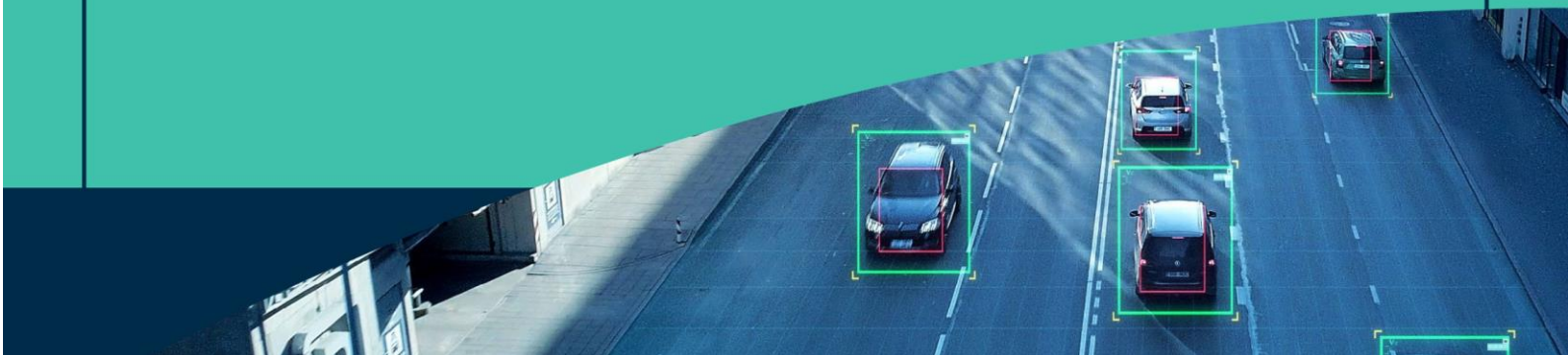




October 2023

Ctrack Transport & Freight Index

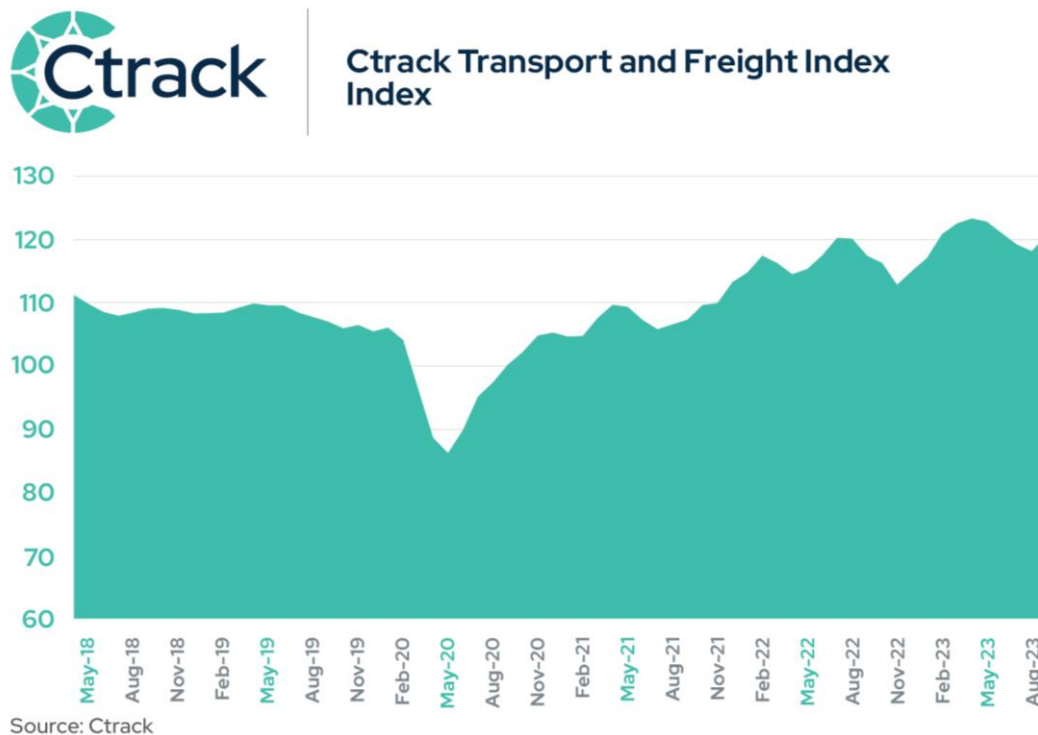




The logistics sector lifts its head during October.

Following four consecutive monthly contractions, the Ctrack Transport and Freight Index defied expectations to record growth during October. At an index level of 120.7, the Ctrack Transport and Freight Index is tracking 2.8% above year-ago levels. While the improvement at the start of the fourth quarter is encouraging, a note of caution is appropriate as the strain that has been evident across multiple sub-sectors in recent months has not disappeared and, in some instances, is expected to escalate during November. However, the positive growth in the overall index during October showcases the interdependence and intertwined nature of the logistics sector, where the underperformance in one sub-sector typically leads to growth in another.

Graph 1: Ctrack Transport and Freight Index



Fragmented growth among the Ctrack Transport and Freight Index sub-sectors remains an ongoing theme of late. In October, four of the six sub-sectors increased compared to a year earlier, while on a monthly basis, only Sea Freight contracted.



