Transport Intelligence | Agility

Agility Emerging Markets Logistics Index 2013

A detailed ranking and analysis of the world's major developing logistics markets

January 2013

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1.0 About the Agility Emerging Markets Logistics Index

The Agility Emerging Markets Logistics Index looks at the world's most dynamic economies and the forces powering them. The Index examines 45 major emerging markets and identifies the attributes that make a market an attractive investment for logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution property companies. Now in its fourth year, the Index analyzes a broad array of data and gathers input from hundreds of professionals on the front lines of global trade and logistics. Together, the Index rankings, analysis and professional survey provide a basis to compare individual countries, weigh their strengths and weaknesses, and gauge their near-term prospects. The Index also looks at the inter-relationships among emerging economies and at trade flows between the emerging and developed worlds.

The Index is the result of a unique collaboration between Agility, one of the world's leading providers of integrated logistics and supply chain services, and *Transport Intelligence (Ti)*, a leading global provider of expert research and analysis for the logistics industry. The Index is sponsored by Agility and compiled by *Ti*. For more information about Agility and *Ti*, go to page 50.

2.0 Sources

The Agility Emerging Markets Logistics Index has three main components – the Index country rankings, major trade lanes by volume and mode of transport, and, finally, a survey of trade and logistics professionals.

Data for the country rankings comes from the International Monetary Fund, Organization of Economic Cooperation and Development, World Bank, government statistical agencies, United Nations and UN agencies, World Economic Forum, International Trade Centre and International Air Transport Association.

Trade lane data comes from the United States Census Bureau and European Commission.

The rankings also use the Gini Index, which is a means of expressing income dispersion in individual countries. (More about the methodology used to compile the rankings in section 3.0.)

The online survey of 375 trade and logistics professionals was conducted by *Ti* from mid-November 2012 to mid-December 2012.

3.0 Methodology

The Agility Emerging Markets Logistics Index uses three metrics to assess and rank 45 emerging markets. The metrics measure the countries':

- Market size and growth attractiveness (50% of overall Index score)
- Market compatibility (25% of score)
- Market connectedness (25% of score)

Market size and growth attractiveness rates a country's economic output, its projected growth rate, financial stability and population size.

Market compatibility rates emerging markets according to their market accessibility and business regulation, foreign direct investment (FDI), market risk and security threats as well as the level of demand for logistics services based on the country's economic development.

Market compatibility is a blend of:

- A country's development through the importance of its service sector (indicative of the level of out-sourcing of logistics requirements)
- Urbanization of population (a driver of manufacturers' centralized distribution strategies and the likely consolidation of retailing)
- Distribution of wealth throughout the population (indicative of the widespread need for higher value goods often produced by international manufacturers)
- FDI - an indicator of the penetration of an economy by international companies
- Market accessibility – how easy it is for foreign companies to enter the market, and deal with the bureaucracy and regulation that is in place
- Security – this measures the risk to companies' operations from threats such as piracy and terrorism

Market connectedness assesses a country's domestic and international transport infrastructure and how well they connect.

Specifically, this involves:

- The frequency and range of destinations of its liner shipping connections
- The level of airport infrastructure relative to the market's size
- A rating of its overall transport infrastructure
- A rating of the efficiency of its customs and border controls

4.0 Key Findings/Executive Summary

- Emerging markets felt the slowdown in global economic growth in 2012 but generally continued to grow at a faster pace than traditional developed markets.

- Trade and logistics professionals surveyed for the Index remain wary about prospects for global growth in 2013. Forty-six percent said they believe there will be modest growth; 47% predicted global GDP would be flat. Prospects for the Eurozone continue to look bleak. Sixty-eight percent said the Eurozone will experience no growth or continue to contract in 2013; only 2% foresee growth in Eurozone economies. By contrast, 59% see a year of modest growth for the United States, and 6% see resumption of strong growth in the U.S.

- China, India and Brazil – three of the so-called BRIC countries – remain the most dominant emerging markets for investors, exporters, producers of consumer goods, and logistics providers. For the second consecutive year, logistics and trade professionals ranked China, India, Brazil and Russia as the likely places to emerge as logistics hubs over the next five years. (Indonesia climbed to No. 5 from No. 10; Bangladesh shot to the 12th spot from No. 25; Thailand rose to 14 from 29.)

- Despite their size, growth and relatively sophisticated logistics networks, China, India, Brazil and Russia need to do more to address underlying weaknesses that could hurt performance and dim their attractiveness as an increasingly competitive group of second-tier markets (Saudi Arabia, Indonesia, UAE, Malaysia, Mexico and Turkey) becomes more alluring. China confronts rising labor costs, a skills shortage, and a growing gap in income disparity. India's weak infrastructure and bureaucracy threaten its prospects. Brazil's export sector is slowing. Russia remains overly dependent on energy exports.

- Manufacturers face an increasing dilemma when it comes to locating production. The savings and efficiencies gained by "near-sourcing" on the doorstep of large developed markets – for instance, producing in Mexico to be close to the United States or in Turkey for proximity to the European Union – must be balanced with their ability to tap into the growing consumer class in the emerging markets of Asia, the Middle East, Latin America and Africa. Sixty-two percent of trade and logistics professionals surveyed for the Index see production going away from China to other emerging markets.

- For logistics and trade professionals, economic growth remains the leading driver of a country's prospects as a logistics market, but cheap labor is no longer as important. They identified foreign investment and trade volumes as greater barometers of a country's potential than labor costs.

- Ongoing political unrest has done grave damage to the "Arab Spring" countries of Egypt, Bahrain and Tunisia, leaving them less competitive and less attractive as markets and destinations for investment. Egypt was the biggest loser, plummeting nine spots in the Index country rankings. Bahrain fell five places; and Tunisia dropped three spots. Only 13% of trade and

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4.0 Key Findings/Executive Summary

logistics professionals agreed that the Arab Spring countries are "ready to grow and absorb investment." Forty-five percent said those countries were too unstable for growth and investment; 42% were uncertain.

- The big winners in the Index country rankings were Kazakhstan, Morocco, Ukraine and Argentina, all of which climbed into the top 20 of the rankings for the first time. For Kazakhstan and Argentina, an improvement in the overall economy drove the increase. Morocco climbed upwards as a result of an increase in foreign direct investment; while Ukraine registered improvements in levels of security.
- The United Arab Emirates, Oman and Qatar are standouts among countries that are smaller markets with good economic prospects and easy market entry. Sri Lanka also was part of that group.
- Qatar, Morocco, Oman, UAE and Cambodia experienced dramatic surges (20%+) in ocean freight exports to either the United States, Europe or, in the case of Oman, both. Ethiopia and Algeria showed large increases in air cargo to the United States and/or Europe. (NOTE: Oil and gas are excluded from the Index's trade figures.)
- Paraguay, Cambodia, Uruguay, Kazakhstan, Vietnam and Morocco experienced large year-over-year increases in ocean freight imports from the United States and/or Europe. On the air cargo side, Ukraine, Oman, Ethiopia, Bahrain and Qatar imported significantly more from the United States and Europe on a year-over-year basis.
- The United States overtook the European Union as the leading destination for air freight from China. Air freight volume from China to the United States was relatively flat, but fell sharply (11.7%) to the EU.
- Iran, Syria and Iraq – three countries that are not among the 45 in the Index – were identified by logistics and trade professionals as having the least potential as emerging logistics markets.
- Seventy-three percent of the professionals surveyed felt that prospects for emerging markets countries in 2013 were "very good" or "good," – unchanged from a year ago. But the number of those who felt emerging markets prospects were "very good" rose sharply – to 22% from 14% a year ago, indicating increased enthusiasm among the optimists.
- Trade and logistics professionals see the greatest growth potential for Intra-Asia trade lanes. The Asia-Africa route is also attracting increased attention by logistics professionals. They are not as optimistic about trade between Asia and Europe and between Asia and Latin America as they were a year ago.

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5.0 Introduction

Emerging markets slowed along with the rest of the global economy in 2012. The impact of the European crisis, years of continuing stagnation in Japan, and fiscal uncertainty in the United States, weakened trade and financial flows, resulting in slower growth than was expected for many emerging economies. However, their economic performance was still generally stronger than that of developed markets. The 45 countries in the Index grew at an average of 4.4%, according to the IMF. The U.S. economy grew at a 2.2% pace; the EU contracted 0.2% (provisional estimates). Consequently, the developing world continues to remain at the forefront for investors.

While the BRIC countries (Brazil, Russia, India and China) have played a significant role in global growth for a number of years, other emerging markets are now showing increased promise as potential investment alternatives. There are signs that increased labor costs and skill shortages are eroding China's once-commanding edge over other markets. That said, China continues to benefit from strong domestic growth and acts as a major driver of growth in the global economy.

Separately, increasing transport costs are driving decisions about preferred production locations. "Near-sourcing" – the effort to control costs by producing in countries adjacent or close to major destination markets -- is again on the rise. Markets close to the United States and Europe, such as Mexico and Turkey, are attracting increased attention.

Offsetting the near-sourcing trend is the growing attractiveness of more distant emerging economies as consuming markets. Weakened demand in Europe, the United States and other developed economies means emerging markets have been less able to depend on these countries as export markets. At the same time, several of the larger, more advanced emerging economies are fueling demand and have become attractive consumer markets. That has powered increased trade between emerging markets and led to development of vibrant retail sectors, increasing opportunities for domestic-based logistics operations.

In 2013, emerging markets growth will still depend heavily on demand from Europe and the United States and the overall health of the global economy. Despite or because of political change, the "Arab Spring" countries face significant hurdles before they become attractive investment opportunities. Elsewhere, Sub-Saharan Africa continues to draw increased attention, despite uneven performance. Due to the region's low-exposure to the European crisis (except for South Africa) growth rates in top performers have remained reasonably strong.

6.0 Analysis and results of the Index

China, India, Brazil, Saudi Arabia, Indonesia, United Arab Emirates, Russia and Malaysia ranked as the eight most attractive logistics markets among the 45 countries in the 2013 Index, retaining identical rankings to those they held in the 2012 Index.

Despite a decline in its overall score, **China** continues to take the top spot by some margin. The country has encountered a number of challenges in the face of the global economic downturn. Even so, growth has continued to outpace most of the world. China's continued dynamism is reflected in its "market size and growth attractiveness" score. There, China continues to outperform every other market. China also ranks highly in terms of "connectedness" retaining second place for this sub-index. China's persistent and growing gap in income disparity hurt its "market compatibility" rating. China lost ground this year, slipping to 12th from 8th in this respect.

India remains second in the rankings, and its overall score showed virtually no change. India's rank is largely attributed to its market size. India's score for "market compatibility" increased quite significantly in the 2013 Index, as the country benefitted from an increase in foreign direct investment and improvements in security levels. Poor transportation and logistics infrastructure hurts India's "connectedness" score, an area where it compares unfavorably to the other BRIC countries. **Brazil** remains third in the 2013 Index. Like the rest of the BRIC economies, Brazil has experienced a slowdown amid global uncertainty. The country saw slower GDP growth than other Latin American countries through 2011 and 2012. Brazilian manufacturing, in particular, has suffered as a result of weakened global export demand.

While **Saudi Arabia** only saw a minor decline in its overall score, it experienced a decline in foreign direct investment because financing became difficult during the economic slowdown. At the same time, growth in the overall economy led to an increase in Saudi Arabia's "market size and growth attractiveness," helping it overtake Thailand in that area.

Russia trails other BRIC countries in overall attractiveness. The country did improve its 2013 score more than China, India and Brazil, but it lagged at No. 7 in the rankings. Russia's economy has continued to grow over the past two years, helped by favorable prices for commodities such as oil, gas and minerals. But Russia's reliance on natural resources is not sustainable in the long term. Whether Russia's economy can continue to produce solid growth depends on the country's ability to strengthen areas of the economy outside the energy and mining sectors.

Mexico moved up one place in the 2013 rankings to ninth position. Its improvement follows two consecutive years' of decline. Mexico has benefitted from an increase in U.S. demand; in particular, automotive manufacturing has increased. Lower labor and taxes have brought interest from high tech and aerospace manufacturers. The "near-sourcing" trend benefits Mexico. Some American companies want to move production closer to the end market. This trend may also be benefitting **Turkey**, which moved up one place in this year's rankings. Turkey's proximity to Europe makes it attractive as a low-cost manufacturing location.

Despite little change to its score, **Chile** fell two places this year, behind Mexico and Turkey. That seems surprising considering that economically Chile

6.0 Analysis and results of the Index

continues performing well, especially in comparison to other Latin American markets. However, Chile can improve in income distribution and shipping connections, areas in which it remains below average.

The impact of the recent **South African** strikes has yet to be reflected in the Index. South Africa's 15th ranking was unchanged. Once viewed alongside the BRIC economies in terms of potential, South Africa's prospects have dimmed as institutional weaknesses and social problems have worsened and damaged the economy. In "market compatibility" which is driven by key development indicators, South Africa ranks below average. The country's position relative to other emerging economies is expected to suffer over the coming year as the impact of recent unrest is felt.

The Arab Spring countries of **Egypt** and **Tunisia** plummeted in the 2013 rankings. Egypt fell nine places, experiencing across-the-board declines in the metrics that make up the rankings. Security risks pose an increased threat to potential investors, a principal reason for the declining performance of these countries. **Libya's** post-conflict recovery is yet to show up in the Index, although the country has begun to see modest economic gains.

Bahrain, also affected by domestic unrest, fell five places, despite a strong infrastructure and transport network. **Lebanon,** shaken by the civil war in neighboring **Syria**, was added to the Index this year, taking 39th place in the rankings. The country scores particularly poorly in terms of "market size and attractiveness," ranking near the bottom, above only Cambodia.

Kazakhstan continued to move up the rankings in 2013, climbing seven places to 18th position. Improvements were made in all three sub-indicators, helped overall by an improving economy. **Morocco** and **Ukraine** were also significant movers up in the rankings this year, both climbing four places. Considering the overall size of its economy, Morocco scores reasonably well in terms of "market compatibility" and "connectedness."

Sri Lanka was also added to the Index this year. Placing 30th in the overall rankings, Sri Lanka came in ahead of Pakistan and Bangladesh. For a small economy, the country scores well in terms of "market compatibility" and "connectedness." In fact, for "market compatibility" Sri Lanka scores higher than any Asian country except for China. Following a long, brutal civil war, the country has experienced strong economic growth and put security threats behind it. Even so, Sri Lanka has not yet been able to draw levels of foreign direct investment comparable to those attracted by countries of similar size and potential.

