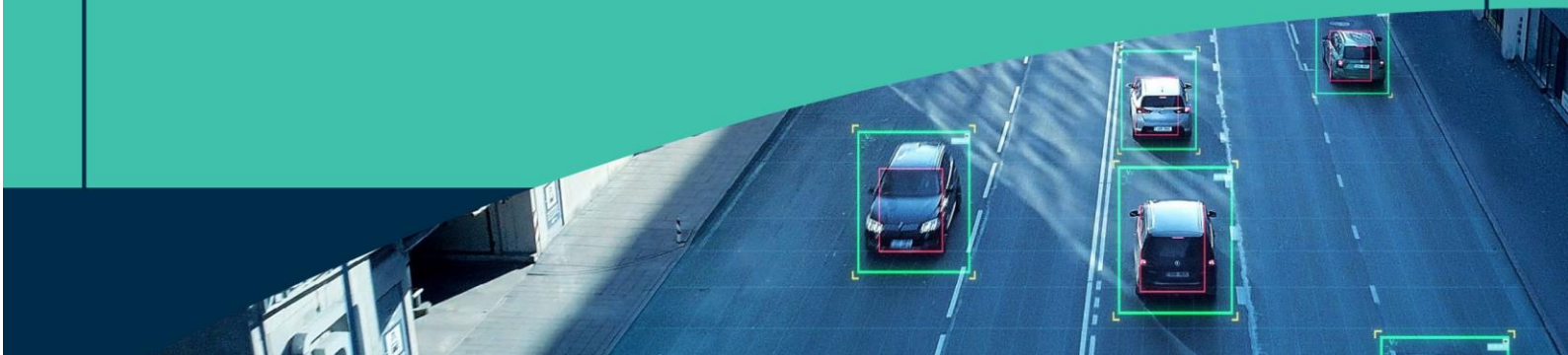




September 2023

Ctrack Transport & Freight Index

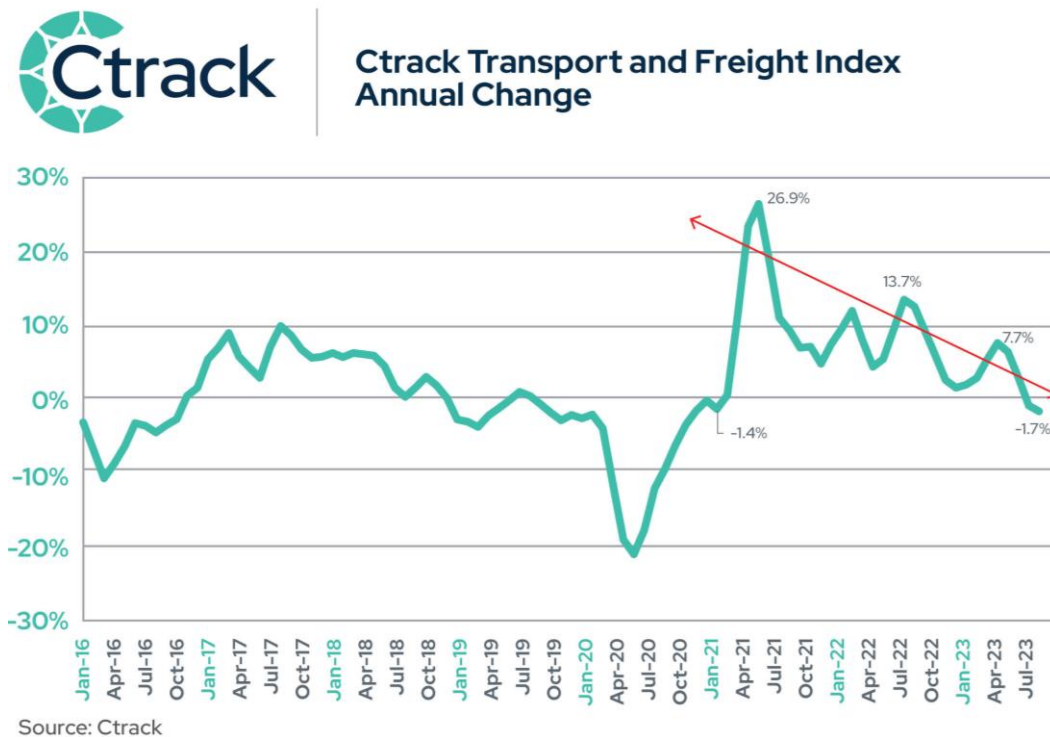




Geo-political factors continue to pressure logistics sector during September.

The Ctrack Transport and Freight Index, which measures six sub-sectors of the South African logistics industry, continued its decline during September. This marks the fourth consecutive monthly contraction, confirming ongoing strain in the logistics sector. At a level of 118.0, the Ctrack Transport and Freight Index is now 1.7% below its level of a year ago and the lowest since February (116.9). The strain is evident across multiple sub-sectors measured by the Ctrack Transport and Freight Index and confirms the interdependence and intertwined nature of the logistics sector. Overall, the Ctrack Transport and Freight Index remains in negative territory on an annual basis for the second consecutive month, again confirming that many challenges remain for the sector.

