Transport Intelligence

Agility Emerging Markets *Logistics Index 2014*

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

January 2014

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1.0 About the Agility Emerging Markets Logistics Index

Essa A Saleh, CEO & President Global Integrated Logistics, Agility

Agility strives to bring insight and understanding to the conversation about emerging markets. In partnership with Transport Intelligence, we aim to identify the forces shaping the world's most dynamic economies, examine evolving trade patterns, and offer a snapshot into the thinking of logistics professionals on the front lines of world trade. In 2013, slowing growth in China, India, Brazil and other emerging economies prompted a reappraisal of their prospects and potential. Many countries in the Index are a crossroads, facing difficult policy choices. Others are threatened by unrest or intractable social problems. At Agility, we take a long view toward emerging markets and remain very optimistic about them as a group. We also know that their growth hinges in large part on their ability to improve their logistics performance: the efficiency of their infrastructure and regulatory regimes. Our job is to help customers navigate the challenges that confront them in emerging markets. It's there that we see progress every day and help customers make adjustments when there are setbacks, as is often the case. Looking ahead, the resumption of healthy growth in the United States, Europe and other developed markets would be welcome news for the whole world, particularly emerging markets countries. But these markets have taken on a dynamism of their own and, in many cases, no longer are as dependent on developed economies. That's why, as we look at the next couple of decades, Agility remains upbeat.

John Manners-Bell, CEO, Transport Intelligence

Welcome to the fifth edition of the Agility Emerging Markets Logistics Index. Since its inception in 2009, the Index has tracked the rise of the emerging markets, firstly in the wake of the economic downturn and then throughout a period of global recovery. Throughout this period the sector has maintained its growth dynamic, although it certainly has not been immune from economic and political upheavals. The euro zone crisis and political gridlock in the US have provided headwinds which have depressed growth in most emerging markets. Combined with this, tension in Iran, the 'Arab Spring' in the Middle East (resulting in civil unrest in Egypt) and the full scale civil war in Syria have placed a significant question mark over the future of the whole region. Failures to de-regulate markets in India and natural disasters in Asia have also played their part in providing for a challenging and fragile market environment. Despite this it is extraordinary that emerging markets have continued to grow so robustly. As the report states, this grouping of economies is set to grow at 6% in the next 5 years, far out-stripping progress in the developed world. It is for this reason that emerging markets remain so relevant to the global economy and more specifically to the global logistics industry.

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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.)

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3.0 Methodology

Definition of "emerging markets"

The term "emerging markets" was first coined by the World Bank's International Finance Corporation (IFC) in 1981. According to the group's definition, an "emerging market" is applied to a country making an effort to improve its economy and to reach the same level of sophistication as nations defined as "developed."

An emerging market is further characterised by the IFC as meeting one of at least two criteria:

1. It is located in a low- or middle-income economy as defined by the World Bank.
2. Its investable market capitalisation (IMC) is low relative to its most recent Gross Domestic Product (GDP).

The Agility Emerging Markets Logistics Index

The Agility Emerging Markets Logistics Index uses the 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 (MSGA) 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 likely 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 outsourcing of logistics services)
- 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)
- Foreign Direct Investment (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 existing bureaucracy and regulation
- 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.

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The Agility Emerging Markets Logistics Index for Countries with GDP more/less than US$300bn

For the 2014 Index GDP in current US$, as provided by World Bank, has been used for the ranking. This method differs from previous editions which have used the Purchasing Power Parity measure of GDP. For that reason only 15 of the 45 are identified as having 2012 GDP of above US$300bn, a fall from the 22 countries reported in 2013.

Trade Lane Ranking

The trade lane section measures the volume of goods shipped by air and sea between the emerging markets included in the Index and the US/EU. Ideally, more emerging market trade lanes would have been analysed (particularly trade between emerging markets). However, data for trade between the US/EU and the emerging markets is the only extensive and reasonably accurate data available.

For the 2014 sea freight indices, some adjustments have been made to the sea freight methodology to ensure as much consistency as possible between the way US and EU data are calculated. This means that historical data for the sea freight indices has been restated and oil related imports and exports continue to be excluded. The air freight methodology has remained the same.

The trade lane section includes two parts:

1. Top 10 Trade Lanes – Air and Sea, Import/Export

A list of trade lanes with the highest volumes as measured by tons, split by air and sea and by import and export (from emerging markets to the EU/US and to emerging markets from the EU/US).

2. Fastest Growing Trade Lanes – Air and Sea, Import/Export

To calculate the fastest-growing trade lanes, an index from the underlying tonnage data was created, with 2005 set as the base year.

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4.0 Key Findings

4.1 Emerging Markets: How Executives See Them

- Logistics and trade professionals remain overwhelmingly upbeat about prospects for emerging markets in 2014 but are a bit more guarded than they were a year ago. Nearly 74% said prospects for emerging markets were either "very good" or "good," as compared with 75% in 2013. But the percentage seeing emerging markets' prospects as "very good" fell from roughly 22% to about 17%.
- Asia Pacific enjoys the brightest outlook, according to executives responding to the survey. Nearly 58% believe emerging markets in Asia Pacific will grow fastest in 2014. Latin American markets were the choice for roughly 25% of respondents.
- Respondents continue to see the greatest potential for growth in non-Asian emerging markets in extractive industries – mining, minerals, gas and oil. In Asia Pacific, where China in particular is trying to develop a more balanced economy powered by both exports and consumption, retail and consumer goods were identified as having the greatest potential.
- Growth, trade volume and investment are far more important than security and lack of corruption when it comes to factors driving the emergence of an economy, according to the more than 800 trade and logistics professionals responding to the 2014 Agility Emerging Markets Logistics Index survey.
- Survey respondents believe supply chain risks vary by region. In Asia Pacific, the top risks identified were natural disasters and economic shocks. In Latin America, corruption and poor infrastructure were the leading risks. Government instability and terrorism were top concerns for the Middle East and North Africa. In Sub-Saharan Africa, poor infrastructure and government instability were seen as the greatest risks.
- Ongoing structural problems have not dimmed the optimism that logistics and trade executives have when it comes to Brazil and India. Nearly half of respondents said they expect economic growth to accelerate in those two countries. Even so, China was the leading choice (31.43%) when asked which of the so-called BRIC countries had the best outlook for 2014.
- **Syria** and **Iran** – countries that face international sanctions and are not included in the Index – were identified by survey respondents as the countries with the least potential as logistics markets. Among countries in the Index, **Ethiopia** and **Libya** were deemed least attractive.
- **Mexico** leapt three places to No. 7 in this year's survey as a destination for potential investment by respondents' in the next five years. **South Africa** slipped three spots to No. 9.
- Sixty-one percent of respondents see the instability in **Egypt** hurting the country's growth prospects for two to three years. Most others – more than 33% – said growth in Egypt will suffer for "the foreseeable future."
- Sub-Saharan Africa is ready to absorb "modest investment" and generate "modest growth," according to more than 45% of those surveyed. Thirty-four percent felt the region is not ready for investment or able to produce returns. By contrast, 19% see opportunities for "significant" investment and growth.
- An overwhelming percentage – more than 63% – "agree" or "agree strongly" that manufacturing production will move away from **China** to other emerging markets countries. **Vietnam**, **India**, **Mexico** and **Indonesia** were seen as the top alternative destinations.
- An overwhelming percentage of respondents – 72% – see only modest growth for the global economy in 2014. Most others – 24% – see the economy staying flat.
- Fifty-four percent said the Eurozone will stabilize and resume growth; 30% see a flat European economy in 2014. Fifty-five percent expect the US to "grow modestly," while another 29% see no growth but also no contraction.

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4.2 Markets on the Move

- **India**, second only to China in the Index rankings from 2011-2013, slipped to No. 4 behind Brazil and Saudi Arabia. India's drop is surprising in light of Brazil's deepening economic woes and the fact that India's population is 44 times that of Saudi Arabia. Chronic problems – aging infrastructure, high inflation, and obstacles to job creation and business investment – were compounded by the volatility in the Indian rupee.
- **Saudi Arabia**, which has been on a sustained public spending campaign, has climbed from No. 9 in the 2010 Index to No. 3 in the 2014 Index.
- The **Philippines**, amid an economic resurgence, leaped nine spots to No. 19 in the Index. Heading into 2014, the country plans to spend on roads and ports but will struggle to deal with the aftermath of Typhoon Haiyan and concerns of a bubble. **Vietnam**, growing at its slowest pace in a decade, jumped from the 25th spot in the Index amid signs that it is taking steps to deal with bad debts and a speculative bubble. **Nigeria** surpassed South Africa as the largest economy in Africa and rose four places in the Index to No. 29. **Colombia**, which climbed three to No. 26, was the only other country to move up more than two spots. Colombia saw benefits in the first year of a bilateral trade agreement with the United States.
- **Tunisia** tumbled 11 spots to No. 34 amid strikes, anti-government protests and political deadlock. **Ukraine** fell seven spots to No. 27 and faced warnings of economic and financial collapse as hundreds of thousands of anti-government protesters took to the streets of Kiev in December. **Argentina**, suffering from high inflation and dogged by concerns about government meddling in the economy and monetary policy, dropped six places to No. 25 as the IMF questioned the integrity of key economic data supplied by the government.

4.3 Small and Strong

- At 11, 12 and 13 in the Index, **Chile**, **Qatar** and **Oman** are elite performers – relatively small countries that outperform their peers and far larger emerging markets on the strength of their accessibility, vibrant service sectors and strong transportation infrastructure. **Chile** ranked highest among all 45 emerging markets for Market Compatibility, a measure of its openness to investment, relatively light regulation and factors conducive to development of a sophisticated logistics sector. **Chile** was the only country outside the Middle East and Asia Pacific to rank among the top seven in Market Connectedness, a measure of the strength of its liner connections, overall transport network, and customs and border controls.

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4.4 Regional Highlights

- The Market Compatibility portion of the Index was dominated by countries in the Middle East. **Qatar, UAE, Oman, Jordan, Saudi Arabia** and **Kuwait** ranked 1 through 6 in an area that looks at factors determining whether conditions in a country are favourable for business and trade. By comparison, **China** tops in the overall 2014 Index, ranked 11th in Market Compatibility.

- Eleven of 12 countries ranking worst in the pro-business/pro-trade area of Market Compatibility were in Africa and Latin America. They included **Mexico, Venezuela, Tunisia, Ecuador, Peru, Bolivia, Algeria, Kenya, Uganda, Colombia, Nigeria** and, at the very bottom, **Egypt.**

4.5 Trade Lanes

- **China** dominated as an air cargo origin, but its air freight volume to the United States fell 7.5%. Among the top 10 largest air lanes, the biggest volume gains were **Colombia-US, Chile-US** and **Bangladesh-EU**. Along major ocean lanes, Brazil-US freight rose 62% and South Africa-US cargo increased 44%. Ocean shipments from Argentina to the EU fell 23%.

- **China** also remained the dominant destination for air cargo from the US and EU. Among the top 10 busiest lanes from US/EU destinations to emerging markets, EU air cargo bound for **India** and **South Africa** declined sharply. Along major ocean lanes, US-China shipments fell 19%; and US-Brazil volume rose 47%.

- In air cargo, the emerging markets with the fastest growing exports to the US/EU were **Ethiopia, Cambodia, Ecuador, Chile, Bangladesh** and **Kenya**, although the increases come off of relatively low margins. **Ethiopia, Ukraine, Oman, Bahrain, Libya, Qatar** and **Vietnam** were destinations for inbound air cargo on the fastest-growing lanes between the US/EU and emerging markets.

- In ocean freight, the emerging markets with the fastest growing exports to the US/EU were **Oman, Cambodia, Paraguay, Bolivia** and **Qatar**, again from relatively low volumes. **Paraguay, Uruguay, Vietnam, Sri Lanka** and **Brazil** were the fastest-growing emerging markets destinations for ocean freight from the US/EU, all off of low margins except for Brazil.

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5.0 Overview: Have Emerging Markets Lost their Shine?

Growth in emerging markets economies slowed in 2013 amid an exodus of portfolio investment that sent currencies in several countries plunging and forced multinationals operating in emerging markets to re-examine their business plans and projections. The outflow of capital was prompted by concerns that the U.S. Federal Reserve was set to tighten U.S. monetary policy and by other factors. Exports from emerging markets continue to suffer from weak demand in developed economies. There also are specific concerns about countries where political instability, gridlock over structural reform or overextended credit markets pose risks. In October, the International Monetary Fund cut its forecast for global growth in 2013 and 2014, citing weakness in emerging markets. In November, the OECD followed suit and called on emerging markets countries to speed the pace of economic reform. Global executives surveyed by McKinsey indicated they were increasingly positive about the direction of the world economy but had cooled their expectations for emerging markets. Despite the disappointment, the IMF estimates that output in emerging countries will expand at an average of 6% a year from 2013 to 2018, far outpacing even optimistic projections for the US, Europe and other developed economies. Countries in the emerging world are likely to continue offering the highest returns and best opportunities for investors, businesses – and logistics providers. As CEEMEA Business Group noted in a recent report: "Competition is picking up from multinationals, emerging market multinationals, SMEs from the developed world and rising local companies. … Any multinational serious about its long-term health and the sustainability of its global earnings over the next decade must continue to treat emerging markets with the utmost seriousness, with significant upfront investment in building the necessary local infrastructure, local capabilities and competencies in order to regularly outperform rising competition."

Emerging countries that have relied almost entirely on exports for growth are trying to spur domestic consumption in an attempt to gain better balance and satisfy the needs of a growing middle class. MGI Research projects:

- The Consumer: By 2025, consumers in emerging markets will make up more than 50% of the global consumer market. Also, annual consumption in emerging markets will reach $30 trillion and account for almost 50% of global consumption, compared to 32 % today.
- e-commerce: More than half of all global Internet users are in emerging markets

Not only will the rise in domestic consumption benefit these markets but these countries also represent new locations for nearshoring and outsourcing. For example, rising transportation costs and the desire to locate manufacturing closer to the end customer has helped spur growth in emerging countries such as Mexico and Turkey, which export primarily to the US and Europe, respectively. Meanwhile, outsourcing continues to be an important strategy for many companies as different attributes such as labour costs, infrastructure, transportation, risks etc. are weighed when deciding where to locate a facility.

Asia accounts for most top ten emerging countries in the Index. Sub-Saharan Africa does not have a representative country in the top ten, but it is a fast growing region where more businesses and logistics providers are looking for new opportunities.

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Asia

Home to four of the top ten emerging countries – China, India, Indonesia and Malaysia - Asia is in transition. The slowing global economy has resulted in declines in manufacturing and thus exports for this region. However, low-cost production has shifted from China to other countries such as Cambodia and Vietnam. India's struggles have been well documented. Until the Indian government loosens regulation and encourages meaningful investment to transport and warehousing infrastructure, the country will continue to struggle. Meanwhile, interest in Southeast Asia seems to be growing as this region moves toward establishment of a unified economic entity in 2015. In fact, two of this year's top ten emerging countries are located in Southeast Asia - Indonesia and Malaysia. The region has gotten a boost from major infrastructure projects that are underway linking Southeast Asian countries with each other and the rest of the continent.

Latin America

Brazil and Mexico, second and ninth ranked countries in the overall Index, have each achieved economic successes but domestic issues plague both. Latin America has benefited from nearsourcing because of its proximity to the US. However, the poor state of transport infrastructure that connects Latin countries to each other and to international trading partners remains a problem throughout the region. Brazil, the largest Latin American country by size and economy, has struggled to find ways to improve infrastructure and deal with other chronic problems as it prepares to host the 2014 World Cup and 2016 Summer Olympic Games.

Mexico has benefitted more than most countries from nearsourcing. The revival of the US automotive industry has contributed to strong growth for the country. Mexico depends on the United States for 80% of its exports, so weakness in the US market has a direct impact on the Mexican economy. Also, violence, corruption and a still-immature transport network remain problematic for Mexico.

Middle East and North Africa

Saudi Arabia and UAE represent this region in this year's overall top ten index. The economy of the region, still dominated by oil and gas industry, is also benefitting because several countries have become destination for re-export to Asia, Europe and Africa. In addition, businesses are targeting the region's growth and relatively deep-pocketed consumer class. Governments are implementing infrastructure projects that were delayed due to the economic downturn a few years ago. These include the expansion of ports and airports, as well as for network connecting Gulf countries. Warehousing is being built to serve domestic and international needs. However, the region is still vulnerable to political unrest, which has hurt the Arab Spring countries of Egypt, Libya, Tunisia, Bahrain, Lebanon and Syria, a non-Index country. Risks could dampen growth and opportunities in the short term, but in the long term, this region, particularly the Gulf countries, show promise thanks to its role as a re-exporter and gateway to/from Asia, Europe and Africa.

Sub-Saharan Africa

Extractive industries - oil and gas, and the mining industry - continue to dominate the economy of much of Sub-Saharan Africa. No Sub-Saharan country is in the top 10 of the Index, South Africa is its highest-ranked country at 15th, the same spot it occupied in the 2013 Index. Nigeria came in at 29th position, up four points from the 2013 Index. While both of these countries have grown, South Africa has struggled with crippling strikes and a weak economy. The Nigerian economy, not as mature as South Africa's has experienced rapid growth thanks to its oil and gas industry.

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6.0 Analysis and Results of the Index

Although **China** maintained its top position on this year's Index, its total score declined for a third year in a row. This decline reflects not only the slowdown in the global economy but also the struggle China and other emerging countries are facing as they transition from an export-driven economy to one that is more balanced by domestic consumption. China's market size and growth attractiveness Index number increased as did its market compatibility. Meanwhile, its connectedness score declined. As China's government steps in to encourage domestic consumption, its infrastructure is lagging and there are opportunities for improvements in key areas such as warehousing.

Brazil moved to the No. 2 position by default as India slipped from second to fourth. Brazil experienced declines in all three measures used to compile the Index. Growth slowed in 2013 despite tax cuts and a government stimulus package, and protests erupted over rising inflation, corruption and poor public services as the government spent on projects for the 2014 World Cup. The need to fund infrastructure projects prompted the government to seek private sector financing and partnership. Singapore's Changi Airport Group and its Brazilian concession partner agreed to pay $8.3bn to run Rio de Janeiro's international airport. Additionally, operators of airports in Zurich and Munich, along with Brazil's CCR group, agreed to pay $789m for rights to the hub airport in the country's mining capital of Belo Horizonte. Meanwhile, road and rail networks remain problematic, and ports are in need of expansion.

Saudi Arabia's MSGA increased, pushing the country up a spot to make it the No. 3 logistics market among the 45 in the Index. Although its Compatibility and Connectedness both declined, its Market Attractiveness and Growth increased due to the country's continued overall growth. India declined two spots as it noted declines in every category. A struggling economy, poor infrastructure and political bureaucracy plague this promising country.

Indonesia remained at the fifth spot. However, its market growth and attractiveness score declined because it has been hurt by slow export demand from key trade partners and by weak domestic consumption. Its connectedness increased even though its infrastructure is in need of repair and expansion. In late 2013, the government announced plans to invest $33bn in projects to improve ports, dams, roads, power generation facilities and airports.

United Arab Emirates (UAE), the No. 6 market noted declines in both compatibility and connectedness but its market attractiveness and growth index. The UAE has posted good economic growth, but as with Saudi Arabia, risks may, as a result of tensions in the Gulf.

Russia remained in seventh position. An economic slowdown resulted in the slight decline in its MSGA, but foreign investment and infrastructure projects helped boost its compatibility and connectedness. In late 2013, Abu Dhabi announced plans to invest $5bn in Russia's road and rail network. President Putin introduced a $13bn investment plan to build new roads, upgrade the Trans-Siberian railway in the Far East and build a high-speed rail line from Moscow to Kazan in central Russia.

Malaysia held the eighth spot, gaining slightly in its market attractiveness and growth but declining in compatibility. This suggests businesses remain cautious about expanding there.

Mexico held onto the No. 9 spot due to gains in compatibility and connectedness. As mentioned it continues to benefit from nearsourcing and close trade ties with the US.

Turkey came in at No. 10. Its overall score, market attractiveness and growth, and compatibility were little changed from 2013; Its connectedness rose as the government and private companies invested in transport infrastructure projects.

The Philippines made the biggest gain in the overall rankings as it climbed nine spots to 19th in the Index. Its

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economy has been a shining star in Asia, growing 7.6% for the first half of 2013. The country is also the location for 10% of the world's semiconductor manufacturing, producing for such devices as mobile phone chips and microprocessors. However, the economic effects of Typhoon Haiyan and a large earthquake are unknown at this time.

Tunisia tumbled 11 spots to 34th due to ongoing political strife. Argentina fell to 25th from 19th due to increasing protectionism. Vietnam moved up four spots to 21st as it attracted more low-cost manufacturing and became a viable alternative to sourcing in China.

