Agility Emerging Markets Logistics Index

2015

Transport Intelligence

Agility

Global Integrated Logistics

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Contents

The Agility Emerging Markets Logistics Index

Section 1

Essa Al-Saleh, CEO & President, Agility Global Integrated Logistics (GIL)

We began 2014 with talk of an emerging markets meltdown. Storm clouds gathered in equity and currency markets, giving rise to talk of a "fragile five" (South Africa, Brazil, India, Turkey and Indonesia). At the same time, political instability and armed conflict threatened North Africa and parts of the Middle East. What's changed? China's economy is slowing, commodity prices are falling, and the prospect of US monetary tightening looms. ***Yet, there is no talk of an emerging markets meltdown.*** Why? Emerging markets have proven more resilient than thought, in spite of a sluggish global economy. They are less vulnerable today to shocks that would have sent investors racing for the door in the past. A number of these countries have built confidence by tackling stubborn problems – labour and tax rules, trade and land-use regulations, investor protections, contract law, property rights, capital restrictions – that have impeded

John Manners-Bell, CEO, Transport Intelligence

Five years after the global recession of 2008-9, prospects for all the world's economies, developed and emerging, are still unclear. While there is increasing optimism in some parts, most notably demonstrated by the performance of the US economy, other markets are struggling. China's growth has weakened; India has yet to liberalise its bureaucratic and corrupt systems and Russia has seemingly chosen a self-destructive path to isolation. As well as this, terrorism in West, North and East Africa, the Middle East and Central Asia is having a hugely detrimental impact in economic and societal terms. Economic pressures will also be brought to bear on oil producing countries, as the price of oil plunges. This will undoubtedly reduce investment in infrastructure projects right across the Middle East and elsewhere.

Despite these challenges, this, the 6th edition of the Agility Emerging Markets Logistics Index, shows

Essa Al-Saleh, Continued

growth and made business skittish. At Agility, we know the challenges these markets present for logistics customers because our job is to help navigate obstacles. But like our customers, we keep our eyes on the horizon. There, we see the great promise of emerging markets: growth in population, expansion of the middle class, rapid urbanisation and increasing consumer spending power, along with steady progress in life expectancy, health, education and poverty reduction. The trajectory of emerging markets is upward. There will be bumps, but the future is bright.

John Manners-Bell, Continued

that interest remains high for these volatile markets. International trade is still expanding (including a welcome return to strong growth in air cargo) and despite political, economic and security risks, infrastructure investments are ongoing to support this growth. Trade lanes are shifting and are favouring those countries which have integrated themselves into the regional and global economies. A young and increasingly affluent middle class in many parts of the emerging world cannot be ignored by global consumer goods manufacturers.

Balancing the need to focus on domestic needs while expanding international trade is a delicate act and will surely create volatility within the global marketplace. However the opportunities are there and the IMF continues to project a 5% growth rate for these markets.

How much risk are businesses and logistics providers willing to take within these markets? Where are the opportunities? For over six years, the Agility Emerging Markets Logistics Index has attempted to answer these questions and more. By gathering insight from executives and through additional research and analysis it has now become the leading research paper on emerging markets.

Sources

Section 2

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

Data for the Index 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 Eurostat.

Methodology

Section 3

Definition of 'Emerging Markets'

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

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

1. It is 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 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
- Urbanisation of population – a driver of manufacturers' centralised 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, as measured by the Gini Index.
- 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 theft, 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.

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

GDP is measured in current US$. GDP data has been obtained from the World Bank.

Trade Lanes

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.

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

For air and sea, by imports and exports, the fastest 25 growing trade lanes for each case have been ranked by their growth in 2014. In addition, an index has been calculated with a base year of 2005 to offer a long term perspective on each trade lane's performance.

2005-2013 data are 'actual' figures, whereas 2014 data are forecast figures based on actual monthly data from January-August 2014. A forecast model which accounts for seasonality has been applied to estimate full-year 2014 figures. For sea freight, tonnage relating to HS2 product group 27 "mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes" has been subtracted from total figures. No product groups are excluded from air freight figures. To qualify as one of the 25 fastest growing trade lanes, a certain volume must be reached. For sea freight trade lanes, this threshold is 1 million tonnes. For air freight, it is 10,000 tonnes. This prevents relatively insignificant trade lanes entering the rankings.

CAGRs have been used to measure each trade lane's performance. CAGR stands for Compound Annual Growth Rate. It measures the constant annual percentage growth rate of a time series between a particular start and end point. While CAGRs can be a quick and useful way to analyse medium and long-run performance, caution should be taken as they can often disguise volatility. Inspection of each year's index value over time reveals volatility.

Key Findings

Section 4

Emerging Markets: How Executives See Them

- Roughly 70% of logistics and supply chain professionals expect modest growth in world trade and the global economy in 2015. More than 64% said the World Bank's 2015 forecast for emerging markets growth of 5.4% was "about right." A third viewed the World Bank's emerging markets outlook as too optimistic.
- Russia's growing economic isolation has dramatically diminished its appeal to logistics and supply chain professionals. More than 75% of respondents indicated they were pessimistic about Russia's prospects. Negative sentiment among survey respondents pushed Russia down three spots to No. 7 in a ranking of countries expected to be major logistics markets over the next five years.
- The Russian-backed rebellion in Ukraine has damaged both countries in the eyes of industry professionals. Ukraine vaulted 35 spots to No. 13 among countries thought to have the "least potential as emerging logistics markets." Russia jumped 17 spots to No. 19 among markets with the least potential as emerging logistics markets.
- The relative stability brought about by Egypt's military government has prompted reconsideration of Egypt's prospects. Logistics industry sentiment toward Egypt, negative for the past couple of years, rebounded and propelled Egypt from No. 24 to No. 20 among countries thought to be emerging as major logistics markets. Sentiment is outpacing the data for now: Egypt slipped four spots to No. 32 in the Index, despite improvements in market compatibility, meaning better overall business conditions.
- Logistics and supply chain professionals are impressed by Qatar's openness to business and its massive investment in infrastructure in advance of the 2022 World Cup. Qatar moved up six places (to No. 16) in

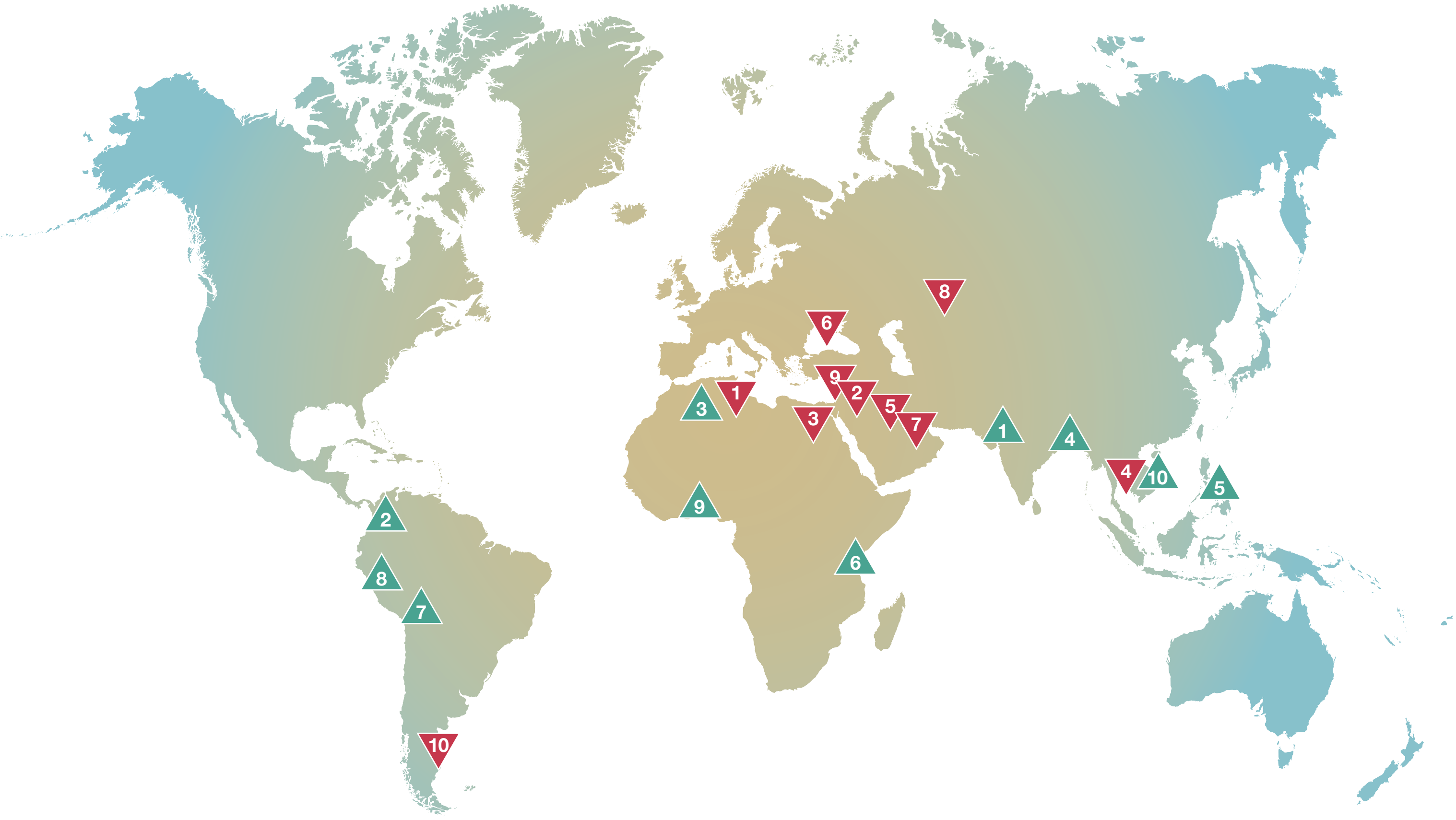
the ranking of countries thought to be major logistics markets over the next five years.

