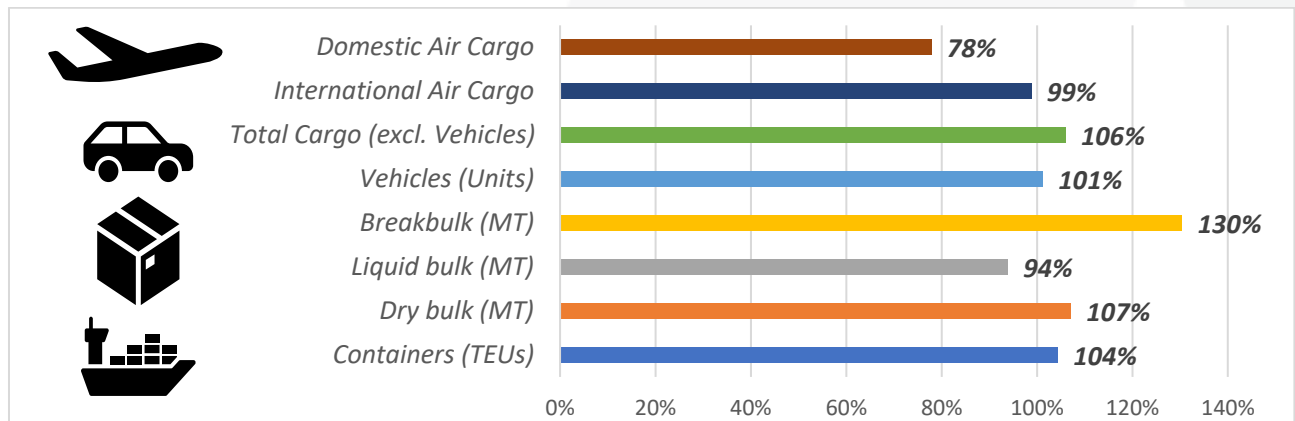
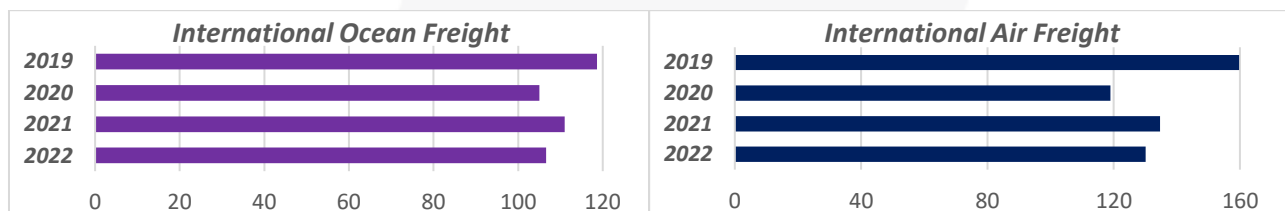


Figure 2 – Global year-to-date flows 2019-2022<sup>5</sup>: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



### Key Notes

- An average of **~8 677 containers** was handled per day, with **~8 763 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **1 424 containers**, **↑105%** compared to last week.
- This week, cross-border queue times **↑1,2 hours**, with transit times **↓2,5 hours**, SA borders **~10 hours**.
- The IMF expect global GDP to slow from **↑6,1%** (2021) to **↑3,2%** (2022) & **↑2,9%** (2023). The revised figures are **↓0,4%** and **↓0,3%** respectively from April. SA at **↑2,3%** (2022) and **↑1,4%** (2023).
- The "WCI" declined for the 22<sup>nd</sup> straight week, with spot rates **↓0,9%** (or **\$58**) – to **\$6 762** per 40-ft.
- The "Global Port Container Index" is **↑1,4%** (m/m) to reach **143,4 points** – the highest since June 2021.

<sup>1</sup> 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 98<sup>th</sup> update.

<sup>2</sup> 'Current' means the last 7 days' (a week's) worth of available data.

<sup>3</sup> 'Previous' means the preceding 8-14 days' (a week's) worth of available data.

<sup>4</sup> 'Monthly' means the last full month's worth of available data compared to the same month in the previous year. All metrics: Jun vs Jun.

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

## Executive Summary

This update – *the 98<sup>th</sup> of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. This past week's main headline for port operations relates to substantially increased throughput levels compared to last week despite some challenging weather conditions in Durban and Richards Bay. Also, the helicopter at the Durban port was re-commissioned during the latter stages of the week after component repairs were completed earlier in the week.

Some delays experienced were primarily attributed to equipment breakdowns, congestion, vessel ranging in Cape Town, and, unfortunately, a horrible truck accident in Durban. Lastly, for rail, TFR still hasn't provided an estimated return time on the second line of the container corridor after the derailment. However, they suggested earlier this week that the second line of the Durban-Cato Ridge railway should be back in commission by 17 September.

Regarding the current economic outlook, the IMF has downwardly revised growth forecasts due to the prevailing pressures of war, COVID-19, inflation, and others. Moreover, the WTO warned of a downward trend in global merchandise trade, citing approximately the same issues as the IMF. Finally, globally – as has been our experience in South Africa – there has been a slower aggregate demand growth due to falling business and consumer confidence, negatively impacting the outlook for now.

On the international shipping side, after a significant reduction in global container volume in April, there has been a strong recovery in container throughput, with a substantial increase recorded in May. The recovery was led by Chinese ports, with their top three ports all registering double-digit growth. Elsewhere, North American ports experienced monthly and annual growth, while African container terminals are up monthly (**↑1,6%**) but still way down yearly (**↓4,7%**).

As expected, container freight rates continue their descent as the balance of power remains with the carriers and will likely continue well into the 2023/24 season. However, the tables continue to turn, primarily due to overstock and weakness on the demand side. Moreover, on the supply side, the record new-built orders will increase capacity, which is also likely to soften rates further, but will plateau at levels higher than those seen in 2019. Further developments of note included **(1)** decreased volumes but increased profits for DB Schenker, **(2)** MSC pulls KAMC service linking Russia, South Korea, and Africa, **(3)** EC urged to review liner block exemption, and **(4)** contrasting throughput scenarios at major Northern European ports, as carriers are urged to commit to their windows.

South Africa's international – and domestic air cargo sectors decreased slightly this week (**↓1%**). However, according to the latest passenger numbers (18 to 24 July), the recovery rate domestically stands at **~75%** and internationally at **~63%** compared to 2019. Internationally, IATA reiterated the IMF's current economic assessment and confirmed that the challenging operating environment for aviation would likely remain for some time. Although pent-up demand for air travel remains strong, this will not persist indefinitely, and airlines will need to maintain vigilance on costs to help support their financial recovery going forward. Additional developments included **(1)** further decreases in air cargo rates, **(2)** Air France-KLM taking control of CMA CGM Air Cargo, and **(3)** FedEx continuing to expand its Asia-Pacific hub to meet long-term growth.

On the road freight front, cross-border transit times for South African borders averaged **10 hours** (**↓29%** w/w) this week, as delays continue at Kasumbalesa and Kopfontein. Apart from regional cross-border blockages, this week's main headline concerns the ongoing SARS wage negotiations dispute and subsequent amendments to cargo processing hours at selected ports. Further developments for road transport included

Zimra resorting to "*dipping*" all tankers in an attempt to curb fuel smuggling, which has become a problem for Zimbabwe.

In conclusion, the international updates from the IMF and the WTO this week confirmed our recent experience in the industry, which sees a continuation of current constraints with no immediate improvement in sight. As has been the case since the pandemic outbreak, the long-awaited return to "normal" remains elusive, notwithstanding that it will be a very different normal. However, it appears that the best estimates are for port congestion and schedule reliability to moderate around the Chinese New Year next year, with the new paradigm likely around a mean container rate of about **\$5 000** ex Asia. Air cargo is expected to return to a new standard around early 2024. Ultimately, 'normalisation' will depend on numerous factors, especially the current ones of wars, viruses, recession, and natural catastrophes.

## Contents

<b>Weekly Snapshot .....</b>	<b>1</b>
<b>Monthly Snapshot.....</b>	<b>1</b>
<b>Key Notes .....</b>	<b>1</b>
<b>Executive Summary.....</b>	<b>2</b>
<b>Contents.....</b>	<b>4</b>
<b>1. Ports Update .....</b>	<b>5</b>
a. Container flow overview .....	5
b. Summary of port operations.....	8
i. Weather and other delays .....	8
ii. Cape Town.....	9
iii. Durban and Richards Bay .....	9
iv. Eastern Cape ports .....	10
v. Transnet Freight Rail (TFR).....	10
<b>2. Air Update .....</b>	<b>11</b>
a. International air cargo .....	11
b. Domestic air cargo .....	12
<b>3. Road and Regional Update .....</b>	<b>13</b>
a. Cross-border and road freight delays .....	13
<b>4. International Update .....</b>	<b>16</b>
a. Global economic and trade outlook .....	16
i. Global economic outlook .....	16
ii. Global trade outlook.....	16
b. Global shipping industry .....	17
i. Global port throughput.....	17
ii. Global container freight rates.....	18
iii. Further developments of note.....	19
c. Global air cargo industry .....	21

## 1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

### a. Container flow overview

The following tables indicate the container flows reported for the last seven days and projections for the next seven days.

Table 2 – Container Ports – Weekly flow reported for 23 to 29 July<sup>6</sup>

7-day flow forecast (23/07/2022 – 29/07/2022)		
TERMINAL	NO. OF CONTAINERS <sup>7</sup> TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 050	5 890
DURBAN CONTAINER TERMINAL PIER 2:	11 520	13 960
CAPE TOWN CONTAINER TERMINAL:	5 564	6 442
NGQURA CONTAINER TERMINAL:	3 065	6 830
GQEBERHA CONTAINER TERMINAL:	1 547	1 868
<b>TOTAL:</b>	<b>25 746</b>	<b>34 990</b>

Source: Transnet, 2021. Updated 29/07/2022.