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TABLE 1: Agility Emerging Market Logistics Index

Ranking	Country	2014 Index	2013 Index	Change in Ranking
1	**China**	**8.11**	8.30	-
2	**Brazil**	**6.80**	6.89	up 1
3	**Saudi Arabia**	**6.77**	6.67	up 1
4	**India**	**6.75**	6.94	down 2
5	**Indonesia**	**6.59**	6.60	-
6	**UAE**	**6.50**	6.55	-
7	**Russia**	**6.45**	6.44	-
8	**Malaysia**	**6.14**	6.11	-
9	**Mexico**	**6.09**	6.07	-
10	**Turkey**	**6.01**	5.99	-
11	**Chile**	**5.92**	5.95	-
12	**Qatar**	**5.88**	5.78	-
13	**Oman**	**5.70**	5.73	-
14	**Thailand**	**5.46**	5.56	-
15	**South Africa**	**5.38**	5.47	-
16	**Kazakhstan**	**5.07**	4.99	up 2
17	**Morocco**	**5.05**	4.99	-
18	**Kuwait**	**5.04**	5.12	down 2
19	**Philippines**	**4.91**	4.66	up 9
20	**Uruguay**	**4.87**	4.88	up 1
21	**Vietnam**	**4.87**	4.81	up 4
22	**Bahrain**	**4.86**	4.87	-
23	**Peru**	**4.83**	4.83	up 1
24	**Jordan**	**4.81**	4.68	up 2
25	**Argentina**	**4.79**	4.96	down 6
26	**Colombia**	**4.71**	4.62	up 3
27	**Ukraine**	**4.71**	4.90	down 7
28	**Egypt**	**4.54**	4.66	down 1
29	**Nigeria**	**4.47**	4.37	up 4
30	**Sri Lanka**	**4.45**	4.53	-
31	**Bangladesh**	**4.45**	4.43	up 1
32	**Pakistan**	**4.45**	4.44	down 1
33	**Libya**	**4.33**	4.35	up 1
34	**Tunisia**	**4.13**	4.86	down 11
35	**Ecuador**	**4.10**	3.91	up 2
36	**Venezuela**	**4.01**	3.98	down 1
37	**Algeria**	**3.98**	3.94	down 1
38	**Ethiopia**	**3.84**	3.81	-
39	**Paraguay**	**3.73**	3.62	up 1
40	**Lebanon**	**3.70**	3.81	down 1
41	**Cambodia**	**3.69**	3.45	up 1
42	**Tanzania**	**3.67**	3.48	down 1
43	**Bolivia**	**3.53**	3.40	up 1
44	**Kenya**	**3.52**	3.43	down 1
45	**Uganda**	**3.42**	3.31	-

Source: Transport Intelligence

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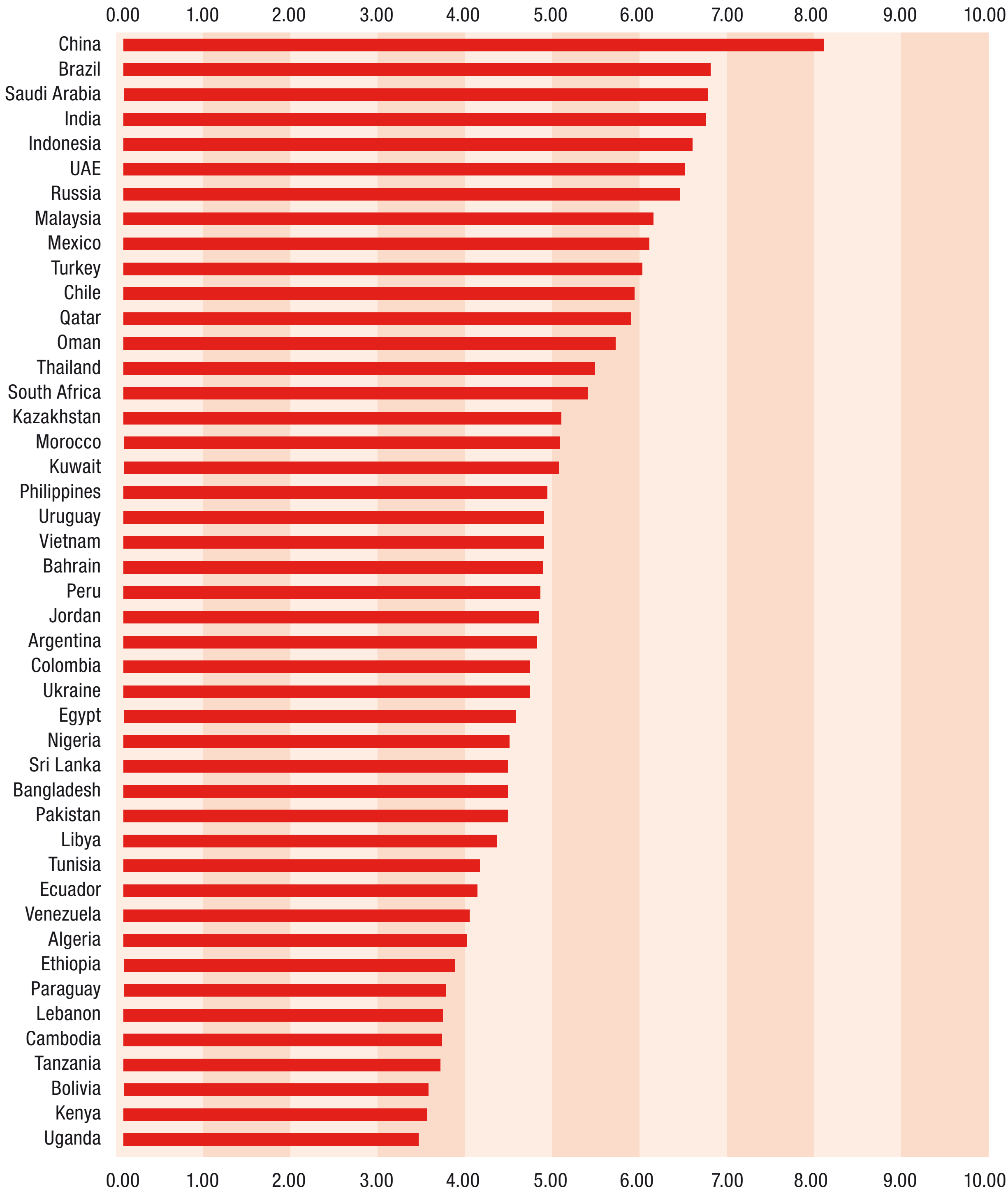
FIGURE 1: Total Index Scores



Source: Transport Intelligence

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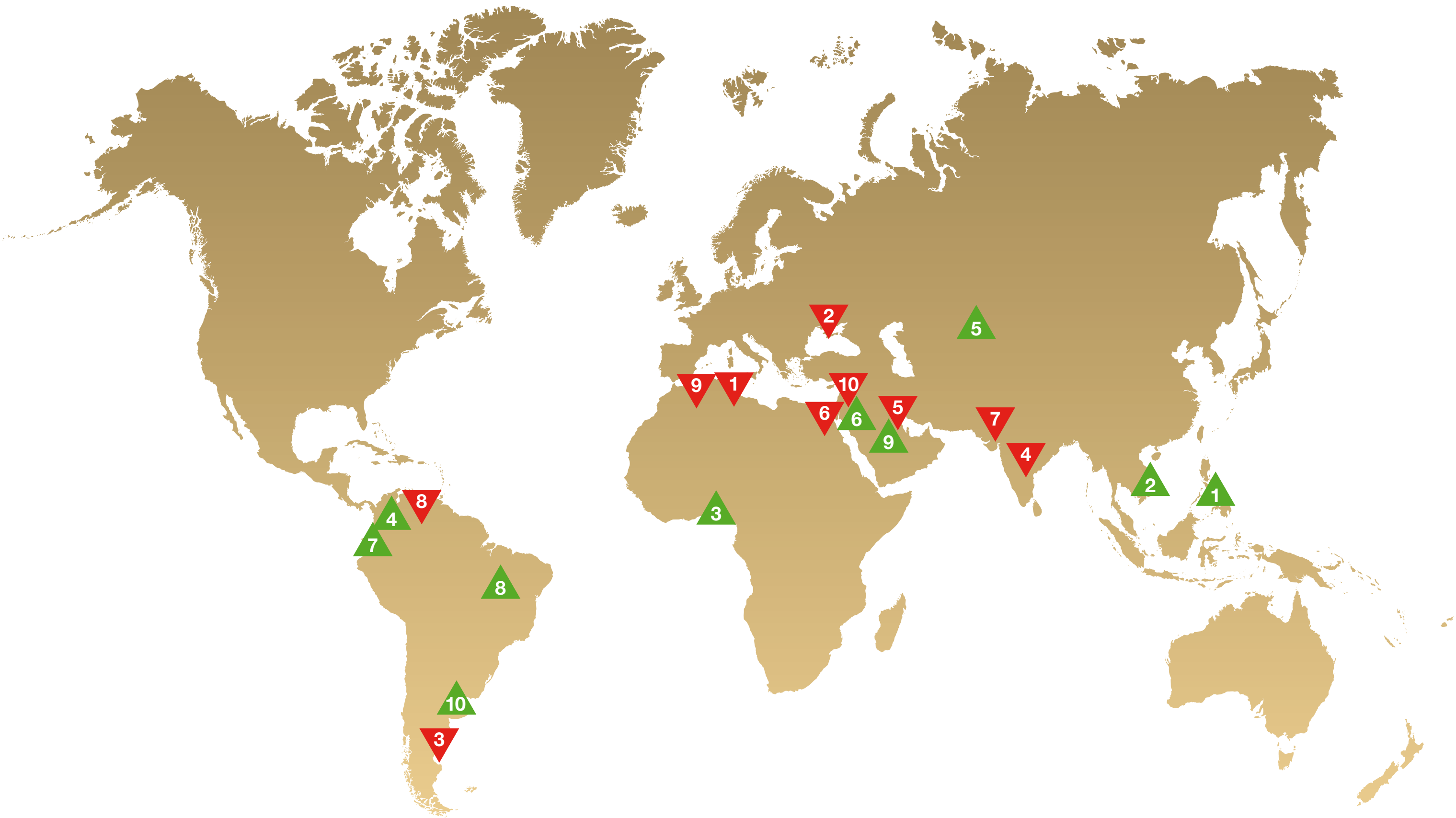
FIGURE 2: Agility Emerging Markets Logistics Index – Top Movers Up and Down



UP

BIGGEST MOVERS

1. Philippines
2. Vietnam
3. Nigeria
4. Columbia
5. Kazakhstan
6. Jordan
7. Ecuador
8. Brazil
9. Saudia Arabia
10. Uruguay

DOWN

BIGGEST MOVERS

1. Tunisia
2. Ukraine
3. Argentina
4. India
5. Kuwait
6. Egypt
7. Pakistan
8. Venezuela
9. Algeria
10. Lebanon

Source: Transport Intelligence

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TABLE 2: Agility Emerging Markets Logistics Index Sub-Indices

Ranking	Country	Market Size and Growth Attractiveness sub-index	Market Compatibility sub-index	Connectedness sub-index	Total Index
1	**China**	9.96	6.34	6.71	**8.11**
2	**Brazil**	8.46	6.19	5.04	**6.80**
3	**Saudi Arabia**	6.94	6.89	6.49	**6.77**
4	**India**	8.95	5.38	4.70	**6.75**
5	**Indonesia**	8.68	4.83	4.89	**6.59**
6	**UAE**	4.86	8.29	7.62	**6.50**
7	**Russia**	7.72	5.64	5.28	**6.45**
8	**Malaysia**	5.82	5.67	6.79	**6.14**
9	**Mexico**	7.49	4.28	5.27	**6.09**
10	**Turkey**	7.01	5.08	5.23	**6.01**
11	**Chile**	5.37	6.41	6.36	**5.92**
12	**Qatar**	4.85	8.50	5.76	**5.88**
13	**Oman**	4.21	7.67	6.51	**5.70**
14	**Thailand**	6.21	4.31	5.12	**5.46**
15	**South Africa**	5.54	4.72	5.53	**5.38**
16	**Kazakhstan**	4.47	6.62	4.99	**5.07**
17	**Morocco**	4.14	6.19	5.58	**5.05**
18	**Kuwait**	4.54	6.85	4.71	**5.04**
19	**Philippines**	5.73	4.47	4.12	**4.91**
20	**Uruguay**	3.68	6.40	5.55	**4.87**
21	**Vietnam**	4.93	5.13	4.66	**4.87**
22	**Bahrain**	3.66	5.22	6.19	**4.86**
23	**Peru**	5.09	3.93	4.97	**4.83**
24	**Jordan**	3.27	7.26	5.44	**4.81**
25	**Argentina**	4.91	5.10	4.47	**4.79**
26	**Colombia**	5.59	2.09	5.00	**4.71**
27	**Ukraine**	4.03	6.58	4.57	**4.71**
28	**Egypt**	5.45	1.81	4.84	**4.54**
29	**Nigeria**	6.03	2.00	3.82	**4.47**
30	**Sri Lanka**	3.36	5.68	5.18	**4.45**
31	**Bangladesh**	5.19	4.53	3.47	**4.45**
32	**Pakistan**	5.45	2.62	4.17	**4.45**
33	**Libya**	3.18	4.35	5.77	**4.33**
34	**Tunisia**	3.56	4.01	4.92	**4.13**
35	**Ecuador**	3.00	3.98	5.55	**4.10**
36	**Venezuela**	4.05	4.04	3.95	**4.01**
37	**Algeria**	4.39	3.52	3.72	**3.98**
38	**Ethiopia**	3.45	5.46	3.48	**3.84**
39	**Paraguay**	3.01	4.41	4.27	**3.73**
40	**Lebanon**	2.87	4.43	4.35	**3.70**
41	**Cambodia**	2.85	4.84	4.14	**3.69**
42	**Tanzania**	3.31	4.68	3.59	**3.67**
43	**Bolivia**	3.16	3.54	3.98	**3.53**
44	**Kenya**	3.33	3.10	4.00	**3.52**
45	**Uganda**	3.26	3.07	3.82	**3.42**

Source: Transport Intelligence

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Qatar moved to the top rank for market compatibility and meanwhile, UAE scored the highest in connectedness with Malaysia in second. Contributing factors to Malaysia's high ranking were its port and airport expansion projects.

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

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market Connected-ness sub-index	Total Index
1	China	9.96	6.34	6.71	8.11
2	Brazil	8.46	6.19	5.04	6.80
3	Saudi Arabia	6.94	6.89	6.49	6.77
4	India	8.95	5.38	4.70	6.75
5	Indonesia	8.68	4.83	4.89	6.59
6	UAE	4.86	8.29	7.62	6.50
7	Russia	7.72	5.64	5.28	6.45
8	Malaysia	5.82	5.67	6.79	6.14
9	Mexico	7.49	4.28	5.27	6.09
10	Turkey	7.01	5.08	5.23	6.01
11	Thailand	6.21	4.31	5.12	5.46
12	South Africa	5.54	4.72	5.53	5.38
13	Argentina	4.91	5.10	4.47	4.79
14	Colombia	5.59	2.09	5.00	4.71
15	Venezuela	4.05	4.04	3.95	4.01

Source: Transport Intelligence

Of the largest markets (GDP in excess of US$300bn), China scored the highest in market size and growth. While the country has experienced an economic slowdown, its growth rates remain enviable compared to many other countries.

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

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market Connected-ness sub-index	Total Index
1	Chile	5.37	6.41	6.36	5.92
2	Qatar	4.85	8.50	5.76	5.88
3	Oman	4.21	7.67	6.51	5.70
4	Kazakhstan	4.47	6.62	4.99	5.07
5	Morocco	4.14	6.19	5.58	5.05
6	Kuwait	4.54	6.85	4.71	5.04
7	Philippines	5.73	4.47	4.12	4.91
8	Uruguay	3.68	6.40	5.55	4.87
9	Vietnam	4.93	5.13	4.66	4.87
10	Bahrain	3.66	5.22	6.19	4.86
11	Peru	5.09	3.93	4.97	4.83
12	Jordan	3.27	7.26	5.44	4.81
13	Ukraine	4.03	6.58	4.57	4.71
14	Egypt	5.45	1.81	4.84	4.54
15	Nigeria	6.03	2.00	3.82	4.47
16	Sri Lanka	3.36	5.68	5.18	4.45
17	Bangladesh	5.19	4.53	3.47	4.45
18	Pakistan	5.45	2.62	4.17	4.45
19	Libya	3.18	4.35	5.77	4.33
20	Tunisia	3.56	4.01	4.92	4.13
21	Ecuador	3.00	3.98	5.55	4.10
22	Algeria	4.39	3.52	3.72	3.98
23	Ethiopia	3.45	5.46	3.48	3.84
24	Paraguay	3.01	4.41	4.27	3.73
25	Lebanon	2.87	4.43	4.35	3.70
26	Cambodia	2.85	4.84	4.14	3.69
27	Tanzania	3.31	4.68	3.59	3.67
28	Bolivia	3.16	3.54	3.98	3.53
29	Kenya	3.33	3.10	4.00	3.52
30	Uganda	3.26	3.07	3.82	3.42

Source: Transport Intelligence

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While this year's top country, Chile, scored the highest for countries with GDP of less than $300bn, it should be noted that even though its economy has witnessed good growth, it is heavily dependent on a single industry. Chile's mining industry is responsible for a large part of its GDP. In fact, copper alone represents 20% of the GDP and 60% of the country's exports. Since Chile's 2010 earthquake, investments have been made in rebuilding infrastructure and because of global demand for its copper the country's mining industry has received much FDI. Due to the global demand for copper, the country's domestic market has improved and domestic spending has increased.

A similar situation is true for Nigeria, although the country ranks more lowly at 15th. The country's oil and gas industry, which accounts for close to 35% of its GDP, has resulted in investments in the country's infrastructure and as such domestic spending is on the rise.

Although Egypt slipped into the ranking for countries with GDP below $300bn this year, the country scored fairly high in this year's market size and growth sub-index ranking. While risks continue to be high in this country, it has become a growing manufacturing location for such industries as automotive and consumer and industrial goods.

The bottom three countries, Bolivia, Kenya and Uganda scored low on all three indices.

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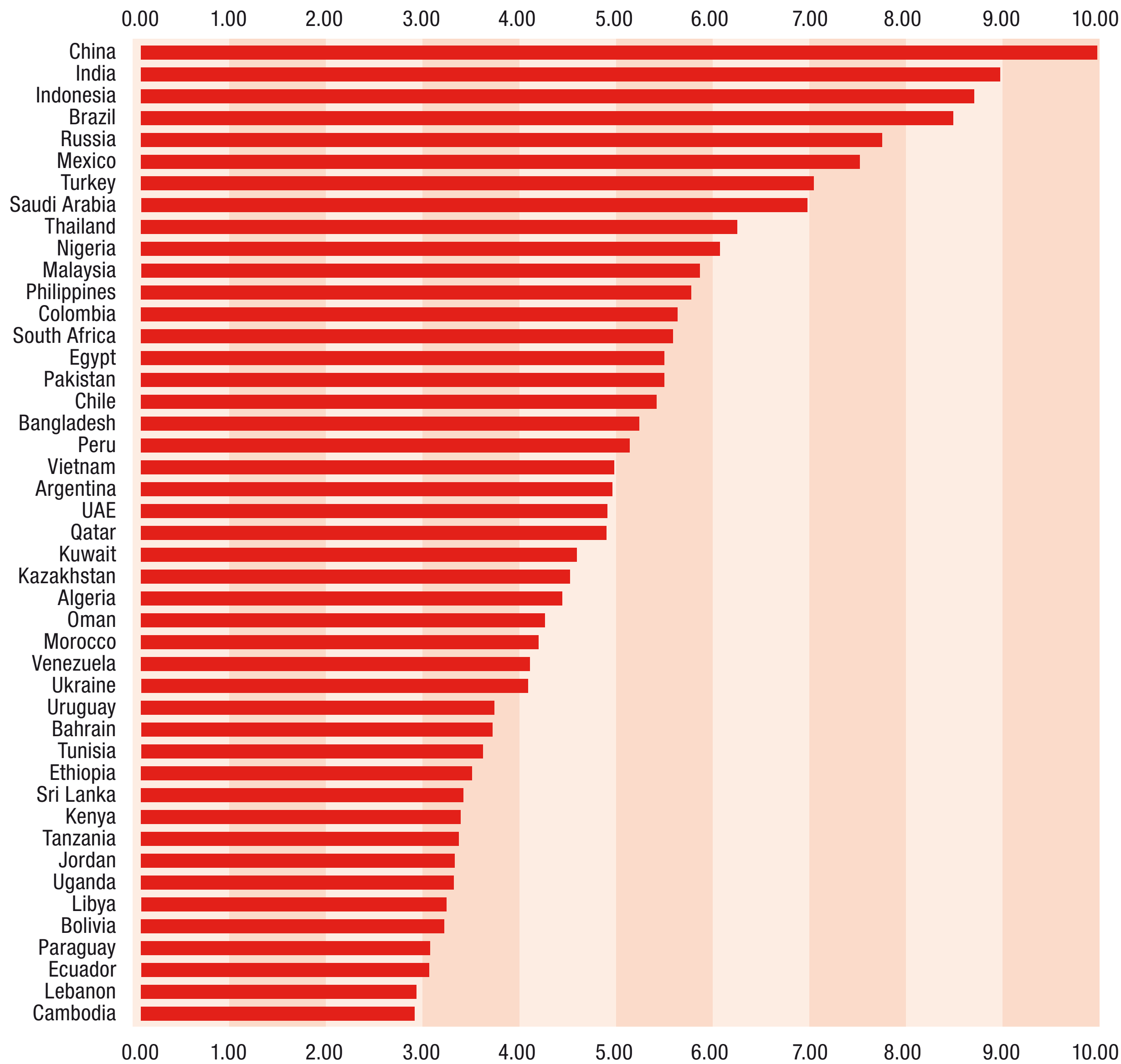
6.1 Sub-Indices Ranking

6.1.1 Market Size and Growth Attractiveness Sub-Index

The Market Size and Attractiveness sub-index is based on country's economic output, projected growth, population size and financial stability. For the third year in a row, the top five countries remained at the same positions. South Africa slipped a couple of notches while Cambodia, Lebanon and Ecuador remained the bottom three countries for market size and attractiveness for a second year in a row.

