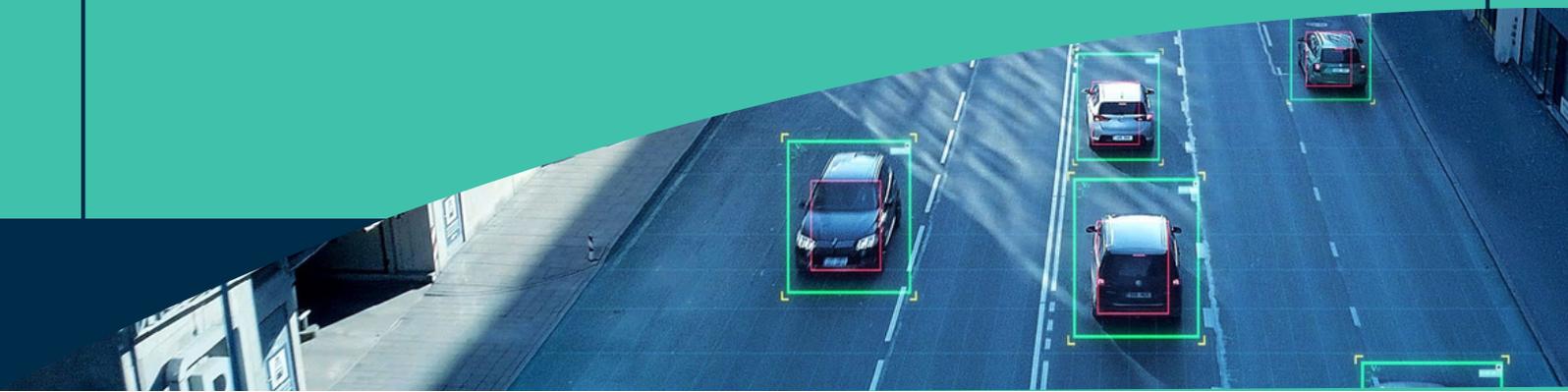




Transport & Freight Index  
August 2023

**Broad-based strain  
evident in the  
logistics sector.**

Release date: 30 September 2023

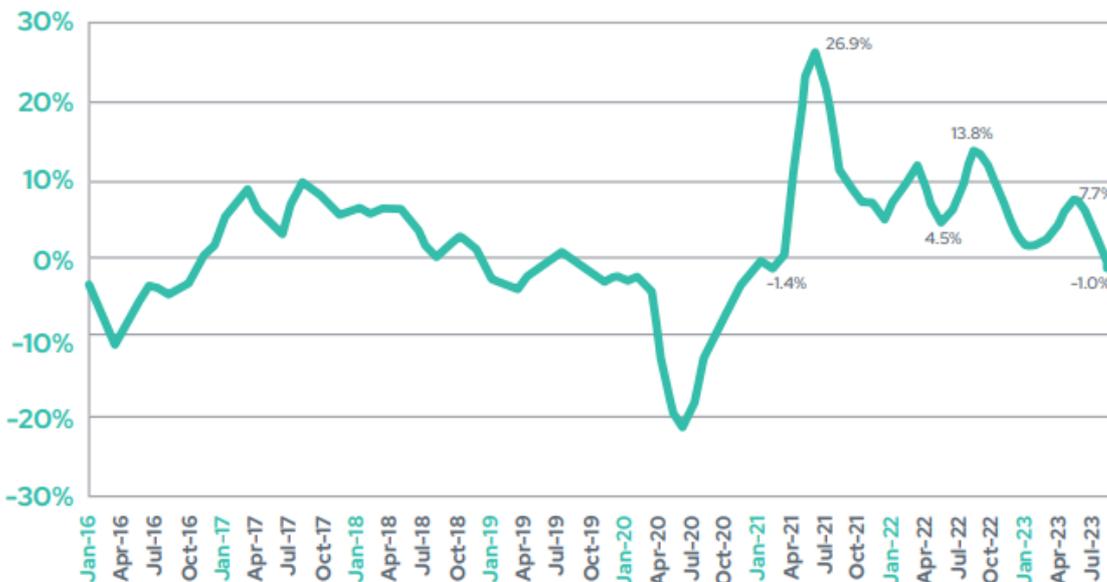


The Ctrack Transport and Freight Index retreated further during August 2023 to an index level of 118.8, the lowest since February (116.7). This represents a decrease of 1.5% during the month of August, the third consecutive monthly contraction and confirmation of the ongoing strain in the logistics sector. This retraction is evident across the industry, with four of the six sub-sectors measured by the Ctrack Transport and Freight Index declining on both a monthly and a quarterly basis. Overall, the Ctrack Transport and Freight Index also dipped into negative territory on an annual basis for the first time since February 2021, and it is clear that many challenges remain for the sector.

