Economic & Market Report- Newsletter – Aug. Edition 2018

▪ Exchange Rates:

Currency 23thMay 18–23th.Aug.18	3 Month Low	3 Month High	3 Month Average	Actual Trading Price: 23th Aug. 2018
Euro-to-US Dollar (€1)	USD 1.1321	USD 1.1836	USD 1.1637	USD 1.1518
Euro-to-Rupee (€1)	INR 78.31	INR 81.19	INR 79.67	INR 80.23
Euro-to-Yuan (€1)	CNY 7.4174	CNY 8.0178	CNY 7.7231	CNY 7.8665
Euro-to-GBP (€1)	GBP 0.8714	GBP 0.9008	GBP 0.8951	GBP 0.8981
Euro-to-AUD (€1)	AUD 1.5311	AUD 1.5869	AUD 1.5660	AUD 1.5668
Euro-to-BRL (€1)	BRL 4.2554	BRL 4.6912	BRL 4.4243	BRL 4.6647
Euro-to-ZAR (€1)	ZAR 14.4979	ZAR 16.9966	ZAR 15.6167	ZAR 16.6885

(Source: European Central Bank: http://www.ecb.int)

▪ Interest Rates

Country	Current Rate	Previous Rate	Last Change
Australia	1.50%	1.75%	08/2016
Brazil	6.50%	6.75%	03/2018
China	4.35%	4.60%	10/2015
European Monetary Union	0.00%	0.05%	03/2016
India	6.50%	625%	08/2018
South Africa	6.50%	6.75%	03/2018
United Kingdom	0.75%	0.50%	08/2018
United States	2.00%	1.75%	06/2018

(Source: https://de.global-rates.com/zinssatze/zentralbanken/zentralbanken.aspx)

- **Oil Prices**

Crude Oil	2 Year	1 Year	3 Month	1 Month	Trading Price Aug. 23th.
	USD 48.85	USD 51.88	USD 75.28	USD 72.08	USD 74.39

(Source: CNBC Market Data, https://www.cnbc.com/quotes/?symbol=%40LCO.1 **(**23th. Aug.2018)

- **Gross Domestic Product (% year)**

Country	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018 Forecast	2018 Forecast	2020 Forecast
Australia	1,80%	2.50%	2,40%	2,90%	3,10%	2,90%	3,20%
Brazil	0,40%	2.30%	2,10%	1,70%	1,20%	1,70%	2,50%
China	6,90%	6,60%	6,80%	6,60%	6,70%	6,60%	6,50%
Euro Area	2,40%	2,40%	2,80%	2,20%	2,10%	2,50%	2,00%
France	1,80%	2,00%	2,80%	1,90%	2,10%	2,20%	2,00%
Germany	2,30%	2,80%	2,70%	2,30%	2,40%	2,40%	2,50%
India	5,70%	6,70%	7,00%	7,40%	7,70%	7,20%	6,90%
South Africa	1,30%	1,30%	1,50%	1,30%	0,80%	1,70%	0,80%
South Korea	2,70%	2,90%	2,80%	2,70%	2,90%	2,80%	2,90%
United Arab Emirates	3,40%	3,90%	3,00%	2,50%	0,80%	2,50%	3,30%
United Kingdom	1,50%	1,40%	1,40%	1,40%	1,30%	1,40%	1,60%
United States	2,20%	2,20%	2,60%	2,50%	2,80%	2,50%	2,50%

(Sources: HSBC Global Research – Key Economic Forecast
http: //https://tradingeconomics.com/forecast/gdp-annual-growth-rate

- **JP Morgan Global Manufacturing Purchasing Managers Index (PMI) – July 2018**

	May	Jun.	Jul.	Summary, Rate of Change
Global PMI	53.1	53.0	52.7	Expanding, slower rate
Output	53.4	53.2	53.0	Expanding, slower rate
New Orders	53.4	52.9	52.5	Expanding, slower rate
Australia	57.5	57.4	52.0	Expanding, slower rate
Brazil	50.7	49.8	50.5	Expanding, change of direction
China	51.1	51.0	50.8	Expanding, slower rate
Euro Area	55.5	54.9	55.1	Expanding, faster rate
France	54.4	52.5	53.3	Expanding, faster rate
Germany	56.9	55.9	56.9	Expanding, faster rate
India	51.2	53.1	52.3	Expanding, slower rate
United Kingdom	54.3	54.3	54.0	Expanding, slower rate

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3c106b8d981246c9815f07ad6e5f6b48

Global manufacturing growth slows at start of third quarter
The rate of global manufacturing expansion slowed again at the start of the third quarter. At 52.7 in July, down from 53.0 in June, the J.P.Morgan Global Manufacturing PMI™ – a composite index1 produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – posted its lowest reading for one year.

