

COVID-19: Cargo movement update¹

Date: 4 November 2022

Weekly Snapshot

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

Flows	Current ²			Previous ³			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (containers)	26 199	25 629	51 828	25 696	32 520	58 216	↓11%
Air Cargo (tons)	5 799	3 773	9 571	5 028	3 204	8 232	↑16%

Monthly Snapshot

Figure 1 – Monthly⁴ cargo volume levels, year on year (100% = baseline)

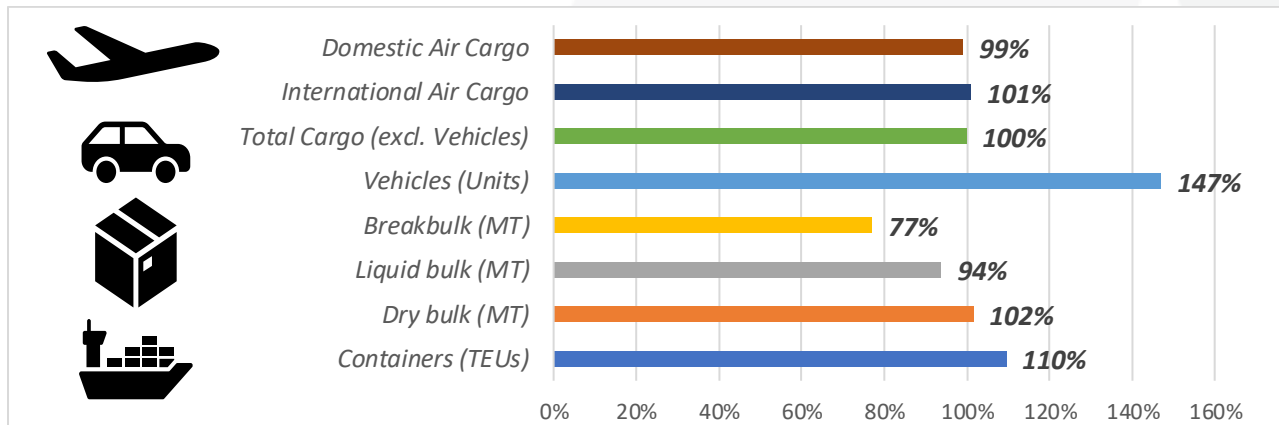
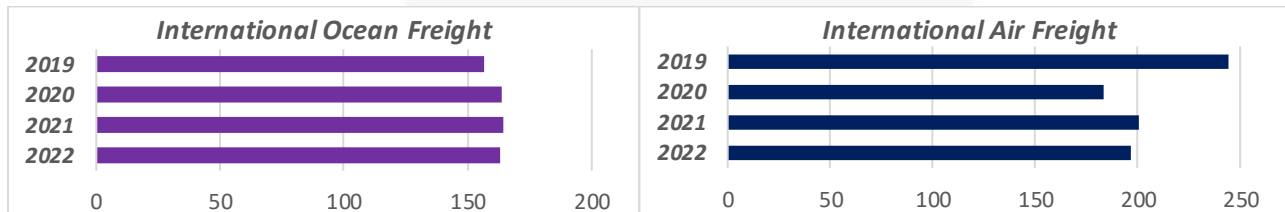


Figure 2 – Global year-to-date flows 2019-2022⁵: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~7 404 containers** was handled per day, with **~10 183 containers** projected for next week.
- Rail cargo handled out of Durban amounted to **1 546 containers**, **↓12%** compared to last week.
- Cross-border queue times were **↓1,9 hours**, with transit times **↑10,2 hours**, SA borders **~7 hours**.
- Drewry's container throughput dropped **↓0,5%** (m/m) in August 2022 but remained at **↑1,7%** (y/y).
- The "WCI" decreased for the **36th consecutive week**, with spot rates down **↓3%** (\$95) to **\$3 050** per 40ft.
- Continued blanking has removed **~1,2 million TEU** of capacity (**~4,6%** of the global cellular fleet).
- Air cargo volumes declined **↓8%** (y/y) in October, and the outlook remains very uncertain.
- Air cargo freight rates in October are down **↓8,2%** (m/m), **17,3%** (y/y) but double that of 2019.

¹ This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 112th update.

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

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

⁴ 'Monthly' means the last months' worth of available data compared to the same month in the previous year; All metrics: Sep vs Sep.

⁵ For ocean, total Jan-Aug cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-Sep cargo to and from ORTIA is used.

Executive Summary

This update – *the 112th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Operationally, it appears as if the logistics and supply chain industry is back to normal for the most part. Nevertheless, port operations this week were again characterised by equipment breakdowns and shortages, adverse weather conditions, backlogs, and congestion. Our national ports, unfortunately, experienced another challenging week as adverse weather conditions ensured operational delays throughout the week. For example, in Durban, 14 vessels were delayed during the early stages of the week due to strong winds, while terminals in both Cape Town and the Eastern Cape were windbound on several occasions throughout the week. In addition, several equipment breakdowns led to further delays throughout the week – inhibiting our road to recovery.

Global shipping had a bumper year in 2021 when demand for international goods rebounded from the early days of the pandemic, and global trade hit a record **\$28,5 trillion**, a **↑25%** jump from 2020 levels and **↑19%** more than before the pandemic. But demand for global trade is now entering a period of decline that could last well into next year, as global container throughput has started to contract in line with global recessionary trends. Moreover, we can see the effects on the carriers' valuations, as the eight leading container shipping stocks have lost an average of **↓45%** of their value since the start of the year. The entire market is seemingly at a crossroads, as shippers are struggling to boost demand while carriers are working hard to remove capacity quickly enough to curb the nosedive in rates. Additional developments of note included **(1)** IMO emissions reductions coming into force, **(2)** Maersk offering slower boats from Asia, **(3)** the US committing another **\$703 million** to improve infrastructure, and **(4)** "Multipurpose Index" declines in October.

South Africa's international air cargo volumes have reached a 12-month high this month (**↑16%**, w/w), as domestic volumes also surged this week (**↑18%**). These events come even though international demand, rates, and volume have decreased for several months. Consequently, the industry will probably experience no peak-Christmas season whatsoever. Elsewhere, in other cargo news, **(1)** China's lockdowns are forcing three regional airlines to insolvency, and **(2)** Lufthansa remains interested in taking a significant stake in ITA Airways.

In the cross-border road freight industry, several regional borders experienced prolonged crossing times – with many borders registering more than a day (Beitbridge, Kasumbalesa, Katima, Oshikango, Santa Clara, Songwe, and Zobue). This reality is a good illustration of why Africa does not trade more with itself, as cross-border trade happens painfully slowly, apart from being extremely expensive. As a result, the AfCFTA, the AU 2063 dream, and other long-term objectives seem like pipedreams. Further developments include **(1)** delays on the N3 at the Mariannhill toll plaza, **(2)** frivolous and unnecessary permit scrutinising in Zambia, and **(3)** the promised rehabilitation of the road to Mokambo has yet to materialise.

In concluding this week's edition, the industry is pleased to note that we have made some further strides to clear the backlog unnecessarily created by the prolonged strike. But as we have already predicted, it seems increasingly likely that full recovery will take anything up to three months, and some transactions in goods were lost forever. In the last couple of weeks, some South Africans rejoiced at the massive discounts for blueberries and other seasonal fruit which could not move by ocean freight at the time, for example. However, volatility and geopolitical uncertainty reverberate across food supply chains – from Africa to America and from consumers to farmers.

It is unfortunately a sad reality that a minority of players proclaim that they benefitted, but the truth is that the country as a whole suffered and will do so for some time to come. And it seems as if this reality remains lost on many, as evidenced by unrealistically optimistic growth figures pronounced in the recent MTBPS when the reality is that we will almost certainly grow at a much slower rate than that predicted by the Minister and his advisers. Also, there seems to be a broad misconception in government circles about the role of the public versus the private sector, as the long-term correlation is clear – the more government spends, the slower our economy grows. We urgently need robust private sector involvement to create tangible economic benefits. The government's primary function includes (among others) providing leadership, public services, economic security, and economic assistance when necessary. In essence, the government must create a stable and conducive environment for economic activity – driven mainly by the private sector – to thrive. Job creation and economic growth will naturally occur in a prosperous, open economy if given a chance. And for that, SA Inc needs a closer, more honest and coherent relationship between the public and private sectors.

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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 29 October to 4 November ⁶

7-day flow forecast (29/10/2022 – 04/11/2022)		
TERMINAL	NO. OF CONTAINERS ⁷ TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 937	4 543
DURBAN CONTAINER TERMINAL PIER 2:	11 222	11 759
CAPE TOWN CONTAINER TERMINAL:	6 368	4 432
NGQURA CONTAINER TERMINAL:	3 672	4 745
GQEERHA CONTAINER TERMINAL:	0	150
TOTAL:	26 199	25 629

Source: Transnet, 2021. Updated 04/11/2022.

Table 3 – Container Ports – Weekly flow reported for 5 to 11 November

7-day flow forecast (05/11/2022 – 11/11/2022)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 159	7 228
DURBAN CONTAINER TERMINAL PIER 2:	15 485	18 093
CAPE TOWN CONTAINER TERMINAL:	5 482	4 885
NGQURA CONTAINER TERMINAL:	4 695	5 282
GQEERHA CONTAINER TERMINAL:	1 433	2 538
TOTAL:	33 254	38 026

Source: Transnet, 2021. Updated 04/11/2022.