Table 3 – Container Ports – Weekly flow reported for 30 July to 5 August

7-day flow forecast (30/07/2022 – 05/08/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 586	5 820
DURBAN CONTAINER TERMINAL PIER 2:	8 403	16 111
CAPE TOWN CONTAINER TERMINAL:	6 392	6 767
NGQURA CONTAINER TERMINAL:	2 982	7 000
GQEBERHA CONTAINER TERMINAL:	1 475	1 805
<b>TOTAL:</b>	<b>23 838</b>	<b>37 503</b>

Source: Transnet, 2021. Updated 29/07/2022.

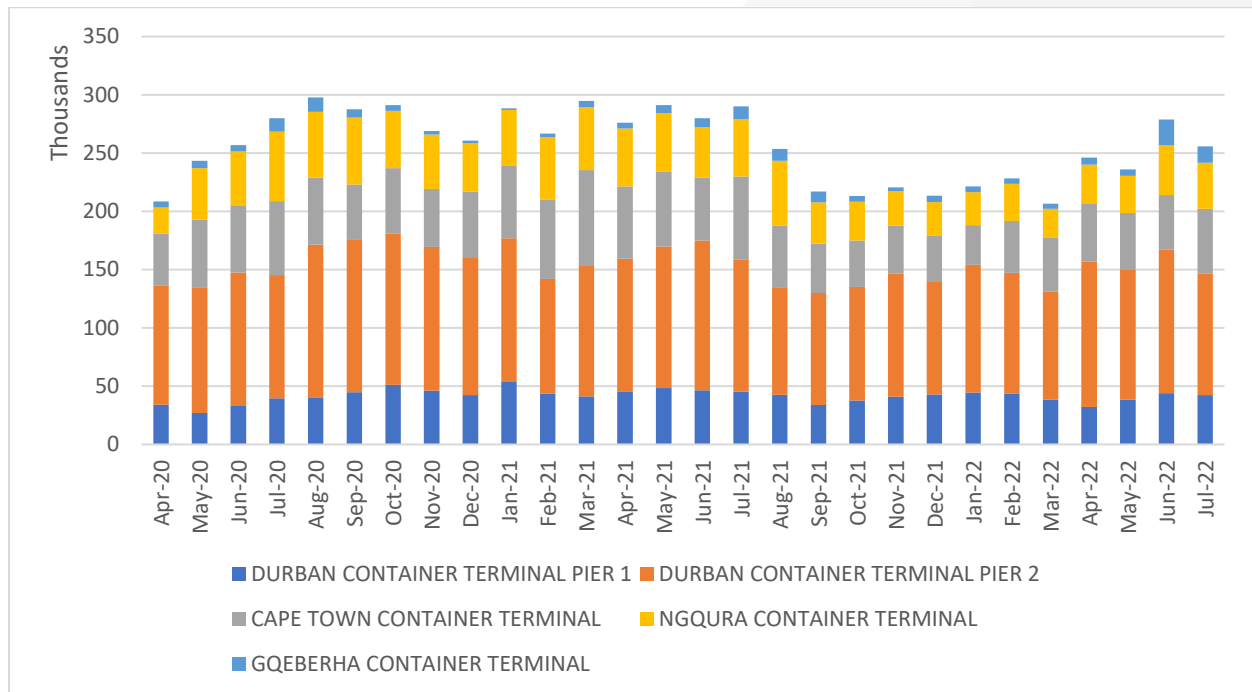
An average of **~8 677 containers (↑17%)** was handled per day for the last week (23 to 29 July, Table 2), compared to the projected average of **~8 460 containers (↑3% actual versus projected)** noted in last week's report. An increased average of **~8 763 containers (↑1%)** is projected to be handled next week (30 July to 5 August, Table 3). Port operations this past week were typified by increased throughput despite challenging weather and other constraints, namely equipment breakdowns, congestion, vessel ranging in Cape Town, and a horrible truck accident in Durban.

<sup>6</sup> It remains important to note that a large percentage (approximately 44% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and transshipments. Due to the ongoing container imbalances, this proportion is fluctuating more than usual and has increased since December 2020. In recent months, empty numbers have dropped, a reflection of an improvement in worldwide container imbalances, but there is the usual sharp increase with the importation of large numbers of empty reefers in preparation for the citrus fruit season.

<sup>7</sup> As mentioned before, in previous versions of the report, the measurement was incorrectly indicated as "TEUs", when it should have been noted as containers (20' and 40'). Incidentally, Transnet works on a ratio of approximately 1,4 TEUs per container and this figure will probably increase as the move towards more 40' containers continues.

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

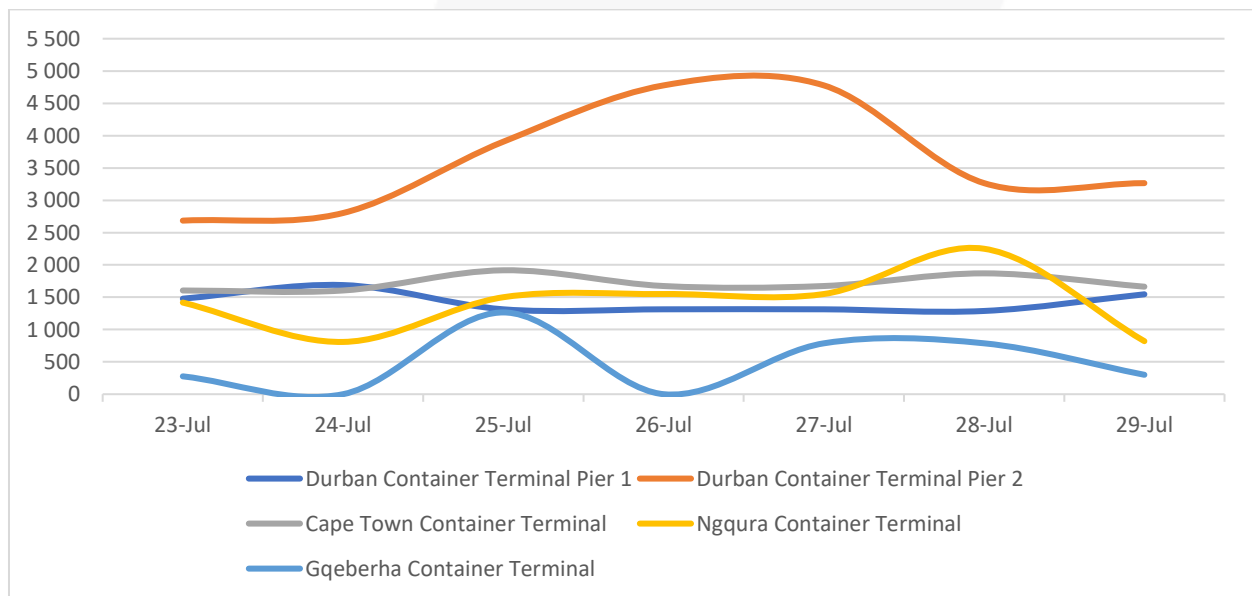
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

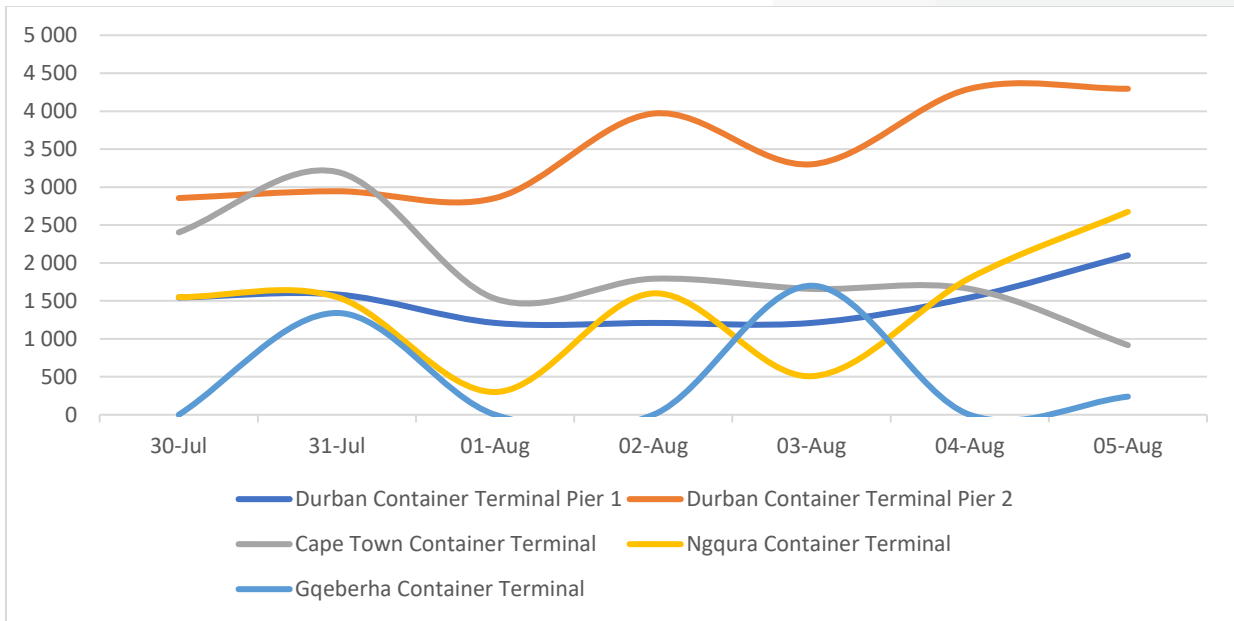
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total container movements (23 to 29 July; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