- Logistics professionals continue to believe supply chain risks vary by region. In Asia Pacific, the top risks identified were natural disasters and corruption. In Latin America, corruption and government instability were the leading risks. Terrorism and government instability are seen as the leading concerns in the Middle East & North Africa. In Sub-Saharan Africa, poor infrastructure and government instability continue to be seen as the greatest risks.
- Ethiopia's emergence as a leading East African exporter, air hub and investment destination has yet to gain notice among logistics and supply chain professionals, who rated it as the country with the least potential as an emerging logistics market – behind even Syria, Iraq, Iran and Libya.
- India continues to divide and confuse the logistics industry. India ranked as the No. 2 choice to emerge as a logistics market and as No. 17 among countries least likely to be emerging logistics markets. In the Index rankings, India was leapfrogged by Brazil and Saudi Arabia a year ago, and it slipped again in the 2015 Index, falling past Indonesia to No. 5. India's market compatibility, a gauge of business and trade conditions, fell sharply.
- The trade flows between Asia's emerging markets and other emerging markets are the ones that have logistics professionals most upbeat. Survey respondents showed increased optimism about trade growth in Intra-Asia, Asia-South America and Asia-Africa. Sentiment about prospects for growth in trade lanes linking Asia-Europe and Asia-North America remained strong but slipped from a year ago.
- Minerals and energy resources, long the overriding factors seen driving growth in Sub-Saharan Africa, are now balanced by other drivers. Survey responses were roughly split between minerals and energy on the one hand (51.6%), and other factors such as Africa's growing middle class, consumer spending, infrastructure development, agricultural demand and FDI (48.4%).
- Infrastructure remains, by far, the biggest obstacle to e-commerce growth in emerging markets, industry professionals believe. More than 35% of respondents chose it as the main hurdle, vs. 19% who chose Internet connectivity. Infrastructure concerns are likely a reflection of the extra time, capacity and cost required to deliver goods in emerging markets.
- Near-sourcing is clearly reshaping supply chains in the view of industry professionals, but they rank it well behind other factors (GDP growth, FDI, cheap labour, consumer spending, etc.) in determining whether a country will become an important emerging market. Roughly 68% of logistics professionals surveyed say they are seeing manufacturing shift locations closer to end markets.

Markets on the Move

- Saudi Arabia, No. 9 in the 2010 Agility Emerging Markets Logistics Index, has risen to No. 2 in the 2015 Index, a reflection of the pace at which it is building world-class infrastructure, implementing reforms and attempting to diversify beyond oil, which is still half of the economy. With a $750 billion economy and a population of 29 million, Saudi Arabia ranks behind only China in the Index, which has a $9.3 trillion economy and 1.4 billion people.
- Despite an eroding score for its connections to other markets, Russia held steady at No. 7 in the overall Index, likely because the deterioration in its economy is yet to be fully reflected in the data.
- The Philippines' economy has slowed in recent months, but the turnaround orchestrated by President Benigno Aquino is reflected in both the Index data and industry sentiment toward the country, which has emerged as a standout. The Philippines climbed three spots (to No. 16) in the data-driven Index and jumped five spots (to No. 15) in the survey. In the 2014 Index, the Philippines climbed nine spots (to No. 19), the largest improvement of any country since the Index was first compiled in 2010.
- Improving business conditions in Malaysia (8), Mexico (9), the Philippines (16), Pakistan (25), Egypt (32) and Algeria (34) drove up their market compatibility scores. Pakistan climbed seven spots to No. 25, the biggest gain by any country in the Index, despite the "long march" protests that gripped Islamabad in August. Growth in Pakistan's manufacturing and service sectors, boosted by plentiful energy supplies and post-election business confidence, made up for stagnation in the agriculture sector.
- Deteriorating conditions led to falling market compatibility scores for India (5), Vietnam (19), Kuwait (21), Ukraine (30) and Libya (40).
- The size of China's economy and population can obscure the fact that, relative to other emerging markets, it is very business friendly – China ranks No. 4 among the 45 Index countries for market compatibility in the 2015 Index. Likewise, it scores high for connectedness, ranking No. 3 among all Index countries.
- Among all emerging markets, the Gulf States of UAE (6), Qatar (12) and Oman (13) have created the best business conditions with Uruguay (20), Saudi Arabia (2) and Morocco (17) close behind. UAE, Malaysia, China, Oman, Saudi Arabia and Chile (11) have developed the best infrastructure and connectedness.
- Colombia climbed four spots to No. 22 and experienced huge growth in ocean freight volumes with the United States and European Union. Colombia's economy is the fastest-growing in Latin America. Reforms have cut payroll taxes and contributed to 8% job growth, increased FDI and heightened productivity. It has embarked on a drive to spend $25 billion on roads and railways by 2018.
- Despite reforms and projected 2015 economic growth of 4.4% in Colombia, business conditions there lag even all five countries at the bottom of the overall Index (Nos. 41-45 Bolivia, Lebanon, Kenya, Cambodia and Uganda). The gap between business conditions (as expressed by market compatibility) and Colombia's market size, growth attractiveness and connectedness is striking. (Business conditions are worst in Libya, which is gripped by a political crisis and militia fighting.)
- Steady economic growth and improving social indicators pushed Bangladesh from No. 31 to No. 28. Market compatibility and connectedness – measures of business conditions, infrastructure and trade links – both improved for Bangladesh, which has averaged 6% growth for several years. The country is now the second-largest garment exporter after China, and it used India's example to build an IT and software-development industry.
- Tanzania moved up three spots to No. 39, while South American countries Bolivia and Ecuador each moved up two spots, to 41 and 33, respectively. Bolivia has been disciplined, balancing the budget and growing foreign reserves. Ecuador has averaged 4% economic growth since 2007. Unemployment there is below 5%, and infrastructure projects underway include Quito's new airport and highway, as well as 95 new bridges.

Markets on the Move



UP

BIGGEST MOVERS

1. Pakistan
2. Colombia
3. Algeria
4. Bangladesh
5. Philippines
6. Tanzania
7. Bolivia
8. Ecuador
9. Nigeria
10. Vietnam

DOWN

BIGGEST MOVERS

1. Libya
2. Jordan
3. Egypt
4. Cambodia
5. Kuwait
6. Ukraine
7. Bahrain
8. Kazakhstan
9. Lebanon
10. Argentina

Source: Transport Intelligence

Trade Lanes

- The world's busiest air trade lanes, as measured by cargo tonnage, are those linking China with the United States and European Union. EU-China air freight was up 9.1% while US-China air freight rose 7.1%. Outbound traffic also posted big gains as China-US volume grew 14.3% and China-EU air freight increased 9.6%. Those were the sharpest gains among top trade lanes that link the US and EU to emerging markets.
- EU air shipments to India (-5.3%), Brazil (-5.7%) and South Africa (-7.2%) fell sharply.
- India's air volume to the EU (4.5%) and United States (6.5%) rose. Chilean air freight to the United States fell 6.6%, but Peru increased air shipments to the United States 5.7%. Mexico-EU air shipments increased 8.1%.
- Although many of the world's fastest-growing trade lanes show large volume increases from relatively low bases, the gains are significant for emerging economies. The fastest-growing air trade lanes linking emerging markets with the US/EU are:

  - US-Vietnam up 42.7%

  - EU-Vietnam up 17.0%

  - US-UAE up 15.9%

  - EU-Qatar up 14.1%

  - Cambodia-EU up 41.9%

  - Peru-EU up 28.0%

  - Philippines-US up 22.3%

  - Philippines-EU up 20.6%

- The fastest-growing ocean lanes linking the EU/US and emerging markets were EU-Egypt (up 23.2%) and EU-Morocco (up 19.7%). EU-Saudi Arabia ocean shipments fell 10.8%. Trade flows from emerging markets to the US and EU showed dramatic growth along several key lanes: Ukraine-EU (up 35.8%); Brazil-EU (up 17.2%); Russia-EU (up 16.5%); and China-EU (up 12.1%).
- A number of lanes linking emerging markets and the US/EU showed spectacular growth, albeit from relatively small base volumes: Algeria-EU (up 81.4%); Peru-US (up 59.3%); Qatar-EU (up 59.3%); US-Colombia (up 68.6%); EU-Colombia (up 46.3%); US-Thailand (up 42.2%).