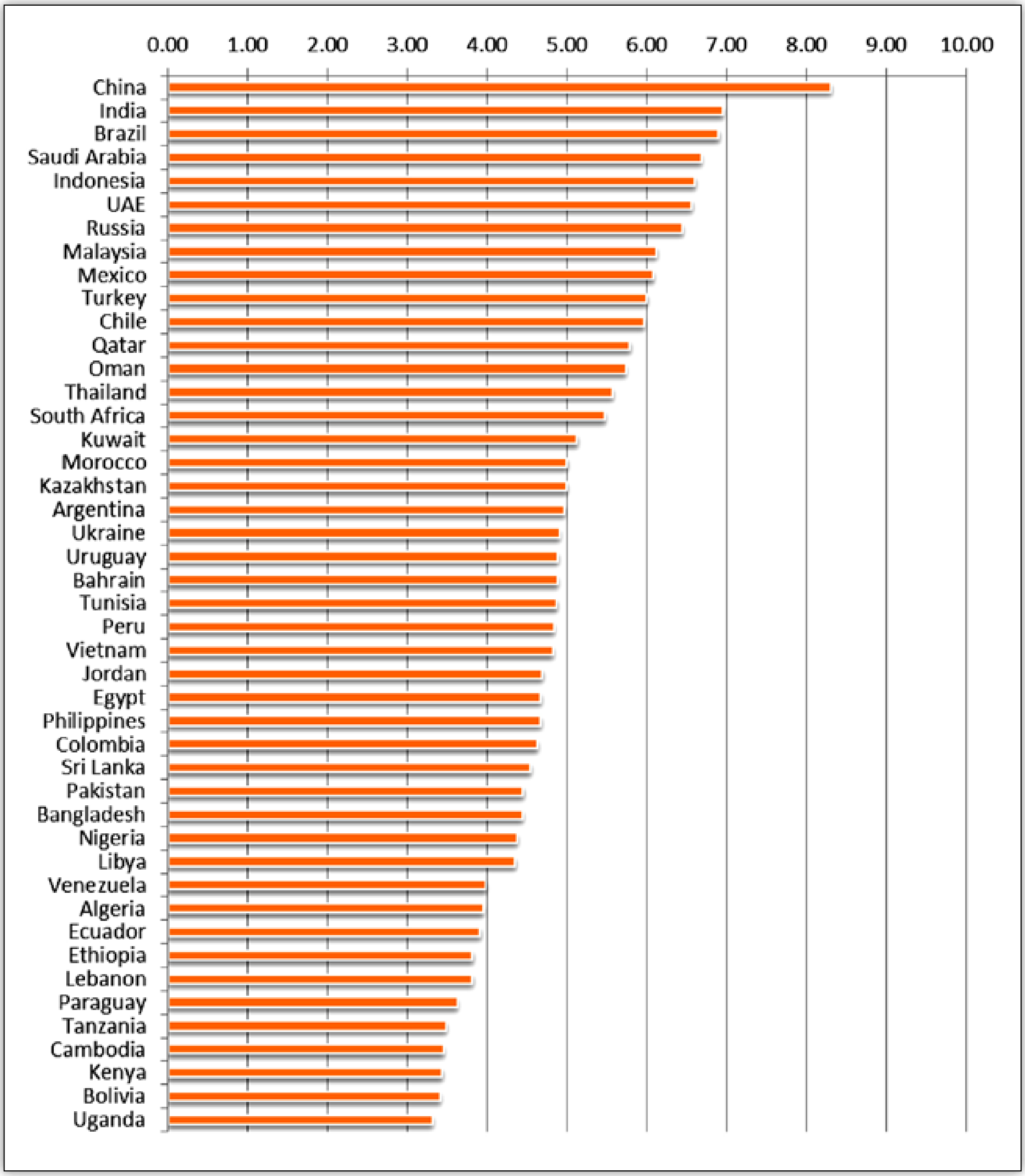
With the exception of South Africa, the Sub-Saharan African countries included within the Index all place near the bottom of the rankings. **Nigeria** remained stable (33rd) in the 2013 Index. The country scores well in terms of "market size and growth attractiveness" and increased its score for this sub-index this year. However, Nigeria continues to be held back by political problems, corruption and weak infrastructure. In contrast, **Tanzania** and **Ethiopia**, although small, score reasonably well in "market compatibility." **Uganda** was added to the Index this year, and scores poorly in all areas. That does not mean opportunities do not exist there. Uganda has an abundance of natural resources and is forecast for strong economic growth in coming years.

Table 1: Agility Emerging Markets Logistics Index

Ranking	Country	2013 Total Index	2012 Total Index	Change in Ranking
1	China	8.30	8.55	-
2	India	6.94	7.03	-
3	Brazil	6.89	6.83	-
4	Saudi Arabia	6.67	6.69	-
5	Indonesia	6.6	6.54	-
6	UAE	6.55	6.47	-
7	Russia	6.44	6.32	-
8	Malaysia	6.11	6.05	-
9	Mexico	6.07	5.90	up 1
10	Turkey	5.99	5.89	up 1
11	Chile	5.95	5.99	down 2
12	Qatar	5.78	5.72	up 1
13	Oman	5.73	5.78	down 1
14	Thailand	5.56	5.51	-
15	South Africa	5.47	5.32	-
16	Kuwait	5.12	5.21	-
17	Morocco	4.99	4.89	up 4
18	Kazakhstan	4.99	4.70	up 7
19	Argentina	4.96	4.86	up 3
20	Ukraine	4.90	4.77	up 4
21	Uruguay	4.88	4.96	down 2
22	Bahrain	4.87	5.18	down 5
23	Tunisia	4.86	4.90	down 3
24	Peru	4.83	4.85	down 1
25	Vietnam	4.81	4.70	up 1
26	Jordan	4.68	4.66	up 1
27	Egypt	4.66	5.18	down 9
28	Philippines	4.66	4.55	-
29	Colombia	4.62	4.53	-
30	Sri Lanka	4.53	-	n/a
31	Pakistan	4.44	4.51	-
32	Bangladesh	4.43	4.45	-
33	Nigeria	4.37	4.36	-
34	Libya	4.35	4.27	-
35	Venezuela	3.98	3.84	up 3
36	Algeria	3.94	4.23	down 1
37	Ecuador	3.91	3.92	down 1
38	Ethiopia	3.81	3.89	down 1
39	Lebanon	3.81	-	n/a
40	Paraguay	3.62	3.58	-
41	Tanzania	3.48	3.51	-
42	Cambodia	3.45	-	n/a
43	Kenya	3.43	3.47	-
44	Bolivia	3.40	3.38	-
45	Uganda	3.31	-	n/a

Source: Transport Intelligence
Note: 2012 scores have been restated to account for additional countries.

Figure 1: Total Index Scores



Source: Transport Intelligence

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Figure 2: Agility Emerging Markets Logistics Index - Top Movers Up and Down

BIGGEST MOVERS UP

1. Kazakhstan
2. Morrocco
3. Ukraine
4. Venezuela
5. Argentina
6. Mexico
7. Turkey
8. Qatar
9. Vietnam
10. Jordan

BIGGEST MOVERS DOWN

1. Egypt
2. Bahrain
3. Tunisia
4. Uruguay
5. Chile
6. Oman
7. Peru
8. Algeria
9. Ecuador
10. Ethiopia

Source: Transport Intelligence

Table 2: Agility Emerging Markets Logistics Index Sub-Indices

Ranking	Country	Market size & growth attractiveness sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index	Change in ranking
1	China	9.92	6.24	7.16	8.30	-
2	India	9.02	5.51	4.86	6.94	-
3	Brazil	8.49	6.22	5.07	6.89	-
4	Saudi Arabia	6.24	7.73	6.69	6.67	-
5	Indonesia	8.81	4.41	4.73	6.60	-
6	UAE	4.86	8.43	7.88	6.55	-
7	Russia	7.78	5.45	5.12	6.44	-
8	Malaysia	5.64	6.09	6.76	6.11	-
9	Mexico	7.45	4.08	5.24	6.07	up 1
10	Turkey	7.02	5.07	5.08	5.99	up 1
11	Chile	5.35	6.67	6.40	5.95	down 2
12	Qatar	4.94	8.20	5.66	5.78	up 1
13	Oman	4.17	7.78	6.76	5.73	down 1
14	Thailand	6.15	4.54	5.31	5.56	-
15	South Africa	5.66	4.64	5.63	5.47	-
16	Kuwait	4.56	7.06	4.85	5.12	-
17	Morocco	4.21	5.98	5.55	4.99	up 4
18	Kazakhstan	4.36	6.60	5.00	4.99	up 7
19	Argentina	5.29	5.00	4.49	4.96	up 3
20	Ukraine	4.09	6.88	4.96	4.90	up 4
21	Uruguay	3.71	6.79	5.46	4.88	down 2
22	Bahrain	3.66	5.51	6.20	4.87	down 5
23	Tunisia	4.07	6.39	5.15	4.86	down 3
24	Peru	4.92	4.25	5.00	4.83	down 1
25	Vietnam	4.99	4.82	4.57	4.81	up 1
26	Jordan	3.35	6.91	5.33	4.68	up 1
27	Egypt	5.51	2.09	4.87	4.66	down 9
28	Philippines	5.52	3.93	3.88	4.66	-
29	Colombia	5.54	1.75	4.88	4.62	-
30	Sri Lanka	3.36	6.17	5.27	4.53	n/a
31	Pakistan	5.46	2.40	4.13	4.44	-
32	Bangladesh	5.11	4.84	3.29	4.43	-
33	Nigeria	5.80	2.37	3.47	4.37	-
34	Libya	3.23	4.47	5.81	4.35	-
35	Venezuela	4.02	3.71	4.07	3.98	up 3
36	Algeria	4.49	2.45	3.97	3.94	down 1
37	Ecuador	2.98	3.17	5.57	3.91	down 1
38	Ethiopia	3.42	5.65	3.37	3.81	down 1
39	Lebanon	2.97	5.16	4.24	3.81	n/a
40	Paraguay	3.06	4.22	4.06	3.62	-
41	Tanzania	3.33	4.12	3.34	3.48	-
42	Cambodia	2.79	4.07	4.01	3.45	n/a
43	Kenya	3.27	3.03	3.85	3.43	-
44	Bolivia	3.12	2.79	4.11	3.40	-
45	Uganda	3.30	2.39	3.80	3.31	n/a

Source: Transport Intelligence

Of the larger markets (GDP in excess of $300bn), Saudi Arabia continues to score top for "market compatibility." The country benefits from a highly urban population, large flows of foreign direct investment and lower security risks. China performs best for "connectedness," with strong shipping links and infrastructure. Peru, Vietnam and Chile all moved into the "larger" economies category in the 2013 Index. Chile scores particularly well, both in terms of "market compatibility" and "connectedness," especially compared with other markets of a similar size. Peru and Vietnam have fairly consistent scores across the three sub-indices, although not particularly high. Due to security risks, Colombia has the lowest score for "market compatibility," while Nigeria lies at the bottom of the rankings for "connectedness" as a result of poor air, shipping and road infrastructure links.

Table 3: Agility Emerging Markets Logistics Index for Countries with GDP of more than US$300bn

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index
1	China	9.92	6.24	7.16	8.30
2	India	9.02	5.51	4.86	6.94
3	Brazil	8.49	6.22	5.07	6.89
4	Saudi Arabia	6.24	7.73	6.69	6.67
5	Indonesia	8.81	4.41	4.73	6.60
6	Russia	7.78	5.45	5.12	6.44
7	Malaysia	5.64	6.09	6.76	6.11
8	Mexico	7.45	4.08	5.24	6.07
9	Turkey	7.02	5.07	5.08	5.99
10	Chile	5.35	6.67	6.40	5.95
11	Thailand	6.15	4.54	5.31	5.56
12	South Africa	5.66	4.64	5.63	5.47
13	Argentina	5.29	5.00	4.49	4.96
14	Ukraine	4.09	6.88	4.96	4.90
15	Peru	4.92	4.25	5.00	4.83
16	Vietnam	4.99	4.82	4.57	4.81
17	Egypt	5.51	2.09	4.87	4.66
18	Philippines	5.52	3.93	3.88	4.66
19	Colombia	5.54	1.75	4.88	4.62
20	Pakistan	5.46	2.40	4.13	4.44
21	Nigeria	5.80	2.37	3.47	4.37
22	Venezuela	4.02	3.71	4.07	3.98

Source: Transport Intelligence

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Of the smaller economies (with a GDP of less than US$300bn), the UAE holds the greatest opportunities for logistics companies because it continues to score well in "market compatibility" and "connectedness." The four countries added to the Index this year (Lebanon, Sri Lanka, Uganda and Cambodia) all class as smaller markets. Sri Lanka scores reasonably in "market compatibility" and "connectedness," placing mid-way down the rankings. In contrast, Uganda has the weakest score of the small economies for "market compatibility" and also scores poorly in "connectedness."

Table 4: Agility Emerging Markets Logistics Index for Countries with GDP of less than US$300bn

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index
1	UAE	4.86	8.43	7.88	6.55
2	Qatar	4.94	8.20	5.66	5.78
3	Oman	4.17	7.78	6.76	5.73
4	Kuwait	4.56	7.06	4.85	5.12
5	Morocco	4.21	5.98	5.55	4.99
6	Kazakhstan	4.36	6.60	5.00	4.99
7	Uruguay	3.71	6.79	5.46	4.88
8	Bahrain	3.66	5.51	6.20	4.87
9	Tunisia	4.07	6.39	5.15	4.86
10	Jordan	3.35	6.91	5.33	4.68
11	Sri Lanka	3.36	6.17	5.27	4.53
12	Bangladesh	5.11	4.84	3.29	4.43
13	Libya	3.23	4.47	5.81	4.35
14	Algeria	4.49	2.45	3.97	3.94
15	Ecuador	2.98	3.17	5.57	3.91
16	Ethiopia	3.42	5.65	3.37	3.81
17	Lebanon	2.97	5.16	4.24	3.81
18	Paraguay	3.06	4.22	4.06	3.62
19	Tanzania	3.33	4.12	3.34	3.48
20	Cambodia	2.79	4.07	4.01	3.45
21	Kenya	3.27	3.03	3.85	3.43
22	Bolivia	3.12	2.79	4.11	3.40
23	Uganda	3.30	2.39	3.80	3.31

