

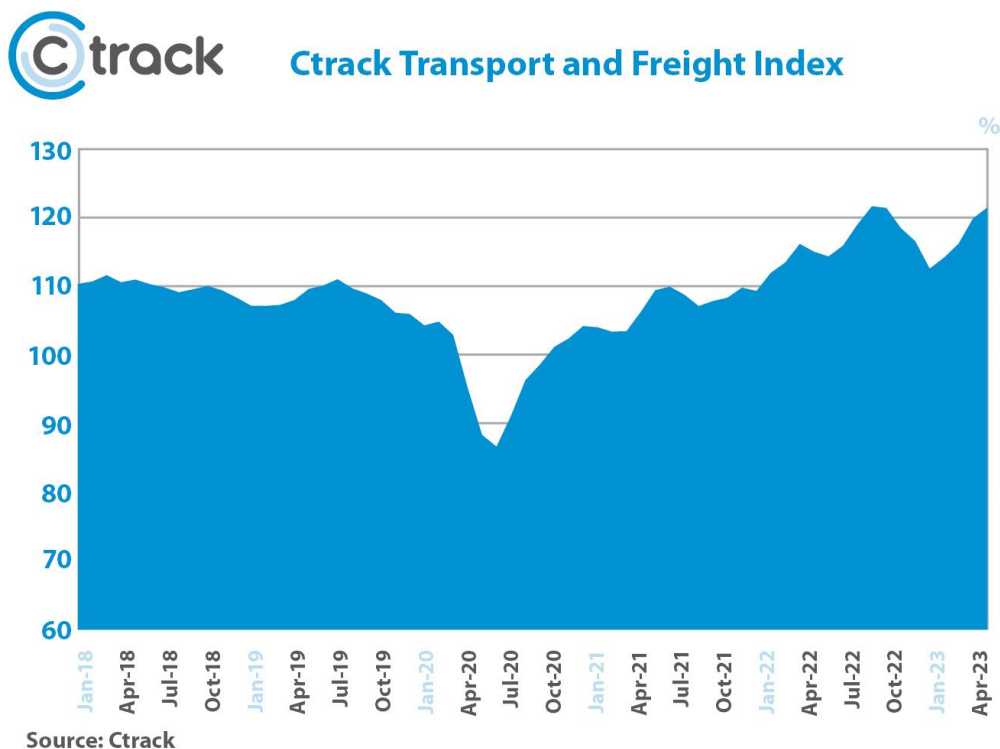
Ctrack Transport and Freight Index

The South African logistics sector continued its recovery during April.

The South African logistics sector continued its recovery during April, with the Ctrack Transport and Freight Index (Ctrack TFI) reaching its highest level since August 2022 at 121.5 points. The Ctrack Transport and Freight Index increased by 1.4% compared to March, the fourth consecutive monthly increase, confirming a fairly synchronised recovery. In addition, four of the six sub-sectors that make up the Ctrack Transport and Freight Index increased on a monthly basis, while the two sectors that did decline only did so marginally. On an annual basis, the Ctrack Transport and Freight Index is tracking 5.6% higher, compared to the 3.2% year-on-year increase measured in March, which is evidence of encouraging momentum building in the sector.