Full Document available: https://www.markiteconomics.com/Public/Home/PressRelease/3c106b8d981246c9815f07ad6e5f6b48

JPMorgan Global Manufacturing PMI™-a composite index* produced by JPMorgan and Markit in association with ISM and IFPSM – posted 48.9, up slightly from August's 38-month low of 48.1, but below the neutral 50.0 mark for the fourth month running. The key figure for PMI is 50. A reading of 50 or higher generally indicates that the industry is expanding. If manufacturing is expanding, the general economy should be doing likewise. As such, it is considered a good indicator of future GDP levels. Many economists will adjust their GDP estimates after reading the PMI report. Another useful figure to remember is 42. An index level higher than 42%, over time, is considered the benchmark for economic (GDP) expansion. The different levels between 42 and 50 speak to the strength of that.

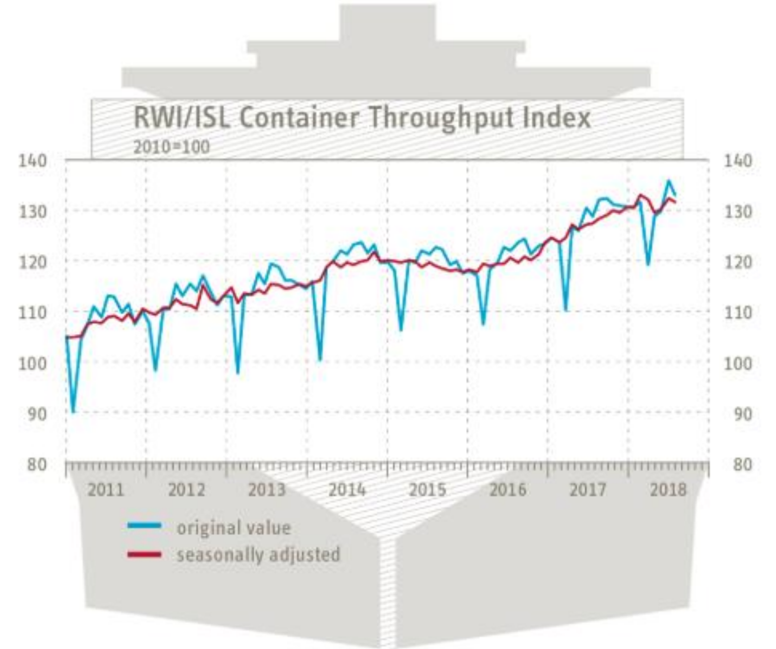
- **Market Inflation Rate**

Country	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018 Forecast	2018 Forecast	2020 Forecast
Australia	1,90%	1,80%	1,80%	1,90%	2,10%	2,20%	2,20%
Brazil	2,54%	2,95%	2,84%	4,48%	4,39%	3,90%	3,50%
China	1,60%	1,80%	2,90%	1,90%	2,10%	2,80%	2,50%
Euro Area	1.80%	1.40%	1,30%	2,00%	2,10%	1,80%	1,80%
France	1,10%	1,20%	1,60%	2,00%	2,30%	1,70%	2,00%
Germany	1,60%	1,70%	1,60%	2,10%	2,00%	2,00%	2,40%
India	3,28%	4,88%	4,44%	5,00%	5,10%	4,70%	5,00%
South Africa	5.10%	4.60%	4,00%	4,40%	4,60%	4,90%	5,70%
South Korea	1,80%	1,50%	1,30%	1,50%	1,50%	1,90%	1,90%
United Arab Emirates	1,15%	1,70%	4,50%	3,50%	3,30%	3,70%	3,30%
United Kingdom	3,00%	3,10%	2,70%	2,40%	2,40%	2,20%	2,20%
United States	2,20%	2,20%	2,20%	2,90%	2,90%	2,50%	3,00%

(Source: https://tradingeconomics.com/country-list/inflation-rate)

RWI/ISL-Container Throughput Index receding slightly

The Container Throughput Index of the RWI – Leibniz Institute for Economic Research and the ISL – Institute of Shipping Economics and Logistics sank lightly from 133.6 points (revised) in May to 132.7 points in June.



