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COVID-19: Cargo movement update[1]

Date: 7 May 2021

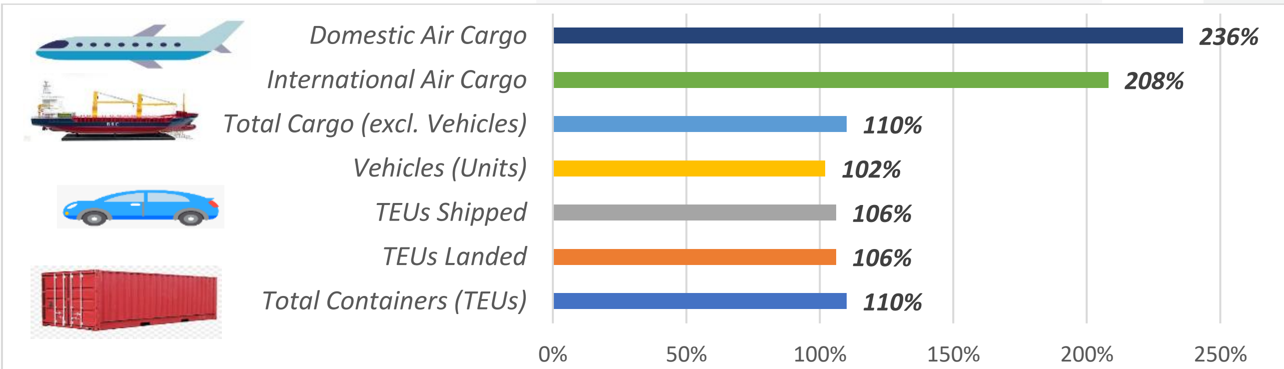
Weekly snapshot

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 (TEUs)	25,913	28,620	**54,533**	28,658	33,552	**62,210**	↓12%
Air Cargo (tons)	4,381	2,735	**7,116**	4,884	3,335	**8,219**	↓13%

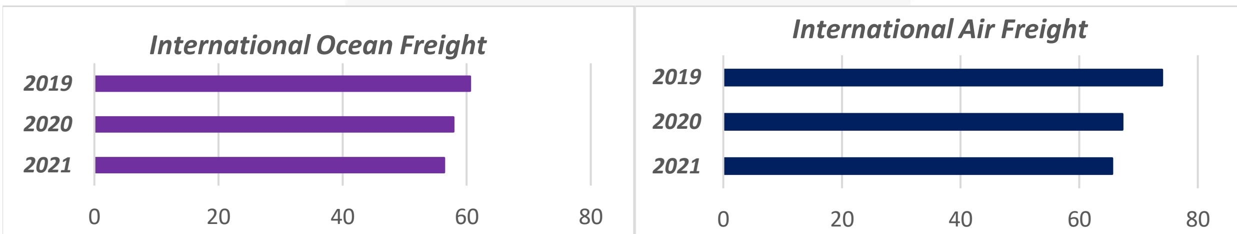
Monthly snapshot

Figure 1 - Monthly[4] cargo flows, year on year



Year-to-date tracker

Figure 2 – International year-to-date flows 2019, 2020 & 2021[5]: ocean & air freight, year on year (kg millions)



Key Notes

- An average of **~7,790 TEUs** per day was handled last week, **↓12%** from the previous week.
- Although both international air cargo (**↓13%**) and domestic air cargo (**↓8%**) is down for the week, the year-on-year (y/y) comparison with April 2020 is trending significantly upwards, as shown by *Figure 1*.

[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 *37th 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 full month's worth of available data compared to the same month in 2020.
[5] For ocean freight, Jan-Mar cargo as reported by Transnet is used, whereas for air freight, Jan-Mar cargo to and from ORTIA is used (see *below*).

- Cross-border queue (**~8,2hrs**) and transit (**~20,8hrs**) times cost industry **R377 million** (**↓16%**) this week.
- Major shipping lines report record profits as freight rates once again surge (**↑9,8%** to **$5,472.33**).
- Air cargo volumes reached the highest-ever level, as CTKs **↑4,4%** vs the pre-crisis levels.
- The WTO expects world merchandise trade to increase by **↑8,0%** in 2021 (from **↓5,3%** in 2020).

Executive Summary

This update — *the 37th of its kind* — contains a consolidated overview of the South African supply chain and the current state of international trade. There has been a slight increase in newly reported COVID-19 infections in South Africa, averaging approximately **1,548** infections per day this week (up by **32%** from last week's average of **1,170**). The increase may anticipate the expected third wave of the virus. The total number of cases recorded now stands at **1,590,370**[6], with a death toll of **54,620** (up by **289**). South Africa remains in 20th place globally, as more than **156 million** cases have now been recorded worldwide.

Concerning the administering of vaccines, a total of **1,24 billion** vaccines have now been administered as the rollouts continue to accelerate. Consequently, approximately **~15,9%**[7] of the world's population has now been given at least one vaccine shot. According to the same source, South Africa now stands at **~366,101** vaccine jabs; the vaccination programme will, hopefully, gather speed after the previous month-long hiatus. On Thursday, the President divulged better news when he confirmed that the government had finalised the procurement of 20 million Pfizer vaccines[8] in addition to having secured the supply of 31 million doses of the J&J vaccine.

The local maritime industry experienced a reduced volume week as our commercial ports were hit with several instances of positive COVID-19 cases. Other constraints in this industry include ongoing challenges with Transnet Freight Rail and some equipment breakdowns, as well as Parliamentary visits in Cape Town. In the global maritime industry, a week of record profits continues to rile shippers, as spot freight rates have also again shot through the roof, with Drewry's "*World Container Index*" climbing by **9,8%** to **$5,472.33** this week. Despite the ongoing uncertainties in the market, the persisting container cargo demand continues to spur profits as the projected growth currently trends above previous projections which indicated that the global recovery in trade has been significantly more rapid than initially predicted. The demand is also stimulating container manufacturing – as production reached a record 1,4 million TEUs in Q1 2021 – as new containers are added to the existing fleet at a swift pace to make up the spread, due to global shortages and significant imbalances at the largest container terminals.

Air cargo handled in April, both internationally and domestically, has now more than doubled when compared with the same month last year, which is excellent news for the local industry. Indeed, the narrative is similar internationally. Global air cargo volumes reached the highest level in the history of IATA's time series in March despite their growth softening slightly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by **↑4,4%** compared with pre-crisis levels with a **↑0,4%** month-no-month (m/m) rise compared with January. Furthermore, the near-term outlook continues to be positive, as CTKs are estimated to rise by **↑13,1%** y/y compared with 2020 and by **↑2,8%** compared with 2019 levels.

Concerning regional cross-border trade, some minor operational improvements were made last week, despite significant delays still occurring, notably in Beit Bridge and Chirundu. This week's important event is

[6] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[7] Our World in Data, Coronavirus (Covid-19) Vaccinations. Our World in Data
[8] SA Government News Agency. 07/05/2021. SA signs deal with Pfizer for 20 million vaccines.

the signing of a bilateral agreement between Botswana and Zambia for the opening of the Kazungula OSBP, with 10 May being touted as the opening date.

In summary, as the yearly comparisons with the hard lockdown months of April and May now become apparent, it is evident that the air cargo industry is leading the charge in terms of economic recovery. The maritime industry has also primarily returned to pre-COVID levels across the board in terms of volumes, despite the ongoing operational constraints reported. Given the conducive environment globally, the security of the South African supply chain will depend largely on the way the favourable conditions can be beneficially leveraged. Therefore, the collective efforts of all role-players within the extended supply chain need to continue.