Graph 1: Ctrack Transport and Freight Index – annual change



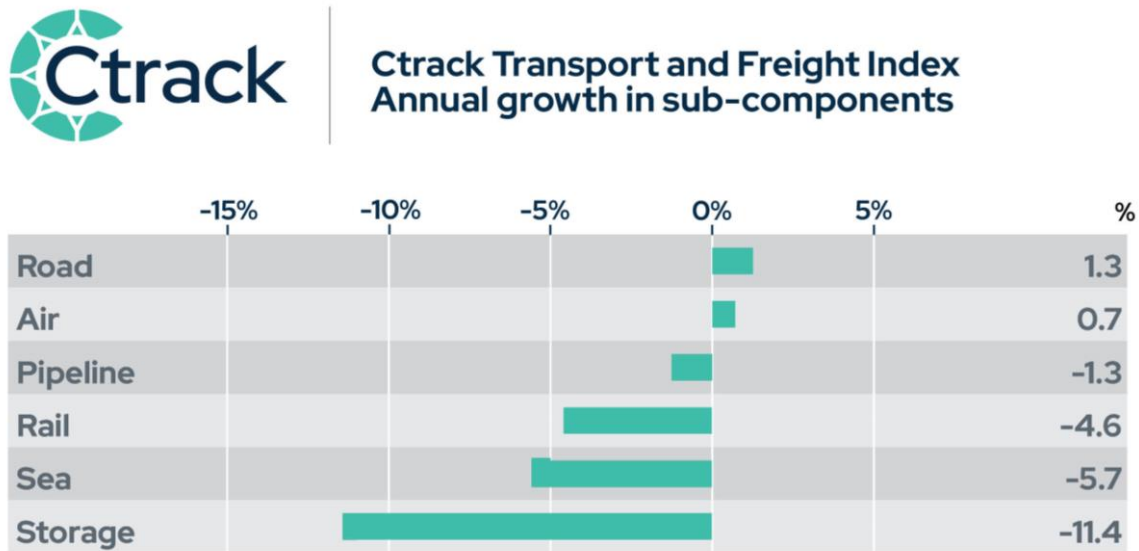
Fragmented growth has characterised the Ctrack Transport and Freight Index sub-sectors over the past few months. Four of the six sub-sectors contracted during September compared to a year earlier, with a similar scenario transpiring on a quarterly basis. The heavy-weighted Road Freight subsector performed dismally in





September, while the Sea Freight sub-sector also remains a laggard. On an annual basis, the Road Freight sub-sector is still recording positive growth, albeit at a snails-pace, with annual growth subsiding notably to only 1.3% year on year during September 2023. This is a far cry from annual growth of 28.2% experienced during August 2022 and the lowest since December 2020