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



Source: Transport Intelligence

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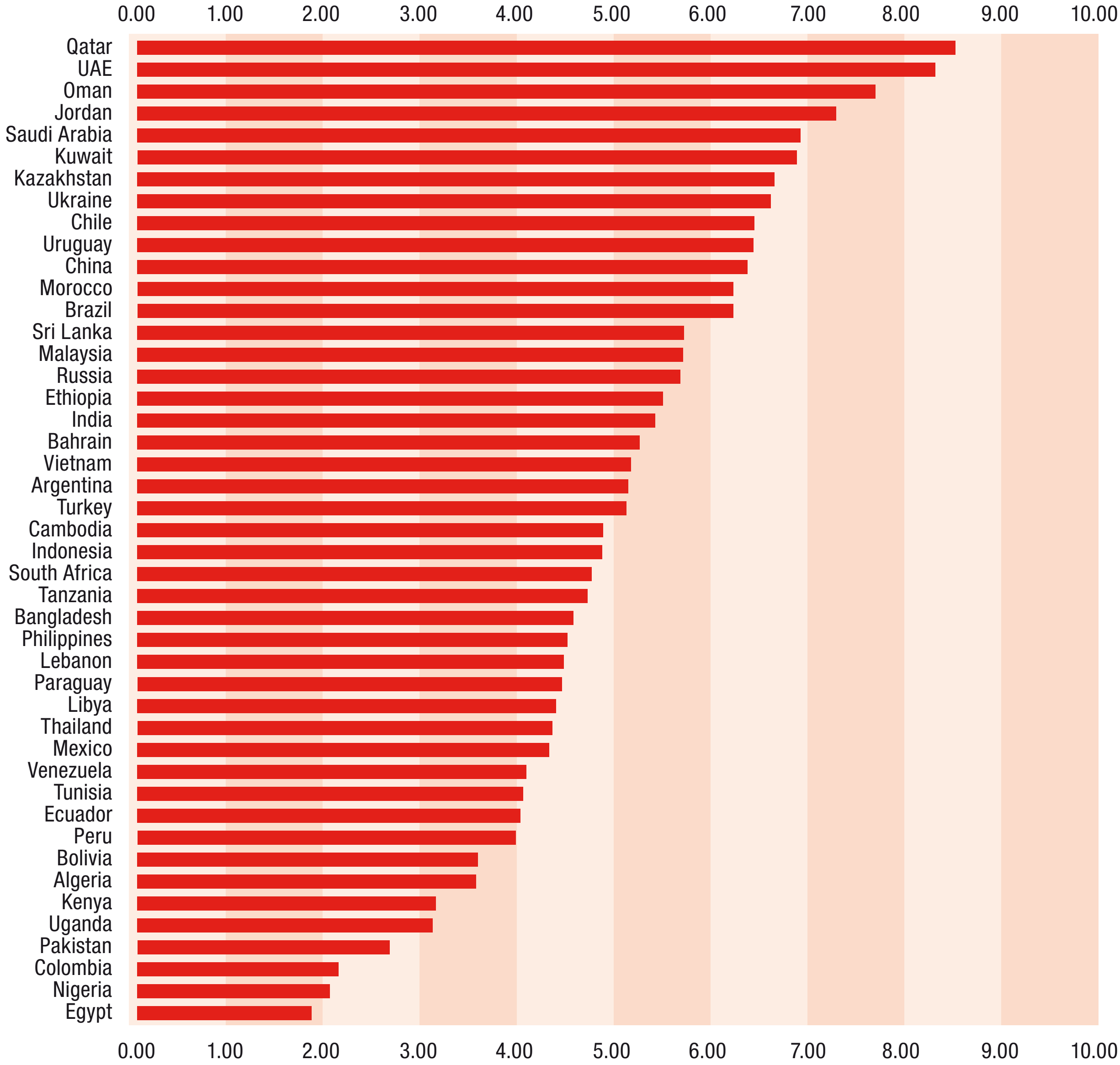
6.1.2 Market Compatibility Sub-Index

Little change was seen in this year's ranking for market compatibility. The top five countries remain those from the Middle East. However, the rankings have shifted a bit as Jordan moved up to become the fourth best country for market compatibility. Qatar overtook the UAE for top position while Saudi Arabia declined from fourth to fifth place. Nigeria, Egypt and Colombia remain the bottom three countries of this index.

FIGURE 4: Market Compatibility Sub-Index Scores



Source: Transport Intelligence

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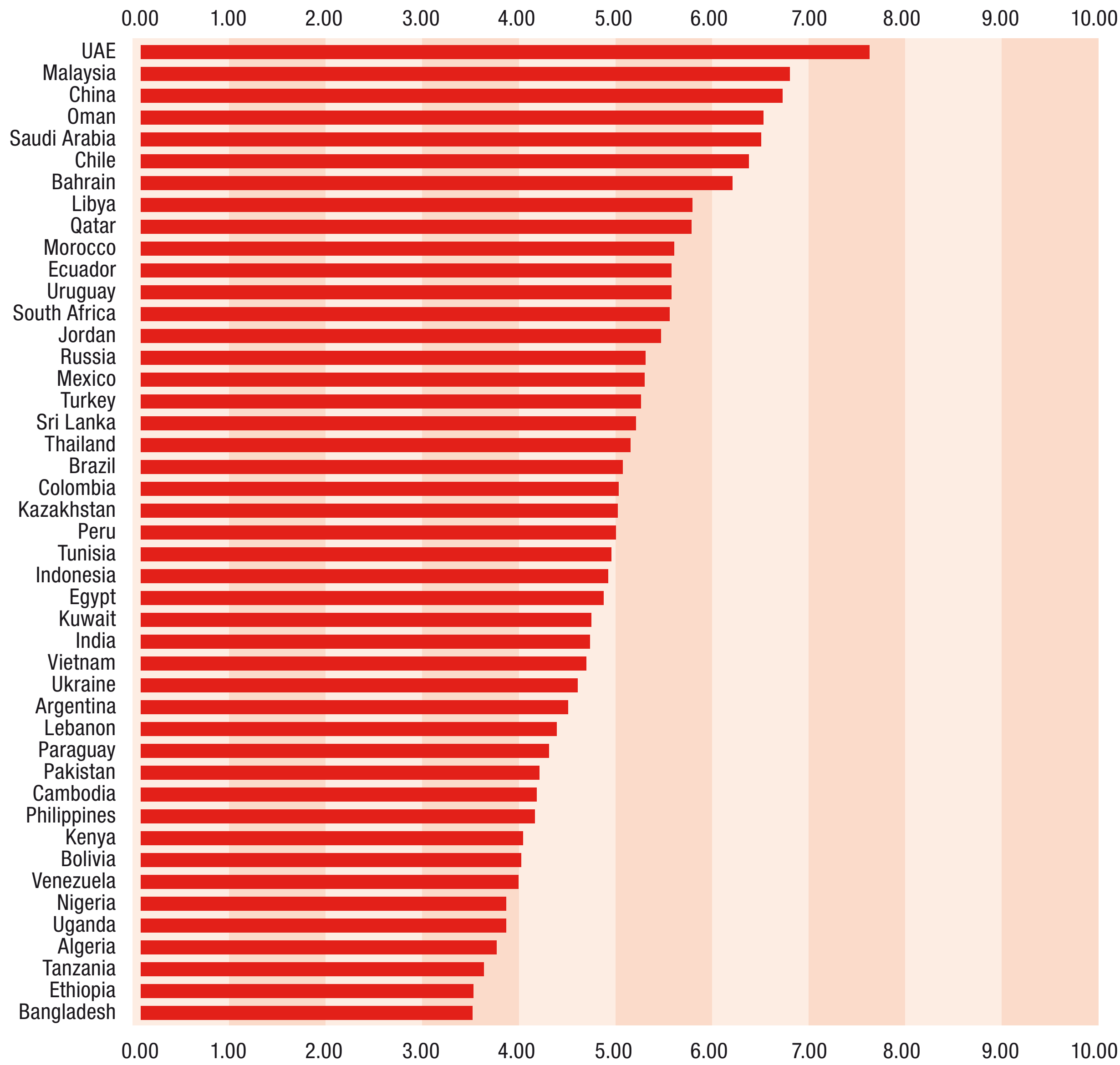
6.1.3 Connectedness Sub-Index

UAE remained in the top spot however Malaysia replaced China as the second best country for connectedness. Otherwise the top nine remained the same with South Africa declining from tenth to thirteenth.

Similar to the 2013 ranking, Bangladesh, Ethiopia and Tanzania remained the lowest rated countries on the connectedness sub-index.

FIGURE 5: Connectedness Sub-Index



Source: Transport Intelligence

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6.2 Emerging Markets Quadrant

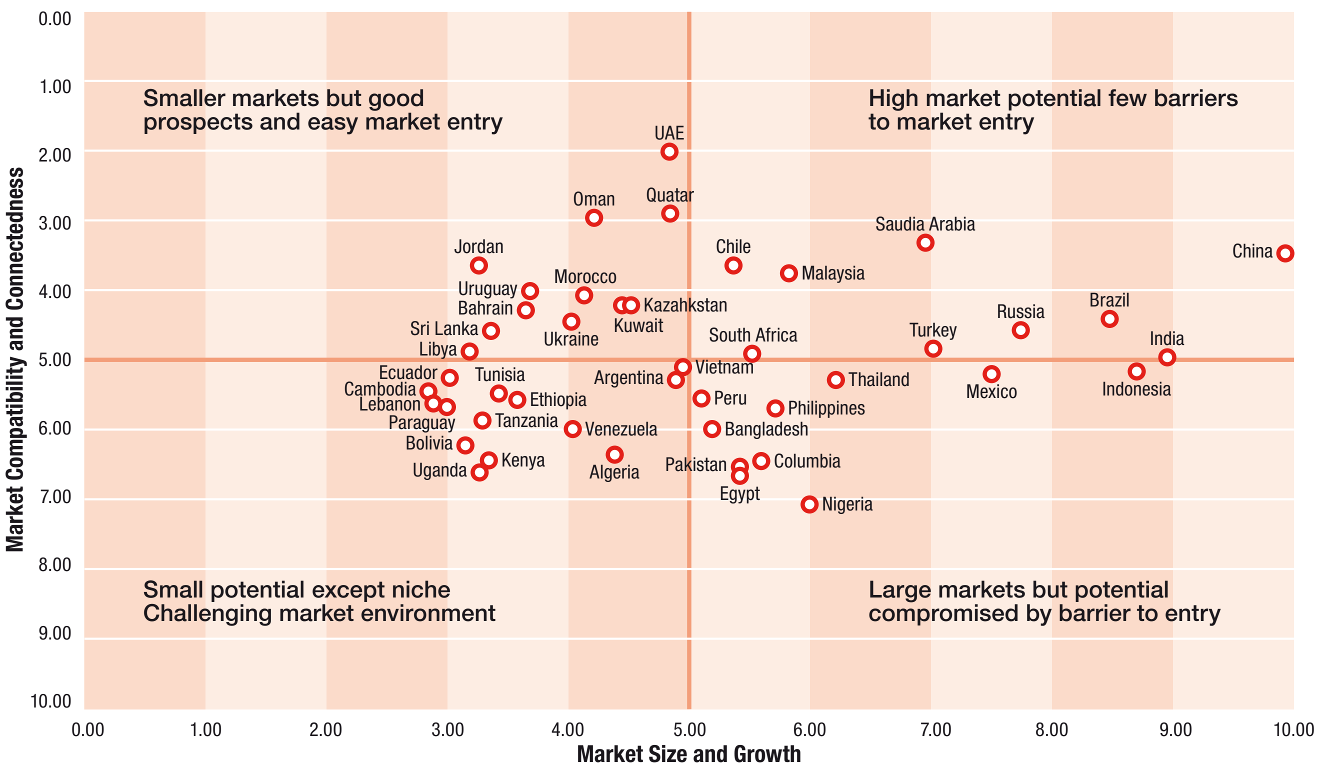
The emerging markets quadrant displays the relative positions of the countries in the Index. The chart is divided into four areas based on size and potential barriers to entry (an average of “market compatibility” and “market connectedness”).

Countries in the top right quartile are those that represent the biggest targets for logistics investments as well as the easiest markets in which to operate such as China.

In the top left quartile are those countries that represent smaller opportunities but are easily penetrated. UAE and Oman represent these types of opportunities.

The bottom half of the chart includes countries in which there are significant barriers to entry and difficulties in operating. As these economies mature and connect more with global markets, they will likely move towards the upper quartiles.

FIGURE 6: Emerging Market Potential Quadrant



Source: Transport Intelligence

7.0 Emerging Market Trade Lanes

Changes in world trade patterns are constantly in motion and are a normal occurrence. However, it seems these changes have become more pronounced since the economic slowdown in 2010. While trade has remained fairly flat, free trade agreements, manufacturing shifts to new locations and nearsourcing are playing a role in the changes in trade lanes.

Sea freight volumes continued to perform better than air freight. However, slight signs of improving air freight were noted by IATA by the beginning of the second half of 2013.

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 US.

7.1 Trade by Air

7.1.1 Top Trade Lanes

TABLE 5: Air Cargo Top 10 Trade Lanes – Emerging Market to US/EU

Rank	Origin	Destination	2012 Tons	2013 Tons *
1	China	US	1,035,695	957,983
2	China	EU	910,298	907,980
3	India	EU	170,260	180,163
4	Colombia	US	157,889	173,011
5	Chile	US	139,267	160,596
6	Kenya	EU	153,964	143,548
7	India	US	109,724	108,217
8	Peru	US	92,683	88,317
9	Bangladesh	EU	61,567	86,071
10	Mexico	EU	63,724	67,537

Source: Transport Intelligence (*Forecast)

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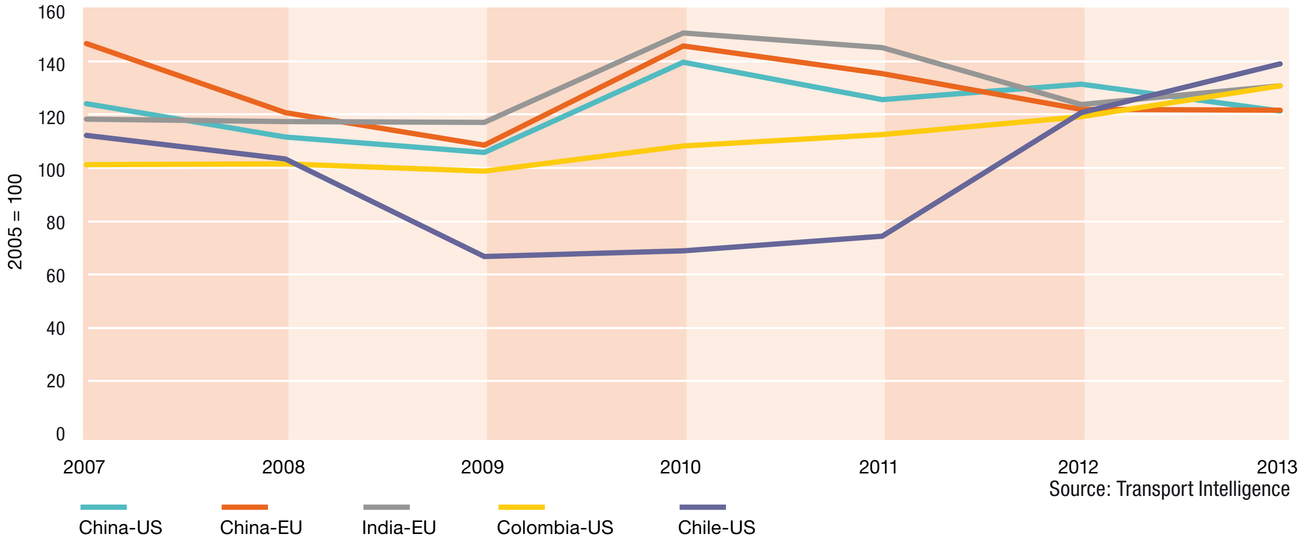
FIGURE 7: Air Cargo Top 10 Trade Lanes – Emerging Market to US/EU (Index of Tons, 2005=100)



Source: Transport Intelligence

China to the US remained the largest air cargo trade lane although tonnage declined 7.5%. China exports to the EU also declined but at a smaller percentage. Meanwhile, Colombia exports to the US increased at a forecasted 9.6% over 2012. This is likely due to the free trade agreement between the two countries that became effective in 2012. Chilean produce and sea food exports also helped trade increase with the US, up at an estimated 15.3% from 2012. Meanwhile, Bangladesh exports to the EU have increased 40.0%.

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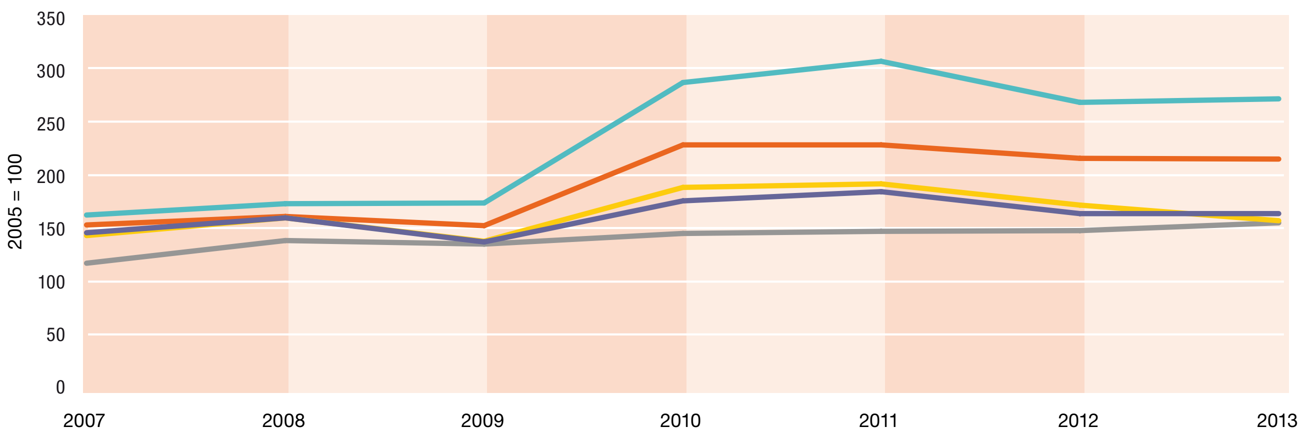
TABLE 6: Air Freight Top 10 Trade Lanes – US/EU to Emerging Market

Rank	Origin	Destination	2012 Tons	2013 Tons *
1	EU	China	530,713	537,428
2	US	China	261,238	260,482
3	EU	UAE	170,015	177,416
4	EU	India	159,491	145,137
5	US	Brazil	126,413	126,386
6	EU	Brazil	112,626	114,020
7	EU	Saudi Arabia	86,846	92,300
8	EU	South Africa	104,825	89,457
9	EU	Mexico	90,479	82,743
10	EU	Russia	80,838	82,668

Source: Transport Intelligence (*Forecast)

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



Source: Transport Intelligence

Interestingly the US/EU to emerging market trade lane is dominated by the EU as the exporter, perhaps due to a weaker euro.

The EU and the US export volumes to China remained the top two largest trade lanes. However, while EU exports increased at an expected 1.3%, US exports are anticipated to decline but only slightly at less than 1.0%. This lack of Chinese demand indicates a slow-down in the Chinese economy that has been evident for much of the year.

The EU demonstrated good growth in air cargo exports to the UAE, Brazil and Saudi Arabia with increases of 4.4%, 1.2% and 6.3% respectively.

The only other top ten trade lane in which the US was the exporter, in the top 10, was that to Brazil and that lane is expected to remain about the same as in 2012.

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7.1.2 Fastest Growing Trade Lanes

TABLE 7: Air Cargo Fastest Growing Trade Lanes – Emerging Markets to EU and US (Index of Tons, 2005=100)

Rank	Origin	Destination	2010 Index	2011 Index	2012 Index	2013 Index*	2012-2013 Growth	2010-2013 CAGR	2005-2013 CAGR
1	Ethiopia	US	882	802	1,378	1,228	-11%	12%	37%
2	Ethiopia	EU	718	829	827	829	0%	5%	30%
3	Cambodia	EU	98	82	216	301	39%	45%	15%
4	Ecuador	EU	300	317	309	280	-9%	-2%	14%
5	Chile	EU	293	387	313	265	-15%	-3%	13%
6	Bangladesh	EU	163	125	167	233	40%	13%	11%
7	Bangladesh	US	165	106	110	216	96%	9%	10%
8	Kenya	EU	222	234	231	215	-7%	-1%	10%
9	Vietnam	EU	147	141	166	198	19%	10%	9%
10	Tunisia	US	184	188	175	191	9%	1%	8%
11	Nigeria	EU	341	438	280	191	-32%	-18%	8%
12	Vietnam	US	190	137	150	190	27%	0%	8%
13	Saudi Arabia	US	165	110	160	181	13%	3%	8%
14	Mexico	EU	160	165	160	170	6%	2%	7%
15	Russia	EU	57	45	94	164	76%	42%	6%
16	Peru	EU	169	197	178	163	-8%	-1%	6%
17	Morocco	US	139	140	137	161	17%	5%	6%
18	Morocco	EU	166	154	113	143	27%	-5%	5%
19	Chile	US	68	73	119	138	15%	27%	4%
20	Peru	US	138	141	141	134	-5%	-1%	4%
21	India	EU	149	144	122	130	6%	-5%	3%
22	Colombia	US	107	111	118	129	10%	7%	3%
23	Pakistan	EU	115	106	110	125	14%	3%	3%
24	Qatar	EU	123	113	137	124	-10%	0%	3%
25	China	EU	144	134	121	120	0%	-6%	2%

Source: Transport Intelligence (*Forecast)

Favourable trade agreements have allowed many emerging countries to take advantage of the US and EU markets. For example, Ethiopian exports to the US and the EU are the first and second fastest growing airfreight trade lanes respectively in this year's ranking. Ethiopia has benefited from the African Growth and Opportunity Act (AGOA) which was enacted in 2001 as a US trade initiative to encourage trade with 39 Sub-Saharan African nations. The majority of Ethiopia's exports to the US are coffee and other agricultural products. However, despite

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strong percentage growth since 2005, 2012-2013 year-over-year growth is likely to decline as the government implemented steps to control pricing of coffee beans, one of its largest export commodities.