Contents

Ports Update

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

Container flow overview

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

Table 2 - Container Ports - 7-day flow reported for 1 to 7 May[9]

7-day flow forecast (01.05.2021 - 07.05.2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	4,545	5,400
DURBAN CONTAINER TERMINAL PIER 2:	10,126	11,141
CAPE TOWN CONTAINER TERMINAL:	5,357	7,238
NGQURA CONTAINER TERMINAL:	5,240	4,061
GQEBERHA CONTAINER TERMINAL:	645	780
TOTAL:	**25,913**	**28,620**

Source: Transnet, 2021. Updated 07/05/2021.

Table 3 - Container Ports - 7-day flow forecasted for 8 to 14 May[10]

7-day flow forecast (08.05.2021 - 14.05.2021)		
TERMINAL	**NO. OF CONTAINERS TO DISCHARGE (IMPORT)**	**NO. OF CONTAINERS TO LOAD (EXPORT)**
DURBAN CONTAINER TERMINAL PIER 1:	6,981	7,174
DURBAN CONTAINER TERMINAL PIER 2:	16,439	15,074
CAPE TOWN CONTAINER TERMINAL:	6,631	6,640
NGQURA CONTAINER TERMINAL:	6,552	6,270
GQEBERHA CONTAINER TERMINAL:	1,223	1,277
TOTAL:	**37,826**	**36,435**

Source: Transnet, 2021. Updated 07/05/2021.

An average of **~7,970 TEUs** (**↓12%**) was handled per day for the last week (1-7 May, *Table 2*), with an increased average of around **~10,609 TEUs** (**↑36%**) expected to be handled next week (8-14 May, *Table 3*). The same week in May 2020 – at around ***week 6*** of the initial hard lockdown – showed a daily average of approximately **~9,573 TEUs**.

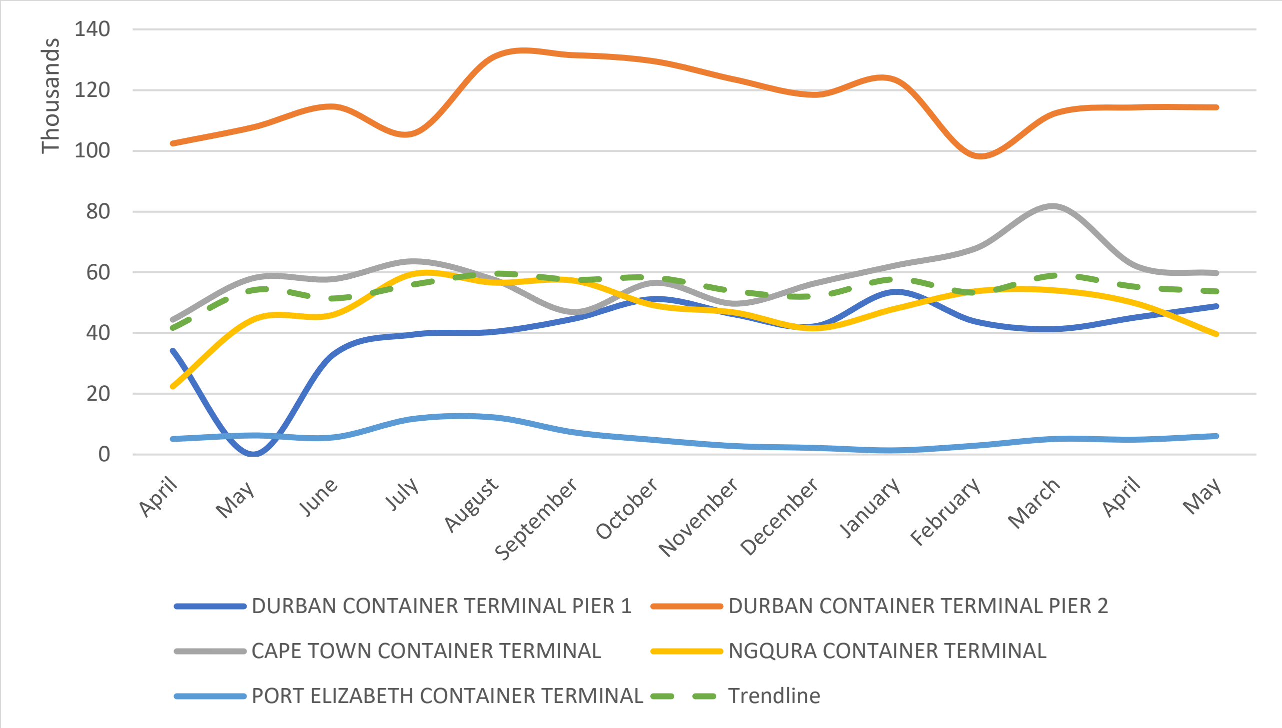
Besides the numbers reported, the main discussions around our commercial ports revolved around reports of positive COVID-19 cases (see summary below). Other constraints include ongoing challenges with TFR and some equipment breakdowns, as well as parliamentary visits in Cape Town.

The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown.

[9] It remains important to note that a fair percentage (approximately 28%, according to the most recent TNPA figures for March) 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 and will have increased since December.

[10] As noted in *footnote 1*.

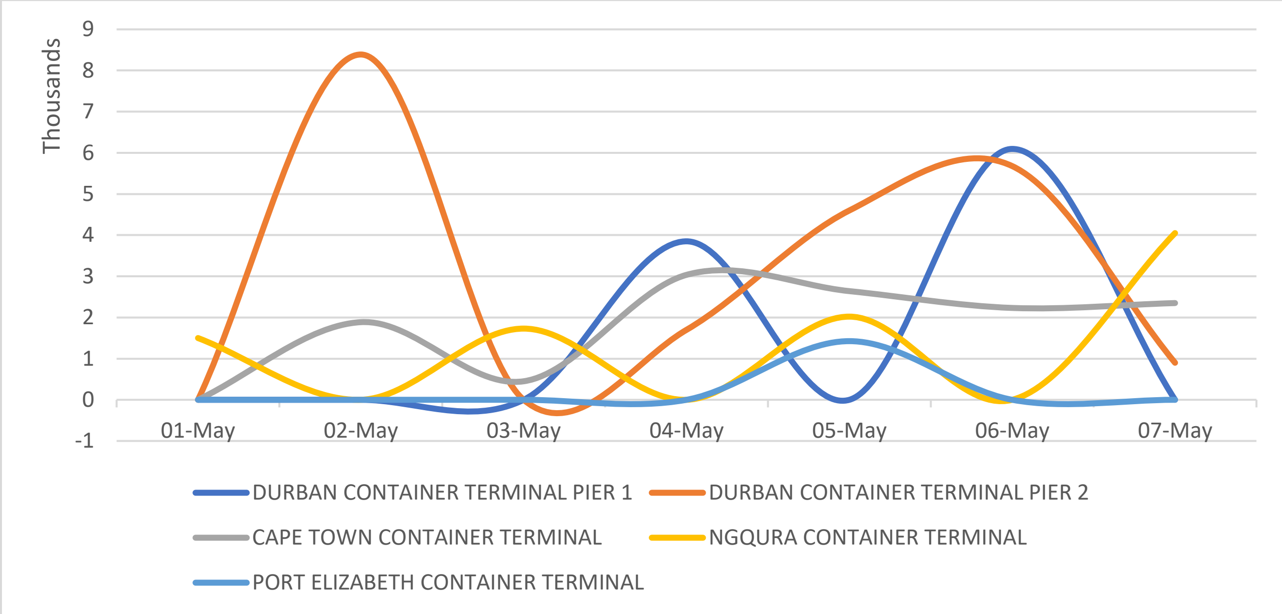
Figure 3 - Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from Transnet, 2021. Updated 07/05/2021.