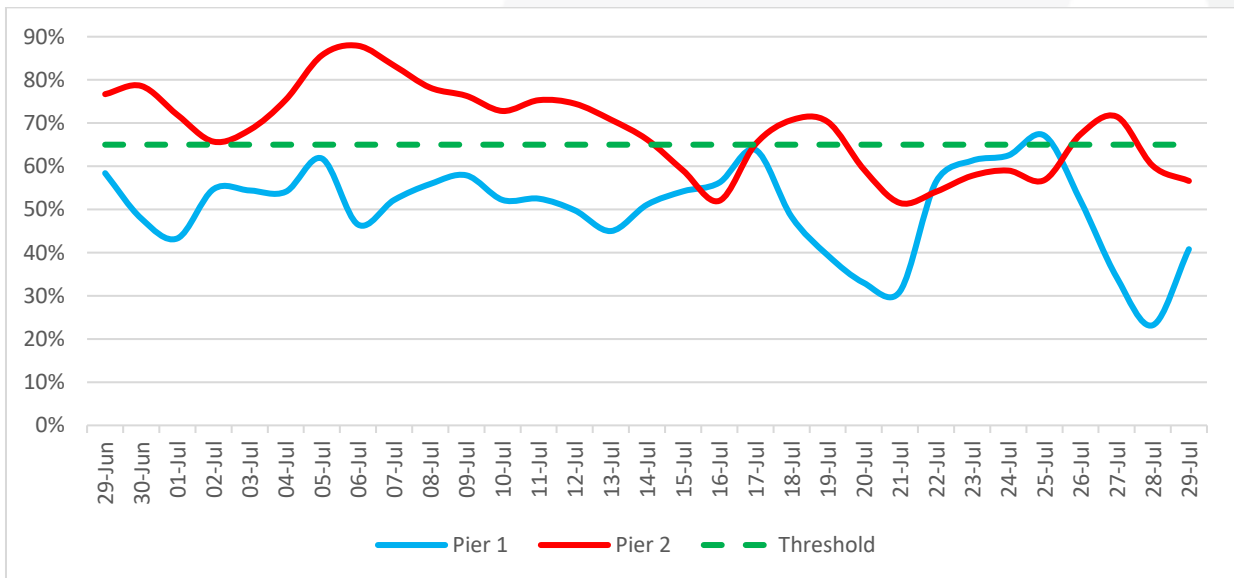
Figure 5 – 7-day forecast reported for total container movements (30 July to 5 August; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

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

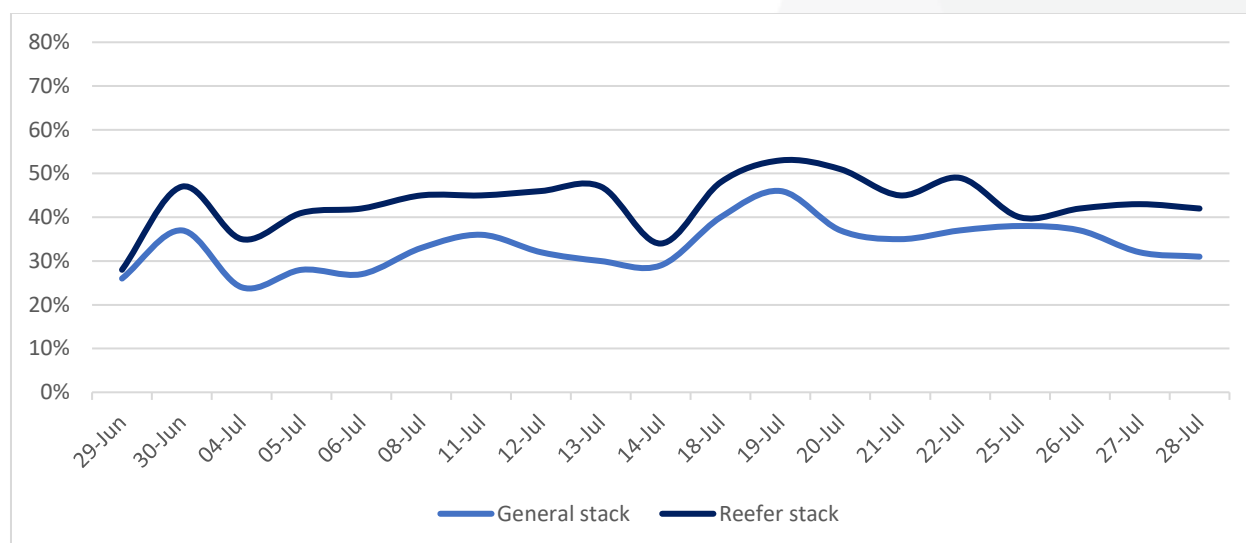
Figure 6 – Stack occupancy in DCT, general-purpose containers (29 June to present; per pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

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

Figure 7 – Stack occupancy in CTCT, general-purpose, and reefer containers (29 June to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

## 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 good week, with no serious incidents or delays due to weather conditions. However, vessel ranging was experienced on Wednesday, causing an approximate 4-hour delay. Additionally, an accident was reported on Thursday involving one truck and one straddle carrier. The extent of the damage is yet to be disclosed, with ongoing investigations. No equipment breakdowns throughout the week were reported. Earlier this week, speculation around port efficiency at Cape Town was rife, with questions resulting from vessels bypassing the port. The matter was duly investigated, and the findings concluded that two vessels made commercial decisions to omit their Cape Town calls, completely unrelated to port performance. This is borne out by some good performances last week, peaking at 3 500 TEU in one day<sup>8</sup>.

Durban experienced a challenging week regarding weather and other delays, causing cargo backlogs and high stack occupancy at the terminals. Over the weekend, the port experienced strong winds, especially on Friday evening leading into Saturday morning. The strong winds caused a closure of the terminal between midnight and 05:00 on Saturday morning, with fog additionally impairing visibility during this time. On Monday, the port was also subject to strong winds leading to delays of approximately four-and-a-half hours, causing a backlog of two vessels. The backlog of two vessels subsequently limited the availability of booking slots, thus leading to further delays. At the multi-purpose terminal, on Wednesday, an employee engagement ceased operations for approximately 1 hour and 40 minutes, while rain impacted operations on Thursday for roughly an hour. On Thursday, the N3, Eastbound into Durban, was closed due to a horrible truck accident, reportedly due to brake failure on one of the trucks. It was predicted that this accident would lead to congestion before the road could be cleared, leading to additional delays.

<sup>8</sup> Note Footnote 7 explains the difference between figures reported here compared to Table 2. Also, the weeks reported by these reports cover Saturday to Friday, whereas Transnet reports cover Thursday to Wednesday.

On Sunday, the port of Richards Bay was closed due to strong winds of up to 36 knots, while four movements were delayed in the 24 hours leading up to Tuesday due to a tug being out of commission. On Thursday, a vessel was delayed due to a berth which was not ready to commence working.

The Eastern Cape got through the week relatively unscathed, with no major delays or severe weather conditions reported. The only reported instance of delay was recorded on Wednesday at the port of Port Elizabeth due to strong winds at 04:00. They also reported that one tug needed temporary repairs due to a leaking pipe which luckily did not cause major delays.

## **ii. Cape Town**

On Wednesday, CTCT recorded zero vessels at outer anchorage and three vessels at berth worked by seven gangs, seven STS cranes, 19 RTGs, and 41 hauliers. Only 19 RTGs were used due to four breakdowns, and one RTG was used for training. Stack occupancy for GP containers was 32%, reefers 43%, and empties 57%. In the latest 24-hour period to Thursday, the terminal managed to handle 2 228 TEUs across the quay. In addition, the terminal serviced 1 477 external trucks on the landside with a truck turnaround time of around 38 minutes.

Cape Town MPT on Tuesday recorded zero vessels at anchor and two at berth. In the latest 24-hour period to Wednesday, the terminal managed to handle 44 truck visits at a truck turnaround time of 9 minutes. Stack occupancy was recorded at 37% for GP containers, 83% for reefers and 26% for empties.

## **iii. Durban and Richards Bay**

Pier 1 on Tuesday recorded two vessels at berth, manned by five gangs, and none at anchor. Stack occupancy was 52% for GP containers and 37% for reefers with 1 661 imports on hand, 162 reefers and 139 unassigned units. The terminal recorded 1 688 gate moves on the landside on Thursday, with 896 cancelled slots and 120 wasted. Over the week, the terminal recorded an average of 16 RTGs available.

On Tuesday, Pier 2 had three vessels at berth and one at anchorage. In the most recent 24 hours to Wednesday, the terminal managed to handle an impressive 3 525 TEUs across the quay. Stack occupancy was 67% for GP containers and 65% for reefers. The terminal had between 79 and 86 straddles in operation throughout the week, manned by 12 gangs. Crane 522 did not make its anticipated return on Monday as previously hoped and is still undergoing hoist wire repairs and a digital update. No further updates were received regarding the hoist wire repairs on crane 520 and the trolley wheel replacement on crane 531. The terminal recorded 2 498 gate moves on the landside with an average TTT of 68 minutes and a staging time of 61 minutes. A total of 205 rail import containers were on hand, with 177 TEUs moved by rail.

