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## Ports of Egypt and Coronavirus

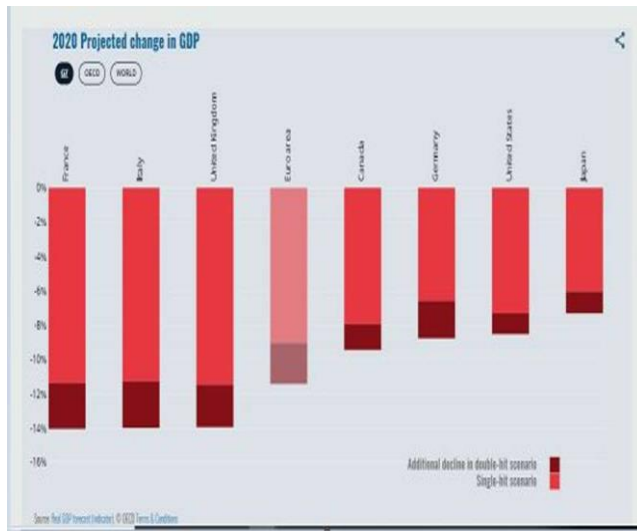
### Testing Water of The Pandemic

#### Semi-annual Report

- ✓ Almost all shipping companies and port officials believe that agriculture export season has kept traffic at Egypt's ports at a steady pace
- ✓ Because of long term contracts, some experts believe the impact of Covid-19 on activities in ports of Egypt will not be seen until September



## Report Foreword



On January 2020, World Health Organization (WHO) declared that Corona Virus globally known as “COVID-19”, has hit the world. Analysts believe this pan world dilemma could lead to improved international co-ordination in tackling emerging diseases.

Death tolls recorded unpleasant numbers as the pandemic claimed the lives of thousands in different parts of the world hence, exposing governments to a real challenge for surviving not to mention moving ahead with development plans.

This week, Economic Cooperation and Development Organization (ECAD) said the world is nearing the darkest spot along Covid-19 which will presumably instigate the worst economic shrinkage outside wartime in a century.

Economists have drawn up two scenarios for the global economic performance for the remaining months of 2020. 1st scenario anticipates a second wave of the pandemic with renewed shutdowns before yearend.

Accordingly, world aggregate domestic production will record a 7.6 percent shrinkage in 2020 and the world economy will remain beyond pre Covid-19 levels until end of next year.

While 2nd scenario does not see a second wave of the virus attack, global economy will be shrinking by 6 percent and could rebound to pre pandemic levels by end of 2021.

The Organization believes France, UK, Spain and Italy will be the hardest hit by economic shrinkage this year. For USA, ECAD expects a 6.5 percent shrinkage under 1st scenario and 7.3 percent in case the other one prevails.

This report reviews how far ports of Egypt have reacted to the pandemic by discussing preventive and precautionary measures taken by port authorities, surveying traffic figures in 5 months, presenting views of shipping industry experts and port officials and how global institutions are looking at Egypt's economic performance at the current stage.



## **1) Ports of Egypt are always open and closely coordinate with Health Authorities**

So far there have been no reports of disruption to shipping through the Suez Canal. The east side of Port Said is closed, while the west side remains open with limited operations. All ports are open implementing precautionary and preventative measures.

If any crew members are suspected of being infected or any actual case is detected, the vessel will be prevented from transiting the Canal or entering the ports.

The Alexandria Port Authority (APA) instructed all agents to conduct fumigation and cleaning operations upon a vessel's arrival, a prerequisite to handle cargo on board.

As part of the state's precautionary plan to combat coronavirus, Alexandria, Red Sea, Damietta and Port Said ports declared emergency state. Ports of Egypt have taken a number of precautionary measures as below to curb the virus by way of coordination with the quarantine departments in each port:

1. The presence of quarantine delegates during ship entry to the port for theoretical examination of all the arrivals, especially those coming from countries where the disease originates.
2. Preparing an operations room in coordination with the quarantine department in each port for testing those on-board vessels the port receives on a daily basis.
3. Issuing of health control cards for each individual coming from the countries where the virus has appeared.
4. Notifying the General Administration of Quarantine and its health affairs directorates of the infected place of residence to monitor how the case is developing for 14 days from the date of arrival.
5. Immediately isolate any suspected disease.

