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COVID-19: Cargo movement update

Date: 29 January 2021

About this update

This cargo movement update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. The report is the *23rd update.*

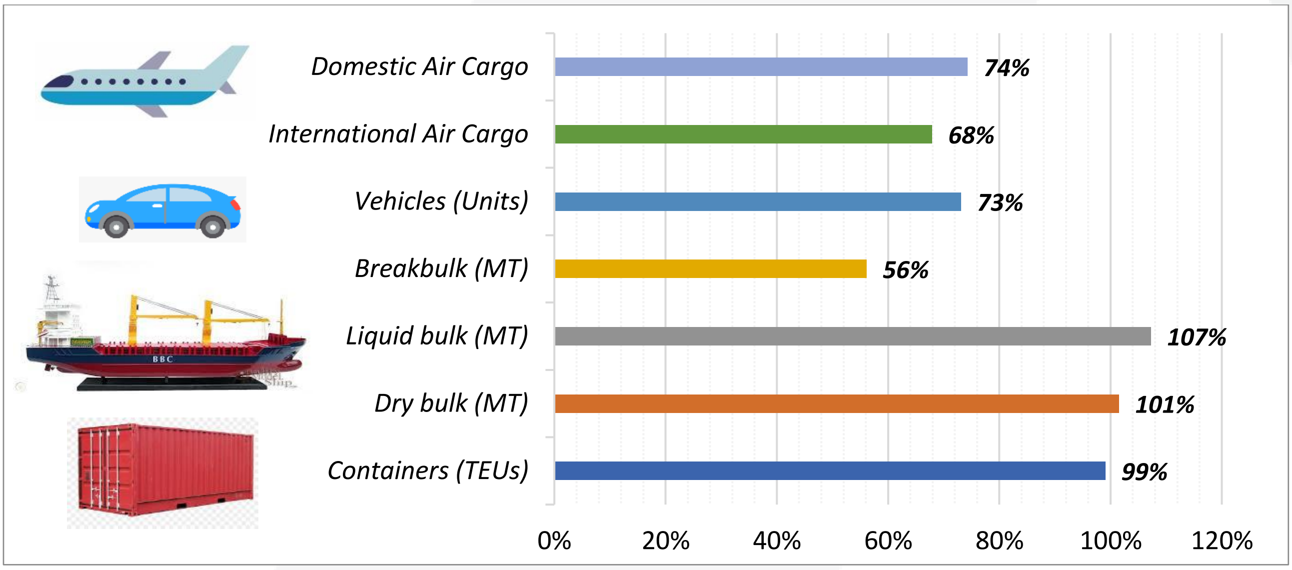
Weekly snapshot

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

Flows	Current[1]			Previous[2]			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (TEUs)	26 657	32 436	**59 093**	28 928	34 930	**63 858**	↓7%
Air Cargo (tons)	3 986	2 492	**6 479**	3 268	2 335	**5 603**	↑16%

Monthly snapshot

Figure 1 - Monthly[3] cargo flows, year-on-year



Key Notes

- An average of **~8,442 TEUs** was handled a day over the last week, ↓7% from last week.
- Weekly international air cargo is ↑16% and currently at **~77%** compared to the same time in 2020.
- Weekly domestic air cargo is ↓13% and currently at **~96%** compared to the same time in 2020.
- December merchandise trade with **BELN** countries: imports ↓7.5%; exports ↑%↓7.8%.

[1] *'Current'* means the last 7 days' (a week's) worth of available data.
[2] *'Previous'* means the preceding 8-14 days' (a week's) worth of available data.
[3] *'Monthly'* means the last full month's worth of available data compared to the same month in 2019 (fully up-to-date for air cargo and TEUs; the rest of the data compares Dec 2020 with Dec 2019).

- In cumulative terms for goods, South Africa registered a trade surplus of **R270.6 billion** for the year.
- The "*World Container Index*" is ↓**1.7%** to **$5,251.81** per 40' with further financial reprieve in sight.
- Globally, FDI shrank by **↓42%** in 2020. Services trade for Q3 2020 came in at **↓24%** y-o-y.

Ports Update

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

Container flow overview

The following two tables indicate the container flows reported for the last seven days, and the container flows projected for the next seven days.

Table 2 - Container Ports - 7-day flow reported for 23 to 29 January[4]

7-day flow forecast (23.01.2021 - 30.01.2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4 432	4 766
DURBAN CONTAINER TERMINAL PIER 2:	12 449	12 741
CAPE TOWN CONTAINER TERMINAL:	5 973	9 611
NGQURA CONTAINER TERMINAL:	3 632	5 318
PORT ELIZABETH CONTAINER TERMINAL:	171	0
TOTAL:	**26 657**	**32 436**

Source: Transnet, 2021. Updated 29/01/2021

Table 3 - Container Ports - 7-day flow forecasted for 30 January to 5 February[5]

7-day flow forecast (30.01.2021 - 05.02.2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	6 539	4 637
DURBAN CONTAINER TERMINAL PIER 2:	4 155	8 900
CAPE TOWN CONTAINER TERMINAL:	5 506	7 680
NGQURA CONTAINER TERMINAL:	4 092	4 419
PORT ELIZABETH CONTAINER TERMINAL:	170	573
TOTAL:	**20 462**	**26 209**

Source: Transnet, 2021. Updated 29/01/2021

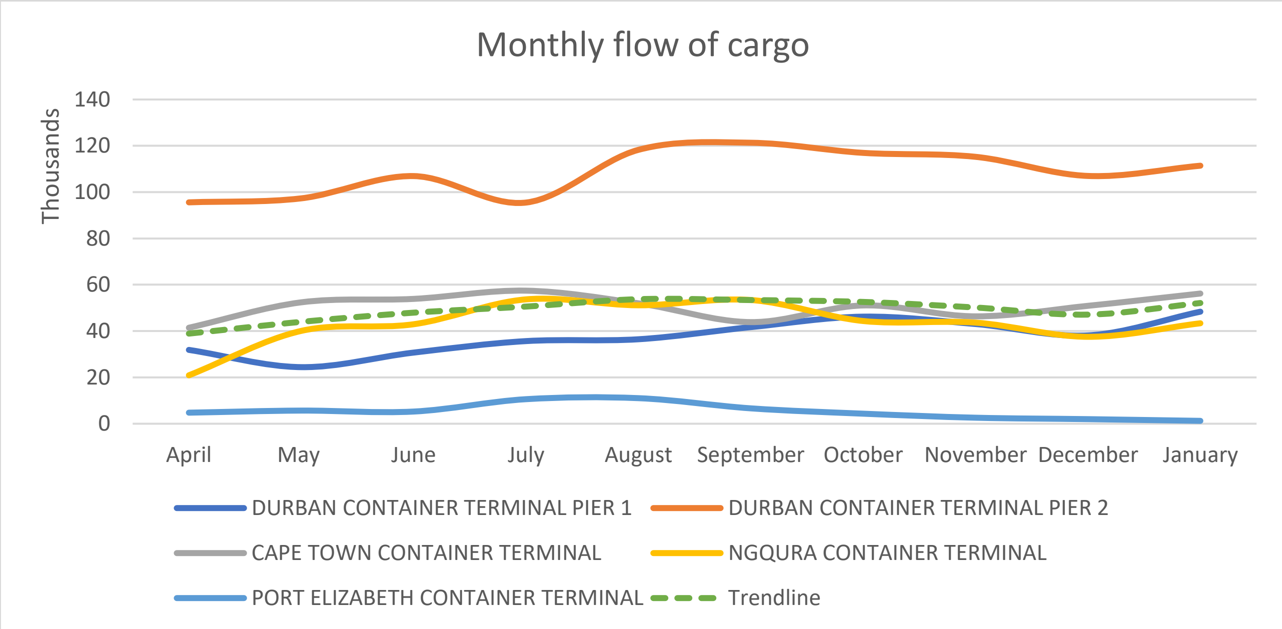
An average of **~8,442 TEUs** was handled per day for the last week (23 - 29 Jan, *Table 2*), with a decreased average of around **~6,667 TEUs** (**↓21%**) expected to be handled for the next week (30 - 5 Feb, *Table 3*). Despite the industry running into the deciduous fruit export season, these projected figures are meagre, with stack occupancy hovering around ~60% in Cape Town. In Durban, Pier 2 was at 81% yard capacity earlier in the week, which is way over the 70% maximum for good productivity, especially given the shortage of available straddle carriers. In general terms, our domestic maritime industry did not have a good week (see *below*). The outlook for the next week remains bleak.