Likewise, Ethiopia's export trade with EU also centres on agricultural products and much like the US, strong export growth has been noted since 2005. However, while trade with the US is anticipated to decline from 2012 to 2013, no growth is expected for Ethiopian air exports to the EU for the same period.

As the fourth fastest growing trade lane, Ecuador to Europe, Ecuador enjoyed strong exports to the EU up to 2010 thanks to the EU's Generalized System of Preference Plus (GSP+) trade agreement. In fact 56% of Ecuador's exports to the EU have GSP+ treatment allowing for zero tariffs. However, since 2010, trade growth has declined. This may be due to the situation in which the country refused to follow Andean Community of Nations fellow members Colombia and Peru in establishing a free trade agreement with the EU in 2007. Instead, Ecuador started trade agreement negotiations with the EU in 2012 and is expected to conclude favourably in early 2014.

EU imports from Cambodia (#3), Bangladesh (#6) and Vietnam (#9) as well as US imports from Bangladesh (#7) have seen good growth all of which offer relatively low manufacturing cost opportunities to the apparel industry. This growth will likely continue as long as labour costs remain low. Of interest is that Cambodia is already working towards diversifying and in fact has seen its auto parts exports to the EU increase 6% in 2012.

Meanwhile, Chile's (#5) and Kenya's (#8) export growth to the EU has declined since 2010. Much of this decline is due to the broader decline in the EU economy.

Finally, Tunisian (#10) export growth to the US has continued to grow as the country tries to lessen its export dependence from the EU which accounts for 80% of its total exports.

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TABLE 8: Air Cargo Fastest Growing Trade Lanes – EU and US to Emerging Markets

Rank	Origin	Destination	2010 Index	2011 Index	2012 Index	2013 Index*	2012-2013 Growth	2010-2013 CAGR	2005-2013 CAGR
1	US	Ethiopia	348	281	397	435	9%	8%	20%
2	US	Ukraine	338	382	418	406	-3%	6%	19%
3	US	Oman	327	338	424	371	-12%	4%	18%
4	US	Bahrain	268	365	388	359	-8%	10%	17%
5	US	Libya	393	56	145	339	133%	-5%	16%
6	US	Qatar	267	420	346	333	-4%	8%	16%
7	US	Vietnam	278	294	280	325	16%	5%	16%
8	EU	Paraguay	396	372	302	273	-9%	-12%	13%
9	EU	China	284	304	265	269	1%	-2%	13%
10	EU	Qatar	190	205	254	269	6%	12%	13%
11	EU	Jordan	101	237	232	260	12%	37%	13%
12	US	UAE	207	233	225	244	9%	6%	12%
13	US	Uganda	211	177	216	234	8%	4%	11%
14	US	Saudi Arabia	176	183	208	225	8%	9%	11%
15	EU	Vietnam	183	229	218	223	2%	7%	11%
16	EU	Morocco	243	255	229	223	-3%	-3%	11%
17	US	Tanzania	173	219	284	221	-22%	8%	10%
18	EU	Bolivia	164	268	174	220	26%	10%	10%
19	US	Bolivia	151	163	189	214	13%	12%	10%
20	EU	Kenya	202	210	212	214	1%	2%	10%
21	US	China	225	225	213	212	0%	-2%	10%
22	US	Russia	176	219	220	199	-9%	4%	9%
23	US	Kazakhstan	257	311	226	197	-13%	-9%	9%
24	EU	Kazakhstan	295	213	225	196	-13%	-13%	9%
25	US	Paraguay	248	262	218	196	-10%	-8%	9%

Source: Transport Intelligence (*Forecast)

The top seven fastest growing air cargo trade lanes from the EU and/or US to emerging markets are dominated by the US. The US government has placed an emphasis on export growth and thanks to an improving economy, albeit at a slow rate, 2012 total exports increased to a record $2.2 trillion.

However, for several importers, growth declined year-over-year from 2012 to 2013. These importers, Ukraine, Oman, Bahrain and Qatar all experienced a slowing in respective economies.

Still, as the fastest air cargo trade lane, Ethiopia's imports from the US have grown 20% since 2005 and upper single digits growth since 2010. This growth is due to increasing demand for machinery and parts as

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well as aircraft as Ethiopia expands and modernizes its airlines and manufacturing capabilities and improves its infrastructure.

The Ukraine (#2), Oman (#3) and Qatar (#6) also are seeing an increasing need for US machinery and parts as each continues to modernize and expand its manufacturing production and facilities. For Oman and Qatar, in particular, rising demand for vehicles and aircraft have resulted in the need for parts.

Meanwhile Bahrain (#4) continues to import a good deal of agricultural products from the US while Vietnam (#7) also imports agricultural products along with machinery and fabric.

Libya's (#5) strong year-over-year import growth is interesting. In 2010, the US and Libya signed a Trade and Investment Framework Agreement(TIFA) which allows for cooperation between the two countries to improve Libyan infrastructure and boost manufacturing in such industries as food processing, textiles and building materials along with modernizing the country's oil industry.

Trade with EU finishes up the top ten listing. EU export growth to Paraguay (#8) has declined since 2010 probably due to economic weakness for both countries. Although export growth to China (#9) has declined 2010 to 2013, year-over-year growth from 2012 to 2013 is expected to show a small increase due to improving economic conditions for each.

Finally, EU exports to Qatar (#10) remain healthy as Qatar continues to import transportation equipment to support its infrastructure projects.

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7.2 Trade by Sea

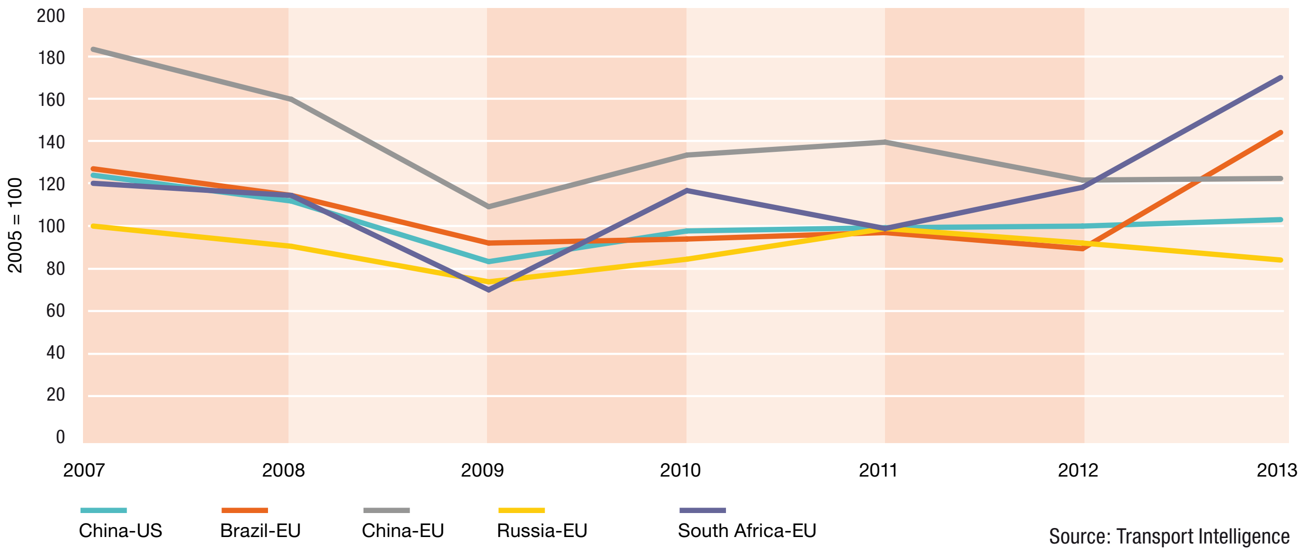
7.2.1 Top Trade Lanes

TABLE 9: Sea Freight Top Trade Lanes Emerging Market to US/EU (Index of Tons, 2005=100)

Rank	Origin	Destination	2012 Tons	2013* Tons
1	China	US	54,375,356	56,109,461
2	Brazil	EU	29,096,279	47,164,269
3	China	EU	42,951,612	43,253,817
4	Russia	EU	25,530,631	23,333,205
5	South Africa	EU	15,404,308	22,177,051
6	Brazil	US	18,874,704	19,848,993
7	Ukraine	EU	17,938,066	16,883,851
8	Turkey	EU	14,904,470	16,125,788
9	Mexico	US	12,065,436	15,880,223
10	Argentina	EU	15,391,681	11,843,008

Source: Transport Intelligence (*Forecast)

FIGURE 9: Sea Freight Top Trade Lanes Emerging Market to US/EU (Index of Tons, 2005=100)



Source: Transport Intelligence

Even though the economic situation in the EU and the US remains weak, sea freight exports from China to the US/EU are expected to increase slightly. Brazil's exports to the US are also expected to see slight growth, while its export tonnage to the EU is anticipated to rise by more than any other trade lane in the top 10. The South Africa to EU trade lane is expected to see the second highest tonnage growth. Meanwhile, Mexico will enjoy a moderate increase in sea freight exports to the US thanks to the growing trend in near-sourcing. Likewise, Turkey will also experience an increase in sea freight to the EU thanks to the near-sourcing trend.

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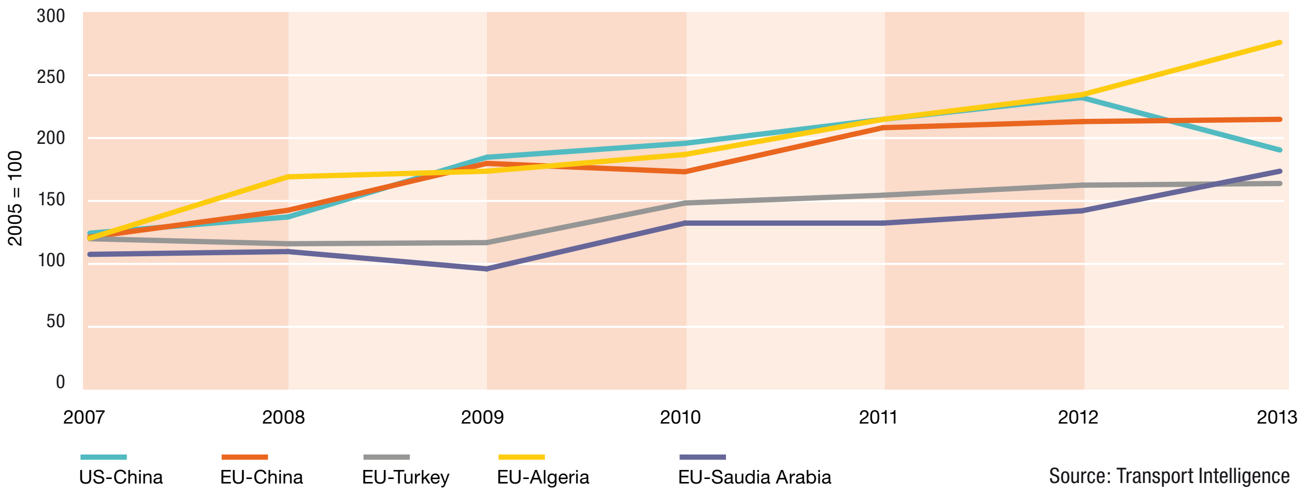
TABLE 10: Sea Freight Top 10 Trade Lanes – US/EU to Emerging Market

Rank	Origin	Destination	2012 Tons	2013 Tons*
1	US	China	78,115,648	63,559,407
2	EU	China	37,079,960	37,427,800
3	EU	Turkey	29,821,360	30,091,033
4	EU	Algeria	17,570,725	20,766,379
5	EU	Saudi Arabia	12,494,146	15,407,016
6	US	Brazil	9,877,143	14,544,525
7	US	Mexico	15,424,196	13,912,648
8	EU	Brazil	12,239,786	12,358,631
9	EU	Egypt	11,373,571	11,699,020
10	US	Turkey	11,149,330	10,247,998

Source: Transport Intelligence (*Forecast)

FIGURE 10: Sea Freight Top Trade Lanes US/EU to Emerging Market (Index of Tons, 2005=100)



Source: Transport Intelligence

The performance of sea freight trade lanes from the EU and US to emerging markets is expected to remain mixed in 2013. For the US to China, the largest lane by volume, declines are anticipated whereas from the EU to China, the second largest lane by volume, tonnage is expected to increase slightly.

Among the largest gains in tonnage are for EU to Saudi Arabia with an expected increase of 23.3% in 2013 over 2012. Agricultural products, machinery and transportation equipment are among the major exports to Saudi Arabia.

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Another trade lane with an anticipated large increase is the US to Brazil trade lane which is forecast to increase 47.3%. Machinery, aircraft and electronic equipment are the main US exports to Brazil. In fact, Brazil and the US are expected to resume talks on a free trade agreement between the two countries and when an agreement is reached, trade will likely increase further between the two countries.

The EU to Saudi Arabia trade lane is also one that is on the rise. Currently, the EU is Saudi Arabia's largest trade partner whereas Saudi Arabia is the EU's 11th largest partner.

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7.2.2 Fastest Growing Trade Lanes

TABLE 11: Sea Freight Fastest Growing Trade Lanes – Emerging Markets to US/EU (Index of Tons, 2005=100)

Rank	Origin	Destination	2010 Index	2011 Index	2012 Index	2013 Index*	2012-2013 Growth	2010-2013 CAGR	2005-2013 CAGR
1	Oman	US	1,326	1,020	2,545	2,110	-17%	17%	46%
2	Oman	EU	1,096	953	784	1,551	98%	12%	41%
3	Cambodia	EU	288	619	622	1,142	84%	58%	36%
4	Paraguay	US	78	105	104	483	364%	84%	22%
5	Bolivia	EU	374	314	283	397	40%	2%	19%
6	Qatar	EU	78	153	211	309	47%	58%	15%
7	Paraguay	EU	275	274	196	291	48%	2%	14%
8	Vietnam	US	207	221	274	287	5%	12%	14%
9	Tunisia	US	364	359	279	266	-5%	-10%	13%
10	UAE	EU	195	268	250	261	5%	10%	13%
11	Kuwait	EU	269	202	234	257	10%	-1%	13%
12	Bahrain	EU	250	316	202	242	20%	-1%	12%
13	Bolivia	US	110	87	83	200	141%	22%	9%
14	Tanzania	US	108	125	149	189	27%	20%	8%
15	Uganda	US	214	156	121	185	53%	-5%	8%
16	South Africa	EU	116	98	118	169	44%	13%	7%
17	Bangladesh	EU	138	146	141	168	19%	7%	7%
18	Nigeria	EU	123	124	126	157	25%	9%	6%
19	Vietnam	EU	141	152	157	157	0%	4%	6%
20	Ukraine	EU	96	137	162	152	-6%	17%	5%
21	Uruguay	EU	188	174	114	151	33%	-7%	5%
22	Uganda	EU	123	139	120	144	20%	6%	5%
23	Brazil	EU	93	96	89	144	62%	15%	5%
24	Cambodia	US	132	139	136	142	5%	3%	5%
25	Indonesia	EU	122	129	125	134	7%	3%	4%

Source: Transport Intelligence (*Forecast)

Oman takes the top two spots for the fastest growing emerging market to the US/EU sea freight trade lanes since 2005. Sea exports from Oman to the US have clearly been boosted by the 2009 free trade agreement between the two countries. Although Oman's main exports continue to be oil and petroleum products (which are excluded from the index for all sea-related data), it is working to diversify into other commodities. As such, fertilisers are among its largest non-oil exports to the US. Growth has remained strong through 2012. However, the increase in the unconventional oil and gas industry in North America is expected to negatively impact Oman's exports as the capacity for the US to produce petrochemicals, including nitrogen-based fertilisers, is on the rise. Thus, Oman's sea exports to the US are expected to decline 17% in 2013 from 2012. Oman to

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the US ranks as 49th out of 90 in terms of the largest emerging market to US/EU trade lanes by tonnage (just over 1 million tons forecast for 2013).

Like exports to the US, Oman's exports to the EU are mostly oil and petroleum products. Total Oman exports to the EU are anticipated to grow 98% for 2013 to 541,732 tons with plastics and rubber the primary non-oil and petroleum commodity exports. With Europe beginning its economic recovery in mid-2013, it is quite likely to be an increasing demand for these commodities. While export trade with Oman has been good since 2005 with growth of 41%, growth appeared to slacken beginning in 2010 as the rate was only 12% through 2013.

Although the Cambodia to EU (#3) trade lane is one of a smaller total tonnage (about 394,000 tons), 42% of Cambodia's exports were destined to the EU in 2012, up from 35% in 2011. The majority of these exports were garments. Demand for these items will likely increase as the EU's economy improves.

Another trade lane that is small in total tonnage is that of Paraguay to the US (#4). In 2012, the US raised limits for no, or low-tariff raw sugar imports, and as a result, imports from Paraguay are expected to increase as the country is considered one of the largest exporters of organic sugar to the US.

Bolivia to the EU (#5) is also one with small total tonnage (about 285,000 tonnes) but good growth rates. Bolivia's mining industry has experienced much growth in recent years. As a result, the country further expanded its mining capabilities in 2012 and growth is expected to increase in 2013.

The majority of Qatar's exports to the EU (#6) are mineral fuels, lubricants and related materials. In fact, a quarter of all LNG consumed in the EU is from Qatar. However, non-oil exports (about 868,000 tonnes in total) such as food and live animals appear to be on the increase albeit based on a small level.

Like many other developing countries, Paraguay enjoys trade preferences with the EU (#7) via the Generalized Scheme of Preferences (GSP). Even though trade with the EU is small, through this trade initiative, tariffs on Paraguay's exports of mostly agricultural goods are greatly reduced. Year-over-year growth from 2012 to 2013 is expected to show good growth as Paraguay recovers from a drought and output for soybeans, corn and wheat increase.

The Vietnam to US (#8) trade lane is expected to continue its upward trajectory, with tonnage set to reach around 3.4m tons in 2013. Apparel, furniture and electrical machinery are the primary exports to the US market. In particularly as the US economy slowly picks up, demand for such commodities will increase.

Tunisia to the US (#9) is growing from an extremely small base and remains a virtually insignificant trade lane.

Finally, the UAE to the EU (#10) completes the top ten fastest growing sea freight trade lanes since 2005. It is a moderately sized trade lane, with 1.3m tonnes expected to be exported from the UAE to the EU in 2013. Manufacturing comprises about 53% of the UAE's total non-oil exports. The development of free zones has spurred investment in UAE's manufacturing sector.

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TABLE 12: Sea Freight Fastest Growing Trade Lanes – US/EU to Emerging Markets (Index of Tons, 2005=100)

Rank	Origin	Destination	2010 Index	2011 Index	2012 Index	2013 Index*	2012-2013 Growth	2010-2013 CAGR	2005-2013 CAGR
1	EU	Paraguay	341	707	740	1,061	43%	46%	34%
2	US	Uruguay	359	408	396	677	71%	24%	27%
3	US	Vietnam	603	535	561	621	11%	1%	26%
4	US	Sri Lanka	187	334	88	450	414%	34%	21%
5	US	Brazil	277	318	279	411	47%	14%	19%
6	EU	Uruguay	261	321	354	410	16%	16%	19%
7	US	Cambodia	202	235	329	353	7%	20%	17%
8	EU	Cambodia	243	371	345	342	-1%	12%	17%
9	EU	Vietnam	313	313	288	317	10%	0%	16%
10	US	Oman	378	490	556	304	-45%	-7%	15%
11	US	UAE	252	273	274	296	8%	5%	15%
12	EU	Qatar	169	192	278	287	3%	19%	14%
13	US	Bahrain	286	264	392	278	-29%	-1%	14%
14	EU	Algeria	185	214	234	277	18%	14%	14%
15	US	Chile	230	240	249	272	9%	6%	13%
16	US	Paraguay	242	286	300	267	-11%	3%	13%
17	EU	Bolivia	144	166	182	245	35%	20%	12%
18	US	Turkey	217	235	265	244	-8%	4%	12%
19	EU	Oman	197	174	271	240	-11%	7%	12%
20	US	Peru	266	231	190	235	24%	-4%	11%
21	US	Ukraine	232	137	177	223	26%	-1%	11%
22	US	Bangladesh	172	167	157	221	40%	9%	10%
23	EU	Libya	220	51	121	219	81%	0%	10%
24	US	India	297	290	253	217	-14%	-10%	10%
25	EU	China	171	207	212	214	1%	8%	10%

Source: Transport Intelligence (*Forecast)

The fastest growing sea freight trade lanes from the EU and US to emerging markets are an interesting mix. The top ten trade lanes are dominated by the US as the origin probably because of its stronger economy as compared to that of the EU. However, the fastest trade lane is that of the EU to Paraguay. A small but steady export trade (419,880 tons) exists between the two countries. Year-over-year growth of 43% is anticipated for 2013 from 2012 due to Paraguay's improving economy. Drought conditions have ended and the country has benefited from its exports of agricultural products. As such, the economy is growing and thus an increase in imports is occurring. Since 2005, growth on this lane has increased 34%. This is due to Europe's investments in Paraguay

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such as in its transportation infrastructure (transportation equipment) and in assistance to Paraguay as it diversifies into manufacturing (machinery).

The US to Uruguay trade lane is the second fastest growing sea freight trade lane. For 2013, tonnage is expected to grow to 362,470 tons from 212,080 tons in 2012. Since 2005, the growth rate has been strong. According to the International Monetary Fund (IMF), domestic demand and strong foreign direct investment has resulted in an increase in imports. Among the top US exports to this country include computers and electronics, machinery and transportation equipment.

Likewise, EU exports to Uruguay (#6) are on the rise. EU export tonnage for 2013 is forecasted to be higher than that of the US at 632,851 and is expected to grow 16% year-over-year from 2012. Since 2005, growth on the EU to Uruguay lane has expanded 19%.

The US to Vietnam (#3) trade lane has grown at double digits from 2005 to 2013 however it appeared to slow since 2010 probably due to slow global economic conditions. It now appears a pickup is in the making as 2013 tonnage is expected to grow 11% from 2012 to 3,488,547 tons.

