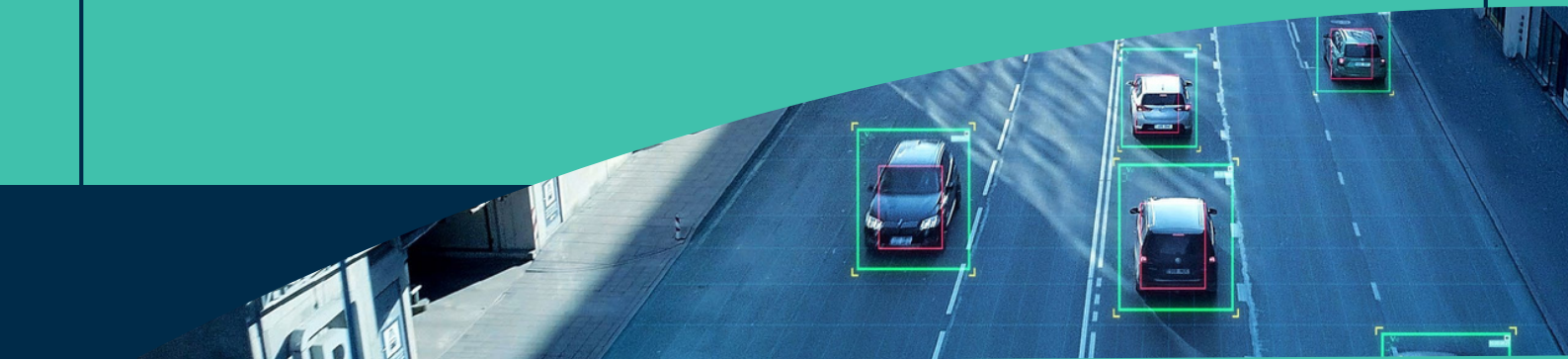




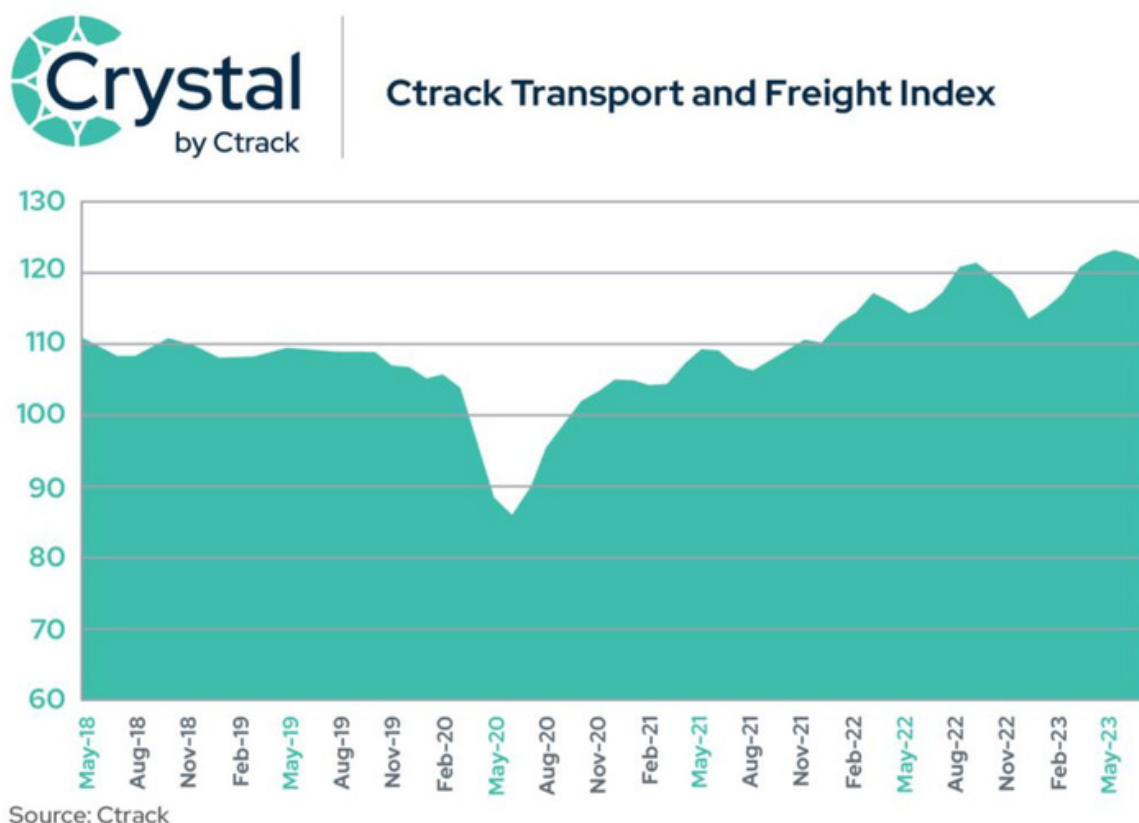
Transport & Freight Index July 2023

**Despite recent contractions  
the transport sector is  
expected to be amongst  
the top performers in the  
broader economy**