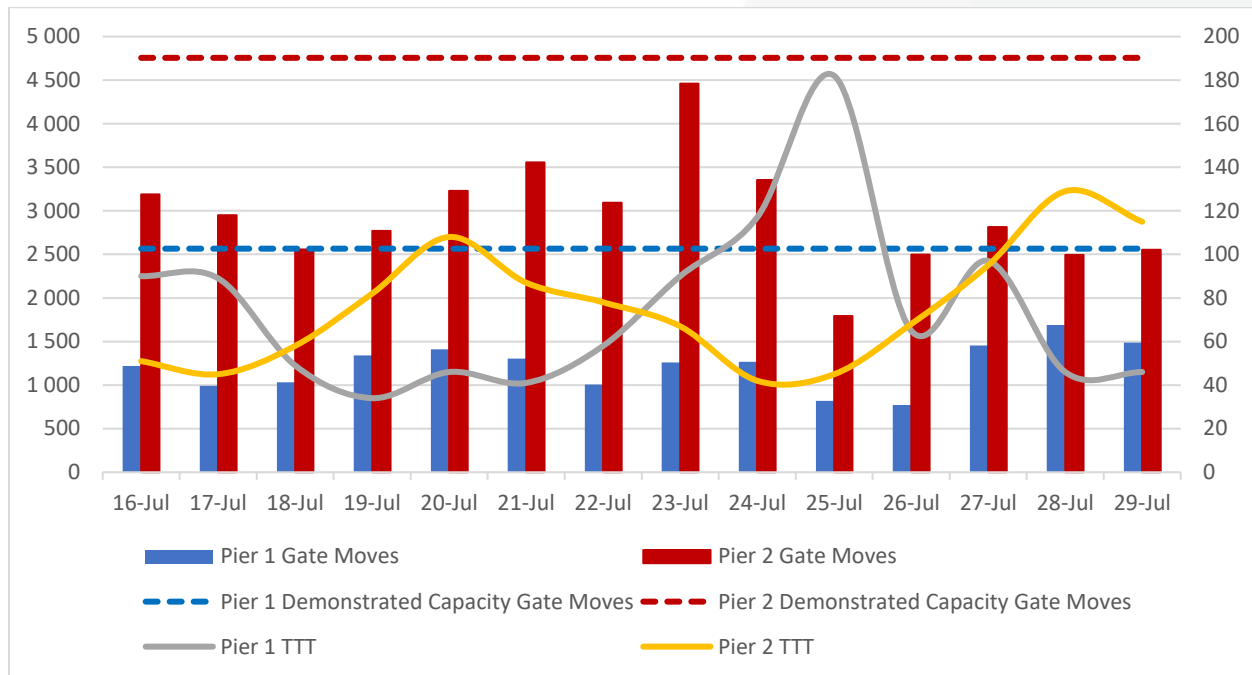
During the latter stages of last week, it was reported that the helicopter was out of commission due to component repairs that needed to be carried out. However, this week, it was reported that the helicopter is back in commission and use.

Recently Transnet issued a notice of intention to change the current import-free storage business rule within the Durban container terminals. The rule will effectively reduce free storage days on import containers from the current five days to the proposed 3,25 days. Transnet aims to implement the new rule from 01 September 2022 for pier two and 01 October 2022 for pier one.

The port of Richards Bay recently announced that its helicopter would be utilised in night shift operations from early August to assist ships with the berthing process.

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

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



Source: Calculated using data from Transnet, 2022. Updated 29/07/2022.

**iv. Eastern Cape ports**

GCT on Wednesday recorded two vessels at anchorage and one at berth. Regarding marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Thursday. However, a leakage was reported on one of the tugs on Wednesday but luckily did not cause any major disruptions. In the period leading up to Thursday, stack occupancy was 84% for GP containers and 68% for reefers. GCT also reported having two STS cranes and 16 straddles in operation.

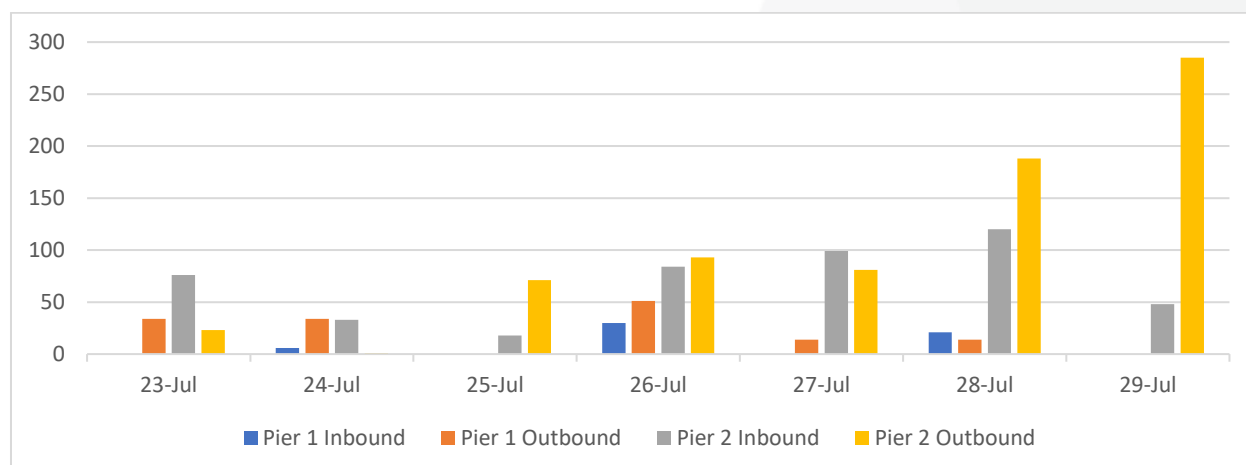
NCT on Wednesday recorded two vessels alongside, one vessel at anchorage and two at berth. Regarding marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Thursday. Regarding performance leading to Thursday, stack occupancy was 51% for GP containers, 86% for reefers, and a very high 95% for ground slots. On Wednesday, 2 442 TEUs were handled across the quay with a GCH of ~17 and a SWH of ~46. Additionally, 626 trucks were serviced on the landside with a truck turnaround time of ~38 minutes.

**v. Transnet Freight Rail (TFR)**

Regarding the derailment reported by TFR recently at Balgowan on the container corridor between Johannesburg and Durban, line two was returned to service last week and is currently still in use. However, challenges and delays are still experienced with only one line available for use. TFR has advised that investigations are still ongoing and that the estimated time of return for line one will be communicated in due course. Regarding the Durban-Cato Ridge railway, which flooded in April, Transnet has suggested that the second line may be re-opened on 17 September.

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 29/07/2022.

In the last week (23 to 29 July), rail cargo handled out of Durban was reported at **1 424** containers, up by a massive **↑105%** from the previous week's **696** containers.

## 2. Air Update

### a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week beginning 18 July. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in July 2021 averaged **~731 461 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

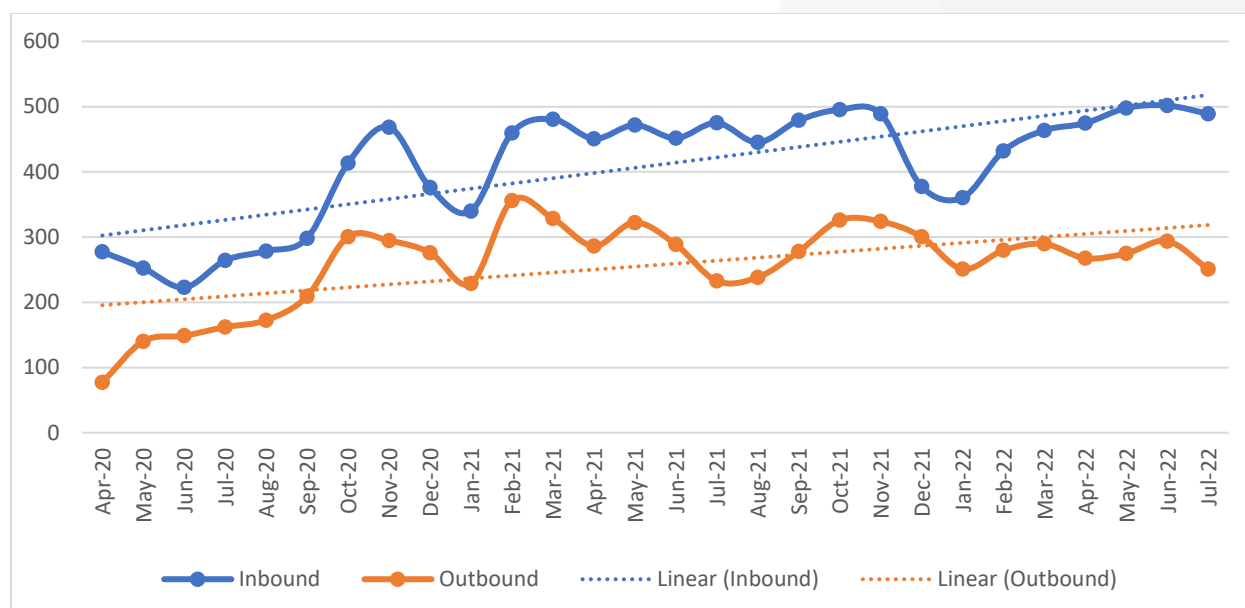
Flows	18-Jul	19-Jul	20-Jul	21-Jul	22-Jul	23-Jul	24-Jul
<b>Volume inbound</b>	539 632	355 641	370 555	253 166	311 912	297 571	1 061 923
<b>Volume outbound</b>	180 483	186 115	221 951	162 132	218 987	232 554	420 106
<b>Total</b>	<b>720 115</b>	<b>541 756</b>	<b>592 506</b>	<b>415 298</b>	<b>530 899</b>	<b>530 125</b>	<b>1 482 029</b>

Courtesy of ACOC. Updated: 25/07/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **455 771 kg** inbound and **231 761 kg** outbound, resulting in an average of **687 533 kg** per day or **~85%** compared with July 2021. Also, the level is currently at **~156%** compared with the same period in 2020.

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

Figure 10 – International in – and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 25/07/2022.

### b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the state of disaster period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) handled in July 2021 was ~57 013 kg per day.