Overview and Outlook

Section 5

In the 2014 Index, we asked if emerging markets had lost their lustre. Growth in the BRICS – Brazil, Russia, India, China and South Africa – helped cushion the global economy in 2010 and set expectations that emerging markets would drive global growth for years to come. But 2013 and 2014 performance was disappointing. And heading into 2015, the outlook for the BRICS, in particular, is poor. Brazil shows few signs of growth amid high taxes, stifling bureaucracy, relatively expensive labour costs, rising inflation and chronic lack of infrastructure. Russia confronts the effects of damaging sanctions, falling oil and commodity prices, and record-lows for the rouble. India has taken steps to encourage foreign investment and dismantle a burdensome licensing regime, but Prime Minister Narendra Modi has yet to unveil much-anticipated economic initiatives. China continues to try to manage its way out of a credit bubble. The Chinese economy, growing at 10% a year just a few years ago, is slowing and expected to grow at 6% to 7% a year. Labour strife damaged the South African economy in 2014 but has largely ended; output, though, is expected to grow at a modest 2.5%.

The biggest challenges in 2015 are the slowdown in China, continued declines in commodity prices, and potential tightening of US monetary policy. A recent report by Citi Research says these forces "will continue to pressure emerging economies to find a 'new model' for GDP growth. The biggest rewards will be for countries making effort to introduce structural reforms (e.g. trade arrangements, domestic financial freedom, labour and tax regimes, land use and the clarity of property rights.)"

The IMF has identified productivity improvement as the key to broader, faster growth in emerging markets. It has called on these countries to "remove supply bottlenecks, boost productivity and move up the value chain" in order to sustain growth.

The IMF estimates that a one percentage point slowdown in emerging markets growth means a quarter of a percentage point slowdown in advanced economies as trade flows are reduced. In 2015, emerging markets growth is going to have to come largely from China and non-BRICS countries:

- Indonesia, Pakistan, Nigeria, Bangladesh and Mexico, all of which are markets with populations over 100 million.
- The Gulf States of Saudi Arabia, UAE, Qatar and Oman, which have substantial reserves to withstand a prolonged period of low energy prices and which are in the midst of ambitious economic diversification and modernisation plans.
- Countries in Sub-Saharan Africa, where foreign investment is pouring in and growth is expected to average 5.7% in the coming year.

The IMF expects emerging markets to grow at an average rate of 5% over the next few years (2015-2019). It forecasts growth in advanced economies at 2.4% for the same time period. In summary, while emerging markets will continue to face challenges in 2015, many are well positioned to overcome this adversity.

Asia Pacific

Asian countries dominate the Index. Four Asian nations rank in the top 10 emerging markets; seven of the top 20 are found in Asia. China ranks No. 1 as it has every year since it was added to the Index in 2011. Less obvious has been the stellar performance of several countries in Southeast Asia, including Indonesia (No. 4), Malaysia (No. 8) and Thailand (No. 14). The Philippines (No. 16) and Vietnam (No. 19) advanced three and two spots, respectively, in the 2015 Index. Southeast Asia's economies are to unite as a single market and form the ASEAN economic community in 2015. In preparation, they have invested in transport and infrastructure connections, reduced intra-ASEAN trade barriers and taken steps to encourage freer movement of goods, capital and labour. Multinational companies have been building their presence in the region to take advantage of the opportunities presented by ASEAN economic integration.

Latin America

Brazil and Mexico, Latin America's dominant economies, make the top 10 again. Brazil slipped from No. 2 to No. 3 this year. Brazilian President Dilma Rousseff, re-elected in a run-off, is feeling pressure to re-energise the economy, improve infrastructure and use the 2016 Olympic Summer Games to reverse some of the impressions created by hiccups during the 2014 World Cup. Mexico, steady at No. 9, continues to benefit from the strong US economy and the desire of manufacturers to put production closer to end markets.

Elsewhere, Uruguay (No. 20) offers some of the best business conditions found in any emerging market. Economic growth in No. 11 ranked Chile dropped to a five-year low late in 2014 amid declines in domestic demand and investment. Chile is the world's top copper producer and has been hit by falling demand. Colombia climbed four spots to No. 22, benefitting from a 2012 free trade agreement with the United States and its proximity to the bustling Panama Canal. Venezuela remains a basket case and stands to be further weakened by falling oil prices.

Middle East and North Africa

Saudi Arabia ranks as the No. 2 emerging market in the Index, an indication that it is getting traction with efforts to attract investment, add jobs and expand its economy beyond the energy sector. Like Saudi Arabia, UAE (No. 6), Qatar (No. 12) and Oman (No. 13) have spent heavily on infrastructure that has turned the region into a major logistics hub.

Elsewhere in the Gulf, Kuwait slipped three spots to No. 21, and Bahrain fell two to No. 24. In order to close the gap with Gulf neighbours who are actively transforming into financial, logistics and value-added services centres, Kuwait needs to accelerate the pace of its infrastructure investments and economic reform measures. Kuwait has abundant reserves to offset falling oil prices, but it remains dangerously dependent on oil, which accounts for half of GDP and 95% of government income. Bahrain grew at a healthy 4.9% during the first half of 2014, but the country remains on edge after sectarian strife that began in 2011 and relies on $1 billion a year in financial aid from other Gulf Cooperation Council states.

The Jordanian economy has been badly strained as millions of Syrian refugees have poured over the border, and Jordan's largest trading partner, Iraq, has struggled with sectarian violence and battled to contain ISIS. Jordan, which gets relatively high scores for its business climate (market compatibility) fell five spots to No. 29 in the 2015 Index. Lebanon and Turkey also are feeling the impact of the war in Syria. Lebanon fell two spots to No. 42 in the Index. Turkey, which has a much larger, more diversified economy, was more resilient, holding steady at No. 10 despite fighting on its border and concerns about the falling lira early in the year. Turkey has benefitted from falling energy prices.

In North Africa, relatively stable Algeria leapt three spots to No. 34, but Algeria has yet to feel the full brunt of falling oil prices, which have added urgency to calls for economic diversification. Egypt's slide continued. It dropped from No. 28 to No. 32, despite signs that the military government has halted the decline that began with the 2011 ousting of Hosni Mubarak. Many analysts forecast a strong recovery for Egypt in 2015. Elsewhere, Tunisia (No. 35) shows signs of stabilising in the wake of political upheaval but is feeling the spillover of ongoing violence in neighbouring Libya. Torn by extremism and militia fighting, Libya experienced the biggest slide of any country in the Index, falling seven spots to No. 40.

Sub-Saharan Africa

South Africa (No. 15) remains the region's most advanced economy, although Nigeria is now believed to have larger GDP. High unemployment, a shortage of skilled labour and strikes have hobbled South Africa since 2013. Nigeria moved up to spots two No. 27. The country is working to improve infrastructure, but the economy has been hurt by declining oil prices and extremist violence by Boko Haram and other groups.

Ethiopia's market compatibility, a measure of business conditions, is highest among the five Index countries located in Sub-Saharan Africa. Construction of the Great Ethiopian Renaissance Dam on the Nile, roughly half-way complete, could make Ethiopia (No. 37) a supplier of hydro-power for other parts of East Africa. Despite a number of ambitious infrastructure projects, efforts to encourage IT innovation and recent energy discoveries, Tanzania (39), Kenya (42) and Uganda (45) languish near or at the bottom of the Index.

The 2015 Agility Emerging Markets Logistics Index

Section 6

The Top 10

China continues to be the world's dominant emerging market and was again No. 1 in the Index. Even so, its raw Index score has decreased since 2012, suggesting that other emerging markets are closing the gap with the perennial favourite.

One such market is Saudi Arabia, which has achieved dramatic gains over the past five years. The Kingdom, No. 9 in the 2010 Index, is No. 2 in the 2015 Index. Strategic economic planning, combined with growing domestic demand, has made the difference. Saudi Arabia has also been able to build large foreign reserves over the past years as a result of fiscal policy while also reducing public debt to nearly zero. Declining global oil prices are not expected to adversely affect the country's economy or diminish its attractiveness to logistics providers.

Brazil slipped to No. 3. Its slowing economy has forced it to spend on initiatives aimed at reviving domestic consumption and on investments that will enable it to meet fiscal targets in 2015. Home to a large middle class and a youthful population, Brazil continues to be plagued by poor infrastructure and bureaucracy. However, as host to the World Cup in 2014 and the Summer Olympics in 2016, it has launched projects to improve infrastructure, including the privatisation of airports.

Indonesia moved up one spot to No. 4. It has been in the top 10 since 2010 and is the largest economy in Southeast Asia. Indonesia's clout is likely to grow as the region's other economies become more integrated as part of the ASEAN Economic Community, formally launched in 2015. However, foreign companies say poor infrastructure has dissuaded them from boosting investment in Indonesia. In fact, the World Bank has warned that infrastructure investment in Indonesia remains at roughly half the level seen before the Asian financial crisis in 1997 and 1998. The country's new political leadership has pledged to increase GDP growth to 7% by 2018 and has committed to boost infrastructure by expanding the railway network and building new roads, airports and sea ports.