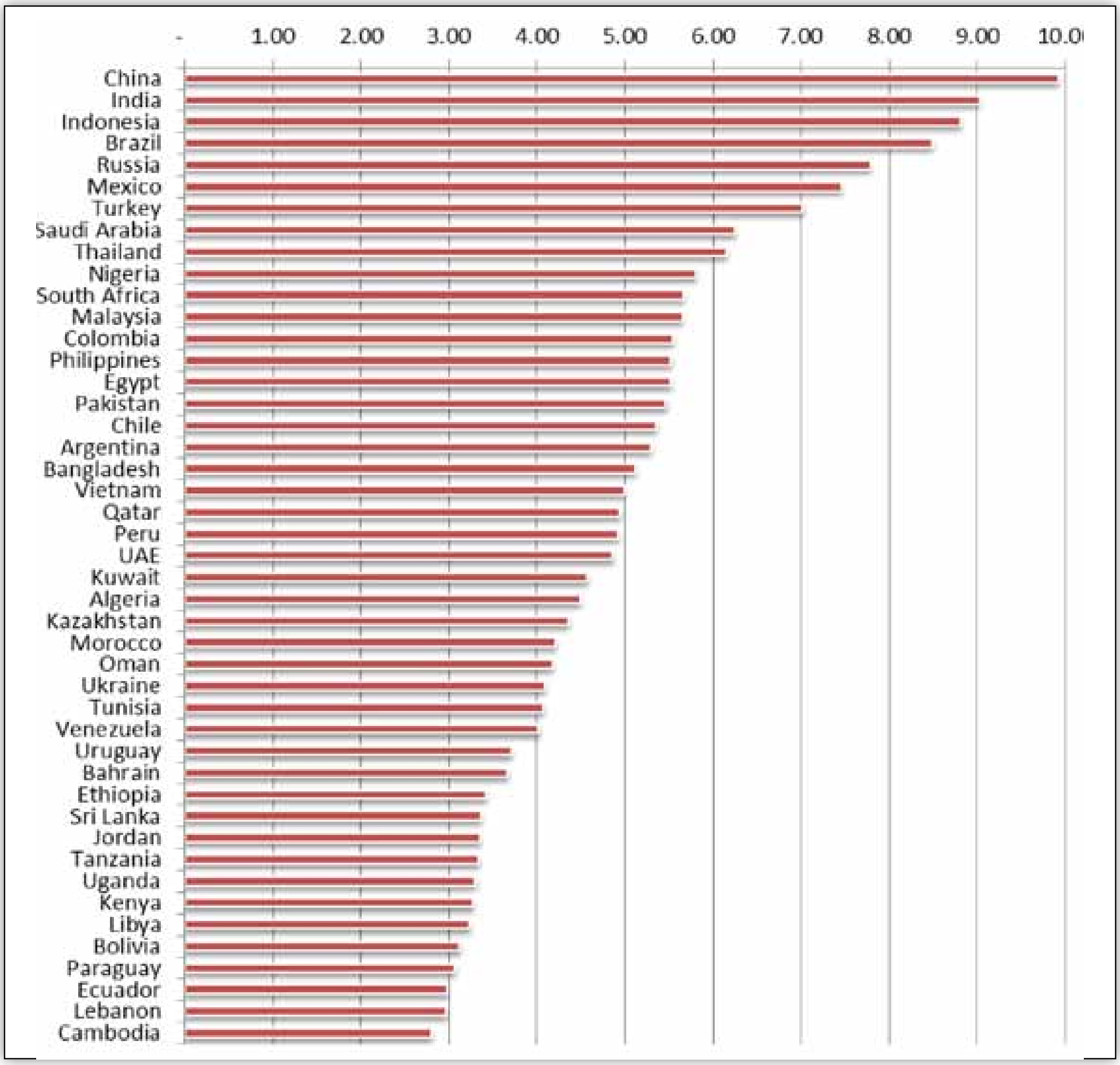
Source: Transport Intelligence

6.1 Sub-Indices ranking

6.1.1 Market size and growth attractiveness sub-index

The "market size and growth attractiveness" sub-index is calculated based on a country's economic output, projected growth, population size and financial stability. The top five markets for this sub-index were unchanged this year. Further down the Index, Nigeria moved up to tenth place from 14th, overtaking South Africa, Malaysia and Pakistan. Nigeria is forecast for strong economic growth, indicating potential opportunities for investors. Lebanon and Cambodia, both new additions this year, place at the bottom of the sub-index for "market size and growth attractiveness."

Figure 3: Market size and growth attractiveness sub-index scores

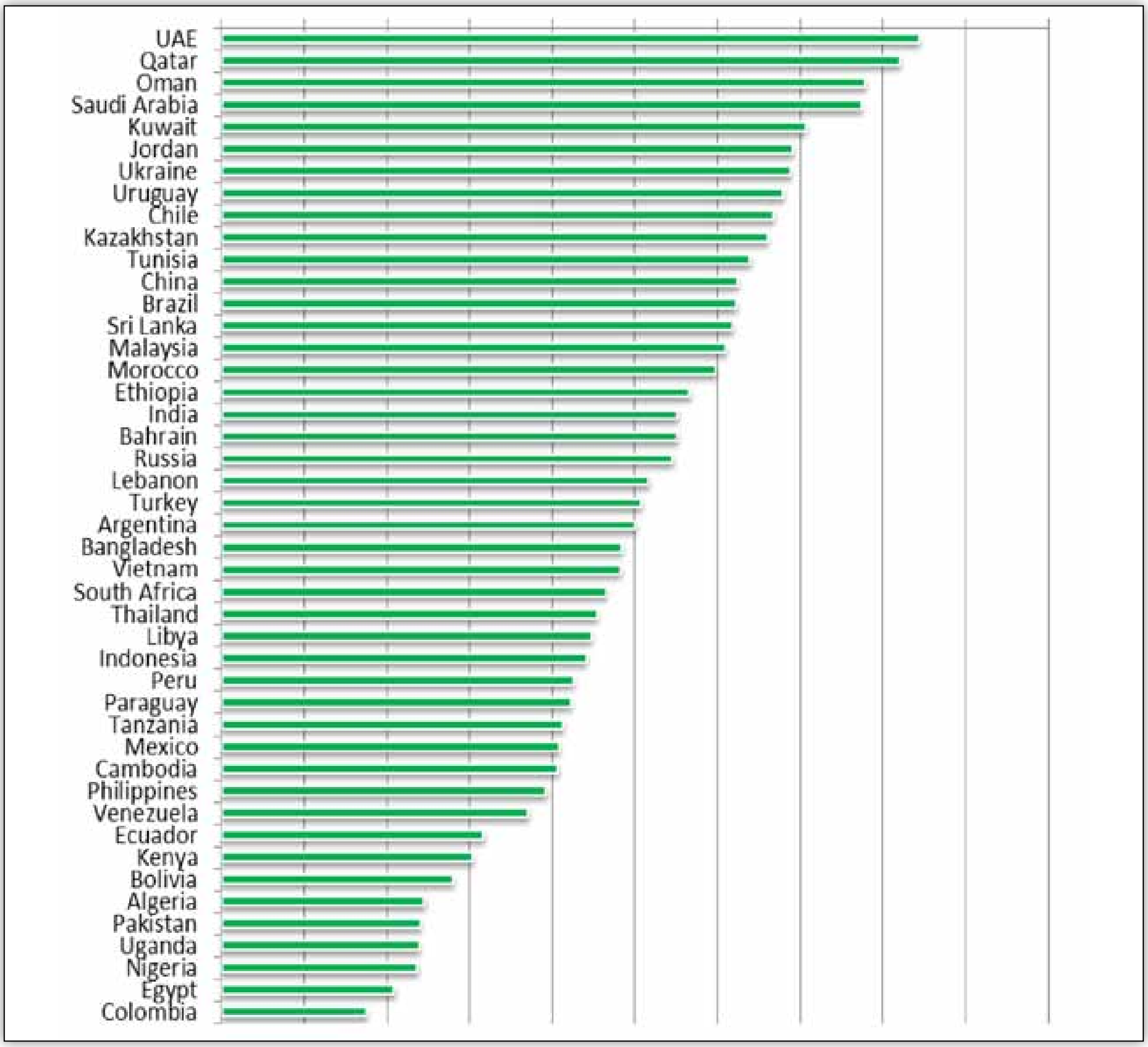


Source: Transport Intelligence

6.1.2 Market compatibility sub-index

The top five countries for "market compatibility"are all Middle East countries where services are strong, populations are concentrated and well off, and foreign investment is high. The United Arab Emirates tops the rankings, as Saudi Arabia moved down three places. Elsewhere, Ukraine, Uruguay and Chile also score well for "market compatibility." At the other end of the spectrum, Nigeria, Egypt and Colombia score poorly.

Figure 4: Market compatibility sub-index scores



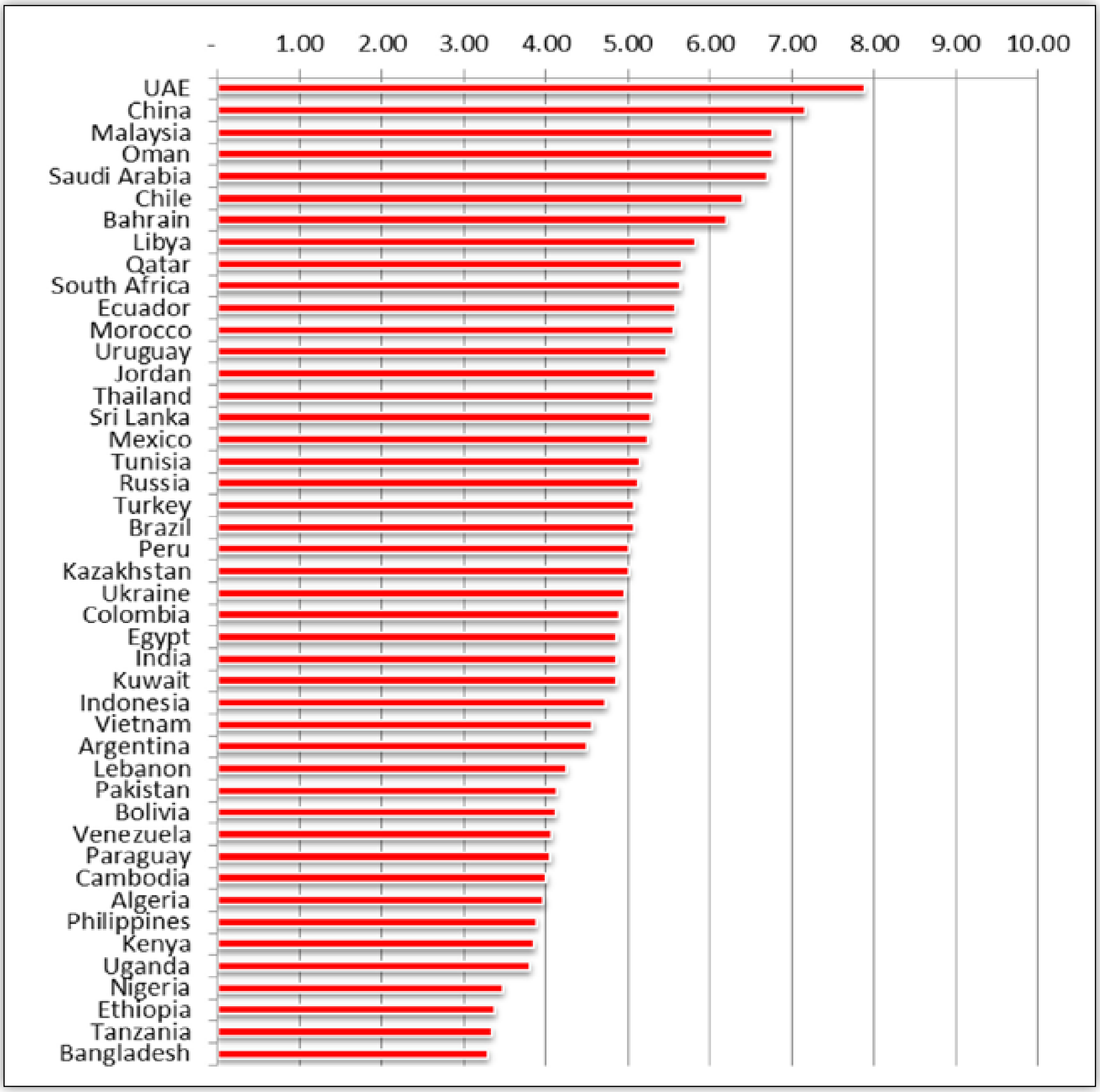
Source: Transport Intelligence

6.1.3 Connectedness sub-index

The UAE also tops the rankings for the "connectedness" sub-index on the strength of its air and ocean transportation infrastructure and highly developed logistics sector. China, Malaysia, Oman and Saudi Arabia round out the top five.

These countries have strong overall infrastructure, good liner shipping connections, airport density and efficient customs procedures. In contrast, logistics investors in countries such as Bangladesh, Tanzania and Ethiopia face frequent obstacles.

Figure 5: Connectedness sub-index scores



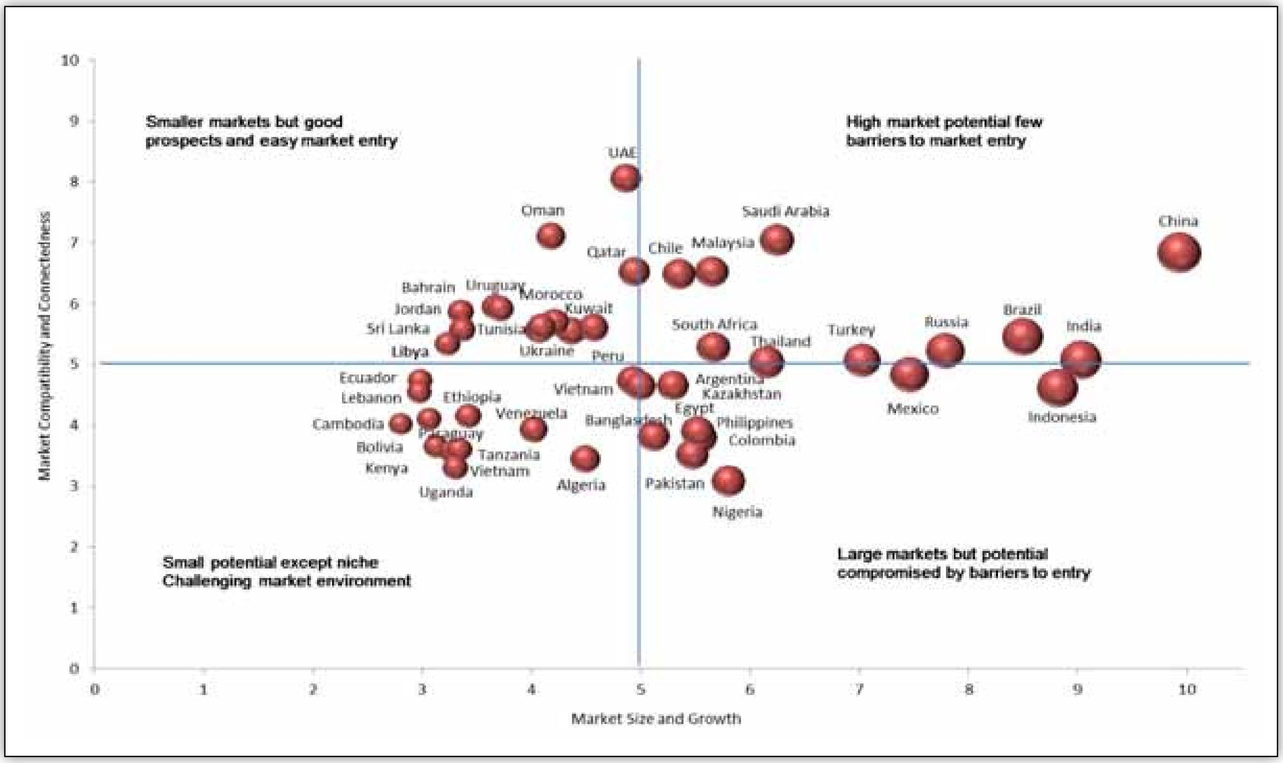
Source: Transport Intelligence

6.2 Emerging Markets Quadrant

The emerging market quadrant displays the relative positions of the countries in the Index. The chart is divided into four areas, dividing markets in terms of size and potential barriers to entry (an average of "market compatibility" and "market connectedness" figures). The size of the bubble represents the size of the opportunity each market offers.

Countries in the top right quartile are those that represent the biggest targets for logistics investment as well as the easiest markets in which to operate; they have good compatibility and connections. In the top left quartile are those countries that represent smaller market opportunities, but are also easily penetrated, including UAE and Oman. The bottom half of the chart includes countries in which there are significant barriers to market entry and difficulties in operating. As these economies mature, de-regulate and connect better with global markets, they will move towards the upper quartiles.