[4] It remains important to note that a fair percentage (approximately 27% according to the most recent TNPA figures for November) of containers are neither to be imported nor exported, but rather consist of empties and transhipments. Due to container imbalances, this proportion is fluctuating more than usual.

[5] As noted in *footnote 1*.

The following figure displays the rolling *monthly* average flows of total containerised cargo movement for our commercial ports since the start of the nation-wide lockdown.

Figure 2 - Monthly flow reported for total cargo movement (TEUs: April to Present; month-on-month)

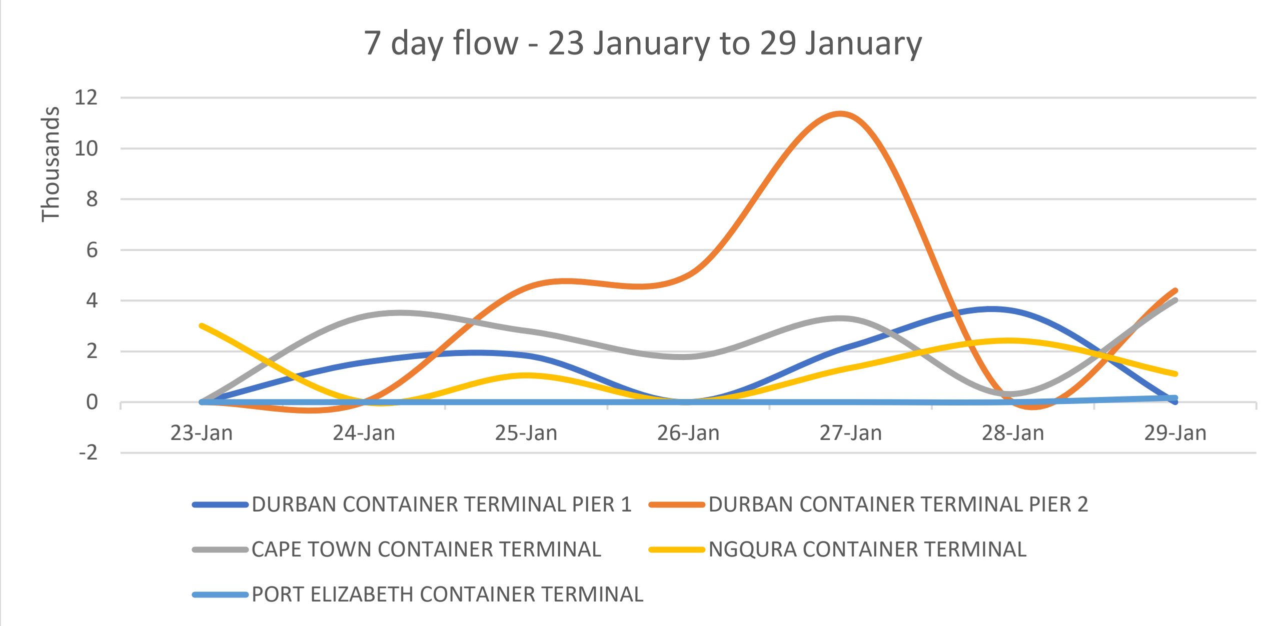


Source: Calculated using data from the Transnet updates, 2021. Updated 29/01/2021

The figure shows that the longer-term average trend has picked up somewhat through the course of the year. Nonetheless, as mentioned last week, the total containerised volumes reported by TNPA amounted to **90%** of 2019 levels. The industry can only hope that the slight upturn from December will continue through into the new year. However, with the container imbalance and endless congestion experienced, especially in the East – coupled with our domestic economic woes – uncertainty remains. Recent reports do however suggest that the availability of empty containers in China is improving.

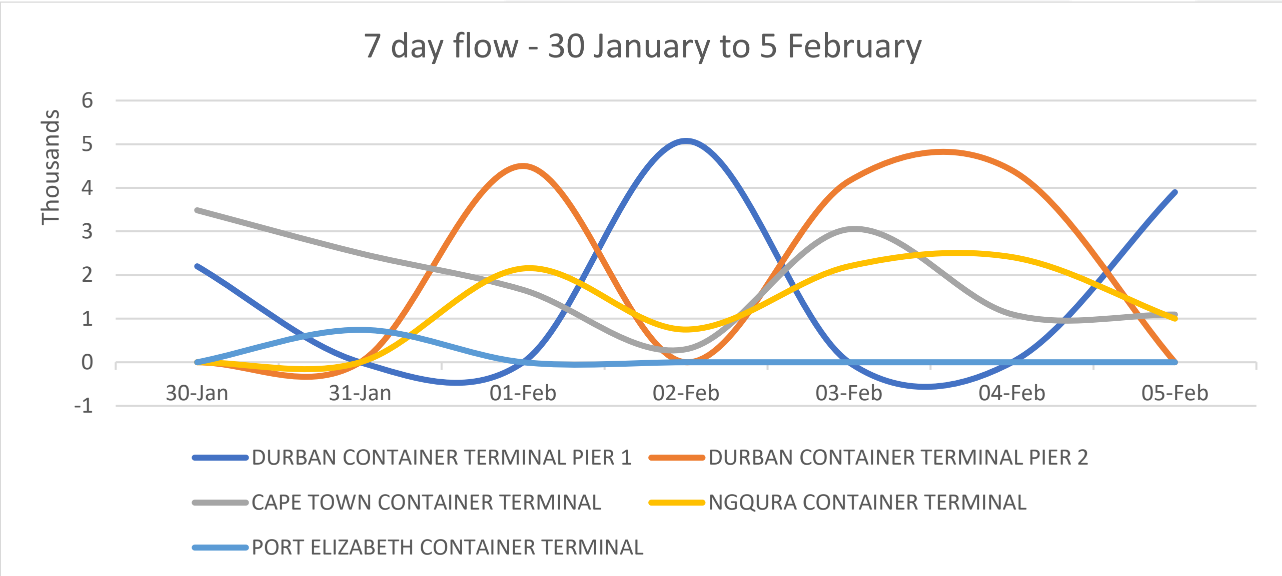
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 3 - 7-day flow reported for total cargo movement (23 to 29 January; per port; day-on-day)



Source: Calculated using data from the [Transnet] updates, 2021. Updated 29/01/2021

Figure 4 - 7-day flow reported for total cargo movement (30 January to 5 February; per port; day-on-day)



Source: Calculated using data from the [Transnet] updates, 2021. Updated 29/01/2021

- **Summary of port operations**

An average of **~8,442 TEUs** was handled per day over the last week, with a reduced average of **~6,667 TEUs** (**↓21%**) expected to be handled over the next week. Unfortunately, this week's narrative is built around several failings – in addition to poor weather - causing inevitable delays.