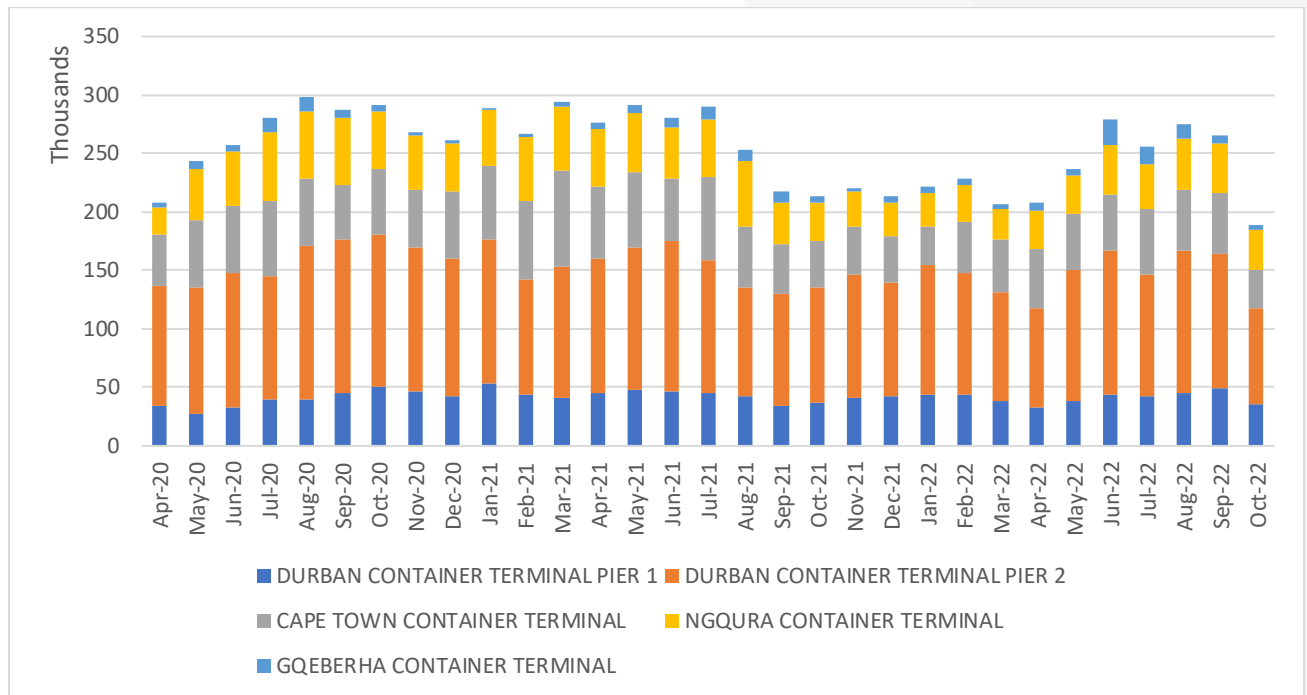
An average of **~7 404 containers (↓5%)** was handled per day for the last week (29 October to 4 November, Table 2), compared to the projected average of **~9 638 containers (↓23% actual versus projected)** noted in last week's report. An increased average of **~10 183 containers (↑38%)** is projected to be handled next week (5 to 11 November, Table 3). Given the situation around our ports, this projection looks wildly optimistic. Accentuating the disappointing numbers posted, port operations this past week were typified by equipment breakdowns and shortages, adverse weather conditions, backlogs, and congestion.

⁶ It remains important to note that a large percentage (approximately 39% according to the latest year-to-date TNPA figures) of containers is neither imported nor exported, but rather consists of empties and 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.

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

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

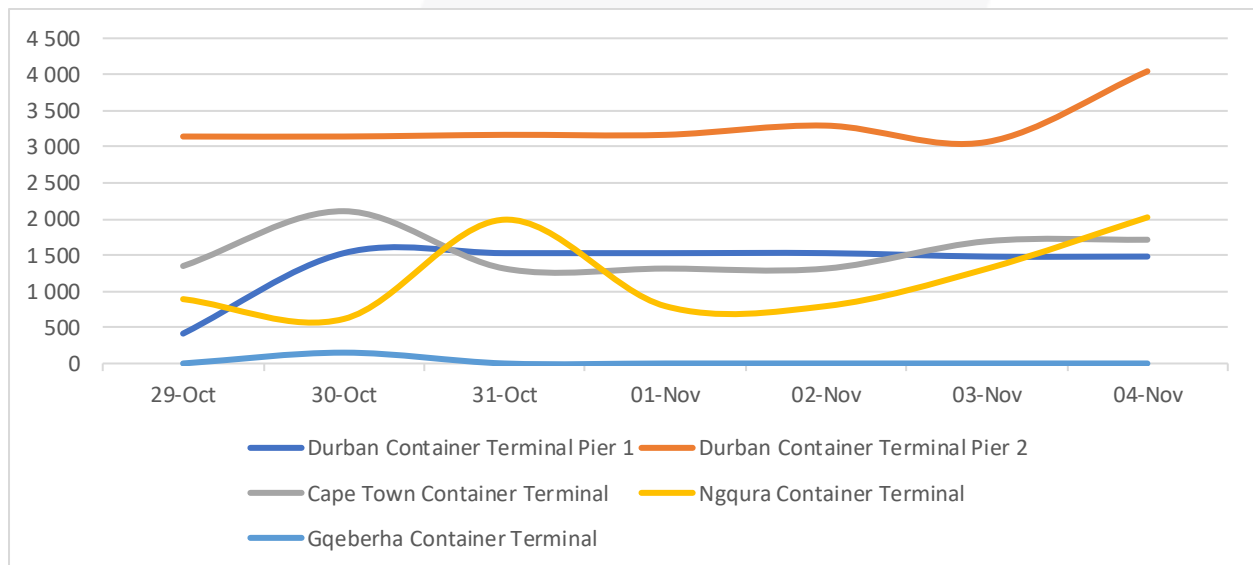
Figure 3 – Monthly flow reported for total cargo movement (containers April 2020 to present, m/m)



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

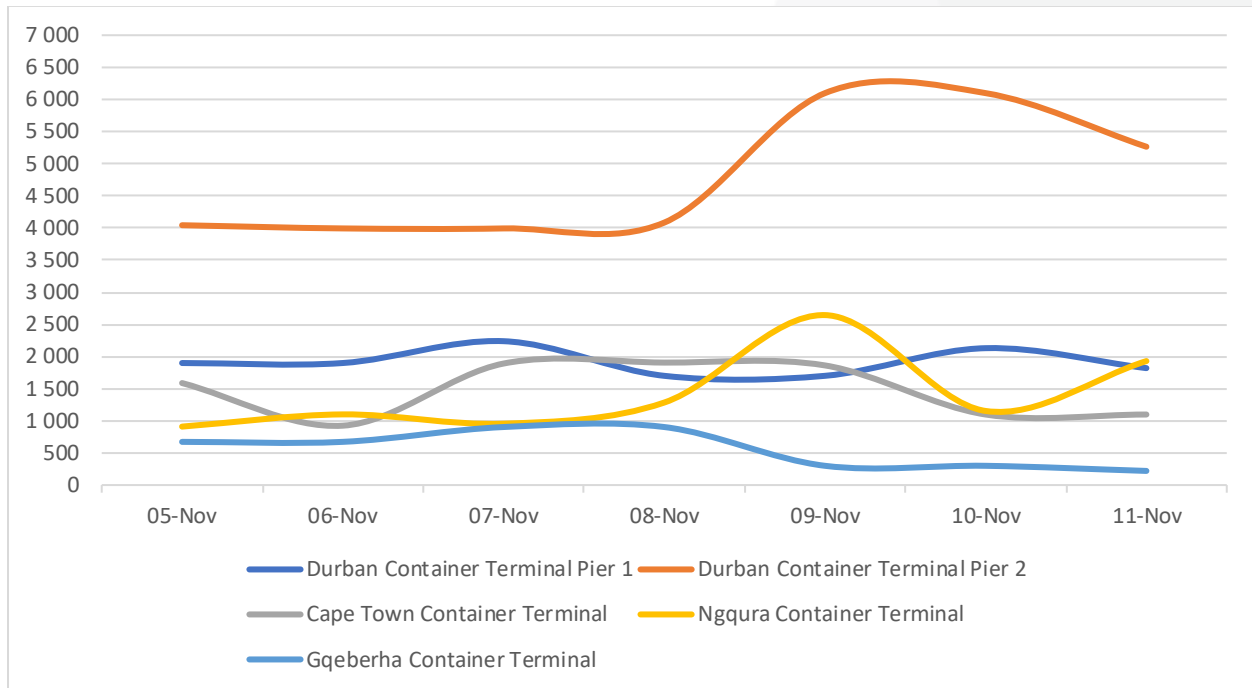
The figures below show the weekly container flows for the last seven days, followed by the projections for the seven days after that.