Figure 6: Emerging Market Potential Quadrant



Source: Transport Intelligence

7.0 Emerging Market Trade Lanes

The shift of global manufacturing to lower cost economies has resulted in an increasing importance in the role of emerging markets in global trade. Changes in world trade flows have led to the emergence and growth of new shipping routes. With demand in developed economies expected to remain weak over the next couple of years, emerging markets will become increasingly important. The trade lane index measures changes in the volume of goods shipped by air and sea between the 45 emerging markets included in the Index and the EU and U.S.

7.1 Trade by Sea

7.1.1 Top Trade Lanes

In ocean freight, China's exports to the United States are expected to show a 2.3% increase for 2012. Meanwhile, China's ocean exports to the EU are expected to post a 9.8% decline vs. 2011. Weaker demand from the developed world, in particular from Europe, significantly affected emerging market exports in 2012.

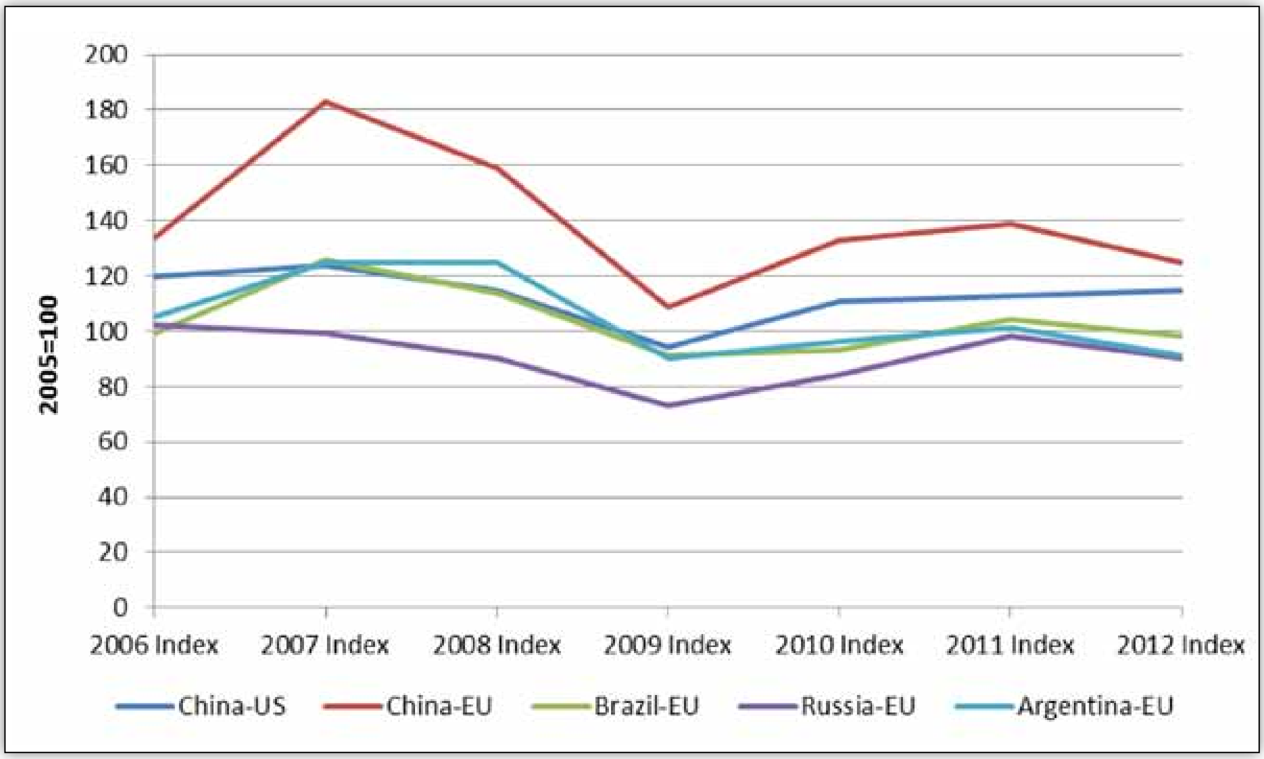
The general trend was declining volumes as demand from advanced economies remained weak. Despite the declines, emerging market exports by sea generally outperformed exports by air. And in contrast to the general downward trend, it looks as though South Africa's ocean exports to the EU rose sharply in 2012; possibly as a result of increased sourcing from this low cost market.

Table 5: Sea Freight Top 10 Trade Lanes - Emerging Market to US/EU

Rank	Origin	Destination	2011 Tons	2012 Tons*
1	China	US	48,494,104	49,610,347
2	China	EU	49,360,233	44,504,280
3	Brazil	EU	34,235,967	32,327,920
4	Russia	EU	27,416,993	25,142,120
5	Argentina	EU	18,450,806	16,625,811
6	Ukraine	EU	15,275,778	16,069,156
7	South Africa	EU	12,880,119	15,327,433
8	Turkey	EU	17,717,147	14,922,892
9	India	EU	10,218,480	9,969,589
10	Indonesia	EU	8,292,070	8,000,400

Source: Transport Intelligence **Estimates*

Figure 7: Sea Freight Top Trade Lanes Emerging Market to US/EU (Index of Tons, 2005=100)



Source: Transport Intelligence

Meanwhile, emerging market imports were also impacted by the slowing global economy in 2012. The volume of China's imports from the EU and the United States both show slight fall offs compared with 2011.

Despite a generally downward trend, some countries should record improving volumes. Surprisingly, Egypt's sea freight imports from the EU are expected to increase in 2012, possibly due to intermittent periods of calm and relatively normal activity that followed tumultuous political change. Brazil's sea freight imports from Europe are also estimated to increase in 2012 compared with 2011. This is in contrast to a significant decline in imports by air freight.

Ocean-bound imports to emerging markets also seem to have performed better compared with air freight.

Table 6: Sea Freight Top 10 Trade Lanes- US/EU to Emerging Market

Rank	Origin	Destination	2011 Tons	2012 Tons*
1	EU	China	36,148,782	35,941,911
2	EU	Turkey	28,146,728	27,856,844
3	US	China	22,995,037	22,458,028
4	EU	Algeria	16,038,824	16,889,324
5	EU	Saudi Arabia	11,591,310	12,458,407
6	EU	Brazil	9,793,311	12,309,143
7	EU	Egypt	9,873,226	10,496,115
8	EU	India	10,526,587	10,394,773
9	EU	Russia	9,906,119	9,698,802
10	EU	Morocco	9,760,187	9,345,484

Source: Transport Intelligence **Estimates*

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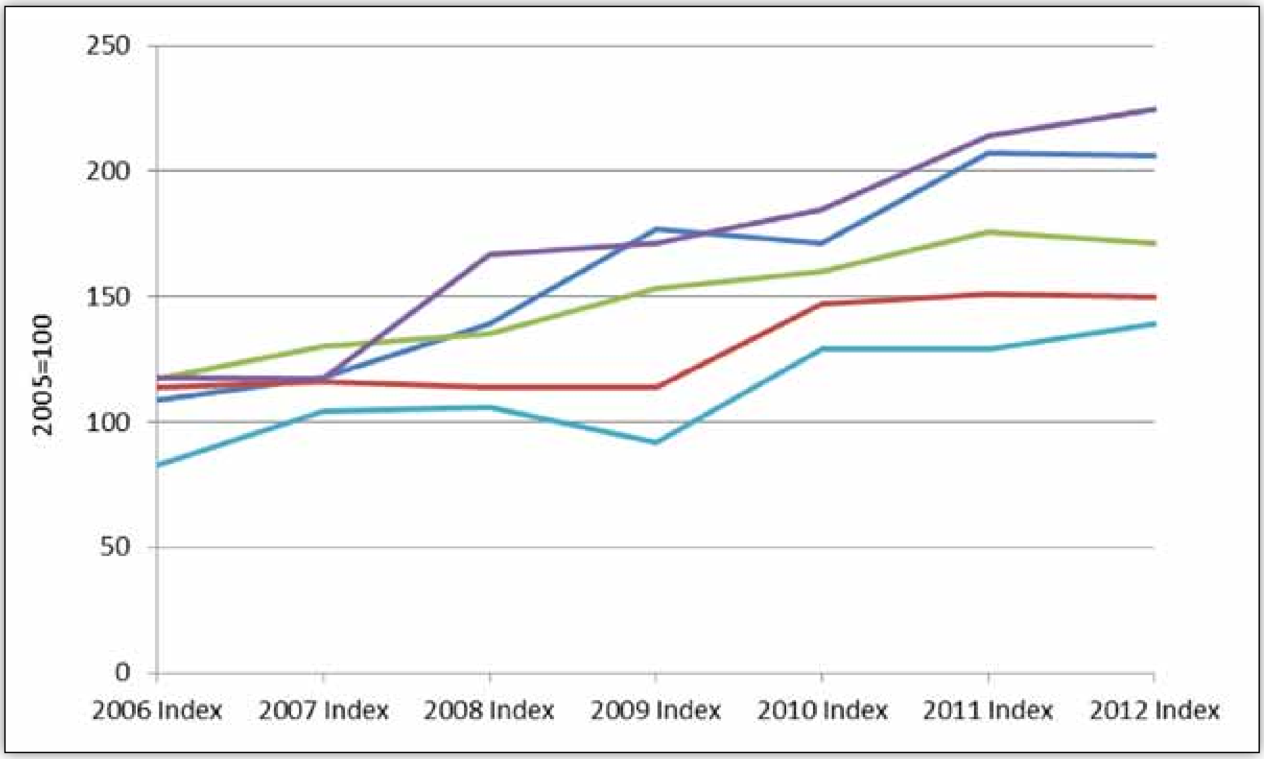
Figure 8: Sea Freight Top Trade Lanes US/EU to Emerging Market (Index of Tons, 2005=100)



Source: Transport Intelligence

7.1.2 Fastest Growing Trade Lanes

Among exporters to the United States and Europe, countries in the Middle East rank highly. These countries have seen particularly strong growth in sea freight volumes, both in terms of goods in transit as well as goods manufactured in the region. (For purposes of the Index, we have excluded oil and gas.) Qatar's exports to the United States seem remarkable -- volumes have shown considerable growth since 2009. In 2012, Qatar's exports are expected to almost triple from 2011, as a result of a substantial increase in the volume of aluminum exports. The Qatalum aluminum smelter built in 2009 was reported to have reached its full production potential in late 2011. This has clearly had a significant impact on growth of Qatar's sea freight exports to the United States.

Paraguay's imports from the United States and Europe showed strong growth. That growth has been driven from a small base, and these trade lanes are still very modest. When compared with 2011, European exports to Paraguay fell, while U.S. exports recorded a tiny increase. U.S. exports to Cambodia have shown a significant increase since 2005, growing at a compound annual rate of 27%. Again, this growth is driven from a small base.

Table 7: Sea Freight Fastest Growing Trade Lanes- Emerging Markets to US/EU (Index of Tons, 2005=100)

Rank	Origin	Destination	2008 Index	2009 Index	2010 Index	2011 Index	2012 Index*	CAGR 2005-2012
1	Qatar	US	208	22	341	793	2301	57%
2	Morocco	US	172	184	234	1281	1395	46%
3	Oman	US	215	308	502	508	921	37%
4	UAE	EU	193	186	195	1126	812	35%
5	Oman	EU	517	623	1096	953	742	33%
6	Cambodia	EU	161	207	288	618	579	29%
7	Saudi Arabia	US	305	122	190	277	322	18%
8	Vietnam	US	168	169	207	215	249	14%
9	Bolivia	EU	271	289	374	314	229	13%
10	Tunisia	US	173	278	163	153	226	12%
11	Kuwait	EU	133	208	269	202	221	12%
12	Peru	US	173	137	137	261	215	12%
13	Bahrain	US	116	185	101	121	215	12%
14	Paraguay	EU	125	95	272	274	208	11%
15	Bahrain	EU	200	125	803	316	206	11%
16	Kazakhstan	US	527	175	150	365	189	10%
17	Qatar	EU	117	163	78	153	175	8%
18	Egypt	US	134	73	86	107	168	8%
19	South Africa	US	112	112	170	159	165	7%
20	Vietnam	EU	139	127	141	152	159	7%
21	Tanzania	US	140	171	108	125	159	7%
22	UAE	US	77	66	105	170	149	6%
23	Ukraine	EU	127	99	96	138	145	5%
24	Bangladesh	EU	135	129	138	146	145	5%
25	Bangladesh	US	134	129	150	138	145	5%

Source: Transport Intelligence **Estimates*

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Table 8: Sea Freight Fastest Growing Trade Lanes- US/EU to Emerging Markets (Index of Tons, 2005=100)

Rank	Origin	Destination	2008 Index	2009 Index	2010 Index	2011 Index	2012 Index*	CAGR 2005-2012
1	EU	Paraguay	209	196	341	707	661	31%
2	US	Cambodia	182	190	285	355	525	27%
3	US	Paraguay	337	198	404	461	477	25%
4	EU	Uruguay	146	163	261	321	406	22%
5	US	Kazakhstan	160	111	162	222	402	22%
6	US	Vietnam	309	428	449	478	398	22%
7	US	Morocco	323	370	326	341	387	21%
8	US	Bahrain	195	198	283	330	366	20%
9	US	Oman	359	253	408	288	365	20%
10	US	Algeria	206	267	299	349	336	19%
11	US	Tunisia	191	277	322	336	327	18%
12	EU	Cambodia	157	226	243	343	325	18%
13	EU	Vietnam	168	306	313	313	313	18%
14	US	Nigeria	237	237	279	355	311	18%
15	EU	Qatar	180	188	169	192	311	18%
16	US	Uganda	223	277	508	308	306	17%
17	US	India	164	237	257	291	292	17%
18	US	Chile	204	163	217	260	290	16%
19	EU	Ethiopia	536	293	266	233	282	16%
20	US	Peru	234	185	258	263	282	16%
21	EU	Oman	251	186	197	174	268	15%
22	US	Uruguay	235	201	299	274	261	15%
23	US	UAE	188	267	240	232	254	14%
24	EU	Peru	187	107	166	205	245	14%
25	US	Jordan	155	161	182	188	236	13%

Source: Transport Intelligence *Estimates

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7.2 Trade by Air

7.2.1 Top Trade Lanes

In air freight, the U.S. overtook the EU as China's largest export market in 2012. While China's air exports to the U.S. remained almost flat, exports to the EU fell an estimated 11.7%. Demand from Europe weakened in 2012 as economic conditions deteriorated further. In addition, a possible modal shift from air to the cheaper alternative of sea freight may have played a part in the generally downward trend in China-EU air freight volumes for 2012.