Release date: 31 Aug 2023



The Ctrack Transport and Freight Index (Ctrack TFI) retreated further in July 2023 to an index level of 120.8, the lowest since March (120.5). This represents a decrease of 1,2% during the month of July. This second consecutive monthly contraction confirms the loss of momentum in the logistics sector. In addition, four of the six sub-sectors measured by the Ctrack Transport and Freight Index declined on a monthly basis, including Rail, Road, Storage and Air Freight. Pipeline transport recorded marginal growth, while Sea Freight was the only sub-sector to show strong growth. Despite these monthly contractions, on an annual basis, the Ctrack Transport and Freight Index is still tracking 3,3% higher in July, compared to 6,4% in June on a year-on-year basis, but many challenges remain.



Implementation of the roadmap will be overseen by the National Logistics Crisis Committee (NLCC), established by President Cyril Ramaphosa earlier this year to address problems afflicting the sector, including a steep deterioration in rail services and ongoing port inefficiencies, trends which were reflected in the subsectors of the Ctrack Transport and Freight Index for some months now.



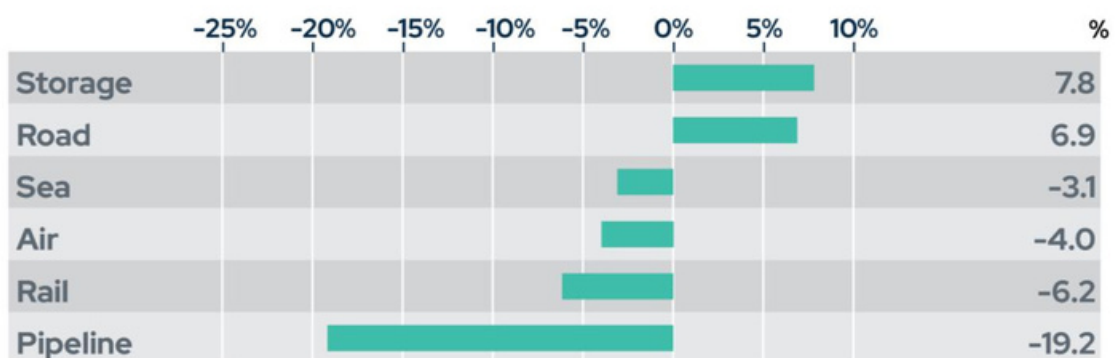
A joint strategic operations committee is also being established between the NLCC and the private sector, with organised business having identified the logistics crisis as one of three areas in which it will provide direct support to government. Similar joint action is also underway in the areas of electricity as well as crime and corruption. It is indeed a welcome development that could lift the economy out of 'muddle-along' mode and ignite an economic recovery phase.

"It is great that government is finally moving forward with Operation Vulindlela. I do hope that it ignites the recovery the broader transport industry and the South African economy so desperately needs," says Hein Jordt, Chief Executive Officer of Ctrack Africa.

Fragmented growth has characterised the Ctrack Transport and Freight Index sub-sectors over the past few months, derailing any hope of a synchronised recovery. Only three of the six sub-sectors of the Ctrack Transport and Freight Index increased on a quarterly basis in July 2023, with Road, Rail and Air Freight the laggards. On an annual basis, four of the six sub-sectors still declined, despite the overall index level increasing by 3,3% compared to a year earlier. Among the sub-sectors, Road transportation (the biggest sub-sector) has always been most resilient. Still, annual growth has subsided notably to only 6,9% year on year during July 2023, a far cry from annual growth of 28,2% experienced in August 2022 and the first single-digit annual growth rate recorded since March 2021.