India slipped down the ranking. After holding at No. 2 in the Index for three years, the country has slumped to No. 5 as it struggles with poor infrastructure, corruption and bureaucracy.

There was no change for the second half of the top 10. However, it should be noted that each of the countries ranked 5 through 10 experienced increases in their Index scores compared with 2014, further suggesting that they are narrowing the gap with China.

UAE, No. 6 in the 2015 Index, could be poised to leapfrog India as a result of investments in infrastructure and government encouragement of domestic expansion.

Russia has been No. 7 since 2012. But its support of a separatist movement in Ukraine and its move to seize the Crimean peninsula triggered Western economic sanctions that have yet to be fully reflected in its economic data. Sliding oil prices will only exacerbate Russia's plight; it is likely to tumble in the 2016 Index rankings.

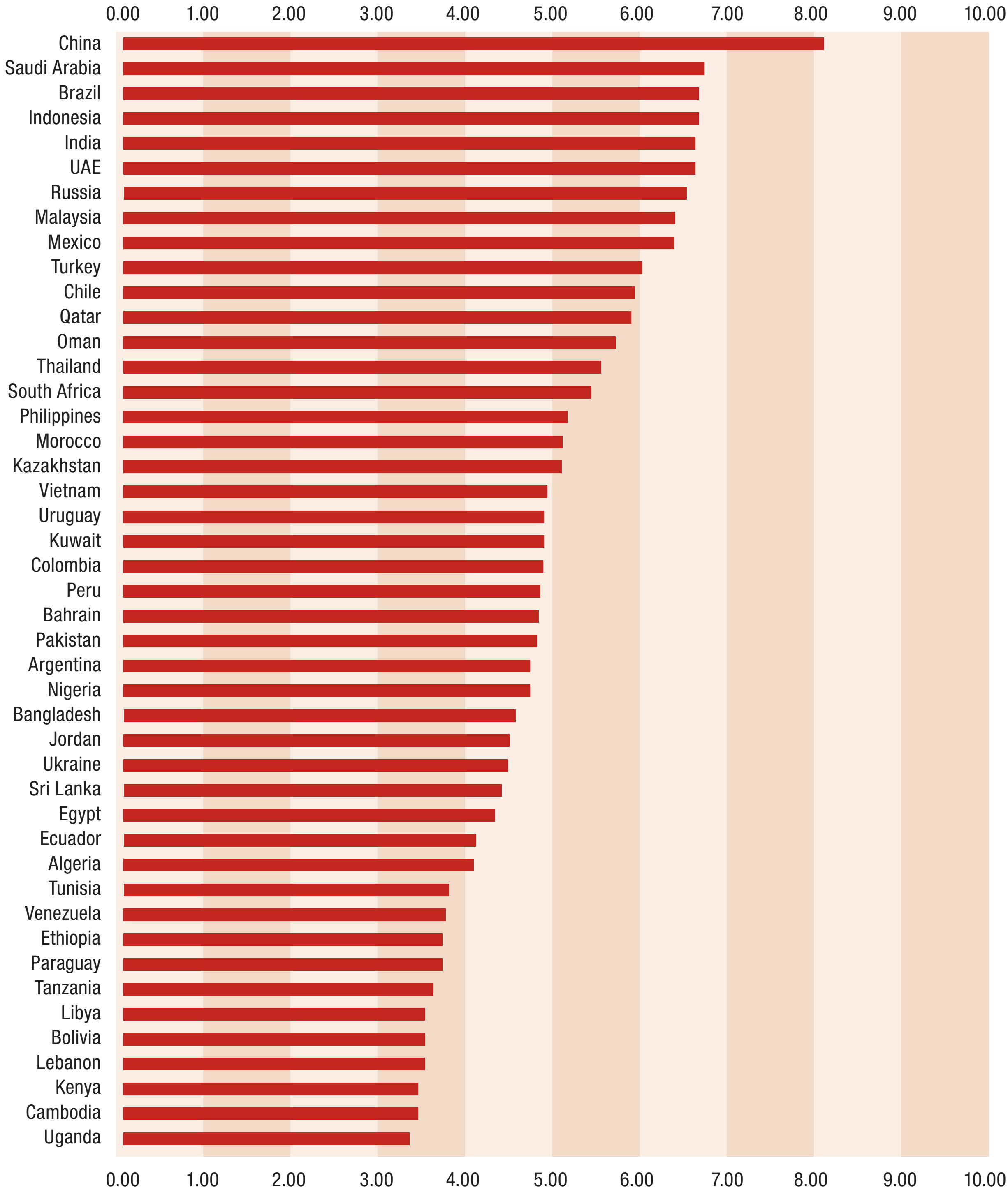
Malaysia, Mexico and Turkey round out the top 10, maintaining positions they have occupied since 2013. While Malaysia continues to expand upon infrastructure projects for freight and passengers, Mexico and Turkey are growing locations for near-sourcing due to their proximity to the US and Europe respectively.

The 2015 Index

Ranking	Country	2015 Index	2014 Index	Change in Ranking
1	China	8.09	8.11	-
2	Saudi Arabia	6.76	6.77	up 1
3	Brazil	6.71	6.80	down 1
4	Indonesia	6.70	6.59	up 1
5	India	6.66	6.75	down 1
6	UAE	6.63	6.50	-
7	Russia	6.57	6.45	-
8	Malaysia	6.36	6.14	-
9	Mexico	6.30	6.09	-
10	Turkey	6.06	6.01	-
11	Chile	5.93	5.92	-
12	Qatar	5.87	5.88	-
13	Oman	5.70	5.70	-
14	Thailand	5.58	5.46	-
15	South Africa	5.46	5.38	-
16	Philippines	5.15	4.91	up 3
17	Morocco	5.11	5.05	-
18	Kazakhstan	5.08	5.07	down 2
19	Vietnam	4.95	4.87	up 2
20	Uruguay	4.92	4.87	-
21	Kuwait	4.91	5.04	down 3
22	Colombia	4.86	4.71	up 4
23	Peru	4.84	4.83	-
24	Bahrain	4.78	4.86	down 2
25	Pakistan	4.77	4.45	up 7
26	Argentina	4.67	4.79	down 1
27	Nigeria	4.56	4.47	up 2
28	Bangladesh	4.56	4.45	up 3
29	Jordan	4.54	4.81	down 5
30	Ukraine	4.46	4.71	down 3
31	Sri Lanka	4.43	4.45	down 1
32	Egypt	4.38	4.54	down 4
33	Ecuador	4.14	4.10	up 2
34	Algeria	4.10	3.98	up 3
35	Tunisia	3.87	4.13	down 1
36	Venezuela	3.81	4.01	-
37	Ethiopia	3.76	3.84	up 1
38	Paraguay	3.74	3.73	up 1
39	Tanzania	3.60	3.67	up 3
40	Libya	3.58	4.33	down 7
41	Bolivia	3.58	3.53	up 2
42	Lebanon	3.56	3.70	down 2
43	Kenya	3.47	3.52	up 1
44	Cambodia	3.46	3.69	down 3
45	Uganda	3.31	3.42	-

Source: Transport Intelligence

Total Index Scores



Source: Transport Intelligence

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

There are significant changes in this year's Index for countries with GDP of more than $US300bn. China is still ranked No.1 despite a slowing economy, while Brazil and India each slipped a spot as domestic economic struggles persist. Moving up to No.2 is Saudi Arabia which has worked to diversify its economy away from oil as well as implement social domestic reforms. Moving up to No.4 is Indonesia which, under new political leadership, is experiencing increasing domestic demand and undertaking infrastructure projects to fuel foreign direct investment. Finally, Russia managed to maintain its No.7 ranking for a second year, despite ongoing political and economic pressure due mostly to its part in the Ukraine crisis.

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market connected-ness sub-index	Total Index
1	China	9.80	6.71	6.75	8.09
2	Saudi Arabia	7.21	6.65	6.29	6.76
3	Brazil	8.48	6.06	4.93	6.71
4	Indonesia	8.94	4.95	4.94	6.70
5	India	9.24	4.51	4.68	6.66
6	UAE	4.80	8.80	7.69	6.63
7	Russia	7.62	6.16	5.53	6.57
8	Malaysia	5.93	6.47	6.82	6.36
9	Mexico	7.89	4.63	5.28	6.30
10	Turkey	6.99	5.38	5.30	6.06
11	Thailand	6.39	4.58	5.15	5.58
12	South Africa	5.52	4.99	5.64	5.46
13	Colombia	5.77	2.54	5.00	4.86
14	Argentina	4.78	4.99	4.36	4.67
15	Nigeria	6.31	2.46	3.57	4.56
16	Venezuela	3.67	4.09	3.82	3.81

Source: Transport Intelligence

Agility Emerging Markets Logistics Index for Countries with GDP less than $US300bn

Several changes occurred in this year's ranking for countries with GDP less than $300bn. Most noticeably, the Philippines jumped from 7th in 2014 to 4th following strong economic growth. Vietnam also experienced a good increase, climbing two spots to 7th, as strong growth in its apparel & textiles and high tech goods sectors spurred higher exports and FDI. Peru entered the top 10 as it benefits from economic prudence.