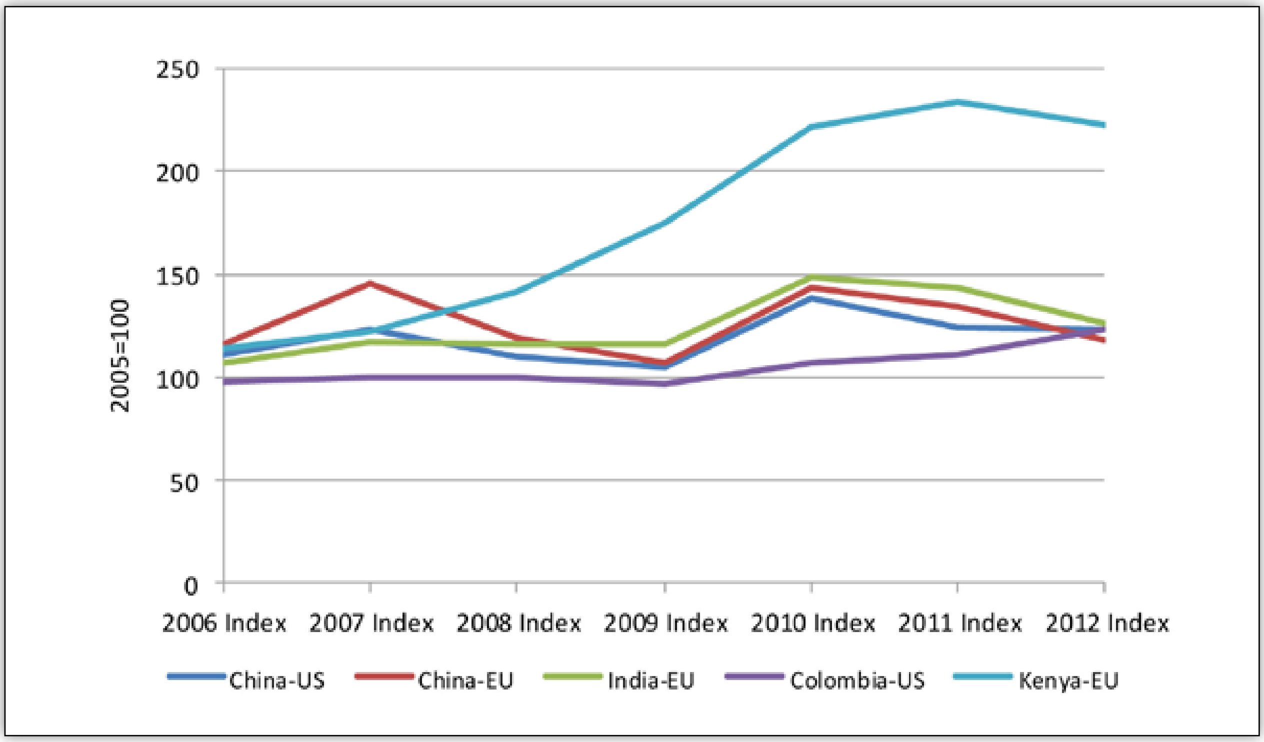
There were some exceptions to this downward trend. Colombia's air exports to the United States (dominated by cut flowers) increased in 2012. The Free Trade Agreement signed between the United States and Colombia in May 2012 has made export products cheaper for U.S. consumers. Chile's exports to the United States also recorded significant growth in 2012, the result of expanded trade in fish exports, particularly salmon. Fish accounts for a significant proportion of Chile's air freight to the United States, along with fruit and cereals.

Table 9: Air Cargo Top 10 Trade Lanes - Emerging Market to US/EU

Rank	Origin	Destination	2011 Tons	2012 Tons*
1	China	US	993,018	984,051
2	China	EU	1,012,966	894,297
3	India	EU	199,843	174,981
4	Colombia	US	148,694	164,013
5	Kenya	EU	156,339	149,131
6	Chile	US	85,170	137,249
7	India	US	120,383	111,269
8	Peru	US	92,510	79,271
9	Brazil	EU	104,172	69,492
10	Mexico	EU	65,423	65,749

Source: Transport Intelligence **Estimates*

Figure 9: Air Cargo Top Trade Lanes- Emerging Market to US/EU (Index of Tons, 2005=100)



Source: Transport Intelligence

Air cargo destined for emerging markets also generally declined in 2012. While emerging markets tended to record stronger economic growth than the developed world, they were not unaffected by the global slowdown in 2012. Weaker demand, in addition to a possible modal shift towards sea freight (as previously mentioned) may have played a part in falling volumes. In addition, a possible shift toward other emerging markets trading partners may have contributed to declining volumes with the EU and United States.

China's air freight imports from the EU are expected to fall 13.3% in 2012. China's air imports from the United States are expected to decline at a rate of 5.6%. Of the top 10 lanes, the only air route to experience volume growth in 2012 was trade originating in the EU destined for Saudi Arabia. A predicted 15.3% increase in Saudi Arabia's air imports from the EU made that lane one of the 10 busiest in 2012. While most regions have reported declining air cargo in 2012, the Middle East has generally held up well in comparison. The UAE's imports from the EU are only expected to see a minor decline in 2012.

Table 10: Air Cargo Top 10 Trade Lanes US/EU to Emerging Market

Rank	Origin	Destination	2011 Tons	2012 Tons*
1	EU	China	608,630	527,813
2	US	China	276,971	261,534
3	EU	UAE	168,501	166,980
4	EU	India	177,968	159,707
5	US	Brazil	142,319	128,549
6	EU	Brazil	121,706	110,460
7	EU	South Africa	102,523	100,761
8	EU	Mexico	97,094	91,260
9	EU	Saudi Arabia	77,127	88,956
10	EU	Russia	112,104	82,324

Source: Transport Intelligence **Estimates*

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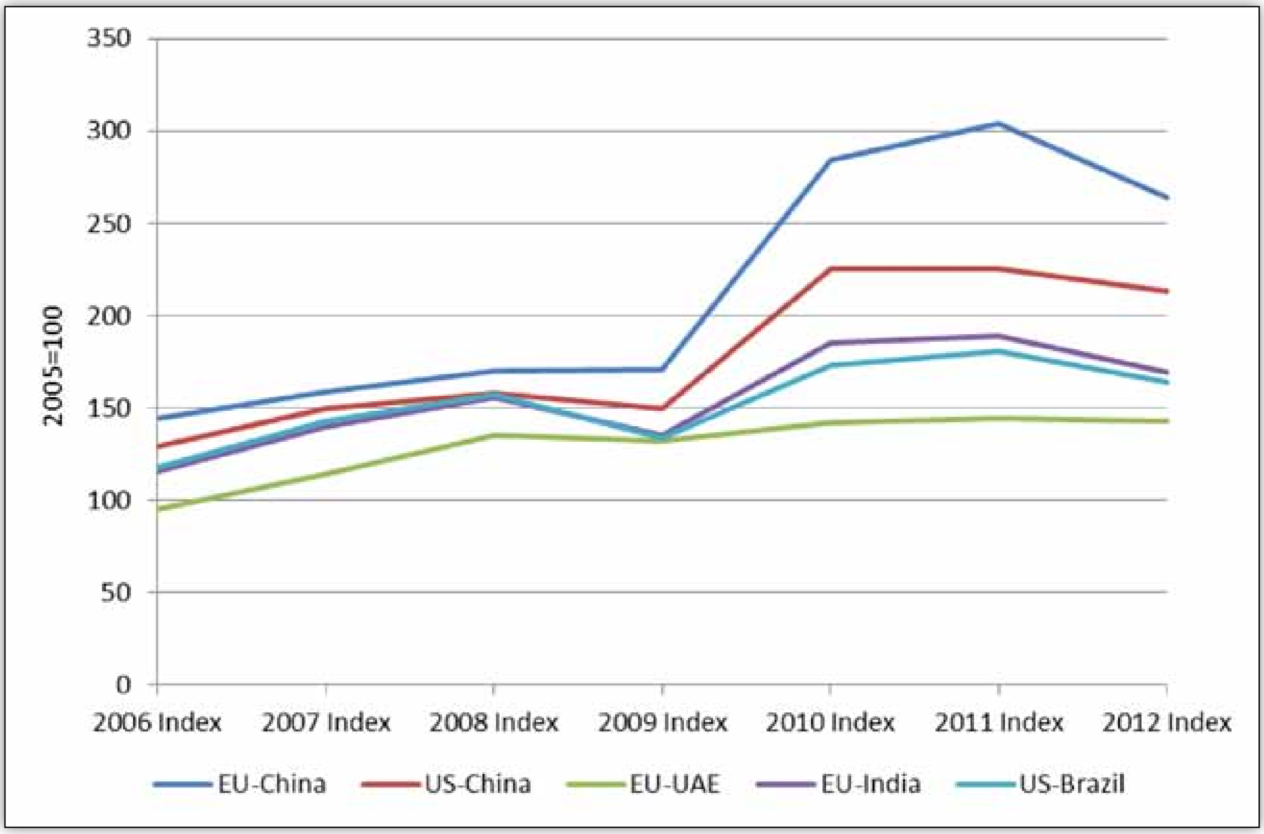
Figure 10: Air Cargo Top Trade Lanes- US/EU to Emerging Market (Index of Tons, 2005=100)



Source: Transport Intelligence

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7.2.2 Fastest Growing Trade Lanes

Among emerging markets countries exporting to the United States and EU, Ethiopia recorded the largest percentage growth in air freight between 2005 and 2012. While Ethiopia's exports to the United States are expected to show significant growth in 2012, exports to the EU remained almost flat. Elsewhere, the Algeria-U.S. trade route moved up in the rankings in 2012, following a dip in 2011.

In terms of emerging market imports from the United States and EU, there were some changes among the rankings in 2012. Ukraine's imports by air from the United States posted a compound annual growth rate of 23% from 2005 to 2012. Meanwhile, the EU-Paraguay lane, which posted the highest growth in 2011, fell to 6th place as growth in trade volumes has slowed.

Table 11: Air Cargo Fastest Growing Trade Lanes- Emerging Market to EU and US (Index of Tons, 2005=100)

Rank	Origin	Destination	2008 Index	2009 Index	2010 Index	2011 Index	2012 Index*	CAGR 2005-2012
1	Ethiopia	US	1341	916	882	802	1361	45%
2	Ethiopia	EU	384	636	718	829	831	35%
3	Algeria	US	374	142	364	154	468	25%
4	Chile	EU	161	175	293	387	335	19%
5	Nigeria	EU	149	151	341	438	317	18%
6	Ecuador	EU	167	275	300	317	303	17%
7	Kenya	EU	142	175	222	234	223	12%
8	Cambodia	EU	97	58	98	82	201	10%
9	Tunisia	US	138	109	184	188	168	8%
10	Mexico	EU	136	117	160	165	166	7%
11	Peru	EU	120	127	169	197	163	7%
12	Bangladesh	EU	145	117	163	125	161	7%
13	Vietnam	EU	117	90	147	141	155	7%
14	Ukraine	US	164	121	132	144	149	6%
15	Qatar	EU	91	248	123	113	144	5%
16	Vietnam	US	146	144	190	137	144	5%
17	Saudi Arabia	US	80	85	165	110	138	5%
18	Morocco	US	148	123	139	140	133	4%
19	India	EU	116	116	149	144	126	3%
20	Tunisia	EU	188	101	122	125	126	3%
21	China	US	110	105	138	124	123	3%
22	Colombia	US	100	97	107	111	123	3%
23	Turkey	EU	82	74	95	102	121	3%
24	Peru	US	110	131	138	141	121	3%
25	China	EU	119	107	144	134	118	2%

Source: Transport Intelligence **Estimates*

Table 12: Air Cargo Fastest Growing Trade Lanes- EU and US to Emerging Market (Index of Tons, 2005=100)

Rank	Origin	Destination	2008 Index	2009 Index	2010 Index	2011 Index	2012 Index*	CAGR 2005-2012
1	US	Ukraine	280	340	338	382	415	23%
2	US	Oman	370	272	327	338	411	22%
3	US	Ethiopia	245	243	348	281	399	22%
4	US	Bahrain	241	197	268	365	364	20%
5	US	Qatar	293	270	267	420	349	20%
6	EU	Paraguay	305	475	396	372	279	16%
7	US	Vietnam	191	199	278	294	277	16%
8	US	Tanzania	135	124	173	219	271	15%
9	EU	China	170	171	284	304	264	15%
10	EU	Qatar	190	171	190	205	251	14%
11	US	Kazakhstan	252	164	257	311	229	13%
12	EU	Morocco	369	283	243	255	227	13%
13	EU	Jordan	110	103	101	237	227	12%
14	US	Uganda	209	169	211	177	223	12%
15	EU	Kazakhstan	150	377	295	213	223	12%
16	EU	Vietnam	177	132	183	229	222	12%
17	US	UAE	206	192	207	233	220	12%
18	US	Paraguay	208	203	248	262	219	12%
19	US	China	158	150	225	225	213	11%
20	US	Saudi Arabia	182	178	176	183	213	11%
21	US	Russia	165	121	176	219	212	11%
22	EU	Tanzania	226	150	162	206	200	10%
23	EU	Kenya	161	185	202	210	199	10%
24	US	Indonesia	140	125	160	171	196	10%
25	US	Peru	164	147	175	188	195	10%

Source: Transport Intelligence **Estimates*

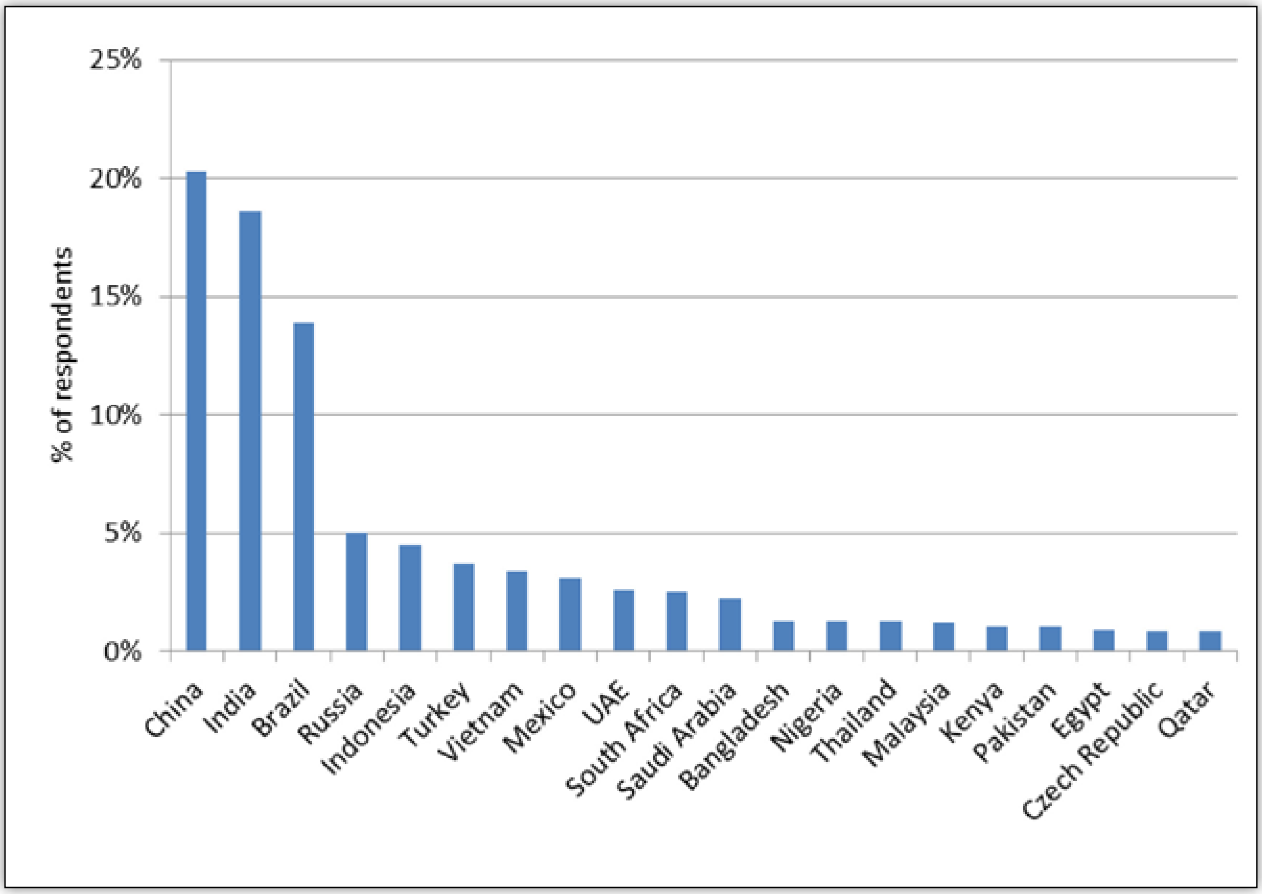
7

8.0 Emerging Markets Survey

Over November and December 2012, *Ti* undertook a major survey to ascertain which emerging markets, in the view of trade and logistics professionals, have the greatest potential to become future logistics hotspots and why. Over 375 respondents from a wide range of industries and markets across the world took part.

