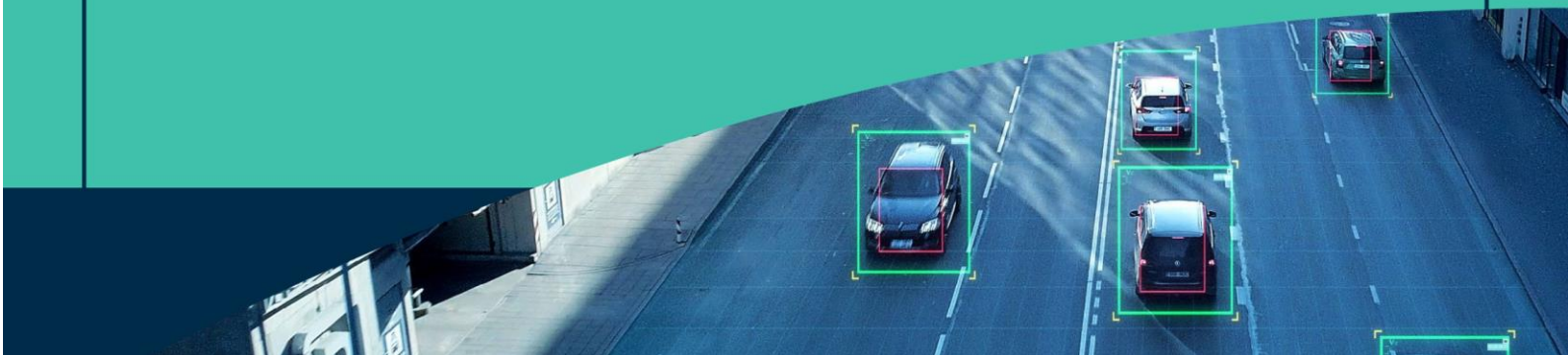




February 2024

# Ctrack Transport & Freight Index

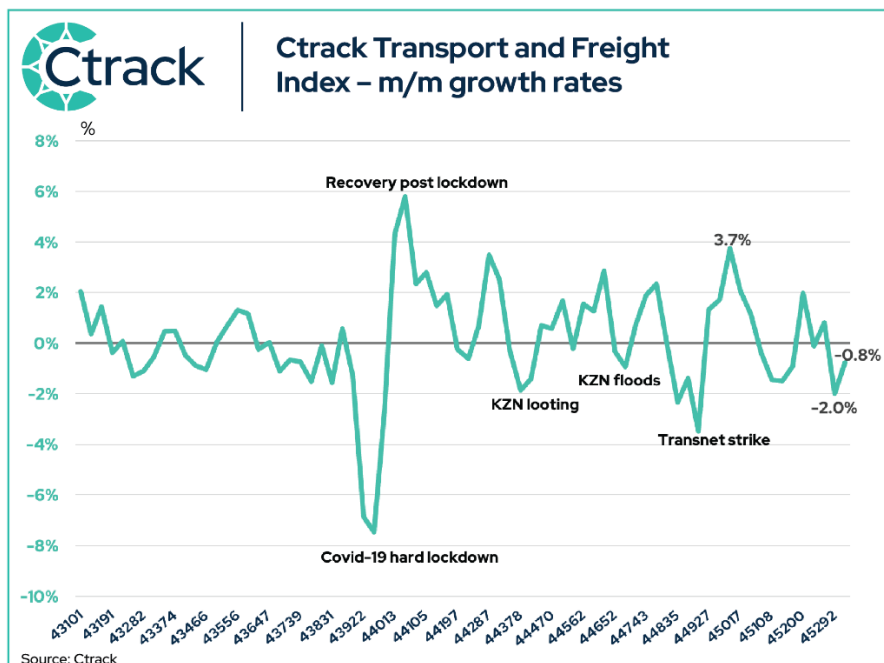




## Strain still evident in the logistics sector during February 2024

After declining abruptly in January, the Ctrack Transport and Freight Index (Ctrack TFI) subsided further in February to an index level of 118.6, a drop of 0.8% compared to January's level of 119.6 and the lowest since February 2023. Although the pace of decline has subsided compared to January, the heavy-weighted road and rail freight sectors were the main drivers of the further deterioration. However, despite a further drop on a monthly basis, the Ctrack TFI is still 2.5% above year-ago levels.