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



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

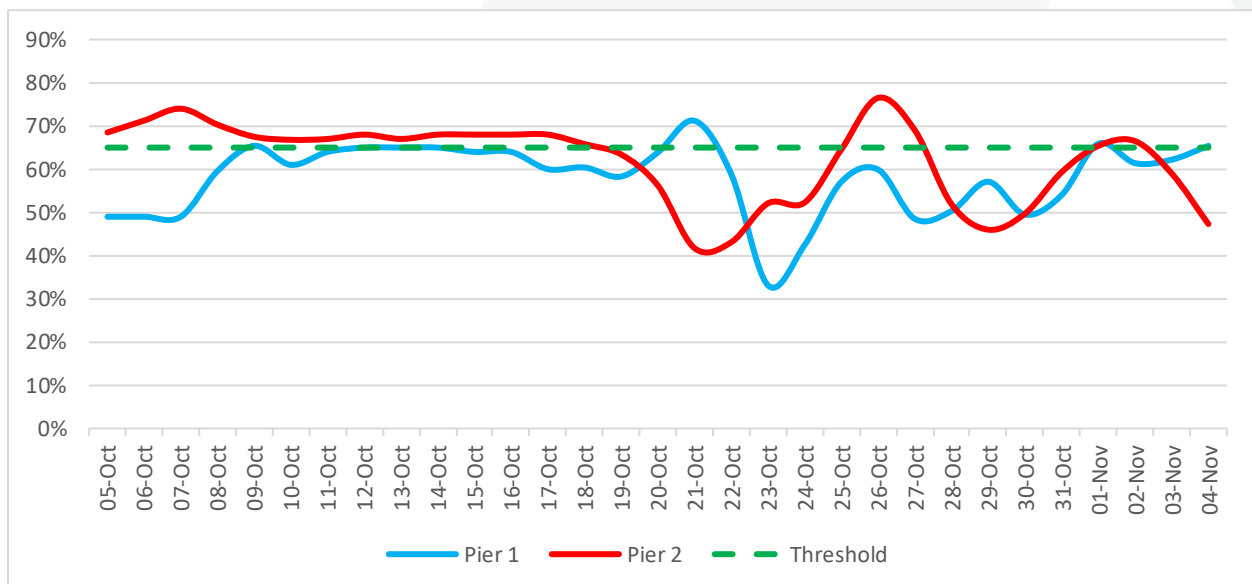
Figure 5 – 7-day forecast reported for total container movements (5 to 11 November; per port; day on day)



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

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

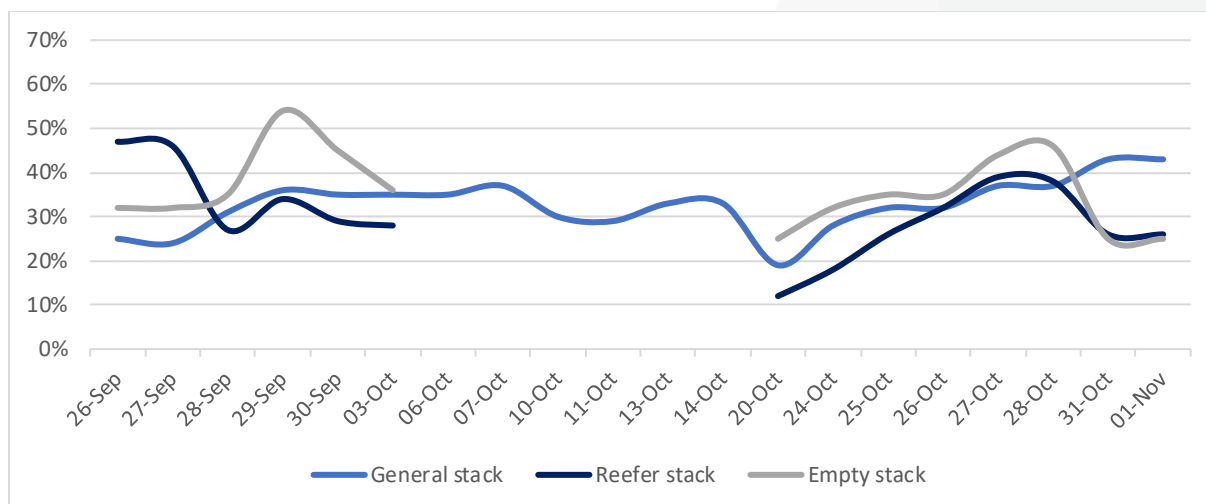
Figure 6 – Stack occupancy in DCT, general-purpose containers (5 October to present; per Pier; day on day)



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

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

Figure 7 – Stack occupancy in CTCT, GP, reefer, and empty stack (26 September to present, day on day)



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

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

Weather-related delays in Cape Town picked up where they left off last week as strong winds ensured operational delays. Consequently, three vessels' movements were delayed on Monday, as the container terminal was windbound from 21:30 on Sunday through to the morning shift. Wind delays further ensued from 18:00 on Monday and persisted through to the morning shift on Tuesday. In addition, the multipurpose terminal experienced delays of up to 22 hours on Tuesday due to strong winds.

Durban also experienced a challenging start to the week as adverse weather conditions severely impacted operations. For example, 14 vessels were delayed on Monday as waterside operations were inactive for approximately 15 hours, while operations were halted for approximately two hours on Tuesday. In addition, operations at the other Durban terminals were also delayed during the week due to rain, strong winds, and equipment breakdowns. On Sunday morning (5 November), there were 14 container vessels at anchor waiting for berths.

Further north along the coast, Richards Bay again experienced a wonderful week as no weather-related or other delays were reported.

Our Eastern Cape ports were also impacted by adverse weather conditions resulting in operational delays throughout the week. On Sunday, NCT was windbound most of the day and went windbound on Wednesday for an undisclosed period.

ii. Cape Town

On Monday, CTCT recorded three vessels at berth and three at outer anchorage. Stack occupancy for GP containers was 43%, reefers 26%, and empties 25%. In the latest 24-hour period to Thursday, despite experiencing adverse weather conditions, the terminal managed to handle an impressive 2 220 TEUs across the quay while servicing 440 external trucks and 38 trains on the landside.

Cape Town MPT recorded one vessel at anchor and two at berth on Monday. In the 24 hours to Tuesday, the terminal managed to service 156 external trucks. Stack occupancy was recorded at 27% for GP containers, 17% for reefers and 9% for empties.

iii. Durban and Richards Bay

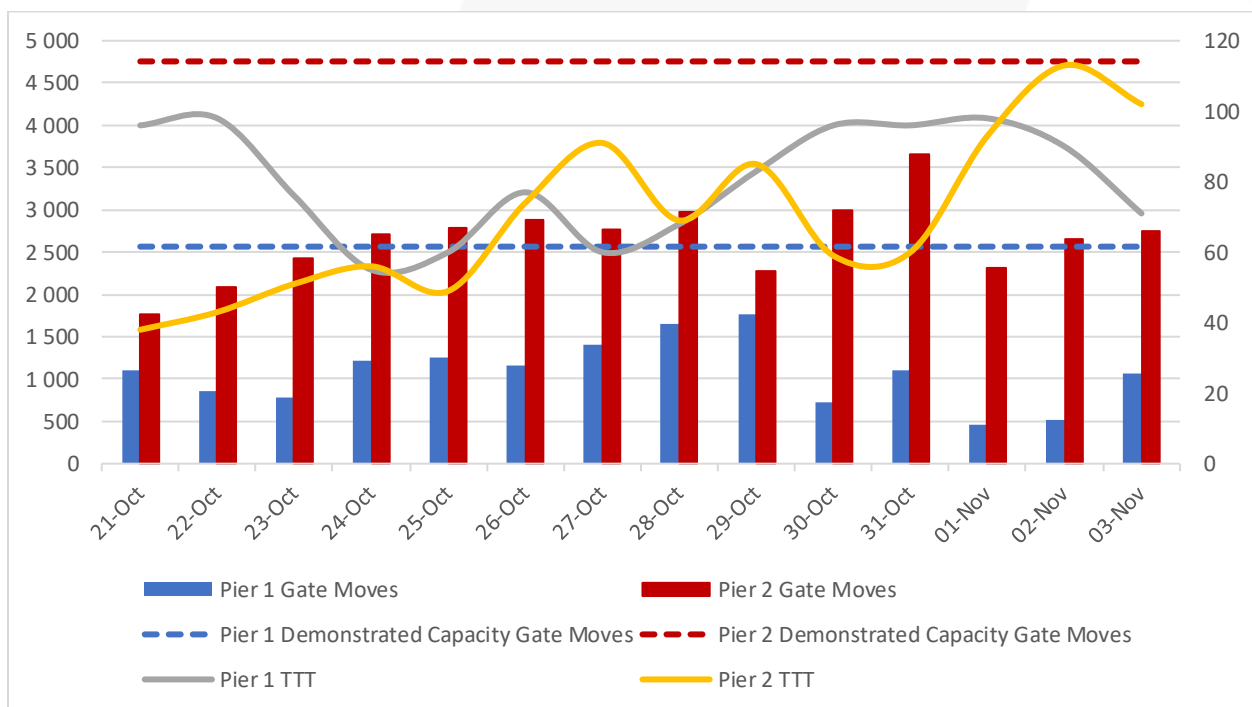
Pier 1 on Thursday recorded two vessels at berth, manned by five gangs, and four vessels at anchor. Stack occupancy was 62% for GP containers, with 2 420 imports on hand, 151 reefers and 201 unassigned units. The terminal recorded 1 066 landside gate moves on Thursday, with 457 cancelled slots and 247 wasted

Pier 2 had four vessels at berth and three at anchorage on Thursday. In the most recent 24 hours to Thursday, the terminal managed to handle 3 747 TEUs across the quay. Stack occupancy was 59% for GP containers. The terminal had between 79 and 86 straddles in operation throughout the week, operated by ten gangs. On Thursday, there were 2 659 gate moves on the landside with an average TTT of 113 minutes and a staging time of 204 minutes. A total of 881 rail import containers were on hand, with 39 moved by rail, highlighting the impact of the extensive cable theft experienced and the slow restoration to complete service of the container corridor.