### Ctrack Transport and Freight Index Components (y/y growth rates)



Source: Ctrack

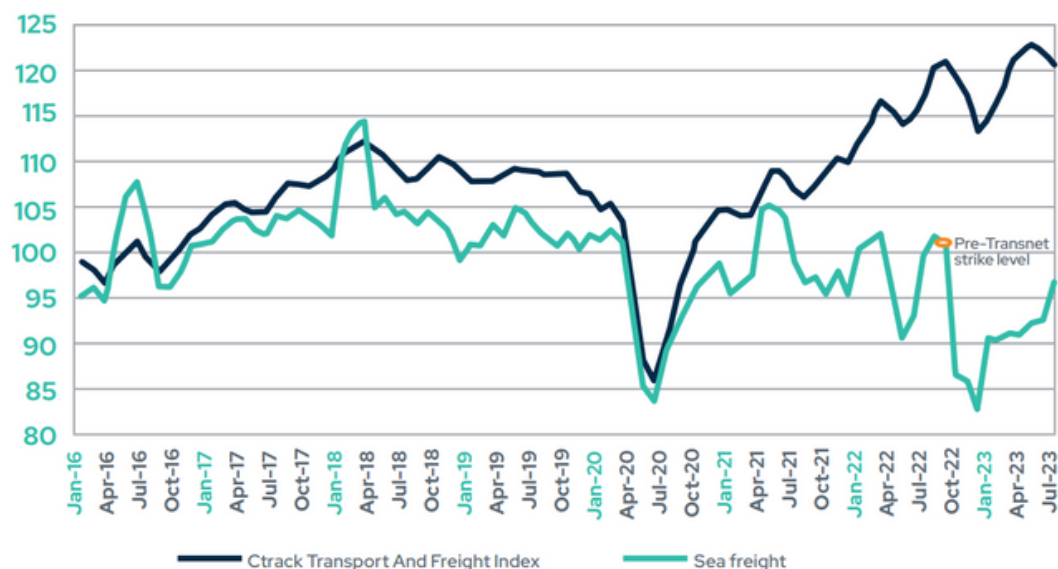
The Sea Freight component, one of the sub-sectors hardest hit by the Transnet strike in October 2022, continued its gradual recovery during July. While only container handling increased during July (as other cargo handling declined), the Sea Freight subsector increased by 4,6% on a monthly basis but remained in negative territory compared to levels of a year ago (-3,1% year on year).



Following the ongoing underperformance of South African ports, the announcement by Transnet National Port Authority of the first privatisation of a South African container terminal has created strong positive sentiment in an industry crying out for better port performance. International Container Terminal Services (ICTSI) was awarded the 25-year concession last month, and the biggest anticipated impact over the concession period is the expected improvements in terminal productivity. ICTSI will operate the terminal, rolling out best practices learnt from its extensive experience gained from operating 34 terminals globally. The Pier 2 container terminal handles 72% of the Port of Durban's throughput and 46% of South Africa's port traffic, thus, a notable improvement could be a game changer for the industry and the economy at large. The underperformance of Sea Freight relative to the total transport and logistics sector, especially over the past two years, has been clearly evident.



### Ctrack Transport and Freight Index vs Sea freight index (2016=100)



Source: Ctrack

The Road Freight sector has experienced multiple headwinds in the past few months, including an IT glitch that caused border crossing delays to renewed unrest and the burning of trucks on the N3 in KwaZulu-Natal, which subsequently spread to Mpumalanga and Limpopo early in July.



These events had a visible negative impact on the number of heavy vehicles on the road, especially during the first weeks of July. While heavy vehicle traffic bounced back on the N4 route, growing by double-digits on a monthly basis and reversing the slump in June, truck traffic on the N3 route declined further during July. While the road freight payload for the country as a whole, as published by StatsSA in its monthly Land Transport Survey, remained flat on a monthly basis, the Road Freight sector of the Ctrack Transport and Freight Index declined on both a monthly and quarterly basis during July. This sector remains critically important for the South African economy as trucks carry around 80% of goods in and around the country (source: Road Freight Association).

The Rail Freight sub-sector also subsided further in July, remaining deeply in negative territory on an annual basis and declining by a further 6,2% year on year during July 2023, which represents the 16th consecutive monthly decline. The urgency of freight reform has been reinforced in the Operation Vulindlela update, which describes Transnet's decline as posing a material risk to the country's economic prospects, with rail's underperformance having resulted in losses equivalent to 5,3% of gross domestic product in 2021. "South Africa continues to lose rail market share, with Transnet Freight Rail volumes falling short of targeted volumes – where our rail system moves less than 40% of rail-friendly freight tonne-kilometres," said the report. Air Freight, which was one of 2022's star performers, has been under pressure during the first half of 2023 and declined by a further 2,9% on a monthly basis during July while the sector remains 4,0% below its position of a year ago.

