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COVID-19: Cargo movement update

Date: 12 February 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 *25th update.*

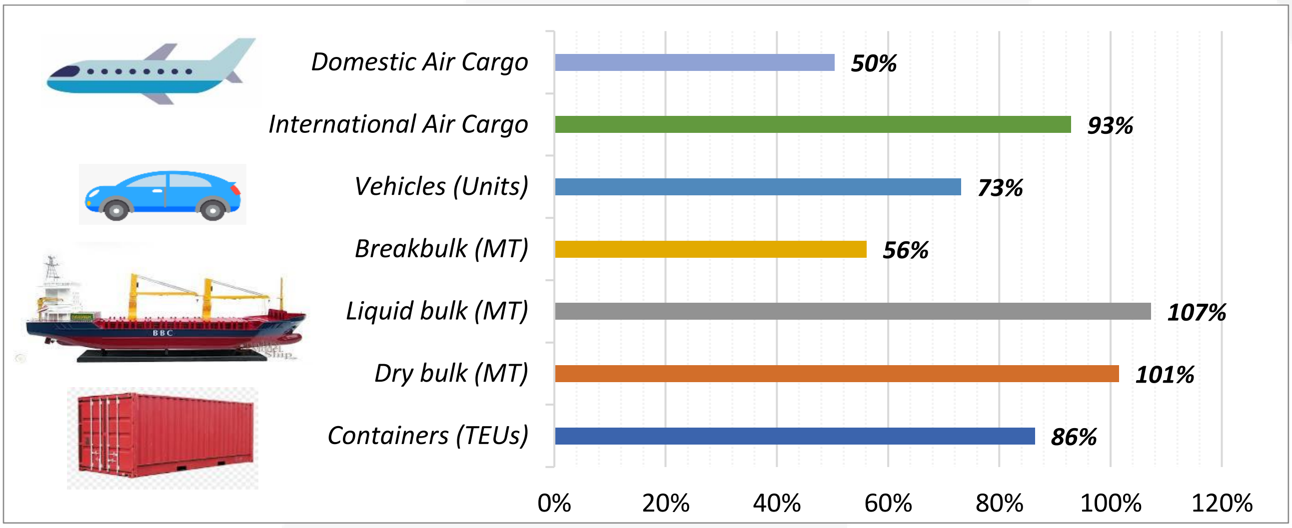
Weekly snapshot

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)	30 419	35 154	**65 573**	20 462	26 209	**46 671**	**↑41%**
Air Cargo (tons)	4 986	3 075	**8 061**	3 868	2 340	**6 208**	**↑30%**

Monthly snapshot

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



Key Notes

- An average of **~9,368 TEUs** was handled a day over the last week, **↑41%** from last week.
- Weekly international air cargo is **↑30%** and currently at **~108%** compared to the same time in 2020.
- Weekly domestic air cargo is **↑4%** and currently at **~106%** compared to the same time in 2020.

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[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 months' 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).

- Regionally, the cross-border queue and transit times have an average of **~10.6 hours** and **~20.2 hours** respectively, which has cost the transport industry an estimated **R446 million** for the week.
- The "*World Container Index*" once again decreased this week by **↓0.7%** to **$5,190.75** per 40'; however, recent challenges revolving around container imbalances, port congestion and efficiency remain.
- Final Y-T-D global trade in goods contracted by **↓9%** in 2020, according to UNCTAD.

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 6 to 12 February[4]

7-day flow forecast (06.02.2021 - 12.02.2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 836	6 483
DURBAN CONTAINER TERMINAL PIER 2:	12 087	13 097
CAPE TOWN CONTAINER TERMINAL:	8 030	10 002
NGQURA CONTAINER TERMINAL:	4 269	5 407
PORT ELIZABETH CONTAINER TERMINAL:	197	165
TOTAL:	**30 419**	**35 154**

Source: Transnet, 2021. Updated 12/02/2021

Table 3 - Container Ports - 7-day flow forecasted for 13 to 19 February[5]

7-day flow forecast (13.02.2021 - 19.02.2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	1 808	3 781
DURBAN CONTAINER TERMINAL PIER 2:	13 816	14 351
CAPE TOWN CONTAINER TERMINAL:	8 016	10 160
NGQURA CONTAINER TERMINAL:	7 159	9 450
PORT ELIZABETH CONTAINER TERMINAL:	0	0
TOTAL:	**30 799**	**37 742**

Source: Transnet, 2021. Updated 12/02/2021

An average of **~9,368 TEUs** was handled per day for the last week (6 - 12 Feb, *Table 2*), with an increased average of around **~9,792 TEUs** (**↑5%**) expected to be handled for the next week (13 - 19 Feb, *Table 3*).

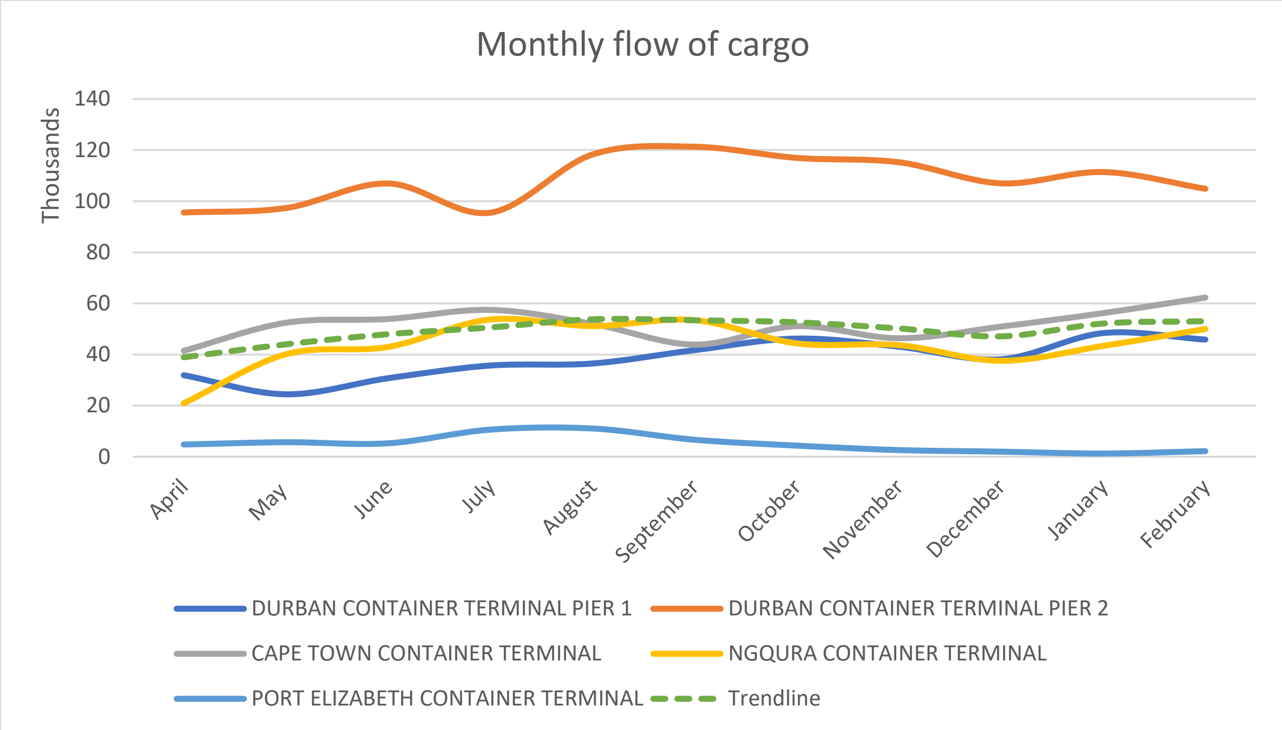
In broad terms, our domestic maritime industry experienced a better week number-wise. However, numerous operational constraints remain (see *below*). The private sector has put forward some suggestions

[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*.

to enhance the container segment market in a separate submission. At this critical juncture, it is time to effect meaningful change in the sector. As the famous quote by Winston Churchill goes, "never let a good crisis go to waste".