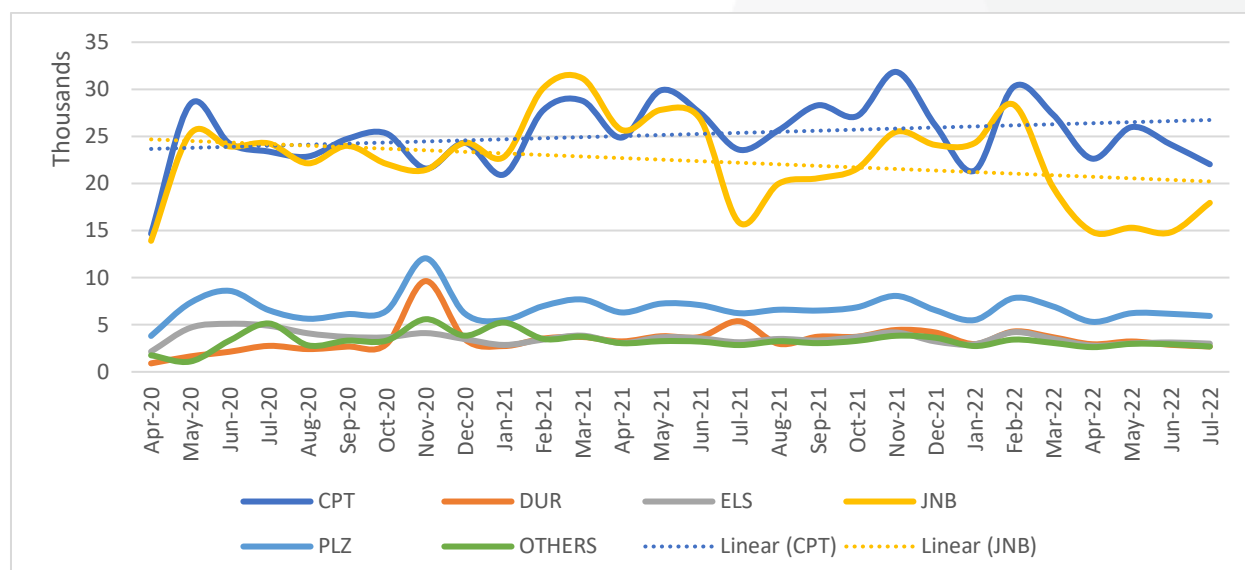
Table 5 – Total domestic inbound and outbound cargo

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-Dec '21 Av.	26 817	3 754	3 452	24 270	6 789	3 483	68 218
Jan Average	21 367	2 954	2 929	24 288	5 501	2 742	59 780
Feb Average	30 276	4 291	4 213	28 370	7 835	3 428	78 412
Mar Average	27 325	3 677	3 504	19 611	6 946	3 069	64 131
Apr Average	22 637	2 934	2 787	14 870	5 311	2 627	51 165
May Average	25 622	3 039	2 909	14 743	6 119	2 914	55 346
Jun Average	24 151	2 872	3 122	14 812	6 160	2 931	54 048
Jul Average	22 037	2 697	2 997	17 947	5 935	2 691	54 304
19-Jul-22	35 796	4 421	4 490	24 487	10 550	4 965	84 709
20-Jul-22	37 255	4 621	4 842	26 262	9 992	3 894	86 866
21-Jul-22	37 303	4 657	6 410	28 978	9 006	4 440	90 795
22-Jul-22	16 874	2 297	3 102	13 204	5 352	2 493	43 320
23-Jul-22	1 852	540	113	452	132	78	3 167
24-Jul-22	2 536	277	272	261	655	1 130	5 132
25-Jul-22	36 236	4 160	5 079	25 177	9 979	5 465	86 096
<b>Total for 2022:</b>	<b>5 226 257</b>	<b>680 904</b>	<b>674 609</b>	<b>4 072 621</b>	<b>1 306 644</b>	<b>609 109</b>	<b>12 570 146</b>

Courtesy of BAC. Updated: 28/07/2022.

The average domestic air cargo moved last week was ~57 155 kg per day, which is **↑1%** compared with the previous week and approximately the same levels compared to those in July 2021. The following figure shows our commercial airports' monthly domestic freight movement since the pandemic.

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



Courtesy of BAC. Updated: 28/07/2022.

### 3. Road and Regional Update

#### a. Cross-border and road freight delays

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

- Clearing times at South African borders last week averaged around **10 hours (↓29% w/w)**, as industrial action by SARS employees continued to impact cross-border movements. However, all parties concerned remain committed to resolving the ongoing wage negotiation impasse.
- SARS provided an update on Wednesday, 27 July, as cargo processing times will be adjusted from 06:00 to 18:00 at the following ports with effect from Monday 1 August until further notice:

Table 6 – Delays<sup>9</sup> summary – Selected SADC borders

Province	Border	Normal Operating Hours	Adjusted Cargo Processing Hours
Free State	Caledonspoort	06:00 to 22:00	06:00 to 18:00
	Ficksburg Bridge	06:00 to 22:00	06:00 to 18:00
	Qachasnek	06:00 to 22:00	06:00 to 18:00
	Van Rooyenshek	06:00 to 22:00	06:00 to 18:00
Mpumalanga	Golela	06:00 to 22:00	06:00 to 18:00
	Mahamba	06:00 to 22:00	06:00 to 18:00
	Mananga	06:00 to 18:00	06:00 to 18:00
	Jeppe's Reef	06:00 to 20:00	06:00 to 18:00
North West	Ramatlhabama	06:00 to 20:00	06:00 to 18:00

<sup>9</sup> 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.

Province	Border	Normal Operating Hours	Adjusted Cargo Processing Hours
KwaZulu Natal	Kosibay	06:00 to 17:00	06:00 to 18:00

- SARS further mentioned that all other port operations and processes (excluding cargo processing) would occur within the normal port operating times. Therefore, those ports not listed above will continue operating within their normal hours.
- Regionally, Zimra resorted to "dipping" all tankers to curb fuel smuggling, which has become a problem for Zimbabwe. However, the added issue of broken seals not being replaced with drivers instructed to supply another has been an unintended consequence and has added to the delays.
- During the last seven days, there were no closures of any South African borders. However, as is always the case, we encourage traders to stay abreast of border post communications as per the SARS [website](#).
- Transporters, traders, and cargo owners are still encouraged to use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariate. However, given the mixed success of the platform, transporters are encouraged to contact FESARTA and join their [TRANSIST Bureau](#)<sup>10</sup>, which has arguably achieved much greater success.

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

Table 7 – Delays<sup>11</sup> summary – Selected SADC borders

Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
SA/Zim	Beitbridge	0:00	13:00	943	28 290	6 601	72 611	0
Moz/Zam	Cassacatiza/Mlolo	-	9:00	175	5 250	1 225	8 575	0
Zam/Zim	Chirundu	6:00	20:00	620	18 600	4 340	78 120	26 040
Moz/Mal	Dedza	2:00	17:00	50	1 500	350	5 250	700
SA/Bot	Grobblersbrug/Martins Drift	24:00	11:00	400	12 000	2 800	25 200	67 200
Zam/DRC	Kasumbalesa	-	64:00	750	22 500	5 250	325 500	0
Zam/Bot	Kazungula	0:00	16:00	240	7 200	1 680	23 520	0
SA/Bot	Kopfontein/Tlokweng	1:00	31:00	100	3 000	700	20 300	700
Moz/Zim	Machipanda/Forbes	1:00	12:00	320	9 600	2 240	22 400	2 240
Mal/Zam	Milange	0:00	5:00	30	900	210	630	0
Zim/Moz	Nyamapanda	1:00	9:00	100	3 000	700	4 900	700
SA/Moz	Lebombo/Ressano Garcia	10:00	12:00	1 100	33 000	7 700	77 000	77 000
SA/Bot	Skilpadshek/Pioneer Gate	23:00	3:00	300	9 000	2 100	2 100	48 300
Nam/Bot	Trans Kalahari/Mamuno	-	18:00	100	3 000	700	11 200	0
Zam/Zim	Victoria Falls	1:00	2:00	114	3 420	798	0	798
Moz/Mal	Zobue/Mwanza	2:00	21:00	100	3 000	700	13 300	1 400
				<b>5 442</b>	<b>163 260</b>	<b>38 094</b>	<b>715 246</b>	<b>225 078</b>

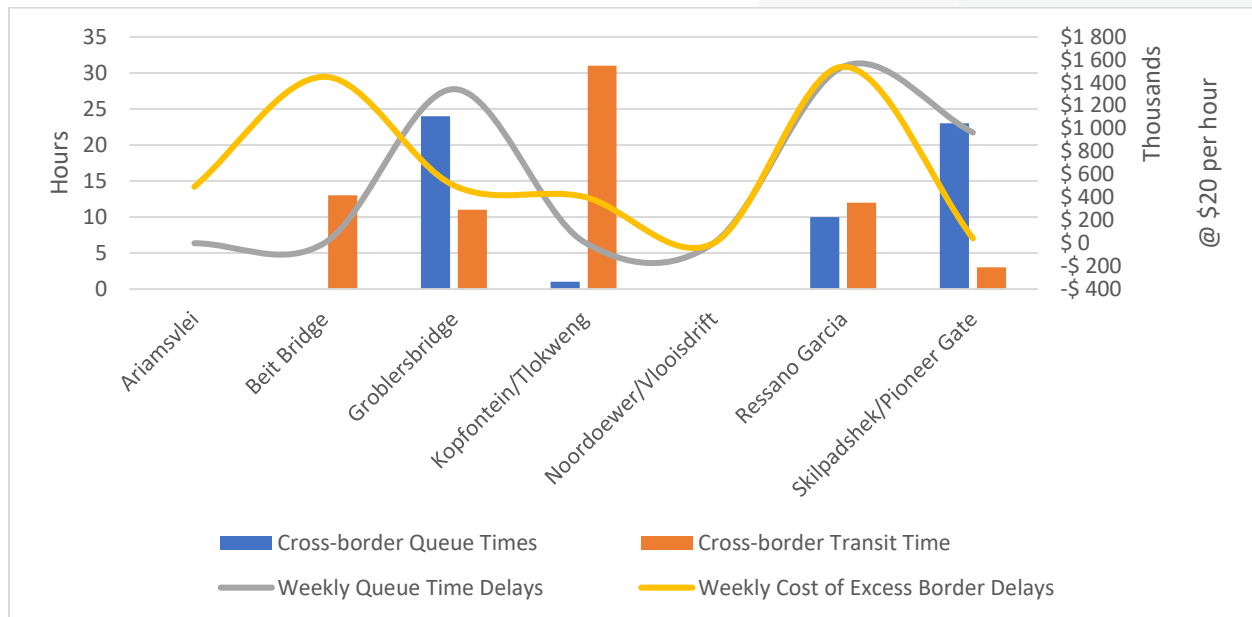
Source: TLC & FESARTA, week ending 25/07/2022.