Throughout the week, Durban Container Terminal (DCT) struggled to maintain a reliable service as Navis went down nationally for over three hours on Sunday. The reason offered was that Durban metro power went down – with the back-up generator, inconceivably, not coming on due to not being adequately serviced. Additionally, power outages on Sunday impacted rail and vessel operations. This occurrence is the second of its kind for the year, with a similar incident in January where Navis went down nationally. However, on that occasion, the power to the servers based at Queens Warehouse building in Durban went down with the essential air conditioning provided by the back-up generators not functioning correctly, which was due to another maintenance shortfall, the responsibility of TNPA.

Further challenges were experienced at DCT Pier I where a gantry crane dropped a container putting it out of commission. Consequently, vessels on berth are being serviced by two gantry cranes only. In total, 13 hours were lost due to the weather and the Navis issue. On the other hand, at DCT Pier II, there is a serious shortage of available straddle carriers – currently at about two-thirds of optimal levels. Heavy rain over the weekend also caused electrical issues on older machines. These constant stoppages, coupled with the truck booking system's intermittent and unreliable functioning, resulted in Harbour Carriers having no way of planning or operating efficiently.

Although port efficiency at DCT picked up later in the week, a total of 95 hours of weather-induced delays have so far been experienced in January. Some stakeholders have referred to it as the worst delays experienced for a considerable period.

Earlier in the week in Cape Town, the weather played its part as usual, with strong winds sweeping the harbour. Further delays were caused because of the Navis downtime, with the terminal losing 15 hours. Consequently, three vessels bypassed Cape Town, one to Luanda, one to Walvis Bay and one to Port Elizabeth which does not bode well for CTCT. Operational problems were not due to staffing problems (7 gangs were working), but rather due to equipment breakdown. The dire state is further confirmed by only 17 of 27 RTGs being reported operational at the PLF. Later in the week, Cape Town CT lost more than 17 hours due to wind. Accordingly, only 101 TEUs were handled in one 24-hour period, with only 23 truck calls, and five vessels stuck at anchor. To highlight the delays experienced by vessels, the 'Kota Langsar' arrived Durban on the 1st of January and today has berthed in Cape Town after 27 days on the coast so far.

Furthermore, the fruit industry has voiced its concerns with the peak season for fruit exports rapidly approaching. To combat the current operational pitfalls, several workable solutions were put forward:

- A suggestion from several port users and the Western Cape Economic Development and Tourism department (DEDAT) was that Transnet (TPT CPT) should utilise an inland facility (e.g., Belcon) and establish a project for the upcoming 6-weeks peak period. This TPT facility is utilised for accepting reefer containers (trucks) when there are wind delays. These containers are plugged in at Belcon, and then railed into the terminal when they can be handled. This gives the port an additional option to expand its stack capacity & operations and enhance landside productivity during wind delays.
- When the port is windbound, equipment will operate at the inland facility (where the wind is not a factor) and ease truck congestion at the terminal. Reefer containers are plugged in until the wind subsides. However, it should be noted that Belcon has limited plug-in points, around 90, whereas a single vessel can load 1000 reefers during high season.
- The reefers are then transported via rail (TFR rail capacity already in place) directly to the vessel. All available STS cranes should be in full operation to load ships efficiently when containers are

dispatched directly to vessels. With this initiative, productivity on the landside is improved, with the waterside productivity also receiving the urgent attention required.

Consequently, a change in value proposition was proposed. TPT CPT should utilise any inland facility of their choice to facilitate the operation of a plan B of operation during wind delays to service the industry and ensure productive terminal operations. The reason is that a variety of stakeholders are affected by the terminal not having a fall-back operational plan during wind delays. Exporters and other stakeholders (clearing forwarding agents/transporters/ City of Cape Town due to congestion in and around the port) and shipping lines (bypassing Cape Town and not service the fruit and other industries) are affected. Therefore, TPT CPT should utilise and absorb the cost of such a plan B in terminal operations. There is some hope that an alternative arrangement can be created to alleviate some of the industry's current pressures at this critical time. There are concerns that exporters may be expected to pay the additional costs incurred, whereas they, quite justifiably, believe that the terminal operator should cover such cost.

Cartage Contractors, importers and their clearing agents have been experiencing problems with certain shipping lines. Diamond Shipping and CMA/CGM were reportedly demanding that empty import turn-ins go to DCT where there is an empty buffer stack. Still, in the terminal's current state of disarray, this is not workable. On the Transnet Freight Rail front, TFR reported that the Northern Cape line was flooded at Lohatla and is closed as is the Swazi line currently also due to flooding. On a more positive note, the situation at Belcon has slightly improved but remains constrained because the track as to be shared with PRASA. In summary, the calamities at our commercial ports highlighted that COVID-19 and its accompanying restrictive regulations are not the only challenges currently affecting the industry.

Air Update

a. International air cargo

The following table depicts the inbound and outbound air cargo flows to and from ORTIA for the week starting 18 January. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *January 2020* was about **640 733 kg** per day[6].

Table 4 - International inbound and outbound cargo from OR Tambo

Flows	18-Jan	19-Jan	20-Jan	21-Jan	22-Jan	23-Jan	24-Jan
Volume inbound	618 470	198 684	219 099	353 845	385 455	240 308	774 614
Volume outbound	220 481	241 991	162 623	215 547	255 751	226 003	422 315
Total handled per day	**838 951**	**440 675**	**381 722**	**569 392**	**641 206**	**466 311**	**1 196 929**

Updated: 26/01/2021

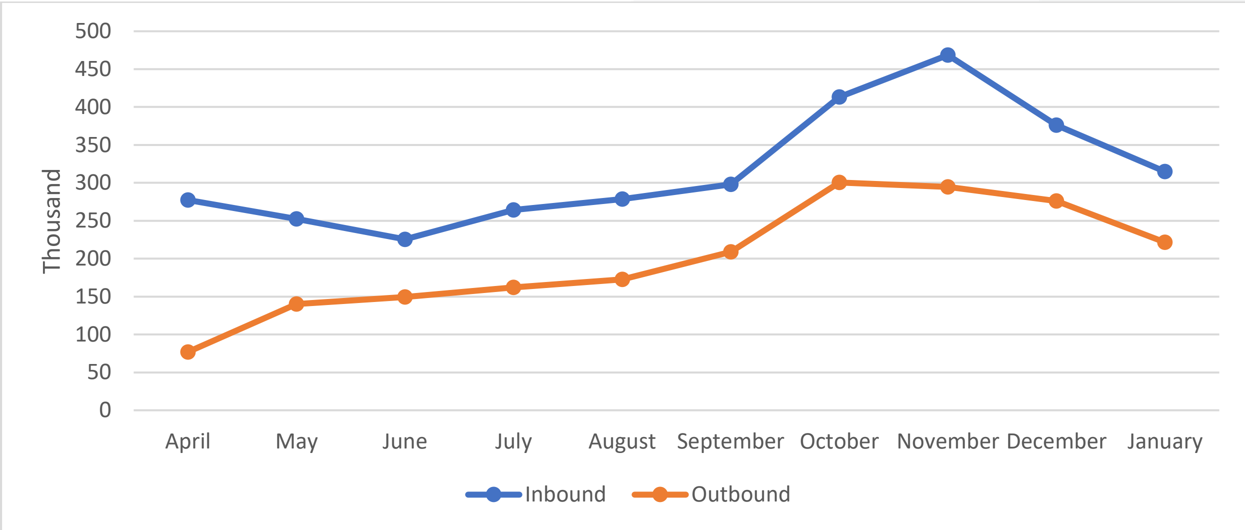
Despite the ongoing and inexplicable refusal to allow freighters to operate as essential services during curfew hours, international air cargo volumes rebounded significantly compared to the depressed figures reported last week. As such, the daily average volume of air cargo handled at ORTIA over the seven days starting 18 January amounted to **398 639 kg** inbound and **249 244 kg** outbound. In total, that results in an average of **556 376 kg** per day, which is approximately **~75%** compared to the two months before the lockdown period (compared to **~80%** last week). The international load factor is presently floating around **~33.1%** arriving and **~41.6%** departing. With these low figures, the freighter ban is further accentuated. It