Meanwhile, EU to Vietnam (#9) trade lane is expected to grow 10% for 2013 to 2,068,583 tons. Like the US, this trade lane appears to be affected by slow global economic conditions as well. Although growth was good, growing 16% from 2005 to 2010, it slowed in 2010 and in fact other than the anticipated year-over-year growth for 2013, has not grown since 2010.

Sri Lanka (#4) has embarked on major infrastructure projects to become a major transhipment port location for Asia. Much foreign direct investment has been poured into this country as it builds out its port and airport facilities. As such, US exports to this country are expected to grow over 400% in 2013 from 2012 from a low base of 356,171 tons. Since 2005, growth on this lane has increased 21% with machinery and aircraft among the major US exports.

Brazil (#5) is a major trade partner of the US. In fact, about 3% of US total exports are destined for Brazil. As a growing manufacturing hub, Brazil imports mostly machinery from the US. Also, aircraft are a major export to Brazil as airlines expand as well as replace older aircraft.

The 7th and 8th fastest sea freight lane is that of Cambodia. Cambodia's economy continues to reap the benefits of its exports as consumer demand picks up. As a result, US exports are expected to increase 7% (94,461 tons) in 2013 however, due to the EU's export growth is expected to fall 1% (69,035 tons) in 2013 over 2012 perhaps because of a more favourable US currency exchange rate as well as favourable sea freight rates from the US.

While Oman's exports to the US is the fastest growing sea freight trade lane with US as a destination, it is different with Oman (#10) as the destination. US exports to the country are expected to decline 45% in 2013 to 2011,183 tons and in fact growth has declined 7% since 2010. Although a free trade agreement is in place between these two countries, it appears Oman imports more from its Middle East and European neighbours. Perhaps this is due to less expensive transportation costs from these closer neighbours as oppose to the US.

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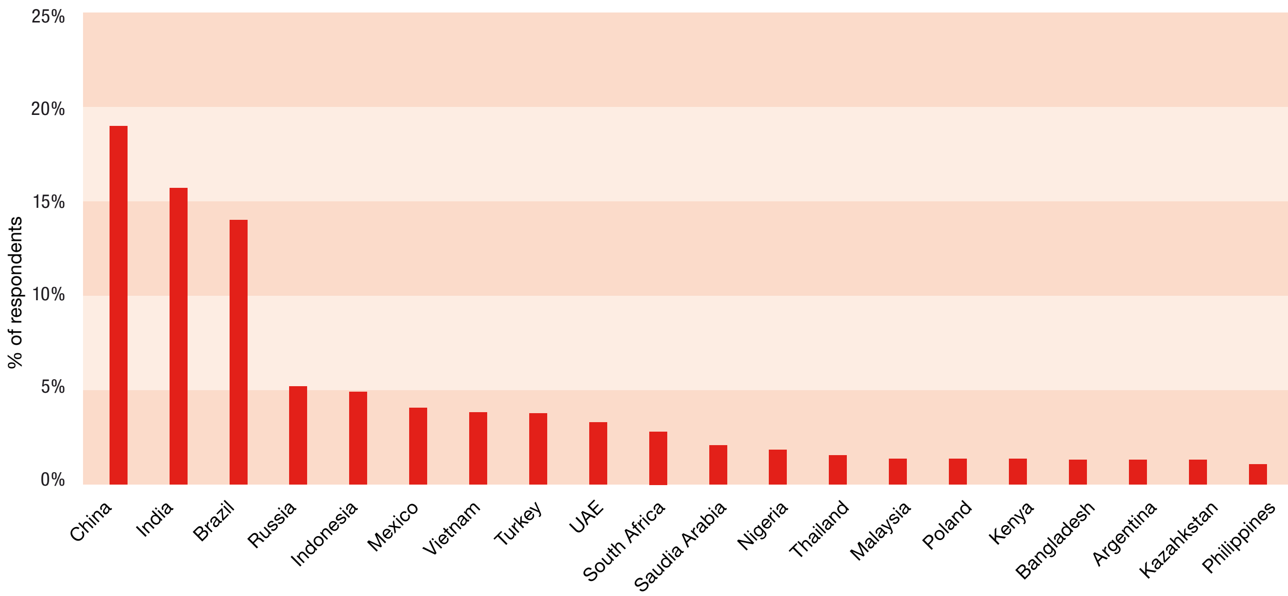
8.0 Emerging Markets Survey

During October and November 2013, Transport Intelligence surveyed trade and logistics professionals to ascertain which emerging markets have the greatest potential to become future logistics hotspots. During this period, respondents representing a wide range of industries and markets across the globe took part, offering their opinions and insights into the development of the logistics sector across some of the world's most promising and diverse economies. The survey below utilises responses from a total of 808 industry professionals.

8.1 Perceived Major Logistics Markets of the Future

8.1.1 Which of the following countries do you believe will emerge as a major logistics market in the next five years?

FIGURE 11: Perceived Major Logistics Markets of the Future



Source: Transport Intelligence

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TABLE 13: Perceived Major Logistics Markets for the Future in Rank Order

Country	2014	2013	Y-o-Y Change
China	1	1	-
India	2	2	-
Brazil	3	3	-
Russia	4	4	-
Indonesia	5	5	-
Mexico	6	8	up 2
Vietnam	7	7	-
Turkey	8	6	down 2
UAE	9	9	-
South Africa	10	10	-
Saudi Arabia	11	11	-
Nigeria	12	13	up 1
Thailand	13	14	up 1
Malaysia	14	15	up 1
Poland	15	24	up 9
Kenya	16	16	-
Bangladesh	17	12	down 5
Argentina	18	37	up 19
Kazakhstan	19	22	up 3
Philippines	20	34	up 14

Source: Transport Intelligence (*Forecast)

Survey participants were asked to rate the top three markets which they expect to emerge as major logistics markets over the next five years. In order to rank the responses, a score was calculated by awarding three points for a first preference, two for a second and one for a third. This method revealed that the top five countries were unchanged from last year, with the top four spots again populated by the BRIC countries.

Awarding ranking points in this manner reveals the concentration of opinion backing the top 20 countries. Some 87.34% of the ranking points were attributed to these spots, while the top 10 markets accounted for 75.61% of the ranking points alone. This is a slight decline in the ranking point share revealed by the survey in 2013, however, which saw the top 20 countries account for 88.46% of ranking points and the top 10 for 76.74%.

Argentina gained the most confidence amongst the survey participants, climbing 19 places in the ranking to 18th position. Also experiencing large gains in confidence were Poland, which improved nine places to 15th, and the Philippines which climbed 14 places to round out the top 20. One of the most significant fallers was Bangladesh which slipped five places, the largest slide of any top 20 ranked market. Industry

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professionals seemingly face a complex task when assessing the potential of Bangladesh – while it has ranked consistently in the top 20 most attractive future logistics markets, and ranks sixth amongst the countries benefitting most from a shift of production away from China, Bangladesh is also ranked by this survey as the eighth least attractive emerging logistics market. This suggests a clear presence of both risks and rewards. Deepening political tensions in the country are paired with inadequate power supplies and poor infrastructure, but contrasted by growing construction, manufacturing and services sectors, all of which made significant contributions to economic growth during the year. Additionally, the country has a ready supply of skilled labour available to work in the textile and garment industries at relatively cheap costs. However, the Rana Plaza collapse and a spate of factory fires since have had an impact domestically and have acted as a catalyst for international pressure on major Western retailers to re-evaluate their Bangladeshi operations. Survey outcomes suggest opinion of the market's potential is still divided.

Also falling the rankings were Pakistan, Egypt, the Czech Republic and Qatar. All lost their position as a top 20 future logistics market and, similar to Bangladesh, Pakistan and Egypt both also featured prominently in the top 10 least attractive emerging logistics market ranking. When asked to judge how long the political instability in Egypt might last, some 60% of participants predicted it would be at least 2016/2017 before any improvements were realised. The lack of certainty over Egypt's prospects was further put into context as nearly half (46%) of survey participants said it remained too early to predict the outcome of the Arab Spring.

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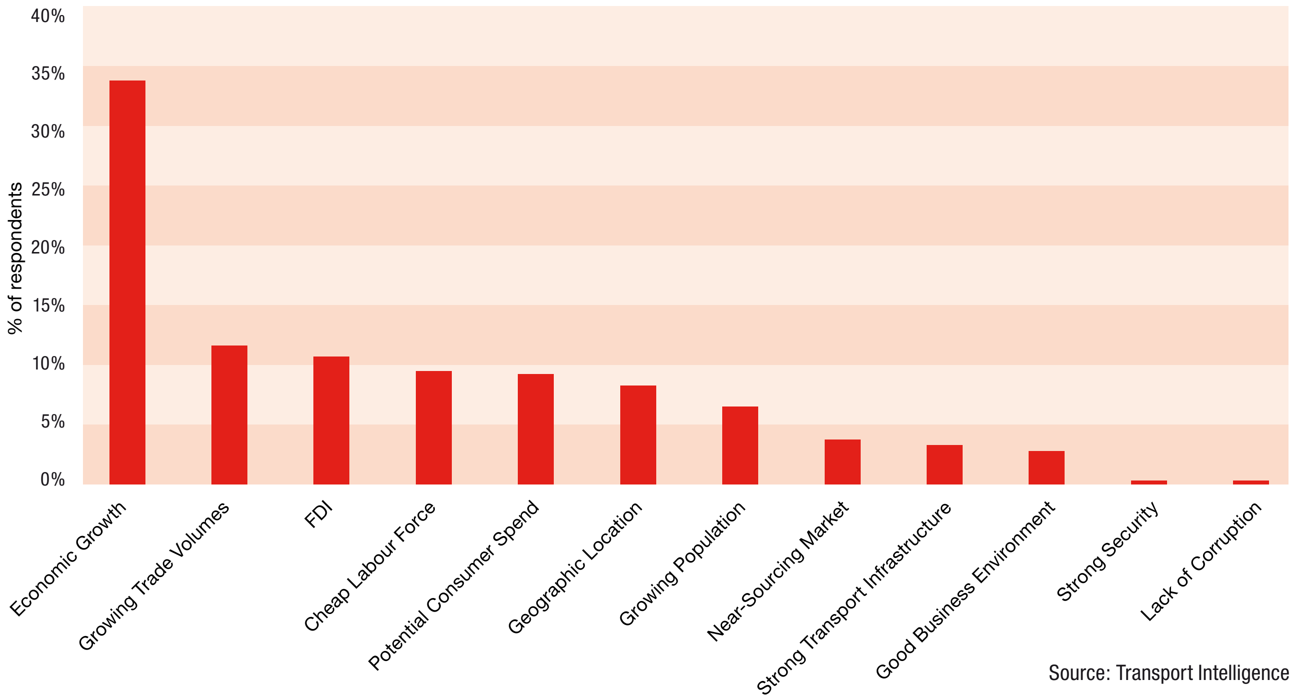
8.2 Factors Behind the Potential Emergence of Markets

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

FIGURE 12: Factors Behind the Potential of Emergence of Markets



Source: Transport Intelligence

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TABLE 14: Factors Behind the Potential Emergence of Markets in Rank Order

Factor	Respondents
Economic Growth	33.39%
Growing trade Volumes	11.55%
FDI	10.56%
Cheap Labour Force	9.31%
Potential Consumer Spend	9.13%
Geographic Location	8.44%
Growing Population	6.74%
Near-Sourcing Market	4.27%
Strong transport Infrastructure	3.35%
Good Business Environment	2.72%
Strong Security	0.27%
Lack of Corruption	0.27%

Source: Transport Intelligence

TABLE 15: Changing Levels of Significance of Factors

Factor	2014	2013	Y-o-Y Change
Economic Growth	1	1	-
Growing trade Volumes	2	3	up 1
FDI	3	2	down 1
Cheap Labour Force	4	4	-
Potential Consumer Spend	5	5	-
Geographic Location	6	6	-
Growing Population	7	7	-
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

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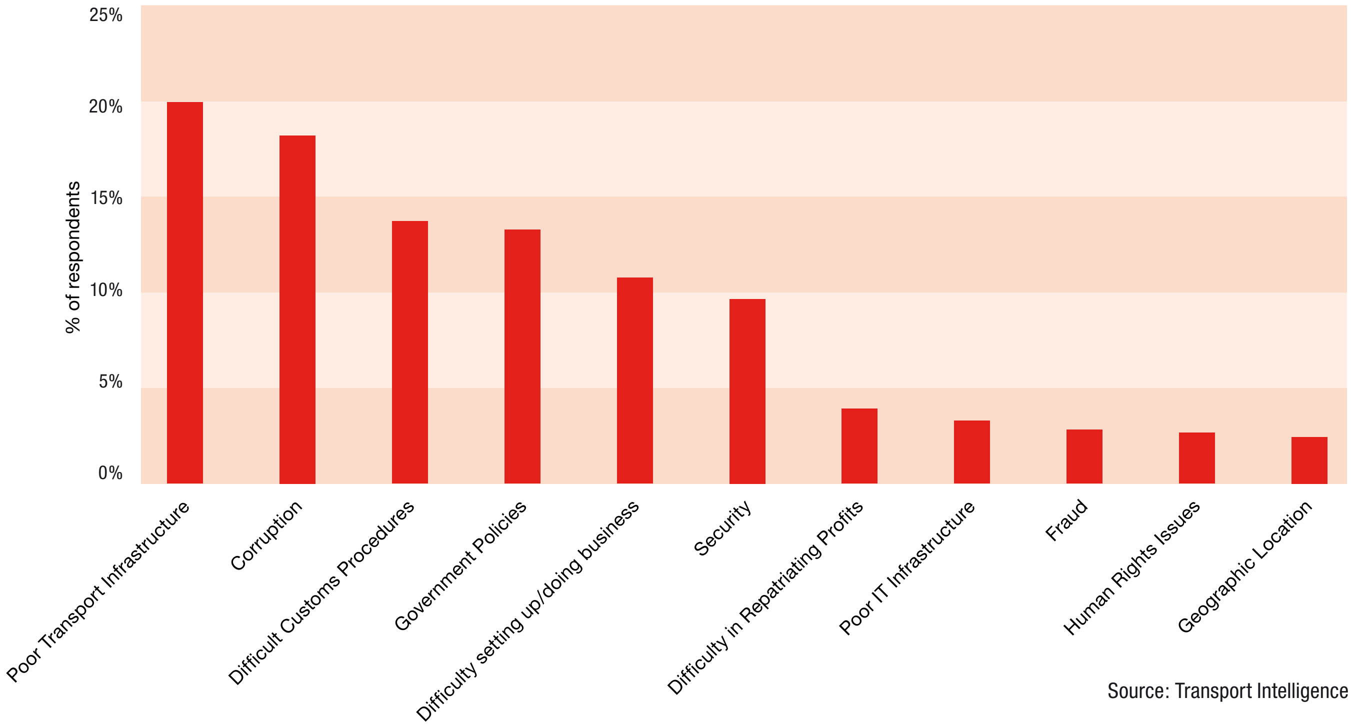
8.2.2 Please rank, in order of importance, the main problems associated with doing business in emerging markets

FIGURE 13: Problems Associated with Doing Business in Emerging Markets



Source: Transport Intelligence

Table 16: Problems Associated with Doing Business in Emerging Markets

Problems with Doing Business	Respondents
Poor Transport Infrastructure	19.91%
Corruption	18.52%
Difficult Customs Procedures	13.78%
Government Policies	13.17%
Difficulty setting up/doing business	10.79%
Security	9.68%
Difficulty in repatriating profits	3.80%
Poor IT infrastructure	3.27%
Fraud	2.46%
Human rights issues	2.38%
Geographic location	2.25%

Source: Transport Intelligence

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TABLE 17: Changing Levels of Significance of Factors

Factor	2014	2013	Y-o-Y Change
Poor Transport Infrastructure	1	1	-
Corruption	2	2	-
Difficult Customs Procedures	3	3	-
Government Policies	4	4	-
Difficulty setting up/doing business	5	5	-
Security	6	6	-
Difficulty in repatriating profits	7	7	-
Poor IT infrastructure	8	10	up 2
Fraud	9	11	up 2
Human rights issues	10	8	down 2
Geographic location	11	9	down 2

Source: Transport Intelligence

8.2.3 Factors that drive or inhibit the potential emergence of markets

The drivers of growth in emerging logistics markets remain broadly consistent with those of 2013. The dominance of general economic growth as a driver of logistics market growth continues, and the overall stability of the rankings suggests logistics providers are developing and employing consistent frameworks to judge the potential of emerging markets. A similar pattern can be found in the rankings survey participants gave to the factors that inhibit market growth. The top seven ranking positions were unchanged from the 2013 survey – again suggesting a consistent framework – and accounted for 85.85% of the responses. This suggests the inhibiting factors, and the problems they pose to the growth of logistics markets, are immediate and the need for solutions pervasive. Additionally, the attention given to this group of factors suggests logistics providers are primarily concerned with factors that inhibit the operational, rather than strategic or financial, aspects of providing logistics services in emerging markets.

Perhaps the most interesting results become apparent when the relative significance of the same factor acting as a driver or inhibitor of growth is compared. Survey participants ranked a strong transport infrastructure as only the ninth most important factor behind the potential emergence of markets, while simultaneously ranking the presence of poor transport infrastructure the number one inhibitor of potential growth. This comparison seems to suggest industry professionals seek a basic standard of connectivity from local infrastructure in order to make operations viable, but little more. This pattern is repeated in the comparison of geographic location as a driver and inhibitor of growth – ranked at sixth as a driver of growth, the factor is viewed by respondents as the least significant inhibitor of growth. This suggests that while an advantageous location can bring obvious benefits – such as capacity to act as hub or near-sourcing location, for example – a confluence of factors such as general economic growth, FDI and cheap labour can combine to create a market of strong potential even in a disadvantageous location.

The only definitive conclusion to emerge from the survey seems to be that strong and sustained general economic growth is a precondition of emergence as a logistics market.

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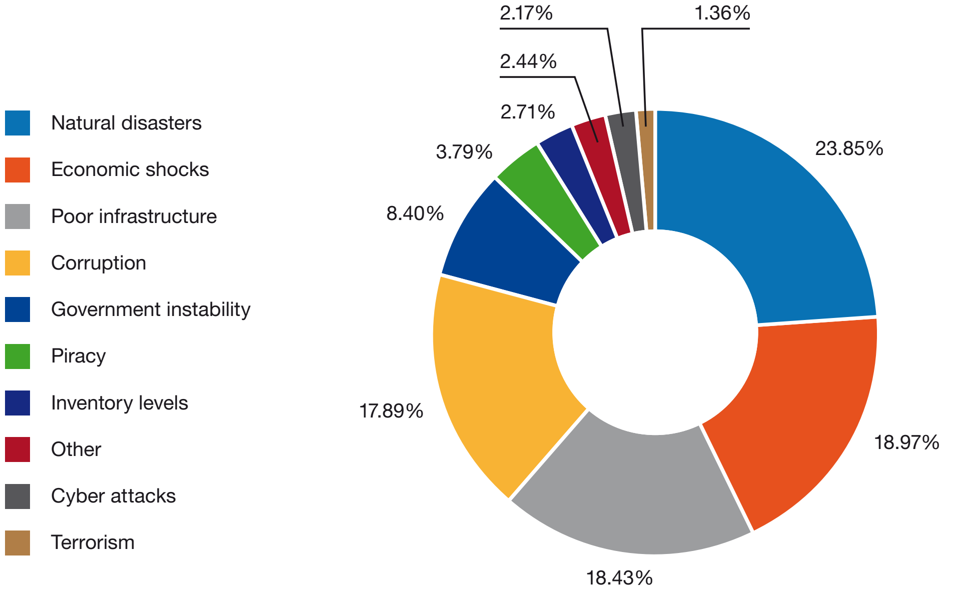
8.3 Supply Chain Risks

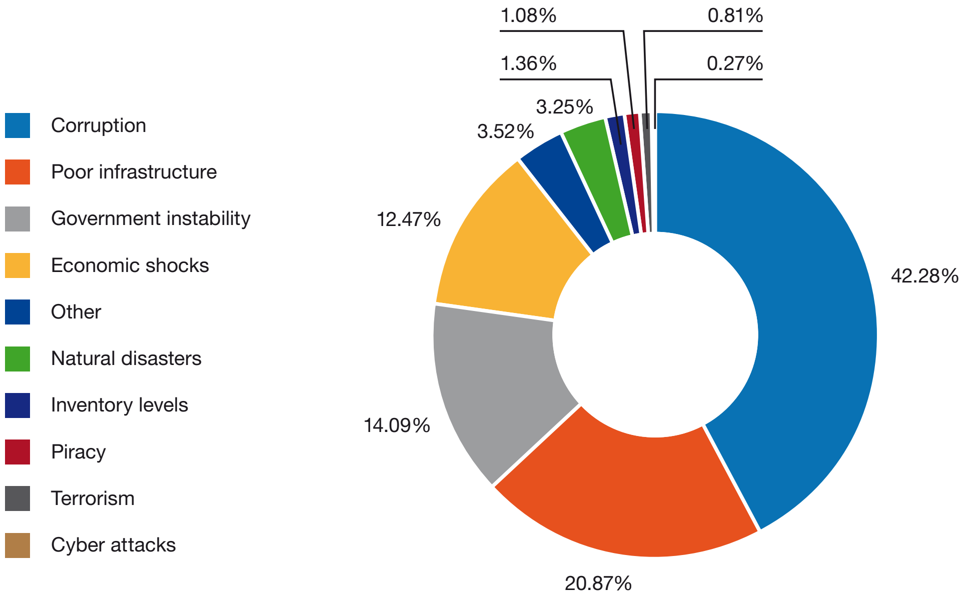
8.3.1 For each of the following regions, please outline which supply chain risk poses the most considerable threat to growth.