<sup>10</sup> [FESARTA TRANSIST Bureau](#).

<sup>11</sup> It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border problem since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

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

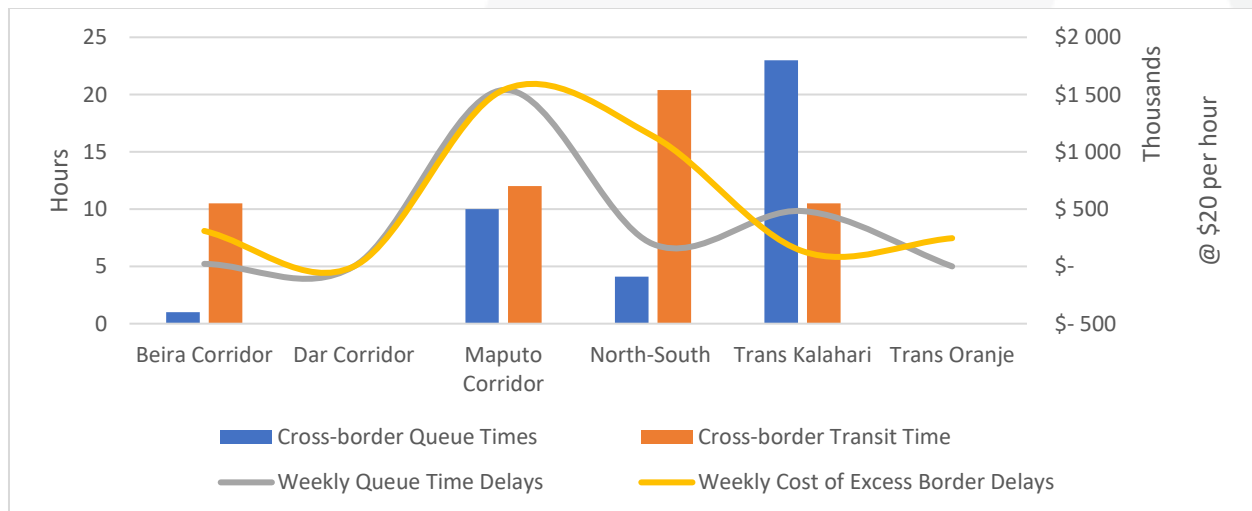
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 25/07/2022.

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

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



Source: TLC & FESARTA, week ending 25/07/2022.

In summary, cross-border queue time has averaged **~5,1 hours** (up by **~1,2 hours** from the **~3,9 hours** recorded in the previous report), costing the transport industry an estimated **\$5 million (R72 million)**. Furthermore, the week's average cross-border transit times hovered around **~15,5 hours** (down by **~2,5 hours** from the **~18 hours** recorded in the previous report), costing the transport industry **\$14 million (R229 million)**. As a result, the total cost for the week amounts to an estimated **~R301 million** (down by **~R48 million** or **↓14%** from **R349 million** in the previous report).

## 4. International Update

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

### a. Global economic and trade outlook

#### i. Global economic outlook

The International Monetary Fund (IMF) released the latest edition of its "*World Economic Outlook*" for July<sup>12</sup>. The IMF notes that increasingly gloomy developments in 2022 followed a tentative recovery in 2021 as risks began to materialise. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending underperformed expectations. In addition, several shocks have hit a world economy already weakened by the pandemic, namely **(1)** higher-than-expected inflation worldwide (especially in the US and major EU nations), triggering tighter financial conditions and rising interest rates, **(2)** a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns, **(3)** and added negative effects from the war in Ukraine.

The baseline forecast is for growth to slow from **↑6,1%** last year to **↑3,2%** in 2022, **↓0,4%** lower than in the April 2022 "*World Economic Outlook*"<sup>13</sup>. Lower growth earlier this year, reduced household purchasing power, and tighter monetary policy drove a downward revision of **↓1,4%** in the US. In China, additional lockdowns and the deepening real estate crisis have led growth to be revised down by **↓1,1%**, with major global challenges ongoing. And in Europe, significant downgrades reflect spillovers from the war in Ukraine and tighter monetary policy. Moreover, global inflation has been revised due to food and energy prices and lingering supply-demand imbalances. It is anticipated to reach **↑6,6%** in advanced economies and **↑9,5%** in emerging market and developing economies this year (**↑7,4%** in South Africa<sup>14</sup>), with upward revisions of **↑0,9%** and **↑0,8%**, respectively. In 2023, disinflationary monetary policy is expected to bite, with global output growing by just **↑2,9%**. For South Africa, the IMF, interestingly enough, revised our forecast for this year upwards, from **↑1,9%** to **↑2,3%**. The forecast for 2023 remains unchanged at **↑1,4%**.

#### ii. Global trade outlook

The World Trade Organisation (WTO) released its latest edition of its "*Annual Report*" at the successful conclusion of the 12<sup>th</sup> Ministerial Conference<sup>15</sup>. The report gave an update on the current outlook in global trade and the expected outlook, among other issues. In summary, the WTO notes that the global economic outlook has deteriorated since the war between the Russian Federation and Ukraine in late February 2022, prompting the WTO to downgrade its forecasts for world trade over the next two years. As a result, the WTO now expects merchandise trade volume growth of **↑3,0%** in 2022, down from **↑4,7%** in the previous forecast from last October. Trade is also expected to grow **↑3,4%** in 2023, but these long-range projections should be treated with caution at the moment since outcomes will mostly depend on how the conflict unfolds, as illustrated by the respective scenarios modelled below:

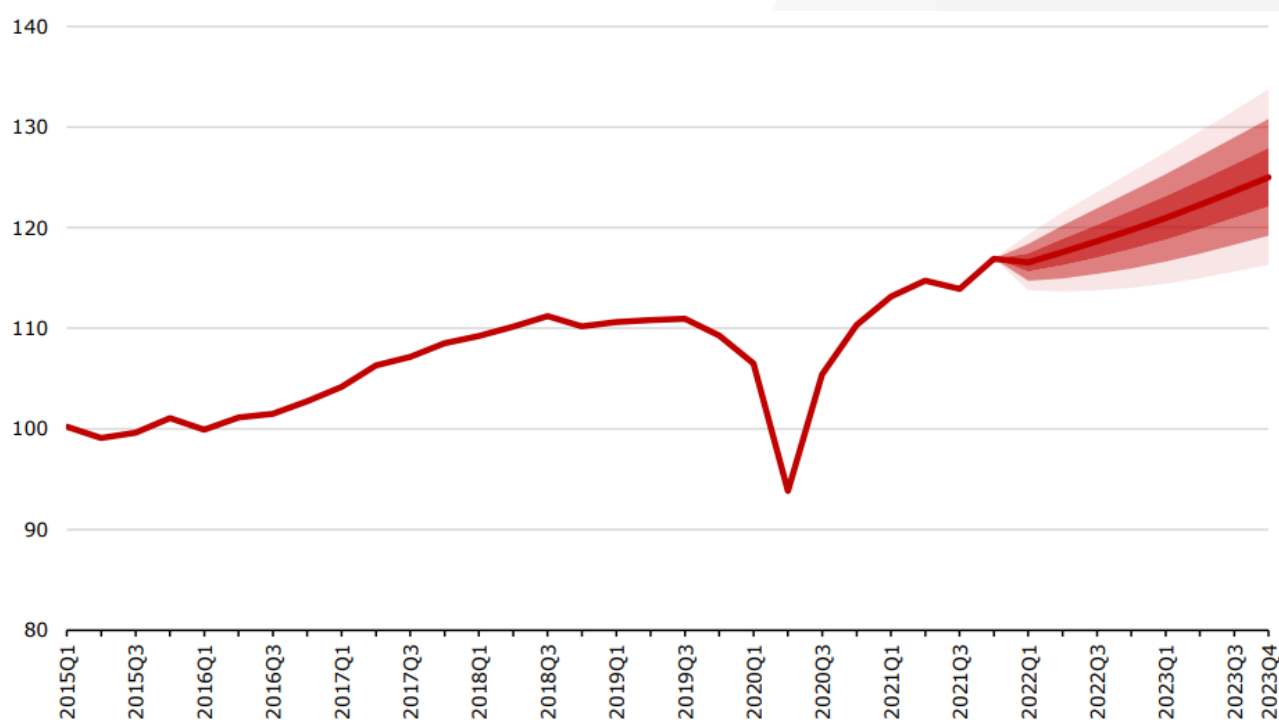
<sup>12</sup> IMF. 26/07/2022. [World economic outlook update July 2022](#).

<sup>13</sup> IMF. 19/04/2022. [World economic outlook update April 2022](#).

<sup>14</sup> Stats SA. 21/07/2022. [Consumer inflation surges to a 13-year high](#).

<sup>15</sup> WTO. 28/07/2022. [WTO issues latest edition of Annual Report](#).

Figure 14 – World merchandise trade volume, 2015-2023 (Seasonally-adjusted volume index, 2015=100)



Source: [WTO](#)

The downwardly revised forecasts are primarily because of the same issues mentioned by the IMF, namely the continuation of Russia's war in Ukraine, as both member countries are important suppliers of several essential goods, including food, energy, and metals. However, the war is not the only factor weighing on trade during the review period, with **(1)** the Omicron wave of COVID-19, **(2)** the effects of sanctions on Russia, and **(3)** slower aggregate demand growth in the rest of the world due to falling business and consumer confidence.