RWI/ISL computations based on data provided by 88 ports. June 2018: flash estimate.

As of now, it cannot be ruled out that the implementation of US tariffs on July 1st, convinced some actors to move cargoes ahead of schedule. This would be suitable to explain the noticeable increase during May and probably would be suitable to explain why the June figure did not turn out to be even lower. The figures for July and August are expected to paint a clearer picture in this regard.

The index is based on data continuously collected from world container ports by ISL as part of its market monitoring. Because large parts of international merchandise trade are transported by ship, the development of port handling is a good indicator for world trade. As many ports release information about their activities only two weeks after the end of the respective month, the RWI/ISL Container Throughput Index is a reliable early indicator for the development of international merchandise trade and hence for the activity of the global economy. As of 2018, the index is compiled based on data of 88 ports. Together these ports account for ~60% of worldwide container handling. The flash-estimate for June is based on data reported by 54 ports, accounting for 80% of the total index volume. The flash-estimate for May was revised up by 0.5 points.

Background Information: Construction of the RWI/ISL-Container Throughput Index

The Container Throughput Index is a joint project of RWI with the Institute of Shipping Economics and Logistics (ISL). It aims at providing timely information on short term trends in international trade. The index is based on the consideration that containers have become the most important means of transporting processed products. Therefore, the global container throughput and international trade can be expected to be highly correlated.

Hitherto, the RWI/ISL-Container Throughput Index shows a close correlation with world trade. The index provides valuable input into business cycles analyses, since it is available 3 to 4 months in advance of data on world trade published by international organizations, and one month in advance of the first estimates of world trade volumes.

Source https://www.isl.org/en/containerindex/june-2018

Air Freight Indicators:

Airfreight Market Analysis

Air cargo volumes continue their modest uptrend, amid rising risks

- The slowdown in annual freight tonne kilometre (FTK) growth in June may partly reflect the impact of disruption at Nippon Cargo. In any case, the key point is that FTKs are continuing to trend upwards at a relatively modest pace.
- Following robust annual growth in the first half of 2018 (4.7%), we continue to expect FTKs to increase by around4% in the year as a whole. However, rising trade tensions pose downside risks to the wider outlook.
- Once again, annual growth in freight capacity exceeded that of demand in June, leading to a fall in the load factor.

Potential distortion in FTK growth rate in June…

Year-on-year growth in industry-wide FTKs slowed to 2.7% in June, down from 3.8% in May and almost half the five-year average FTK growth rate (5.1%).

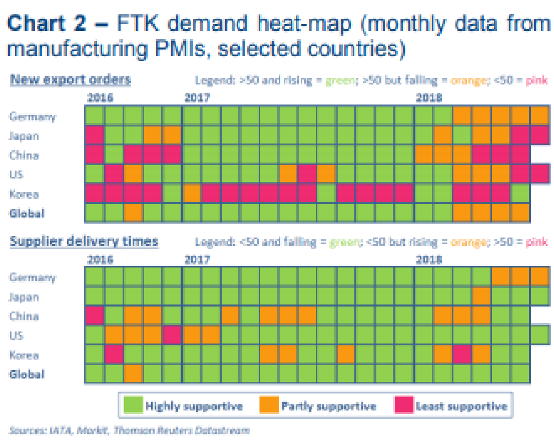
The latest growth outcome may have been distorted in part by the grounding of the entire Nippon Cargo fleet for much of the month. It is difficult to know for certain how much of the affected demand was carried by other operators, but we estimate that the disruption could conceivably have reduced industry-wide annual FTK growth by up to 0.5 percentage points in June.

…but this does not change the broader picture

In any case, given that Nippon Cargo resumed services in early-July, any impact is likely to be reversed in the July data. Moreover, even if the 'true' pace of FTK growth in June was just over 3%, the key point is that air freight volumes have continued to trend upwards at a more moderate pace than was the norm during the first half of last year. (See Chart 1.)

As we have noted before, the slowdown in the upward trend relative to that seen during 2016 and 2017 mainly reflects the fact that the inventory re-stocking cycle, had largely run its course by the end of last year.

Moreover, the loss of momentum in air freight demand is also consistent with the broad-based moderation in manufacturing firms' export order books since the start of 2018. (See Chart 2.)The breadth of the deterioration across the major trading nations is indicative of a structural slowdown in global trade conditions rather than an isolated blip.