8.1 Which of the following countries do you believe will emerge as major logistics markets in the next five years?

Figure 11: Perceived major logistics markets of the future



Source: Transport Intelligence

Table 13: Perceived major logistics markets for the future in rank order

Country	2013 Rank	2012 Rank	Y/Y change
China	1	1	↔
India	2	2	↔
Brazil	3	3	↔
Russia	4	4	↔
Indonesia	5	10	↑
Turkey	6	5	↓
Vietnam	7	6	↓
Mexico	8	9	↑
UAE	9	7	↓
South Africa	10	8	↓
Saudi Arabia	11	12	↑
Bangladesh	12	25	↑
Nigeria	13	13	↔
Thailand	14	29	↑
Malaysia	15	19	↑
Kenya	16	27	↑
Pakistan	17	33	↑
Egypt	18	16	↓
Czech Republic	19	14	↓
Qatar	20	24	↑

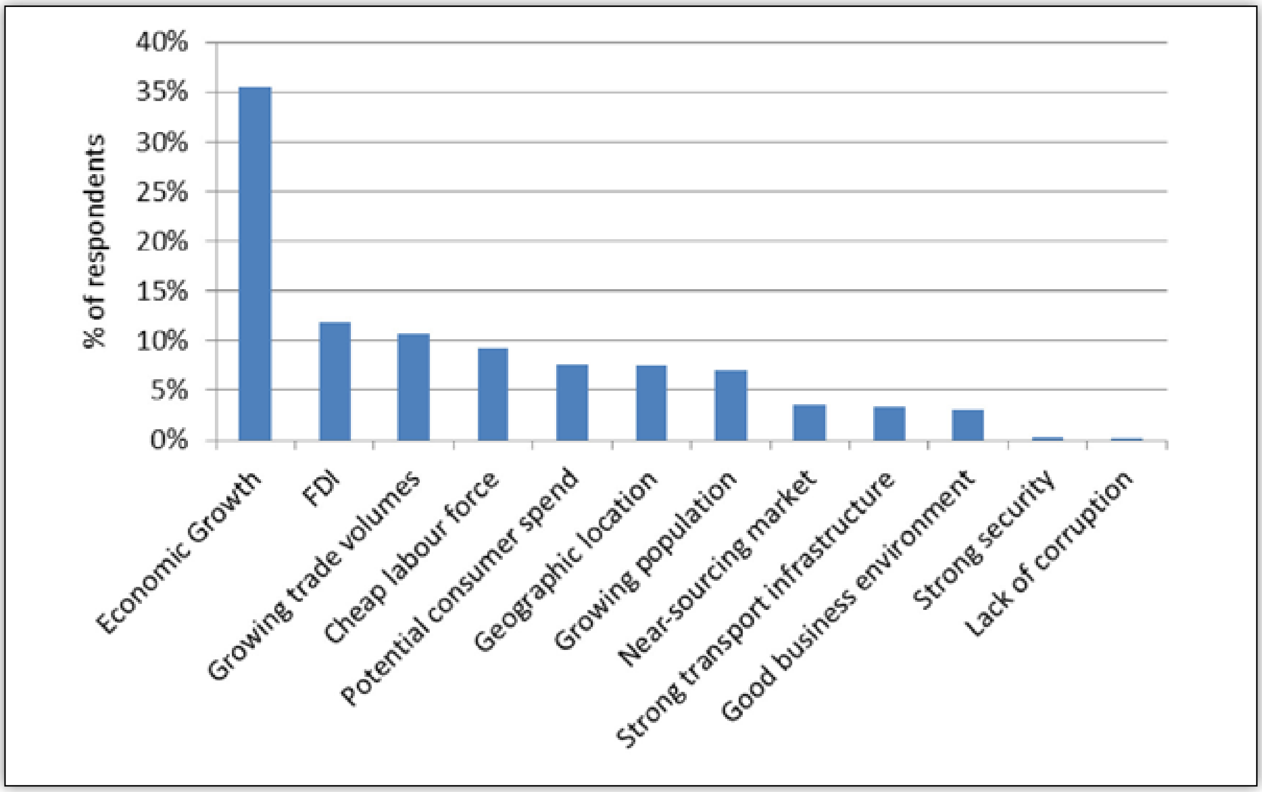
Source: Transport Intelligence *Note: Additional countries were included in the 2013 survey*

Respondents were asked to rate the top three markets that they expect to emerge as major logistics hubs over the next five years. In order to rank the responses, a score was calculated by awarding three points for a first preference selection, two for second and one for third. The BRIC countries continued to outpace others, indicating participants still view these countries as offering the most potential in terms of global logistics.

Apart from China, a number of other Asian economies also featured in the top 20. Indonesia, Vietnam, Bangladesh, Thailand, Malaysia and Pakistan are all believed to represent significant opportunities for logistics providers. Notably, Indonesia moved up significantly to finish just behind Russia. Indonesia has continued to record strong economic growth, proving reasonably resilient to the global economic crisis. While Indonesia is often cited to have infrastructure constraints, it seems that other factors play a more important part when considering its potential and prospects. Surprisingly, Egypt still ranked among the top 20 (falling slightly), indicating that survey participants still believe the country retains potential as an investment destination.

8.2 Please rank, in order of importance, the key reasons why you think the main market in question 1 above will become an important emerging market.

Figure 12: Factors behind the potential emergence of markets



Source: Transport Intelligence

Potential for economic growth is still the leading consideration for professionals identifying major logistics markets. Foreign direct investment and growing trade lane volumes were the second and third most popular choices. Geographic location was also deemed a more significant factor behind the emergence of potential markets this year. As transport costs have become more of a concern, many companies are now seeking to move operations closer to end markets.

Interestingly, cheap labor, which was the second most popular factor in last year's survey, was not deemed quite as important, relative to other factors.

Table 14: Factors behind the potential emergence of markets in rank order

Factor	Respondents
Economic Growth	35.4%
FDI	11.9%
Growing trade volumes	10.8%
Cheap labor force	9.3%
Potential consumer spend	7.7%
Geographic location	7.5%
Growing population	7.0%
Near-sourcing market	3.6%
Strong transport infrastructure	3.4%
Good business environment	3.1%
Strong security	0.3%
Lack of corruption	0.0%

Source: Transport Intelligence

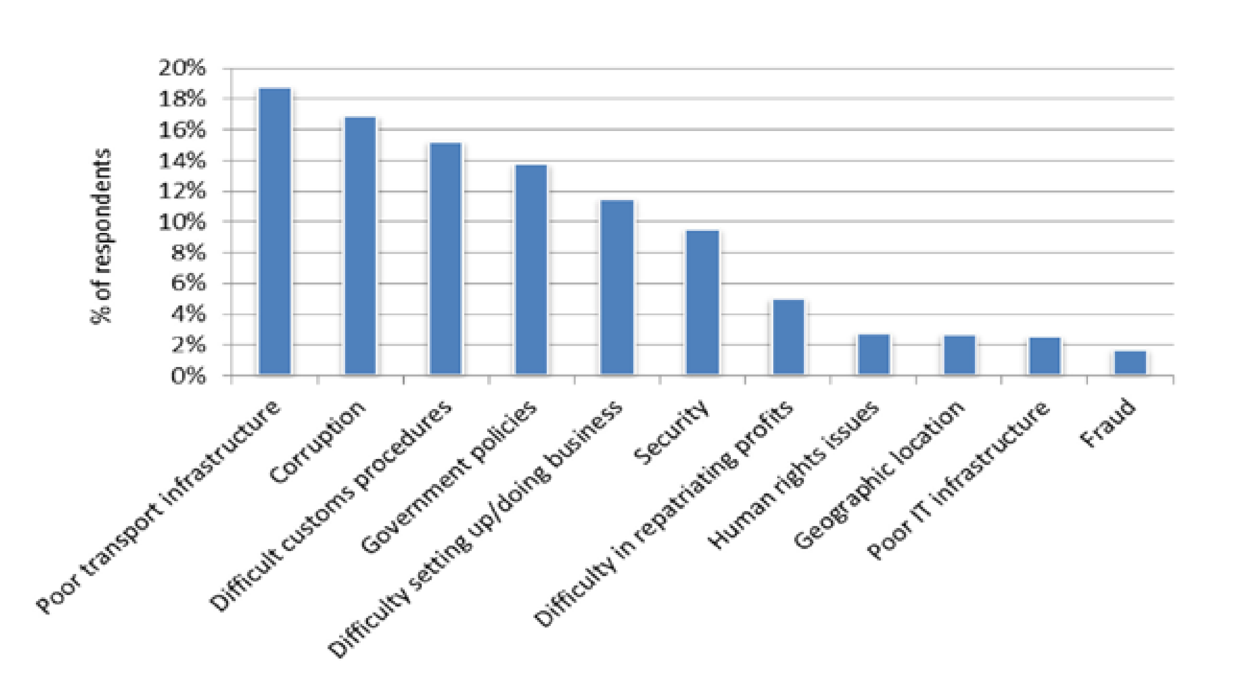
Table 15: Changing levels of significance of factors

Factor	2013	2012	Y/Y change
Economic Growth	1	1	↔
FDI	2	3	↑
Growing trade volumes	3	4	↑
Cheap labor force	4	2	↓
Potential consumer spend	5	6	↑
Geographic location	6	7	↑
Growing population	7	5	↓
Near-sourcing market	8	8	↔
Strong transport infrastructure	9	9	↔
Good business environment	10	10	↔
Strong security	11	11	↔
Lack of corruption	12	12	↔

Source: Transport Intelligence

8.3 Please rank, in order of importance, the main problems associated with doing business in emerging markets

Figure 13: Factors that could suppress market growth



Source: Transport Intelligence

Table 16: Factors that could suppress market growth

Problems with doing business	Respondents Rating
Poor transport infrastructure	19%
Corruption	17%
Difficult customs procedures	15%
Government policies	14%
Difficulty setting up/doing business	11%
Security	10%
Difficulty in repatriating profits	5%
Human rights issues	3%
Geographic location	3%
Poor IT infrastructure	2%
Fraud	2%

Source: Transport Intelligence

In line with results from last year's survey, poor transport infrastructure continued to be seen as the biggest obstacle to business in emerging markets. While this factor was not rated as particularly important when assessing the potential of emerging markets, transport infrastructure is perceived as suppressing market growth. Corruption and customs procedures also remain of significant concern, as the second and third most problematic factors.

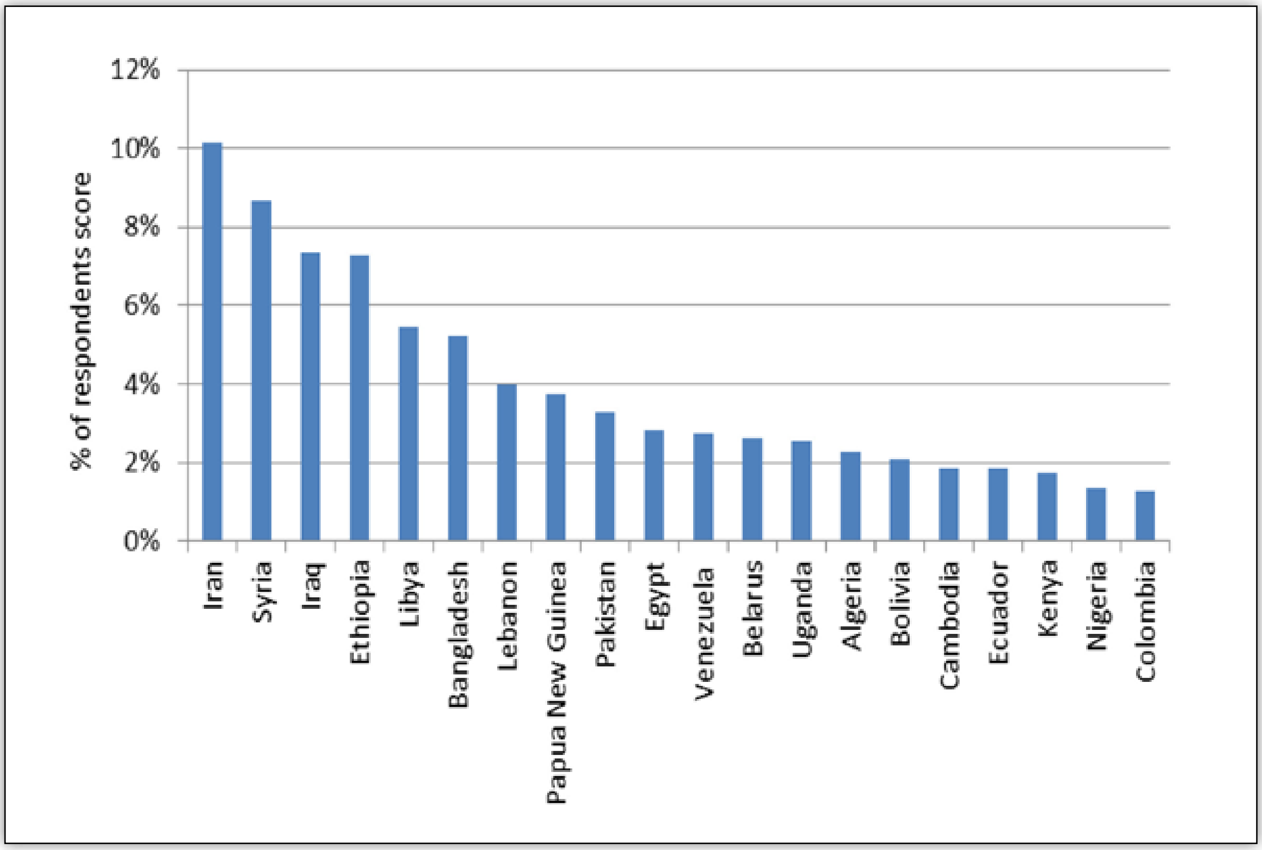
Survey participants indicated that difficulty in repatriating profits has become more of a concern this year. In addition, fraud (as distinct from corruption) seems less problematic than last year when compared with other factors.