## b. Global shipping industry

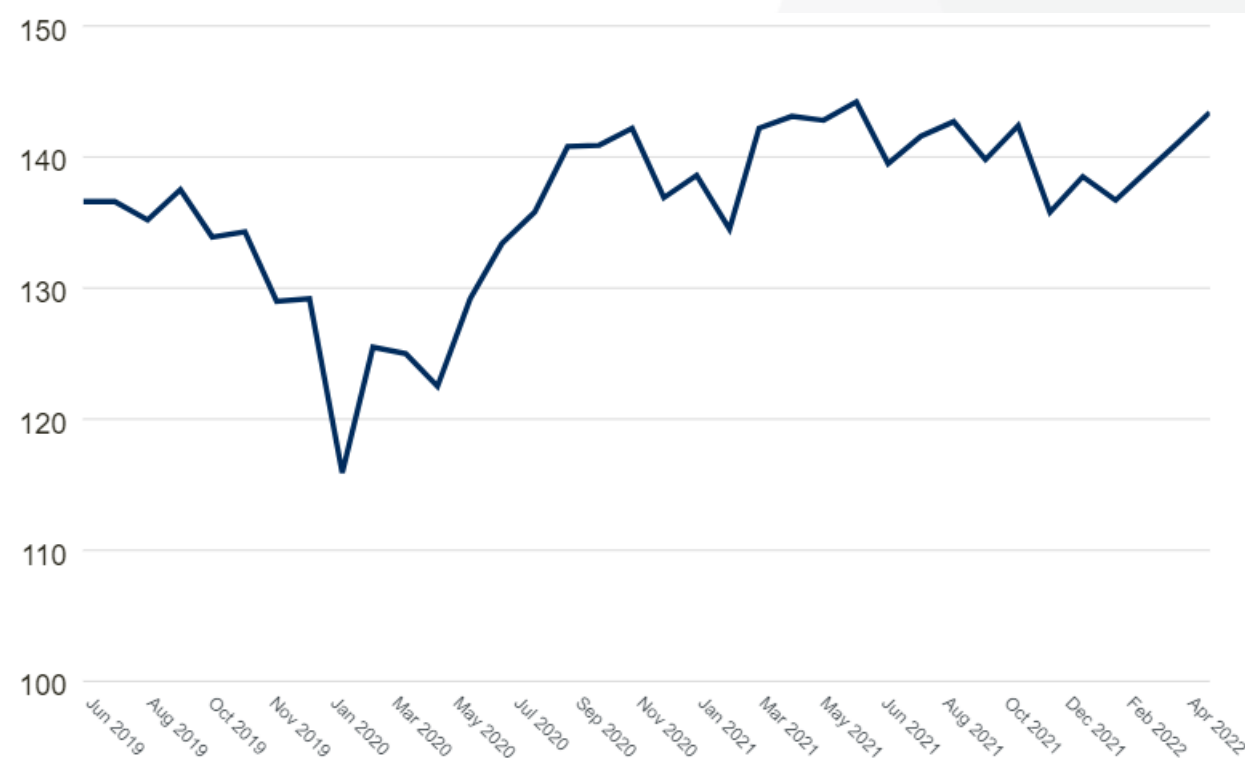
### i. Global port throughput

The Drewry "Global Container Port Throughput Index" increased by **↑1,4%** in May 2022 to reach **143,4 points**, the highest level since June 2021<sup>16</sup>. While monthly volumes were up, the annual comparison was neutral at **↑0,1%** (y/y). After a significant reduction in global container volume in April, there has been a strong recovery and considerable increase recorded in May. Indeed, the index from Drewry (covering some **75%** of global volumes) is similar to the latest CTS container throughput volumes<sup>17</sup> reported two weeks ago. Despite COVID lockdowns through May, the Greater China region was the primary driver of world throughput growth, contributing about **~70%** of the overall monthly increase, making up for shortfalls elsewhere in Asia and modest growth in other regions. Two of the top three ports (Ningbo and Qingdao) witnessed double-digit annual growth in May 2022. The third of the set – Shanghai – also started gaining volumes on 22 May and saw a **↑10%** (m/m) growth rate after a massive **↓25%** (m/m) decline in April.

<sup>16</sup> Drewry. 29/07/2022. [Global Container Port Throughput Index - 29 Jul 2022](#).

<sup>17</sup> CTS. 12/07/2022. [Container throughput volume and price index](#).

Figure 15 – Global Container Port Throughput Index (January 2012 = 100)



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

North America witnessed annual ( $\uparrow 1,4\%$ ) and monthly ( $\uparrow 2,5\%$ ) growth in May 2022. The Port of Savannah handled record volumes and crossed the half million TEU mark for the first time in May 2022 because of a surge in imports and backlogs at west coast ports which have prompted shippers to reroute goods on intermodal routes through the east coast. Hopefully, these changes will positively impact the ongoing port congestion in that part of the globe. For African container terminals, monthly throughput improved somewhat ( $\uparrow 1,6\%$ , m/m), but volume is still considerably down annually ( $\downarrow 4,7\%$ ). To illustrate this, South Africa experienced a monthly drop of  $\downarrow 2\%$  (m/m) and an annual decline of  $\downarrow 20\%$  (y/y) in May, according to TNPA figures<sup>18</sup>.

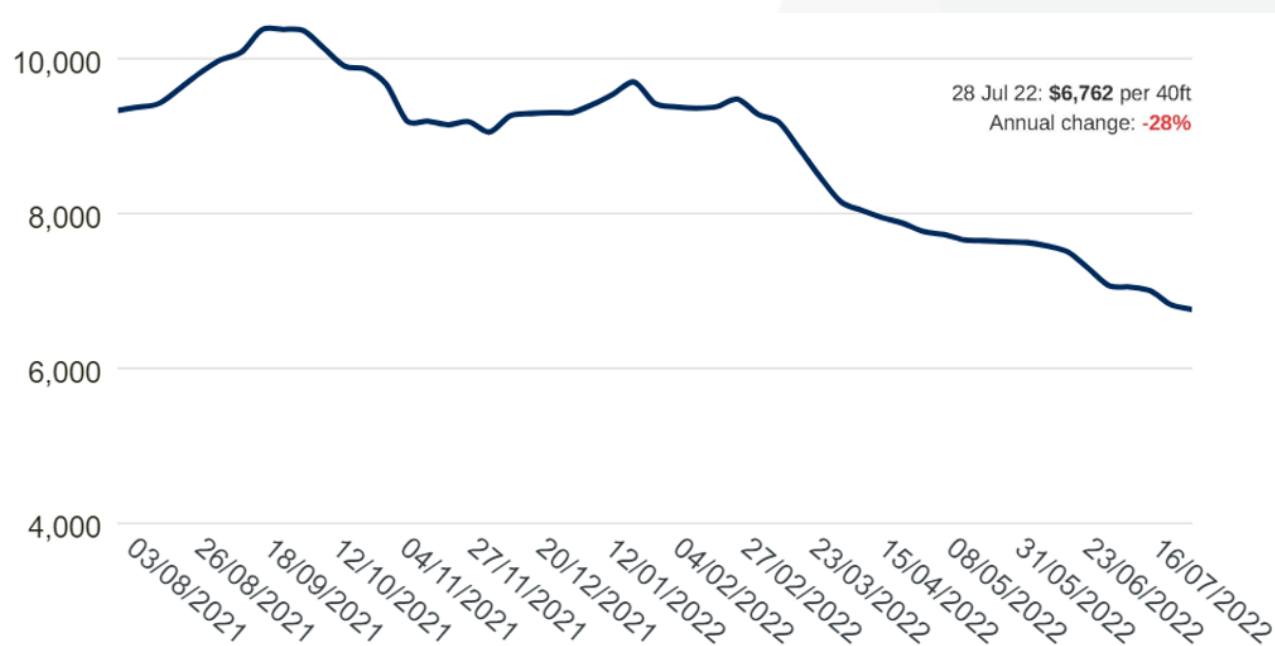
## ii. Global container freight rates

For the 22<sup>nd</sup> straight week, global container freight rates continued declining, as Drewry's "World Container Index" decreased – albeit only marginally at  $\downarrow 0,9\%$  (or \$58) – to \$6 762 per 40-ft container this week<sup>19</sup>. The ongoing decrease in spot rates has relieved some of the downward pressures on supply chain disruptions, as the current level is far from the peak of \$10 377 in September last year. However, the current rate is also a far cry from the approximate troughs of around \$1 600 during pre-pandemic times. The long-term average still remains high – as the YTD average stands at \$8 219 per 40ft container, \$4 645 higher than the five-year average of \$3 574. In summary, the composite index is  $\downarrow 28\%$  (y/y) compared to this time last year:

<sup>18</sup> Transnet. 2022. Port statistics. [TNPA](#)

<sup>19</sup> Drewry. 28/07/2022. [World Container Index](#).

Figure 16 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

On the major East-West trade lanes, three of the eight routes fell, with the most significant change occurring on the Shanghai – Genoa route (as was the case last week), down by **↓4%** (w/w). Ultimately, the balance of power remains with the carriers and will likely continue well into the 2023/24 season. Nevertheless, the tables continue to turn as the lower demand<sup>20</sup> prevails due to overstock and recession. Also, the threat of dock strikes<sup>21</sup> and heightened congestion at North European hub ports added to the supply chain woes of shippers from Asia to North Europe. Furthermore, on the supply side, the record number of new-built container vessels will inject additional capacity, which is also likely to soften rates, although to a much lower peak (around **\$5 000** per 40 ft ex Asia). Nevertheless, we can expect carriers to maintain their blank sailings and schedule adjustment strategies. Therefore, despite the unpredictable nature of the long-term push and pull factors, most role players expect rates to continue to fall, albeit to nowhere near the levels seen three years ago.