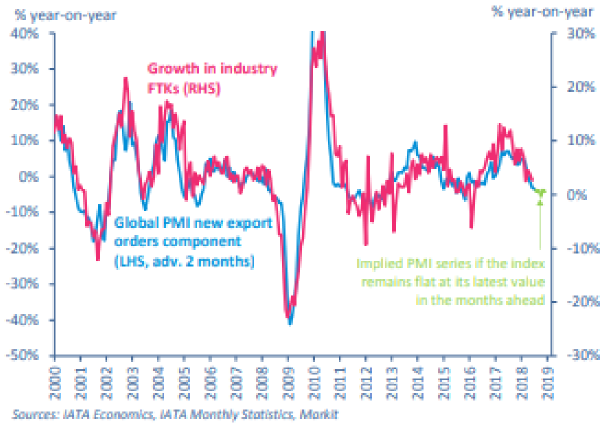
Air freight market overview - June 2018

	World share[1]	June 2018 (% year-on-year)				% year-to-date			
		FTK	AFTK	FLF (%-pt)[2]	FLF (level)[3]	FTK	AFTK	FLF (%-pt)[2]	FLF (level)[3]
TOTAL MARKET	***100.0%***	**2.7%**	**4.1%**	**-0.6%**	**44.3%**	**4.7%**	**5.1%**	**-0.2%**	**44.7%**
International	*87.5%*	2.7%	4.3%	-0.8%	48.2%	5.0%	5.6%	-0.3%	48.5%

[1]% of industry FTKs in 2017 [2]Year-on-year change in load factor [3]Load factor level

All told, the new export orders component of the global manufacturing Purchasing Managers' Index (PMI) recently fell to its lowest level since July 2016, and is now just above the 50-mark that corresponds to rising export orders. At current levels, the indicator is consistent with annual FTK growth staying around its current pace into Q3 2018. (See Chart 3)

Chart 3 – FTK growth vs. global new export orders



The balance of risks lies to the downside

Industry-wide FTKs grew by 4.7% in annual terms in the first half of the year and we continue to expect them to grow in the region of 4% in 2018 as a whole. Nonetheless, this outlook will require FTKs to continue to trend upwards broadly in line with their current annualized rate. All told, we judge the risks to our forecast to lie slightly on the downside.

More generally, with the best of the cyclical upturn now well behind us, the key question is how strong the structural backdrop for air freight growth is – especially in the context of rising trade protectionism measures. For now, the direct risks to air freight from tariffs appear relatively contained, but there are clearly risks if tensions continue to escalate – particularly to the extent that firms move to 'reshore' production and consolidate global supply chains. We will continue to monitor the situation closely as it develops.

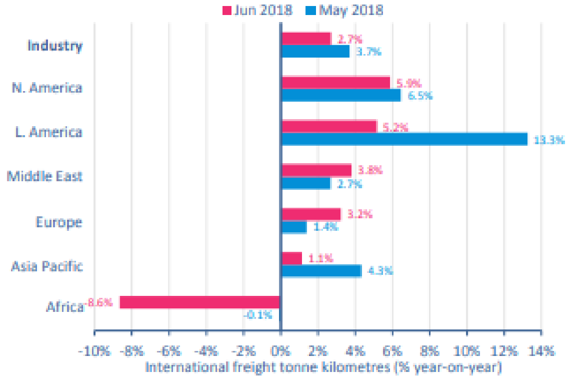
Capacity is increasing faster than demand

Available freight tonne kilometres (AFTKs) grew by 4.1% year-on-year in June, down from 5.1% in the previous month. The industry-wide load factor fell by 0.6 percentage points compared to June 2017, and capacity is currently trending upwards in SA terms at a faster pace than demand.

A further slowing in international FTK growth

As is the case for industry-wide volumes, the slowdown in annual international FTK growth in June, to 2.7% from 3.7% in May, may also have been affected by the disruption at Nippon Cargo. (See Chart 4.)

Chart 4 – International FTK growth



Sources: IATA Economics, IATA Monthly Statistics

North American FTKs find broad-based support…

North American airlines topped the international FTK growth chart for the first time in nearly two years in June, with annual growth of 5.9%.