Table 17: Changing levels of significance of factors

	2013	2012	Change
Poor transport infrastructure	1	1	↔
Corruption	2	2	↔
Difficult customs procedures	3	4	↑
Government policies	4	3	↓
Difficulty setting up/doing business	5	5	↔
Security	6	6	↔
Difficulty in repatriating profits	7	10	↑
Human rights issues	8	9	↑
Geographic location	9	11	↑
Poor IT infrastructure	10	8	↓
Fraud	11	7	↓

8.4 Which of the following countries do you believe have the LEAST potential as emerging logistics markets?

Figure 14: Least Attractive Markets



Source: Transport Intelligence

Table 18: Least attractive markets in rank order

Ranking	Country	Respondents Rating
1	Iran	10.1%
2	Syria	8.7%
3	Iraq	7.3%
4	Ethiopia	7.3%
5	Libya	5.4%
6	Bangladesh	5.2%
7	Lebanon	4.0%
8	Papua New Guinea	3.8%
9	Pakistan	3.3%
10	Egypt	2.8%
11	Venezuela	2.7%
12	Belarus	2.6%
13	Uganda	2.5%
14	Algeria	2.3%
15	Bolivia	2.1%
16	Cambodia	1.9%
17	Ecuador	1.9%
18	Kenya	1.7%
19	Nigeria	1.3%
20	Colombia	1.3%

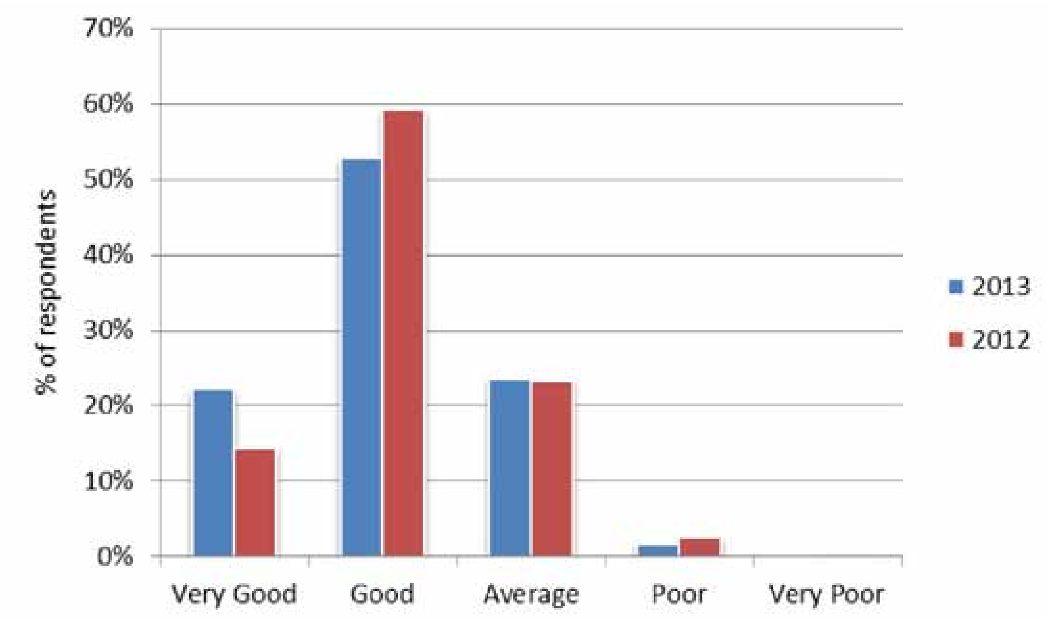
Source: Transport Intelligence

Survey participants continued to see Iran, a country not among the 45 in the Index, as the market for the least potential in terms of logistics opportunities in this year's survey. Syria, also not among those ranked in the Index, was considered the second least promising.

Nigeria, which ranked as the sixth least attractive market last year, improved to 19th place this year. Even after accounting for the additional countries included in the 2013 survey, Nigeria still registered a significant improvement. Nigeria, Kenya, Bangladesh, Pakistan and Egypt all rank among the "least attractive" markets and are among the top 20 countries expected to emerge as major future logistics markets suggesting that survey respondents see clear risks and rewards in each. Despite current difficulties, each is expected to show improvement over the next few years.

8.5 How do you rate the prospects for emerging markets in 2013?

Figure 15: Prospects for emerging markets in 2013



Source: Transport Intelligence

Three quarters of survey respondents rated prospects for emerging markets overall in 2013 as "good" or "very good," almost unchanged from 73% in last year's survey. However, looking at the breakdown between these two options, it seems professionals are more upbeat about 2013 than they were about 2012. Fourteen percent felt "very good" about prospects for 2012, compared with 22% for 2013; 59% saw "good" prospects for 2012, vs 53% for 2013.

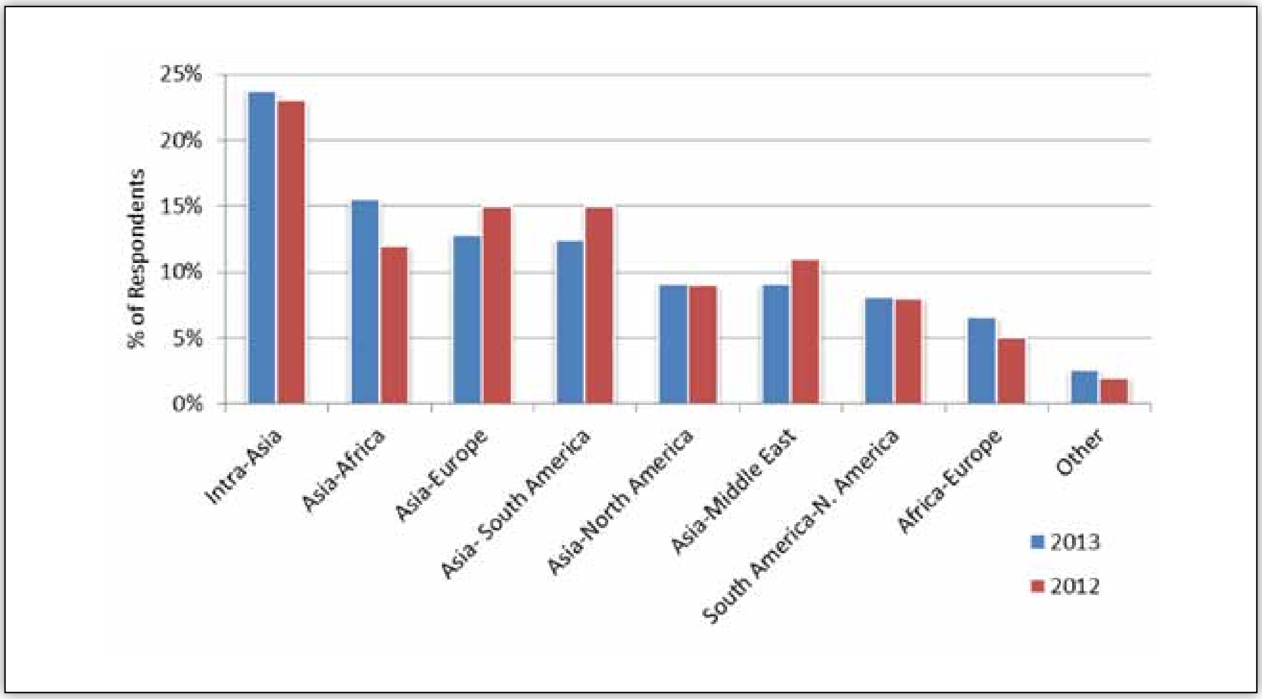
A slightly lower percentage (1.7%) believes prospects for 2013 to be "poor," in comparison to 2.5% for 2012. The remainder of respondents (23%) indicated an "average" outlook.

8.6 Which of the following trade lanes do you believe have the greatest potential for future growth?

Intra-Asia trade routes continue to generate the greatest interest among trade and logistics professionals. Roughly a quarter of respondents saw intra-Asian trade routes as having the greatest potential for growth. Interestingly, the Asia-Africa route is attracting increased attention with 16% of respondents highlighting this lane as having good prospects.

By contrast, a smaller percentage of respondents (13%) cited Asia-Europe trade as having the best potential compared with last year. Given the on-going economic difficulties faced by European economies, it is surprising that interest in this lane did not decline more sharply. Other routes that were highlighted as having significant growth potential included South America-Europe, Intra-Africa and Intra-South America.

Figure 16: Prospects of emerging trade lanes



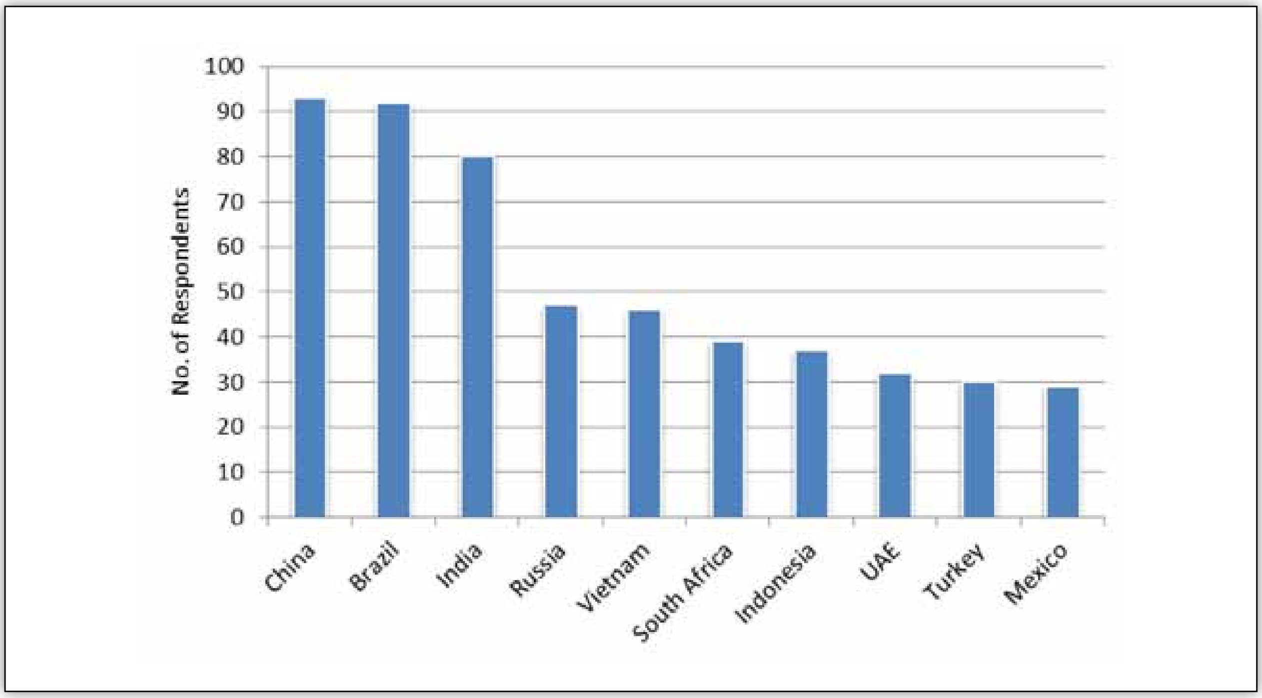
Source: Transport Intelligence

8.7 Which of the following countries do you plan to expand into in the next five years?

China looks to be the most popular investment destination over the next five years. But Brazil finished in a virtual tie with China. When asked (in question 8.1) which markets they believe will emerge as major logistics hubs, there was a much wider gap between China and Brazil, which ranked third below India. Brazil may hold attraction for companies that already have invested in China and India. These countries have been attracting investment for a number of years, and with factors such as increasing labor costs, they are now less desirable.

Vietnam continues to attract the interest of those looking to boost logistics investment. Indonesia also ranks among the top 10 markets for future expansion. The recent strikes in South Africa do not seem to have put off investors – a large number of respondents still intend to invest there.

Figure 17: Markets for potential investment in the next five years

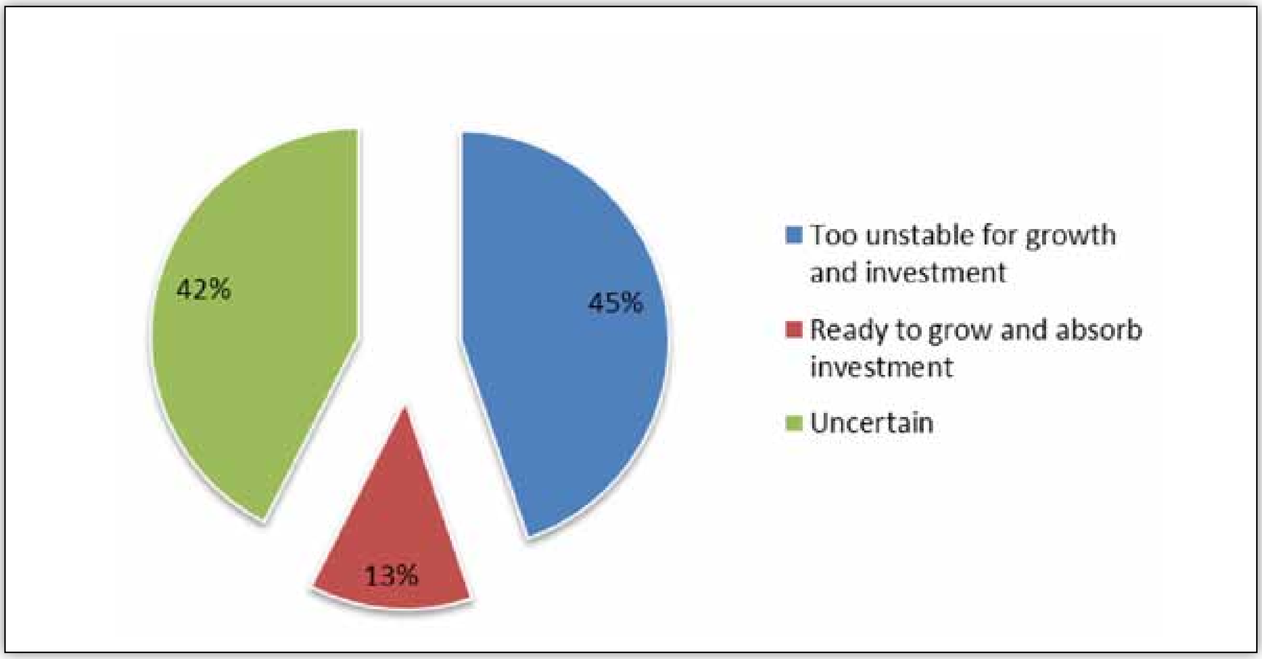


Source: Transport Intelligence

8.8 In your opinion, do you believe that the "Arab Spring" countries of Egypt, Libya and Tunisia are still too unstable for growth and investment or now ready to grow?

Trade and logistics professionals are pessimistic about the near-term prospects of Arab Spring countries such as Libya, Tunisia and Egypt. Of those questioned, 45% of respondents believe these countries are too unstable for growth and investment; 42% are uncertain of future prospects. A much smaller proportion (13%) felt these countries are now ready to grow and absorb investment. Continuing unrest in neighboring countries, especially Syria, is likely to be having some impact on individuals' wariness regarding growth and investment in the Arab Spring countries.