Durban MPT terminal, on Thursday, recorded two vessels at berth while handling 473 containers on the waterside. Stack occupancy was high at 73% for breakbulk and low at 32% for GP containers. On the landside, 82 breakbulk trucks were serviced in the 24 hours leading to Thursday, while 496 containers were handled. In addition, three cranes and eight reefer stackers were in operation on Thursday.

The following figure summarises the performance of Durban's container terminals for the last two weeks, focusing on gate moves and time spent in the terminals. After the strike, we've seen improved throughput numbers; however, we are still far from returning to demonstrated capacity.

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



Source: Calculated using data from Transnet, 2022. Updated 04/11/2022.

iv. Eastern Cape ports

GCT on Thursday recorded one vessel at outer anchorage and one at berth manned by two gangs. For marine resources, two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading to Friday. In the same period, stack occupancy was 59% for GP containers, 29% for reefers, and 55% for reefer ground slots. In addition, an undisclosed number of trucks were serviced on the landside at a truck turnaround time of ~17 minutes, while the terminal managed to execute 261 moves.

NCT on Thursday recorded two vessels on berth and zero vessels at outer anchorage. Marine resources of two tugs, one pilot boat, two pilots, and one berthing gang were in operation in the 24 hours leading into Friday. In the same period, stack occupancy was 28% for GP containers and 18% for reefers. On Thursday, 1 622 TEUs were handled across the quay. Additionally, 464 trucks were serviced on the landside, with a truck turnaround time of ~26 minutes, and one train was serviced.

v. Saldanha Bay

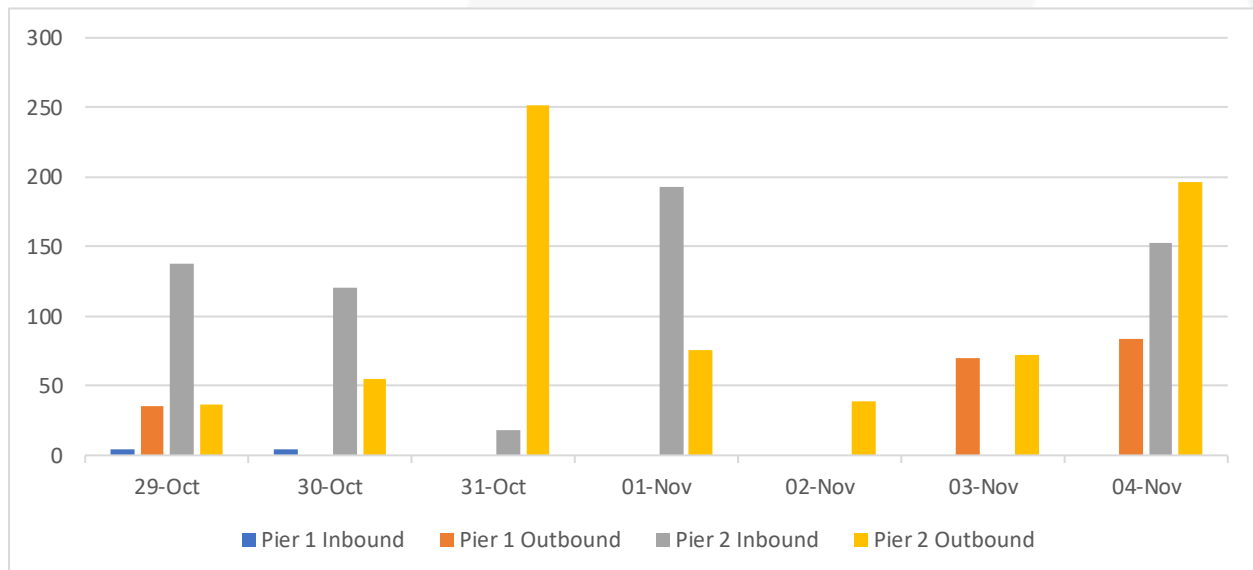
On Monday, Saldanha Bay recorded zero vessels at the outer anchorage and eight on the berth. Two tugs, one pilot boat, two pilots, and two VTS staff were operating the two-berth operation at the port for marine resources.

vi. Transnet Freight Rail (TFR)

TFR advised that the service suspension on the Container Corridor has been lifted between Johannesburg and Durban. However, the clearing of trains in the section continues with a limited number of trains from origin being run due to the imbalance of resources.

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 04/11/2022.

In the last week (29 October to 4 November), rail cargo handled out of Durban was reported at **1 546** containers, down by **↓12%** from the previous week's **1 764** 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 24 October. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *October 2021* averaged **~848 566 kg** per day.

Table 4 – International inbound and outbound cargo from OR Tambo

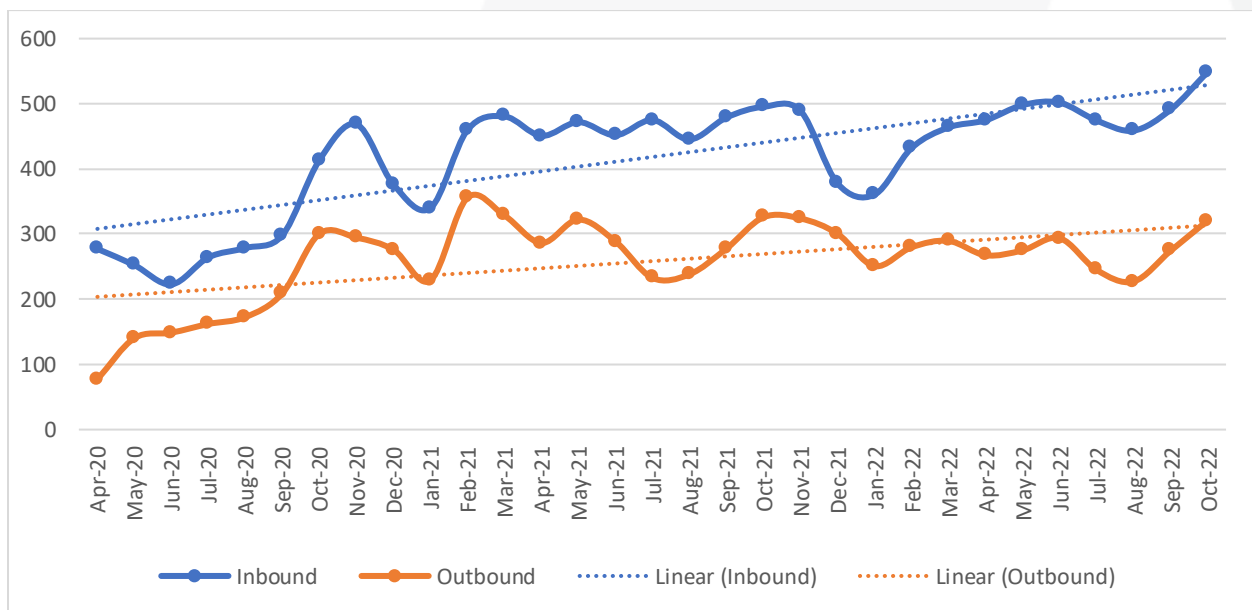
Flows	24-Oct	25-Oct	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
Volume inbound	667 909	364 200	474 296	459 940	434 846	336 414	1 321 399
Volume outbound	387 241	279 659	303 180	283 804	284 937	291 102	810 940
Total	1 055 150	643 859	777 476	743 744	719 783	627 516	2 132 339

Courtesy of ACOC. Updated: 31/10/2022.

The daily average volume of air cargo handled at ORTIA the previous week amounted to **579 858 kg** inbound and **377 266 kg** outbound, resulting in an average of **957 124 kg per day** or **~113%** compared with October 2021. South Africa's international air cargo volumes have reached a 12-month high this month so far, with one day still to go. Also, the level is currently at **~134%** compared with the same period in 2020.

The following figure shows the comparative quarterly global freight movement at ORTIA since the pandemic outbreak. A continued positive trend has been experienced, with another significant uptick of late, which bodes well for the industry.

Figure 10 – International cargo from OR Tambo (millions)



Courtesy of ACOC. Updated: 31/10/2022.

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 *October 2021* was ~66 284 kg per day.