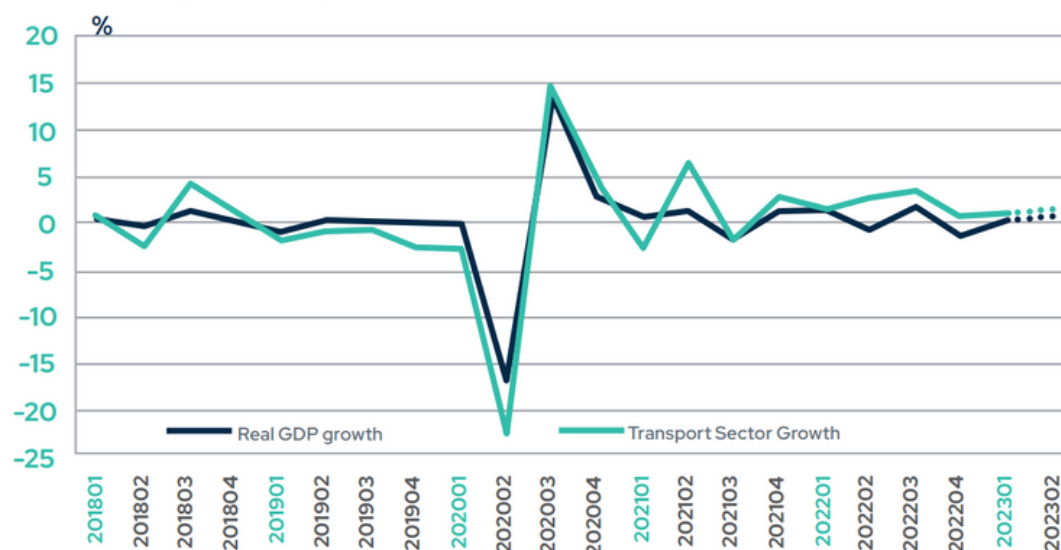
According to the International Air Transport Association (IATA), lower demand for air cargo reflects multiple headwinds still facing the global economy. While air cargo tonne-kilometres (CTKs) to Africa was down by a further 2,8% in July, a few green shoots have appeared. The number of unscheduled flights that are typically chartered for cargo purposes, as well as cargo load on planes, both increased notably during July. The transport of liquid fuels via Transnet Pipelines (TPL) increased by 0,8% compared to June, with the Pipeline component of the Ctrack Transport and Freight Index tracking moderately higher on a quarterly basis (+2,5%) but remaining deep into negative territory on an annual basis, with declines of 19,2% recorded (partly reflecting a high base of calculation). After being the star performer in June, the Storage and Handling sub-sector of the Ctrack Transport and Freight Index declined again during July by 3,0%, compared to June, while still tracking 7,8% higher annually. Ongoing issues in the Rail and Road Freight sub-sectors typically have spill-over effects on storage and warehousing activity, and this is the case once again. "Given the lacklustre performance across the majority of segments during the last two months, we can only hope that the industry gets a break from any disruptions for the remainder of the year in order for it to bounce back somewhat and continue on its long-term growth trajectory," said Jordt.

## Ctrack TFI and GDP growth

The second quarter GDP growth outcome will be released on Tuesday, 5 September, and we expect that the transport sector will once again be among the top sectoral performers and will most likely have outperformed the broader economy. Real economic growth of 0,7% on a quarterly basis, seasonally adjusted, is forecast for the economy (vs. 0,4% in Q1), while the transport sector is forecast to grow by 1,4% (vs. 1,1% in Q1). While growth is forecast to be slightly higher than in the first quarter, the economic narrative remains generally static, with ongoing load-shedding (though some moderation is evident in stages that applied), elevated interest rates, a lacklustre job market and low confidence levels still prevalent and suppressing economic activity. However, indications that some industries have become progressively more resilient to the effects of load-shedding, as companies reduce their energy dependence on the embattled Eskom, remains an underlying positive development.



### Ctrack Transport and Freight Index Real GDP vs transport sector growth (q/q change)



Source: StatsSA



**Table 1: Change in Ctrack Transport and Freight Index in July 2023**

June 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport & Freight Index
July 2023 vs July 2022 (y/y)	-6.2%	6.9%	-19.2%	-3.1%	-4.0%	7.8%	3.3%
July 2023 vs June 2023 (m/m)	-0.4%	-1.5%	0.8%	4.6%	-2.9%	-3.0%	-1.2%
Quarter to July 2023 vs. Quarter to April 2023 (q/q)	-4.4%	-3.1%	2.5%	6.3%	-4.5%	11.1%	-1.1%

Note: the row highlighted in blue is the main Ctrack Transport and Freight Index values used.

Source: economists.co.za, TNPA, StatsSA, SARS, N3 and N4 toll concessions, ACSA, ACOC, IATA.

Source: Ctrack