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)

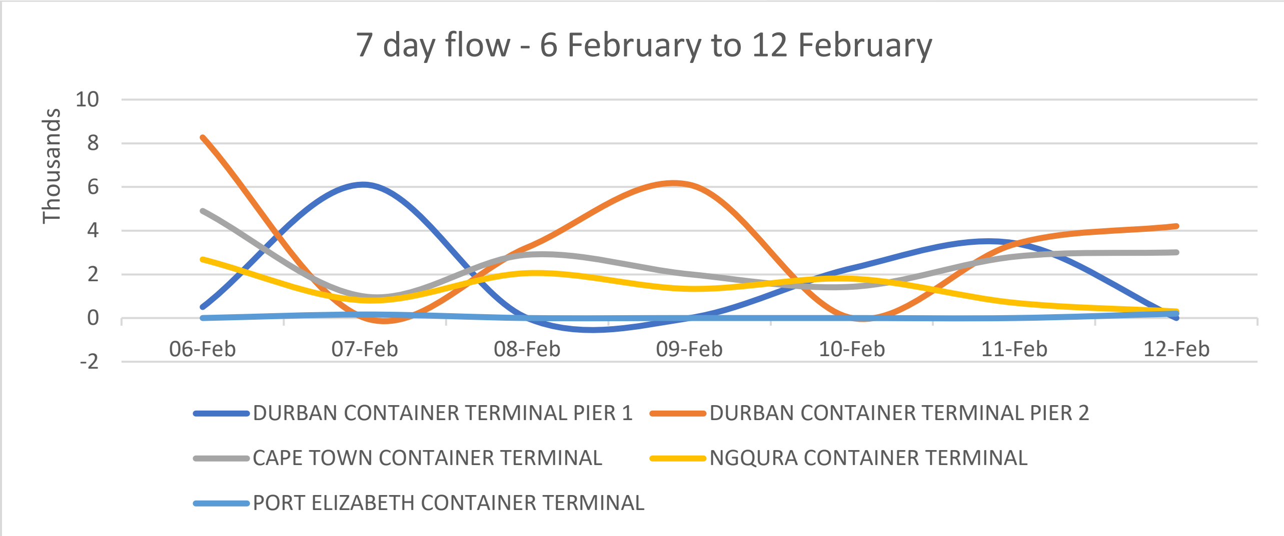


Source: Calculated using data from the Transnet updates, 2021. Updated 12/02/2021

The figure shows the overall stagnation of South Africa's container industry over the last few months. Given that the global ocean economy struggles with container imbalances, port congestion and poor efficiency, we expect similar constraints to occur in South Africa, as has been the case recently.

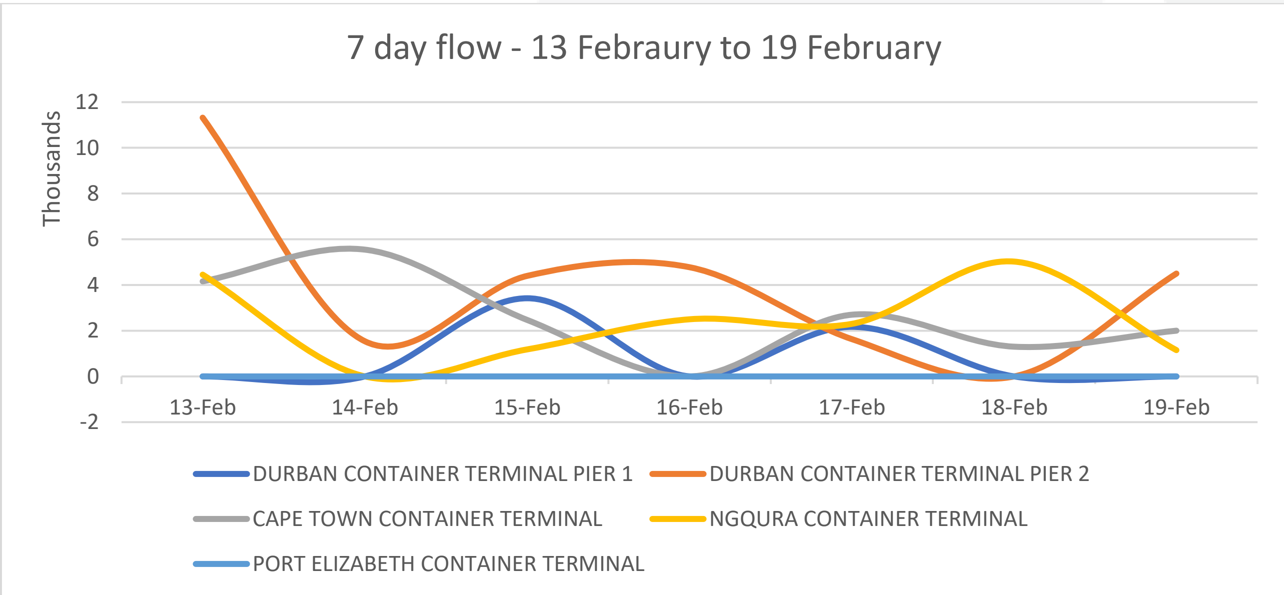
The figures below show the weekly container flows for the previous seven days and projections for the next seven days. After a significant drop in container volumes last week, the reported flow was back to near normal. The forecast for next week's container flow is also as typically expected during this time of year. Worth noting is the relatively high number of export flows, which are positive signs for the industry. A significant contributor is South Africa's fruit exports, currently in the middle of the deciduous fruit and grape seasons.

Figure 3 - 7-day flow reported for total cargo movement (6 to 12 February; per port; day-on-day)



Source: Calculated using data from the Transnet updates, 2021. Updated 12/02/2021

Figure 4 - 7-day flow reported for total cargo movement (13 to 19 February; per port; day-on-day)



Source: Calculated using data from the Transnet updates, 2021. Updated 12/02/2021

- **Summary of port operations**

An average of **~9,368TEUs** was handled per day for the last week (6 - 12 Feb, *Table 2*), with an increased average of around **~9,792 TEUs** (**↑5%**) expected to be handled for the next week (13 - 19 Feb, *Table 3*). As with the last few reports, there is not much positive news to report concerning this week's narrative around our commercial ports.

Weather delays

Concerning the weather, early-week wind delays were experienced in Cape Town, as the port lost a total of 49 hours. On a more positive note, the port still managed to handle in excess of 18,000 TEU. On the Indian Ocean side, severe wave-action was experienced at the port of Ngqura on Wednesday, which impacted container handling. Further up the coast, the port of Durban had a better weather week, with minimal delays due to wind or rain.

Durban Container Terminal (DCT)

Compared with last week, Durban Container Terminal (DCT) experienced some improvement in landside operations with truck turnaround times close to the target. Illustrating the pressure placed on container flows by global imbalances, CMA/CGM insists on empty turn-in at DCT. This insistence creates serious problems for truckers, as a trucker reported an 8-hour delay, whereas Kings Rest Container Depot managed to deliver 600 empties to Pier 1 in 18 hours. Further challenges occurred at Pier 1 due to a crane outage on the waterside. Subsequently, a vessel was moved to Pier 2.

Cape Town Container Terminal (CTCT)

In Cape Town, the port had a challenging weekend as crane and network breakdowns paralysed the port. Other constraints included the port suffering a system outage early in the week due to cable theft at a service supplier. The back-up generator failed, but service was reinstated within around 3 hours. Cape Town Container Terminal is currently operating with three berths and six gangs and juggling land and waterside depending on demand and shift times.

With the ongoing deciduous fruit season, port operations remain busy. Reefer stack occupancy is currently at 70% and trending upwards. In an attempt to ease some port congestion, two dedicated truck gate lanes have been established for the fruit industry and night runs from Mondays to Saturdays (after gate closure at 22:00 to 06:00).

Furthermore, as was also suggested by the private sector in the cargo report dated 29 January, Transnet has started to pilot an inland operation hauling reefer containers from the Belcon inland terminal to the port[6]. The private sector's multi-modal collaboration between TPT and TFR has been welcomed, as a modal shift from road to rail is a necessary change for the future. The initiative has the potential to significantly ease road congestion, since, unlike a truck which can only carry one reefer per trip, the trains used can haul up to 36 containers per trip.

Further discussion was had concerning the utilisation of Belcon inland terminal, with several scenarios posited for the future. If Belcon handles two trains a day (which is theoretically possible), that would result in 280 containers a week. Since SAECS vessels are loading over 1,000 high-cube reefers, 280 remains quite a trivial number. Besides capacity, the question around cost is also essential, as TFR expects to be paid for the alternative service rendered. On the other hand, the private sector believes that this alternative service stems primarily from the low productivity GCH and SWH rates of 15 and 38, so the feeling is that TPT should absorb the extra cost. As has lately become apparent, the need for a multi-modal approach at South African terminals is becoming evident.

Lastly worth mentioning, Cape Town Multi-Purpose Terminal (MPT) fortunately experienced a better week as no delays were experienced, with equipment also fully functional. The situation also highlighted the absence of wind delays at that terminal, which is more sheltered. Container volumes have improved markedly this week, with the same trend expected to continue into next week.

[6] Arnoldi, M. 08/02/2021. Transnet pilots reefer trains to ease road congestion in Cape Town.

Ngqura Container Terminal

At Ngqura (NCT), serious wave-action was experienced on Wednesday, which prompted a Maersk vessel to request early release to reduce the risk of surging damage. The surging continued later in the week, as slow working ensued on all vessels berthed, except for the MV "Seaspan Harrier", which was berthed at D100, the most exposed slot. This instance, along with numerous recent examples experienced in Cape Town, underlines the essential need for line tensioners. Discussions have been previously held, especially around contingency plans. At the moment, tugs are required to assist and keep the vessel alongside. Currently, only three tugs are servicing both NCT and Port Elizabeth.