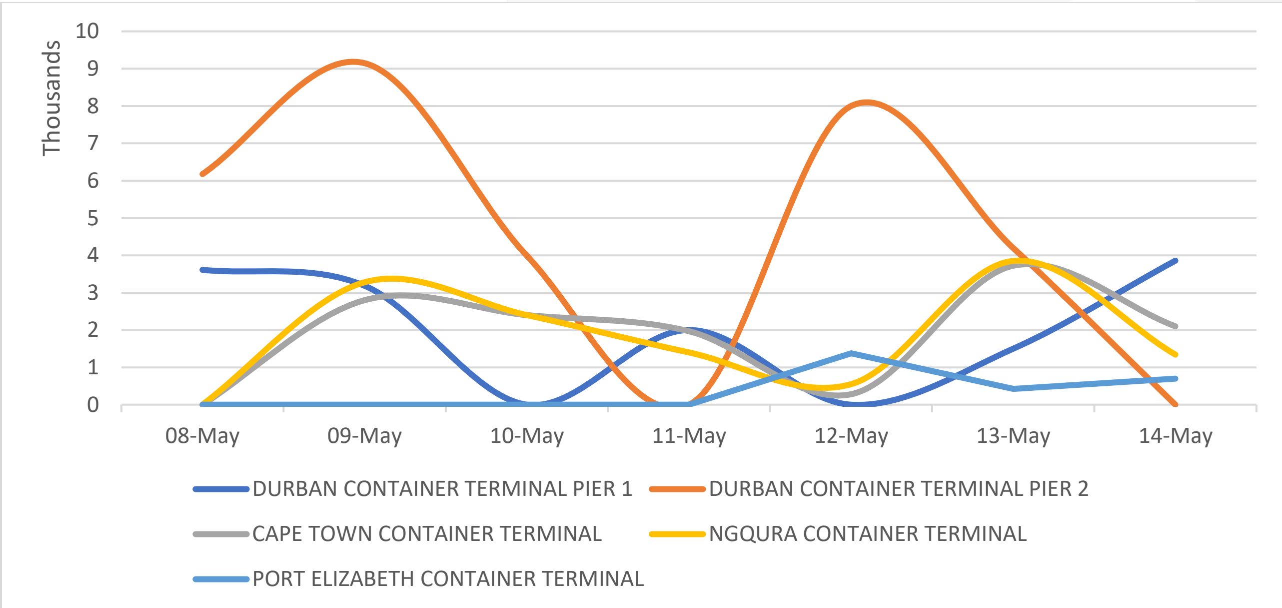
The figures below show the weekly container flows for the previous seven days and projections for the next seven days. There is a noticeable increase expected in the short run, although far from ranges worth celebrating. Fortunately, the coming weeks should register some positive numbers for exports, particularly in maize and citrus fruit. Incidentally, a record maize crop has been widely touted at more than 2 million tons.

Figure 4 - 7-day flow reported for total cargo movement (1 to 7 May; per port; day-on-day)



Source: Calculated using data from the Transnet updates, 2021. Updated 07/05/2021.

Figure 5 - 7-day flow reported for total cargo movement (8 to 14 May; per port; day-on-day)



Source: Calculated using data from the Transnet updates, 2021. Updated 07/05/2021.

Summary of port operations

An average of **~7,790 TEUs** (**↓13%**) was handled per day for the last week (1-7 May), with an increased average of around **~10,609 TEUs** (**↑36%**) expected to be handled next week (8-14 May). The same week in May 2020 – at around ***week 6*** of the initial hard lockdown – showed a daily average of approximately **~9,573 TEUs**.

Weather delays

For Cape Town, the week started well with light to moderate winds at the beginning of the week. As the week wore on, stronger SE winds were predicted from Wednesday morning. Consequently, some time was lost (~17.5 hours) from Thursday onwards as the port was windbound with further poor forecasts. Indeed, a TPT presentation this week indicated that CPTCT had an 87% y/y increase in hours lost due to wind.

Positive COVID-19 cases at commercial ports

After some weeks of zero reports of COVID-19 at all South African ports, 14 positive cases among the crew onboard the MV Eaubonne (from Kandla, India) at Maydon Wharf were reported on Tuesday. All protocols were reported as being in place.

Also, in Durban, three air travellers from India, via Doha, on two separate occasions (one arrived on 21 April 2021 on Qatar Airlines- QR1367 and two arrived on 25 April 2021), on Qatar Airlines (QR1367), all through King Shaka International Airport, returned positive tests.

On 25 April 2021 in Gqeberha, a vessel that had departed from Mombasa, Kenya, berthed some 12 days after departure. The ship was granted access based on a report by the shipmaster that there were no reported illnesses on board. The following day the shipmaster reported an ill crew member, who was transferred out of the ship to a health care facility immediately. Together with three other crew members who were due to depart by air to their home country, the sick crew member was immediately subjected to PCR tests on 26 April 2021. Upon testing positive for COVID-19, these crew members were subsequently isolated at lodgings.

Port Health, together with TNPA, instructed the shipping agency to proceed with contact tracing and testing processes, with 20 crew members on board subjected to PCR tests. A further ten crew members have been detected with COVID-19 and are isolating for ten days at designated facilities. The other ten members that tested negative will remain in quarantine on the ship.

TNPA's statement confirmed that the B.1.617 variant, circulating widely in India, has not been detected among the reported cases. However, the genomics teams were working on some samples, and we will need to allow the time it takes to sequence before arriving at an answer. The statement further mentioned that variant B.1.351 (or 501Y.V2) remains the most dominant in South Africa and confirmed that one of the samples taken from a traveller from India was indeed the 501Y.V2 variant.

In summary, it remains unclear how the vessels were allowed to enter either port.

Cape Town Container Terminal (CTCT)

The two main terminals continue to be hampered by breakdowns and poor productivity. Furthermore, the MPT is operating with only one mobile crane, as the 550 is broken again. Overall productivity was abysmal for the week, ranging between 15 and 18 moves per hour, with 20/21 operating RTGs. Fortunately, dwell time has now been brought under control and currently stands at three days.

The harbour master handled a total of 77 movements, which included 29 dockings and 25 sailings. Port security also reported a considerable operation that netted in the region of R225,000 in fines to truckers for transgressions such as unroadworthy vehicles, failing to stop, and overtaking on solid lines. The FPT continues to operate efficiently and has begun to handle breakbulk citrus conventionally. Furthermore, FPT has requested additional support for the use of F-berth from the Port for the citrus season.

Durban Container Terminal (DCT)

Early in the week, some landside operational constraints were reported, namely incidents of road blockages on the N3 at Mooi River and two incidents of a truck burning in Gauteng. Again, blame has been placed on the ATDF organisation who, among other things, object to the employment of foreign drivers by trucking companies.

Constraints this week include Pier 1's continuing struggle with machine breakdowns, which remains a cause of concern as the reefer season ramps up. DCT Pier 2 experienced IT-related downtime overnight on Tuesday and early morning on Wednesday, which caused considerable congestion at the ITZs where trucks were materially delayed.