### iii. Further developments of note

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

#### 1. Volumes are down, but profits are up for DB Schenker:

- a. DB Schenker reported today that volumes in the first half had shrunk by **↓5,4%** in air, **↓3,4%** in sea, and **↓5,5%** in land (all annually). Nevertheless, total sales increased **↑35%** to **€14,1 billion**, adjusted EBITDA rose **↑64%** to **€1,48 billion**, and adjusted EBIT went up **↑91,3%** to **€1,18 billion**<sup>22</sup>.
- b. The German forwarder, whose earnings are released as part of parent company Deutsche Bahn's interim results, said volumes were down due to "generally weak market development, among other things, as a result of corona-related restrictions in Asia and disruptions in supply chains"<sup>23</sup>.

<sup>20</sup> Wackett, M. 25/07/2022. [Gloomy outlook for container freight market as rates continue to fall.](#)

<sup>21</sup> Wackett, M. 29/07/2022. [Dock strikes and shippers eyeing rate renegotiation add pressure on carriers.](#)

<sup>22</sup> Lennane, A. 28/07/2022. [Schenker still the star performer, but parent DB is finally back in profit.](#)

<sup>23</sup> DB Schenker. 28/07/2022. [DB returns to profitable business • Schenker and passenger transport are booming.](#)

- c. If this major freight forwarder is used as a proxy, it appears the industry is also surfing the financial wave created by the shipping lines, albeit to a lesser (but still significant) degree.
- 2. MSC pulls KAMC service linking Russia, South Korea, and Africa:**
- a. MSC has suspended its KAMC service, which connected South Korea's Incheon port with Russia's Kamchatka peninsula, citing falling cargo volumes amid the Russia-Ukraine war<sup>24</sup>.
  - b. This change has dealt another blow to Incheon port after Pacific International Lines pulled its SWS service, which linked Incheon to West Africa, at the end of June. However, it should be noted that this change was attributed to a decline in shipments of used cars from South Korea.
  - c. With the suspension of the KAMC/SWS service, there is no regular container route connecting Incheon with Russia and Africa, which fuels further alarms for food security on the continent, as Russia/Ukraine account for a substantial portion of essential food imports to Africa.
- 3. Forwarders and shippers want EC to review liner block exemption urgently:**
- a. Ten shipper and forwarder organisations have urged the EC to bring forward the review of the Consortia Block Exemption Regulation (CBER). In a letter to EC executive VP Margrethe Vestager, shippers disagree with the commission's view that competition in the market is strong and working within the CBER guidelines<sup>25</sup>.
  - b. Last year, letters on 13 April and 14 September did not appear to shift the European competition regulator's stance, the EC maintaining a close eye on the market mechanics of the liner shipping industry.
  - c. The letter points to the **\$186 billion** profits raked in by the lines (Hapag-Lloyd has raised its full-year earnings forecast yet again – to \$10 billion<sup>26</sup>), with margins rising to **↑50%**, while they have reduced capacity into Europe as schedule reliability and the quality of services has declined.
- 4. Contrasting throughput scenarios at major Northern European ports, as carriers are urged to commit to their windows:**
- a. Carriers seeking to avoid congestion across North European ports helped spur the UK's London Gateway to record performance, as it handled more than **1 million TEU** in the year's first half<sup>27</sup>. While surpassing the million TEU mark for the first time, Gateway reported a **↑10%** increase in volumes as it bettered its previous half-year performance to continue a trend of surging growth – having recorded a **↑15%** upturn for full-year 2021 after **↑23%** growth in H1 2021.
  - b. Despite the successes in England, the two biggest North European hub ports, Rotterdam and Antwerp-Bruges, handled fewer containers in the first half of this year compared with H1 2021<sup>28</sup>. Extended dwell times meant yard density and terminal congestion increased significantly. As a result, Rotterdam saw **↓6,2%** less throughput across its box terminals in the first six months, at **7,3 million TEU**, while neighbouring Antwerp-Bruges reported a **↓4,4%** decrease, to **6,8 million TEU**.
  - c. Rotterdam attributed the volume decline to the loss of traffic to and from Russia and "*the ongoing disruption of container logistics*", as vessels were "*no longer able to comply with their sailing schedules*". Moreover, to make up time, they often omitted scheduled calls and

<sup>24</sup> Li, M. 28/07/2022. [Port of Incheon loses Russian and African links as MSC, PIL pull services.](#)

<sup>25</sup> Savvides, N. 25/07/2022. [Forwarders and shippers want EC to urgently review liner block exemption.](#)

<sup>26</sup> Wackett, M. 28/07/2022. [Happy Hapag-Lloyd raises earnings forecast again after H1 profits soar.](#)

<sup>27</sup> Whiteman, A. 28/07/2022. [Record first half for London Gateway as carriers avoid congested ports.](#)

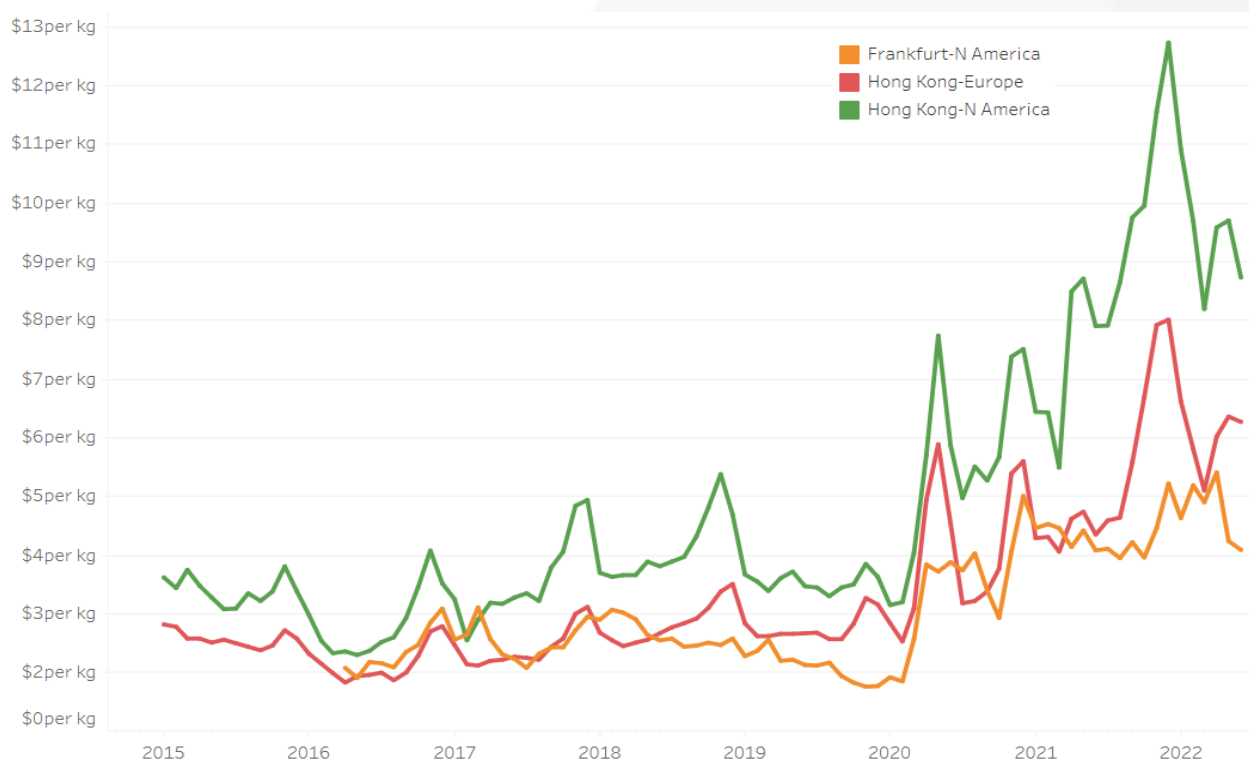
<sup>28</sup> Wackett, M. 27/07/2022. [Carriers 'must commit to berthing windows' as N Europe ports see volumes fall.](#)

discharged or loaded more containers on the remaining loops. Port officials at both mega-ports urged shipping lines to commit to their windows.

### c. Global air cargo industry

In the latest IATA "Chart of the Week", the International Air Transport Association reiterated the IMF's current economic assessment and confirmed that the challenging operating environment for aviation would probably persist for some time<sup>29</sup>. Although pent-up demand for air travel remains strong, this will not persist indefinitely, and airlines will need to maintain vigilance on costs to help support their financial recovery going forward. Fortunately, one silver lining for aviation is that the IMF expects inflation and world oil prices to moderate over 2023, offering some respite to consumers and the air transport industry. The situation can be seen in the current air cargo rates, as the market continues its medium turn normalisation after the peaks experienced last week. The following figure illustrates the rates according to the "Baltic Exchange Air Freight Index" (BAI)<sup>30</sup>.

Figure 17 – Baltic Exchange Air Freight Index (\$ per kg)



Source: [BAI](#)

In other air cargo news, Air France-KLM is set to take full commercial control of CMA CGM Air Cargo, which is restructuring its fledgling business – but has until 1 December to form a full cargo agreement<sup>31</sup>. Elsewhere, FedEx continues to expand its Asia-Pacific hub to meet long-term growth. FedEx Express will build a new express centre at Guangzhou Baiyun International Airport as part of its long-term expansion plans. In addition, the company has signed an agreement with Guangdong Airport Authority Logistics Company to build a 41 000m<sup>2</sup> facility that will be more than double the size of its current gateway at the airport<sup>32</sup>.

<sup>29</sup> IATA. 29/07/2022. [Economic headwinds expected to continue in 2023](#).

<sup>30</sup> BAI. 29/07/2022. [Baltic Exchange Air Freight Index \(BAI\)](#).

<sup>31</sup> Lennane, A. 26/07/2022. [Exclusive: AF-KLM set to take full commercial control of CMA CGM Air Cargo](#).

<sup>32</sup> Brett, D. 29/07/2022. [FedEx to expand Asia Pacific hub to meet long-term growth](#).