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



Source: Ctrack

The Sea Freight component has continued to struggle in the wake of COVID-19 and was hampered by the Transnet strike in October 2022, prolonging the sector's underperformance. Transnet Ports Authority (TNPA) data for September painted a bleak picture, with total container handling (landed & shipped) decreasing by 11.8% compared to the previous month, while still 21.5% below September 2022, the last "normal" month before the strike commenced. Likewise, total bulk cargo is down by 9% compared to August and is still performing 14% below a year earlier. Some unforeseen events, such as increased weather delays, were apparent in September, but multiple challenges remain relating to frequent equipment breakdowns, shortages and congestion. Moreover, the flurry of resignations of executives at Transnet has also strengthened the perception of poor performance. The Sea Freight subsector declined by 4.3% on a monthly basis but retracted further into negative territory compared to levels of a year ago (-5.7% year on year vs -2.0% in August).

The Road Freight sector, the biggest among the sub-sectors, has experienced various unforeseen challenges during the last few months, while the operational troubles at ports, particularly at the Durban port, also





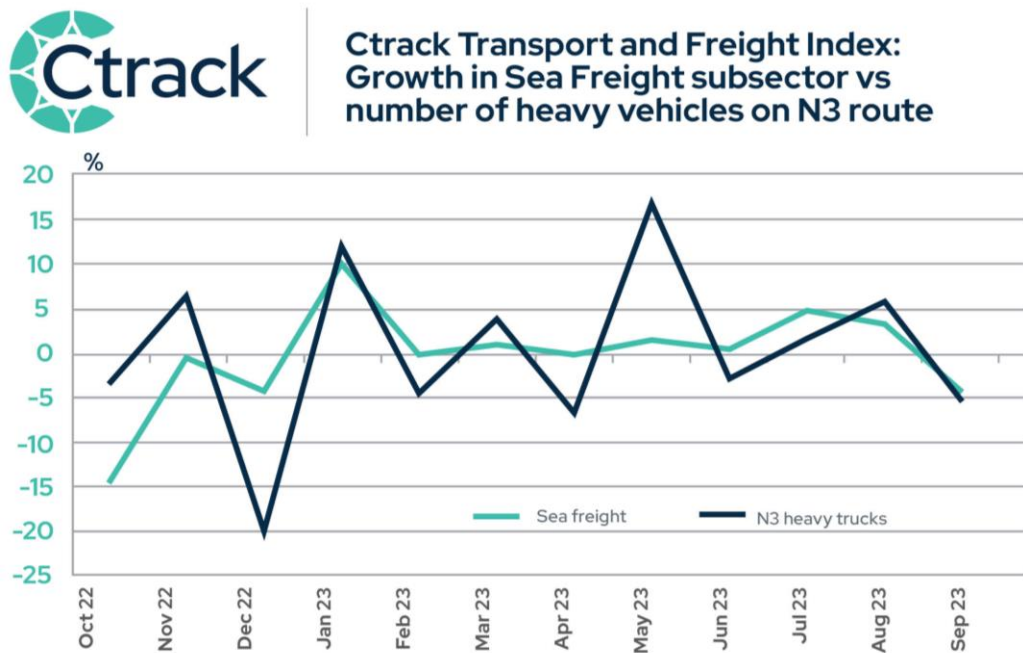
continue to have a negative impact. Heavy vehicle traffic, including heavy and extra-heavy vehicles on the N3 route, declined by 5.3% during September and remained 2.4% below year-ago levels. On the contrary, heavy vehicle traffic on the N4 route increased by 5.2% compared to August, tracking almost 20% higher than a year earlier. This is partly due to the fact that ongoing operational troubles at South African ports are resulting in loads being redirected towards the Port of Maputo, to the detriment of the South African economy.