Further issues at the terminal included the "*Moormaster*" vacuum mooring control system being down and apparently not fit for purpose. It is reported that problems with the OEM in Italy, COVID-19 and Transnet procurement have delayed necessary upgrade and repair. Maintenance delays are unfortunately not new. A further case in point was divulged in a recent Transnet "*Port Consultative Committee*" presentation on the port of Ngqura for February 2021. The presentation showed that year-to-date expenditure on maintenance only amounted to **R0.515 million**. This lowly figure spent on upkeep is despite a year-to-date budget of **R2.936 million** – resulting in a shortfall of ***nearly R2.5 million***. This example of underspending in maintenance is a bit perplexing, especially given TNPA highlighting inadequate port infrastructure maintenance as one of their key focus areas. With examples such as these, it is apparent why port performance is sub-par, and major shipping lines are choosing to bypass South African ports.

Transnet Freight Rail (TFR)

Concerning rail cargo and the state of operations at Transnet Freight Rail (TFR), a weekend derailment of a maize train at Nottingham Road closed the NATCOR line, which resulted in material damage. A total of 11 trains on the Reef were awaiting departure, with a similar number currently on the line. Consequently, container dwell times at DCT for Botswana traffic is now a staggering 32 days. The NATCOR line was eventually opened at 8:30 p.m. Wednesday. However, due to the delays, short-shipments of exports en route to DCT will occur.

Further derailment and washaways were reported on the Bloemfontein-Maseru line and one outside Bethlehem. Amid the numerous instances of cable theft, maintenance shortcomings and other forms of disruption such as the recent derailments, it is safe to say that TFR has had a torrid time of late.

Air Update

International air cargo

The following table depicts the inbound and outbound air cargo flows to and from ORTIA for the week starting 30 January. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *February 2020* was about **854 139 kg** per day[7].

Table 4 - International inbound and outbound cargo from OR Tambo

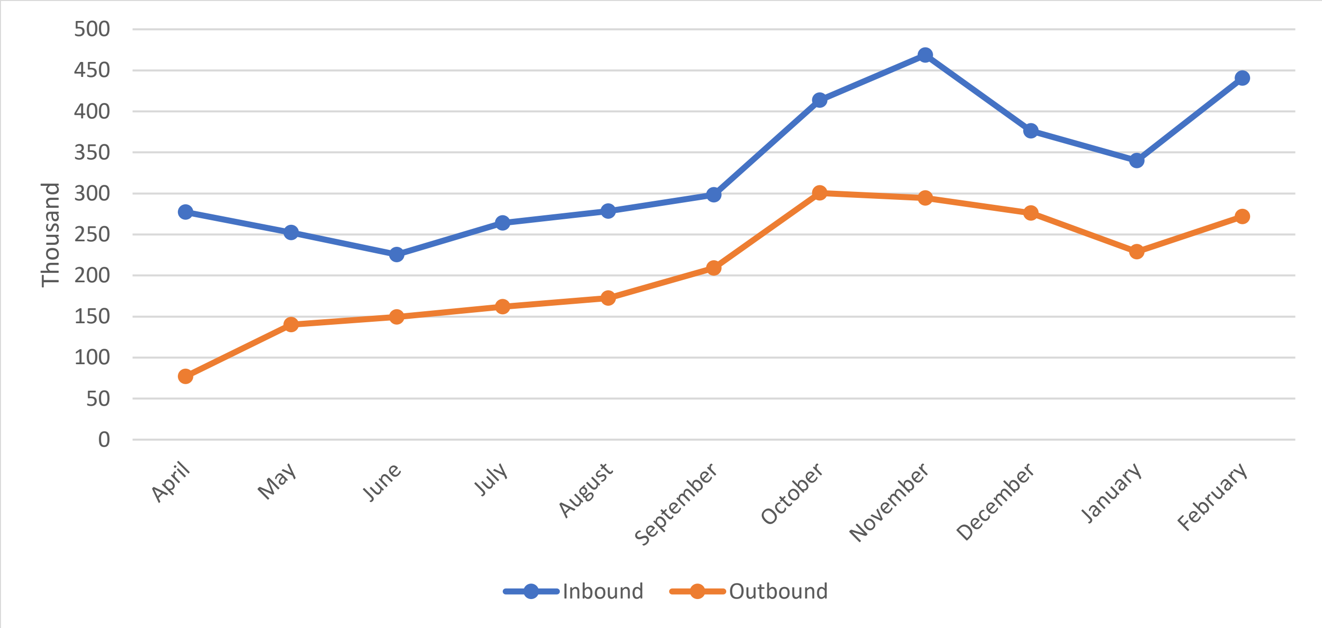
Flows	30-Jan	31-Jan	01-Feb	02-Feb	03-Feb	04-Feb	05-Feb
Volume inbound	298 246	990 378	387 466	360 441	486 346	433 682	533 717
Volume outbound	234 198	559 654	156 943	267 064	359 762	260 758	314 294
Total handled per day	**532 444**	**1 550 032**	**544 409**	**627 505**	**846 108**	**694 440**	**848 011**

[7] 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 **1 046 962 kg** per day.

Updated: 09/02/2021

The daily average volume of air cargo handled at ORTIA over the seven days starting 30 January amounted to **498 611 kg** inbound and **307 525 kg** outbound. In total, that results in an average of **806 136 kg** per day, which is approximately **~108%** compared to the two months before the lockdown period (compared to **~75%** last week). The following figure shows the monthly international cargo handled at ORTIA since April last year.

Figure 5 - International inbound and outbound cargo from OR Tambo



Courtesy of ACOC, updated: 09/02/2021

Global air cargo traffic

The image below depicts international air traffic at around mid-morning of 12 February 2021. Air traffic continues to be dominated by cargo aircraft, as passenger numbers continue to dwindle (*see* below).

Figure 6 - Global air traffic: 12 February 2021

Source: FlightRadar24, 12/02/2021, 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 *February 2020* was approximately **88 590 kg**[8] per day.

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 Average	20 961	2 739	2 859	22 818	5 491	5 238	57 781
01-Feb-21	51 033	3 784	5 061	59 123	12 213	6 505	137 718
02-Feb-21	45 157	4 817	5 673	47 611	10 145	5 566	118 970
03-Feb-21	42 625	5 778	5 166	52 262	10 625	6 328	122 783
04-Feb-21	43 504	4 762	5 081	29 800	9 718	4 757	97 622

[8] For Cape Town, the figure corresponds to **63 191 kg** per day, and **16 329 kg** per day for Durban during the same period (February 2020).

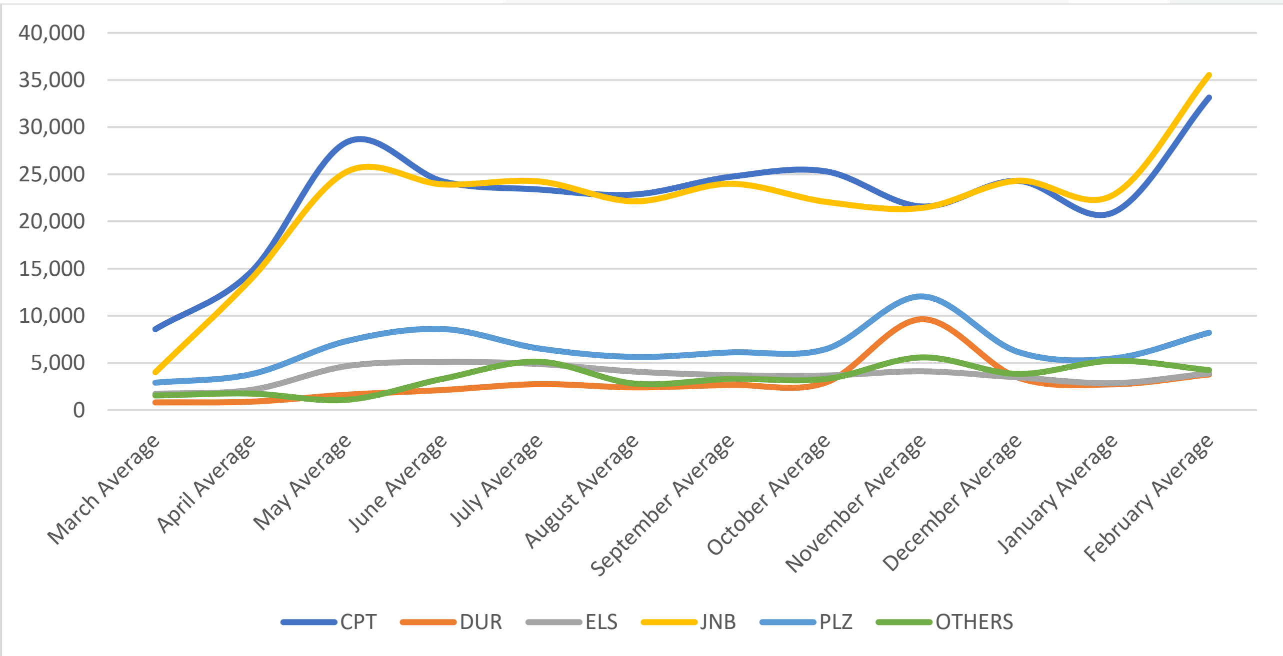
05-Feb-21	14 836	2 537	3 191	43 525	6 238	3 248	73 574
06-Feb-21	1 642	897	51	2 785	353	68	5 795
07-Feb-21	1 403	851	63	292	253	156	3 016
08-Feb-21	50 225	4 362	4 720	52 367	12 604	5 295	129 573
09-Feb-21	47 876	6 252	6 093	32 051	11 770	6 245	110 286
Grand Total	**948 102**	**118 937**	**123 729**	**1 027 180**	**244 145**	**200 609**	**2 590 620**