**Graph 1: Ctrack Transport and Freight Index – m/m growth rates**



In February, four of the six sub-sectors declined on a monthly basis (see graph 2), with only the sea and air freight sectors expanding. However, compared to a year earlier, four of the subsectors still increased, with only road and air freight contracting. While the interdependence and intertwined nature of the logistics sector soften the overall impact of weakness in some sub-sectors, the sector remains overall on the back foot and in urgent need of intervention and structural reform.

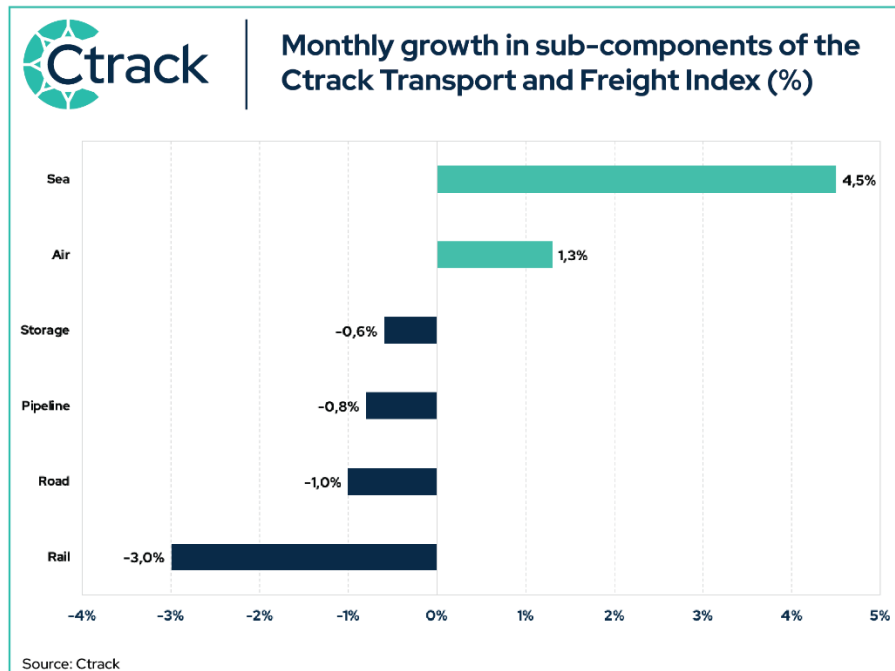
Recent developments are encouraging, including the approval of the Freight Logistics Roadmap, the appointment of a permanent board for Transnet National Ports Authority, the passing of the Economic Regulation of Transport Bill and the publication of a draft network statement detailing how private sector access will be governed. While industry reacted negatively to the level of the proposed tariffs included in the





statement, at least, the option for private sector participation is on the table and negotiations could be forthcoming.

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



In a report titled ‘Decarbonising South Africa’s Transport Sector’ published in 2023, based on research done as part of the Climate Pathways and Just Transition Project run by the National Business Initiative (NBI), in partnership with Business Unity South Africa and Boston Consulting Group, the conclusion was reached that for South Africa to cut greenhouse gases (GHGs) in the transport sector to net-zero by 2050, among other recommendations, between 15% to 20% of road traffic must move to rail. This shift, the report noted will also be key in addressing road congestion and improving the efficiency of the overall transport system.

While some progress has been made to stem the deterioration in rail freight, among others, the approval of the Freight Logistics Roadmap, that provides a clear reform path towards resolving immediate operational challenges driving the decline of rail and ports and outlining interventions required to fundamentally restructure the logistics sector through policy and legislative interventions, a long road is ahead and any notable impact of interventions is only likely to be seen in the medium term.