[6] Note, when including statistics from South Africa's other two international airports, Cape Town International and King Shaka (Durban) International airports, the total figure rises to **793 825 kg** per day.

has unfortunately become evident that the aviation industry's plea to allow freighters to operate as essential services during curfew hours has not been successful. There has been no logical or intelligible response to these pleas, so it would seem that bureaucratic inertia has taken hold. The sector can only reiterate its appeal.

The following image displays the monthly international air cargo flowing to ORTIA. The decreased volumes are starkly evident, coinciding with the freighter ban. The forward outlook is not bright, especially with the imminent distribution of large quantities of vaccines. The aviation industry desperately needs support from the government at this juncture. Note that figures displayed for January are to the 24th.

Figure 5 - International inbound and outbound cargo from OR Tambo



Updated: 26/01/2021

Global air cargo traffic

The image below depicts international air traffic at around mid-morning of 29 January 2021. As has been widely reported in recent weeks, international air travel is struggling to rebound given travel regulations' restrictive nature. As such, air traffic has primarily been driven by cargo flights as passenger bookings are on average 79% below their level a year ago (*see* below). Daytime air activity seems to have returned to South African skies, although the continued ban on aircraft operating during curfew hours has virtually halted nocturnal traffic. The need for a concession is critical since cargo flights running at night keep the local economy going, especially in e-commerce and time-sensitive goods.

Figure 6 - Global air traffic: 29 January 2021

Source: FlightRadar24, 29/01/2021, 09:00

Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period, as reported by industry. The table includes the main domestic hubs, with a summary for the other airports. For comparative purposes, the average domestic air freight cargo (inbound and outbound) for ORTIA handled *before* the lockdown period was approximately **75 000 - 90 000 kg** per day (calculated from industry feedback). For further comparisons, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *January 2020* was approximately **72 330 kg**[7] per day. CTIA volumes have also declined, thereby again underlining the impact of the imposition of curfew hours.

Table 5 - Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar Average	8 581	823	1 728	4 020	2 912	1 555	19 619
Apr Average	14 664	900	2 152	13 911	3 814	1 760	35 956
May Average	28 421	1 639	4 677	25 282	7 333	1 099	58 064
Jun Average	24 256	2 137	5 105	23 935	8 601	3 324	63 236
Jul Average	23 395	2 759	4 896	24 255	6 550	5 139	63 116
Aug Average	22 860	2 418	40 93	22 142	5 643	2 819	59 559
Sept Average	24 735	2 682	3 712	24 003	6 126	3 315	64 572
Oct Average	25 317	2 931	3 552	22 085	6 475	3 315	63 676
Nov Average	21 592	9 641	4 117	21 434	12 060	5 592	73 698
Dec Average	24 311	3 475	3 480	24 326	6 194	3 845	65 630
Jan 1-20 Average	20 446	2 657	2 825	22 022	5 269	6 492	56 107
21-Jan-21	34 959	4 049	5 097	25 444	9 636	5 105	84 290
22-Jan-21	14 933	2 362	3 317	33 703	5 315	3 045	62 674
23-Jan-21	1 494	910	74	2 381	106	79	5 043
24-Jan-21	888	409	44	305	83	27	1 755
25-Jan-21	47 159	5 569	5 001	54 508	11 537	5 241	129 015

[7] For Cape Town, the figure corresponds to **51 307 kg** per day, and **14 610 kg** per day for Durban during the same period (January 2020).

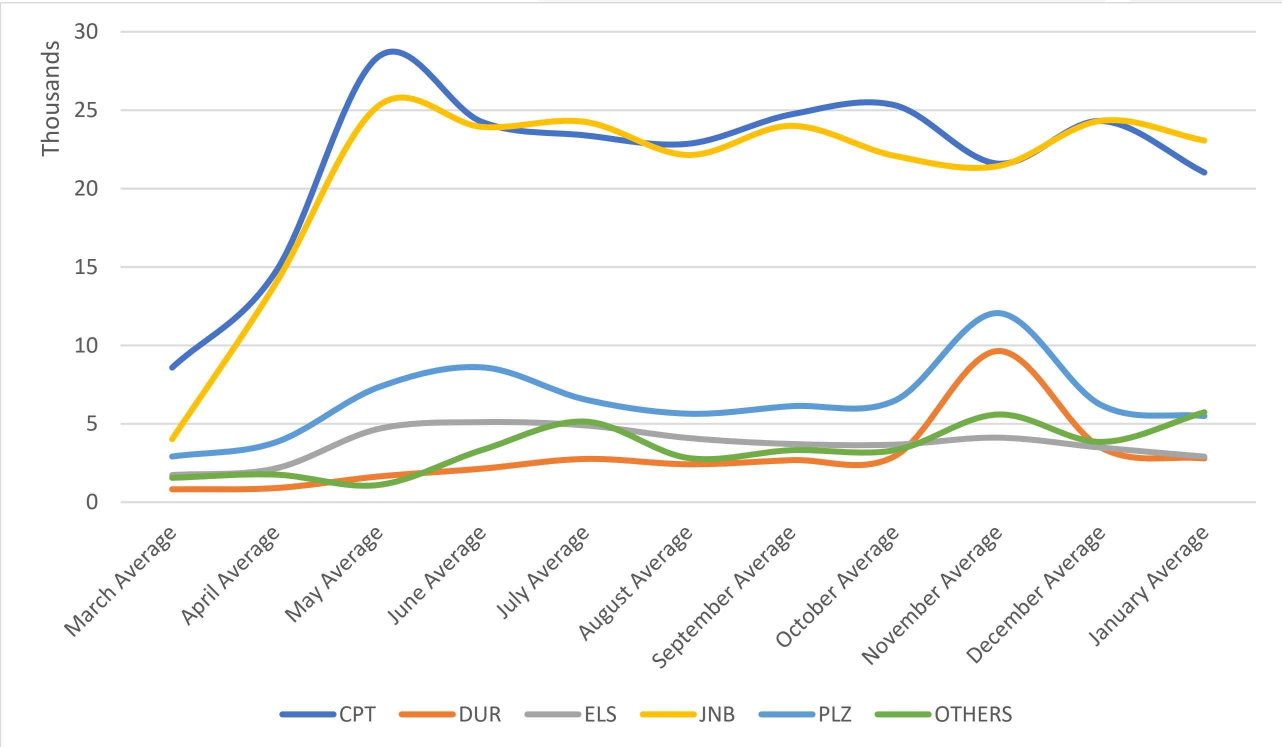
26-Jan-21	38 297	6 023	5 545	42 854	10 678	5 761	109 158
Grand Total	546 647	72 469	75 586	599 627	142 727	149 092	1 514 066

Updated: 29/01/2021

The average domestic air cargo moved during the lockdown period has amounted to **~58 233 kg** per day (**↓13%** compared to last week), which constitutes approximately **~96%**, compared to the previous year (**~109%** last week). The domestic load factor is currently hovering around **~63.3%** arriving and **~59.2%** departing. Although the volumes are 'near normal' levels, the commercial reality does not conform to the industry role players' *modus operandi* that generally depends on its ability to operate at night. As we have repeatedly stated, there is little evidence to confirm that these operations had, or could have, any effect on the virus's transmission. Once again, the authorities are urged to reconsider the vital sustaining role of air cargo and ancillary service providers as essential services.