Updated: 10/02/2021

The average domestic air cargo moved during the lockdown period has amounted to **~64 720kg** per day (↑**4%** compared to last week), which constitutes approximately **~106%**, compared to the previous year (**~102%** previous week). On the back of a better week last week, the sustained domestic air cargo volumes are welcomed. The scenario is incredibly well-received against the backdrop of the ongoing and incomprehensible freighter ban operating during curfew hours. The collective air cargo industry hopes for some legislative changes to be invoked next week.

The following figure highlights the total monthly domestic air cargo moved per airport as per the table above. Domestic air cargo continues its steady decline in recent months. In summary, the short-term outlook is not expected to improve whilst the operational curfew persists. Note, February only includes nine days' worth of cargo.

Figure 7 - Total domestic inbound and outbound cargo

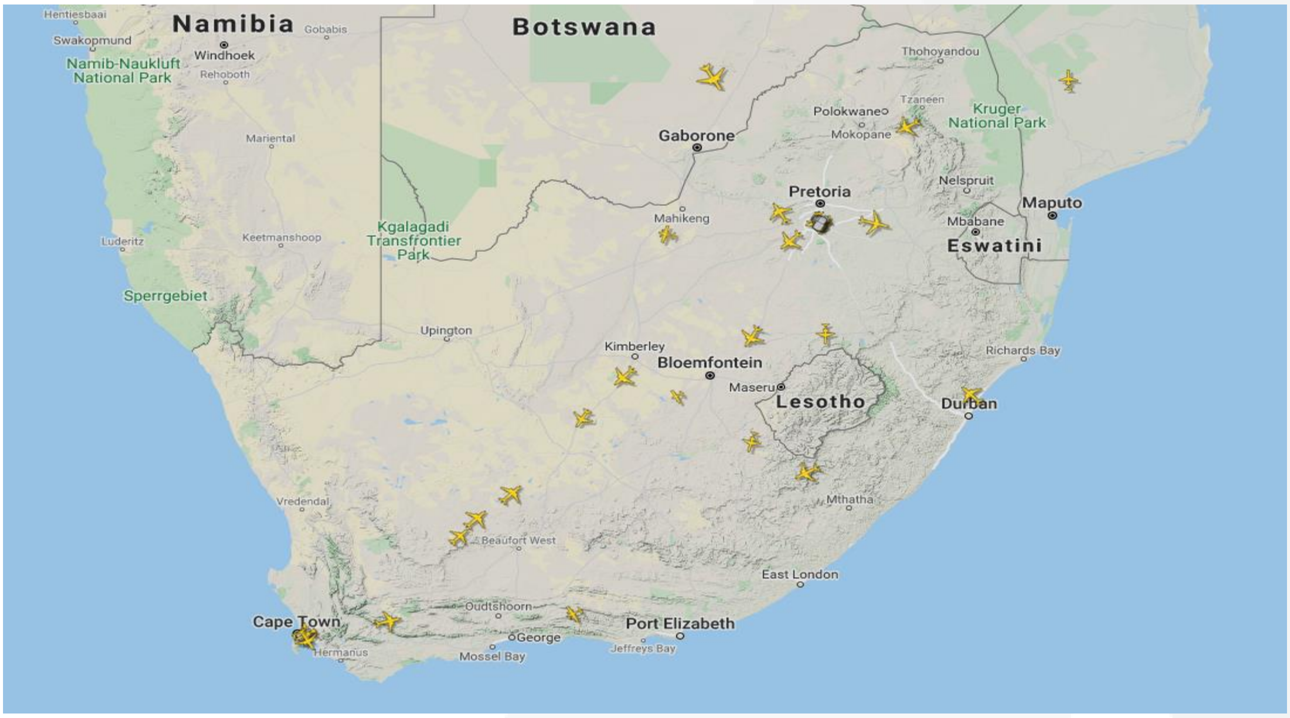


Updated: 10/02/2021

Southern Africa air traffic

The following image shows the air traffic across Southern Africa at around mid-morning of 12 February, which remains very quiet compared to normal operating conditions.

Figure 8 - Southern Africa air traffic: 12 February 2021



Source: FlightRadar24, 12/02/2021, 09:00

Regional update

- **Border closure**

The recent inclement weather and heavier than expected rain have resulted in a border closure. The Groblersbridge border post (on the Botswana border) has been closed since Monday 8 February 2021 due to flooding, which has affected port infrastructure. It is expected that the port will be closed for a few weeks to repair structural damage in the area. SARS have requested traders to divert cargo to alternative crossings, such as Skilpadshek/Pioneer, Ramatlabama, and Kopfontein/Tlokweng.

Cross-border delays

On a regional road freight note, recent investigation has continued into cross-border delays experienced at several SADC border posts. The research utilises data from TLC and FESARTA, as well as GPS fencing data obtained from Globaltrack. As mentioned before, it should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays can be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and Customs (or OGA) stops, among other trade obstacles.

Table 6 - Delays summary - North-South Corridor/Trans Kalahari Corridor/ Maputo Corridor

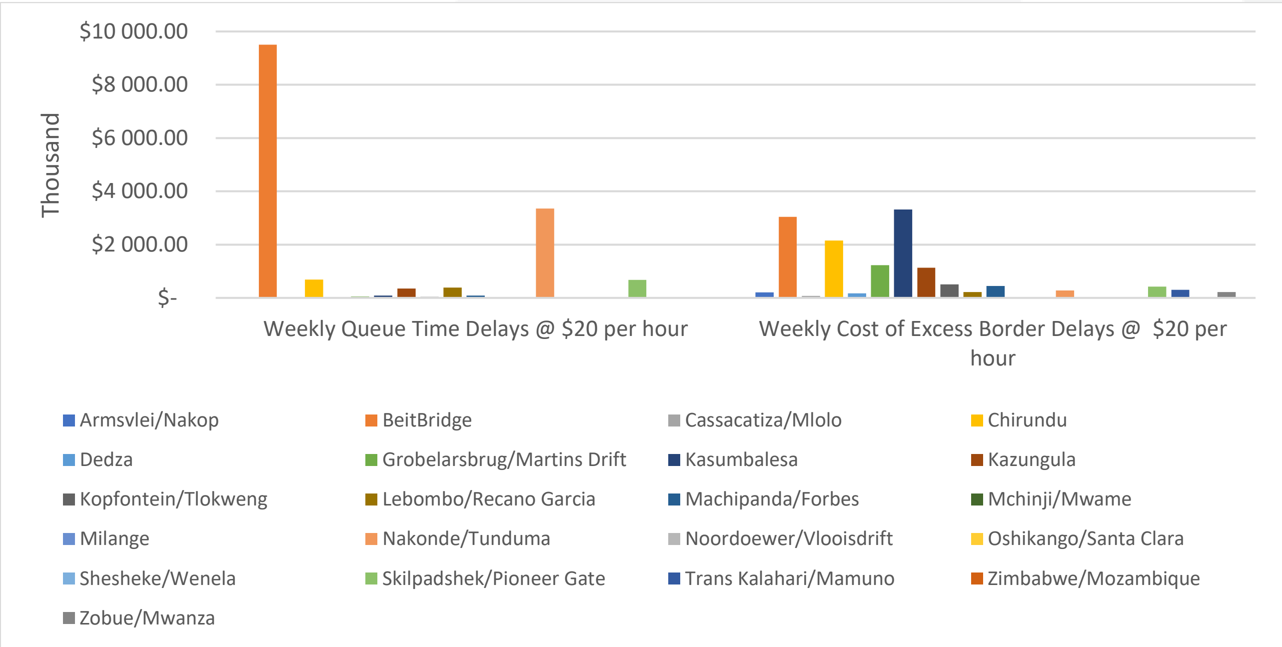
Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	HGV Tonnage	HGV Arrivals	HGV Delay Hours	Queue Time Delays