"A brief look at the overall Ctrack Transport and Freight Index could give a false sense of improvement, as a detailed analysis reveals that underlying stresses in certain sectors are masked by improved performances of others," says Hein Jordt, Chief Executive Officer of Ctrack.

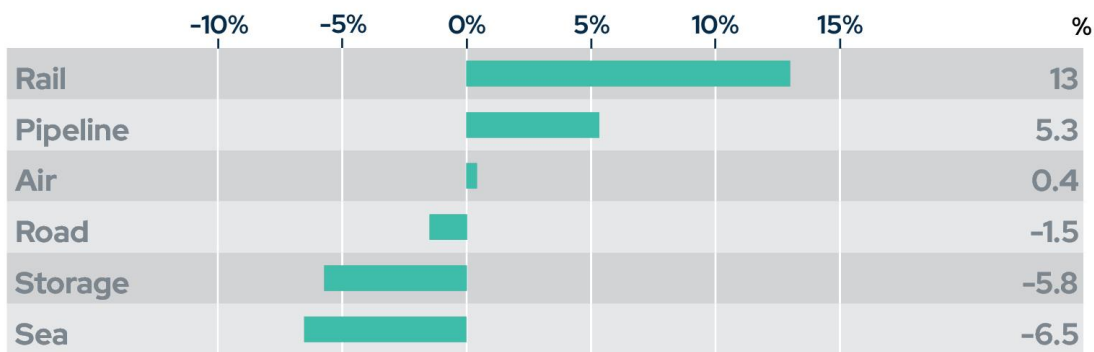
The recent implosion of Transnet's port operations is a case in point. Given the underperformance of South African ports, notably Durban, but others as well, the whole logistics supply chain in South Africa has once again been severely disrupted.

The Sea Freight sub-component tumbled in October, declining by 5.2% compared to September, reflecting the inability of ports to handle cargo due to a multiplicity of contributing factors. That has resulted in growth in both the Air Freight and Storage & Warehousing sub-sectors and mitigating the downward pressure on the overall Ctrack Transport and Freight Index.

Graph 2: Quarterly growth in sub-components of the Ctrack Transport and Freight Index (%)



Quarterly growth in sub-components of the Ctrack Transport and Freight Index (%)



Source: Ctrack

The Sea Freight component has been battling along in the wake of COVID-19, struggling to gain momentum before being hit by the Transnet strike in October 2022, prolonging the underperformance of the sector. Port operations are regularly affected by poor weather conditions, equipment breakdowns, and shortages, partly due to a lack of equipment maintenance.



