Economic & Market Report- Newsletter - Apr. Edition 2018

- ## Exchange Rates:

Currency 17[3h] Jan. 18–17[h]Apr.18	3 Month Low	3 Month High	3 Month Average	Actual Trading Price: 17[th] Apr. 2018
Euro-to-US Dollar (€1)	USD 1.2171	USD 1.2493	USD 1.2335	USD 1.2387
Euro-to-Rupee (€1)	INR 78.01	INR 80.81	INR 79.73	INR 81.36
Euro-to-Yuan (€1)	CNY 7.7138	CNY 7.9261	CNY 7.8034	CNY 7.7116
Euro-to-GBP (€1)	GBP 0.8640	GBP 0.8951	GBP 0.8804	GBP 0,8642
Euro-to-AUD (€1)	AUD 1.5287	AUD 1.6132	AUD 1.5738	AUD 1.5916
Euro-to-BRL (€1)	BRL 3.9063	BRL 4.2333	BRL 4.0309	BRL 4.2300
Euro-to-ZAR (€1)	ZAR 14.2239	ZAR 15.0524	ZAR 14.6844	ZAR 14.8790

(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	6.00%	6.25%	08/2017
South Africa	6.50%	6.75%	03/2018
United Kingdom	0.50%	0.25%	11/2017
United States	1.75%	1.50%	03/2018

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

- **Oil Prices**

Crude Oil	2 Year	1 Year	3 Month	1 Month	Trading Price Apr 17th.
	USD 43.90	USD 51.88	USD 64.87	USD 64.94	USD 71.52

(Source: CNBC Market Data, https://www.cnbc.com/quotes/?symbol=%40LCO.1.Apr..17th 2018)

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

Country	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018 Forecast	2018 Forecast	2020 Forecast
Australia	1,90%	1,70%	1,80%	2.50%	2,90%	2,40%	2,70%	2,90%
Brazil	-2,90%	-0,40%	0,40%	2.30%0.	1,40%	2,10%	3,30%	1,90%
China	6,80%	6,90%	6,90%	6,60%	6,80%	6,80%	6,40%	5,80%
Euro Area	1,90%	2,10%	2,40%	2,40%	2,70%	2,60%	2,40%	2,00%
France	1,20%	1,10%	1,80%	2,00%	2,30%	2,50%	1,90%	2,20%
Germany	1,50%	2,00%	2,30%	2,80%	2,70%	2,90%	2,30%	2,30%
India	7,40%	7,00%	5,70%	6,70%	6,50%	7,20%	7,20%	5,70%
South Africa	0,70%	1,00%	1,30%	1,30%	1,30%	1,50%	1,70%	2,60%
South Korea	2,40%	2,90%	2,70%	2,90%	3,80%	2,80%	2,80%	3,00%
United Arab Emirates	4,00%	3,40%	3,40%	3,90%	3,40%	3,00%	3,90%	4,30%
United Kingdom	1,90%	2,00%	1,50%	1,40%	1,80%	1,40%	1,30%	1,90%
United States	1,70%	2,00%	2,20%	2,20%	2,30%	2,60%	2,50%	2,60%

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

▪ JP Morgan Global Manufacturing Purchasing Managers Index (PMI) - Mar. 2018

	Jan.	Feb	Mar	Summary, Rate of Change
Global PMI	54.4	54.1	53.4	Expanding, slower rate
Output	55.7	54.8	53.5	Expanding, slower rate
New Orders	55.5	55.0	53.9	Expanding, slower rate
Australia	56.2	57.5	63.1	Expanding, faster rate
Brazil	51.2	53.2	53.4	Expanding, faster rate
China	51.5	51.6	51.0	Expanding, slower rate
Euro Area	59.6	58.6	56.6	Expanding, slower rate
France	58.4	55.9	53.7	Expanding, slower rate
Germany	61.1	60.6	58.2	Expanding, slower rate
India	52.4	52.1	51.0	Expanding, slower rate
United Kingdom	55.3	55.0	55.1	Expanding, faster rate

Source: https://www.markiteconomics.com/Survey/PressRelease.mvc/0db3741a42a04095825f736f65c9a6da

Global Manufacturing PMI at five-month low in March
The rate of expansion in the global manufacturing sector eased to a five-month low in March, as companies reported slower growth of output, new orders and employment.