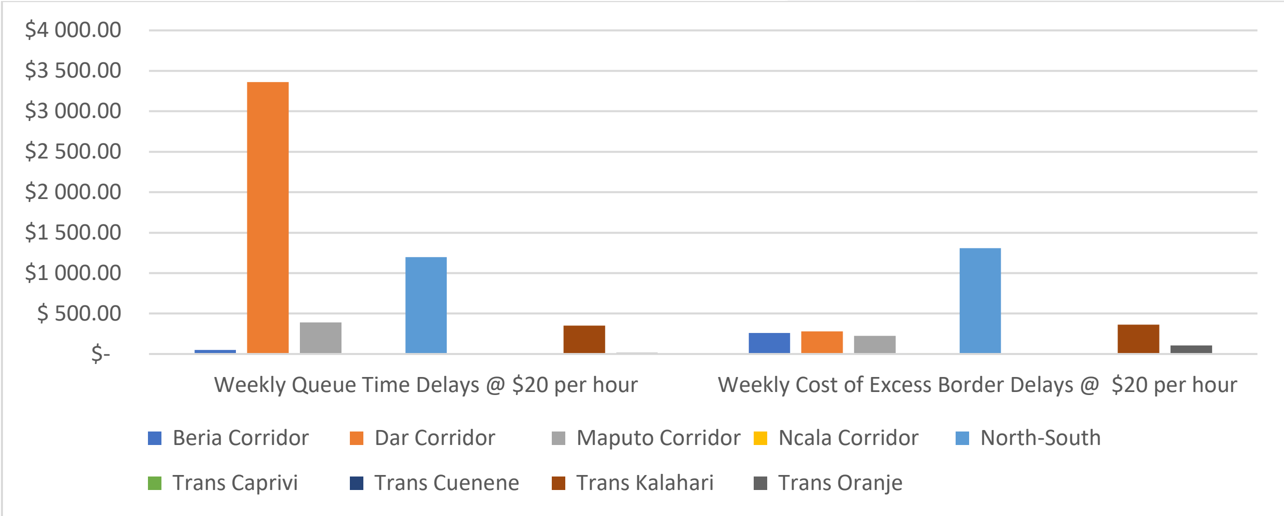
Nam/SA	**Armsvlei/Nakop**	2:00	17:00	100	3 000	21 000	700	10 500	1 400
SA/Zim	**BeitBridge**	72:00	25:00	943	28 290	198 030	6 601	151 823	475 272
Moz/Zam	**Cassacatiza/Mlolo**	1:00	11:00	60	1 800	12 600	420	3 780	420
Zam/Zim	**Chirundu**	8:00	27:00	616	18 480	129 360	4 312	107 800	34 496
Moz/Mw	**Dedza**	2:00	26:00	50	1 500	10 500	350	8 400	700
SA/Bot	**Grobelarsbrug/Martins Drift**	1:00	24:00	400	12 000	84 000	2 800	61 600	2 800
Zam/DRC	**Kasumbalesa**	1:00	48:00	592	17 760	124 320	4 144	165 760	4 144
Zam/Bot	**Kazungula**	12:00	40:00	212	6 360	44 520	1 484	56 392	17 808
SA/Bot	**Kopfontein/Tlokweng**	3:00	38:00	100	3 000	21 000	700	25 200	2 100
SA/Moz	**Lebombo/Recano Garcia**	7:00	6:00	400	12 000	84 000	2 800	11 200	19 600
Moz/Zim	**Machipanda/Forbes**	2:00	12:00	320	9 600	67 200	2 240	22 400	4 480
Moz/Mw	**Milange**	0:30	7:00	30	900	6 300	210	1 050	105
Zam/Tza	**Nakonde/Tunduma**	48:00	6:00	500	15 000	105 000	3 500	14 000	168 000
Zim/Moz	**Nymapanda**	0:30	4:00	100	3 000	21 000	700	1 400	350
SA/Bot	**Skilpadshek/Pioneer Gate**	16:00	12:00	300	9 000	63 000	2 100	21 000	33 600
Nam/Bot	**Trans Kalahari/Mamuno**	2:00	22:00	110	3 300	23 100	770	15 400	1 540
Moz/Mw	**Zobue/Mwanza**	2:00	18:00	100	3 000	21 000	700	11 200	1 400
Total				**4 933**	**147 990**	**1 035 930**	**34 531**	**688 905**	**768 215**

Source: TLC & FESARTA, week ending 07/02/2021

The following graphs illustrate the immense projected cost to the industry due to the delays. The graphs show both the respective border crossing, as well as the collective corridors.

Figure 9 - Weekly cost of delays - North-South Corridor/Trans Kalahari Corridor/ Maputo Corridor