FIGURE 14: Asia Supply Chain Risks



Source: Transport Intelligence

FIGURE 15: Latin America Supply Chain Risks



Source: Transport Intelligence

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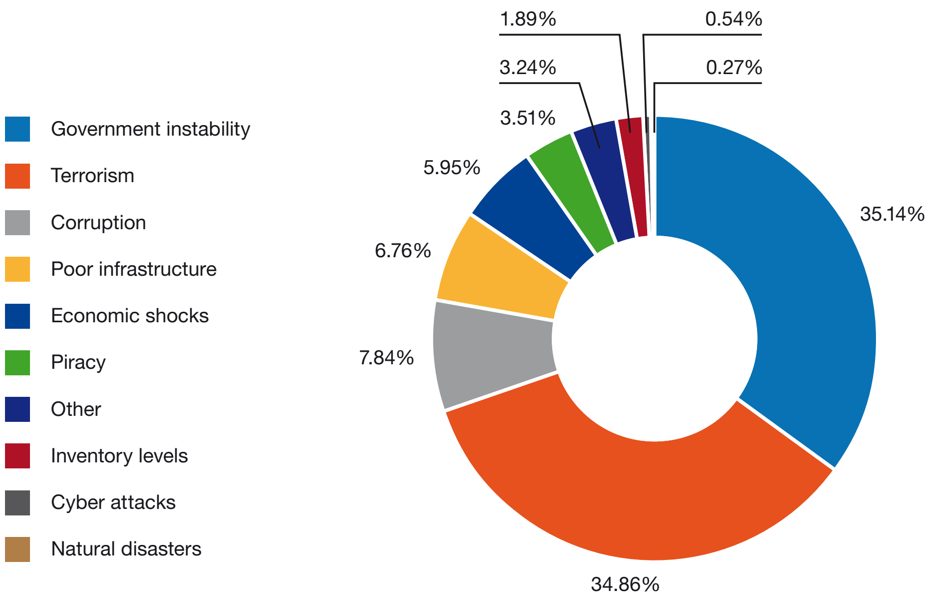
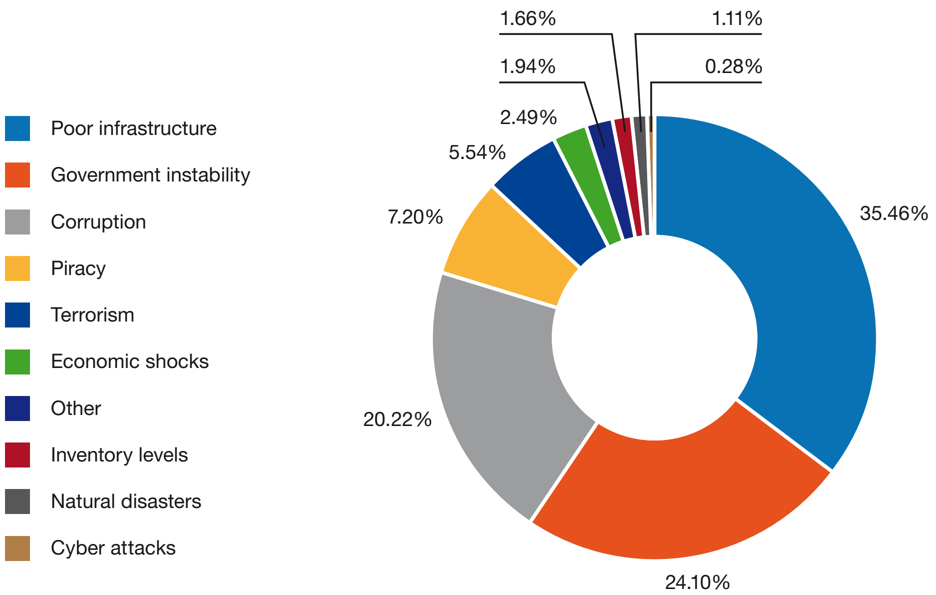
FIGURE 16: Middle East & North Africa Supply Chain Risks



Source: Transport Intelligence

FIGURE 17: Sub-Saharan Africa Supply Chain Risks



Source: Transport Intelligence

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When asked to assess the most pertinent risks to supply chains across four regions, lessons learned from recent history emerged as a common theme linking industry professionals' thinking.

Asia

In Asia, the threat posed by natural disasters was prominent in respondents' thoughts as 23.85% saw it as the chief risk to supply chains in the region. Combined, the top four risks to supply chains in Asia accounted for 79.14% of responses, and the relative parity afforded to the economic shocks (18.97%), poor infrastructure (18.43%) and corruption (17.89%) which rounded out the top four threats, suggests survey respondents see a number of clear threats to the growth of logistics markets in the region.

Latin America

Some 42.28% of survey participants rated corruption as the primary threat to supply chain growth in Latin America, more than double the 20.87% which ranked poor infrastructure as the second most significant threat. Poor infrastructure poses both immediate operational and long-term strategic threats to supply chains in the region, and logistics providers must consider a number of physical challenges when operating in the region – its size is often underestimated and the Andes can present major challenges integrating Chile into supply chains, for example. Additionally, attempts at regional political integration, including MERCOSUR, have not always fulfilled their full potential, something that may concern the 14.09% of respondents who ranked government instability as a significant threat in the region. Overall, the top four threats to supply chains in the region accounted for 89.71% of the responses, suggesting industry professionals have identified a number of clear threats.

Middle East & North Africa

Just two threats account for 70% of perceived risk in the Middle East & North Africa region. With recent events in the region including the Arab Spring and the civil war in Syria, it is perhaps not hard to see why 35.14% of respondents saw government instability and 34.86% saw terrorism as significant threats to supply chains. It is events such as these which have resulted in the presence of six countries from the region ranking as top 10 least attractive emerging logistics markets.

Sub-Saharan Africa

Poor infrastructure, government instability and corruption together account for 79.78% of the perceived threats in sub-Saharan Africa. Perhaps to a stronger degree than in other regions, the perceived threats in sub-Saharan Africa appear interconnected, but perception of risk in the region returns to the pattern established in other regions which sees a few threats dominating industry professionals' thoughts.

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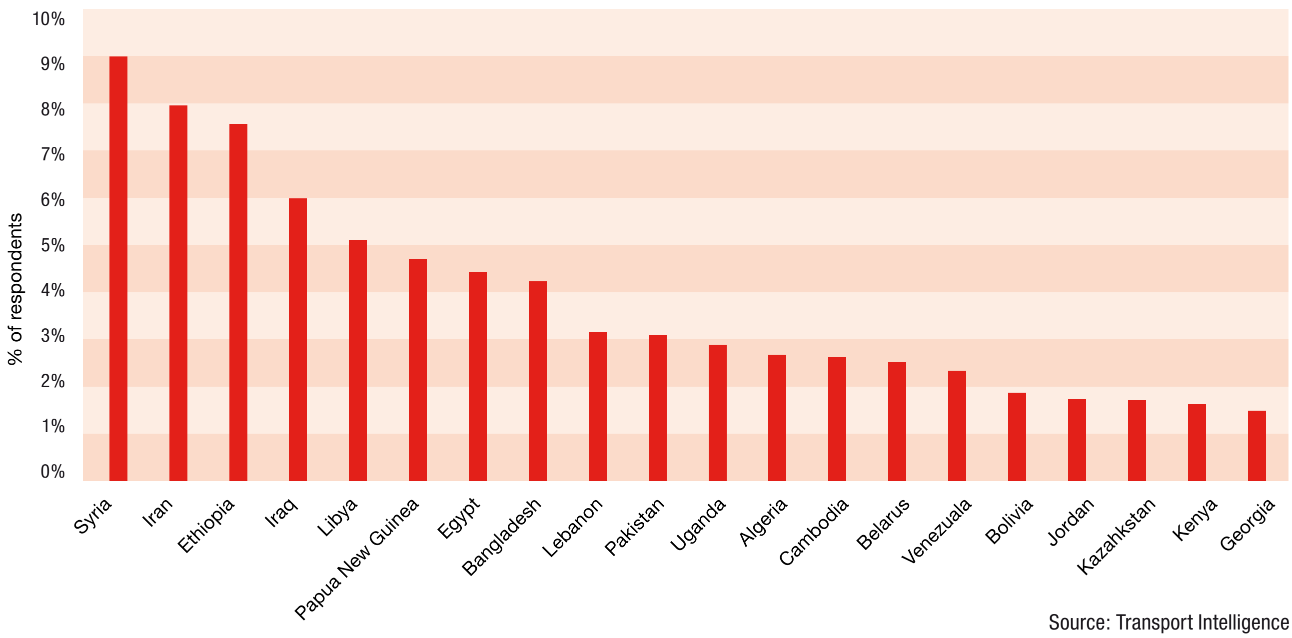
8.4 Least Attractive Markets

8.4.1 Which of the following countries do you believe have the least potential as emerging logistics markets?

FIGURE 18: Least Attractive Markets



Source: Transport Intelligence

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TABLE 18: Least Attractive Markets in Rank Order

Rank	Country	%
1	Syria	9.02%
2	Iran	7.94%
3	Ethiopia	7.56%
4	Iraq	6.03%
5	Libya	5.13%
6	Papua New Guinea	4.73%
7	Egypt	4.44%
8	Bangladesh	4.21%
9	Lebanon	3.17%
10	Pakistan	3.12%
11	Uganda	2.91%
12	Algeria	2.63%
13	Cambodia	2.58%
14	Belarus	2.53%
15	Venezuela	2.35%
16	Bolivia	1.84%
17	Jordan	1.74%
18	Kazakhstan	1.74%
19	Kenya	1.71%
20	Georgia	1.53%

Source: Transport Intelligence

Recent events in Syria mean it replaces Iran as the least attractive market logistics market in this year's survey. The troubles afflicting the country have also seen neighbouring Lebanon and Jordan climb through the rankings. The effect of the Syrian conflict is particularly apparent with regard to Lebanon which, just a few years ago, was gathering momentum as a potential hub location in the Middle East & North Africa region. It is this same region which dominates the top 20 least attractive emerging logistics markets ranking with five more countries – Iran, Iraq, Libya, Egypt, and Algeria – joining Syria, Lebanon and Jordan in the ranking. Of these countries, a number were impacted by the Arab Spring. While Egypt and Libya were directly involved – and responses to the survey suggest that the former remains on an uncertain path – the change in ranking to the indirectly effected countries suggests the threat the Arab Spring poses to supply chains and logistics providers has spread across the region.

Elsewhere, just two Latin American countries make it into the top 20. Venezuela and Bolivia, ranked 15th and 16th respectively, both showed improvement when compared with results in 2013 when the countries ranked 11th and 15th respectively. In Asia, Bangladesh improved two places to eighth, but Papua New Guinea moved from

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eighth to sixth and Cambodia moved from 16th to 13th to reflect an increasingly less attractive status. Three countries from sub-Saharan Africa appeared in 2014's ranking – Ethiopia moved from fourth to third while Uganda improved from 11th to 13th reflecting the slightly higher potential seen in the market. Kenya moved from 19th from 18th.

Three countries – Bangladesh, Kenya and Kazakhstan – appear on both the most and least attractive ranking, suggesting industry professionals see clear challenges and opportunities in each.

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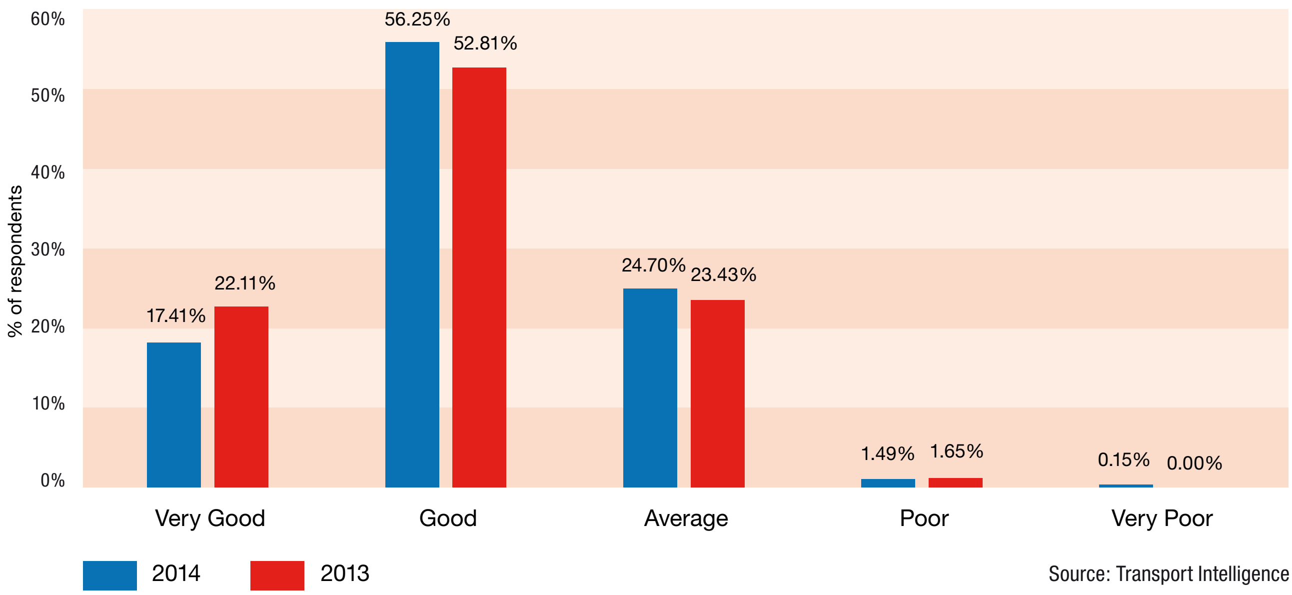
8.5 Prospects for Emerging Markets

8.5.1 How do you rate the prospects for emerging markets in 2014?

FIGURE 19: Prospects for Emerging Markets in 2014



Source: Transport Intelligence

Some 56.25% of survey respondents viewed prospects in emerging markets as 'good' for the year ahead.

For 2014, opinion has gathered behind this 'good' rating – up 3.44% compared with 2013 – and the more moderate 'average' rating – up 1.27% – which suggests a more grounded and pragmatic view of the potential held by emerging markets, particularly when viewed alongside the declining proportion of votes that went to the 'very good' option – down 4.70% compared with the 2013 survey. Industry professionals are still overwhelmingly optimistic about the year ahead, however, with 73.66% rating prospects as either 'good' or 'very good'.

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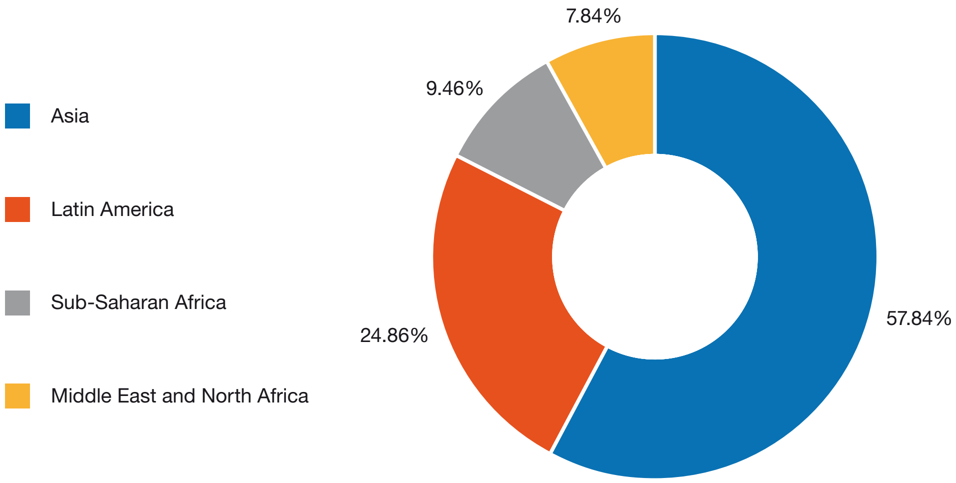
8.6 Regional Prospects

8.6.1 Which region do you believe will produce the highest emerging market growth rate in 2014?

FIGURE 20: Which Region will see Strong Emerging Market Growth?



Source: Transport Intelligence

More than half of survey participants ranked Asia as the region that would produce the highest emerging market growth rate in 2014. From the region, China, India, Indonesia and Vietnam all made it into the top 10 most attractive emerging market ranking. The Middle East & North Africa has the least optimism with regard to producing high growth rates even though both Turkey and UAE achieved top 10 most attractive emerging logistics markets status. This may be because, although it has attractive markets, the region also has a number of unattractive markets – Syria, Iran, Iraq, Libya, Egypt and Lebanon all feature in the top 10 least attractive market ranking – and a number of markets in which the region's most strongly perceived supply chain threats – government instability and terrorism – are present.

The optimism surrounding growth rates in Latin America is surprising as the region has only two markets, Brazil and Argentina, in the top 20 most attractive markets ranking, although this may well point to the reason why Asia has more than twice the backing of Latin America. While the two regions each feature a top emerging market in China and Brazil, Asia gives China a supporting cast of countries including India, Indonesia, Vietnam, Thailand, Malaysia, Bangladesh, and the Philippines which also feature in the top 20 most attractive markets ranking.

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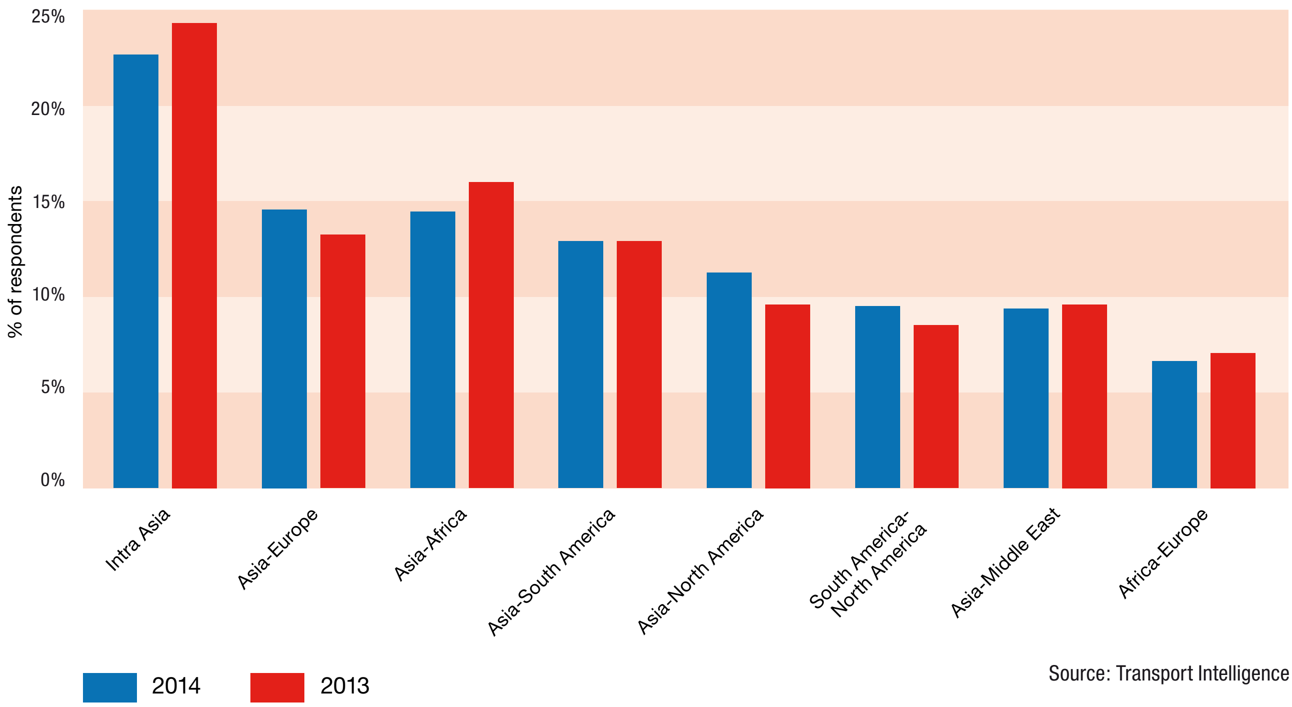
8.7 Prospects of Emerging Trade Lanes

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

FIGURE 21: Prospects of Emerging Trade Lanes



Source: Transport Intelligence

TABLE 19: Prospects of Emerging Trade Lanes

Trade Lane	2014	2013
Intra-Asia	22.59%	24.38%
Asia-Europe	14.45%	13.13%
Asia-Africa	14.31%	15.94%
Asia-South America	12.82%	12.81%
Asia-North America	11.12%	9.38%
South America-North America	9.28%	8.28%
Asia-Middle East	9.21%	9.38%
Africa-Europe	6.23%	6.72%

Source: Transport Intelligence

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Four trade lanes experienced growing optimism for the future when compared with the 2013 survey, three of which had origins in Asia. Of these three, the Asia-North America lane grew the most with optimism up 1.74% compared with the 2013 survey. The South America-North America lane also grew, up 1.00%. The expectation of future growth on these two lanes indicates optimism that the worst of the economic uncertainty in the US has now passed and is gaining momentum. Results also suggest that, just as growth is expected in North America as a destination, confidence is also returning to Europe, represented by a 1.32% gain in prospects for the Asia-Europe lane. The final growth lane was Asia-South America, which was up more marginally than the other climbers by 0.01%. Confidence in the Asia-Africa lane declined, however, as 1.63% fewer respondents rated it as having the highest growth potential when compared with the 2013 survey.

Any change in confidence regarding future prospects of trade lanes must account for a balance between supply in the origin region and demand in the destination region. The top five trade lanes originate in Asia which shows near universal confidence that Asian export volumes will increase into the future. More than one fifth (22.59%) of respondents had confidence that intra-Asia trade lanes presented the strongest growth prospects.