Full Document available: https://www.markiteconomics.com/Survey/PressRelease.mvc/0db3741a42a04095825f736f65c9a6da

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.

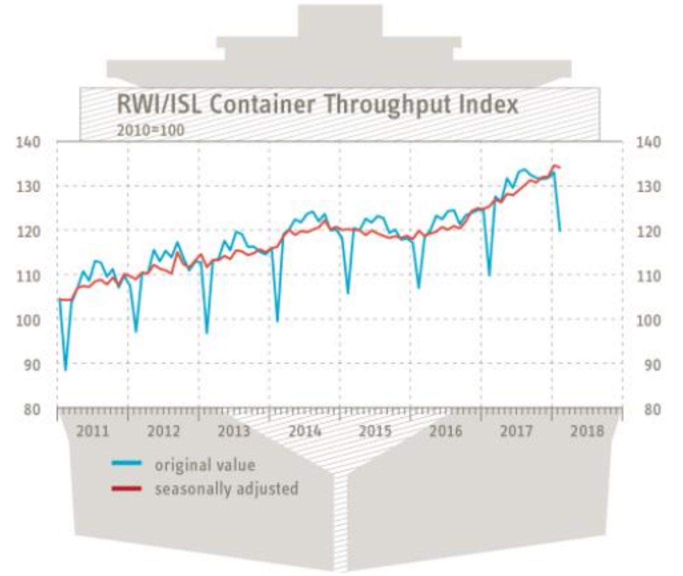
▪ Market Inflation Rate

Country	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018 Forecast	2018 Forecast	2020 Forecast
Australia	1,50%	2,10%	1,90%	1,80%	1,80%	1,90%	2,20%	2,50%
Brazil	4,76%	2,71%	2,54%	2,95%	2,86%	2,84%	3,90%	5,00%
China	0,90%	1,50%	1,60%	1,80%	1,50%	2,90%	2,80%	2,70%
Euro Area	2,00%	1,30%	1.80%	1.40%	1,10%	1,40%	1,80%	2,10%
France	1,10%	0,70%	1,10%	1,20%	1,20%	1,50%	1,70%	2,30%
Germany	1,60%	1,70%	1,60%	1,70%	1,40%	1,60%	2,00%	2,40%
India	3,65%	1,54%	3,28%	4,88%	5,07%	4,44%	4,70%	4,80%
South Africa	6,30%	5,10%	5.10%	4.60%	4,40%	4,00%	4,90%	5,10%
South Korea	2,20%	2,20%	1,80%	1,50%	1,00%	1,30%	1,90%	2,25%
United Arab Emirates	2,70%	1,90%	1,15%	1,70%	4,80%	4,50%	3,70%	3,00%
United Kingdom	2,30%	2,60%	3,00%	3,10%	3,00%	2,70%	2,40%	2,00%
United States	2,70%	1,60%	2,20%	2,20%	2,10%	2,20%	2,50%	2,50%

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

The RWI/ISL-Container Throughput Index with minor decline on a high overall level

The Container Throughput Index of the RWI – Leibniz Institute for Economic Research and the Institute of Shipping Economics and Logistics (ISL) experienced a small decrease in February 2018 as it fell from 134,6 (revised figure of January) to 134,1. The Index remains on a high level, close to its all-time record. This development indicates a continuing strong world trade.



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

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 February is based on data reported by 48 ports, accounting for three quarters of the total index volume.