### **Precautionary Measures**

The state's precautionary plan to confront this virus provides for equipping isolation departments in fever hospitals to deal with such cases, activating procedures for monitoring acute respiratory diseases, raising awareness, and monitoring progression of the situation globally.

The government also spares no efforts in communicating all information relevant to Covid-19 to managers of all private hospitals and clinics instigating them to conduct free treatment in governorate health departments and alerting them of the need to immediately report any suspected case and refer it to the nearest chest or fever hospital.

All ships calling at Egyptian ports shall provide the following documents before entering, together with relevant berthing request:

- Crew list
- Passenger list (tourism)
- List of Last 10 ports of call

- Narcotics list
- Maritime Health Declaration
- Vaccination list
- (For entering Port of Alexandria and Dekheila), shipping agents are asked to notify health authorities if there is a need to allow in/out any crew member of ships coming from the countries below:
  - Italy,
  - Kuwait,
  - Bahrain,
  - Germany,
  - France,
  - Switzerland,
  - Spain,
  - Thailand.
  - China,
  - Taiwan,
  - Japan
  - Malaysia
  - Vietnam,
  - South Korea,
  - Singapore,
  - Iran,

On 6 April, Egyptian Health Ministry has decided to implement the following preventative measures to all vessels calling at the port of Alexandria:

1. Once the vessel berths at quay or inner-anchorage area, a team of medical officers will board the vessel to sterilize the whole vessel including every container, all holds, and different types of cargo.
2. A team of specialized quarantine doctors will get on board to examine ship crew and personnel. These examinations may include preliminary temperature measurements to identify any crew member who may be sick. If so, more stringent measures may be implemented, including but not limited to going to immediate quarantine.

On 7 April, The Egyptian Authority for Maritime Safety (Marine Inspectorate) have issued instructions allowing shipping agents to apply for the sailing formalities 72 hours before the actual departure of vessels.

## Port of Damietta: Mature Reactions to the Pandemic



This June, Damietta Port Authority (DPA) has participated in the second COVID-19 webinar series organized by the Port Training Institute (PTI) of the Arab Academy for Science, Technology and Maritime Transport (AASTMT) under the theme (Management and Marketing of Port & Shipping Services post the pandemic) Speakers, experts and specialists from China and Egypt participated in the debate.

In his working paper entitled (Damietta Port – post Covid -19) broadcasted live via Zoom program, DPA Chairman Admiral / Walid Awad, gave a presentation on the measures taken by DPA to cushion against the Corona Virus entry to

the port and protective steps to tackle the disease in terms of medical inspection of all vessel crews, daily sterilizations of port facilities and port users and personnel healthcare procedures.

DPA also paid special attention to conducting on-line Zoom-based meetings with port officials and inviting port users to rely more on electronic work procedures such as e-billing, unified invoice and e-signature to ensure social distancing between port community members. Awad explained.

At the end of the workshop, DPA stressed the importance of digitization of the work procedures, and creation of an e-platform that would include members from all sectors of maritime transport worldwide to exchange views and experiences on urgent issues.

The port authority also highlighted the necessity to diversify sources of port income by offering sound investment opportunities. DPA joins in the series of (post COVID 19 pandemic) webinars to exchange experiences with international partners and put forward the measures taken by the authority to tackle the adverse impacts of Coronavirus on the maritime world.

## Suez Canal: Woes and wishes



In its efforts to remain the world's preferred waterway shortcut and responding to the new global situation, The Suez Canal Authority (SCA) have released new circulars and amendments, offering rebates to container vessels, LNG and LPG carriers:

1. Circular (4/2020) offering fixed rebates to LPG vessels between the US Gulf and West/East Coast India and Far East.
2. Circular (3/2020) offering fixed rebate to container vessels from North West Europe going to Port Kelang or its eastern ports.
3. An amendment to the previous fixed LNG rebate, increasing same from 25% to 30%.

4. A renewal/amendment to Circular (7/2017) offering fixed rebates for LNG vessels between US Gulf and AG/WC India/EC India/Far East.

5. SCA Periodical Concerning the granted rebates as per following circulars:

-Circular 2/2016 (Containerships)

– Circular 3/2016 (Crude oil tankers transiting integrated with SUMED)

– Circular 7/2017 (LNG Carriers)

The Suez Canal Authority reduced fees for container ships crossing the Suez Canal until 30 June by 60%-75% for transit container ships originating from the US and heading to destinations in Southeast Asia.