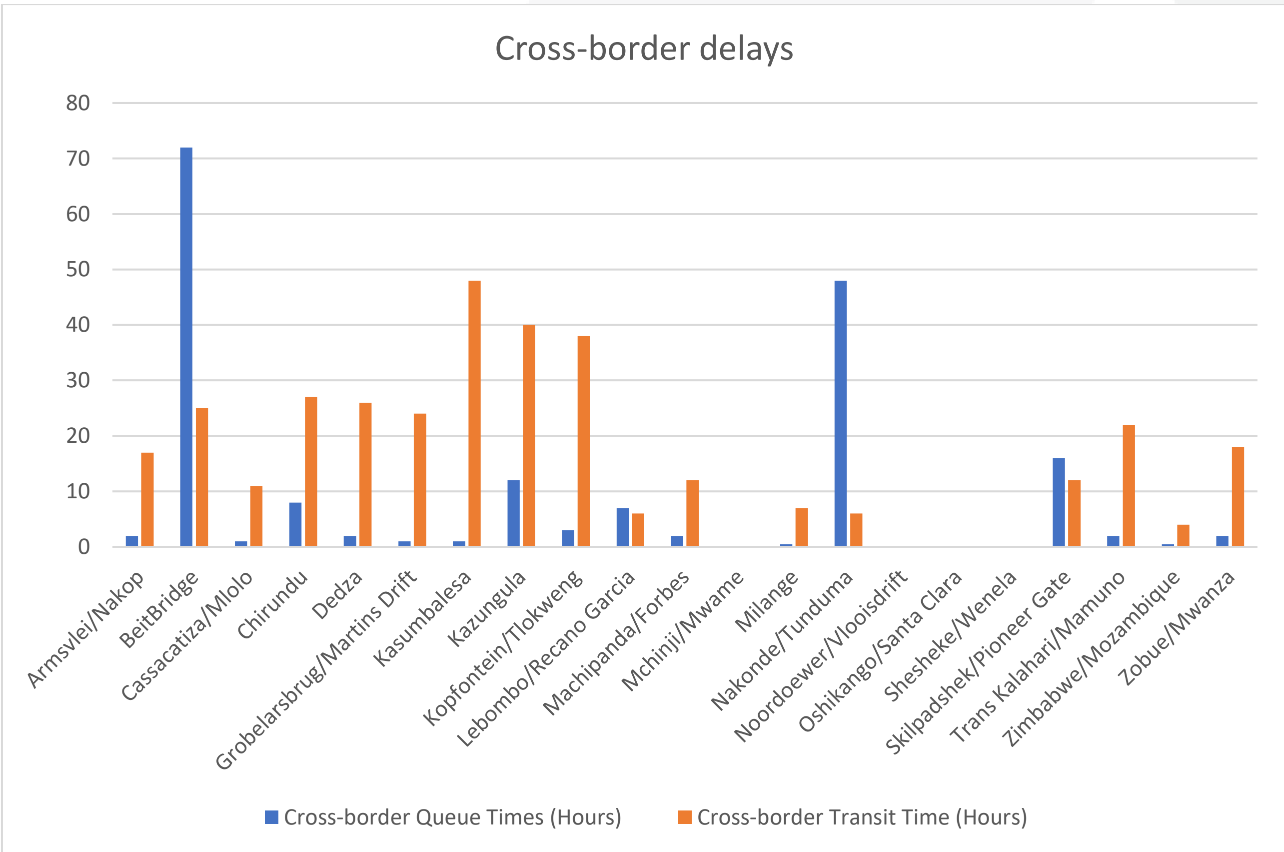


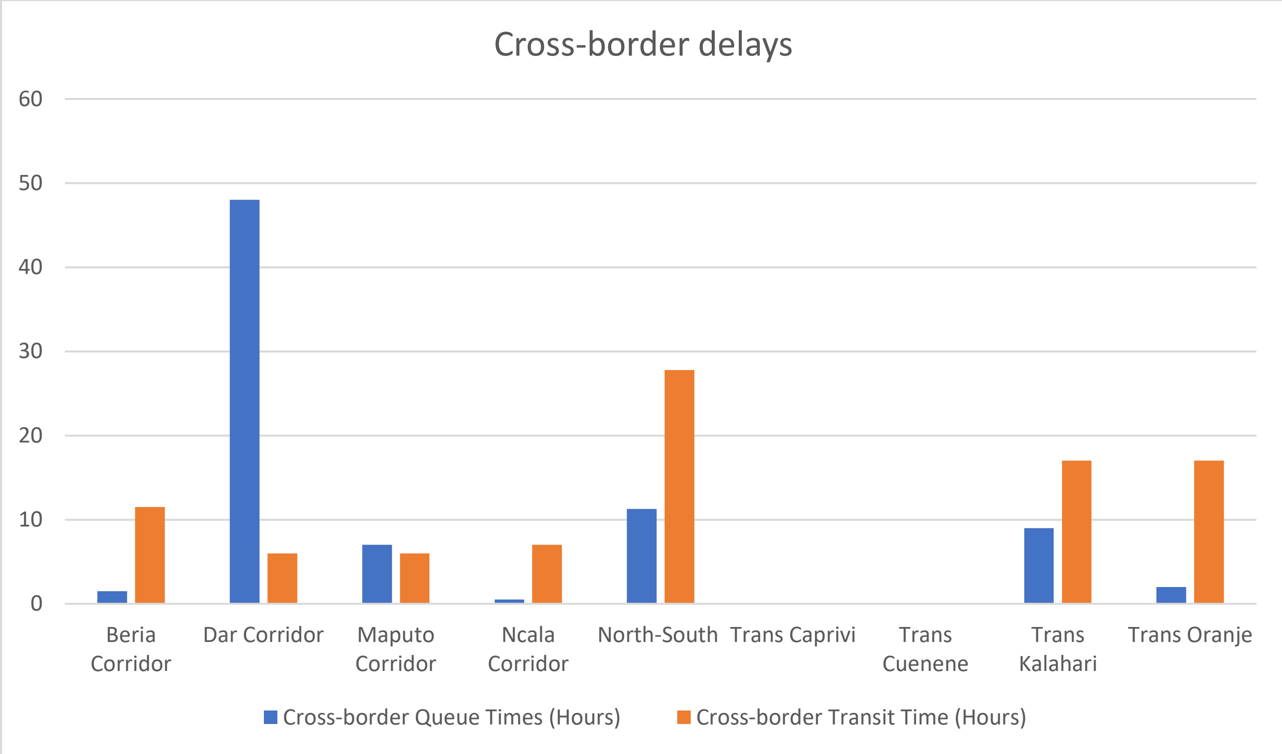


Source: TLC & FESARTA, week ending 07/02/2021

The image below shows the cross-border delays experienced in the region. The graphs show both the respective border crossing, as well as the collective corridors.

Figure 10 - Cross border delays (in hours)





Source: TLC & FESARTA, week ending 07/02/2021

Considering the information above, it is clear that many regional borders still faced significant delays over the previous week. This week, significant cross-border delays were experienced throughout the Dar corridor. Concerning South Africa's most traded route, significant cross-border transit delays were experienced in the North-South corridors as the existing constraints continue to hamper road freight in the region.

In summary for this week, the cross-border queue time has averaged **~10.6 hours** (the same as last week), which has cost the transport industry an estimated **$15.3 million** (or **R245 million**). In comparison, the average cross-border transit time was an average **~20.2 hours**, which has cost the transport industry an estimated **$13.8 million** (or **R220 million**). The total cost for the week mentioned above amounts to an estimated **R466 million**, which speaks volumes for the current state of cross-border transit. These issues have become typical of our region as volumes have steadily increased.

International update

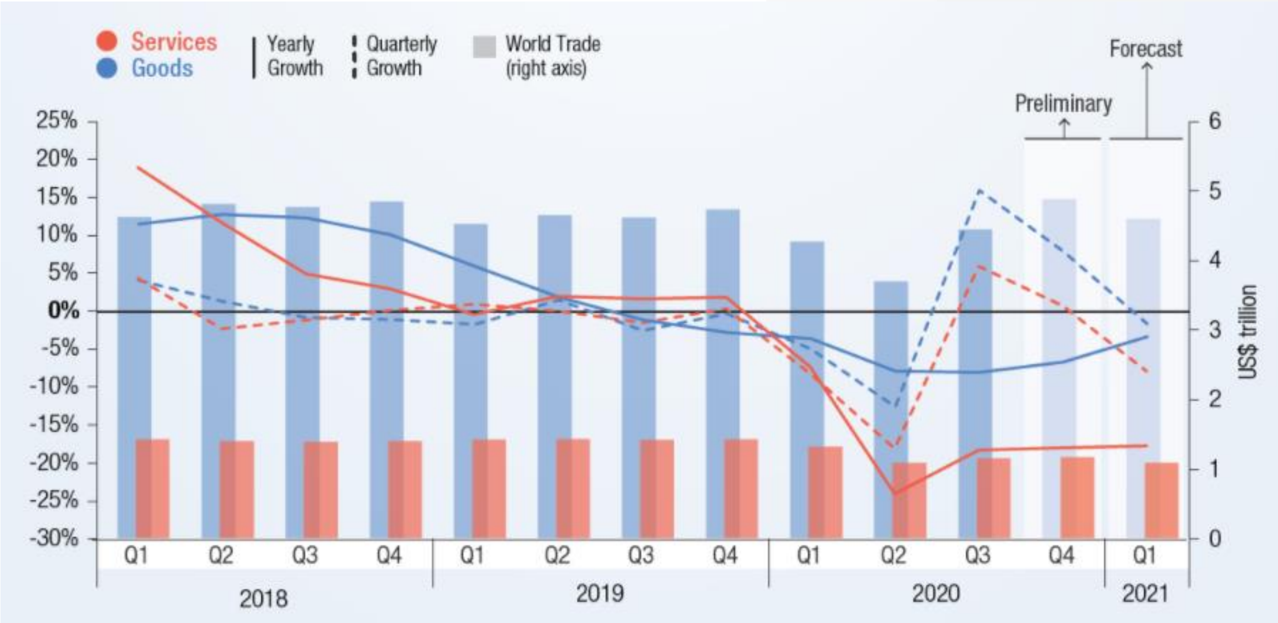
The following section provides the context of the global economy and particularly the impact of COVID-19 on trade.

Global trade: UNCTAD

World trade in goods recovered in the second half of the year but will likely end up contracting by **↓9%** for 2020. Nevertheless, according to UNCTAD[9], the rebound was uneven across regions – primarily driven by the trade of goods from and to developing countries. Additionally, although goods trade grew by approximately 8% in Q4, trade in services stagnated as restrictive measures in the fight against COVID-19 continued to affect services sectors such as travel and transport. The following figure shows a summary of global trade, according to UNCTAD.

[9] UNCTAD. 10/02/2021. East Asian economies drive global trade recovery.

Figure 11 - World trade in goods and services (2018 to present)



Source: [UNCTAD]

UNCTAD listed the following current drivers of global trade:

- Strong East Asian performance
- Growth in most sectors
- Recovery expected to slow down in Q1 of 2021
- Relative export competitiveness during COVID-19

The recovery of Q4 was driven mainly by the 12% growth experienced by East Asian countries. In contrast, negative trends remained for goods exports originating from most other regions. For Q1 of 2021, UNCTAD expects concerns revolving around COVID-19 to persist. Ultimately, as the figure above indicates, global trade in the first quarter is estimated to decline at -1.5% for goods and -7% for services. Lastly, COVID-19 has not impacted the export competitiveness of countries similarly across the board. According to the report, countries such as China, Switzerland, Taiwan, Turkey, Uganda, and Viet Nam experienced relatively better export performance in 2020. In contrast, Colombia, Nigeria, Saudi Arabia, and Venezuela performed somewhat worse last year, UNCTAD notes.

Global container industry

Even though some positive news has been reported in the global container industry of late, several caveats remain. The persistent lockdowns of 2020 had slowed most activities connected with the shipping industry and have created significant container shortages, particularly in East Asia, when demand rapidly started to outstrip supply. In summary, the following list highlights the main problems currently confronting the global shipping industry:

- Port congestion resulting from a reduction in port productivity.
- Long vessel waiting times delaying unloading/loading.
- Because of the above, the inability of shipping lines to maintain their regular schedules.

- Carriers have been unable to maintain a regular return flow of empty containers with a consequent imbalance in their positioning.

These factors are all contributing to a massive shortage of space and available equipment. Furthermore, the situation is experienced right across the globe, with some regions being more affected than others. Adding to these woes, the Chinese New Year is exacerbating the COVID-19-related shipping delays outbound from China. A breakdown in intermodal connectivity between factories and ports has been reported. Furthermore, metrics such as carriers' schedule reliability are deteriorating, with cargo rollover rates subsequently rising. Globally, rollover rates have increased by **2%** m-o-m from December, with a **9%** y-o-y increase for January 2021.