The following figure highlights the total monthly domestic air cargo moved per airport as per the table above. Domestic air cargo levels appear to have plateaued in recent months – even dwindling somewhat of late. The short-term outlook will not improve while the operational ban persists.

Figure 7 - Total domestic inbound and outbound cargo



Updated: 29/01/2021

Southern Africa air traffic

The next image shows the air traffic across Southern Africa at around mid-morning of 29 January. With the restrictive curfew implementation in place and more stringent restrictions applied to foreign airlines, air traffic will likely subside once again. The situation is a hard blow for the aviation industry in South Africa.

Figure 8 - Southern Africa air traffic: 29 January 2021

Source: *[FlightRadar24](), 29/01/2021, 09:00*

Regional update

a. SARS Trade Statistics

On Friday 29 January, SARS published South Africa's trade statistics for December 2020[8]. For December, exports decreased by **↓8.2%** month-on-month, while imports fell by **↓7.8%** month-on-month. Cumulatively, year-to-date exports increased by **↑7.5%**, while overall imports decreased by **↓11.8%** for 2020. The overall trade balance increased dramatically from 2019, now standing at **R270.6 billion** for the year.

In terms of regional trade, exports to BELN countries decreased by **↓7.8%** between November and December to **R11.3 billion**. Imports from BELN countries fell by a similar amount (**↓7.5%**), amounting to **R0.9 billion** for the month. These figures again attest that the surrounding regional economies are very dependent on South African exports, which highlights the need for free-flowing border procedures.

The cumulative trade surplus with BELN countries for 2020 finally amounted to **R181.18 billion**, which is quite a turn-around compared to a cumulative trade deficit of **R76.98 billion** in 2019.

1. International update

The following section provides the context of the global economy and particularly the impact of COVID-19 on trade.

1. Global trade outlook

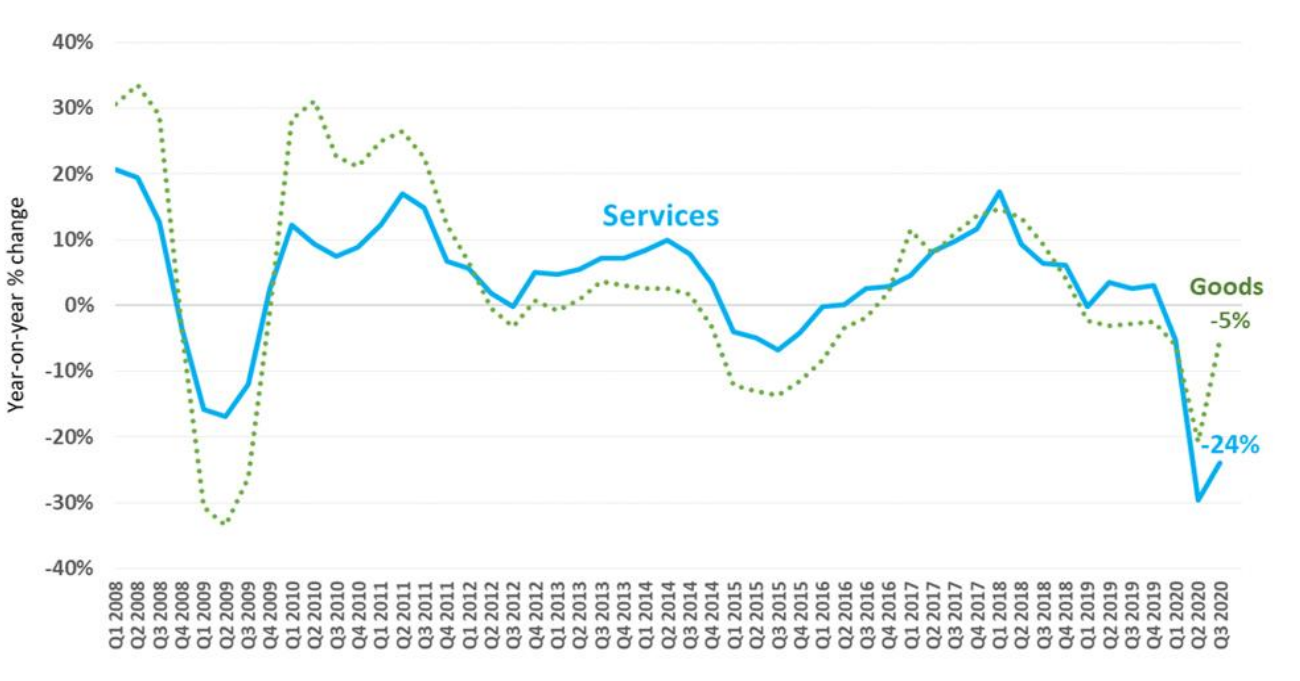
WTO

Although the trade in goods has recovered during the second half of the year, the same cannot be said of global services trade. Reporting on Q3 growth figures, the WTO notes that international services trade fell by 24% compared to the same period in 2019[9]. Although the figure appears dire, Q3 represents a slight increase on the 30% y-o-y decline registered in Q2. Unfortunately, the small increase is in stark contrast to

[8] SARS Trade Statistics, 2020. [SARS.]()
[9] WTO. 26/01/2021. [Services Trade.]()

the much more substantial recovery in goods trade. The following figure summarises the difference between goods and services for the third quarter of the year.

Figure 9 – Goods and services trade (Q1 2008 – Q3 2020)



Source: [WTO](WTO)

The weak rebound from services can largely be attributed to the fact that, unlike goods, services cannot be stockpiled. Consequently, as the WTO notes, "*many of the revenue losses from cancelled flights, holidays abroad, restaurant meals, and cultural/recreational activities are likely to be permanent*". On a sub-level, travel remains the most affected service sector, down by 68% y-o-y. As mentioned in the previous two reports, the relaxation of travel restrictions in Europe during the summer months produced only a modest rebound in services trade in the third quarter. The transport sector was also hit hard, as Q3 recorded a y-o-y contraction of 24%.

The WTO also reported on preliminary figures for Q4. For merchandise trade, the rebound that started in the second half of the year picked up strength in October and November. The data shows that the value of global merchandise trade in October 2020 was 3% higher than in October 2019, with a 6% increase year-on-year for November.