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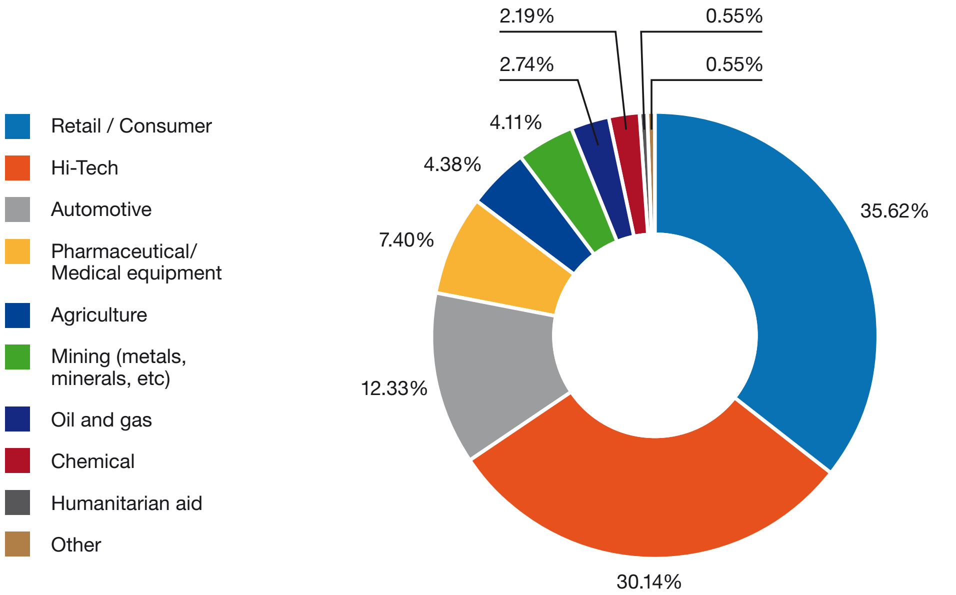
8.8 Prospects of Vertical Sectors

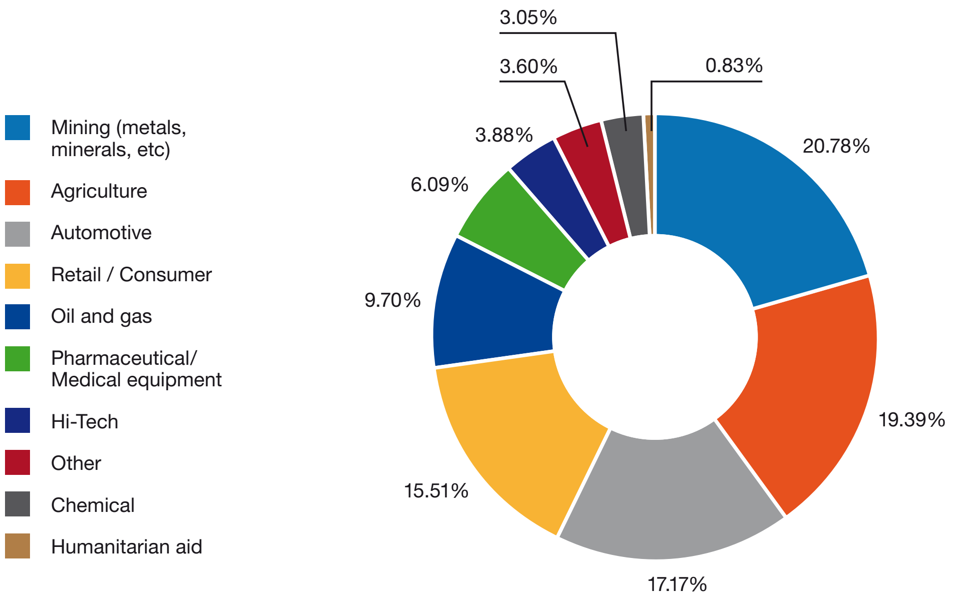
8.8.1 Which of the following vertical sectors do you believe have the greatest potential for future growth in emerging markets?

FIGURE 22: Vertical Sector Potential - Asia



Source: Transport Intelligence

FIGURE 23: Vertical Sector Potential – Latin America



Source: Transport Intelligence

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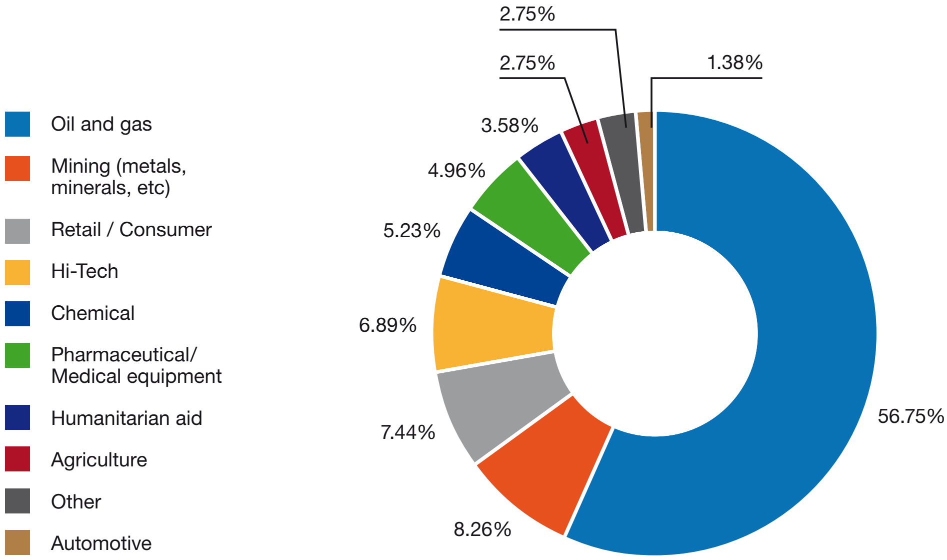
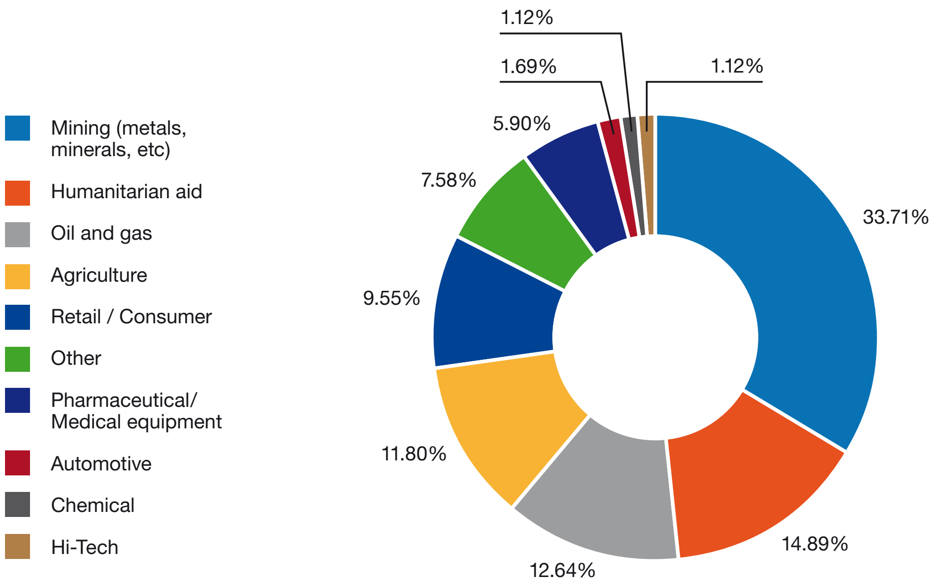
FIGURE 24: Vertical Sector Potential – Middle East & North Africa



Source: Transport Intelligence

FIGURE 25: Vertical Sector Potential – Sub-Saharan Africa



Source: Transport Intelligence

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Approximately two thirds (65.76%) of respondents viewed the retail/consumer and high-tech markets as the most promising vertical sectors in Asia. Adding the automotive sector means three sectors accounted for a total of 78.09% of responses, all of which are geared towards serving the demand of a growing middle class in China and across the region, and suggests providers see the development of supply chains to serve this group as a reliable path to growth in Asia's major economies.

Some 72.85% of respondents ranked four markets – mining, agriculture, automotive and retail/consumer – as the most promising vertical sectors in Latin America. These markets can be split into two groups – those focussed on raw materials (40.17%) and those focussed on serving the needs of a growing middle class (32.68%). This may perhaps point at the divergent stages of economic development within the continent and illustrates that two distinct opportunities, one serving locations rich in mineral wealth and one serving locations with increasing individual wealth, exist in the region for logistics providers. Each opportunity presents its own challenges, and the relative balance between the two groupings suggests no firm, industry-wide conclusions about the risks and rewards of either have been reached.

More than half of survey respondents (56.75%) agreed that the Oil & Gas sector presented logistics providers with the most significant growth opportunities in the Middle East and North Africa, which is perhaps not surprising given the significance of the industry to economic prosperity in the region and the already established physical and market infrastructures. More significant is the lack of clear opportunity seen in other markets across the region. Mining – at 8.26% – was the second most subscribed option in the survey, while retail/consumer, hi-tech and chemical were the only other options to register more than 5%.

Mining was viewed as the vertical sector with the greatest potential in sub-Saharan Africa as 33.71% of survey participants acknowledged its potential – more than double the rate of response for the second ranking sector, humanitarian aid (14.89%). Although the responses were more evenly spread than in other regions, a clear consensus exists amongst industry professionals which suggests that raw materials and the extractive industries hold the greatest potential in the region – combined Mining (33.71%), Oil & Gas (12.64%) and Agriculture (11.80%) accounted for more than 58% of responses. Significant, too, was the rate of response afforded to "Other" which, at 7.58% was higher than across the other three regions combined, and suggests that opportunities in the region have yet to establish themselves as clearly as in the other regions.

Across the regions, the verticals selected as the most promising point to the wider stage of economic development of the individual region – in Asia, survey participants placed an emphasis on consumer goods to serve its growing middle class relatively heavily, and sub-Saharan African prospects focussed on raw materials, for example.

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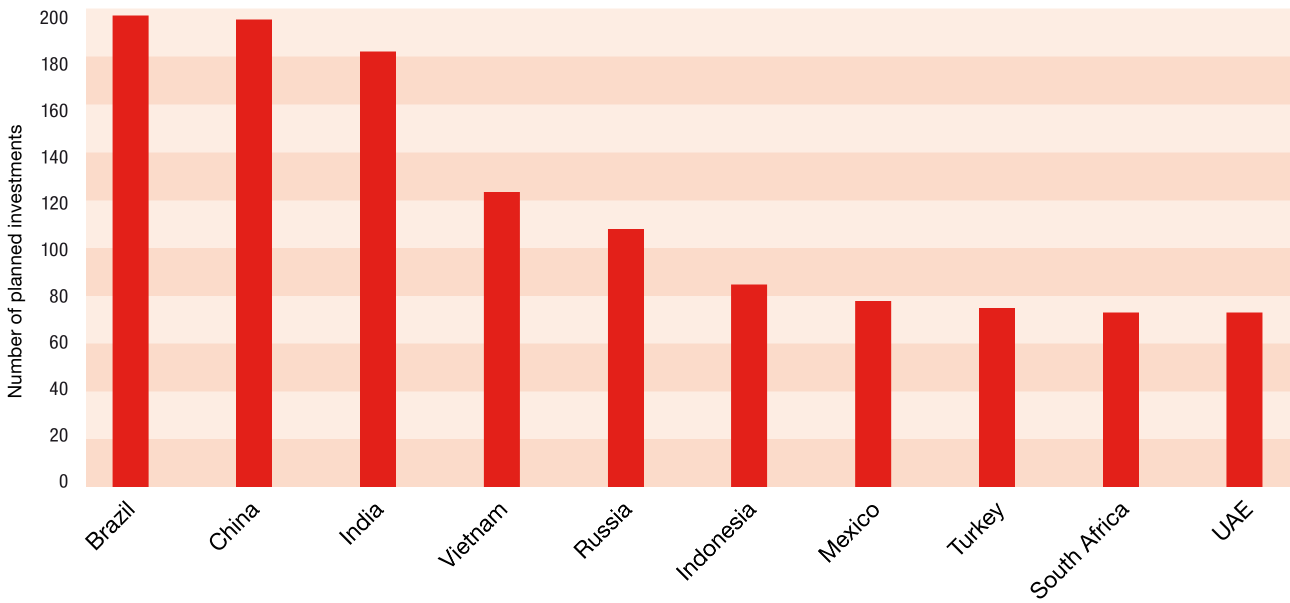
8.9 Markets for Potential Investments in the Next Five Years

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

FIGURE 26: Markets for Potential Investment over the next Five Years



Source: Transport Intelligence

TABLE 20: Markets for Potential Investment over the next Five Years

Country	2014	2013	Y-o-Y Change
Brazil	1	2	up 1
China	2	1	down 1
India	3	3	-
Vietnam	4	5	up 1
Russia	5	4	down 1
Indonesia	6	7	up 1
Mexico	7	10	up 3
Turkey	8	9	up 1
South Africa	9	6	down 3
UAE	10	8	down 2

Source: Transport Intelligence

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Survey participants indicated a total of 2,296 investments are planned over the next five years. A total of 386 (16.81%) of these are planned for markets identified as the least attractive emerging logistics markets by survey participants. In contrast, some 1,615 (70.34%) investments are planned in the emerging markets identified as the most attractive.

Among the major markets, investment numbers remain close – just two separate Brazil and China while just 14 more are planned in Brazil than in India – as was the case in the 2013 survey. The top 10 markets for investment remained the same, although some change in order has occurred. Russia slipped down a position to be replaced by Vietnam, a location which respondents also suggested was the favoured destination for production shifts away from China. South Africa fell three places in the rankings, with investors perhaps put off by the strikes which took place in 2012 and 2013, while Mexico showed the biggest gains amongst the top 10, moving up three places to seventh.

A total of 850 investments are planned in Asia, with China, India and Vietnam accounting for 501 of this total. This is virtually double the amount of investments planned in Latin America, where Brazil dominates investment plans with 198 compared with the region's second ranked potential investment destination of Argentina with 51. Some 425 investments are planned in the Middle East and North Africa region, where three markets – Turkey (76), the UAE (73) and Saudi Arabia (53) account for nearly half of all planned investments. In sub-Saharan Africa, South Africa is the favoured investment location with 73 of the region's 236 planned investments.

This year represents the first occasion when Brazil has finished ahead of China in terms of planned investments, however both China and India were ranked as more attractive emerging logistics markets than Brazil over the next five years. This could be due to a number of factors, including Brazil's emergence as a near-sourcing location for Latin and North American markets and the switching of attention to Latin America as logistics providers look to establish operations in the region having already gained a foothold in China and India.

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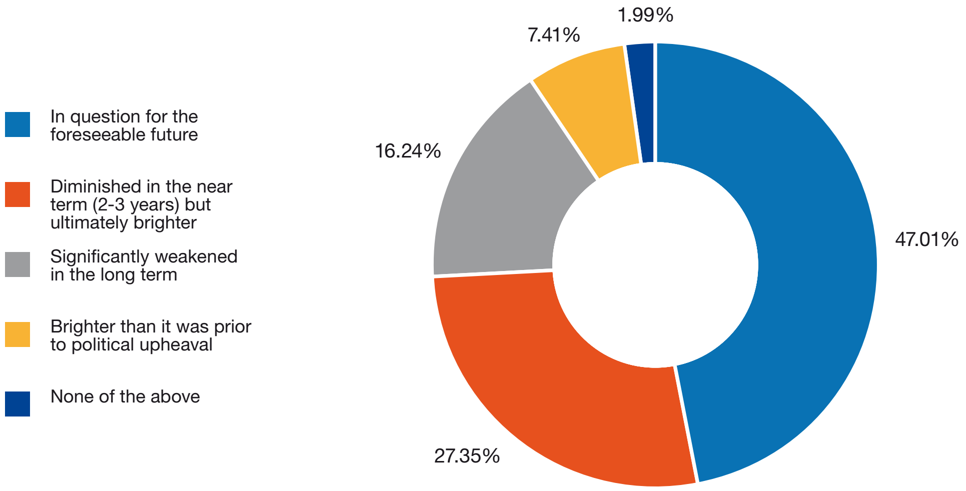
8.10 Prospects of the Arab Springs Countries

8.10.1 In your opinion, do you believe the economic attractiveness of the so-called "Arab Spring" countries is...

FIGURE 27: Prospects in the 'Arab Springs' Countries



Source: Transport Intelligence

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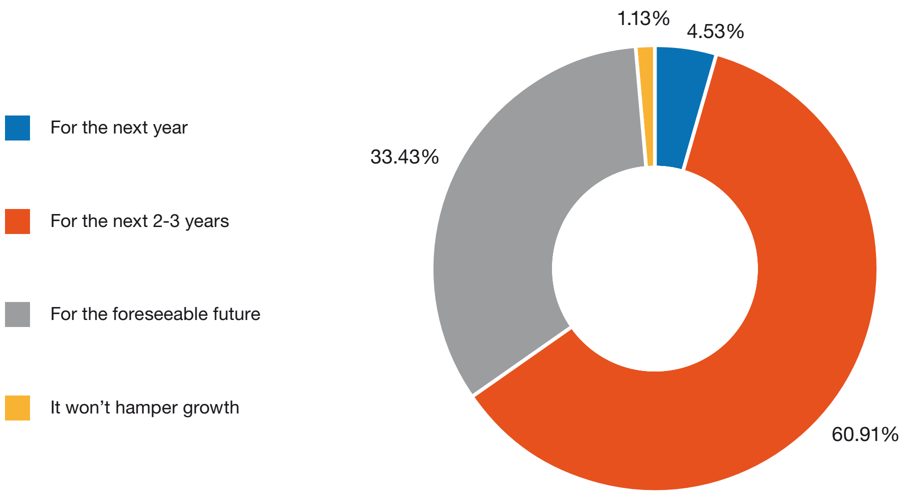
8.10.2 For how long do you believe the on-going political instability in Egypt will hamper growth prospects?

FIGURE 28: How long will Political Instability in Egypt Hamper Growth Prospects?



Source: Transport Intelligence

8.10.3 Perceptions, prospects and effects of the 'Arab Spring'

Some 47.01% of respondents believe it is too early to judge the effect the Arab Spring has had on the economic attractiveness of the countries involved. While 34.76% believe the economies are more attractive now than prior to Arab Spring, or will become so in over next 2-3 years, some 16.24% believe that fundamental damage has been done. When asked about the situation in Egypt specifically, 60.91% of respondents stated they believed the on-going political instability would hinder economic growth for the next 2-3 years. The timeframes attributed to both the situation in Egypt and the wider Arab Spring suggest that political stability in Egypt is conflated with the end of the Arab Spring and wider economic development in the region.

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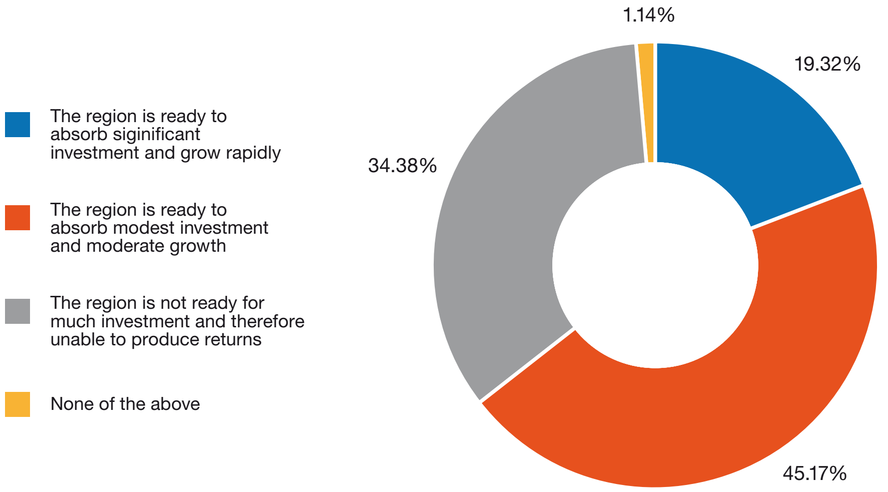
8.11 Development in Sub-Saharan Africa

8.11.1 Which of the following statements do you agree with regarding sub-Saharan Africa?

FIGURE 29: Development in Sub-Saharan Africa



Source: Transport Intelligence

Survey responses appear to indicate that positive momentum is growing behind the potential of sub-Saharan Africa. Nearly two thirds (64.49%) of respondents indicated that the region is ready to absorb moderate or significant investment that would potentially fuel significant growth. This was balanced by 34.38% of participants rating the region as not yet ready for investment.

The positivity should be moderated by noting the presence of South Africa within the region, which may be the source of a disproportionate amount of the positivity in what is a vast and diverse region. The divergent opinions regarding the region's future is borne out in the rankings of most and least attractive emerging logistics markets. South Africa and Nigeria rank in the most attractive markets while Ethiopia and Uganda appear in the least attractive ranking. Kenya appears in both which suggests the full extent of the country's opportunities and challenges have yet to make themselves apparent – a trend that may be true of the region as a whole.

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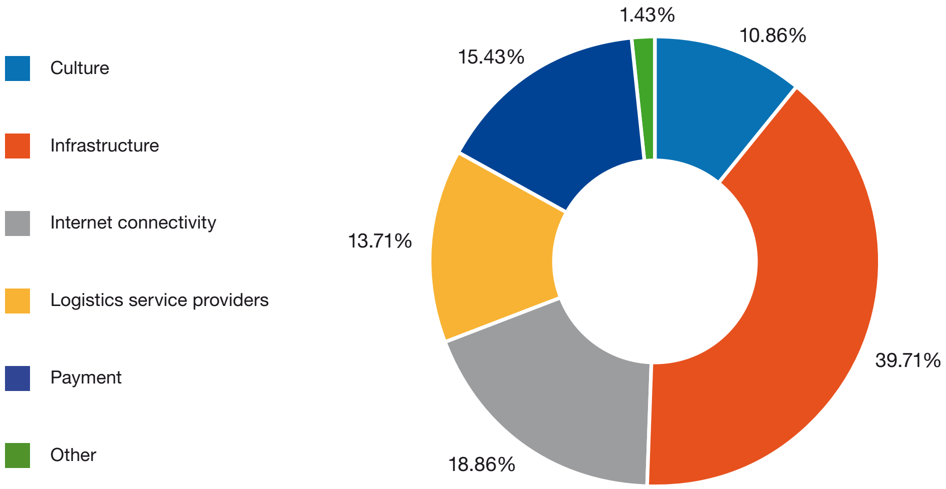
8.12 Factors Prohibiting e-commerce Growth in Emerging Markets

8.12.1 Which of the following issues do you believe is the most likely to prohibit growth of e-commerce in emerging markets?