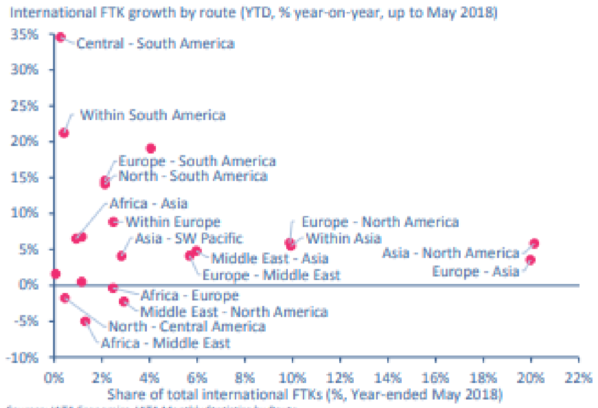
Air freight volumes have risen sharply for the region's carriers in SA terms in the last few months, alongside robust growth in the US economy and a stronger US dollar (which looks to be boosting inbound air shipments). Reports of a sharp pick-up in bottlenecks in manufacturing supply chains in the US in recent months may also be benefiting air freight demand.

…but L.American traffic has lost some momentum

Annual growth in international FTKs flown by carriers based in Latin America slowed to an eight-month low of 5.2% in June, from 13.3% in May. However, after a volatile few years, this was still well above the five-year average pace (1.6%).

The recovery in freight volumes in the region has lost some momentum in recent months alongside disruption caused by strikes in the continent's largest economy, Brazil. Nonetheless, smaller routes within the region have seen annual double-digit growth in international FTKs so far this year. (See Chart 5.)

Chart 5 – International FTKs by route (segment-based)



Sources: IATA Economics, IATA Monthly Statistics by Route

European freight volumes are trending sideways

European airlines flew 3.2% more international FTKs in June 2018 relative to the same month a year ago – well down on the five-year average annual FTK growth rate (5.6%).

FTKs have now tracked sideways over the past six months, which is consistent with a moderation in manufacturers' export order books in the region, as well as recent signs of an easing in the acute supply chain bottlenecks that have affected the region over the past year or so.

Moderate uptrend in Asia Pacific freight volumes…

As the largest air freight-carrying region – accounting for around one-third of the global total – Asia Pacific is most exposed to any impact from rising trade tensions.

International FTK growth in the region slowed to a 17- month low of 1.1% in June, although this mainly reflected the comparison with a surge in freight traffic a year ago rather than a marked change in the current trend. The bigger picture is that freight volumes are still trending upwards, albeit at a comparatively moderate pace of around 3-4% on an annualized basis.

…as well as for airlines based in the Middle East

Meanwhile, annual growth in international FTKs flown by Middle Eastern carriers rose to 3.8% in June, from 2.7% in May. However, this is well below the five-year average pace (9.5%) and in a similar case to Asia Pacific, the upward trend in international FTK volumes has continued to remain modest (volumes have trended upwards at a 2% annualized rate over the past six months).

African int'l FTKs continue their downward trend

Having surged by 25% in 2017 as a whole, international FTKs flown by African airlines fell in July at the fastest annual pace in nearly nine years (-8.6%). FTKs have now trended downwards in SA terms at an annualized pace of almost 20% over the past six months, which reflects weaker demand conditions on all the main markets to/from the continent, particularly to/from Europe and the Middle East. (Again, see Chart 5).

Air freight market detail - June 2018

	World share [1]	June 2018 (% year-on-year)				% year-to-date			
		FTK	AFTK	FLF (%-pt) [2]	FLF (level) [3]	FTK	AFTK	FLF (%-pt) [2]	FLF (level) [3]
TOTAL MARKET	***100.0%***	**2.7%**	**4.1%**	**-0.6%**	**44.3%**	**4.7%**	**5.1%**	**-0.2%**	**44.7%**
Africa	*1.9%*	-8.5%	-1.4%	-1.9%	24.9%	3.0%	0.6%	0.6%	26.5%
Asia Pacific	*36.9%*	1.5%	5.2%	-2.0%	54.5%	4.6%	6.8%	-1.1%	53.7%
Europe	*24.2%*	3.3%	5.4%	-0.9%	44.6%	4.1%	5.0%	-0.4%	46.2%
Latin America	*2.7%*	5.9%	-5.7%	4.1%	37.2%	10.1%	0.0%	3.3%	36.0%
Middle East	*13.7%*	3.8%	4.5%	-0.3%	43.7%	4.3%	5.1%	-0.4%	44.0%
North America	*20.6%*	3.8%	3.4%	0.1%	35.8%	5.3%	4.5%	0.3%	36.3%
International	***87.5%***	**2.7%**	**4.3%**	**-0.8%**	**48.2%**	**5.0%**	**5.6%**	**-0.3%**	**48.5%**
Africa	*1.8%*	-8.6%	0.4%	-2.5%	25.0%	2.9%	2.2%	0.2%	26.7%
Asia Pacific	*33.1%*	1.1%	4.7%	-2.1%	59.5%	5.1%	7.3%	-1.2%	58.1%
Europe	*23.7%*	3.2%	5.5%	-1.0%	46.3%	4.0%	5.2%	-0.5%	47.7%
Latin America	*2.3%*	5.2%	-2.0%	2.8%	40.8%	10.9%	2.0%	3.3%	41.5%
Middle East	*13.7%*	3.8%	4.6%	-0.3%	43.8%	4.2%	5.2%	-0.4%	44.0%
North America	*12.9%*	5.9%	3.7%	0.9%	42.0%	6.6%	4.9%	0.7%	42.7%