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market connected-ness sub-index	Total Index
1	**Chile**	5.39	6.50	6.28	**5.93**
2	**Qatar**	4.88	8.04	5.90	**5.87**
3	**Oman**	4.14	7.63	6.54	**5.70**
4	**Philippines**	6.00	5.13	4.14	**5.15**
5	**Morocco**	4.16	6.56	5.48	**5.11**
6	**Kazakhstan**	4.50	6.47	5.03	**5.08**
7	**Vietnam**	5.17	5.07	4.62	**4.95**
8	**Uruguay**	3.60	6.70	5.57	**4.92**
9	**Kuwait**	4.57	6.19	4.63	**4.91**
10	**Peru**	5.16	3.90	4.96	**4.84**
11	**Bahrain**	3.47	5.57	5.94	**4.78**
12	**Pakistan**	6.07	3.02	4.14	**4.77**
13	**Bangladesh**	5.32	4.66	3.59	**4.56**
14	**Jordan**	3.06	6.51	5.28	**4.54**
15	**Ukraine**	3.90	5.29	4.69	**4.46**
16	**Sri Lanka**	3.33	5.78	5.05	**4.43**
17	**Egypt**	4.92	2.35	4.82	**4.38**
18	**Ecuador**	2.86	4.20	5.65	**4.14**
19	**Algeria**	4.47	3.87	3.77	**4.10**
20	**Tunisia**	3.39	3.86	4.47	**3.87**
21	**Ethiopia**	3.41	5.24	3.38	**3.76**
22	**Paraguay**	2.90	4.71	4.23	**3.74**
23	**Tanzania**	3.29	4.51	3.48	**3.60**
24	**Libya**	2.91	1.69	5.41	**3.58**
25	**Bolivia**	2.99	3.80	4.16	**3.58**
26	**Lebanon**	2.75	4.11	4.24	**3.56**
27	**Kenya**	3.33	2.64	4.07	**3.47**
28	**Cambodia**	2.65	4.50	3.87	**3.46**
29	**Uganda**	3.09	3.31	3.57	**3.31**

Source: Transport Intelligence

Agility Emerging Markets Logistics Index – Sub Indices

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market connectedness sub-index	Total Index
1	**China**	9.80	6.71	6.75	**8.09**
2	**Saudi Arabia**	7.21	6.65	6.29	**6.76**
3	**Brazil**	8.48	6.06	4.93	**6.71**
4	**Indonesia**	8.94	4.95	4.94	**6.70**
5	**India**	9.24	4.51	4.68	**6.66**
6	**UAE**	4.80	8.80	7.69	**6.63**
7	**Russia**	7.62	6.16	5.53	**6.57**
8	**Malaysia**	5.93	6.47	6.82	**6.36**
9	**Mexico**	7.89	4.63	5.28	**6.30**
10	**Turkey**	6.99	5.38	5.30	**6.06**
11	**Chile**	5.39	6.50	6.28	**5.93**
12	**Qatar**	4.88	8.04	5.90	**5.87**
13	**Oman**	4.14	7.63	6.54	**5.70**
14	**Thailand**	6.39	4.58	5.15	**5.58**
15	**South Africa**	5.52	4.99	5.64	**5.46**
16	**Philippines**	6.00	5.13	4.14	**5.15**
17	**Morocco**	4.16	6.56	5.48	**5.11**
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36	**Venezuela**	3.67	4.09	3.82	**3.81**
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44	**Cambodia**	2.65	4.50	3.87	**3.46**
45	**Uganda**	3.09	3.31	3.57	**3.31**

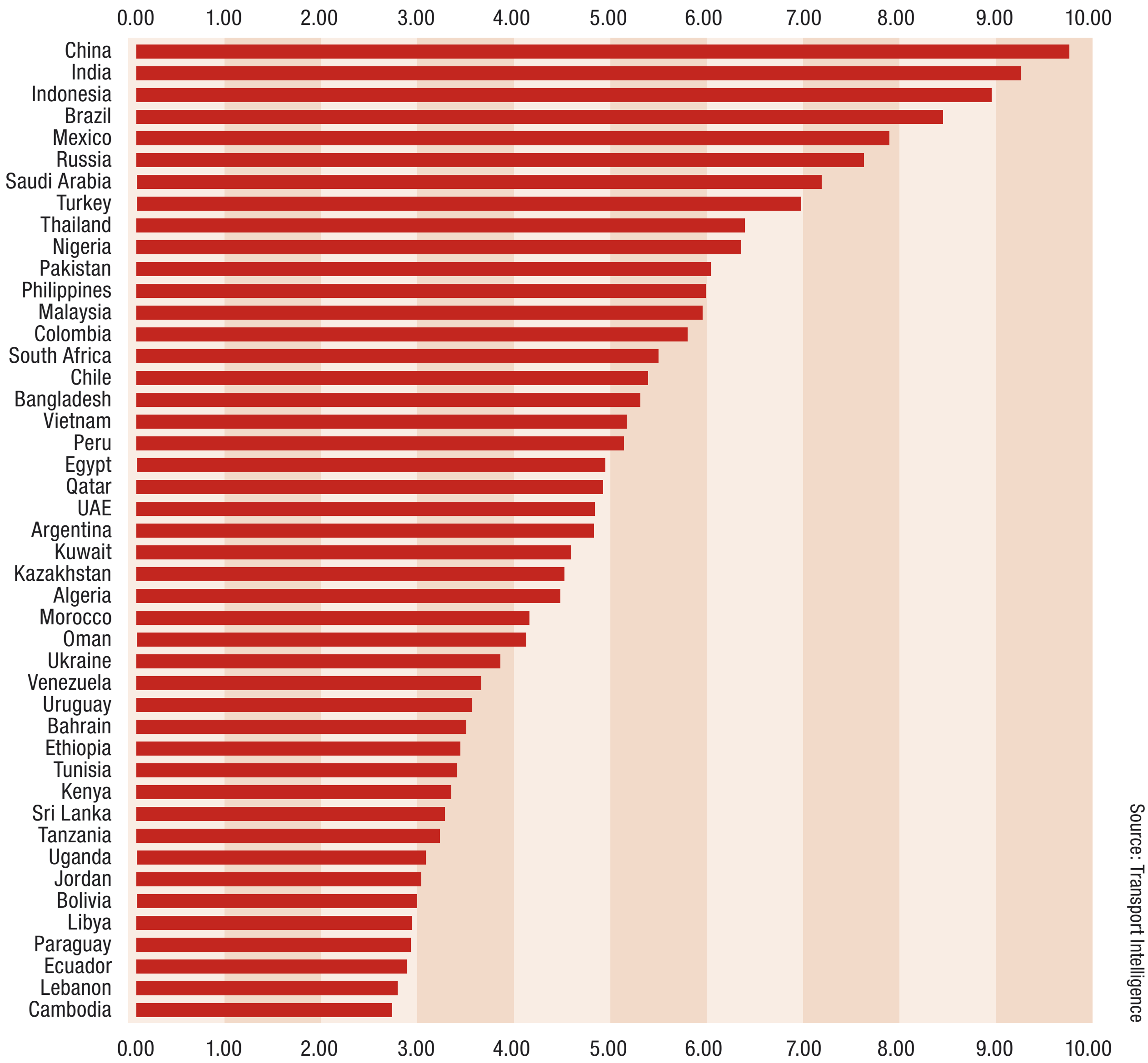
Source: Transport Intelligence

Market Size and Growth Attractiveness Sub-Index

The top four countries remain the same as from the 2014 Index. Despite slowing in recent years, China's GDP growth rate, which averaged 7.4% for 2014, is still envied by many countries. India's GDP growth has also been strong at 5.0% for 2014.

In addition, China, India, Indonesia and Brazil have large populations. Indonesia and Brazil, in particular, benefit from a younger population – the median age in Indonesia is about 28 years, whereas 62% of Brazil's population is aged 29 or younger. Mexico, which swapped places with Russia for the No.5 ranking, also has a young population, with one-third between the ages of 12 and 29. This bodes well for domestic consumption, and more generally, economic output.

The bottom four countries remain the same as in 2014. Cambodia, ranked last, has seen improvements in economic conditions. According to the World Bank, approximately two out of ten Cambodians are in poverty in 2014 compared to five out of ten in 2004. Still, social conditions require considerable improvements.