“While government has started to come to terms with the negative impact that the underperformance of the sector has on the broader economy, implementation of reforms is too slow and urgency is required in order to reverse this negative trend,” says Hein Jordt, Chief Executive Officer of Ctrack Africa.



### Ctrack Transport and Freight Index Annual Change



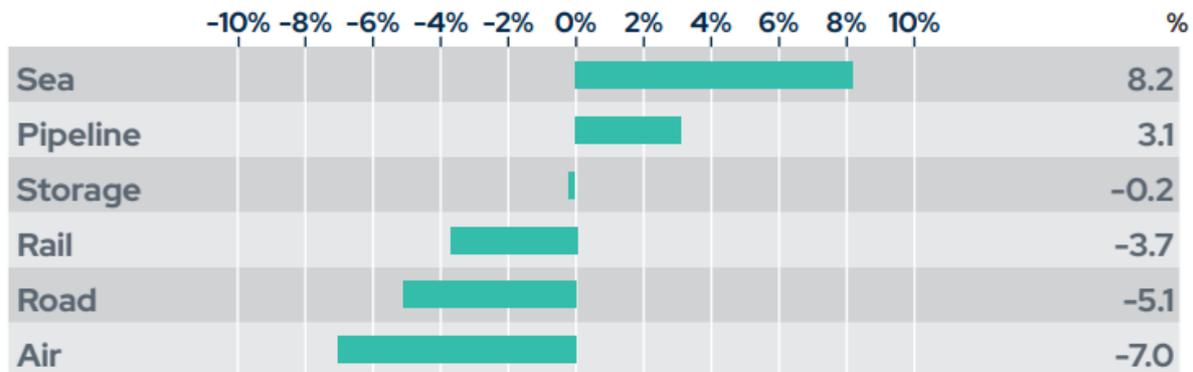
Source: Ctrack

Fragmented growth has characterised the Ctrack Transport and Freight Index sub-sectors over the past few months, and with five of the six sub-sectors now tracking lower than a year earlier, the hope of a notable recovery has faded. Only two of the six sub-sectors of the Ctrack Transport and Freight Index increased on a quarterly basis during August 2023, with Road, Rail and Air Freight the laggards. On an annual basis, only the Road Freight sub-sector recorded positive growth, albeit at a muted pace. Road Freight has always been the most resilient of the sub-sectors, but annual growth has subsided notably to only 1.7% year-on-year during August 2023, a far cry from annual growth of 28.2% experienced in August 2022 and the lowest since December 2020.





## Ctrack Transport and Freight Index Quarterly growth in sub-components



Source: Ctrack

The Road Freight sector, the biggest of the sub-sectors, has experienced multiple challenges in the past few months and is still playing catch-up, as reflected by a notable contraction on a quarterly basis. A closer look at August's figures suggests that a tentative recovery is underway, with road freight payload in the country rising by 1.6% and heavy vehicle traffic on the N3 increasing by 5.5% on a monthly basis. The road freight industry continues to benefit from the ongoing rail freight woes, as reflected in data published in StatsSA's latest monthly Land Transport Survey.

