

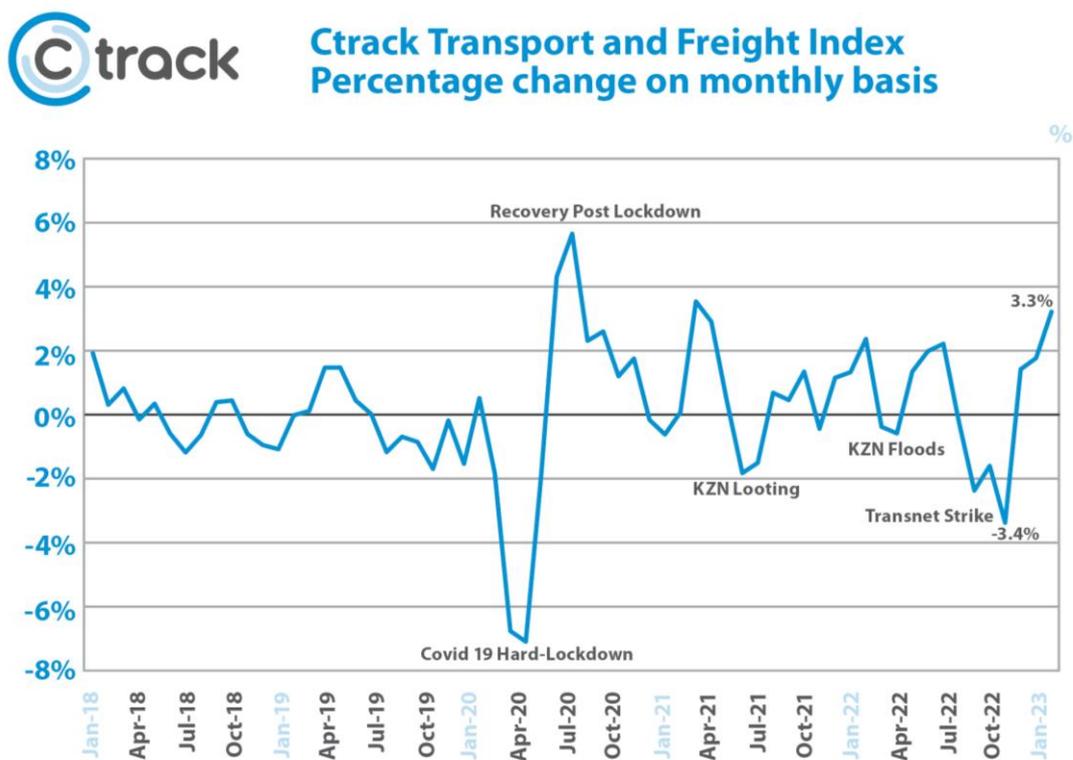
Ctrack Transport and Freight Index – March 2023

The South African logistics sector continued its recovery in March.

The South African logistics sector continued its recovery in March, with the Ctrack Transport and Freight Index reaching its highest level since September, the last month before the crippling Transnet strike hit the sector. During March, the Ctrack Transport and Freight Index increased by a notable 3.3%, the third consecutive monthly increase and the highest monthly increase since April 2021, reflective of a synchronised recovery. In addition, five of the six sub-sectors measured by the Ctrack Transport and Freight Index increased on a monthly basis, accelerating much needed momentum in the sector.

On an annual basis, the Ctrack Transport and Freight Index is tracking 3.3% higher than a year earlier. While this is still only a blip on the graph compared to the annual growth rate of 13.6% recorded as recently as in August 2022, all indications are that the sector is on a firm positive trajectory.

Graph 1: Ctrack Transport and Freight Index % change on a monthly basis



Source: Ctrack

One of the characteristics of the logistics sector is the varying discrepancies in the performances of the different sub-sectors. While this has proved to be a major positive in the sector’s resilience, a more synchronised recovery, as was observed in March, is indeed very encouraging. In March, four of the six sub-sectors still declined on an annual basis, whereas five of the six increased on a monthly basis, indicative of positive near-term momentum. March’s improvement also confirmed a strong quarterly

performance of the Ctrack Transport and Freight Index, which increased by a notable 6.6% quarter on quarter, representing a much-needed positive contribution to the country’s GDP.