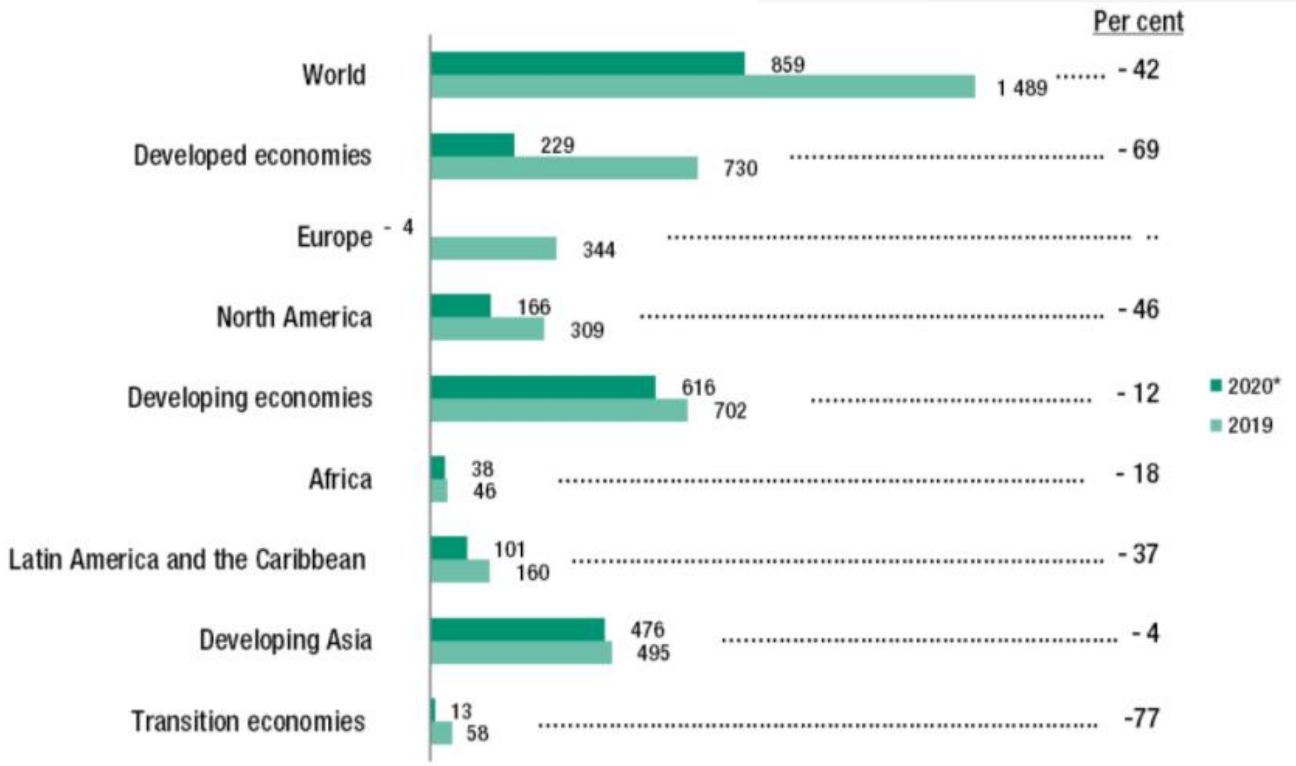
UNCTAD

Confirming the dwindling international investment activity due to the pandemic's impact in 2020, UNCTAD reported this week that global foreign direct investment (FDI) fell by a staggering 42% in 2020, with the outlook remaining very weak[10]. An estimated $859 billion was invested for the year, a significant drop from the $1.5 trillion in 2019. Such a low level was last seen in the 1990s and is more than 30% below the investment trough that followed the 2008-2009 global financial crisis.

Developed countries were hit the hardest, as investment almost dried up as the world grappled with restrictive business conditions due to the pandemic. Consequently, developing countries enjoyed a record share of FDI for 2020. The following figure shows the breakdown regionally.

[10] UNCTAD. 24/01/2021. Global foreign direct investment fell by 42% in 2020.

Figure 10 – FDI inflows by region, 2019 and 2020 (billions of US$)



Source: [UNCTAD]

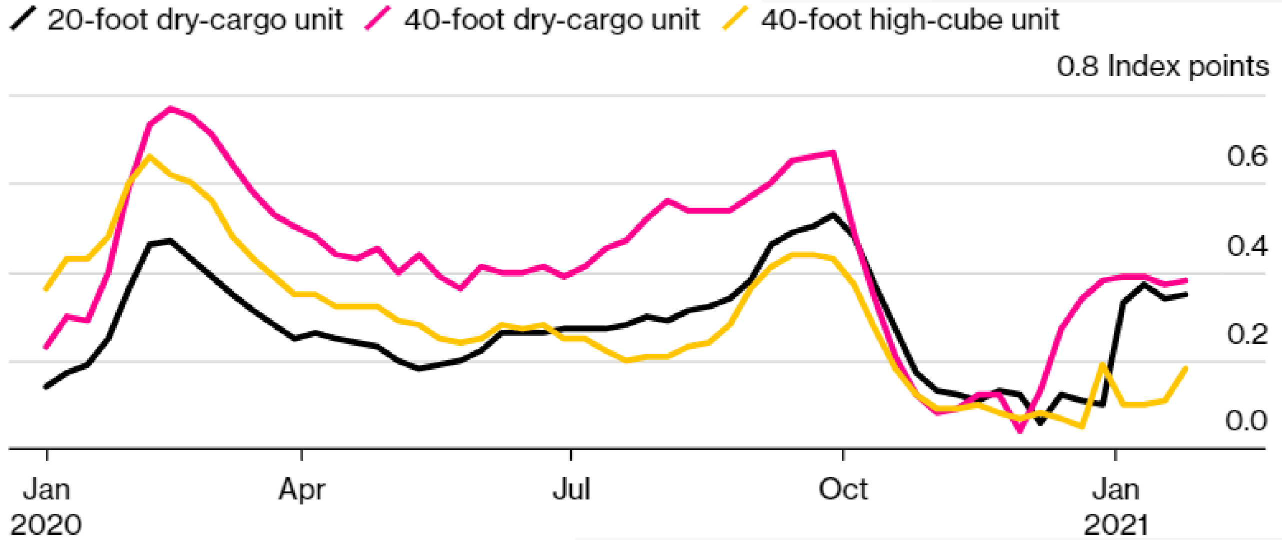
As mentioned above, the developing world (and indeed Africa) still received significant FDI compared to 2019. Nonetheless, the outlook for 2021 remains especially weak, given the fact that the pandemic is still hampering investment activity, with several MNCs likely to sit on their large cash reserves for now[11]. UNCTAD's report does, however, show a better outlook for technology and healthcare. However, this can largely be expected given the state of the global economy at this juncture. As such, UNCTAD expects any increases in global FDI flows in 2021 to "*come not from new investment in productive assets but from cross-border M&As, especially in technology and healthcare – two industries affected differently by the pandemic*." UNCTAD notes that South African investors plan to acquire stakes in healthcare providers across Africa and Asia in a similar vein and closer to home. As is often the case with a global crisis, FDI projects are shelved until the international waters clear.

2. Global container industry

Global freight rates have been on a constant surge in recent weeks, primarily due to the worldwide shortage of containers. However, it appears that the deficit shows signs of easing, according to the "*Container Availability Index*" developed by Hamburg, Germany-based Container xChange[12]. The index – which tracks containers used to transport 90% of the global trade in goods – should stay around 0.35 to 0.38 through Chinese Lunar New Year in mid-February[13]. An index reading of 0.5 denotes a balanced market, with anything below that mark indicating demand is outstripping supply. Alarmingly, the index had reached levels ranging as low as 0.06 to 0.13 in December. The line graph below shows the current uptick.