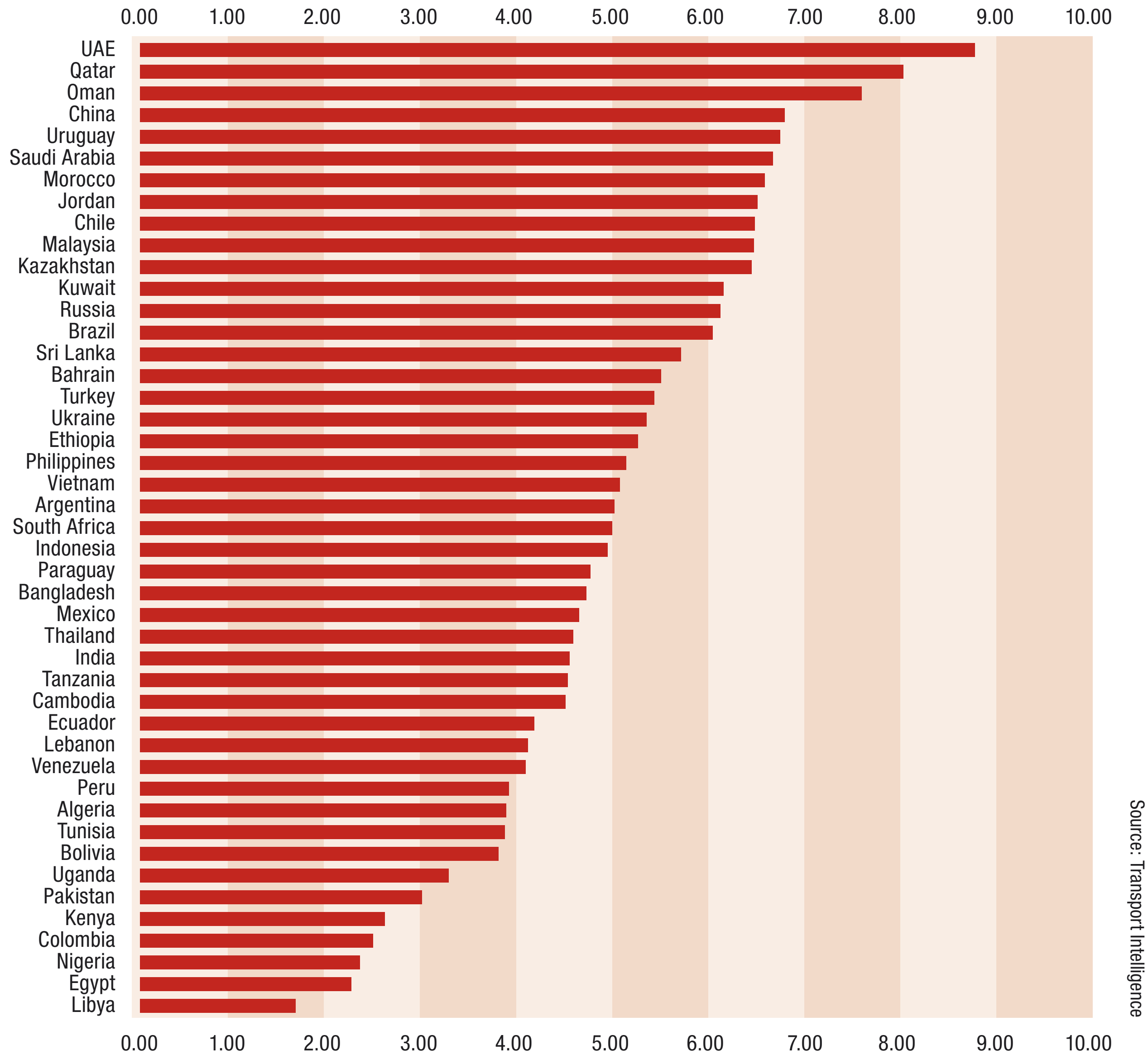


Market Compatibility Sub-Index

UAE, Qatar and Oman hold the top three positions for market compatibility. Qatar and UAE have flipped positions since the 2014 Index due to UAE's openness towards FDI in its infrastructure projects and programmes to encourage domestic consumption. China jumped in the rankings following investments in infrastructure, including its rail network, and the opening of industries such as healthcare and automobile manufacturing for additional FDI. The Chinese government also opened the Shanghai Free Trade Zone to further investment.

Jordan, ranked No.4 in 2014, slipped to No.8 in this year's Index. Regional issues, including an influx of Syrian refugees, as well as an energy crisis and declines in trade with Iraq, have hindered growth in the country.

Libya has replaced Egypt for last place for market compatibility. Its government continues to struggle with security and building the capacity of public institutions to provide basic goods and services. In addition, with 80% of its exports made up of oil, there has, according to the World Bank, been no progress in formulating a strategy to stimulate the non-oil economy, nor has a plan for sustainable, diversified, private sector-led economic growth been put in place.

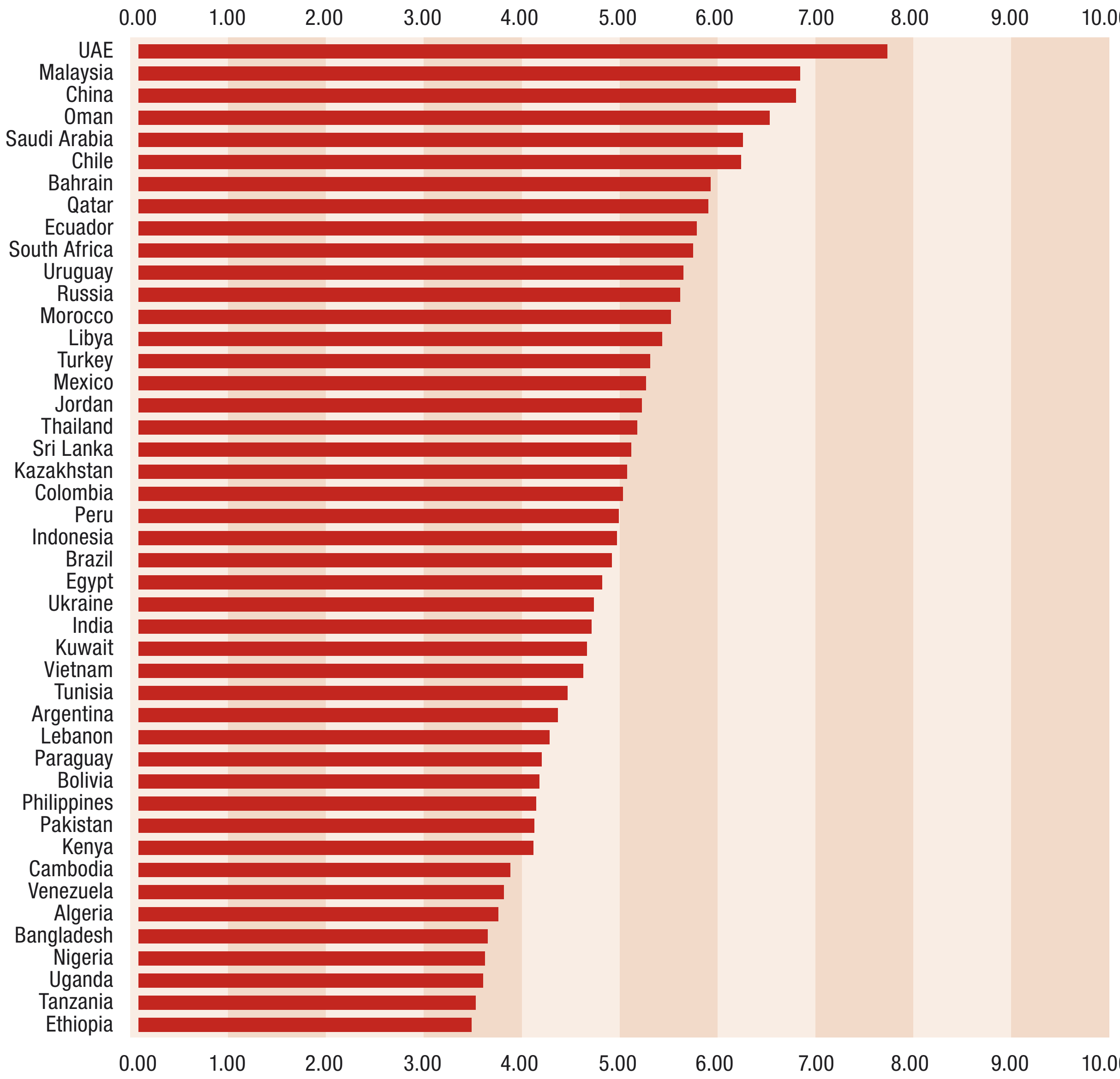


Market Connectedness Sub-Index

The top seven countries remained the same as in the 2014 Index. Libya fell several spots as its government struggled to build much needed infrastructure and implement programmes to grow its economy.

Bangladesh moved up a few notches from last place in the 2014 Index. A growing location for manufacturing, it has become a top spot for retailers to source apparel. As such, Bangladesh has made investments in its infrastructure to support this growth.

Ethiopia and Tanzania are in the bottom two positions. Both countries are among the poorest in Africa and dependent on agricultural exports. While infrastructure investments are increasing, it is still not enough to boost them higher in the market connectedness sub-index.



Source: Transport Intelligence

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 represent the biggest targets for logistics investments as well as the easiest markets to operate in, such as China.

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

Source: Transport Intelligence

Emerging Market Trade Lanes

Section 7

Why is emerging market trade so important? The short answer is that it powers global economic growth:

"The rise of the developing world is the most significant economic event of our time. Partly because of the shift to more outward-looking economic policies, partly because of the impact of new transport and communications technologies, and partly because the world economy is more open than ever before, emerging economies have been able to harness globalization to achieve unheard-of rates of economic growth – with 11 economies, representing half the world's population, growing collectively at over 6 per cent a year since 2000."