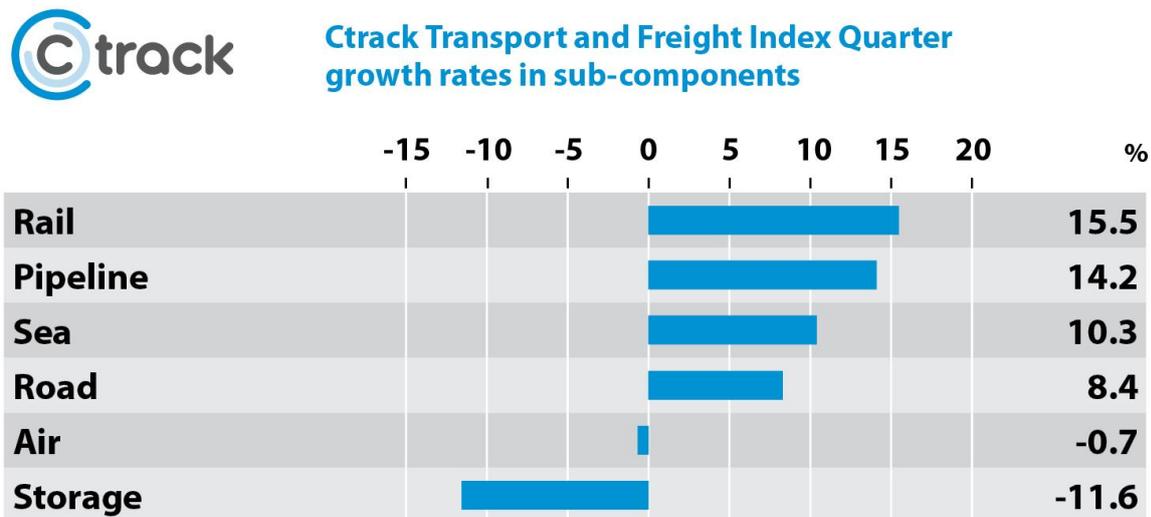
Interesting trends are emerging.

The performance of four sub-sectors, including Rail Freight, Storage and Warehousing, Sea Freight and Pipeline Transport, remain below levels of a year ago. This strongly indicates that these sectors have still not fully recovered from the cumulative negative impact of the KZN flooding in April 2022 and the Transnet strike in October 2022.

Road Freight remains the most resilient of all sub-sectors, recording growth of 15.9% year on year at the end of March 2023. Air Freight has remained stagnant compared to a year earlier.

“Strong recoveries have been recorded in the first quarter of 2023 in Rail Freight, Pipeline Transport, Sea Freight and Road Freight, showcasing that the logistics sector is firmly in recovery mode, following a dismal end to 2022,” says Hein Jordt, Chief Executive Officer of Ctrack Africa.

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



Source: Ctrack

Recovery of Sea Freight needs to increase

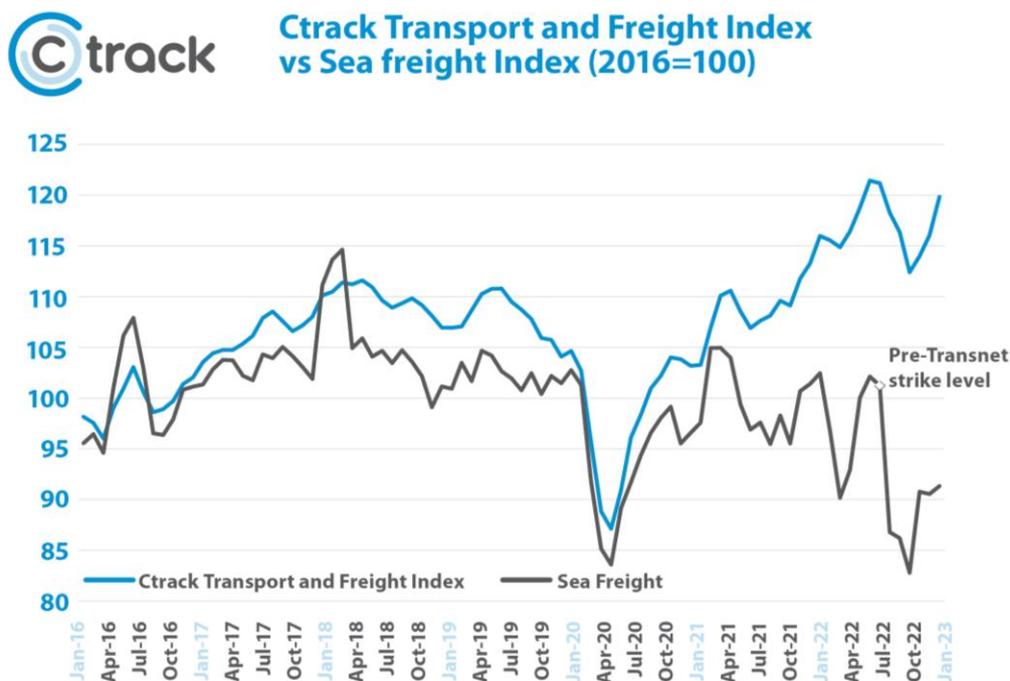
The Sea Freight component of the Ctrack Transport and Freight Index was one of the hardest hit when Transnet workers embarked on strike action in October 2022, and the results are still being felt, with Sea Freight declining by 10.9% in March compared to a year ago and still tracking 9.8% below the September 2022 pre-strike level. However, the sector has slowly been recovering from this low base, with growth of 10.3% recorded in the first quarter. Container handling increased by a notable 27.2% on a monthly basis in March but remains 17.9% below the September 2022 pre-strike level. Contributing