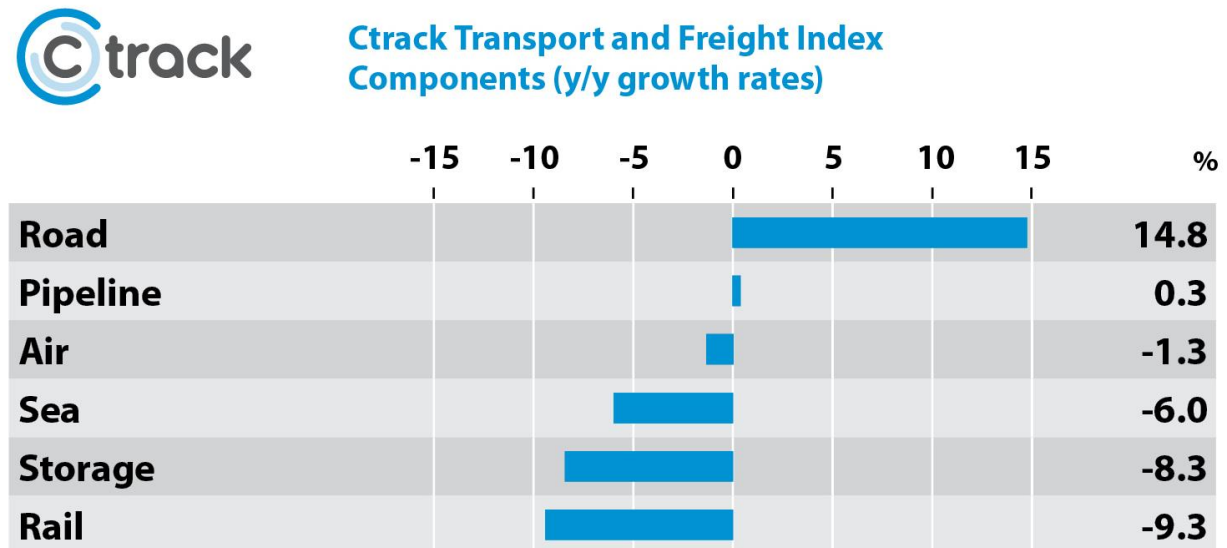
“Despite all the challenges affecting South African consumers, the continued growth of the majority of sub-segments of the South African logistics sector showcases that even in tough times, there will always be a need to transport goods and commodities, but this needs to be done in the most effective and efficient manner possible,” says Hein Jordt, Chief Executive Officer of Ctrack Africa.

Graph 1: Ctrack Transport and Freight Index



Similar to the observation in March, four of the six sub-sectors still declined on an annual basis, though the overall index level increased by 5.6% compared to a year earlier. Among the sub-sectors, Road Freight remains the most resilient, growing by 14.8% year-on-year during April 2023. Volumes transported via pipelines have also increased consistently in the past few months, with the annual growth rate now marginally positive at 0.3%. The performance of three of the four sub-sectors, including Rail Freight, Storage & Warehousing and Sea Freight, which remain below levels of a year ago are indicative that the cumulative negative impact of the KZN flooding in April 2022 and Transnet strike in October 2022 is still being felt. Air Freight performed well last year but has recently moderated somewhat on an annual basis.