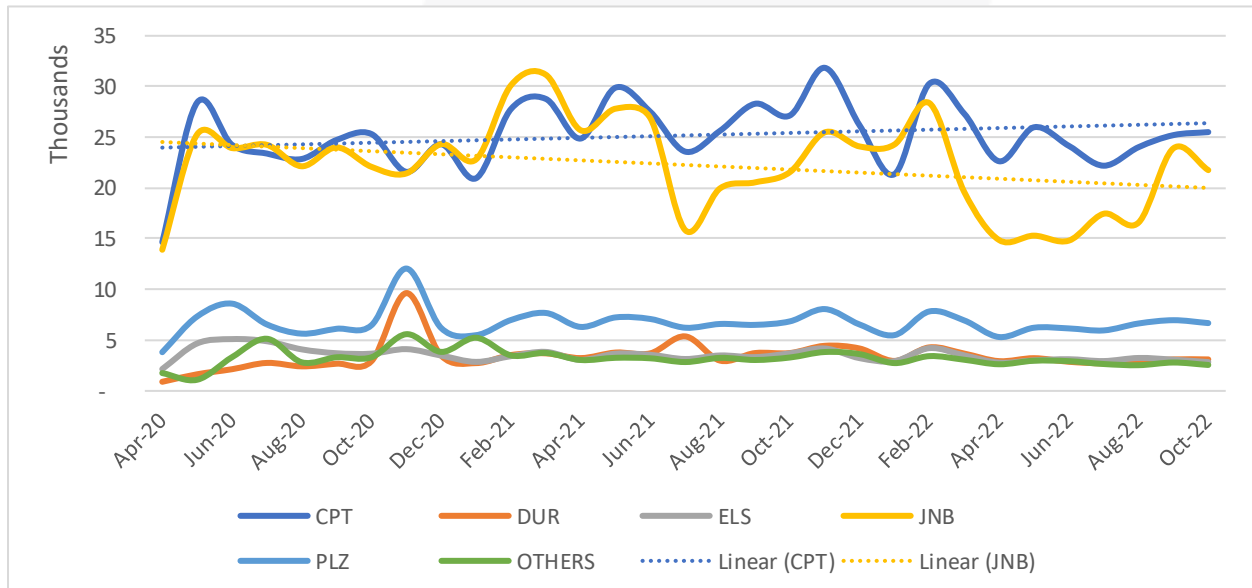
Table 5 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	JNB	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-Jun – 22 Av.	25 230	3 295	3 244	19 449	6 312	2 952	60 480
Jul Average	22 196	2 715	2 943	17 462	5 963	2 650	53 929
Aug Average	24 025	2 854	3 247	16 590	6 646	2 534	55 895
Sep Average	25 212	3 102	3 080	23 913	6 968	2 796	65 071
Oct Average	25 509	3 103	2 841	21 757	6 681	2 554	62 446
25-Oct-22	46 527	4 712	4 600	38 524	10 151	4 321	108 835
26-Oct-22	42 336	4 232	4 014	37 247	11 459	3 663	102 951
27-Oct-22	39 645	5 334	4 137	43 795	11 364	3 287	107 562
28-Oct-22	19 847	2 531	1 870	44 287	5 446	2 108	76 088
29-Oct-22	1 452	1 157	132	4 524	275	34	7 574
30-Oct-22	2 880	667	59	6 508	210	444	10 768
31-Oct-22	47 184	4 969	5 630	36 369	11 391	4 048	109 591
Total for 2022:	7 687 527	979 277	976 102	6 165 802	1 973 295	868 947	18 650 951

Courtesy of BAC. Updated: 01/11/2022.

The average domestic air cargo moved last week was ~74 767 kg per day, which is ↑18% compared with the previous week and ~113% compared to October 2021.

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



Courtesy of BAC. Updated: 01/11/2022.

3. Road and Regional Update

a. Cross-border and road freight delays

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

- Last week, clearing times at South African borders decreased substantially and averaged **~7 hours** (unchanged w/w).
- A massive pile-up on the N3 in Mariannhill this week caused significant delays.
- Transporters are advised to be vigilant travelling through Zambia, as reports have been received that cross-border permits are being scrutinised at police checkpoints at Livingstone and Mazabuka.
 - Permits are being withheld as police are citing trucks with no mud flaps, permits containing different names, and other frivolous issues.
 - This issue has become widespread of late, as similar reports have been received at Kafue, Kitwe, and other regional centres
- Further north, the promised rehabilitation of the road to Mokambo has yet to materialise. Although funds have reportedly been made available, the road has yet to be touched. Moreover, recent pictures received from drivers tell us that the road looks like a dry riverbed.
- During the last week, there were no closures of any South African borders. However, we encourage traders to stay abreast of border post communications as per the SARS [website](#).
- Transporters, traders, and cargo owners may still use the non-tariff barrier (NTBs) [online tool](#) developed by UNCTAD and the AfCFTA Secretariat. However, given the questionable effectiveness of this platform, transporters are encouraged to contact FESARTA and join their [TRANSIST Bureau](#)⁸, which has arguably achieved much greater success.

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

Table 6 – Delays⁹ summary – South African borders

Border Post	Direction	HGV ¹⁰ Arrivals per day	Queue Time (hours)	Border Time – Best 5% (hours)	Border Time – Median (hours)	HGV Tonnage per day	Weekly HGV Arrivals
Beitbridge	SA-Zimbabwe	472	08:12	06:00	00:00	14 160	3 304
Beitbridge	Zimbabwe-SA	410	03:00	02:42	14:00	12 300	2 870
Groblersbrug	SA-Botswana	238	02:00	03:00	16:00	7 140	1 666
Groblersbrug	Botswana-SA	166	00:18	01:00	01:00	4 980	1 162
Violsdrif	SA-Namibia	30	00:12	01:00	03:00	900	210
Noordoewer	Namibia-SA	20	00:30	00:00	02:00	600	140
Nakop	SA-Namibia	30	00:18	01:00	06:00	900	210
Ariamsvlei	Namibia-SA	20	00:18	01:00	01:00	600	140
Lebombo	SA-Mozambique	1 553	01:00	02:00	09:00	46 590	10 871
Ressano Garcia	Mozambique-SA	148	00:06	01:00	03:00	4 440	1 036
Skilpadshek	SA-Botswana	200	01:06	01:00	03:00	4 800	1 400
Pioneer Gate	Botswana-SA	100	00:54	01:00	02:00	2 400	700

⁸ [FESARTA TRANSIST Bureau](#).

⁹ 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.

¹⁰ Heavy Goods Vehicles.

Border Post	Direction	HGV ¹⁰ Arrivals per day	Queue Time (hours)	Border Time – Best 5% (hours)	Border Time – Median (hours)	HGV Tonnage per day	Weekly HGV Arrivals
Average/Sum		282	01:32	01:44	07:00	99 810	23 709

Source: TLC, FESARTA, & Crickmay, week ending 30/10/2022.

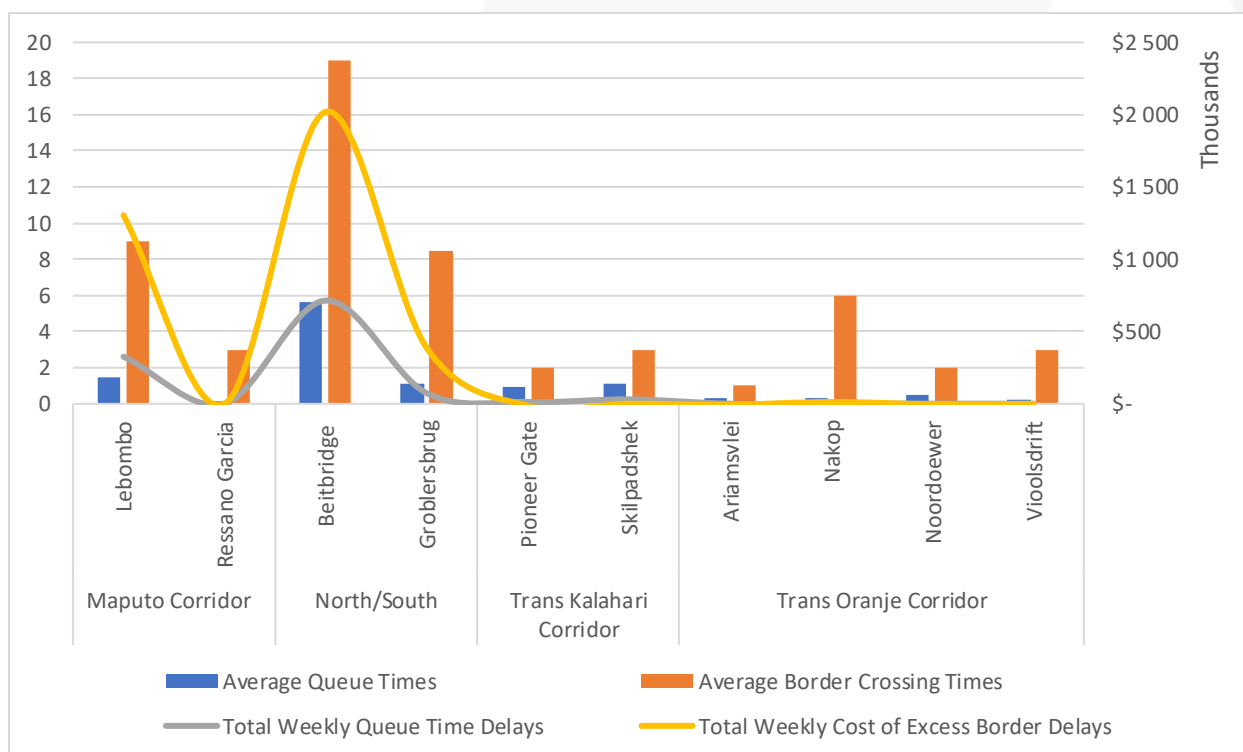
Table 7 – Delays summary – Corridor perspective

Corridor	HGV Arrivals per day	Queue Time (hh:mm)	Border Time – Best 5% (hh:mm)	Border Time – Median (hh:mm)	HGV Tonnage per day	Weekly HGV Arrivals
Beira Corridor	160	00:12	04:45	21:00	9 600	2 240
Dar Es Salaam Corridor	303	00:57	02:45	17:30	54 570	12 733
Maputo Corridor	851	00:48	01:30	06:00	51 030	11 907
Nacala Corridor	32	02:02	01:15	02:45	3 810	889
North/South	210	01:27	07:43	22:20	100 740	23 506
Trans Caprivi Corridor	58	05:00	01:00	03:15	3 480	812
Trans Cunene Corridor	50	00:00	07:21	03:00	3 000	700
Trans Kalahari Corridor	83	01:14	01:00	02:30	7 920	2 310
Trans Oranje Corridor	25	00:20	00:45	03:00	3 000	700
Average/Sum	190	01:20	05:47	22:22	237 150	55 797

Source: TLC & FESARTA, week ending 30/10/2022.