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/february-2018

Air Freight Indicators:

Airfreight Market Analysis

Strong start to 2018 for FTK growth, but upward trend has eased

- Industry-wide freight tonne kilometres (FTKs) rose by a robust 7.7% year-on-year in Jan and Feb combined the strongest start to a year on this basis, which adjusts for potential Lunar New Year distortions, since 2015.
- Annual FTK growth remains on track for a solid H1 2018. However, as we have noted before, the upward trend in seasonally adjusted (SA) demand has slowed and leading indicators have softened in recent months.
- Africa posted the fastest rate of annual international FTK growth for the 17 th time in 18 months.
- Demand grew faster than capacity for the 19th month in a row, but it is now trending up more slowly than capacity.

FTK growth off to its best start to a year since 2015

Industry-wide FTKs increased by 6.8% year-on-year in February, down from 8.5% in the previous month.

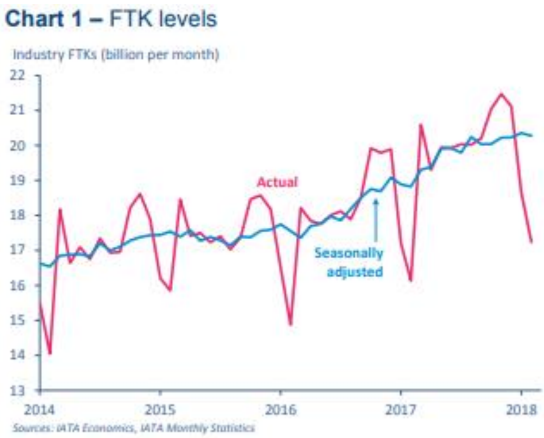
The changing timing of Lunar New Year can distort annual FTK growth rates during January and February, so it is good practice to consider both months together to get a clearer view of the strength of demand at the start of each year. The latest data indicate a strong start to 2018 for annual growth: FTKs flown in January and February combined were 7.7% higher than in the same period of 2017 – the strongest start to a year on this basis since 2015.

Air freight has outperformed in recent years…

Demand for air freight has benefited in recent years from a stronger global trade backdrop, as well as an inventory restocking cycle. The latter factor helped air freight growth to outperform global goods trade in 2017 by the widest margin since 2010. That said, while year on-year FTK growth rates remain robust, there are increasing signs that the best of the upturn for air freight is now behind us

…but the upward trend has slowed since mid-2017

This is perhaps most apparent in the change in trend in SA FTKs since the middle of last year. Having risen at a double-digit annualized rate between late-2016 and mid-2017, industry-wide FTKs have now trended upwards at an annualized pace of just 3% since September. (See Chart 1.) Unless the trend accelerates over the coming months, the year-on-year FTK growth rate is set to fall back below its five-year average (5.0%) in May.



More generally, the moderation in the SA FTK trend ties in with a softer picture from leading indicators, particularly the new export orders component of the global manufacturing Purchasing Managers' Index (PMI). As shown in Chart 2, this measure remains. consistent with positive year-on-year FTK growth in H1 2018, albeit at less stellar rates than we saw during the middle of 2017 (broadly in the region of 4.5-5%)..