Container ships originating from Northwest Europe and the ports of Tangier and Algeria, also heading to Southeast Asian ports, will see fees reduced by 17% as of 1 May and until 30 June. The question now is: Will these be enough?

## **2) Economic Impacts of Covid-19 on Egyptian Ports and Companies**

### **❖ Agriculture exports and long-term contracts saved the situation during the Q1 of 2020**

As reports about the coronavirus' severity hit global media, February saw delays in Chinese imports at Egyptian ports, but companies listed on the Egyptian Exchange (EGX) filed disclosures claiming their businesses wouldn't be impacted by the outbreak.

Traffic at Egypt's leading ports including East Port Said, Alexandria, and Damietta has largely remained stable despite the impact on trade from covid-19 but shipping and logistics firms are suffering. The challenge could only get worse as low oil prices, Suez Canal fees and high port charges encourage more shipping lines to go around the Cape of Good Hope and bypass Egypt altogether.

### **❖ The Slowdown is affecting Shipping Companies, but not Port Traffic**

According to a report published by Enterprise, the short answer is agriculture, which has been keeping port activity busy during the first quarter of 2020. As we enter a stage where lockdowns in a number of countries are being phased out — most significantly in China and Italy (two of Egypt's largest trade partners) — industry insiders expect to see an uptick in demand. But these gains can only be achieved if the government can respond with the right incentives.

### **❖ Oil Prices and the Cape of Good Hope**

In addition to the slowdown in global trade, the oil price crash has had an adverse effect on shipping traffic and container handling at Egypt's ports by incentivizing some of the world's biggest companies to move their ships through countries with cheaper port fees. The 2M Alliance of Maersk Line and Mediterranean Shipping Company rerouted some of their China-EU ships from the Suez Canal and around South Africa's Cape of Good Hope.

It takes longer, but it's less expensive with low oil prices — and cost-efficiency (not time) is the name of the game for the industry right now. This comes after France's CMA-CGM shipping line announced in early April that it would take the South Africa route. When fuel prices are low, shipping companies can afford to go longer distances to ports with lower fees. Experts said.

### ❖ Shipping Activities in Egyptian Ports have not been affected yet

We noted that the port of East Port Said saw a 36.4% increase y-o-y in the number of containers being moved at the port in 1Q2020. The port of Alexandria — which handles 70% of the commercial goods that pass through the nation's ports — has remained steady, with the port moving an average of 7-10k containers per day in March. Customs duties reaped EGP 3 bn in revenue last month.

When asked on the impact of rerouting of ships by major shipping companies has had on Egypt's ports, Suez Canal Economic Zone (SCZone) Chairman Yehia Zaki confirmed that major shipping companies continue to operate in Egypt and the impact of competing ports slashing prices has been minimal. So why haven't we seen this decline in global shipping reflected in Egypt's port activity?

### ❖ Agriculture saved the situation

Almost all shipping companies and port officials say that the agriculture export season has kept traffic at Egypt's ports at a steady pace. We're seeing a 4- 5% increase in outbound shipping thanks to the export season. The number of ships moving agricultural goods through the port of Alexandria increased 21% y-o-y in 1Q2020.

Volumes of agricultural goods being handled at the port also rose 37% y-o-y in Q12020 to 205.8k tons. Officials had also attributed the continued activity at Egypt's ports to a backlog of shipping from long-term contracts. Global trade has seen a decline in non-essential goods while essentials are continuing to be moved. Even the long-term contracts are primarily for essential goods.

Furthermore, the costs and fees of docking inbound ships at Egypt's ports and the handling of import cargo is much higher on maritime companies than for outbound ships and export cargo.

This means that gains in export activities are outweighed by the losses in import activities, he added. Other shipping agents also noted that an increase in the number of ships does not mean profitability is up. Container numbers and cargo are the bread and butter of the industry, so more ships carrying less cargo compounds losses.

However, the current rise in agriculture exports may not continue at the pace it is in the long-term and long-term contracts will run out. Officials could not pinpoint when that day may come, but hinted at a decline in shipping traffic if the covid-19 crisis continues past that point.