[11] Harvard Business Review. 2020. Why are companies sitting on so much cash
[12] xChange. 2021. xChange.
[13] Murray, 25/01/2020. Bloomberg.

Figure 11 - Container Availability Index - Assessed by xChange (An index reading of 0.5 denotes a balanced market)



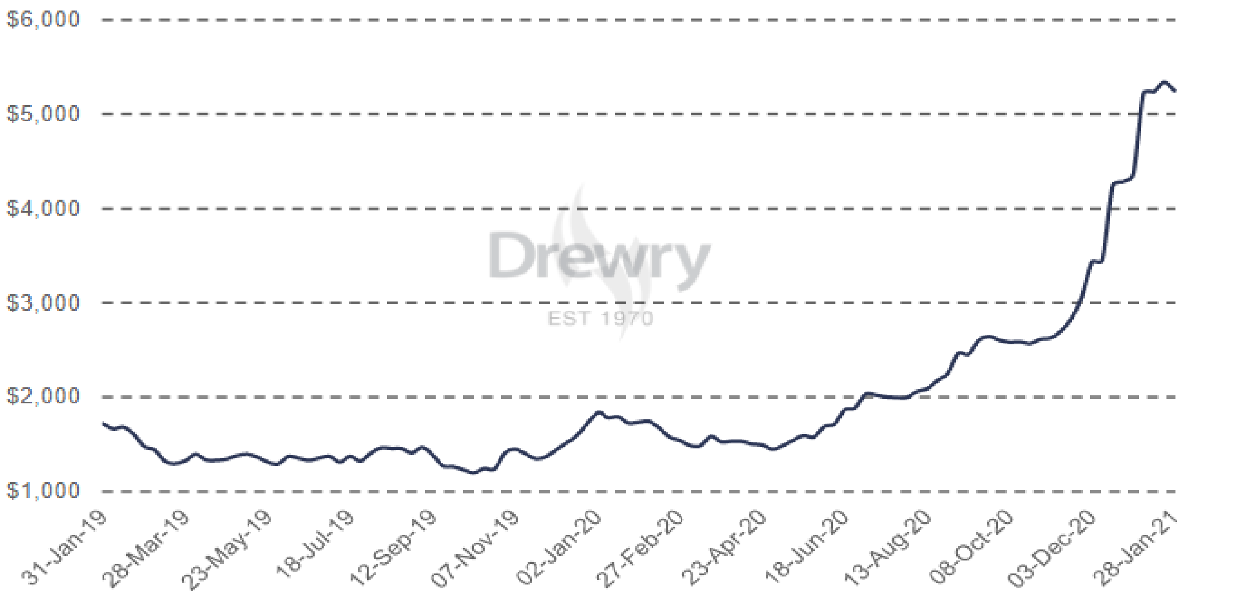
Source: [Container xChange]

The upturn in availability is perceptible in recent weeks. The most significant determinant was the return of empties to Shanghai, where shortages late last year were severe as Chinese factories returned to full production and exports to the U.S. surged. The imbalances experienced at the end of 2020 can be visually realised in the spot freight rates widely reported on in the past.

Of course, the increase in container availability will not immediately impact the container freight spot rates. The situation is evident because the "*World Container Index*" (WCI) compiled by Drewry, the maritime research and consulting firm[14], decreased insignificantly by **↓1.7%** to **$5,251.81** per 40ft container. Although a slight decrease took place over the last week, the average composite index of the WCI remains significantly elevated (see below). All avenues point to the fact that the industry will likely only "normalise" towards the backend of H1 of 2021. Even that will depend in no small extent on the degree to which trading nations can relax restrictions in their countries. The following figure summarises the current trend.

[14] Drewry Supply Chain Advisors. 21/01/2021. World Container Index. World Container Index

Figure 12 - World Container Index - Assessed by Drewry ($ per 40 ft. container)



Source: [Drewry Ports and Terminal insights]

The assessment by Drewry is almost a mirror image to the graph assessed by container xChange above. As mentioned above, the surge in spot rates has been pushed by the sustained upturn in demand. The increase is mainly due to increased production and exports. Consequently, shipping lines have tried to realign their containers with the demand on the transpacific routes. However, the end of the surge is near as the "*Chinese New Year stands to become the turning point of equipment shortage*" according to xChange. The holiday season takes place from February 11-17. The following table highlights the monthly and annual changes for the eight major East-West trades.

Table 6 - World Container Index per major trading route - Assessed by Drewry ($ per 40 ft. container)

Route	14-Jan-21	21-Jan-21	28-Jan-21	Weekly change (%)	Annual change (%)
Composite Index	$5,238	$5,340	$5,252	-2% ▼	204% ▲
Shanghai - Rotterdam	$8,815	$9,066	$8,740	-4% ▼	322% ▲
Rotterdam - Shanghai	$1,357	$1,409	$1,409	0%	110% ▲
Shanghai - Genoa	$8,412	$8,792	$8,736	-1% ▼	227% ▲
Shanghai - Los Angeles	$4,194	$4,178	$4,178	0%	163% ▲
Los Angeles - Shanghai	$518	$530	$530	0%	30% ▲
Shanghai - New York	$6,748	$6,517	$6,517	0%	129% ▲
New York - Rotterdam	$663	$646	$646	0%	21% ▲
Rotterdam - New York	$2,116	$2,283	$2,283	0%	-5% ▼

Source: Drewry Ports and Terminal insights

As the table indicates, all transatlantic routes' annual change has trended upwards, except for Rotterdam – New York. The average composite index of the WCI for year-to-date is **$5,263** per 40ft container, which is **$3,650** higher than the five-year average of **$1,613** (down by **$87** last week). Drewry expects the rates to remain on the higher side for the coming period.