Chart 2 – FTK growth vs. global new export orders

Sources: IATA Economics, IATA Monthly Statistics, Markit

Air freight market overview - February 2018

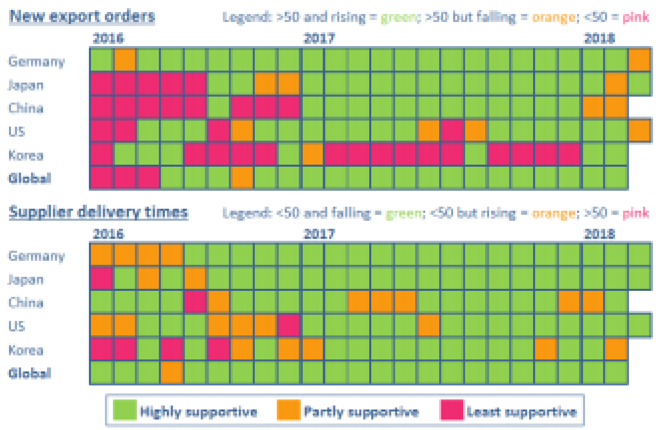
	World share[1]	February 2018 (% year-on-year)				% year-to-date			
		FTK	AFTK	FLF (%-pt)[2]	FLF (level)[3]	FTK	AFTK	FLF (%-pt)[2]	FLF (level)[3]
TOTAL MARKET	***100.0%***	**6.8%**	**5.6%**	**0.5%**	**44.4%**	**7.7%**	**4.9%**	**1.1%**	**43.9%**
International	*87.4%*	7.7%	6.6%	0.5%	48.3%	8.4%	6.5%	0.9%	47.5%

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

Demand drivers are shifting away from their highly supportive levels

It is worth noting that the new export orders component of the manufacturing PMI has softened in a number of key exporting countries in recent months, perhaps partly reflecting heightened concerns of a trade war While the series generally remain above the notional 50-mark that is consistent with increasing demand for manufactured goods exports, order books in some countries – notably Germany, China, and the US – are no longer growing as quickly as they were a year ago (This is represented by a shift from green to orange in the top panel of the heat-map shown in Chart 3 in recent months.) Given that demand for air freight tends to be the strongest at the start of economic and trade upturns, this further illustrates the gradual shift in the demand drivers away from the highly supportive levels that were in place throughout 2017.

Chart 3 – FTK demand heat-map (monthly data from manufacturing PMIs, selected countries)



Sources: IATA, Markit

Solid FTK growth expected in 2018 as a whole

Despite the moderation, we continue to expect industry-wide FTKs to grow in the region of 4.5% in 2018 as a whole. Following the very strong growth performance seen in 2017 this would still be a robust outcome. (Note that carry-over effects from last year mean that even if FTKs were to just trend sideways in SA terms from their current level over the rest of 2018, this would still be consistent with 3% FTK growth over the year as a whole relative to 2017.)

Nonetheless, the recent pick-up in protectionist measures and the prospects of a global trade war arguably mean that the risks to the broader trade outlook are on the downside. This is an issue that we will continue to monitor closely in the months ahead.

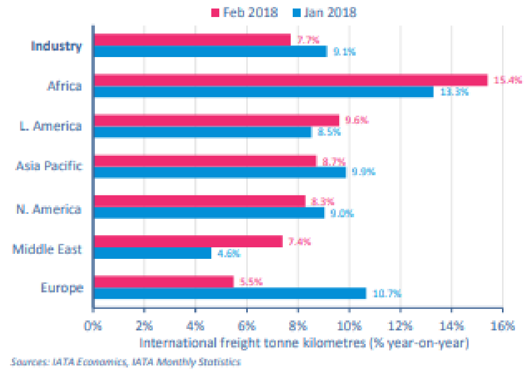
Demand trend has fallen below that of capacity

Available freight tonne kilometres (AFTKs) grew by 5.6% year-on-year in February 2018, and by 4.9% in Jan-Feb combined. As a result, the industry-wide load factor rose by 0.5 and 1.1 percentage points respectively in annual terms over each period..
That said, the slowdown in the upward trend in SA FTKs means that demand is now currently trending upwards at a slower pace than capacity.

A mixed picture for international FTK growth

International FTKs grew by 7.7% year-on-year in February, down from 9.1% in January. (See Chart 4.)