### ❖ The Shipping Industry's silver lining

As the global discussion over when lockdowns can be eased and economic activity can start picks up, shipping companies are pinning their hopes that this may come sooner than later. Keeping these hopes alive is the easing of the lockdown in China, the US (the biggest importer of Egyptian garments), and Italy (Egypt's third largest trading partner).

Experts see the moment of truth happening in mid-July, and expect a "significant" jump in shipping activity. But even if that does happen, Egyptian ports will need to be more competitive in order to lock in those gains. In response to Cyprus and Greece lowering their port fees, the Maritime

Transport Sector has lobbied the port of Alexandria to study responding with their own port fees and that appears to have already begun.

### **3) How Shipping Experts and Industry Insiders Assess the Situation**

The crisis we're currently going through is barely discernible when looking at activity in Egypt's ports and revenues, which have held steady or even increased in some cases in March according to officials at the ports of Alexandria, Damietta and the Suez Canal Economic Zone (SCZone). They also report that improvement projects and upgrades at the ports are continuing according to plan.

This begs the question: Has logistics joined the ranks of education and healthcare as a defensive sector during the crisis? The short answer: Yes, for now — as these gains have mostly been the result of locking in long term contracts and a backlog of imports.

#### **❖ Port Projects are going on**

While all ports have instituted safety precautions, many are still pushing ahead with planned upgrades and improvements. The port of Alexandria is in the final stages of completing an EGP840 mn cargo truck overpass and is proceeding with work on a EGP 460 mn multi-storey garage that can hold 3,400 cars.

The Suez Canal Container Terminal (SCCT) signed an agreement with the SCZone to invest USD 50mn to expand its mooring and docking facilities and terminals to accommodate larger cargo vessels through purchasing of further 15 rubber tiered cranes and increasing height of 6 ship-shore cranes to better handle motherships. Recently two tunnels have been opened to link the port with West Bank of the canal. The SCZone and SCCT also decided to reduce fees at the port to attract even more shipping traffic.

#### **❖ Plans underway for future Port Investments**

Talks between the SCZone and DP World over the development of a 10k sqm automotive, pharma, and textiles industrial zone in the port of Ain Sokhna are progressing and an announcement on an agreement is expected to be made soon, Zaki confirmed. The SCZone remains in active discussion with a number of Chinese companies on planned investment. He added.

#### **❖ Risk of Delaying Projects**

When asked on the likelihood that the \$7bn Russian Industrial Zone (RIZ) will be completed on schedule in 2020, Zaki said that the situation remains fluid and they would need to assess the full impact of covid-19 on ongoing projects at the SCZone.

#### **❖ The Importance of keeping Ports open**

The importance of keeping trade goods flowing, especially during a crisis, cannot be overstated, which is why policymakers all over the world can keep passenger infrastructure (such as airports) closed, but the same doesn't apply to ports experts say. Egypt's ports are currently operating at maximum possible capacity, he noted. The Egyptian government has recognized this, with



Transportation Minister Kamel El Wazir ordering all ports to stay open and active 24 hours a day in a move welcomed by shipping companies.

#### ❖ Exports have a role to play

Exports have been helping keep activities up. Since we are in the midst of the agriculture export season, which is why we're seeing an uptick this past month in the number of ships carrying exports. The number of export-bound containers from the port of East Port Said has risen 78.7% y-o-y in March 2020, while the number of containers imported increased only 7% y-o-y last month, said Zaki.

#### ❖ How long the Shipping Industry will remain intact

So, will this activity continue in next few months? Nobody can really tell. "We hope that this level of activity continues in April, but the situation is unpredictable and we would need to observe and gather more data to reassess our projections," Zaki said.

Long-term contracts have been sustaining this traffic so far, but for how long. Some experts believe that we won't see the true impact of covid-19 on activity in Egypt's ports until September, because of these long-term contracts. Even then, the situation may not be as dire considering that manufacturing activity is slowly restarting in places like China.

Meanwhile, the SCZone is not taking chances and plans to move ahead with incentives that would keep ships active in the area, says Zaki. The zone has prepared a package of incentives, which the government is considering. These will mostly be incentives that simplify procedures and make docking and loading easier for ships, but could possibly include tax incentives, he added.