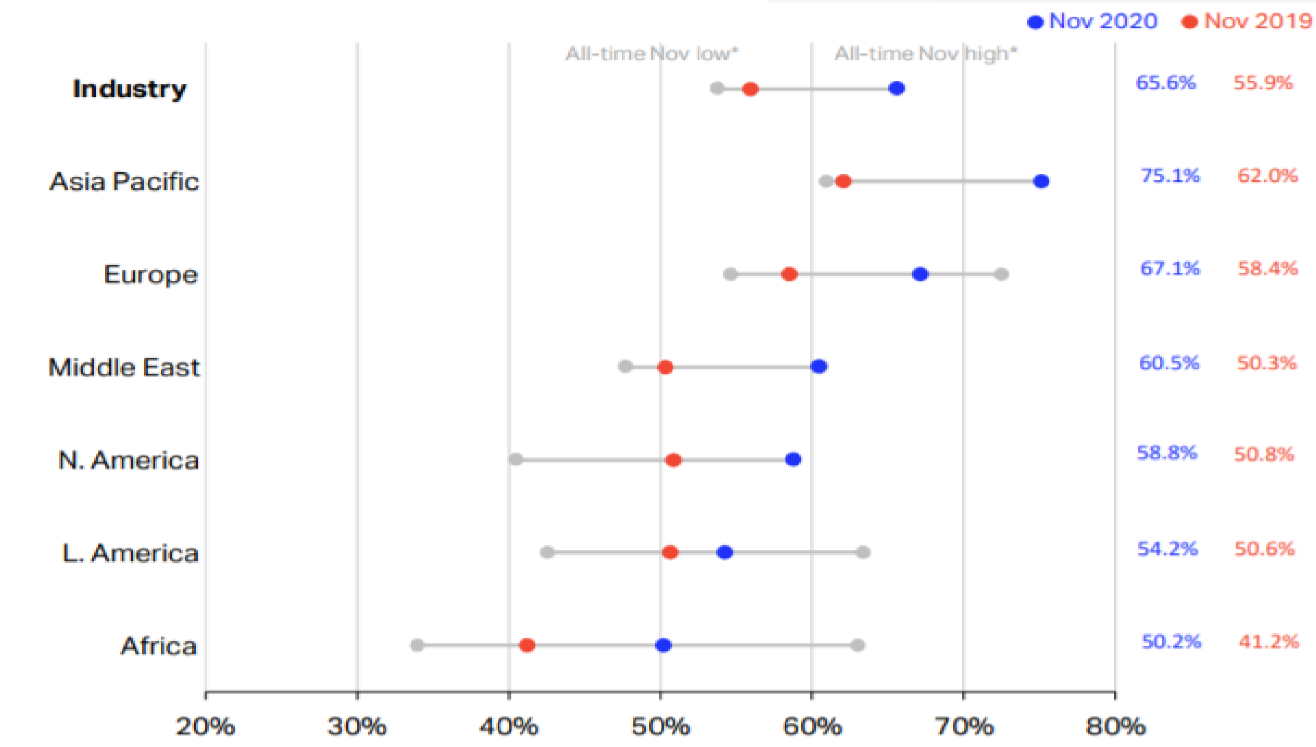
Global aviation industry

The latest assessment from the International Air Transport Association (IATA) shows that airlines continued to suffer from weak travel demand and burnt cash, albeit slower than earlier in 2020[15]. Global airline share prices rose in December, however, still lags significantly behind equity markets[16]. Consequently, the widespread availability of vaccines and the implementation of successful testing regimes will be critical for the recovery in travel demand and airline share prices. In an overall sense, industry-wide cargo tonne-kilometres (CTKs) are down by **6.2%** y-o-y currently, with the gap not closing due to the global aviation fleet being grounded in many parts of the world. Consequently, the international load factor is trending towards the upper levels in recent months, as available space remains limited.

The following figure graphically illustrates the current situation.

[15] IATA. 21/01/2021. Financial Monitor.
[16] IATA. 22/01/2021. Chart of the week.

Figure 13 – International cargo load factors (percentage of available CTKs)



Source: IATA Economics

As the figure indicates, the load factor is significantly up in all regions – even at an all-time industry high for November of **65.5%** – as the supply simply cannot handle the demand. In simple economic terms, reduced supply with increased demand means that the price goes up. Indeed, after already rising in October, air cargo rates have continued to rise in November and are now around 70% higher than last year at a global level[17].

Although the global aviation industry welcomes the increased demand, IATA notes that the near-term outlook remains challenging. Despite the hope generated by the rollout of COVID-19 vaccines (which has boosted global financial markets performance), passenger bookings have not shared the market sentiment yet. Bookings at the start of 2021 point to another problematic quarter, as they are on average 79% below their level a year ago[18]. Until the passenger levels pick up, the supply of cargo will not significantly increase, despite the excess demand generated by particularly the need to ship vaccines. Concurrently, it does not seem that the stricter travel regulation currently the norm in the Northern hemisphere will abate soon. For South Africa, given the ongoing freighter ban during curfew hours, any recovery remains a very distant prospect, despite any short-term increase in volumes generated by the vaccine distribution project.

Conclusion

This update — *the 23rd of its kind* — contains a consolidated overview of the South African supply chain and the current state of trade internationally. Since the previous version, new cases of COVID-19 have fortunately subsided somewhat, averaging approximately **8,142** per day (down from **11,975** during the last week). It appears that the second wave of infections may have passed. Nonetheless, continued vigilance is required, especially in the wake of the ensuing vaccine rollout process and the genuine prospect of a third

[17] ATA. 07/01/2021. Air Cargo Market Analysis.
[18] IATA. 15/01/2021. Chart of the Week. IATA

wave in mid-year. Elsewhere, several countries are continuing with their aggressive vaccination rollouts. At the time of writing, **1.11%**[19] of the world's population have now been vaccinated. In terms of the total number of cases, South Africa remains in **15th** position globally, with the total number of cases recorded now amounting to **1,437,798**[20] at the time of writing.

This week's average stands at **~8,442 TEUs** handled per day for the ocean modality, with a decreased average of around **~6,667 TEUs (↓7%)** expected to be handled over the next week. As outlined above, various obstacles and unnecessary incidents caused operational delays across our commercial ports during the week, adding to the negative sentiment current felt in the industry. Overall optimism has waned in recent weeks, as the year's change has not brought about any meaningful change in fortunes for our maritime economy.

The daily average volume of air cargo handled at ORTIA over the seven days starting 18 January amounted to 398 639 kg inbound and 249 244 kg outbound. In total, that results in an average of 556 376 kg per day, which is approximately **~75%** compared to the two months before the lockdown period (compared to **~80%** last week). For the domestic industry, average air cargo moved continues to be relatively low, hovering around **~58 406 kg** moved per day since the start of lockdown, which constitutes approximately **~96%** of the volume moved compared to pre-lockdown. The aviation industry is deeply disappointed with the ongoing ban restricting aircraft and accompanying services to operate as essential services during the curfew hours.

Internationally, the WTO reported that global services trade fell by **↓24%** this week compared to the same period in 2019. These reported numbers contrast to international merchandise trade, which made a substantial rebound during the same period. On a subsector level, tourism and transport services were the most significantly affected across this period. Further depressing news concerns the fact that FDI in 2020 shrank by a massive **↓42%** y-o-y. Moreover, the outlook for 2021 does not look much better.

On the international container front, it appears that recent container shortages and imbalances, together with accompanying port congestion, show some signs of easing. Consequently, it is expected that the record surge of global freight spot rates will also reverse itself, even though the index remains very bloated at **$5,251.81** per 40ft, which is **↓1.7%** on last week. Despite a short-term reprieve in container availability, several reliable sources expect that the industry will likely only "normalise" towards June/July of this year. Normalisation includes both the availability of containers, the level of demand, and the accompanying freight rates.

In terms of the global aviation industry, the latest surplus demand is likely to continue as travel restrictions persist and passenger booking remain desperately low. With the industry load factor registering an all-time November high of **65.5%**, belly-hold cargo urgently needs to alleviate some strain on the rest of the cargo industry. For South Africa, the story is very similar. The ongoing freighter ban during curfew hours continues to pressurise the sector, despite any demand increase due to the vaccine rollout strategy.

As we reported last week, the greater trading community (and indeed the rest of South Africa) will now turn significant attention to the imminent distribution of COVID-19 vaccines. For the National Department of Health's optimistic plan to vaccinate two-thirds of the population by the end of 2021, a collaborative partnership between all stakeholders within the broader supply chain is needed now more than ever. There have been a few positive signs for the industry this week, including allocating a dedicated tariff heading to COVID 19 vaccines, and grant VAT rebate approval for the vaccine. The specific HS code will now make it a lot easier to monitor the distribution thereof and gauge the local manufacturing capacity once we arrive at that juncture.

[19] Our World in Data, Coronavirus (Covid-19) Vaccinations. Our World in Data
[20] John Hopkins, Coronavirus Resource Centre. Coronavirus JJHU