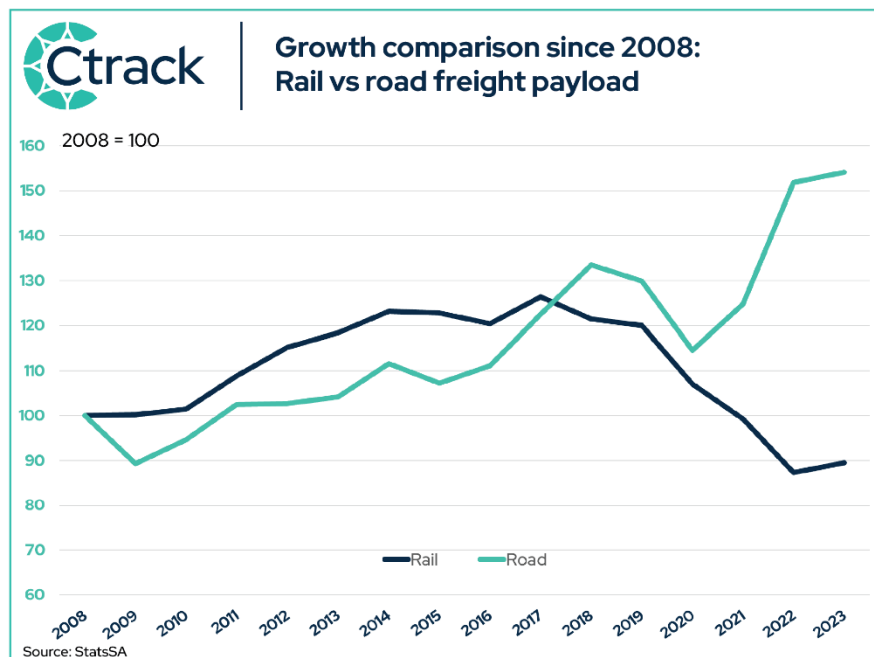


Following five years of annual declines (2018-2022), rail freight payload increased by 2.5% in 2023, off an extremely low base and clearly continuing to underperform given ongoing challenges plaguing the sector. Among others large-scale theft of copper cables, insufficient maintenance, lack of locomotives, corruption, derailments, and vandalism on freight trains are common and hampering the sector's performance.

On the other hand, the road freight sector, which has grown notably in recent years and now accounts for 84.5% of all freight payload in South Africa, had experienced multiple headwinds during 2023, but still managed to increase by 1.5% in 2023, compared to growth of 21.7% and 8.9% in 2022 and 2021, respectively. The sub-sector remains the backbone of logistics in South Africa, although it comes at a cost to the economy, as transport via road remains notably more expensive than transport via rail.

Both the road and rail freight sub-sectors subsided in February, signalling that many challenges remain in the early months of 2024. The rail freight sub-sector declined by 3.0% m/m in February, following on hefty drop in January, taking the index almost 10% lower compared to end-2023. Road freight declined by 1.0% on a monthly basis in February, the fourth consecutive monthly decline.

**Graph 3: Growth comparison since 2008: Rail vs road freight payload**



**Sea Freight** remains one of the main focus areas of South Africa's structural reform efforts and some of the shorter-term interventions at ports are starting to bear fruit. After tumbling in October and November, reflecting the inability of ports to handle cargo due to a multiplicity of contributing factors, the sea freight sub-component started to recover in December and continued its recovery in the early months of 2024. Container handling





(both landed and shipped) increased by 22.1% m/m in February, though of a low base, while other cargo excluding cars increased by a solid 8.1% compared to January. One of Durban port's pockets of excellence is the Durban Car Terminal (DCT), recently moved its 600 000th vehicle through the terminal in the current financial year, up from 531 755 fully built-up units over the preceding 12-month period ending 31 March 2023. The terminal said the 600 000th unit mark is a historical achievement, "attributed to improved terminal efficiencies through a committed workforce, consistency and eased Covid-19 lockdown restrictions globally".

The **Air Freight** sub-sector increased by 1.2% in February, following a decline by 3.0% in January. The underlying data for the sector were mixed in February with strong growth evident in cargo load on planes (+10.4% up compared to January) as well as in global cargo tonne-kilometres (CTK), while declines were noted in the number of unscheduled flights (that are typically chartered for cargo purposes) and in consolidated airport flight movements. The weaker indicators seem to be those that are locally focused as globally the air freight sector is still performing well. Global air cargo demand kicked off with an impressive 18.4% year-on-year growth in January, with the industry indicating the highest annual growth in cargo tonne-kilometres since the 2021 summer season. In January, the Africa–Asia and Middle East–Europe trade lanes experienced exceptional annual growth in international CTKs of 52.5% and 46.1%, respectively. According to the International Air Transport Association (IATA), all other major trade lanes maintained their momentum from the past year, exhibiting positive growth across the board, with demand surging especially on Asian and Middle Eastern routes.