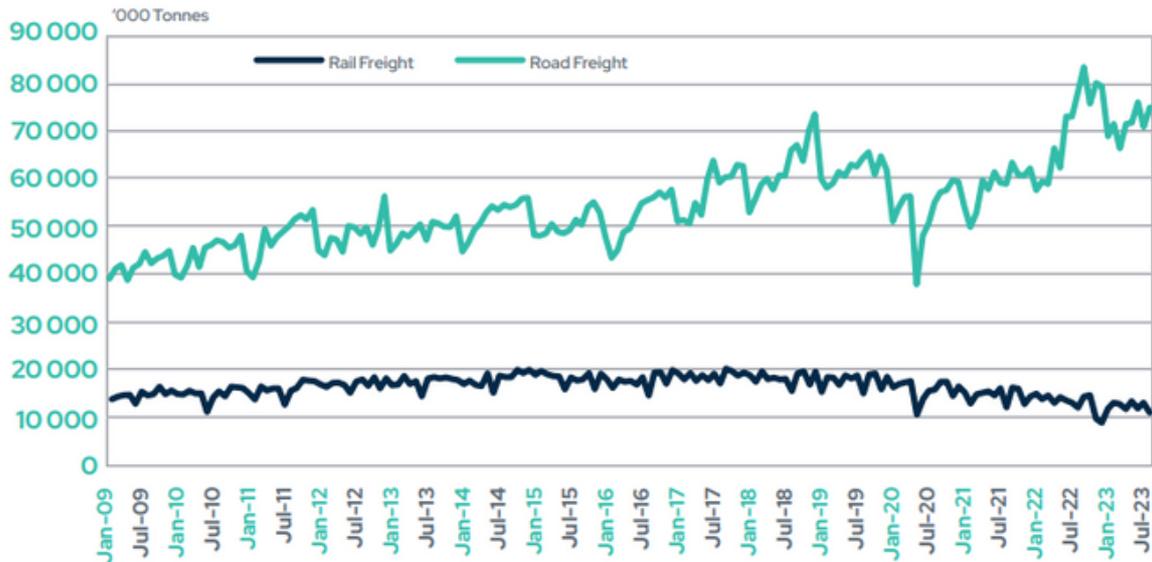
This sector remains a critically important contributor to the South African economy as trucks transport 80% of goods in the country. However, the over-dependence on Road Freight, which has become more pronounced in the past few years, costs the South African economy dearly as road freight transport is more expensive than rail and also raises the cost of road maintenance. The recent surge of the international oil price, in combination with renewed rand exchange rate depreciation, has resulted in notable diesel price increases, which will no doubt push headline consumer inflation back into a range of between 5,5% and 5,9% for the next few months (latest print for Aug 23: 4,8%).

With a forecasted diesel price increase of around R1.50/litre in early October, the cumulative increases over the last three months (Aug-Oct) total just more than R5/litre. The direct and indirect impact of these increases is sure to have a negative impact on the fragile state of the South African economy.





## Ctrack Transport and Freight Index Road vs rail freight payload in total country (‘000 tonnes)



Source: StatsSA Land Transport Survey

The Sea Freight component, one of the sub-sectors hardest hit by the Transnet strike in October 2022, is still in a gradual recovery mode and increased by 3,1% on a monthly basis but remained in negative territory compared to levels of a year ago (-2,0% year on year). Comparing the number of containers handled during August 2023 to the pre-strike level of September 2022 revealed that the total is still 11,1% lower. Container handling, however, increased by 1.9% during August, whereas other cargo handling declined by 0.6% on a monthly basis.

The ongoing underperformance of South African ports has been highlighted again in recent media reports. The Freight Forwarders Association, in a weekly report on the cargo industry, bemoaned the “desperately low” handling of containers by Transnet’s ports and detailed a variety of problems currently bedeviling them. Some of the problems the report identified included dismal straddle carrier availability in Durban, only one helicopter being operational and persistent cable theft on rail lines, leading to them being closed for hours.

“While the recent announcement by Transnet National Port Authority of the privatisation of the Pier 2 container terminal at Durban has created strong positive sentiment in an industry crying out for better port performance, it will take some time before a turnaround could be expected. The Pier 2 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, however, sometime in future only,” says Jordt.



The Rail Freight sub-sector also subsided further in August, remaining deeply in negative territory on an annual basis and declining by a further 7.0% year on year during August 2023, which represents the 17th consecutive monthly decline. The urgency of freight reform has been reinforced in the Operation Vulindlela update recently, while stakeholders are raising their voices on an ongoing basis to reinforce the urgency of reforms needed.

Air Freight has been under pressure for most of 2023 and declined by a further 1.7% on a monthly basis during August, while the sector remains just 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, particularly China's weak performance in production and exports. While air cargo tonne-kilometres (CTKs) to Africa increased by 2.8% and consolidated airport flight movements also increased, the number of unscheduled flights that are typically chartered for cargo purposes, as well as cargo load on planes, both declined during August.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 2.3% compared to July, with the Pipeline component of the Ctrack Transport and Freight Index tracking moderately higher on a quarterly basis (+3,1%) but remaining deep into negative territory on an annual basis, with declines of 15,4% 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 during July and further in August, by 2.4% on a monthly basis, while moving 3.9% below year-ago levels. Inventory levels have recently moved to lower levels within the economy, which has had a spill-over effect on storage and warehousing activity.