to this slow recovery are notable discrepancies among the different ports. Container handling in Cape Town was only 2.6% below pre-strike levels in March, whereas the Durban port is still 14.7% behind, and The Port of Ngquara is performing a notable 40.2% lower.

In light of the importance of Sea Freight in the logistics sector, but also for the efficiency of trade in the broader economy, Transnet Port Terminals (TPT)'s is putting plans in place to enter into long-term agreements with original-equipment manufacturers (OEMs) for the supply and life-cycle maintenance of key port-handling equipment. It aims to position the business for significantly higher levels of efficiency across its 16 terminals, which have faced significant disruption in recent years. CEO Jabu Mdaki indicated that the strategy would be deployed in phases and involves contracting directly with the OEMs for 11 pieces of key equipment, initially starting with rubber-tyred gantry cranes. "Over the next five years, TPT will invest in over 700 pieces of equipment ranging from ship-to-shore cranes, rubber-tyred gantry cranes and straddle carriers to haulers, trailers and forklifts. Of this number, over 40% will be delivered in the next two years," said Mdaki, adding that the strategy has been approved internally and fully complies with the Public Finance Management Act.

"It is evident that the Sea Freight sub-sector has been an under-performer relative to the broader transport and freight sector since early-2021. A step up in efficiency would go a long way in restoring the sector to its potential and increasing its contribution to the broader economy. The plans being put in place are a great prospect, but implementing the strategy will be key," adds Jordt.

Graph 3: Ctrack TFI vs Sea Freight sub-component (2016=100)



Source: Ctrack

After reaching an all-time low in January 2023, Rail Freight continued to recover in March, though of an extremely low base. While still deep in negative territory on an annual basis, the Rail Freight component of the Ctrack Transport and Freight Index increased by 11.3% in March, which follows February's 6.8% growth. Strong growth of 15.5% was recorded during the first quarter, however on an annual basis, the Rail Freight component has declined by 13.2% year on year ending in March. This represents the 12th consecutive decline, confirming that rail remains the Achilles heel of the South African logistics sector, a position the sector will likely retain for many years to come.

During March 2023, the Road Freight component of the Ctrack Transport and Freight Index increased by 15.9% year-on-year, representing the 24th straight month of double-digit annual growth rates. Taking a closer look reveals some interesting trends. The number of heavy trucks on the N4 toll routes continues to increase notably on an annual basis, a trend that has been firmly entrenched since August 2021, while the number of heavy trucks on the N3 toll route declined on an annual basis, though showing some growth in March 2023 compared to the previous month. Overall, Road Freight payload for the country decreased by a notable 9.1% in March compared to the previous month but showed continuous growth compared to a year earlier. The sector faces on-going challenges, including crime, sabotage and notable operational cost increases.