Port operations in South Africa have been similarly tested, resulting in long waiting times, shortage of equipment and staff and relatively poor general operations efficiency. Consequently, several shipping lines have opted to omit South Africa from the current sailing schedule and have taken to cancelling port calls with increasing frequency. South Africa should take some heart from the fact that these issues are not exclusive to us. The gateway for US imports has reported record delays as ship congestion around Los Angeles, and Long Beach ports hit unprecedented levels last week[10]. A record 38 container ships were awaiting berth space. Unfortunately, the problem does not have a short-term fix and will last if carriers maintain scheduled sailings. The other alternative is to omit these ports; however, the knock-on effects for demand and freight rates will be predictably negative, especially when there has been some reprieve of late.

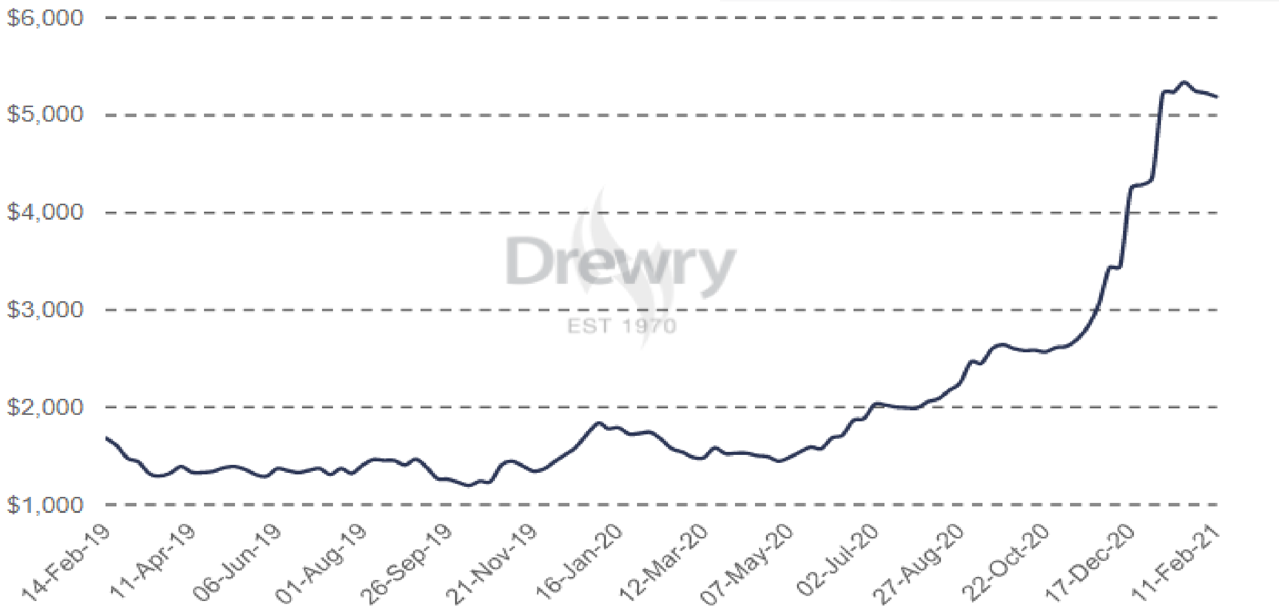
While the freight rate outlook is improving in the medium term, the immediate challenges remain. None more so than stratospheric global freight rates. According to Drewry, the UK-based maritime research and consulting firm[11], the "*World Container Index*" (WCI) decreased slightly by **↓0.7%** to **$5,190.75** per 40ft container. Although rates have now begun the expected steady decline, the increases have decimated some traders. The situation is exacerbated because global trade has trended in the opposite direction, having contracted **↓9%**.

The following image showcases recent changes.

BUSA

[10] Murray, B. 29/01/2021. Biggest gateway for US imports hit by record ship bottlenecks.
[11] Drewry Supply Chain Advisors. 11/02/2021. World Container Index.

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



Source: Drewry Ports and Terminal insights

With the annual rate increase now almost **200%** up compared with the same period of 2020, some traders have been priced out of business. Despite the situation, Soren Skou, chief executive of Maersk, has defended the industry against exporters and regulators' complaints about disruption to supply chains and sky-high rates[12]. Skou told the Financial Times that the pandemic had led to "an extraordinary situation", with demand plummeting at the start of 2020 and then an unexpectedly strong recovery at the end of the year as consumers ordered online in their droves and retailers were forced to replenish stock[13]. The situation has dramatically benefitted Maersk and other shipping lines alike, as the fourth quarter saw record profits, with the even better performance expected for the first quarter of 2021.

Despite the recent stabilisation of rates, the annual adjustment remains astounding. The average composite index of the WCI for year-to-date is **$5,245** per 40ft container, which is **$3,601** higher than the five-year average of **$1,644** (up by **$31** last week). That is a 120% increase. As reported last week (and indeed anticipated for the next couple of assessments), Drewry expects the rates to stabilise next weeks.

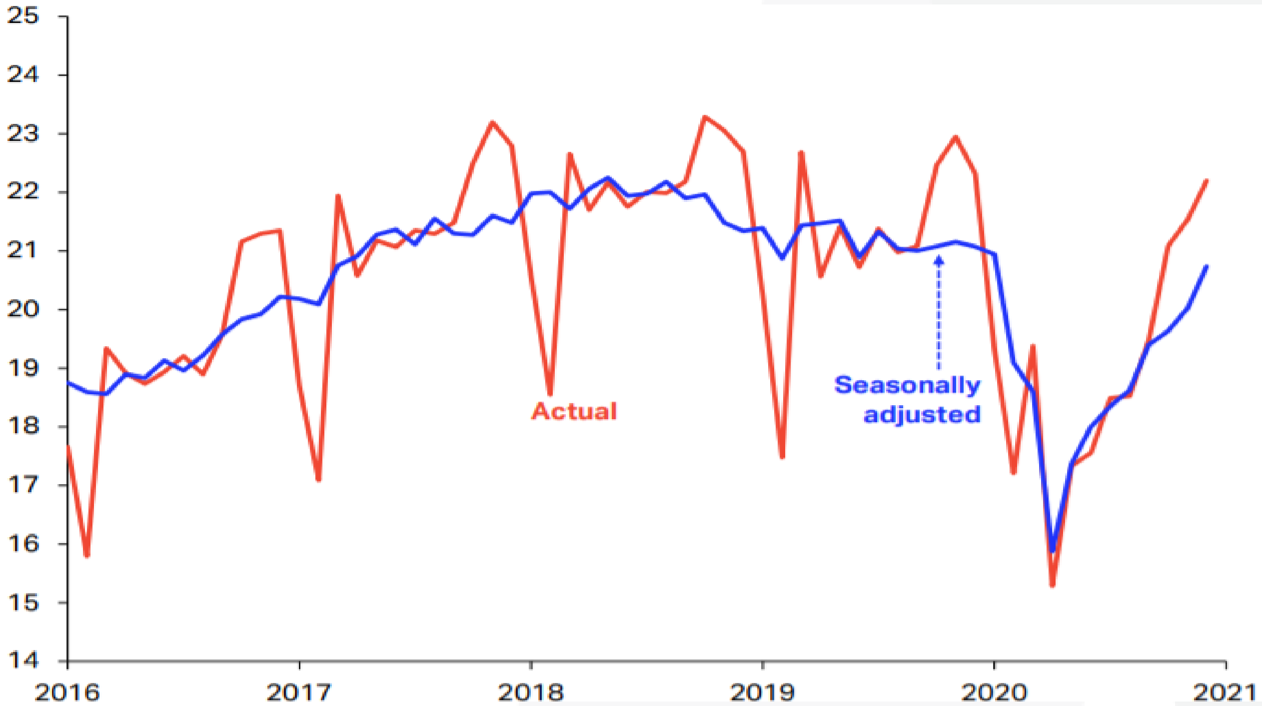
Global aviation industry

Although air cargo experienced the largest decline since 1990, volumes improved significantly during the year. Nonetheless, overall industry-wide cargo tonne-kilometres (CTKs) fell by **↓10.6%** in 2020. These figures are according to the latest IATA "*Air Cargo Market Analysis*[14]". Comparatively, world goods trade fell by between **↓6-9%** (depending on sources), which indicates the reliance shifting to ocean freight during the hard lockdown months. In broad terms, with industry-wide available cargo tonne-kilometres (ATCKs) down by **↓23.3%** in 2020, the air cargo industry registered record numbers in terms of yields, cargo load factor, and cargo revenue. Therefore, air cargo has mitigated the global passenger fleet's financial impact being mainly grounded in 2020.

The following figure summarises the CTK levels, noting the low the sector experienced in Q2 of 2020.

[12] Steer, Eley & Romei. 31/01/2021. European retailers face goods shortages as shipping costs soar.
[13] Milne. 10/02/2021. Maersk boss defends shipping industry over sky-high rates.
[14] IATA. 03/02/2021. Air Cargo Market Analysis.