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

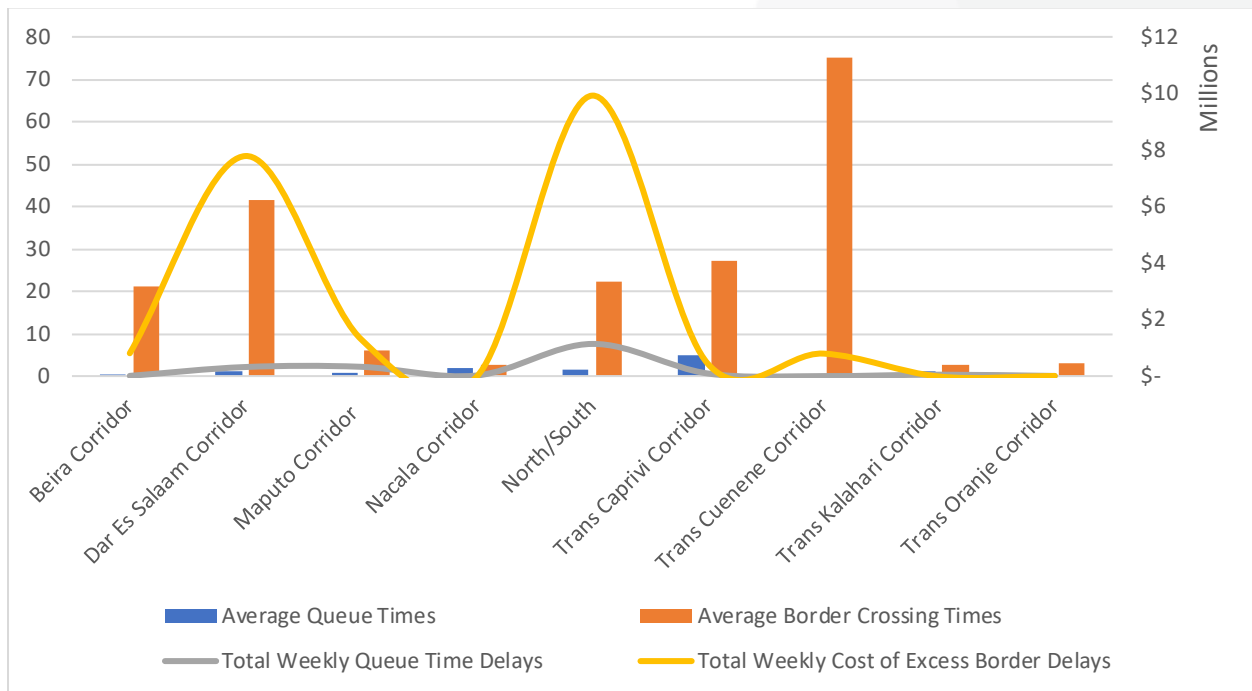
Figure 12 – Weekly cross-border delays & est. cost from a SA border perspective (hours & \$ thousands)



Source: TLC & FESARTA, week ending 30/10/2022.

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 30/10/2022.

In summary, cross-border queue time has averaged **~1,3 hours** (down by **~1,9 hours** from the previous week's **~3,2 hours**), costing the transport industry an estimated **\$2 million (R34 million)**. Furthermore, the week's average cross-border transit times hovered around **~21,4 hours** (up by **~10,2 hours** from the **~11,2 hours** recorded in the previous report), costing the transport industry **\$21 million (R369 million)**. As a result, the total cost for the week amounts to an estimated **~R403 million** (up by **~R68 million** or **↓20%** from **R335 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 shipping industry and **(b)** the global air cargo industry.

a. Global shipping industry

i. Global port throughput

Following the latest *RWI/ISL*¹¹ figures from last week (**↑0,9% m/m**), Drewry has provided its latest take on the container market through the "*Global Container Port Throughput*" index¹², which dropped **↓0,5% (m/m)** in August 2022. Despite the monthly drop, the annual figure comes in at **↑1,7% (y/y)**; however, demand for global trade is now entering a period of decline that could last well into next year¹³. After hitting record-high volumes last year, global trade has begun to plateau over the past few months, as international merchandise trade already slowed significantly during the second quarter of this year¹⁴, and forecasts seem gloomy for

¹¹ RWI/ISL. 28/10/2022. [RWI/ISL Container Throughput Index: Global trade remains stable despite economic troubles.](#)

¹² Drewry. 31/11/2022. [Global Container Port Throughput index.](#)

¹³ Bove, T. 02/11/2022. ['Dark clouds': One of the world's biggest shipping companies has a stark recession warning for the global economy in its latest earnings report.](#)

¹⁴ WTO. 23/08/2022. [Goods Trade Barometer.](#)

next month. Regionally, the monthly figures show a mixed bag; however, the central lane (China) is way down on last month:

Table 8 – Global Container Port Throughput Index: Per region (January 2012 = 100)

Index	Aug 21	Jul 22	Aug 22	Aug 22 vs Jul 22 (%)	Aug 22 vs Aug 21 (%)
Global	141.3	144.4	143.6	-0.6% ▼	1.6% ▲
Greater China	153.4	160.3	155.7	-2.8% ▼	1.6% ▲
Asia (excl. China)	132.4	135.4	132.6	-2.0% ▼	0.2% ▲
Middle East & South Asia	132.9	136.5	139.0	1.8% ▲	4.6% ▲
Europe	123.2	120.6	120.4	-0.2% ▼	-2.3% ▼
North America	166.8	163.3	171.8	5.2% ▲	3.0% ▲
Latin America	130.2	133.2	136.2	2.2% ▲	4.7% ▲
Africa	98.1	108.4	111.7	3.0% ▲	13.8% ▲
Oceania	135.4	138.0	152.3	10.4% ▲	12.5% ▲

Source: [Drewry](#)

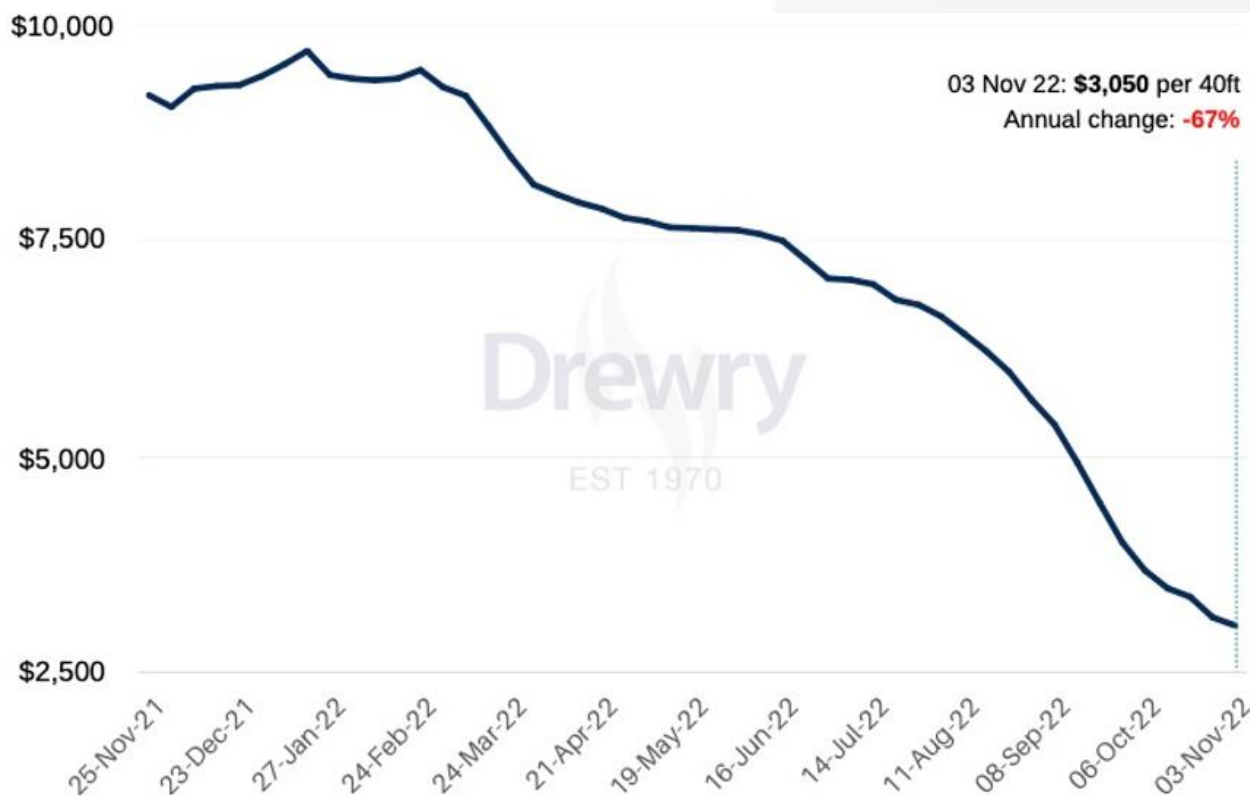
Of eight regional indices, Greater China stands out at **↓2,8%** (m/m), followed by the rest of Asia at **↓2,0%** (m/m). Moreover, a proxy for global goods trade – Caixin China General Manufacturing Purchasing Managers' Index (PMI) – decreased for a third consecutive month and is now below 50, indicating a contraction in activity¹⁵. Although many regions are up monthly (and yearly), the forecasts are very pessimistic for September, as Drewry predicts a massive decline of **↓4,2%** (m/m). Finally, although the African index is way up, the sample size is relatively small and should be considered cautiously.

ii. Global container freight rates

The ongoing global constraints in merchandise trade continue to wreak havoc on freight rates, as Drewry's *World Container Index* decreased for a **36th consecutive week** – down by **↓3%** (**\$95**) to **\$3 050** per 40-ft container this week. Annually, the composite index kept pace with last year's corresponding decline and remains **↓67%** below the spot prices quoted. Moreover, the gap between current prices and the five-year average (now trending at **\$3 754**) continues to move in favour of shippers (**↓19%**):

¹⁵ Whelan, S. 01/11/2022. [China manufacturing slips for third month in a row as zero-Covid policy bites.](#)

Figure 14 – World Container Index – assessed by Drewry (\$ per 40 ft. container)



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

In summary, container spot rates on the Asia-Europe and transpacific trade lanes are on course to dip below pre-pandemic levels before the end of the year¹⁶. The composite rate remains **↑115%** higher than the 2019 (pre-pandemic) rate of **\$1 420**. Nevertheless, the current market prices are a far cry from the average composite index for the year-to-date of **\$7 115** per 40ft container, which is **\$3 747** higher than the five-year average.