### **Ctrack TFI, GDP and GFCF growth**

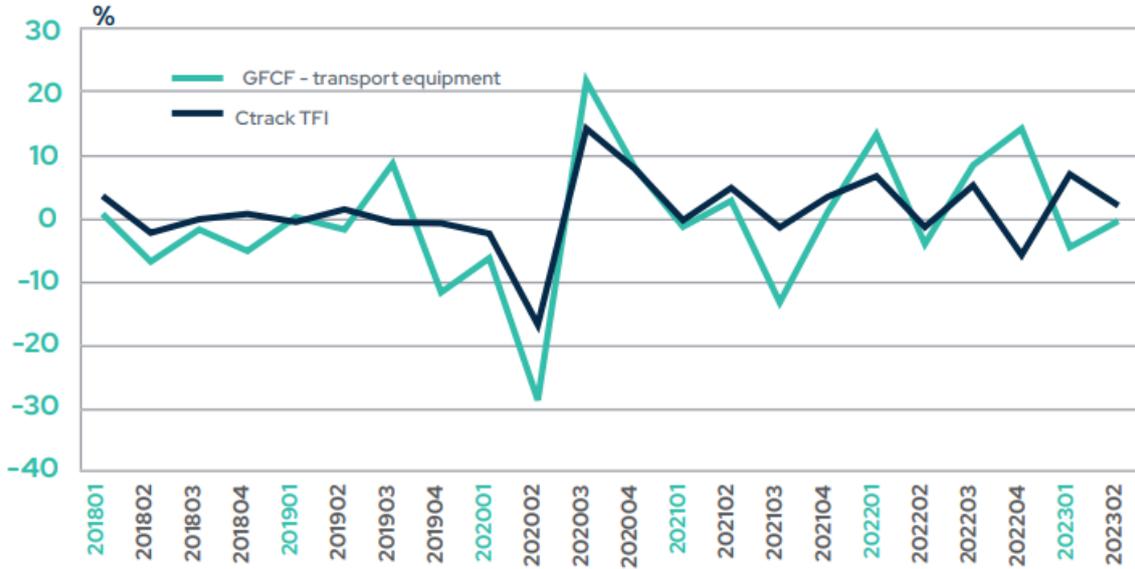
Although the Ctrack Transport and Freight Index increased at a muted rate, the extent of the transport sector's underperformance during the second quarter came as a surprise. As part of the Q2 GDP release, StatsSA reported that "Transport was down on the back of decreased land transport and transport support services". The transport and communication sector declined by 1.9% during the second quarter (vs 1.1% in Q1) vs. total economic growth of 0.6% (q/q, seasonally adjusted). While the economic narrative remains generally static, with ongoing load-shedding, elevated interest rates, a lacklustre job market and low confidence levels, it is evident that sector-specific challenges have also played a role in the transport sector's underperformance during the second quarter.

A snapshot of the correlation between the transport equipment sub-sector of real gross fixed capital formation (GFCF) and the Ctrack TFI is depicted in Graph 4. A fairly accurate positive correlation is evident up to Q3 2022 when the impact of the Transnet strike pushed the Ctrack Transport and Freight Index notably lower and disrupted the correlation.

Worth noting is two consecutive quarters of negative quarterly growth in transport equipment investment (Q1 and Q2 2023), potentially reflecting the strain on the economy at large and the logistics sector per se, as reflected by the Ctrack Transport and Freight Index.



### Ctrack Transport and Freight Index vs. Real GFCF (transport equipment) (q/q change)



Source: StatsSA



### Table 1: Change in Ctrack Transport and Freight Index in August 2023

Aug 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport & Freight Index
Aug 2023 vs Aug 2022 (y/y)	-7.0%	1.7%	-15.4%	-2.0%	-0.9%	-3.9%	-1.0%
Aug 2023 vs Jul 2023 (m/m)	-1.3%	-2.0%	2.3%	3.1%	-1.7%	-2.4%	-1.5%
Quarter to Aug 2023 vs. Quarter to May 2023 (q/q)	-3.7%	-5.1%	3.1%	8.2%	-7.0%	-0.2%	-3.5%

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