In other equipment-related news, the vessel carrying the first load of new straddle carriers for DCT Pier 2 has arrived. These machines are set to be commissioned by mid-July. Further positive development includes introducing maintenance and supply contracts with the various original equipment manufacturers (OEMs). This change in approach will enable improved parts replacement and repairs as there will be a reduced need for using the cumbersome SOE purchasing process. Furthermore, ongoing attention from the industry is being paid to bringing idle RTGs and other equipment to part supply issues back into service.

Eastern Cape Container Terminals

The current plans for completing repairs to the Moor-Master at D100 at NCT are scheduled between 17-19 May. For the week, NCT stack occupancy hovered around 20%.

Transnet Freight Rail (TFR)

Operational constraints continue in Krugersdorp as TFR redirects trains via Warrenton to reduce the increasing balance of over border traffic building up at DCT. Further reports of cable theft were also made.

In the Cape, TFR will be introducing a rail shuttle service between Cape Town and NCT to best utilise the two facilities. Furthermore, there was no activity at BELCON this week.

General

In apparent competition with the Port of Durban, DP World has completed the first transit import through the DP World Maputo port in Mozambique to DP World Komatipoort in South Africa[11]. More than two-thirds of local maritime imports are currently transported through the Port of Durban. With the emergence of DP World linking the Maputo Corridor via Komatipoort to the Gauteng hinterland, traders' options at face value have increased. DP World notes that once a shipment is retrieved at the DP World Maputo port, the organisation handles the entire supply chain process from there to Komatipoort and beyond to various areas in the hinterland without delay. While the cost of this service varies per user, the service is estimated to be equivalent in costs or cheaper compared with traditional routing through Durban. If the offering indeed ends up being more efficient, questions about terminal concessions at Durban Port will undoubtedly rise.

Air Update

e. International air cargo

The following table depicts the inbound and outbound air cargo flows to and from ORTIA for the week starting 26 April. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *April 2020* averaged about **467,496 kg** per day[12].

[11] Burger, S. 03/05/2021. DP World Komatipoort handles its first direct imports from Maputo.

[12] 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 **472,866 kg** per day.

Table 4 - International inbound and outbound cargo from OR Tambo

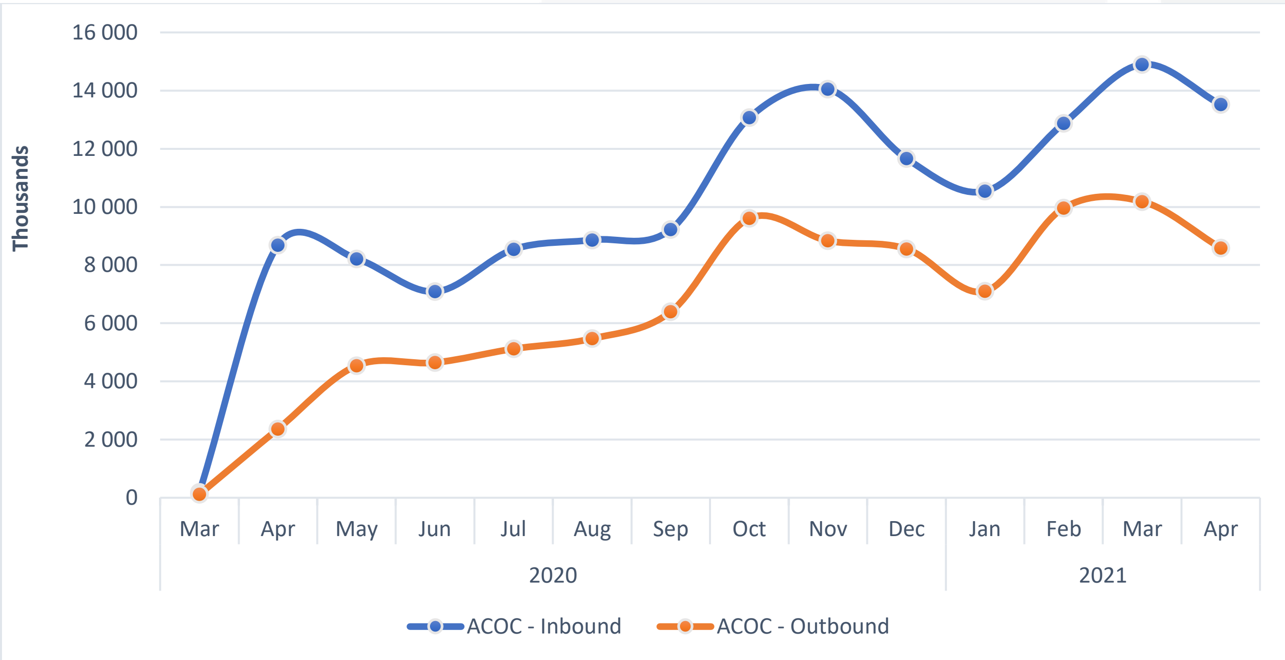
Flows	26-Apr	27-Apr	28-Apr	29-Apr	30-Apr	01-May	02-May
Volume inbound	508,615	434,328	319,366	436,582	344,199	301,848	721,666
Volume outbound	170,167	244,750	188,661	271,394	192,892	212,585	633,990
Total handled per day	**678,782**	**679,078**	**508,027**	**707,976**	**537,091**	**514,433**	**1,355,656**

Courtesy of ACOC. Updated: 03/05/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 26 April amounted to **438,086 kg** inbound and **273,491 kg** outbound. The total, therefore, amounts to an average of **711,578 kg** per day or approximately **~129%** compared with the same week in April 2020. In terms of the monthly comparison, the international aviation industry's capacity levels are about **208%** that of last year, as *Figure 1* above clearly illustrates. Compared to pre-COVID-19, the level is currently at around **76%** compared with 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year.

Figure 6 – International inbound and outbound cargo from OR Tambo



Courtesy of ACOC. Updated: 03/05/2021.

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 the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *April 2020* was approximately **44,795 kg**[13] per day.

[13] For Cape Town, the figure corresponds to **42,348 kg** per day, and **3,984 kg** per day for Durban during the same period (April 2020).