Under normal conditions, the container handling capacity at Durban's Pier 2 is 3,300 containers a day, but according to Transnet Port Operations, this has been reduced to 2,500 over the past four weeks due to inclement weather and equipment challenges. On the 21st of November, a queue of almost 100 vessels were waiting at anchor outside ports and the South African Association of Freight Forwarders (SAAFF) estimated the cost to the economy to be R98m per day and stated that the current crisis was more severe in impact compared to the October 2022 strike. This all indicates that continued underperformance of the Sea Freight sub-sector can be expected in the coming months.

The Road Freight sub-sector, the biggest among the sub-sectors, has experienced multiple headwinds in the past few months, with the operational troubles at the ports also having a negative impact. In Richards Bay, roads leading to the port have been jammed by thousands of trucks, many carrying coal for the export terminal, and the congestion has heightened tensions with the local community. The situation has been exacerbated by poor rail performance on Transnet Freight Rail's coal corridor, forcing coal exporters to move product by road, reflecting the interdependence of the different modalities of the logistics network.

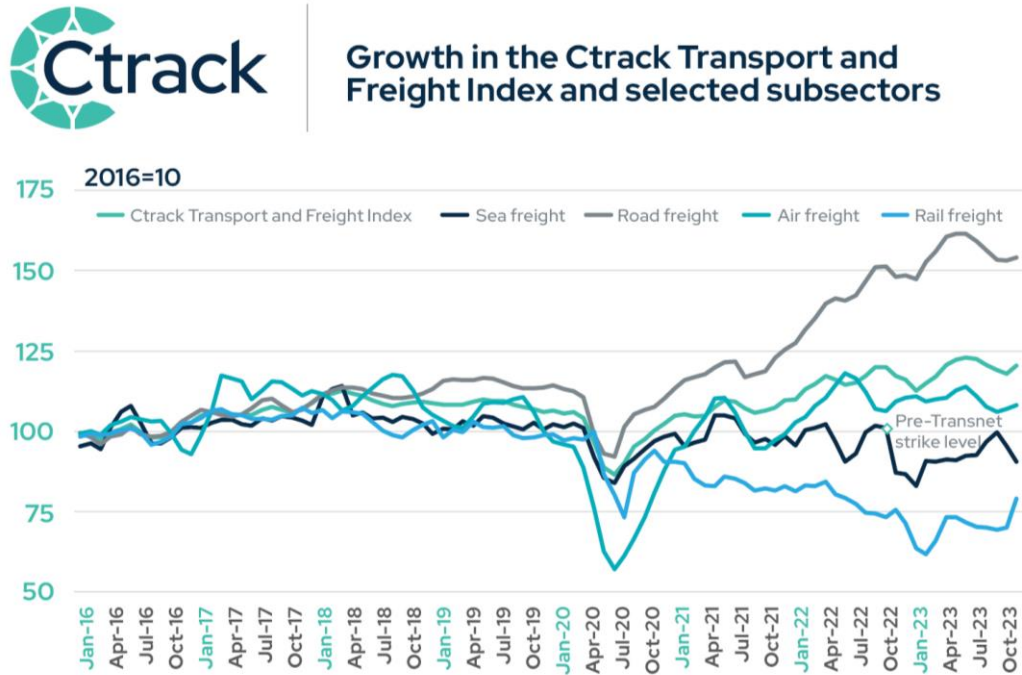
The reports of congestion surrounding ports reflect the unintended consequences that the Sea Freight supply chain is having on the Road Freight sub-sector. It is clear that all these developments, cumulatively, will have a detrimental impact on the South African economy, just as we enter the festive season. Many retailers anxiously await stock for Christmas, which is now stuck somewhere in a container either in the port or at sea, with Transnet Port Operations (TPT) indicating that the backlog created will only be cleared by February/March 2024.