The entire market is seemingly at a crossroads, as shippers are struggling to increase sales, and carriers are struggling to remove capacity quickly enough to curb the nosedive in rates. According to Alphaliner, as of 24 October, inactive containerships either in drydock or seeking employment had reached 284, for a capacity of approximately **1,2 million TEU**, representing **4,6%** of the global cellular fleet¹⁷. At the peak of demand in February, as carriers squeezed the charter market dry in pursuit of every serviceable vessel, the consultant recorded 154 ships, for a capacity of **442 000 TEU**, as inactive, many in drydock, representing just **1,8%** of the global fleet. Once again, the blankings remain high this week, with Drewry's "Cancelled Sailings Tracker" hovering around a **14% cancellation rate**¹⁸.

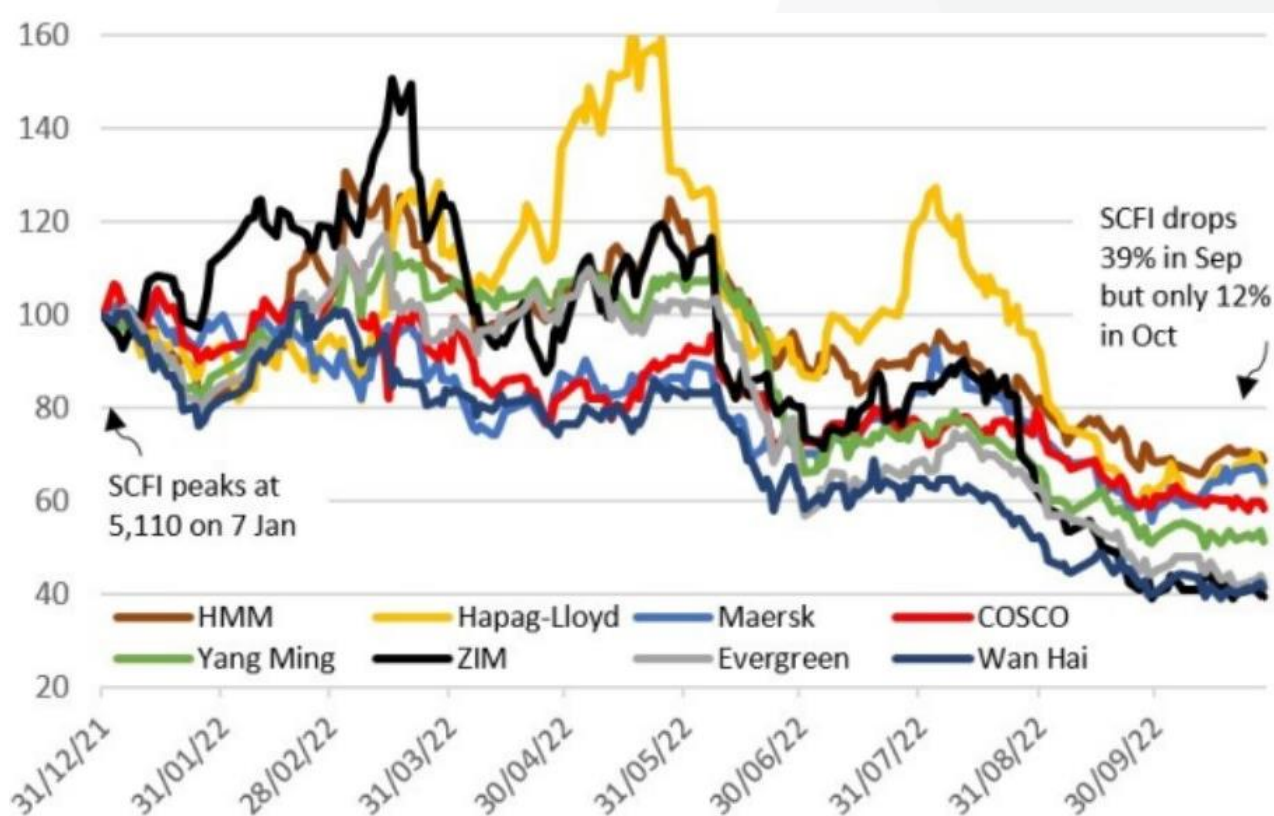
With the ongoing carrier challenges – especially with a spotlight on their balance sheets –operating costs are significantly higher than in 2019, which could force more exposed lines back into the red in the first quarter of 2023. The current reality is evidently illustrated in the share prices of listed carriers:

¹⁶ Savvides, N. 04/11/2022. [No joy for carriers as spot rates looks set to drop below pre-pandemic levels.](#)

¹⁷ Wackett, M. 03/11/2022. [Carriers consider laying-up box ships as blanking fails to prop up rates.](#)

¹⁸ Drewry. 04/11/2022. [Cancelled Sailings Tracker - 4 Nov.](#)

Figure 15 – Carrier share price performance index (31 December 2021 = 100)



Source: [Alphaliner](#)

The eight leading container shipping stocks have lost an average of **↓45%** of their value since the start of the year following the peak in the spot prices (in this case, the SCFI – Shanghai Container Freight Index) on 7 January. This date marked a turning point for larger carriers (such as Maersk and COSCO) whose share prices had previously performed exceptionally well in 2021 on the back of strong contract business and smaller exposure to the Transpacific trade. At the end of October, the three carriers' stock prices were down **↓37%** and **↓45%** (y/y), respectively. Ultimately, given the weak demand amid prevailing global economic conditions, the sharp decline in spot rates was inevitable. However, after rates have bottomed out, a bounce-back in demand is likely to support a freight rate recovery. All in all, we expect a plateau in rates in the short term.

iii. Further developments of note

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

1. IMO latest emissions reductions come into force:

- a. The International Maritime Organization's (IMO) latest emissions reduction measures came into force on Tuesday, 1 November, a regulatory move which will grant ships an 'efficiency rating' similar to those used for buildings and household appliances.
- b. The new rules, although enacted, will only become mandatory from 1 January and are expected to drive older ships to the scrapyard, while others will need to reduce speed to comply.
- c. In anticipation of the changing regulatory environment, Cosco Shipping Lines and OOIL have confirmed their orders for **24 000 TEU** methanol-fuelled ultra-large containerships (ULCSs)¹⁹.

¹⁹ Li, M. 31/10/2022. [Cosco and OOCL commit \\$2.8 billion in orders for methanol-fuelled box ships.](#)

2. Maersk offers slower boats from Asia:

- a. To assist overstocked retailers, Maersk is offering shippers the opportunity to slow down cargo voyages from Asia destined for European and US ports. The initiative from the Danish logistics integrator comes as demand for retail-lifestyle products from Asia plummets²⁰.
- b. Maersk said that, with projected reductions in cargo demand, it was introducing further measures to match cargo capacity with expected volumes on key trade lanes, but in the case of blanked sailings or vessel sliding, it aimed to offer alternatives to minimise the impact on customers' business.

3. US Government commits another \$703 million to improve infrastructure:

- a. US President Joe Biden's drive for more resilient supply chains has continued with the third round of funding, topping **\$703 million**, mainly for port and inland infrastructure improvements²¹.
- b. The Port Infrastructure Development Program (PIDP) will release **\$450 million** via the Bipartisan Infrastructure Law, **\$234 million** made available through the Consolidated Appropriations Act and around **\$19 million** left over from last year's funding round.
- c. Administered by the US Maritime Administration, the funds will go to 41 projects across the country, bidding to offer more efficient supply chain connections.