Air Freight, which turned out to be one of 2022's star performers, started the year on the back foot but picked up marginally in March, increasing by 0.3% while remaining flat compared to a year earlier. Mixed trends were observed; cargo load on planes increased by 11.2% on a monthly basis in March, following growth of 8.7% in February, while total consolidated airport flight movements also increased by a notable 16.2%. Other underlying components of the sub-sector declined. According to the International Air Transport Association (IATA), lower demand for air cargo is evident across the globe, reflecting multiple headwinds facing the global economy and spilling over to trading partner countries. Air cargo tonne-kilometres (CTKs) to Africa decreased a further 3.4% year on year in March, following February's 9.4% and January's 10% annual decreases.

The Storage and Handling sub-sector of the Ctrack Transport and Freight Index was under pressure for most of 2022, with a trend of declining inventory levels evident. The Transnet strike just worsened matters, resulting in a further 20.8% decline in March compared to a year ago, a monthly decline of 1.7% and a quarterly decline of 11.6%.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 3.2% month on month during March, resulting in a 14.2% quarterly increase. However, this is still tracking 1.4% lower than the year before.

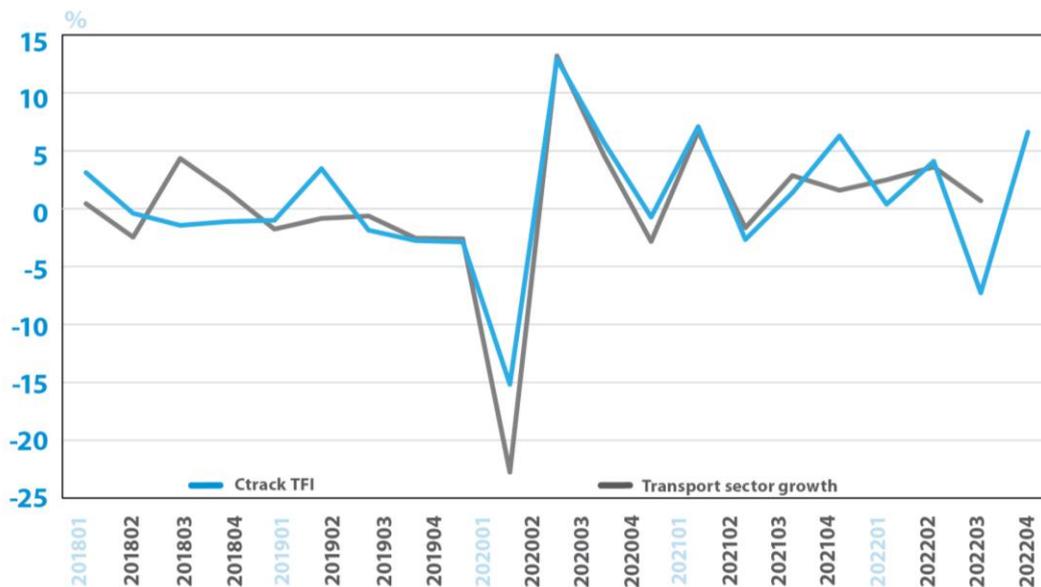
Ctrack Transport & Freight Index and GDP growth

The transport sector defied expectations of underperformance in the fourth quarter of 2022 to be the best sectoral performer, and all indications are that the transport sector will save the day for the South African economy in the first quarter once again. March’s solid improvements, as measured by the Ctrack Transport and Freight Index, showcased a strong quarterly performance of 6.6% in the first quarter of 2023.

“The ongoing challenges of harsh load shedding, high living costs, inflated production costs, rising wage demands and elevated interest rates mean that many sectors of the economy are either contracting or only showing marginal growth. In this environment, the transport sector’s resilience creates a sliver of hope for the South African economy,” concluded Jordt.

Graph 4: Ctrack TFI vs Transport sector growth (q/q change)

Ctrack Transport and Freight Index vs Transport sector growth (q/q change)



Source: StatsSA, Ctrack

Table 1: Change in Ctrack Transport and freight Index in March 2023



Jan 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport and Freight Index
March 2023 vs March 2022 (y/y)	-13.2%	15.9%	-1.4%	-10.9%	0.0%	-20.8%	3.3%
March 2023 vs March 2023 (m/m)	11.3%	2.9%	3.2%	-0.9%	0.3%	-1.7%	3.3%
Quarter to March 2023 vs. Quarter to Dec 2022 (q/q)	15.5%	8.4%	14.2%	10.3%	-0.7%	-11.6%	6.6%

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.