"Since 1980, the developing world's share of global trade has grown from a third to almost half. China, to take the most obvious example, is now the world's largest exporter; thirty years ago it ranked 32nd. Most developing countries have seen their economies grow in tandem with their dramatically increasing shares of world trade. China, with its 1.35 billion people, has seen its economy grow at an average of 10 per cent per year for the past three decades. India, with its 1.2 billion people, grew at 7.5 per cent a year between 2000 and 2011, although progress has recently slowed. While these emerging giants have captured the lion's share of attention, this remarkable story of trade-led development includes countries of all sizes and regions – from Indonesia, Ethiopia and Chile, to Cambodia, Ghana and Qatar."

- World Trade Report 2014, World Trade Organization

2014 has been an exciting year for world trade. In December 2013, a WTO trade facilitation agreement (TFA) was secured in Bali following 13 years of negotiation since the Doha round of talks began in 2001. Essentially, the deal cuts red tape at customs posts across the world. According to one estimate cited in The Economist, the deal will cut the cost of shipping goods around the world by more than 10%, raising global output by over $400bn, with benefits flowing disproportionately to poorer countries. On July 31 2014, just before the agreement's ratification, India withdrew its support prompting the deal to collapse. An opportunity for emerging market trade to move ahead appeared to be lost. However, the deal was put back on track after talks between President Obama and Prime Minister Modi produced a deal that saw India support the Bali reforms on the condition that the WTO did not challenge its right to protect its 'food security'. The deal is the WTO's first global deal in its 19-year existence: a major step forward.

With the Bali negotiations taking centre stage, the strong trade performances of certain countries have been somewhat overlooked. This is especially true for China, whose improved export performance has also been overshadowed by its slowing GDP growth. At least in tonnage terms, Chinese air and sea freight exports have surged in 2014 after a period of stagnation from 2011-2013, according to Eurostat and US Census Bureau Data. Note that this is not due to bulk goods such as oil, gas or minerals. For air freight, machinery & machinery parts, electronics, footwear, toys, furniture and plastics are primarily behind the strong performance. For sea freight, iron & steel, iron & steel articles, fertilisers, machinery & machinery parts, vehicles & vehicle parts, furniture, plastics & plastic goods are the strongest growers. In other words, developments across a variety of logistics intensive sectors have rekindled Chinese export growth.

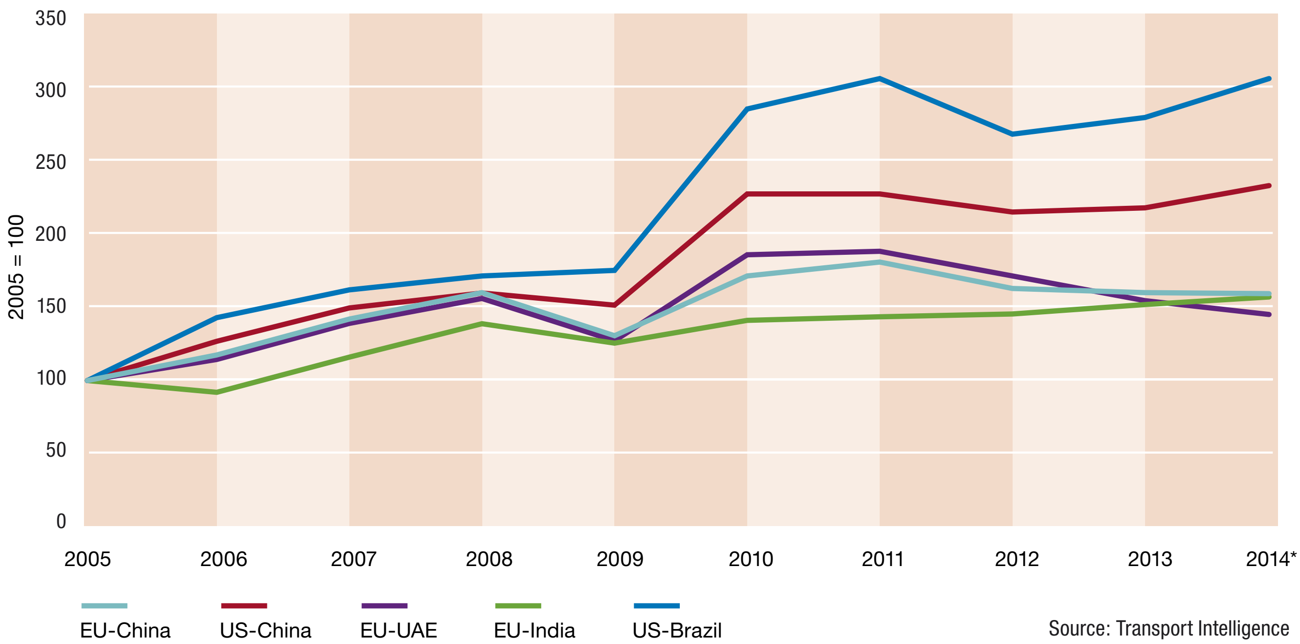
Air Freight Top 10 Trade Lanes – EU/US to Emerging Markets

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth
1	EU	China	554,708	605,334	9.1%
2	US	China	264,094	282,909	7.1%
3	EU	UAE	178,665	183,232	2.6%
4	EU	India	141,803	134,286	-5.3%
5	US	Brazil	122,695	122,627	-0.1%
6	EU	Brazil	114,377	107,883	-5.7%
7	EU	Saudi Arabia	91,184	89,816	-1.5%
8	EU	Mexico	84,412	89,307	5.8%
9	EU	Turkey	83,324	86,776	4.1%
10	EU	South Africa	88,452	82,095	-7.2%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Air Freight EU/US to Emerging Market Top 5 Trade Lanes



Source: Transport Intelligence

Of the 90 trade lanes going from the EU/US to the 45 emerging markets, the top 10 lanes are expected to account for 55.9% of total air tonnage in 2014. EU-China and US-China rank No.1 and No.2 respectively. As a destination, China accounts for 29.6% of the EU's air tonnage to the 45 emerging markets, while for the US the corresponding figure is 24.6%. EU-China air freight is by far the largest trade lane, more than double the size of that for US-China. Both Chinese trade lanes are anticipated to grow more than all other lanes in the top 10 in 2014.

Looking at specific goods, Eurostat data reveals that EU-China air freight is dominated by just a few commodity groups. Machinery & machinery parts (136,000 tonnes), electronics (90,000 tonnes) and vehicles & vehicle parts (67,000 tonnes) accounted for 52.8% of total air freight in 2013. For January-August 2014, tonnage of electronics and machinery & machinery parts has grown by 6,300 and 1,600 tonnes respectively over the same period last year. Conversely, tonnage of vehicles & vehicle parts fell by 2,100 tonnes, more than any other commodity group. However, it appears to be more unusual commodities which have caused EU-China air freight to climb. From January-August 2014, tonnage of parts related to the railway sector has been the fastest growing commodity, increasing by almost 10,000 tonnes alone compared to the same period last year (up from about 2,000 to 12,000 tonnes). Chinese fish imports by air also rose substantially, up by almost 5,600 tonnes over the same period to 12,700 tonnes.

For US-China, machinery & machinery parts (53,000 tonnes), electronics (35,000 tonnes) and optic, photo, medic and surgical instruments (24,000 tonnes) accounted for 42.2% of total air freight in 2013. Vehicle & vehicle parts tonnage was just 9,000 tonnes, far less significant compared to EU-China air freight. It is perishables, such as fruits and nuts, plastics and iron & steel goods which are mainly driving tonnage growth in 2014, according to US Census Bureau data. All of these commodity groups are up by about 2,000 tonnes for January-August 2014 compared to the same period in 2013. While manufacturing will always account for a substantial amount of inbound air freight, finished consumer goods are becoming increasingly important as Chinese domestic purchasing power grows.

The only other emerging market to appear twice in the top 10 as a destination is Brazil, placed at No.5 for US and No.6 for EU. In contrast to China, both Brazilian lanes are expected to experience declining volumes in 2014, with tonnage from the EU falling by 5.7%. It was hoped that the World Cup would stimulate a surge in air cargo demand, though this appears to have not materialised. The CEO of TAM Cargo, part of LATAM Airlines Group, affirmed this notion in an interview in June 2014. For January-August 2014, a similar story can be told for US-Brazil and EU-Brazil air freight. Machinery and electronics tonnage was significantly down on both trade lanes, though more severely for EU-Brazil. Conversely, pharmaceuticals and miscellaneous chemical goods were the strongest performers on both trade lanes, with tonnage of each commodity up by about 1,000 tonnes for US-Brazil and 700 tonnes for EU-Brazil.

Apart from China, the other major winners in the top 10 are EU-Mexico and EU-Turkey, which are predicted to grow by 5.8% and 4.1% respectively in 2014. Electronics and machinery are thought to be behind Mexican growth, while products related to the oil & gas sector are expected to rise by about 4,000 tonnes alone from January-August 2014 to spur Turkish growth. Overall, five of the top 10 trade lanes are forecast to experience declining volumes in the year.

