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Weak consumer demand hinders container trade performance

According to the 2016 Q3 Maersk Trade Report, expectations that the container market would experience growth during the third quarter of the year have not been realised. The report reveals that the market has declined by 6% year-on-year, similar to the 5% year-on-year market contraction that was reported in the previous quarter.

Matthew Conroy

Matthew Conroy, trade manager of Maersk Line Southern Africa, says that the main decline has been seen in imports, which have declined by 9%, specifically imports from the country's largest trade lane, Asia, which declined by 14%.

Weak consumer demand

"The decline is linked to South African consumers purchasing less consumables, which are imported in containers, such as auto, retail, and electronic goods," says Conroy. He explains that general demand for these products has remained relatively weak despite the somewhat stronger rand which makes imports less expensive. "The stronger rand has unfortunately not triggered any notable 'restocking efforts' to boost imports."

While this weak consumer demand, which has resulted in relatively low import levels, has not been conducive to container trade, Conroy acknowledges that it has contributed positively to the country's recent trade surplus, as was announced earlier this week by the South African Revenue Service (SARS).

Signs of stabalisation

He adds that the picture for export container trade is slightly more positive, with the market only having declined by 2% year-on-year – parallel to the decline reported in the previous quarter. "This means that while the market is still not growing, there are definite signs of stabilisation after a terrible first quarter.

"Mining commodities such as chrome and manganese continue to move at a steady pace based on demand from China and improved price levels, but not at robust levels. Fruit exports, which represents about 25% of total exports and has a high value, declined by 5% on the back of the drought which limited citrus output," he accounts.

Looking forward

Looking forward, Conroy says that the projection for imports is to remain under pressure for the rest of the year, while exports are expected remain relatively steady. "We will likely see a market decline for imports in the 7-8% range, unless the rand was to strengthen considerably. Regarding exports, it is likely that the market will continue within its current stable trend and fall in the -2% to 0% growth range. Fruit exports are likely to follow in line with this trend, but there could be considerable volatility in crop output based on the unknown impact of the drought."