Following some weakness in September, heavy vehicle traffic on the N3 route (heavy and extra-heavy vehicles) increased by 4.4% in October and remained 5.5% above year-ago levels. Heavy vehicle traffic on the N4 route also continues to increase notably, as ongoing operational troubles at South African ports result in loads being redirected towards the Port of Maputo, clearly to the detriment of the South African economy. Heavy vehicle traffic on the N4 route increased by 4.6% compared to September and has increased by approximately 25% compared to a year earlier.

Graph 3 depicts the differential performance among different sub-sectors of the Ctrack Transport and Freight Index. The underperformance of Rail and Sea Freight is evident compared to the performance of Road Freight.



Graph 3: Growth in the Ctrack TFI and selected subsectors



Source: Ctrack, N3 Toll Concession

The Air Freight sub-sector increased by 1.2% on a monthly basis during October, with early indications that this sub-sector could be another beneficiary of the Sea Freight troubles, as it was in October 2022. The number of unscheduled flights, typically chartered for cargo purposes, increased by a notable 11.6% during October, while cargo load on planes increased by 19.9% compared to September. Consolidated airport flight movements remained fairly constant during October.

The Storage and Handling sub-sector of the Ctrack Transport and Freight Index increased by 2.8% on a monthly basis, with a substantial increase noted on transhipments. Total transhipments, both landed and shipped containers, increased by 52.2% in October compared to September. Other inventory indicators are also trending higher, suggesting that this sub-sector could also be a beneficiary of Sea Freight's underperformance.

Though off a low base, a notable increase in the Rail Freight sub-sector was recorded in October. According to StatsSA's Land Transport Survey, payload for Rail Freight transportation increased by 36.5% on a monthly basis during October.





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.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 0.4% compared to September, with the Pipeline component of the Ctrack Transport and Freight Index showcasing improvements on a quarterly (+5.3%) and annual (+17.6%) basis.

Economic impact of logistical woes

"The transport and logistics sector is of utmost importance to the South African economy. The inability to effectively move products to and from markets comes at a cost, which is negative for the whole economy," says Jordt.

Not only does it subtract from economic growth, given that products are not timeously available for trading, but the cost of products is typically higher given inefficiencies. For example, international freight companies have responded to the port congestion in South Africa by announcing a "Congestion Surcharge" for cargo from any destination to all South African ports, varying between \$200-\$400 per container, which translates into a notable increase in cost for the importers and exporters. In all likelihood, these costs will be passed on to the end consumer, resulting in upward pressure on inflation, with further negative links to disposable income and interest rate levels in the economy.

However, the impact will not only be felt at grassroots-level but will also affect the perception of South Africa as a reliable trading partner. There are already indications that some trading lines choose to bypass South African ports, redirecting cargo to other African ports such as Maputo.

While the growing logistical crisis in South Africa has forced government to come to terms with the negative impact that the underperformance of the sector is having on the broader economy, the problems are multi-faceted, and the implementation of reforms remains too slow with more urgency needed to stem the negative momentum in the sector.



Table 1: Change in Ctrack Transport and Freight Index in October 2023



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October 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport & Freight Index
Oct 2023 vs Oct 2022 (y/y)	4.8%	4.2%	17.6%	4.0%	-1.0%	-7.5%	2.8%
Oct 2023 vs Sept 2023 (m/m)	13.2%	0.6%	0.4%	-5.2%	1.2%	2.8%	2.1%
Quarter to Oct 2023 vs. Quarter to July 2023 (q/q)	13.0%	-1.5%	5.3%	-6.5%	0.4%	-5.8%	-0.2%

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.

For more information or further insights on the Ctrack Transport and Freight Index, feel free to reach out to us at samarketing@ctrack.com or visit our website at www.ctrack.com - Your journey towards a more informed and resilient transport and logistics operation begins with Ctrack.

<https://ctrack.com/transport-and-freight-index/>

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