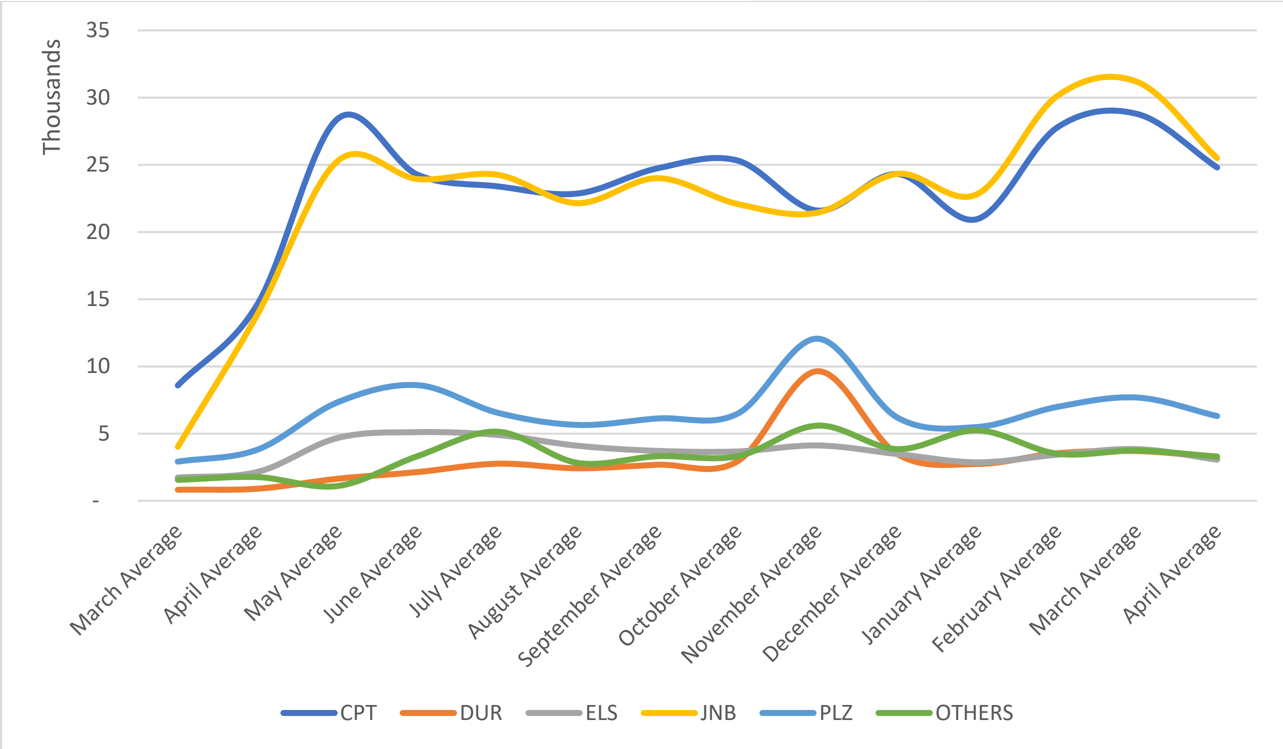
Table 5 - Total domestic inbound and outbound cargo

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	4,093	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
Feb Average	27,777	3,537	3,427	30,117	6,988	3,503	75,348
Mar Average	28,781	3,702	3,845	31,166	7,680	3,740	78,914
1-20-Apr Ave	24,284	3,197	2,941	24,392	6,385	3,085	64,282
21-Apr-21	42,263	5,263	4,897	46,421	11,052	4,472	114,369
22-Apr-21	46,424	4,994	5,032	38,467	10,163	4,361	109,440
23-Apr-21	17,884	3,095	3,671	31,009	6,312	3,391	65,364
24-Apr-21	1,625	976	3	3,069	240	124	6,037
25-Apr-21	2,752	355	185	1 283	462	401	5,438
26-Apr-21	29,684	2,330	3,439	40,422	6,666	3,714	86,256
27-Apr-21	2,898	628	28	6,143	89	178	9,964
28-Apr-21	48,573	6,452	6,425	56,099	10,148	4,687	132,384
29-Apr-21	45,882	6,143	6,301	32,805	10,949	4,719	106,799
30-Apr-21	22,603	2,840	2,936	27,239	5,422	3,655	64,695
01-May-21	2,067	779	16	3,361	250	125	6,598
02-May-21	3,392	360	29	1,625	309	427	6,142
03-May-21	53,876	5,622	5,428	46,734	15,221	5,579	132,460
Grand Total	3,123,077	402,439	400,974	3,333,170	808,869	409,073	8,477,602

Courtesy of BAC. Updated: 05/05/2021.

Currently, the average domestic air cargo moved in the last week was **~65,393 kg** per day, showing a decrease of **↓8%** compared with the previous week, but a staggering **~236%** compared with the same time in 2020. The following figure highlights the total monthly domestic air cargo moved per airport in the table above, with a noticeable uptick in volumes for both CPT and JNB in February and March.

Figure 7 - Total domestic inbound and outbound cargo[14]



Courtesy of BAC. Updated: 06/05/2021.

Regional update

f. Cross-border delays

The following significant events have caused cross-border delays in the SADC region this week:

- Transporters received a notification from Zimra to expect extra delays at Beitbridge for the coming six weeks due to the construction of the upgraded Border post.
- Skilpadshek has restated its PCR testing as of 30 April 2021. Consequently, all foreign drivers will not be allowed into Botswana without a valid PCR screening test result. All Botswana drivers will be tested at the border at the cost of 500 Pula, with testing to run parallel with the rapid tests for Botswana drivers.
- On 27 April 2021, delegates from Botswana and Zambia signed the bilateral agreement for the Kazungula OSBP, with 10 May being touted as the opening date. Despite these advances, crossing fees have yet to be published.
- Delays at Chirundu were experienced this week, with issues at the release desk being the main culprit.

Besides these significant events, investigations continue into cross-border delays experienced at several SADC border posts on the regional road freight front. The following table uses geofencing data to summarise delays experienced at several borders during the last week.

BUSA

[14] Note, April only includes 26 days' worth of data.

Table 6 - Delays[15] summary – Selected SADC borders

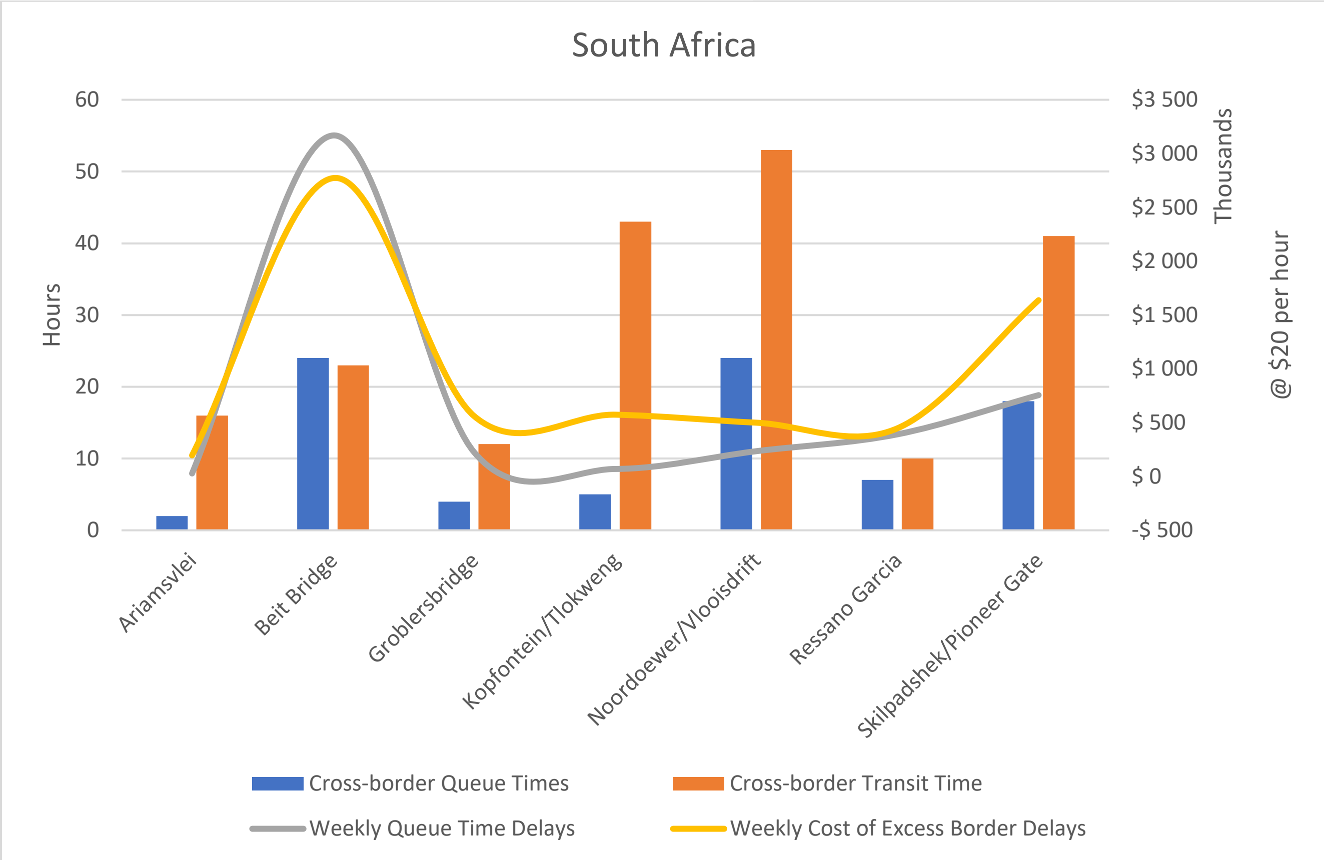
Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Nam/SA	Ariamsvlei/Nakop	2:00	16:00	100	3 000	700	9 800	1 400
SA/Zim	Beit Bridge	24:00	23:00	943	28 290	6 601	138 621	158 424
Moz/Zam	Cassacatiza/Mlolo	1:00	13:00	60	1 800	420	4 620	420
Zam/Zim	Chirundu	48:00	22:00	616	18 480	4 312	86 240	206 976
Moz/Mal	Dedza	2:00	16:00	50	1 500	350	4 900	700
SA/Bot	Groblersbrug/Martins Drift	4:00	12:00	400	12 000	2 800	28 000	11 200
Zam/DRC	Kasumbalesa	6:00	56:00	592	17 760	4 144	165 760	24 864
Zam/Bot	Kazungula	2:00	51:00	212	6 360	1 484	72 716	2 968
SA/Bot	Kopfontein/Tlokweng	5:00	43:00	100	3 000	700	28 700	3 500
Moz/Zim	Machipanda/Forbes	1:00	8:00	320	9 600	2 240	13 440	2 240
Zam/Tan	Nakonde/Tunduma	0:00	0:00	500	15 000	3 500	-7 000	0
Zam/Tan	Noordoewer/Vlooisdrift	24:00	53:00	70	2 100	490	24 990	11 760
Zim/Moz	Nyamapanda	1:00	10:00	100	3 000	700	5 600	700
SA/Moz	Ressano Garcia	7:00	10:00	400	12 000	2 800	22 400	19 600
SA/Bot	Skilpadshek/Pioneer Gate	18:00	41:00	300	9 000	2 100	81 900	37 800
Zam/Zim	Victoria Falls	1:00	2:00	114	3 420	798	0	798
Moz/Mal	Zobue/Mwanza	2:00	20:00	100	3 000	700	12 600	1 400
				4 977	**149 310**	**34 839**	**693 287**	**484 750**