Chart 4 – International FTK growth



Slower upward trend for European carriers…

Year-on-year growth in international FTKs flown by European airlines slowed to 5.5% in February, almost half the rate seen in the previous month (10.7%). It has been a volatile start to the year for SA volumes, with January's strong SA month-on-month increase being reversed in February; this suggests that the pattern of traffic seen in the opening months of 2018 differed from the usual seasonal pattern

In any case, the story for European carriers is similar to that for the wider industry, with robust year-on-year FTK growth in Jan-Feb combined masking a broader slowdown in the SA traffic trend (currently around 3% on an annualized basis). As noted earlier, it remains to be seen how protectionism, as well as a strong euro, continue to affect trade activity in the region's key exporting country, Germany

…but the trend is holding up better in Asia Pacific

International FTKs flown by airlines based in Asia Pacific grew by 8.7% year-on-year in February, and by 9.3% in the first two months of the year combined Recent revisions to the data mean that the underlying trend for Asia Pacific carriers is perhaps more positive than it appeared a few months ago; SA FTKs are currently trending upwards at a 6-7% annualized rate – broadly twice as fast as European airlines.

International FTKs flown on the market segment within Asia increased by 12.5% year-on-year in January – the fastest growth of the four largest international routes – followed by the segment from Europe to/from Asia
(11.3%). (See Chart 5.) As the largest freight-flying region – airlines based in Asia Pacific fly nearly 37% of global FTKs – the risks from protectionism could impact the region disproportionately.

Chart 5 – International FTK growth by route (% year-on-year)

Middle East FTK growth below its five-year average

Airlines based in the Middle East flew 6.0% more international FTKs in Jan-Feb 2018 than they did in the same period last year. It was the only region in which FTK growth over the Jan-Feb period was slower than its five-year average growth rate (9.9%).

While freight volumes are continuing to trend upwards in SA terms, the trend has slowed to an annualized rate of around 4% since late-2017. This appears to largely reflect weak conditions on the market segments to/from Europe and North America. (Volumes on the former have trended downwards at a double-digit annualized rate over the past five months.) Middle Eastern airlines are the only region to have seen an annual decline in their freight load factor so far in 2018.

N. American traffic is continuing to trend sideways

International FTKs flown by North American airlines increased by a robust 8.3% year-on-year in February, and by 8.7% in the first two months of the year. That said, the robust annual growth rates stem in large part from SA gains seen in the first half of 2017; in fact, SA FTKs have trended sideways since June. While yearon-year FTK growth rates will remain supported over the next two months, unless the SA trend picks up, annual growth will fall sharply from May onwards.

The weakening in the US dollar over the past year or so appears to be helping to boost demand for air exports. Data from the US Census Bureau show that export volumes from the US by air rose by 10.2% yearon-year in January, outpacing a 7.8% increase in imports by air over the same period.

Robust FTK growth for Latin America carriers

Year-on-year growth in international FTKs flown by airlines based in Latin America accelerated to a fivemonth high in February (9.6%). The upward trend in SA FTK volumes has paused lately. However, the bigger picture is that freight volumes have recovered strongly over the past 18 months or so since reaching a trough in May 2016, helped by a modest recovery in the continent's largest economy, Brazil. (See Chart 6.) FTKs in SA terms are still broadly in line with where they were in late-2014..

Chart 6 – Latin America FTK growth vs. Brazilian business confidence

Africa tops the Int'l growth chart once again.

African airlines fly less than 2% of global FTKs but topped the international FTK growth chart in February for the 17th time in 18 months. As we have noted before, the strong growth seen in African airlines' freight volumes has partly reflected higher volumes between Africa and Asia, on the back of ongoing foreign investment flows into Africa from the latter. While the surge in traffic looks to have stabilized, FTKs on the market segment were still nearly 24% higher in January 2018 than they were a year ago. (Again, see Chart 5.)

