

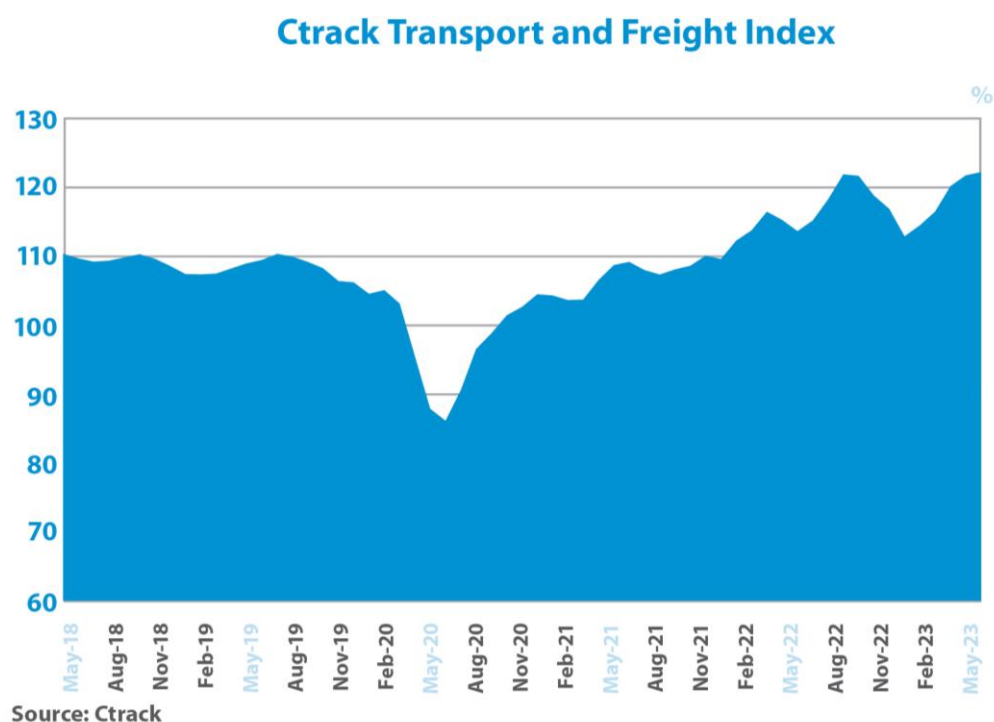


Ctrack Transport and Freight Index

The South African logistics sector records fifth consecutive month of recovery

The Ctrack Transport and Freight Index (Ctrack TFI) reached its highest level on record with 122.2 points at the end of May 2023 (121.7 in April 2023), improving for the fifth consecutive month. This confirms a fairly synchronised recovery of the overall logistics sector even though the pace of improvement moderated somewhat. The Ctrack Transport and Freight Index increased by 0.4% in May compared to April, which was somewhat muted compared to the average monthly increase of 1.9% in the preceding four months. In addition, four of the six sub-sectors that form part of the index increased on a monthly basis. Road Freight remained stagnant while Rail Freight declined somewhat. On an annual basis the Ctrack Transport and Freight Index tracked 7.5% higher in May, compared to the 5.6% year on year trend that was recorded in April. This is evidence of the encouraging momentum building in the sector, but also partly reflects the recovery that was required in the wake of the KZN floods of May last year.

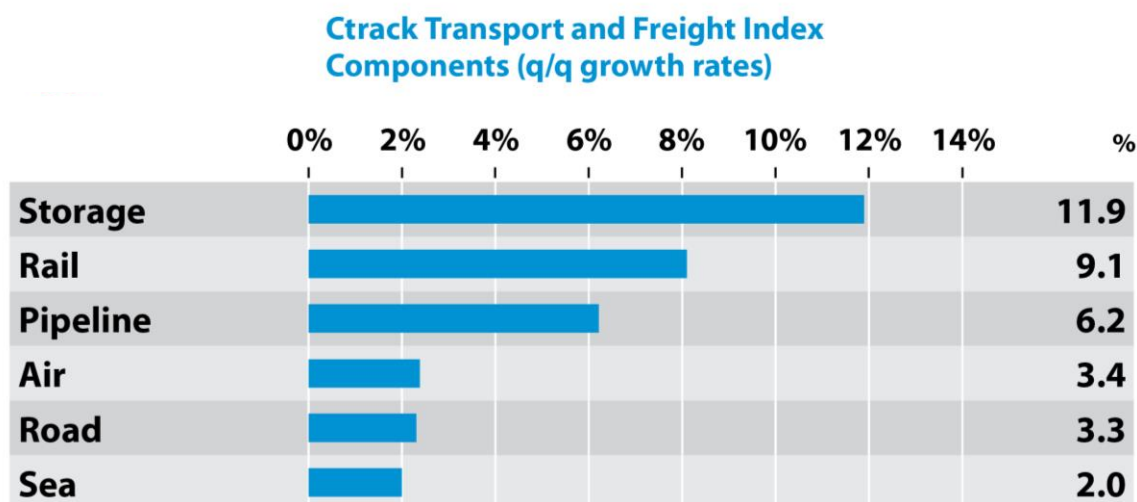
Graph 1: Ctrack Transport and Freight Index