Source: TLC & FESARTA, week ending 03/05/2021.

The following graph shows the weekly change in cross-border times from South Africa's perspective. The estimated cost to the industry is also shown.

[15] 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 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 a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

Figure 8 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US$ thousands)

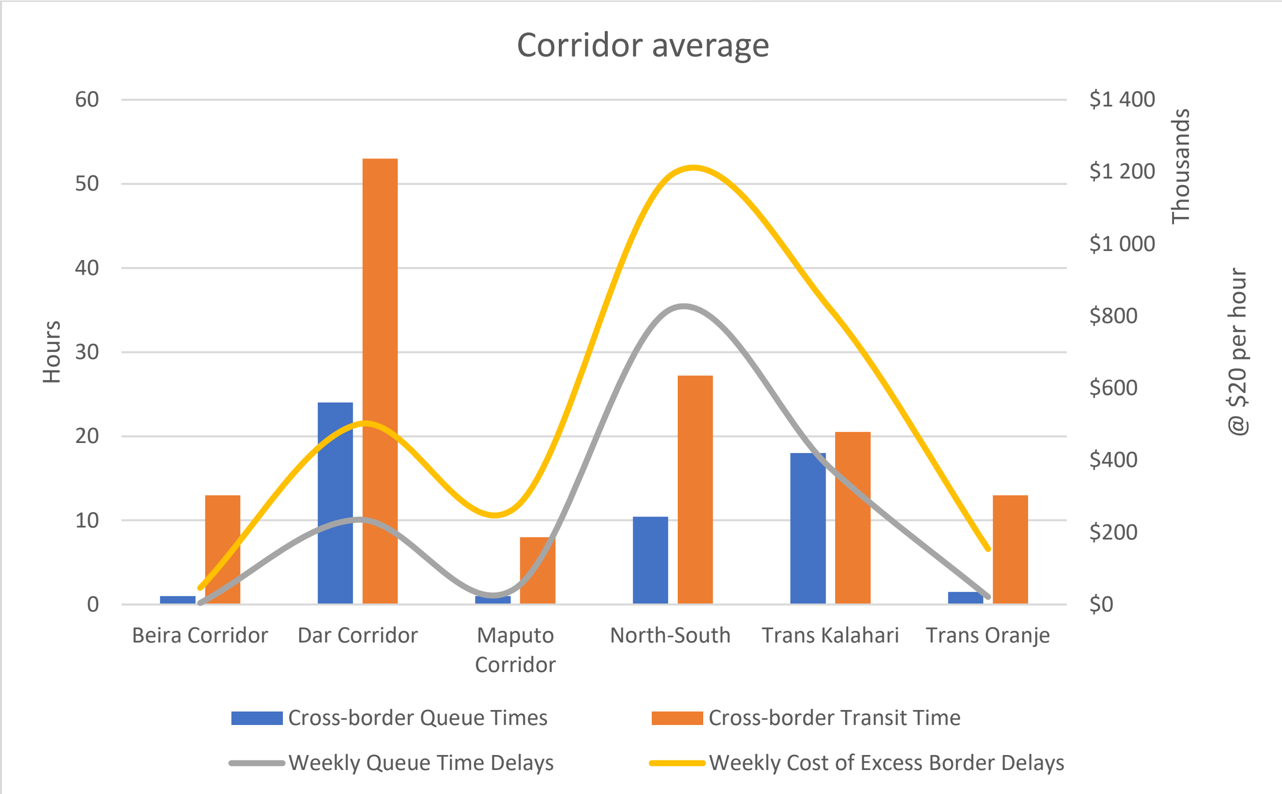


Source: TLC & FESARTA, week ending 03/05/2021.

Compared with previous weeks, the cross-border queue times remain high at Beit Bridge and Skilpadshek. The cross-border transit times are exceptionally high at most border crossings, which again illustrates the need for the cross-border road industry to adopt better policies, processes, and procedures. As shown in the figure above, the delays are incredibly costly at the Beit Bridge border crossing, the busiest crossing in the region and indeed Africa.

The following figure illustrates a similar figure to the one above, albeit from a corridor perspective.

Figure 9 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, week ending 03/05/2021.

In summary, the cross-border queue time has averaged **~8,2** hours (which is noticeably lower than that experienced in the previous week at **~9,5** hours) and cost the transport industry an estimated **$9,7 million** (**R155 million**). In comparison, the average cross-border transit time has also decreased to **~20,8 hours** (**~24,2 hours** last week), which cost the transport industry an estimated **$13,9 million** (**R222 million**). The total cost for the week mentioned above amounts to an estimated **R377 million** (down by approximately **R73 million** from **R450 million** last week).