Source: IATA-Air Transport Market Analysis Feb. 2018 published on:
http://www.iata.org/publications/economics/Reports/freight-monthly-analysis/freight-analysis-feb-2018.pdf

The 2018 Agility Emerging Markets Logistics Index

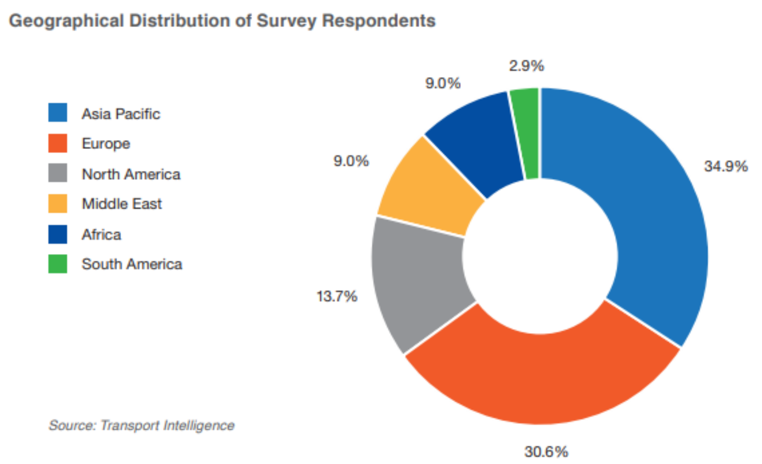
Overview & Outlook

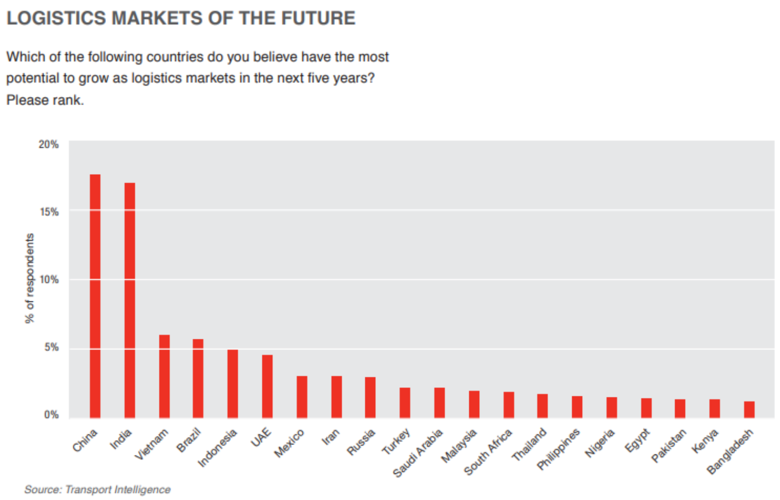
Entering 2018, the global economy is clearly in an upswing; some may even call it a boom. And despite continued upward revisions throughout 2017, measures of global activity are continuing to overshoot expectations. US and Eurozone growth are looking healthy, and Japanese growth is also running above trend This favourable international backdrop is particularly helpful for emerging market exports.

Nevertheless, the global economy remains vulnerable to a range of downside risks. These include a faster and greater tightening of global financial conditions, which may well transpire if the US Federal Reserve increases its base rate sooner than expected or by more than anticipated. Possible financial turmoil may also arise if China fails to counter risks associated with its expansion of credit. If a shock occurs that causes a growth slowdown in China, this would have adverse consequences for other economies through weaker trade, commodity prices and confidence. The IMF also asserts that there is a chance that a shift towards more protectionist policies would reduce trade and cross-border investment flows, harming global growth.

Agility and Transport Intelligence's own research suggests that emerging markets are in a period of relative stability. The Index is a broad gauge of competitiveness in terms of market size and growth, business climate, infrastructure and transport connections. Of the 50 emerging markets measured, the scores of just 22 changed significantly (by more than 0.10). The corresponding figure for the previous year was 30

The 2018 Agility Emerging Markets Logistics Index Survey





The top three drivers of growth in emerging logistics markets remained ‘Economic Growth’, ‘FDI’ and ‘Growing Trade Volumes’ .Given the correlation between wider economic expansion and growing demand for logistics services, the continued emphasis placed on this as the top factor is not surprising. It is likely this will continue, with general economic growth playing an important role in encouraging spending within consumer markets, pulling larger amounts of the population into the middle class and increasing levels of public spending on infrastructure projects and other public services

The fall of ‘Cheap Labour Force’ by two positions suggests there may be a growing perception that low-cost manufacturing as a model of economic development could be running out of steam Aside from labour costs, manufacturers may be assigning more importance to other cost factors and broader considerations when making investment decisions. Going forward, this perhaps bodes well for countries that perform strongly in the Compatibility and Connectedness sub-indices. Technological advances and growing confidence in technology’s capacity to replace many manual operations might be another explanation for the drop of ‘Cheap Labour Force’ in this year’s Index.