The **Storage and Handling** sub-sector of the Ctrack Transport and Freight Index declined by 0.6% on a monthly basis in February, but remains 20.0% above year ago levels. While inventory indicators were mixed in February, total transshipments, both landed and shipped containers, increased notably. Lastly, the transport of liquid fuels via Transnet Pipelines (TPL) declined by 0.8% in February compared to January, and by 5.4% on a quarterly basis, while this sub-component of the Ctrack Transport and Freight Index still tracks higher on an annual basis (+4.5%).

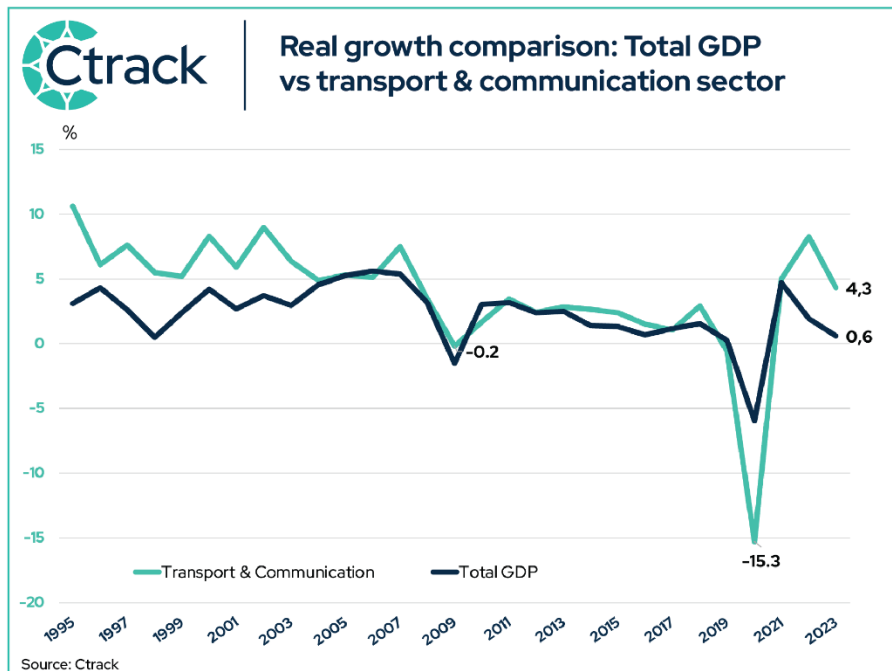
### **Transport sector the star performer in Q4 2023**

The release of South Africa's GDP growth statistics early March revealed that, in-line with the signals of the Ctrack TFI, the transport sector was indeed the star performer in Q4 2023, growing by 2.9% q/q and seasonally adjusted vs. overall GDP growth of a mere 0.1%. The full year real growth for the transport and communication sector realised at 4.3% in 2023, clearly outperforming the broader economy that managed to record real growth of only 0.6%.



“The transport & logistics sector is the backbone of the South African economy. The inability to effectively move products to and from markets comes at a cost, which has a negative impact on the whole economy. 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. An improvement in the efficiencies of the logistics sector could have a positive multiplier impact on the economy as a whole, much needed for South Africa,” says Hein Jordt, Chief Executive Officer of Ctrack.

**Graph 4: Real growth comparison: Total GDP vs transport & communication sector**





**Table 1: Change in Ctrack Transport and Freight Index in February 2024**

February 2024		Rail	Road	Pipeline	Sea	Air	Storage	Ctrack TFI
Percentage Change between								
<b>February 2024 vs February 2023 (y/y)</b>		16.7%	-3.5%	-4.5%	9.0%	-2.5%	20.0%	2.5%
<b>February 2024 vs January 2024 (m/m)</b>		-3.0%	-1.0%	-0.8%	4.5%	1.3%	-0.6%	-0.8%
<b>Quarter to February 2024 vs. Quarter to November 2023 (q/q)</b>		-8.1%	-3.0%	-5.4%	13.1%	0.6%	3.3%	-2.0%

*Note: The row highlighted in teal is the main Ctrack Transport and Freight Index Values used.*

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