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

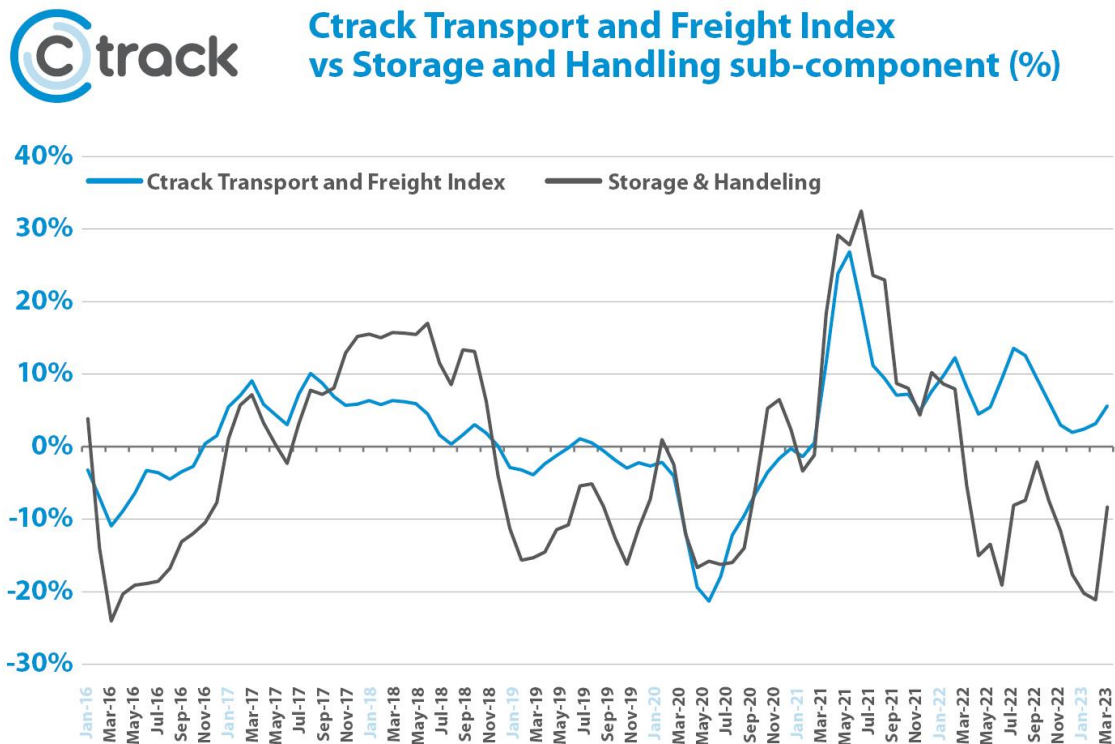


Source: Ctrack

The Storage and Handling sub-sector of the Ctrack Transport and Freight Index was under pressure for most of 2022 and underperformed compared to the broader logistics sector. However, the sector turned out to be the star performer during April 2023, with a notable 9.8% increase compared to March. The inventory index of the ABSA Purchasing Managers Index (PMI), compiled by the Bureau of Economic Research, reached the highest level since mid-2022 (58.8 index points vs 47.6 in March), as did the inventory index that forms part of the South African Chamber of Commerce and the Industry (SACCI) Trade Conditions Index (42 index points vs 35 in March) as well as the number of containers in transshipment across all container terminals in the country.

It is currently unclear whether the rapid rise in inventory levels is due to improved delivery of goods, weak demand or disruptions in the production process due to electricity shortages. Despite the improvement in April, the Storage and Handling sub-sector of the Ctrack Transport and Freight Index still tracked 8.3% lower on an annual basis during April.

Graph 3: Annual growth in Ctrack TFI vs Storage and Handling sub-component (%)



Source: Ctrack

The Air Freight segment of the Ctrack Transport and Freight index, which turned out to be one of 2022’s star performers, started the year on the back foot and only improved slightly during April, with a 2.2% improvement. However, it is still tracking 1.3% below the same time last year, with the strain on the global economy finally starting to affect global air cargo activity. 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 6.2% in April, the 6th consecutive monthly decline. Cargo loaded onto planes also declined by 2.1% on a monthly basis during April, while total consolidated airport flight

movements dropped by 1.7%. The number of unscheduled flights, typically chartered for cargo purposes, was the only sub-component to improve during April.

The Sea Freight segment of the Ctrack Transport and Freight Index, one of the sub-segments hardest hit by the Transnet strike in October 2022, is still in a gradual recovery mode, and its performance remains disappointing. Sea Freight declined marginally in April and remained 6.0% below levels of a year ago and 19.3% below the September 2022 pre-strike level. Container handling increased by a notable 27.2% on a monthly basis during March but lost those gains during April with an 11.4% decline.

Notable discrepancies remain evident in the performance of the various South African ports. In the World Bank's latest Container Port Performance Index (CPPI), produced by the Transport Global Practice of the World Bank in collaboration with the Global Intelligence & Analytics division of S&P Global Market Intelligence (published in May 23), South African container terminals were among the worst performing in the world. The Ngqura (position 338), Durban (position 341), and Cape Town (position 344) container terminals are in the bottom ten of the 348 terminals ranked, with the smaller terminal at Port Elizabeth, the better performer in 291st position. Of interest was the performance of other African ports, such as our Mozambican neighbours, with the terminal at Beira ranked 223rd and Maputo 248th, which is far better than the South African ports. This index measures container port efficiency based on a myriad of parameters, including terminal capacity or space utilisation, cost, landside connectivity and services, or ship-to-shore interchange. The CPPI is based on available empirical data pertaining exclusively to time expended in a vessel stay in a port and should be interpreted as an indicative measure of container port performance.