The rise of ‘Strong Transport Infrastructure’ by two positions indicates that infrastructure development is increasingly perceived as a key enabler of economic activity. Poor infrastructure restricts logistics providers from transporting goods predictably and efficiently, holding back the development of formal logistics provision in emerging markets. ‘Poor Transport Infrastructure’ is also once again the second most important inhibitor to growth in emerging markets.

Having fallen from 4th to 6th last year, ‘Good Business Environment’ fell two positions further to 8th this year Optimistically, this may be an indication that robust business conditions are an ever more common feature of emerging markets. A second, more negative interpretation, is that LSPs have to follow opportunities into less than optimal locations as growth is squeezed across emerging markets. Such an interpretation may also explain the seemingly contradictory results which place decreasing value in ‘good business environment’ but continuously rank problems such as ‘corruption’ and ‘government policies’ as key inhibitors of growth.

Emerging Markets Trade Lanes

After several difficult years, emerging markets trade volume growth finally picked up in 2017. The following graph tracks their year-on-year export and import volume growth. Specifically, it measures the total value of trade over time, but holds the prices of all goods constant so that changes are only driven by variation in the quantity of goods exported or imported..

For January to August 2017, measured monthly, year-on-year growth of emerging markets’ trade volumes has averaged 6.0% for imports and 4.1% for exports

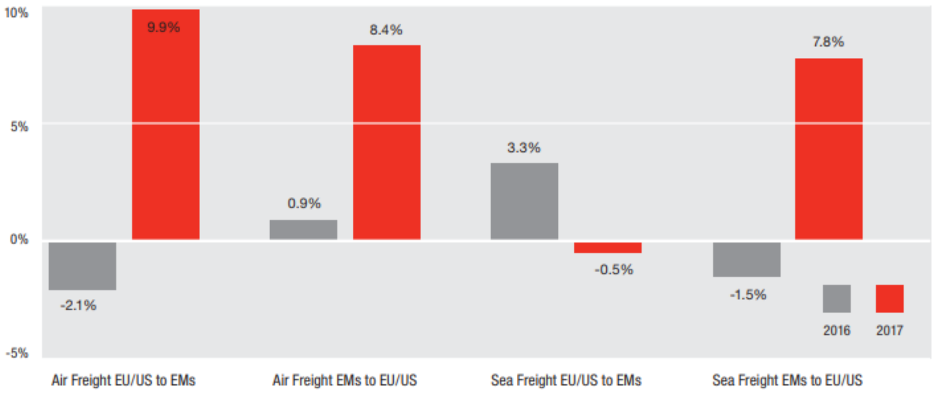
Looking ahead, the big question is whether growth for 2018 and beyond will be similar to what we’ve seen in 2017, or whether growth will return to the low single-digits. Alphaliner data suggests global container throughput increased by 6.7% in the first six months of 2017.

As for air freight, 2017 has been a banner year. According to WorldACD, September 2017 marked the 13th consecutive month of year-on-year volume growth in excess of 5% and was the “first month in a long time in which growth remained below 10%.”

It seems that much of the global rebound in 2017 was driven by re-stocking, given that the pickup in global air freight tonne kilometer growth in 2017 has been mirrored by a clear fall in the inventory-to-sales ratio. As inventories fell, due to an unexpected rise in demand, firms have had to resort to air freight to quickly bring stock in. Unless another unexpected increase in demand arises, this effect will not persist into 2018 and lower growth should be expected.