### 4) How Global Institutions Evaluate Egypt's Current Economic Performance

#### ❖ New Financial Tool to gauge reaction to Covid-19

Financial Control General Authority has designed a tension parameter to evaluate how non-banking financial sector institutions could weather Covid-19 shocks and assess how far the plague has impacted organization's ability to meet obligations and tackle investment risks. The newly introduced parameter tends also to probe company assets quality and its financial blanket during and after Corona.

#### ❖ IMF Assists Egypt with Loans

In mid-May Egypt has received a \$2.77 bn from the International Monetary Fund (IMF) to help the country face Covid-19. Egypt's request for money was approved by IMF Rapid Financing Instrument (RFI) to satisfy urgent need for funds by the balance of payment due to the plague.

Further loans amounting to \$5 bn are expected as announced by ministry officials under the so-called Credit Ability Agreement.

### ❖ Reuters Questionnaire

In April, an opinion poll conducted by Reuters has expected a 3,5 percent growth in Egyptian economy during 20/21 despite Covid-19. Previous polls said a 5,9 percent uptick in the economy was possible.

First half of current year has shown a 5,6 percent of growth in the economic situation which will probably slowdown in second half of this F/Y.

Only a sole participant NKC African Economics expects 1,7 percent shrinkage in Egypt's economy next F/Y due to "weak consumption, investment and exports".

Generally, participants believe that inflation will stay within range of 9 percent (+/- 3 percent) set by Central Bank of Egypt (CBE), and that it will get down to 6 percent this F/Y before it accelerates again to reach 7,5 percent F/Y 20/21.

### ❖ Fitch Solutions Evaluates Interest Rates

Fitch believes that CBE will keep interest rates unchanged for the rest of 2020. No extra slash to interest rates is anticipated particularly after last March all-time reduction of 300 base points made by CBE to curb Covid-19 repercussions.

However, Fitch expects a 50 base point slip down in interest rates in 2021 with probably more acute reductions under consideration in case the economy fails to respond positively as planned.

### ❖ BNP Paribas Report

A report made by The French bank of BNP Paribas mentioned that the Egyptian economy could overcome negative impacts of Covid-19 as Gross National Production (GNP) would grow by 2,6 percent in 2020 and 3,4 percent in 2021.

The report confirmed that Egypt's foreign currency stock has noticeably improved last months in a way that could support the Egyptian pound against foreign currencies and allow the government to handle any temporary recession in foreign investors' appetite towards Egyptian debts.

BNP hailed the EGP 100 bn worth package of incentives pumped recently plus the decrease of 300 base points in interest rates to mitigate financial burdens on individuals and encircle potential company losses.

## 5) Ports of Egypt Performance Q1 2020

### Ports of Egypt Inbound /Outbound Commodity

Jan-March 2020

000 tons

Port Item	APA	DPA	Red Sea	EZ	Total
Inbound January	3872	1152	290	1375	6689
Outbound January	1099	1012	256	866	3233
Inbound February	3052	1164	141	934	5291
Outbound February	1018	985	273	1019	3295
Inbound March	3647	1586	136	2928	8297
Outbound March	1013	970	208	2380	4589
Grand Total of Inbound Commodities				20227	
Grand Total of Outbound Commodities				11117	

*APA= Alexandria Port Authority*

*DPA= Damietta Port Authority*

*EZ= Suez Canal Economic Zone*

## ❖ East Port Said Port



Despite the exceptional circumstances of the new Corona virus, East Port Said port authority statistics showed that collection and weigh-house revenues have remarkably increased since last January, reaching about EGP 1,403 bn, compared to about EGP 663 mn in the same month last year.

Revenue in February reached about EGP 1,485 bn compared to EGP 765 million in the same month last year. March's revenue was about EGP 1,764 bn compared to EGP 1,147 bn in the same month in 2019.

During the first quarter of 2020, performance indicators showed an uptick in ship and cargo traffic compared to the same period last year as the table below explains.

**EPSP Ship & Cargo Traffic**

Month	Ship Traffic (No.)		Container Traffic (000)	
	2019	2020	2019	2020
<b>January</b>	101	140	217	332
<b>February</b>	91	126	210	296
<b>March</b>	91	107	211	244

Revenues from fees at the port of East Port Said rose 80.5% y-o-y in 1Q2020, SCZone Chairman Yehia Zaki said in a statement. This came on the back of a 31.8% y-o-y increase in the number of ships docking at the port in 1Q2020, and a 36.4% increase y-o-y in the number of containers handled at the port. In March alone, the number of ships docking the port rose 17.6% y-o-y despite the lockdown in China and Europe and elsewhere, he noted.