International update

The following section provides some context of the global economy and, in particular, the impact of COVID-19 on trade. The section includes an update on the **(a)** global container industry and the **(b)** global aviation industry.

g. Global container industry

i. Container throughput, equipment update, and record profits

New estimates show that container cargo demand is fast recovering despite the ongoing uncertainties. In a recent presentation by Drewry, growth in container cargo is projected at around **↑8,7%** for 2021, moderating at approximately **↑4,2%** until 2025[16]. The following figure aptly illustrates the projections for the next five years.

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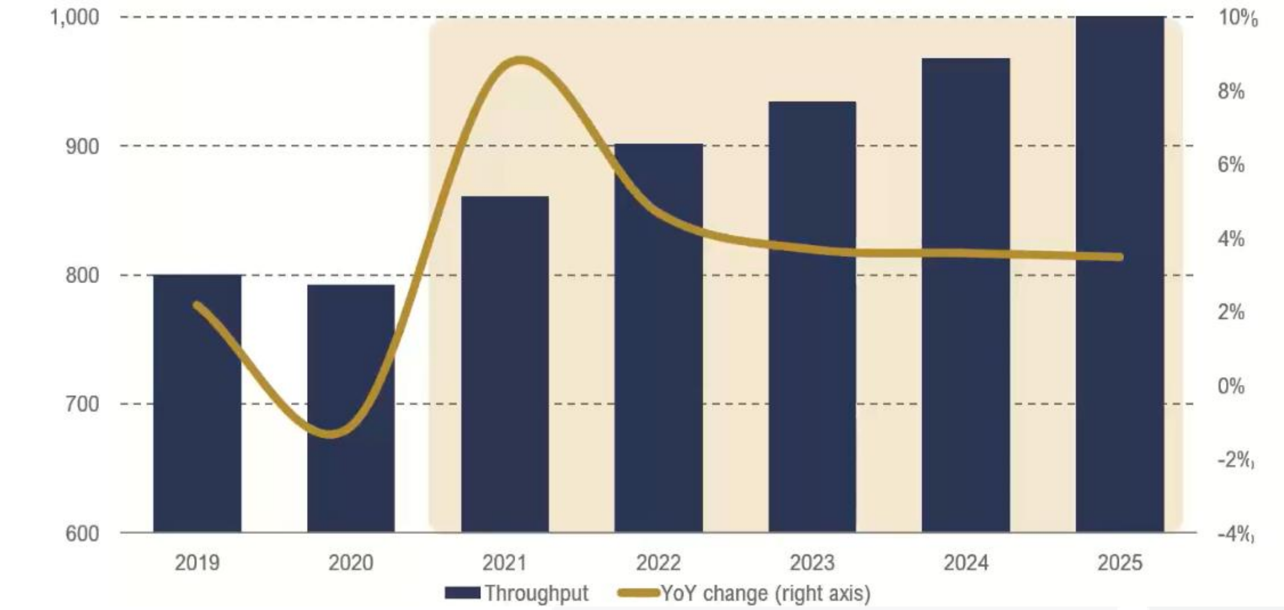
[16] Drewry. 04/05/2021. [LNG Market Outlook Briefing](#).

Figure 10 – Global container throughput



Source: [Drewry's Container Forecaster]

After last year's slight contraction in trade, the subsequent rebound and immediate outlook continue to be even better than expected. Especially in the maritime industry, the recovery has been driven by the shift in purchases from services (movies, travel, shows) to durables (products) and by e-commerce.

The demand is also stimulating container manufacturing, as production reached a record 1,4 million TEUs in Q1 2021 (with around 90% being high cubes) as new containers are added to the existing fleet at a swift pace to make up the spread due to global shortages and major imbalances at the largest container terminals. Indeed, the global container fleet is expected to expand rapidly until at least 2023. Unfortunately, the production cost has also increased due to a rise in international steel prices and further accompanying rises in labour and accessories (paint). Nevertheless, much like the carriers with the elevated freight rates, the manufacturers of containers have leveraged the situation of increased demand to their advantage.

Despite the general container market constraints, many major shipping lines have thrived during these unprecedented market conditions. Maersk has recorded the best quarter in its history, reporting a net profit of $2,7 billion for the first three months of the year, compared with $209 million for Q1 2020[17].

The Danish transport and logistics group listed "*strong demand coupled with significant operational challenges such as bottlenecks, lack of capacity and equipment*" as the main drivers of increased freight rates, which largely accounts for the record profits. Maersk further attributed "around $2 billion" to the "*extraordinary market conditions*".

And Maersk's profit for the period could have been even higher had it filled its ships with more cargo from the lucrative spot market. Indeed, following the Suez Canal blockage, Maersk decided to "temporarily suspend" its spot and short-term contract bookings from Asia, leaving many forwarders and NVOCCs, which typically fix on shorter-term contracts for three-month periods, scrambling for alternatives and forced to pay rival carriers' much higher FAK rates[18].

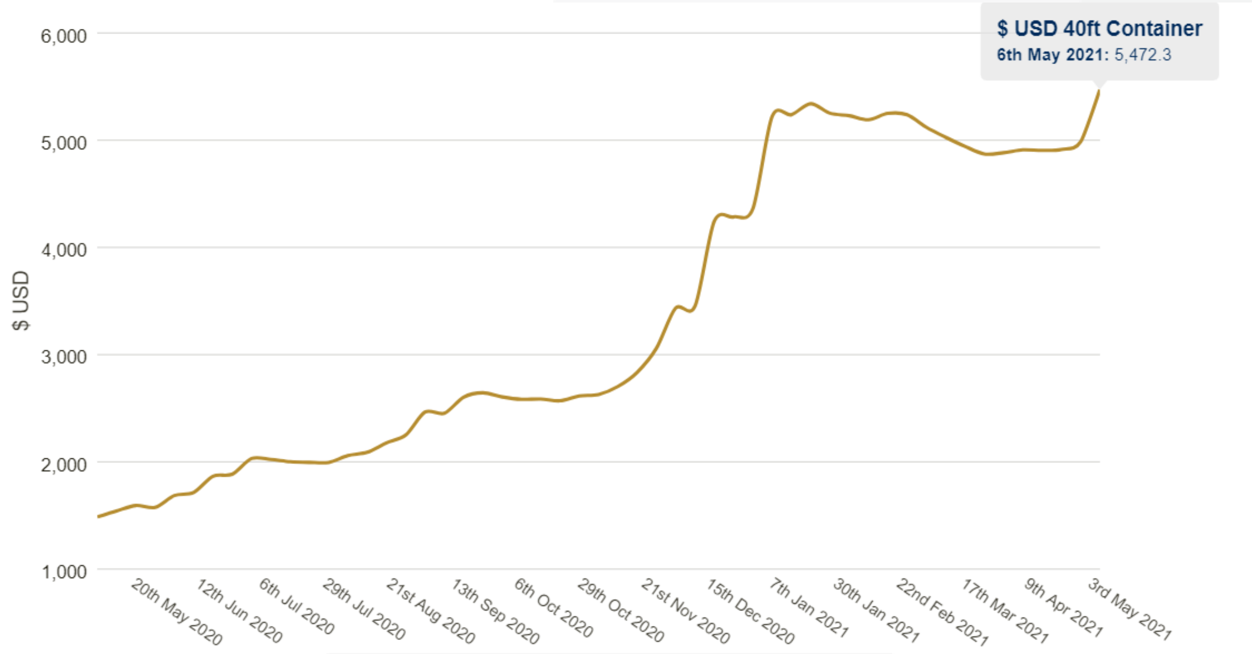
[17] Maersk. 05/05/2021. Continued growth, high profit and additional share buy backs from A.P. Moller - Maersk in Q1 2021.
[18] Wackett, M. 05/05/2021. 'Extraordinary market conditions' bring Maersk a $2bn.