In a welcome development and confirming the synchronised nature of the current recovery, all six segments of the Ctrack Transport and Freight Index increased on a quarterly basis ending in May 2023. On an annual basis, three of the six segments have declined, despite the overall index level increasing by a healthy 7.5% compared to a year earlier. Among the segments, Road Freight remains the most resilient, with growth of 15.2% for the year ending in May. The three worst performing sectors continue to be Rail Freight, Pipeline Transport and Air Freight.



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



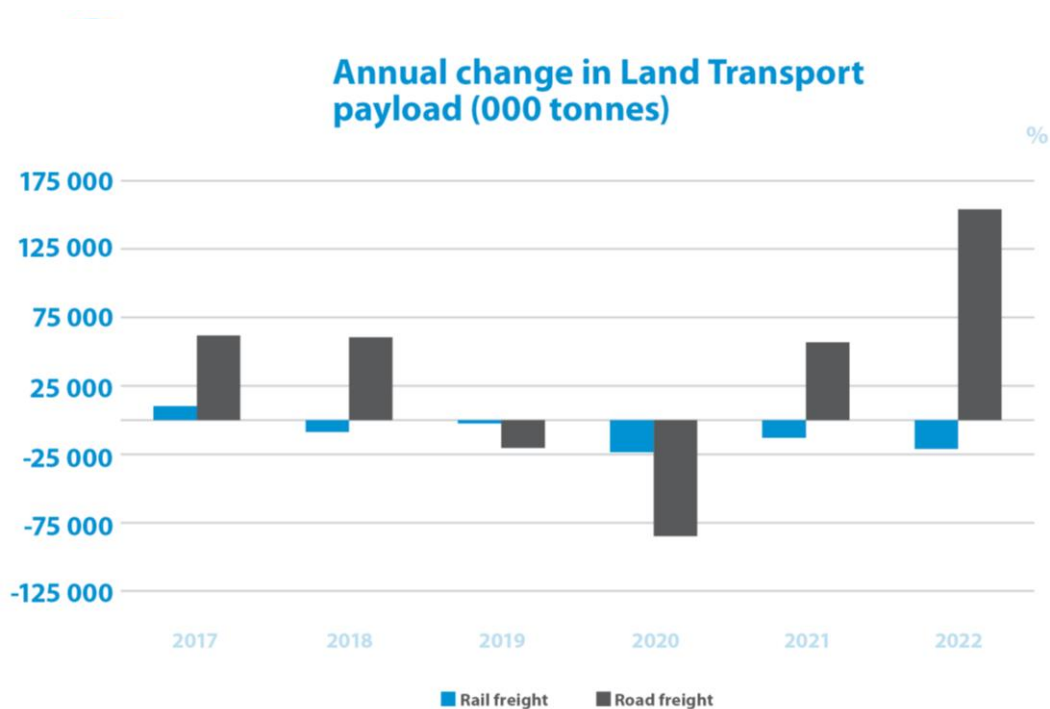
Source: Ctrack

The logistics sector has been completely transformed in the past five years, specifically relating to payload moving from rail to road. The main driving factor for this change has been the ongoing deterioration and underperformance of rail services offered by Transnet Freight Rail. In its monthly Land Transport data release, Statistics South Africa reports on developments in Rail and Road Freight. From reaching a rock-bottom low of only 10.3% of total freight payload being transported via rail in November 2022, the performance of the Rail Freight segment has improved somewhat to 16.1% in April 2023, though still notably lower than the 10-year average (2008-2017) of 25.9% (Rail Freight to total payload) prior to the onset of the significant deterioration. The private sector operators have, had to fill the void and Road Freight has boomed, especially post pandemic. From a ratio of 75.1% in 2017, Road Freight as a percentage of total freight being transported, has gradually improved to 84.4% in 2022. Although plans are afoot to reverse this trend, many obstacles remain, and it will most likely take a considerable amount of time, motivation and noteworthy effort to address all the current challenges before a significant shift back to the use of rail happens.