## ❖ SC Traffic

Traffic in Egypt's Suez Canal has not been affected so far by the spread of the new coronavirus, The canal is the fastest shipping route between Europe and Asia and one of the Egyptian government's main sources of foreign currency.

The container shipping industry, a bellwether for international trade, has been blown off course by the new virus, which brought parts of China to a standstill before spreading around the world, leading container lines to re-route cargoes and reduce calls to Chinese ports. However, the number of ships passing through the canal in the first quarter of 2020 increased by 8.4% compared to the same period in 2019. Suez Canal revenues increased to \$ 458.2 mn in February compared to \$ 433.9 mn during the same month last year.



## ❖ Damietta Port Authority

**Ship & Cargo Traffic (5 months figures)****1- Ship Traffic (Jan-May 2020 compared to Same period 2019)**

Duration	Gen. Cargo	Dry Bulk	Liquid Bulk	Special	Containers	Frequent+Emergency Call ships	Services	Total
<b>2020</b>	535	341	42	34	373	6	69	1400
<b>2019</b>	372	346	33	23	23	19	67	1244
<b>How Many</b>	163	-5	9	11	-11	-13	2	156
<b>Difference %</b>	43.8	-1.4	27.3	47.8	-2.9	-68.4	3	12.5

**2-Monthly Variation of Ship Traffic (Jan-May 2020)**

Month	Number of Ships	Monthly Variation (%)
<b>January</b>	277	-
<b>February</b>	289	4.3
<b>March</b>	305	5.5
<b>April</b>	285	-6.6
<b>May</b>	244	-14.4

**3-Cargo Traffic (Jan-May 2020 compared to Same period 2019)**

Duration	Gen. Cargo	Dry Bulk	Liquid Bulk	Special	Containers	Total
<b>2020</b>	1639048	6835575	289592	549068	6339762	15653045
<b>2019</b>	2598129	7380685	238308	409409	6172015	16798546
<b>Quantity</b>	-959081	-545110	51284	139659	167747	-1145501
<b>Difference %</b>	-36.9	-7.4	21.5	34.1	2.7	-6.8

**4-Monthly Variation of Cargo Traffic (Jan-May 2020)**

Month	Handled Cargo (tons)	Monthly Variation (%)
<b>January</b>	3001317	-
<b>February</b>	3024415	0.8
<b>March</b>	3421858	13.1
<b>April</b>	3267390	-4.5
<b>May</b>	2938065	-10.1

**5-TEU Traffic (Jan-May 2020 compared to Same period 2019)**

Duration	Domestic	Transit	Additional Moves	Total
<b>2020</b>	200817	283286	38586	522689
<b>2019</b>	228102	241867	38000	507969
<b>Quantity</b>	-27285	41419	586	14720
<b>Difference %</b>	-12	17.1	1.5	2.9

**6-Monthly Variation of TEU Traffic (Jan-May 2020)**

Month	Number of TEUs	Monthly Variation (%)
<b>January</b>	105417	-
<b>February</b>	114995	9.1
<b>March</b>	105740	-8
<b>April</b>	113238	7.1
<b>May</b>	83299	-26.4

**Traffic Forecasts for June 2020**

Based on the above data, DPA can see 259 ships calling during this June, carrying overall quantity of 3165550 tons of cargo thus bringing overall throughput in first half of 2020 to something around 18818595 tons of cargo. Meantime expected TEU will be like 90739 units making a total of 613428 TEUs in first half of the year.

**Conclusion**

So far, Ports of Egypt have not felt the sting of Covid-19 in the full sense of the word. We are just seeing the symptoms of an illness that nobody can tell for sure how far and how long it will persist.

Will ports of Egypt as a part of the global maritime body be gradually feeling the danger in terms of declining ship and cargo traffic, less work opportunities, less contracts and port business slowdown? The second half of the year 2020 will probably provide the answer.

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7. Fitch Solutions: Provides solutions to macro and microeconomic problems, based on actual client needs
8. BNP Paribas: Enjoys a strong presence in more than 80 countries all over the world. It ranks high in its three core activities: Retail Banking, Investment Solutions and Corporate & Investment Banking.

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