FIGURE 30: Factors Inhibiting e-commerce Growth in Emerging Markets



Source: Transport Intelligence

Two significant factors in the development of e-commerce in emerging markets – internet connectivity and online payment methods – are both key technology-related issues that 34.29% of respondents think are hindering the development of e-commerce in emerging markets. Infrastructure, however, is by far the biggest factor at 39.71%. This ties in with the importance of poor infrastructure as an inhibitor of logistics market growth in emerging markets. In addition, few e-commerce-friendly vertical sectors were identified amongst the regions, with the notable exception being the prominence of the retail/consumer market in China. When combined with other factors inhibiting e-commerce growth, notably culture and logistics service providers themselves, the survey results suggest a number of internal and external challenges will need to be overcome before emerging markets experience an internet retailing boom.

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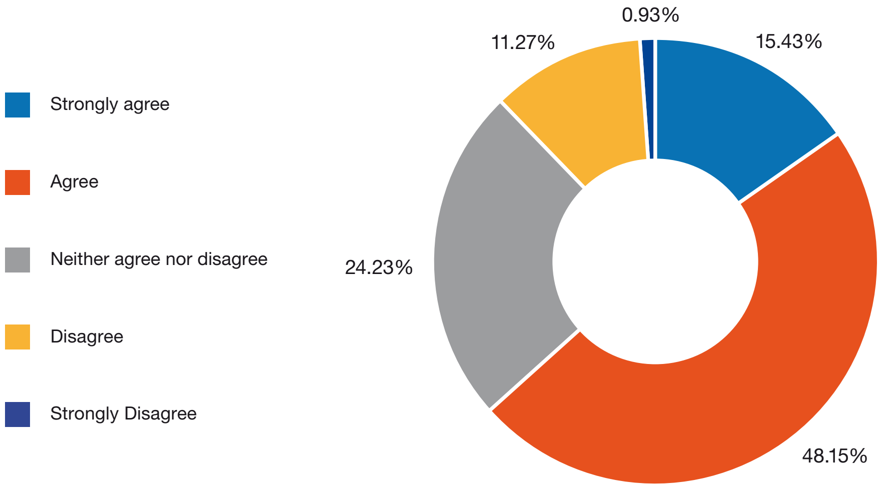
8.13 Shifting Production

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

FIGURE 31: Trend for Moving Production away from China and to other Emerging Markets



Source: Transport Intelligence

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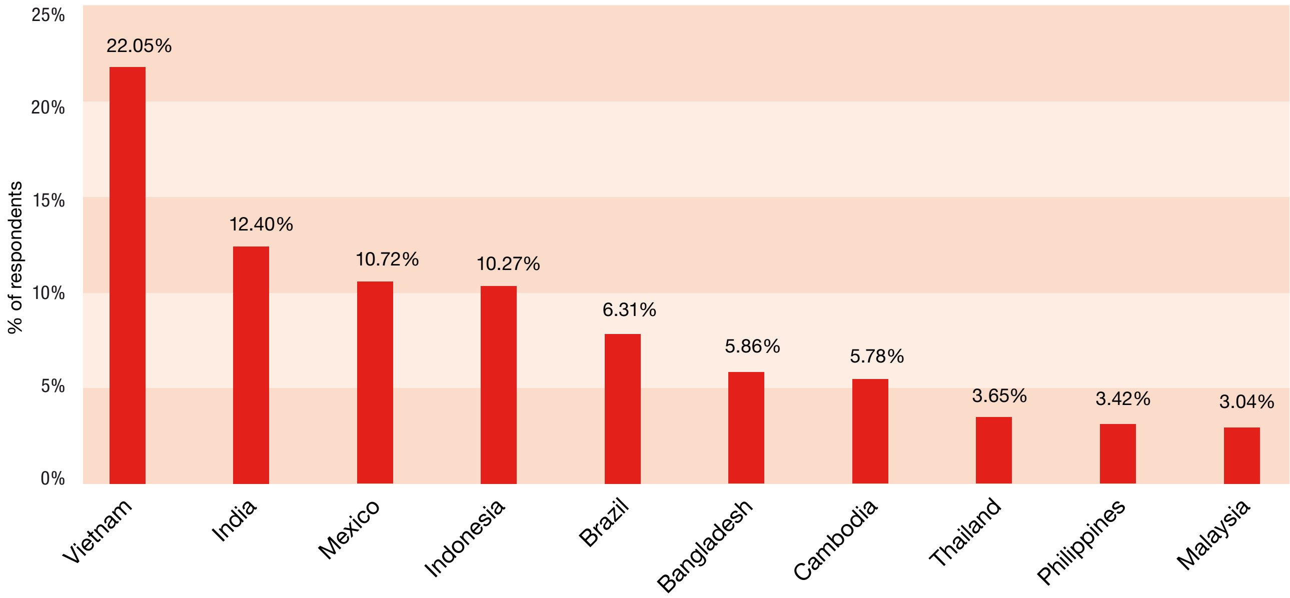
8.13.2 If you agree or strongly agree that production is moving away from China, which countries do you believe production is moving to?

FIGURE 32: Destinations of Production Shifts away from China



Source: Transport Intelligence

The majority of trade and logistics professionals now hold the view that China has lost its competitive advantage as a low-cost production location, with survey respondents indicate that a shifting of production away from China is indeed taking place. Some 63.58% either agreed or strongly agreed with the assertion, while only 11.27% disagreed (a shrinking minority when compared with the 2013 survey) disagreed.

When asked to rank the factors behind growth in emerging logistics markets, survey participants cited economic growth as the key driver. While Chinese economic growth remains strong, the country has been experiencing a reduction in the pace of growth. This is combined with a steadily increasing cost of labour in the country – respondents to the survey indicated that the availability of cheap labour was the fourth most significant factor behind the potential emergence of markets.

Vietnam is perceived as the location benefitting most from the shift, as is Asia more generally. Eight of the 10 shift-locations are in Asia – suggesting it's the growing expense of China outweighing its benefits and not any fundamental loss of faith in the region or its major markets that is pushing manufacturers elsewhere. Outside of Asia, Mexico – an attractive near-sourcing location for the US market – is benefitting from production shifts, as is Brazil.

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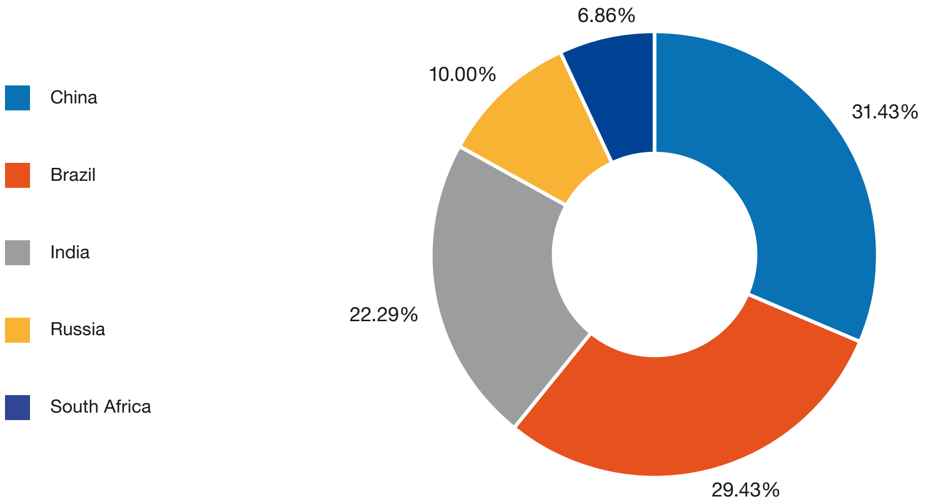
8.14 Growth Prospects of BRICS Economies

8.14.1 Among the BRICS countries, which has the best growth outlook for 2014-2015?

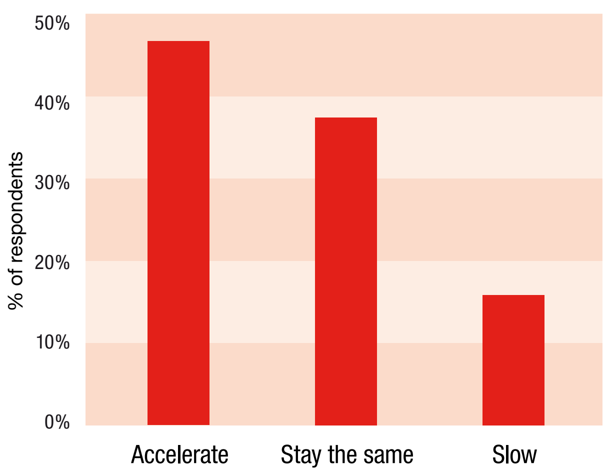
FIGURE 33: Outlook for BRIC Economies



Source: Transport Intelligence

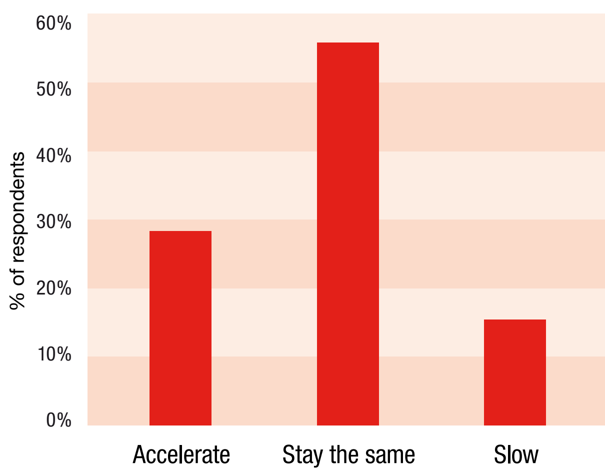
8.14.2 What do you expect will happen to economic growth in each of the BRICS countries in 2014?

FIGURE 34: Growth Prospects – Brazil



Source: Transport Intelligence

FIGURE 35: Growth Prospects – Russia



Source: Transport Intelligence

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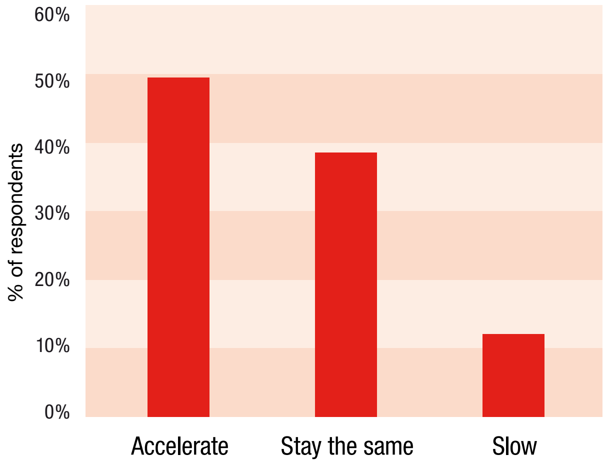
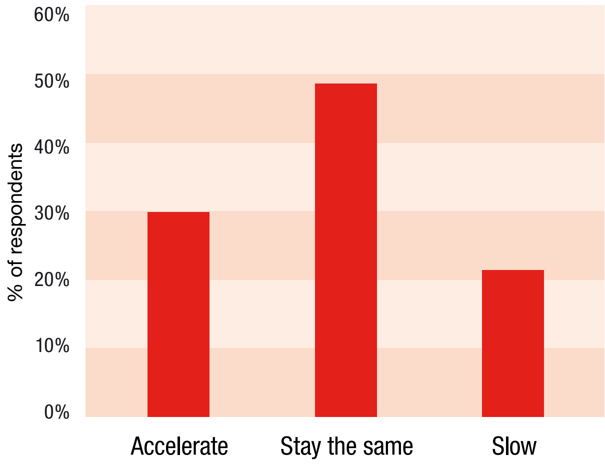
FIGURE 36: Growth Prospects – India



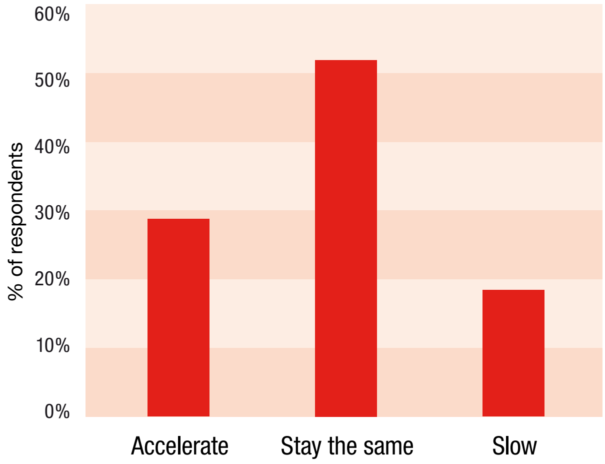
Source: Transport Intelligence

FIGURE 37: Growth Prospects – China



Source: Transport Intelligence

FIGURE 38: Growth Prospects – South Africa



Source: Transport Intelligence

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Although responses to several questions have indicated a shift away from China and towards other BRICS nations, particularly plans for future investments, there is no indication of a fundamental loss of faith in the future prosperity of Asia's leading economy. Nearly one third (31.43%) of survey participants rated China as the BRICS nation with the best growth prospects over the next two years, with some 78.73% predicted stable or increasing growth over the period. Survey participants highlighted caution in China, however, with more than one fifth (21.26%) predicting the country's growth may be about to slow – more than predicted a similar fate for any other BRICS market.

India, the third rated nation in terms of growth prospects, performed strongly when participants were asked to assess how the pace of growth in the economy will change. Approximately half of respondents (49.43%) expect the pace of growth in the Indian economy to increase over the short–term. This appears at odds with actual economic performance in the country since 2010, however. GDP growth in India slowed in each year between 2010-2012 and averaged an annual rate of 6.70% over the same period, some way below the average of 9.45% recorded in the years immediately preceding the global financial crisis. The results of this survey appear to suggest that optimism in the market's potential is growing.

A failure to return to pre-2009 growth levels is perhaps more common among the BRICS than expected, as both Brazil and Russia join India as economies yet to rediscover the growth rates of experienced in the mid-2000s. Brazil's economy, which saw the pace of growth pick up during much of 2013, seems better placed than its contemporaries to fulfil the expectations of 46.55% of respondents who expected growth to continue accelerating and 29.43% of respondents rating the country as having the best prospects amongst the BRICS nations. Growth in Russia's economy has been broadly flat since 2010, and this is reflected in the survey as just 28.16% of respondents backed the nation's economy to increase its pace of growth – the lowest of any BRICS nation. This was matched with a fourth placed ranking in terms of comparative growth prospects. Almost overwhelmingly, the prediction of industry professionals was another year of flat growth in Russia, a trend matched by South African prospects where 52.31% expect a year of flat economic growth.

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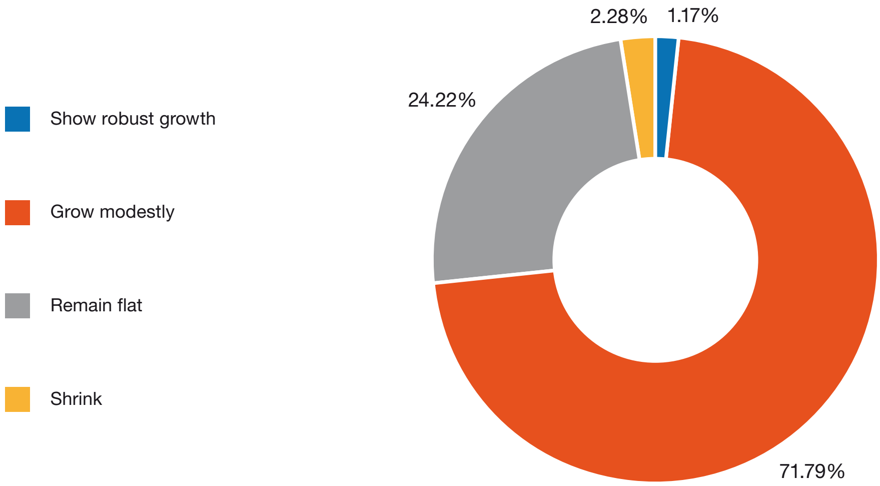
8.15 Prospects for the Global Economy and Trade Volumes

8.15.1 In 2014, the global economy and trade volumes are likely to:

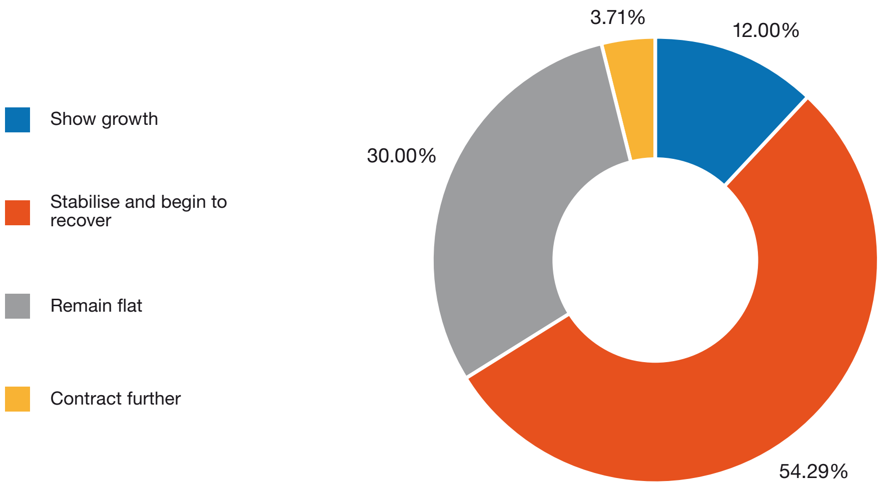
FIGURE 39: Prospects for the Global Economy and Trade Volumes



Source: Transport Intelligence

8.15.2 In 2014, the Eurozone will:

FIGURE 40: Eurozone Growth Prospects



Source: Transport Intelligence

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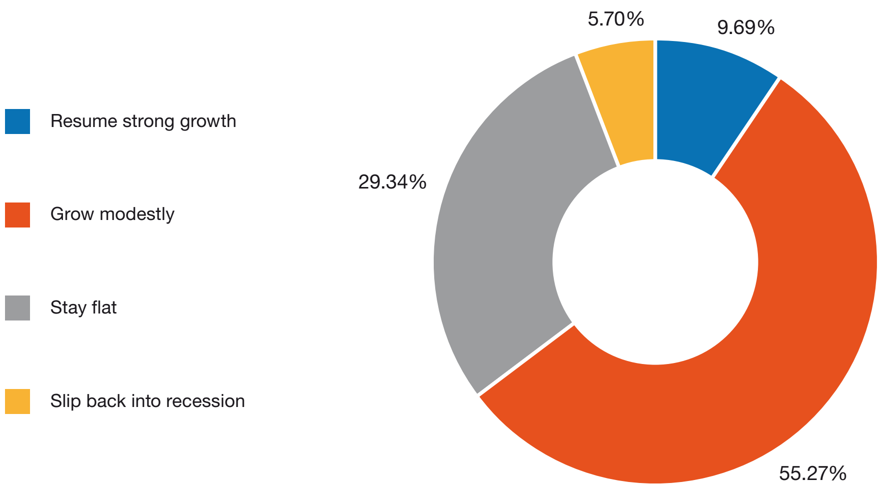
8.15.3 In 2014, the US economy will:

FIGURE 41: US Growth Prospects



Source: Transport Intelligence

8.15.4 Prospects for trade volumes and developed economies

The majority of industry professional polled see moderate growth as the most likely outcome for the global economy and trade volumes in the year ahead. Optimism in the industry appears more measured than in 2013, however, as a growing number of respondents reported expectations of moderate growth, while a higher proportion predicted falling volumes and a shrinking global economy compared with those who expected robust growth.

This continues the trend for survey participants approaching growth prospects with caution – 96.01% of respondents rated global growth prospects as moderate or likely to remain flat, broadly similar to ratings attributed to similar prospects for the recovering US and Eurozone economies. While only a minority (5.70%) saw the US slipping back into recession, little trace of bullishness can be found amongst the 84.61% of respondents that predicted growth would be flat or moderate at best. This cautious approach, which may reflect uncertainty related to the recent budgetary and political deadlock in Washington, does reveal some reason to be optimistic, however, as growing faith in the US economy translated into gains in optimism for increasing volumes in trade lanes destined for North America. A similar story reveals itself in the Eurozone, too, where an almost identical 84.24% predicted stability and flat growth in the year ahead was the best the Union could hope for. At 12.00%, those expecting growth were firmly in the minority, although with just 3.71% predicting further economic contraction, it appears optimism that the worst has passed is growing.

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9.0 About Agility and Transport Intelligence

9.1 Agility – A Leader in Emerging Markets

Agility brings efficiency to supply chains in some of the globe's most challenging environments, offering unmatched personal service, a global footprint and customised capabilities in developed and developing economies alike. Agility is one of the world's leading providers of integrated logistics. It is a publicly traded company with over $5bn in revenue and more than 22,000 employees in 500 offices across 100 countries.

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If you have any feedback on this Index please do not hesitate to get in touch with us by any of the following means:

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