The financial report by Maersk almost mirrored the profits reported by China's COSCO just a week earlier, at $2,4 billion for Q1 2020[19]. Indeed, media reports of a two-year profit jackpot are circulating, as shippers are bracing for a further broadside of rate increases in June across multiple trades as ocean carriers beef up profits ahead of the peak season, after a short period of stability[20]. And soon enough, as the freight rate contagion is reported, the extended supply chain is experiencing the rates increases as conveyed in the following section.

World Container Index

The global freight prices again increased this week, by a staggering **9,8%** to **$5,472.33,** according to Drewry's "World Container Index" (WCI)[21]. After what appeared to be a sustained decrease in recent weeks, the sudden increase will come as a shock to traders, especially in the wake of shipping lines reporting record profits primarily due to the stratospheric prices of freight. The following figure highlights the two-year spot freight rate trend for the index.

Figure 11 - World Container Index - Assessed by Drewry ($ per 40 ft. container)



Source: *Drewry Ports and Terminal insights*

The composite index is now nearing triple (**278%** y/y) the rate compared with last year, currently at **$5,110** per 40-ft container. This rate is **$3,272** higher than the five-year average of **$1,838** (up again by **$18** since last week). The incessant increases are becoming a real concern for shippers. The shipping lines are seemingly pricing some traders out of the market, since many shippers are left with no option but to pay the spot market rate to cover their commitments.

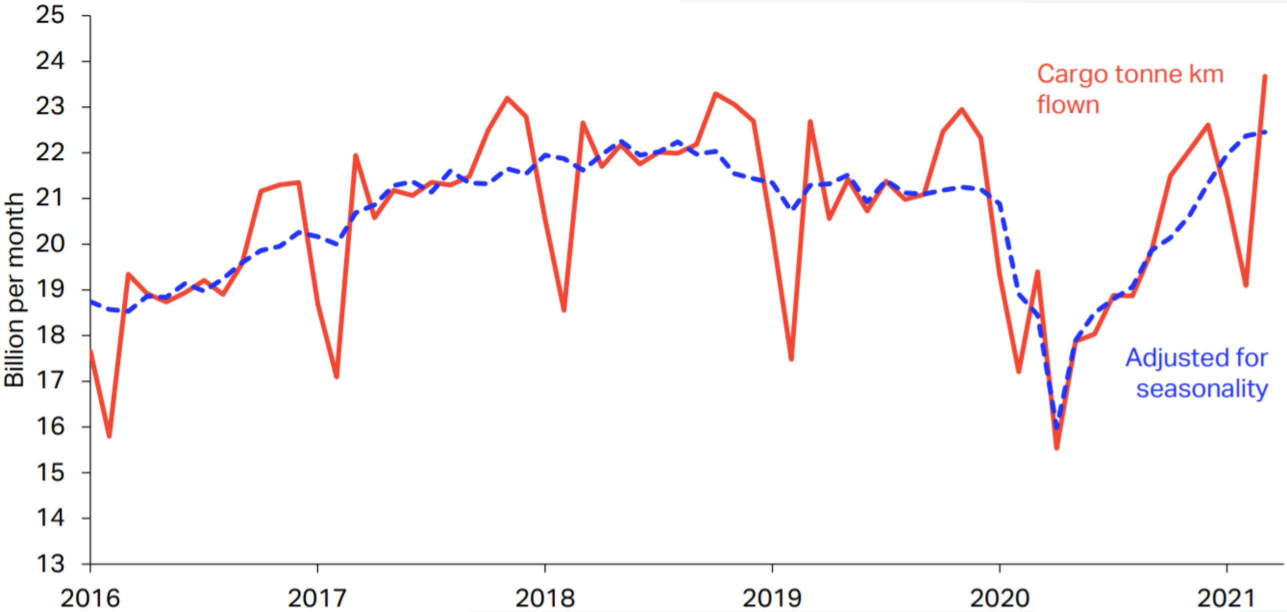
Global aviation industry

This week, the International Air Transport Association (IATA) released their monthly "*Air Cargo Market Analysis*" for March[22]. In summary, global air cargo volumes reached the highest level in the history of IATA's time series in March despite their growth softening slightly compared with February. CTKs rose by **↑4,4%**

[19] JOC. 29/04/2021. Cosco turns in $2.39 billion net profit in strong Q1.
[20] Wackett, M. 30/04/2021. Freight rate 'contagion' will bring two-year 'profit bonanza'.
[21] Drewry Supply Chain Advisors. 06/05/2021. World Container Index.
[22] IATA, 04/05/2021. Air cargo market analysis.

compared to the pre-crisis levels with a ↑**0.4%** m/m rise compared with January. Furthermore, the near-term outlook continues to be positive due to ongoing recovery in some of the leading demand indicators. For the year, CTKs are estimated to rise by ↑**13,1%** y/y 2020 and ↑**2,8%** higher than 2019 levels. Recovery in cargo capacity restarted following the disruption caused by the grounding of passenger aircraft in early 2021. However, global available cargo tonne-kilometres (ACTKs) are still **~↓12%** below that of the pre-crisis levels. The following figure illustrates the immense growth in cargo.

Figure 12 – Growth in cargo volumes by region (% change versus February 2019)



Source: IATA Economics

The rapid "V-shaped" recovery is clear from the figure, as in the first quarter of 2021, and global CTKs were 5,6% higher than in Q1 2019 and 14,1% above that of Q1 2020. Air cargo is set to continue the recent upward trajectory, as the underlying drivers of air cargo demand remain positive as countries emerge from lockdowns and business activity restarts. These drivers include the following:

- The Purchasing Managers' Index (PMI), which stood at 53,4 in March,
- Demand for exports grew broadly in March,
- Delivery times for manufactured goods are increasing, which generally indicates increased demand for air cargo in efforts to reduce shipping time,
- Global trade rose 0.3% in February – the ninth consecutive monthly increase and the most prolonged continuous growth in more than two decades.

Further highlights from the analysis by IATA include:

- Global capacity (as measured in ACTKs) continued to recover in March, up by **5,6%** m/m. These capacities increased despite the stall of the passenger market (and accompanying belly cargo),
- Indeed, global air travel (as measured by global passenger-kilometres – RPKs) improved in March but remained **67,2%** lower than March 2019 (and not much better than Q4 2020),
- Border travel restrictions remain high – with increased vigilance given the alarming surge in India.

Lastly, some financial results can be conveyed. As was the case in the global container industry, a major player in the air freight industry also recorded record quarterly profits. However, in this case, the record profits approximately coincided with a vis-à-vis increase in volume. Deutsche Post-DHL today reported record quarterly financial results, as all its divisions saw rising volumes, revenues, and profits.

Group revenue grew 22% to €18,9 billion ($22.7bn). At the same time, EBIT more than tripled to €1,9 billion, as its divisions "*benefited from the continued strong momentum in global e-commerce and the simultaneous recovery in world trade*". These results were on the back of an 18,2% growth in air freight volumes – to 494,000 tonnes – and an 8,8% growth in ocean freight – to 764,000 TEUs – largely driven by demand from Asia to North America.

A notable contributor to these financial results was e-commerce, as the division saw revenue grow by 46%, to €1,45 billion, due to higher volumes, and EBIT increased to €117 million compared with €6 million the year before[23].

[23] Van Marle, G. 05/05/2021. Express the star performer as DP-DHL reports record quarterly results.