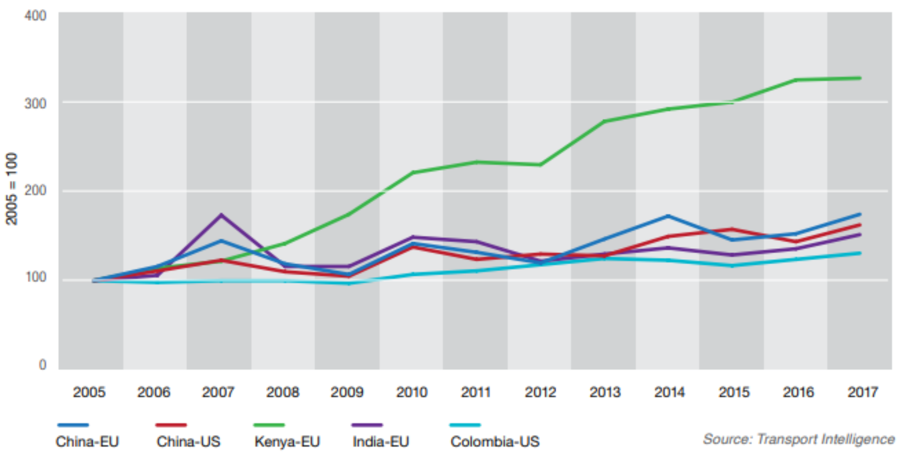
Turning specifically to emerging markets’ air and sea trade lanes in 2017, in line with the pickup in global trade volumes, the aggregate results are far more encouraging for emerging markets than in last year’s Index.

Emerging market air and sea freight trade lane growth



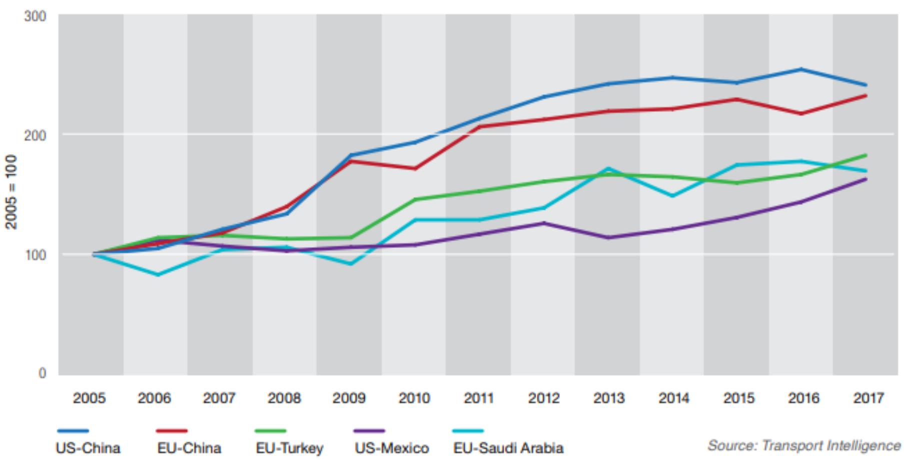
Source: Transport Intelligences

Air Freight Emerging Markets to EU/US Top 5 Trade Lanes 2005-2017 Growth



Source: Transport Intelligence

Sea Freight EU/US to Emerging Market Top 5 Trade Lanes 2005-2017 Growth



Source: Transport Intelligence

Source: http://www.ti-insight.com/wp-content/uploads/2018/01/AEM-Index-2018-1.pdf

Disclaimer

This document is for information purposes only and does not take account of the specific circumstances of any recipient.

Röhlig will not assume any liability, guarantee or warranty with regard to accuracy, completeness or suitability of the data.

Röhlig does not accept any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Röhlig may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Röhlig endorses, recommends or approves any material on the linked page or accessible from it. Röhlig does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose.