“Ctrack believe that Road Freight will remain the best choice for the transporting of goods in South Africa for many years. Therefore, we are always innovating and refining our offering to ensure that our clients have the best chance of success in a cut throat business environment that needs to operate in unpredictable conditions,” says Hein Jordt, Chief Executive Officer of Ctrack Africa.



Graph 3: Annual change in Land Transport payload (000 tonnes)



Source: Ctrack

Reflecting this ongoing phenomenon is a 15,2% annual improvement in the Road Freight segment of the Ctrack Transport and Freight Index, the 29th consecutive month of growth for the sector. These increases are evident in the increased heavy vehicle traffic on both the N3 and N4 routes during May. The Rail Freight segment declined further during May, after having recorded some recovery during February and March, albeit off an extremely low base. The Rail Freight segment remains deeply in the negative on an annual basis, declining by 9.6% for the year ending in May.

The Air Freight segment of the Ctrack Transport and Freight Index, which was one of 2022's star performers, started 2023 on the backfoot, and has only improved slightly during April and May. Air Freight increased by 0.9% compared to the previous month but remains 3.6% below a year earlier. It is evident that the strain on the global economy is still filtering through to 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. Air cargo tonne-kilometres (CTKs) to Africa decreased again in May, while cargo load on planes also declined by 3.6%, the second consecutive monthly decline. The number of unscheduled flights, that are typically chartered for cargo purposes also declined during May.

The Sea Freight segment of the Ctrack Transport and Freight Index, which was one of the segments hardest hit by the Transnet strike of October 2022, is still in a gradual recovery mode. Sea Freight increased by 1.3% during May and moved into positive territory on a year-to-year basis, for the first time since September 2022. Although up by 2.1% on an annual basis, the sub-sector remains 14.6% below



the September 2022 pre-strike level. Container handling increased by a notable 7.7% on a monthly basis in May, while other cargo handling increased by 2.7%.

The transport of liquid fuels via Transnet Pipelines (TPL) increased by 1.7% during May, with the pipeline component of the Ctrack Transport and Freight Index improving significantly on a quarterly basis, by 6.2%, although it is still 2,3% behind the levels of the previous year.

The Storage and Handling sub-sector of the Ctrack Transport and Freight Index continued to perform well during May, with a 4.1% increase compared to April and tracking 1.7% higher on an annual basis.

Ctrack TFI and GDP growth

The transport industry was among the top three sectoral performers in the first quarter of 2023, increasing by 1.1% compared to the previous quarter seasonally adjusted (vs. 0.4% for total economy), contributing positively to the overall economic performance of the South African economy.

Additional improvements as indicated by the Ctrack Transport and Freight Index in April and May are already indicative of a sustained recovery in the logistics sector that should benefit activity in the broader economy during the second quarter and beyond. While the economic narrative remains dismal, evidence of resilience has recently been coming to the fore, with better-than-expected economic data releases. Production figures in the mining and manufacturing sectors have been surprising despite heavy load-shedding during April, suggesting that these industries are becoming progressively more resilient to the effects of load-shedding, as companies reduce their energy dependence on an embattled Eskom. Though it is still early days, it is an encouraging trend that could, if sustained, result in a somewhat better economic scenario, than what was previously envisaged.

“Despite a tough economic environment it is clear that goods still need to be transported and Ctrack offer a wide variety of solutions that assist operators in doing so as safely and efficiently as possible,” concludes Jordt.

Graph 4: Real GDP growth vs Transport sector growth (q/q change)





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

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May 2023 Tables

Percentage change between	Rail	Road	Pipeline	Sea	Air	Storage & Handling	Ctrack Transport and Freight Index
May 2023 vs May 2022 (y/y)	-9.6%	15.2%	-2.3%	2.1%	-3.6%	1.7%	7.5%
May 2023 vs April 2023 (m/m)	-1.7%	0.0%	1.7%	1.3%	0.9%	4.1%	0.4%
Quarter to May 2023 vs. Quarter to Feb 2023 (q/q)	9.1%	3.3%	6.2%	2.0%	3.4%	11.9%	4.9%

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.

Ctrack

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