Graph 3 depicts the correlation between the Sea Freight sub-sector growth and the number of class three and four heavy vehicles on the N3 route. It is clear that reduced activity at the Durban port had a spill-over effect on the heavy vehicle traffic on the N3 route, confirming the interdependence of the different modalities of the logistics network.

"Operating a logistics business in South Africa means dealing with many variables, changing conditions and new challenges on a daily basis," says Hein Jordt, Chief Executive Officer of Ctrack.

"To be successful in this game, operators need a fleet management system that is adaptable and able to roll with the punches. Ctrack's wide variety of fleet management solutions can be tailored for any industry with various functionality, including live dashboards that can offer fleet managers a blow-by-blow account of daily operations," adds Jordt.

Graph 3: Growth in Sea Freight subsector vs number of heavy vehicles on N3 route



Source: Source: Ctrack, N3 Toll Concession





The Rail Freight sub-sector increased somewhat during September but remains deeply in negative territory on an annual basis, with a 4.6% year-on-year decline during September 2023, which represents the 18th consecutive annual decline. The urgency of freight reform was recently reinforced in the Operation Vulindlela update, while stakeholders continue to raise their voices surrounding the urgency of reforms needed. Transnet's ongoing decline is having a material negative impact on the country's economic activity and prospects, and reforms are urgently needed.

After declining for three consecutive months, the Air Freight sub-sector increased by 0.9% on a monthly basis and moved into positive territory compared to a year earlier. The sector has been under pressure for most of 2023, not only locally but also globally, and the underlying data remained a mixed bag in September. According to the International Air Transport Association (IATA), global cargo tonne-kilometres (CTKs) increased by 1.5% year-on-year, the first annual growth since February 2022, but remains 1.3% lower than the 2019 pre-COVID levels. Furthermore, global air cargo capacity, measured in available cargo tonne-kilometres (ACTKs), continued its double-digit growth trajectory, a trend which should keep price increases contained.

Locally, consolidated airport flight movements declined by 2.1% compared to August, while the number of unscheduled flights, typically chartered for cargo purposes, declined by a notable 13.5%. However, cargo load on planes did increase during September.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 2.5% compared to August, with the Pipeline component of the Ctrack Transport and Freight Index tracking 5.7% higher on a quarterly basis while remaining in negative territory on an annual basis, with declines of 1.3% recorded in September. After being the star performer in June, the Storage and Handling sub-sector of the Ctrack Transport and Freight Index subsided during the third quarter, dropping by 12.9% on a quarterly basis while moving a notable 11.4% below year-ago levels. Inventory levels have recently moved lower in the economy, while transshipments also declined notably, causing spill-over effects on storage and warehousing activity.

Ctrack TFI and GDP growth

While the economic narrative remains generally static, with regular spates of load-shedding, elevated interest rates, a lacklustre job market and low confidence levels, a growing number of industries are becoming more resilient as companies reduce their energy dependence on the embattled Eskom. Somewhat better conditions in the private sector have been observed and, if sustained, could be supportive of higher economic growth in coming months. However, sector-specific challenges have resulted in the transport sector's underperformance during the second quarter, a scenario likely to continue during the third quarter, as



indicated by the negative quarterly performance of four of the six sub-sectors of the Ctrack Transport and Freight Index declining in September.

"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 remains slow and more urgency is needed to stem the negative momentum in the transport and logistics sector," concludes Jordt.

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



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

Sept 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport & Freight Index
Sept 2023 vs Sept 2022 (y/y)	-4.6%	1.3%	-1.3%	-5.7%	0.7%	-11.4%	-1.7%
Sept 2023 vs Aug 2023 (m/m)	1.1%	0.0%	2.5%	-4.3%	0.9%	-6.9%	-0.9%
Quarter to Sept 2023 vs. Quarter to June 2023 (q/q)	-0.4%	-3.8%	5.7%	3.1%	-3.7%	-12.9%	-3.8%

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