Figure 13 – International CTK levels, actual and seasonally adjusted (billion per month)

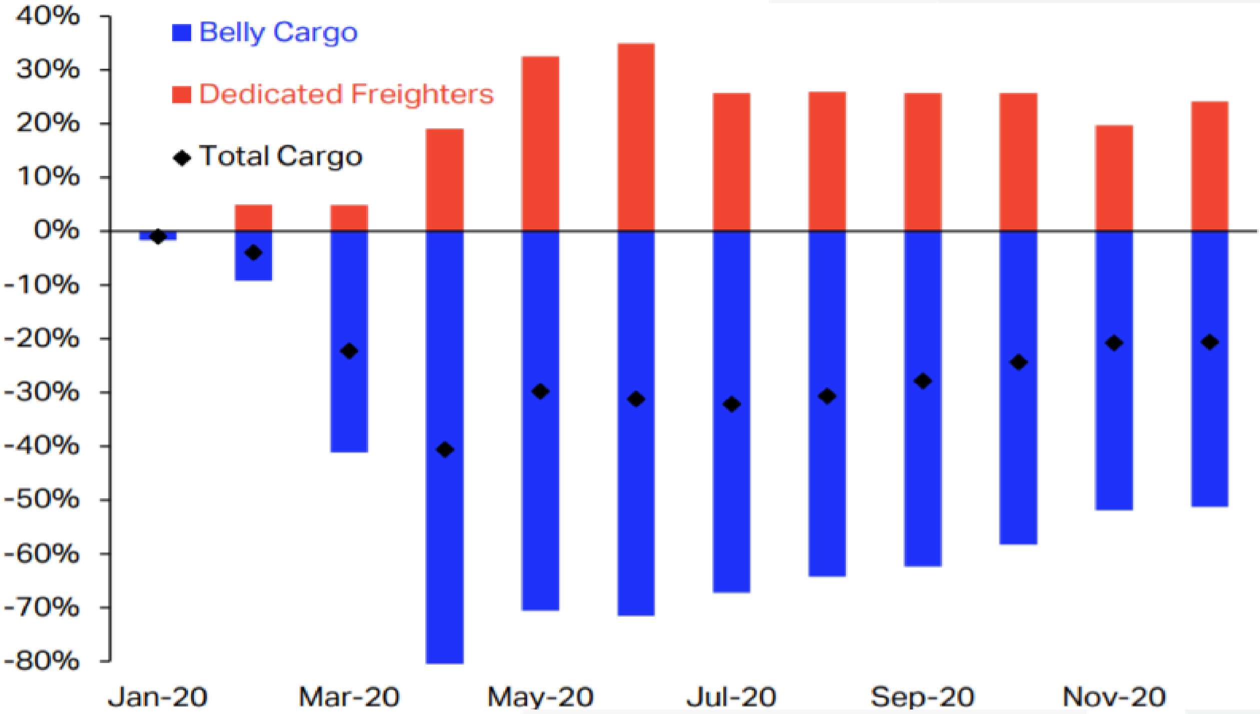


Source: IATA Economics

Despite contracting by **10.6%**, air cargo numbers fared considerably better compared to passenger numbers. Nonetheless, the decline is the largest ever recorded – slightly worse than the **9.7%** contraction experienced in the aftermath of the global financial crisis of 2009. The most significant contributor to air cargo contraction was the hard lockdowns and social control measures, leading to significant supply chain disruptions in 2020. Collectively, there was a general fall in economic activity, which impacted both trade and air cargo. Even so, manufacturing and consumer demand rebounded strongly in the second half of the year, culminating in a contraction much better than the **↓23.2%** predicted earlier in the year.

The collective efforts of the freighter industry were primarily responsible for the robust end to 2020. Before the crisis, passenger aircraft's belly hold capacity accounted for **60%** of total international ACTKs. By the end of the year, the share was down to a third. Airlines have raised freighter fleet size and daily utilisation of aircraft, which has resulted in a **20.6%** increase in dedicated ACTKs.

Figure 14 – International cargo capacity growth (ATCKs, y-o-y)



Source: IATA Economics

As the figure above indicates, most of the gains in capacity occurred mid-year. Dedicated freighter capacity remained elevated throughout the second half of the year, while belly-hold cargo decreased. The reduction in ACTKs meant that the industry-wide cargo load factor expanded by **7.7%** in 2020. Finally, in some positive news for the region, international CTKs declined in all regions, except Africa, where the final figure for the year showed a growth of 1.9% for 2020. However, as has been reported throughout many iterations of our reports, South Africa's case does not precisely mirror that region. Furthermore, while restrictive policies are in place, we are unlikely to see a significant improvement soon, if at all.

Conclusion

This update — *the 25th of its kind* — contains a consolidated overview of the South African supply chain and the current state of international trade. Fortunately, new cases of COVID-19 have once again decreased considerably, averaging approximately **2,488** per day (down from **4,138** last week). Unfortunately, the news regarding Astra Zeneca's poor trial results[15] has curtailed initial optimism surrounding our vaccine rollout program. Nonetheless, it appears as if the second wave has now passed. South Africa dropped down to **16th** position globally (surpassed by Iran earlier in the week), with the total number of cases recorded now exceeding **1,484,900**[16] at the time of writing. Globally, more than **150 million** people have now been given at least one dose of vaccine, which constitutes **1.94%**[17] of the world's population as of writing. Although the news is promising and indicates progress in our fight against COVID-19, it is far too early to make any assumptions about resuming a normal life.

[15] Cohen, J. 08/02/2021. South Africa suspends use of AstraZeneca's COVID-19 vaccine after it fails to clearly stop virus variant.
[16] John Hopkins, Coronavirus Resource Centre. Coronavirus JJHU
[17] Our World in Data, Coronavirus (Covid-19) Vaccinations. Our World in Data

An average of **~9,368 TEUs** was handled per day for the last week, with an increased average of around **~9,792 TEUs** (↑5%) expected for the next week. Weather-wise, most commercial ports had a better week than last. Number-wise, the same can also be said, although several operational blockages continue to give cause for concern. The ongoing problems of poor maintenance planning and general operational shortcomings are the main culprits. As a result, the existing supply chain operating systems and infrastructure is eroding SA's competitiveness. Subsequently, the collective industry is increasing calls for change, especially if South Africa is to retain its tag as the 'gateway to Africa'. As more African countries become customer-centric, they can potentially address their clients' concerns – predictability and reliability – better than South Africa can.

The daily average volume of air cargo handled at ORTIA over the seven days starting 30 January amounted to **498 611 kg** inbound and **307 525 kg** outbound. In total, this results in an average of **806 136 kg** per day, which is approximately **~108%** compared to the two months before the lockdown period (compared to **~75%** last week). For the domestic industry, average domestic air cargo moved during the lockdown period has amounted to **~64 720 kg** per day (**↑4%** compared to last week), which constitutes **~106%**, compared to the previous year (**~102%** last week). Despite relatively positive cargo numbers reported for the week, the industry is still pleading for the (hopefully) imminent upliftment of the freighter curfew.

Concerning the international container industry, challenges such as port congestion reduced productivity and long waiting times persist. These constraints are all contributing to a massive shortage of space and available equipment. Furthermore, international metrics such as carriers' schedule reliability and cargo rollover rates are worsening. These constrictions – coupled with the stratospheric rise in global freight rates – have contributed to a very challenging operating environment. Number-wise, container throughput remains very high, as global demand continues to outstrip supply and large numbers of empty containers are repositioned.

Year-end figures have been provided for the global aviation industry. Industry-wide cargo tonne-kilometres (CTKs) fell by **↓10.6%** in 2020, which was the biggest decline since 1990. The main reason was the reduced number of flights due to the restrictive regulations induced by COVID-19. Belly hold cargo on passenger planes plummeted, as the freighter industry kept the sector going. The space reduction resulted in industry-wide available cargo tonne-kilometres (ATCKs) declining by **↓23.3%** in 2020.

Consequently, the reduction in ACTKs meant that the industry-wide cargo load factor expanded by **↑7.7%** in 2020. Similar figures are expected across the board. Ultimately, while restrictive policies are in place, we are unlikely to see a significant improvement soon, if at all

Globally, UNCTAD reports that trade in goods recovered in the second half of the year, primarily driven by the **↑12%** growth experienced by East Asian countries. However, trade in goods will likely end up contracting by **↓9%**, whereas services trade fared slightly worse and should contract by at least **↓16%** for the year. East Asian countries largely fuelled the recent recovery. Despite better returns for Q4 of 2020, global trade in the first quarter is estimated to come in at **↓1.5%** for goods and **↓7%** for services.

In conclusion, the security of the South African supply chain is once again at a critical juncture. With all modalities continuing to experience challenges which are not new, the need for change has become apparent. Fortunately, with COVID-19 cases receding, for now, there is some optimism. However, when the President provided a sobering view of the country during the SONA on Thursday evening, some level of optimism fell by the wayside. Fortunately, there seems to be a legitimate willingness to investigate public-private partnerships coming from government.