4. Multipurpose Time Charter Index declines in October:

- a. The Drewry "Multipurpose Time Charter Index" fell by **↓0,5%** in October to an average of **\$10 025** per day, as demand levels in both the short-sea and project carrier sectors have been steady, while rates in the bulk sector have – at best been flat – container rates continued to fall²².
- b. October witnessed a steadying of the spot market in the short-sea sector, underpinned by increased bunker prices and the need for cargo to be cleared before the year-end. Meanwhile, the project cargo sector is still benefiting from forward contracts for wind power and oil and gas – particularly on the back of high oil prices. Any current rate decline is primarily driven by increased capacity and pressure from the container sector.
- c. Going forward, Drewry expects the trend to continue into November, with forecasts to drop a further **↓1%** to reach around **\$9 900** per day. This figure remains some **↓12%** down from the market's peak and **↓7%** down from November 2021 but remains **↑63%** ahead of November 2020.

b. Global air cargo industry

i. Air cargo demand

Air cargo volumes declined **↓8%** (y/y) in October – the eighth consecutive month of decline – and the outlook is equally downbeat and remains very uncertain²³. Moreover, there is also nothing to indicate an upturn next year from available weekly market data, as there is no indication there will be a peak during the traditional Christmas peak weeks. The drop in demand, measured in chargeable weight, was also **↓3%** below the pre-pandemic level in 2019.

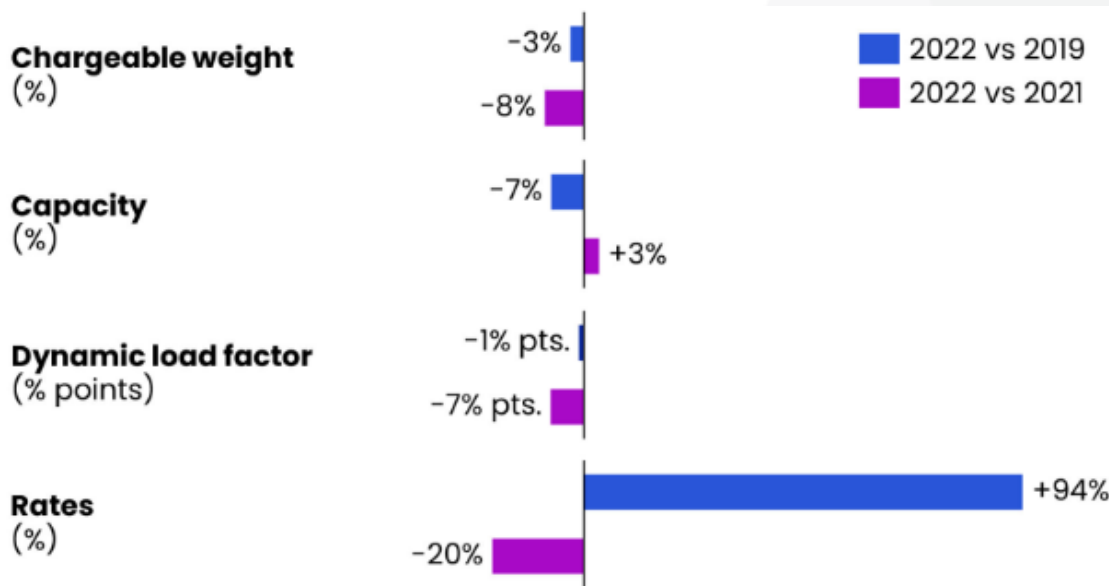
²⁰ Wackett, M. 01/11/2022. [Maersk offers overstocked retailers a slow\(er\) boat from China.](#)

²¹ Savvides, N. 31/10/2022. [US commits another \\$703 million to improve supply chain and port infrastructure.](#)

²² Drewry. 04/11/2022. [Multipurpose Time Charter Index - Nov 22.](#)

²³ Jeffrey, R. 02/11/2022. [Airfreight peak season looking unlikely as demand falls again.](#)

Figure 16 – October global air cargo volumes, capacity, load factor, and rate development



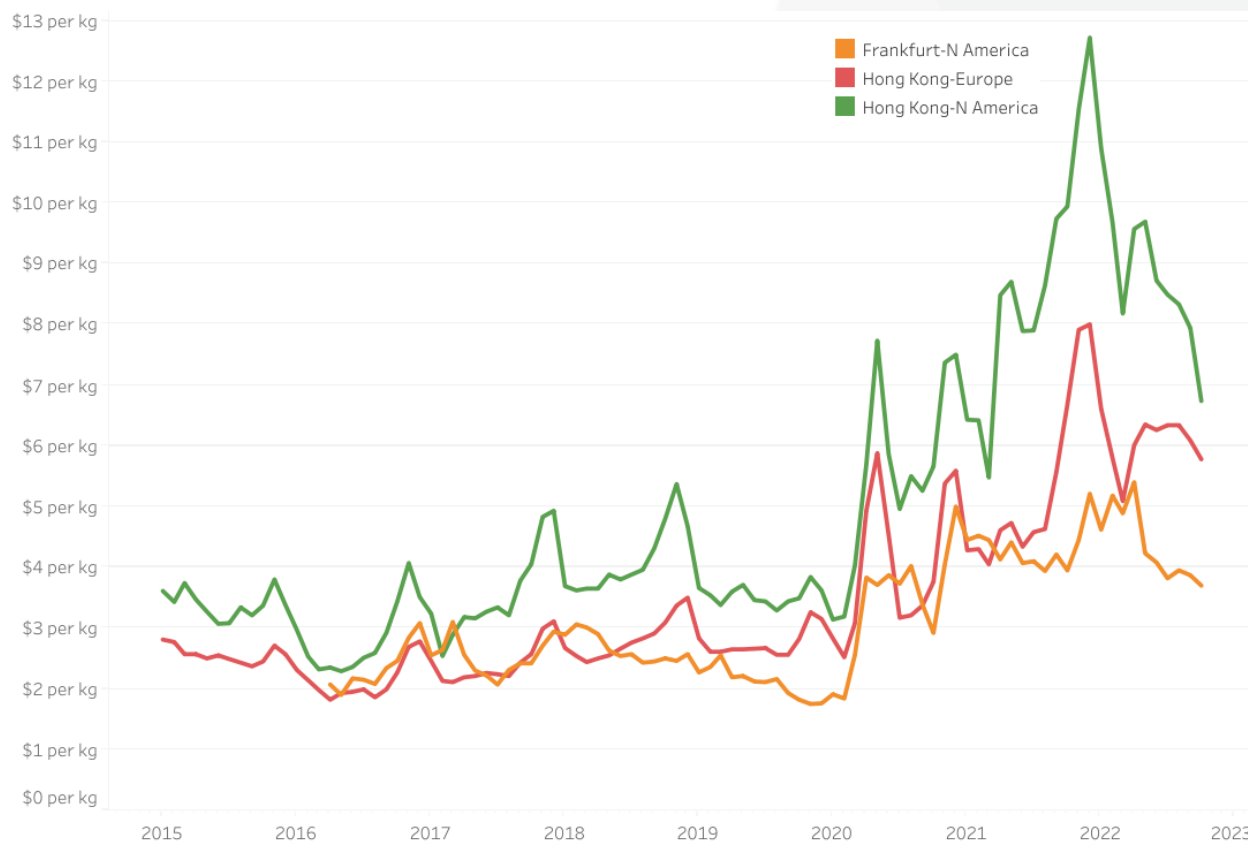
Source: [Clive data services](#)

Also, compared to last year's levels, global air cargo capacity continued to recover in October but at a slower pace and remained **↓7%** below the pre-pandemic 2019 level. This reality contributed to a more subdued "dynamic load factor" based on the volume and weight perspectives of cargo flown and available capacity. As falling demand meets rising capacity, load factors have declined over the past 18 months. In October, the **~61%** dynamic load factor was **↓7%** and **↓1%** down compared to 2021 and 2019, respectively. Consequently, October saw a second consecutive month of lower global airfreight rates (see below), with no indication that there will be a Christmas peak, even though we are only six weeks away.

ii. Air cargo rates

Although not occurring as rapidly as ocean freight rates, weakening air cargo demand amid continued high inventory levels is driving rates further down, with rate drops of around **60%-70%** in the last nine months. Nevertheless, the outlook for air cargo remains uncertain, as there is no pressure on capacity and, consequently, no rate increase. For example, in October, average rates are down **↓8,2%** versus last month, **↓17,3%** from a year ago – and **↑100%** versus October 2019, as the "Baltic Exchange Airfreight " shows below:

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



Source: [BAI](#)

Airfreight received a boost in the last two years thanks primarily to the chaos on the ocean side, but – as is the case in ocean freight – shippers are now likely to feel more comfortable moving back to the ocean from a reliability (and cost) point of view. Airfreight rates on top volume corridors from Asia to Europe and Asia to the US continued to fall in October, while general rates fell more substantially on inbound US corridor routes than inbound Europe. This situation is attributed to added costs for EU routes due to the closure of Russian airspace and lower spending by US consumers. On the major routes, the prevailing rates are currently:

- Frankfurt – North America is currently trending at **\$3,70** per kg – **↓4,4%** (m/m) and **↓6,3%** (y/y).
- Hong Kong – Europe is currently trending at **\$5,78** per kg – **↓5,1%** (m/m) and **↓13,5%** (y/y).
- Hong Kong – North America is currently trending at **\$6,74** per kg – **↓15,1%** (m/m) and **↓32,2%** (y/y).

In other air cargo news, China's lockdowns are playing havoc with its airline industry, with three of its four leading regional airlines reportedly close to insolvency, including freighter operator Sichuan Airlines²⁴. Elsewhere, as previously reported, Lufthansa remains interested in taking a significant stake in ITA Airways, the Italian carrier born from Alitalia²⁵. However, the deal is set to take some time, as the Italian government is looking to privatise at least part of the airline.

²⁴ Lennane, A. 01/11/2022. [Sichuan Airlines struggles, while China's airfreight market weakens.](#)

²⁵ Lennane, A. 04/11/2022. [Lufthansa still interested in ITA Airways buy as bids are reconsidered.](#)