[1]% of industry FTKs in 2017 [2]Year-on-year change in load factor [3]Load factor level

Note: the total industry and regional grow th rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in w hich the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

Source: IATA-Air Transport Market Analysis June 2018 published on:
https://www.iata.org/publications/economics/Reports/freight-monthly-analysis/freight-analysis-jun-2018.pdf

Radical change built on solid foundations – Global Freight Forwarding 2018

- The fundamentals of forwarding remain unchanged, but its short-term future will be characterized by the introduction of technologies that unlock value and enhance capability
- Simplicity and responsiveness are driving the introduction of new technology as forwarders seek to rapidly enhance customer-centricity
- Freight forwarders recognise demand for speed and precision in operations is key battleground in introducing technology to real-world forwarding processes
- The entry of online marketplaces and digital forwarders provided an impetus for the world's largest forwarders to drive the development of their own tech-based capabilities within

Radical change built on solid foundations

While the underlying fundamentals of freight forwarding have remained relatively unchanged, there have been a number of significant changes in both the structure of the forwarding market in recent years and in the way services are offered to the market. One of the most visible has been the introduction of digital forwarders, marketplaces and spot market platforms. The entry of such players into the market has been a key driver of innovation in customer service and experience, and in the wider movement to embrace new technologies as they mature and start to create value. Online marketplaces and digital forwarders are not a transformative and disruptive threat, but a viable solution for shippers with specific needs and a segment of the forwarding market in their own right, according to the largest forwarders globally.

"Large freight forwarders have realised that online rate quotation and booking platforms are a great way to win SME and ad-hoc business. Simplicity and responsiveness of service are often top of the list of priorities for such customers, which digital forwarding in theory should deliver well. In practice, however, there can be wide discrepancies in service quality across platforms. Both large forwarders and the newer players are continuously evolving their offerings to get ahead of the competition," said David Buckby, Economist at Transport Intelligence.

Transformation from within

Alongside the development of market-facing systems, forwarders are transforming themselves from within to unlock value and enhance capability and efficiency. Plans to implement change, to enhance customer experiences and to drive both efficiency and quality at scale show a diversity of opinion and variation in business and operating models.

"The short-term future of forwarding will be driven by the use of technology to deliver against the need to improve operational efficiency and enhance customer-centricity. There's no established route to success and forwarders are likely to need a suite of internal and external tools to meet all the demands they'll face. The highest risk comes with no activity – forwarding is and will increasingly be a tech-enabled business in which standing still isn't an option. Beyond that, the character of risk changes not all technology will mature in the way expected and the market will shift, but using technology to gain operational and customer satisfaction advantages is key to the game forwarders are in at the moment," said Nick Bailey, Head of Research at Transport Intelligence.

Global Freight Forwarding 2018 includes:

Extensive analysis of the technology-based transformation currently taking place in freight forwarding, including the introduction of market-facing service offers and the development internal systems to improve operational efficiencies An investigation of the size of the SME shipper market, as well as analysis of the strategies and tactics digital forwarders, marketplaces and the world's largest forwarders are implementing to win their business

An investigation of the size of the SME shipper market, as well as analysis of the strategies and tactics digital forwarders, marketplaces and the world's largest forwarders are implementing to win their business Transport Intelligence's freight forwarding market size analysis, which reveals an 8.0% market growth in 2017 – a rapid expansion compared with recent years and the biggest annual gain since 2010.

Source:http://www.ti-insight.com/wp-content/uploads/2018/08/LB-July-exclusive-content-Radical-change-built-on-solid-foundations.pdf

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