With all the sub-sectors of the logistics sector complexed and inter-twined, the dismal performance of South African ports has triggered more companies to redirect cargo towards the Maputo harbour. The number of heavy trucks on the N4 toll routes continues to increase notably on an annual basis, while the number of heavy trucks on the N3 toll route is not growing at the same rate. In April 2023, the Road Freight segment of the Ctrack Transport and Freight Index increased by 14.8% year-on-year, the 25th straight month of double-digit annual growth rates recorded and still the most resilient of all the sub-sectors.

After reaching an all-time low in January 2023, Rail Freight recovered notably in February and March but subsided again in April. The sub-sector remains deeply in negative territory on an annual basis, declining by 9.3% year on year in March 2023, the 13th consecutive decline recorded and confirmation that rail remains on the back foot.

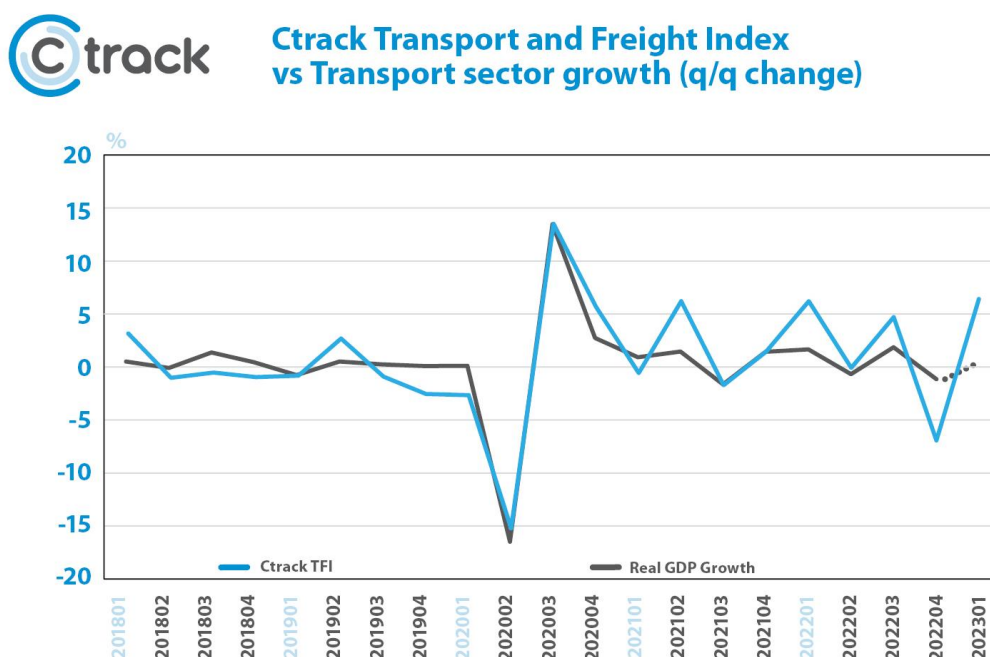
“While recent policy-related developments to revitalise the countries rail network are considered positive, there will need to be serious motivation for transport operators to replace Road Freight in favour of Rail transport once again,” says Jordt.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 1.2% on a monthly basis during April 2023, with the pipeline component of the Ctrack Transport and Freight Index now moving into positive territory on an annual basis, for the first time in seven months, with growth of 0.3%.

Ctrack TFI 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 once again outperformed other sectors of the South African economy during the first quarter of 2023. The Ctrack Transport and Freight Index mirrors this performance with a significant increase of 6.6% during the first quarter of 2023, signalling a valuable positive contribution to economic growth. Statistics South Africa is expected to release the real first quarter GDP growth rate on Tuesday, June 6, with expectations of a small positive quarterly growth rate, allowing the economy to avert a technical recession.

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



Source: StatsSA, Ctrack

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

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April 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport and Freight Index
April 2023 vs April 2022 (y/y)	-9.3%	14.8%	0.3%	-6.0%	-1.3%	-8.3%	5.6%
April 2023 vs April 2023 (m/m)	-0.3%	0.5%	1.2%	-0.2%	2.2%	9.8%	1.4%
Quarter to April 2023 vs. Quarter to Jan 2023 (q/q)	18.5%	5.8%	8.9%	0.4%	3.3%	1.6%	6.4%

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.