Figure 18: Attractiveness of the Arab Spring countries

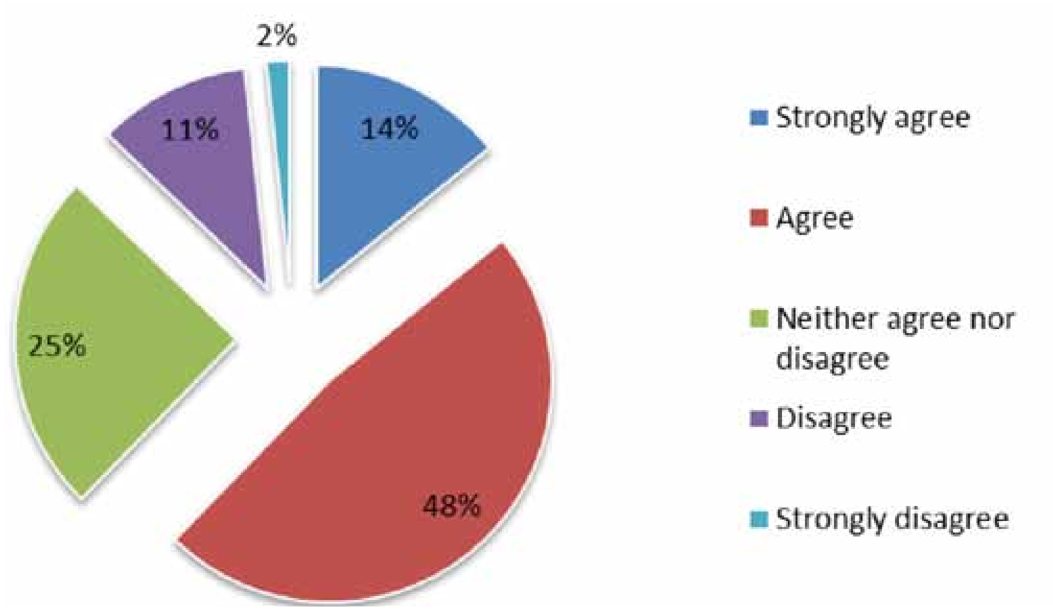


Source: Transport Intelligence

8.9 Do you believe a trend for moving production away from China towards other emerging markets is developing?

More professionals now hold the view that China no longer has the competitive advantage as a low-cost production location. For those looking for the cheapest option, other emerging markets may present better opportunities. The majority of survey respondents (62%) stated that they either "agree" or "strongly agree" that production is increasingly moving to other emerging markets countries; a quarter of respondents "neither agree nor disagree" with that view. Only a minority (13%) stated that they "disagree."

Figure 19: Trend for moving production away from China to other emerging markets

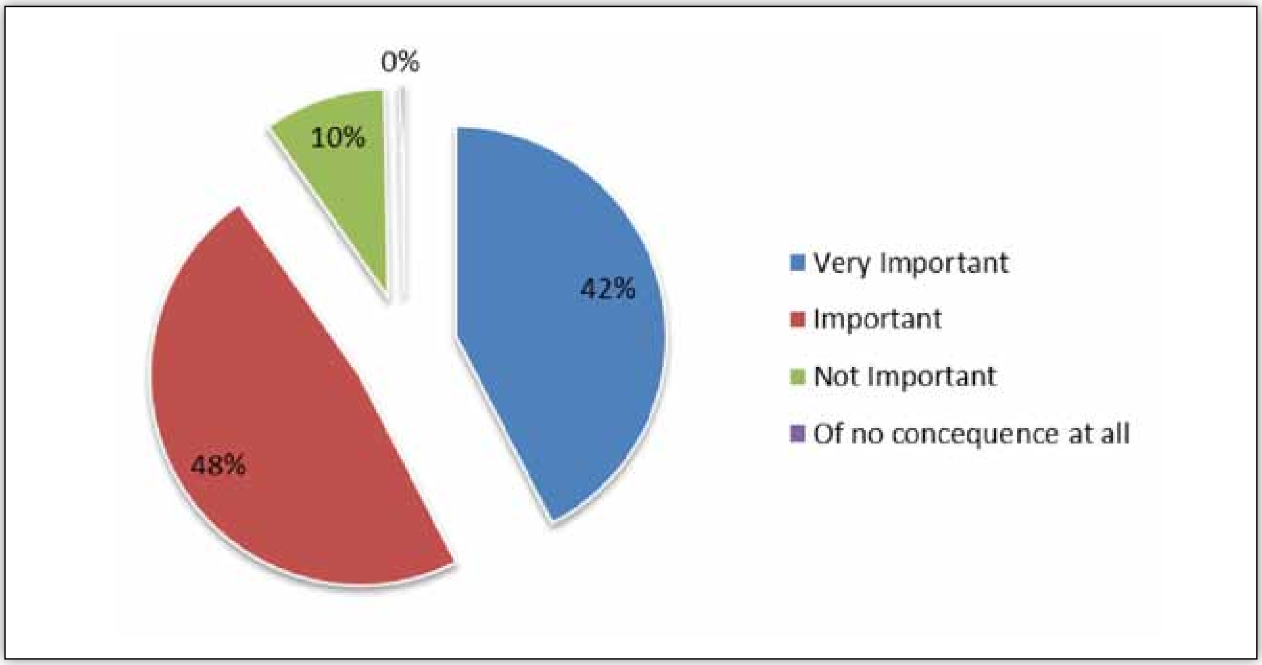


Source: Transport Intelligence

8.10 With a growing number and impact of natural disasters, how important is risk management in deciding which countries to invest in?

External risks to supply chains can result in huge disruption and financial losses. In addition to natural disasters, potential threats arise from many other factors including: geopolitical tension, failure of technology, rising fuel costs and volatile currency rates. The evolution of supply chains and changes in production locations increases the importance of managing risk. The overwhelming majority of survey participants (90%) stated that risk management plays either a “very important” or “important” role in investment decisions. Only 10% of respondents stated that risk management was “not important.”

Figure 20: The role of risk management in investment decisions

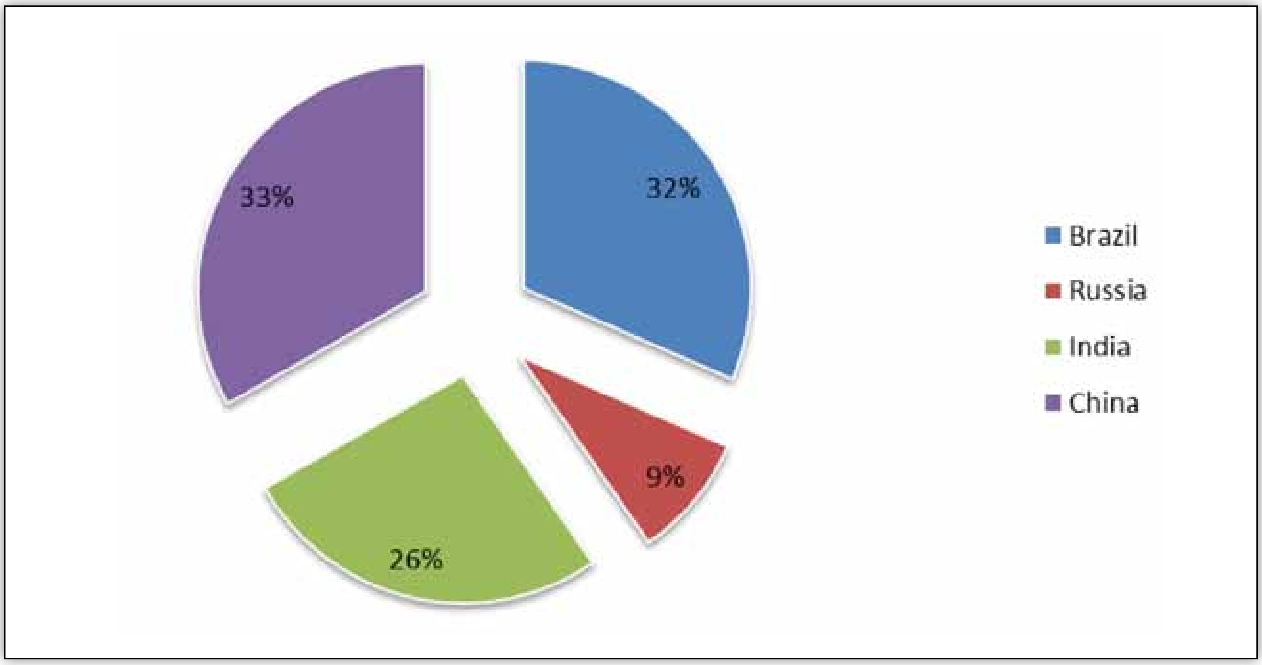


Source: Transport Intelligence

8.11 Among the BRIC countries, which has the best growth outlook for 2013-2014?

Looking at the BRIC markets, a significant proportion of respondents (33%) stated that China retains the most potential for growth over the next two years. Close behind in second place was Brazil with 32% of respondents, indicating the best outlook; meanwhile, a much smaller group (9%) was optimistic about Russia.

Figure 21: Outlook for BRIC economies



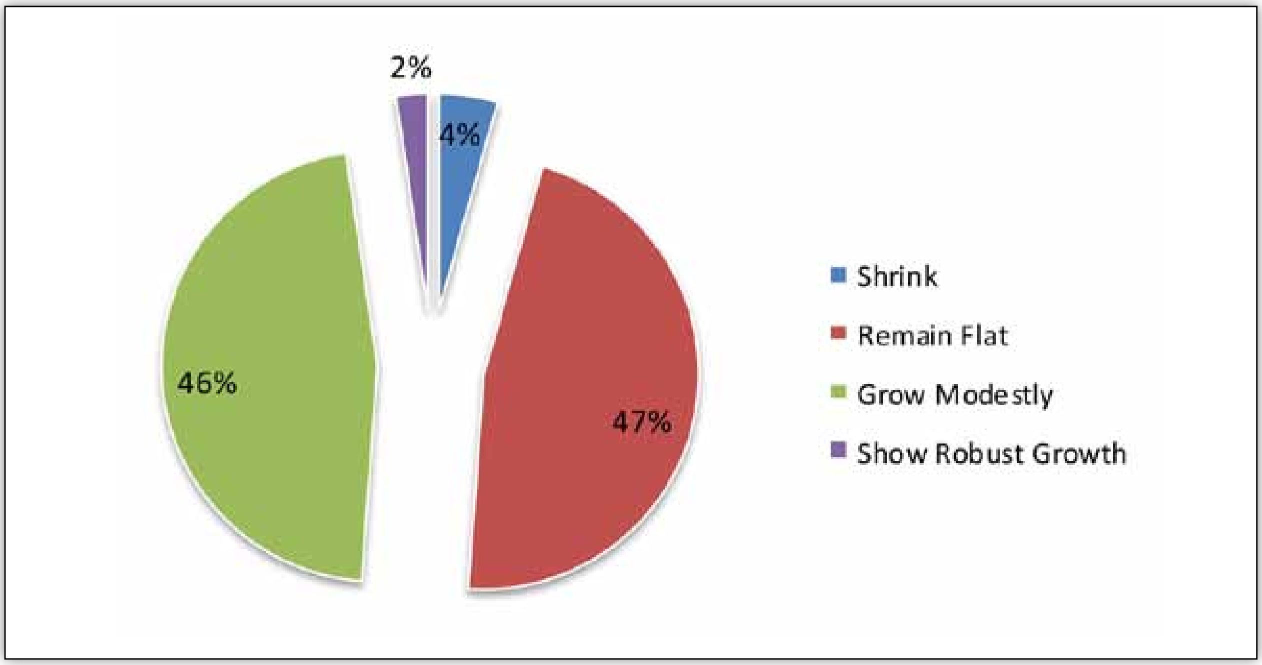
Source: Transport Intelligence

8.12 In 2013, how will the global economy and trade volumes perform?

Few professionals see a sharp rebound from the global economic slowdown of recent years. The on-going European crisis and political wrangling over fiscal and budget problems in the United States dampened confidence, among respondents, who were not optimistic about a major recovery any time soon.

Most foresee the global economy and trade volumes as being flat or experiencing modest growth for 2013. Only a very small number of respondents (2%) anticipate robust growth; 4% believe growth and trade will shrink.

Figure 22: Outlook for the global economy and trade in 2013



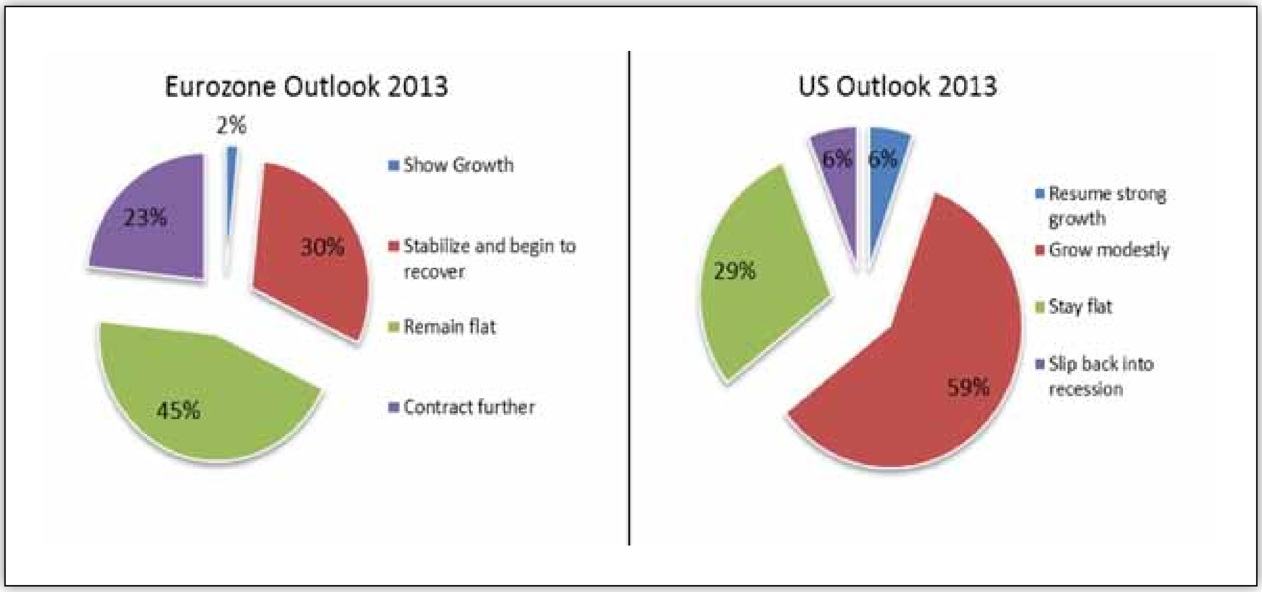
Source: Transport Intelligence

8.13 In 2013, how will the Eurozone and U.S. economy perform?

Asked for their outlook for the Eurozone in 2013, the greatest proportion of respondents (45%) said they expect no change in performance. Others were divided. Thirty-percent of respondents are optimistic that 2013 will be the year in which Eurozone economies begin to stabilize and recover; 23% expect further contraction. Only 2% anticipate growth.

Respondents were more upbeat about the outlook for the U.S. economy. Fifty-nine percent expect modest growth in the United States. A further 29% are expecting the U.S. economy to remain flat.

Figure 23: Outlook for the Eurozone and US in 2013



Source: Transport Intelligence

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