Air Freight Fastest Growing Trade Lanes – EU/US to Emerging Market (Index of Tons, 2005=100)

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth	2011 Index	2012 Index	2013 Index	2014 Index*	2011-2014 CAGR	2005-2014 CAGR
1	US	Vietnam	14,290	20,397	42.7%	294	280	341	486	18.3%	19.2%
2	EU	Vietnam	24,982	29,237	17.0%	229	218	240	281	7.2%	12.2%
3	US	UAE	63,076	73,079	15.9%	233	225	249	288	7.3%	12.5%
4	EU	Qatar	44,610	50,890	14.1%	205	254	279	318	15.8%	13.7%
5	US	Turkey	17,973	20,221	12.5%	155	147	146	164	1.9%	5.6%
6	US	Philippines	18,855	20,953	11.1%	124	111	115	128	1.2%	2.8%
7	US	Mexico	52,575	57,930	10.2%	100	98	96	105	1.7%	0.6%
8	US	Saudi Arabia	44,224	48,584	9.9%	183	208	225	248	10.6%	10.6%
9	EU	China	554,708	605,334	9.1%	304	265	277	303	-0.2%	13.1%
10	EU	Colombia	17,829	19,366	8.6%	115	112	116	126	2.9%	2.6%
11	US	Russia	23,983	26,037	8.6%	219	220	203	220	0.3%	9.2%
12	EU	Philippines	15,809	17,111	8.2%	95	95	103	112	5.5%	1.2%
13	US	China	264,094	282,909	7.1%	225	213	215	230	0.7%	9.7%
14	EU	Tunisia	12,199	13,024	6.8%	98	88	68	73	-9.3%	-3.5%
15	EU	Egypt	31,730	33,687	6.2%	142	109	89	95	-12.5%	-0.6%
16	EU	Mexico	84,412	89,307	5.8%	138	128	120	127	-2.7%	2.7%
17	US	India	53,415	56,143	5.1%	200	172	156	164	-6.4%	5.7%
18	EU	Turkey	83,324	86,776	4.1%	146	137	137	142	-0.8%	4.0%
19	US	Colombia	63,065	65,636	4.1%	129	123	119	123	-1.4%	2.4%
20	EU	Chile	23,104	24,045	4.1%	133	123	125	130	-0.9%	2.9%
21	EU	Lebanon	15,874	16,520	4.1%	163	125	130	135	-6.0%	3.4%
22	EU	Peru	10,393	10,782	3.7%	174	175	187	194	3.6%	7.6%
23	US	Kuwait	12,328	12,770	3.6%	162	133	135	139	-4.8%	3.8%
24	US	Peru	22,532	23,230	3.1%	188	197	183	189	0.2%	7.3%
25	EU	Malaysia	38,696	39,738	2.7%	158	149	144	148	-2.1%	4.5%

2014* figures are forecasts

Source: Transport Intelligence

Vietnam is the clear winner, with imports from the US and EU forecast to be the two leading air trade lanes in terms of tonnage growth in 2014. The attraction of lower wages compared to increasingly unfavourable labour market conditions in China has seen numerous multinationals invest heavily in Vietnam, particularly in the air freight intensive electronics sector. Samsung, Intel and LG are investing billions in new factories, with Samsung alone importing and exporting $11.3bn and $12.5bn of goods in and out of Vietnam in 2012 respectively. It is worth noting that Vietnamese growth is a long term trend, with air imports from the US and EU growing at an average rate of 19.2% and 12.2% per year respectively from 2005-2014.

Three Middle East countries feature among the top 10 fastest growing lanes in 2014, with US-UAE No.3, EU-Qatar No.4 and US-Saudi Arabia No.8. Again, as well as a short term observation, high growth is a long term trend with average tonnage growth from 2005-2014 at 12.5%, 13.7% and 10.6% per year respectively. For US-UAE and US-Saudi Arabia in 2014, it is perishables that are driving tonnage growth by more than any other commodity, with electronics second. For EU-Qatar, machinery and electronics tonnage grew by 2,500 and 1,000 tonnes respectively for January-August 2014 compared to the same period last year.

Apart from the trade lanes already mentioned, US-Turkey, US-Philippines and US-Mexico will also see tonnage growth in excess of 10% in 2014. For US-Turkey, chemical products and aerospace parts are responsible for the most tonnage growth. For US-Philippines, it is perishables and electronics while for US-Mexico it is machinery parts and electronics. The strong growth anticipated for all three lanes in 2014 marks a departure from recent years, with all three lanes experiencing negative tonnage growth from 2011 to 2013. The US-Mexico result is particularly strong given that it had struggled to recover to pre-recession tonnage, though it will finally achieve this with 2014 tonnage expected to exceed the previous peak in 2006.

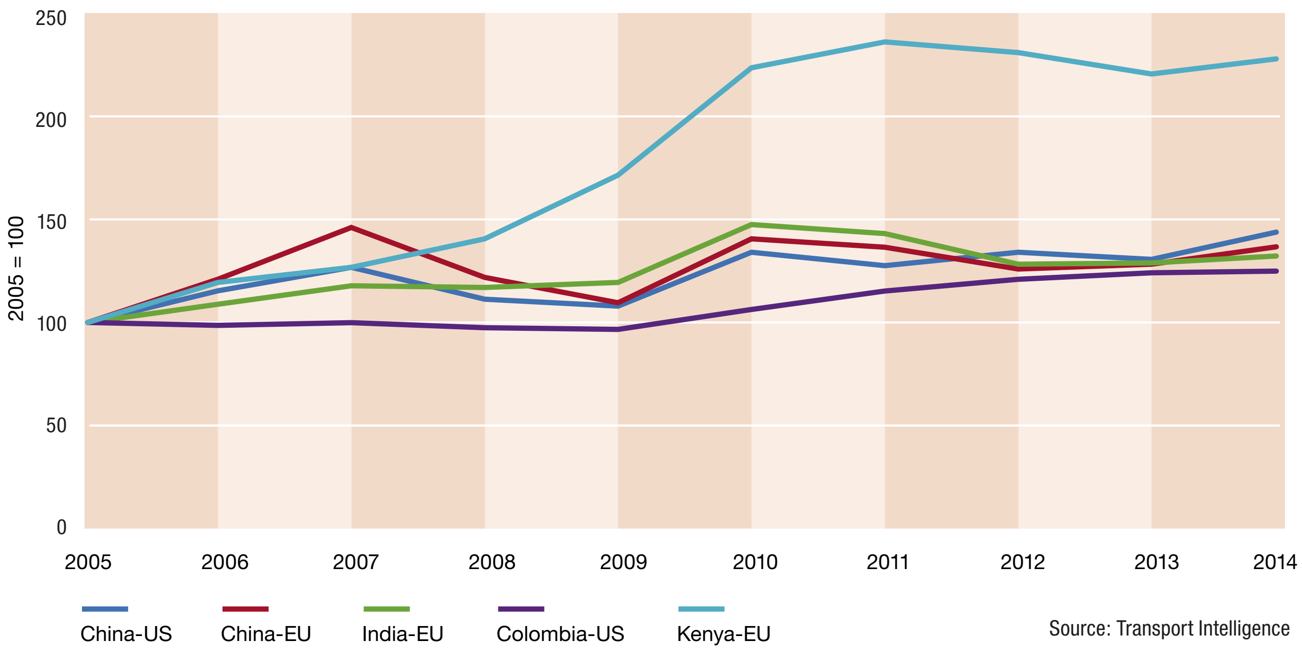
Air Freight Top 10 Trade Lanes – Emerging Market to EU/US

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth
1	China	US	1,020,027	1,165,874	14.3%
2	China	EU	938,495	1,028,983	9.6%
3	India	EU	176,911	184,883	4.5%
4	Colombia	US	166,667	167,300	0.4%
5	Kenya	EU	147,489	153,193	3.9%
6	Chile	US	157,365	146,944	-6.6%
7	India	US	107,874	114,836	6.5%
8	Peru	US	100,833	106,595	5.7%
9	Mexico	EU	65,733	71,051	8.1%
10	Brazil	EU	62,453	63,910	2.3%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Air Freight Emerging Market to EU/US Top 5 Trade Lanes



Source: Transport Intelligence

Of the 90 trade lanes going from the 45 emerging markets to the EU/US, the top 10 lanes are forecast to account for 71.6% of total air tonnage in 2014. China-US and China-EU rank No.1 and No.2 respectively in terms of total tonnage, and as the two lanes with the highest growth rates in the top 10. China accounts for 53.2% of all 45 emerging markets' air tonnage to the US, while for the EU the corresponding figure is 45.0%. These figures clearly underline China's scale as an exporter.

Chinese air tonnage to the US is expected to grow by 14.3% to 1.17m tonnes in 2014, beating the previous record set in 2010. This is overwhelmingly due to higher machinery parts and electronics exports, which accounted for 28.4% and 28.7% of the lane's tonnage in 2013. For January-August 2014, air exports for these commodities were up 68,430 and 18,274 tonnes compared to the same period in 2013. The next largest increase was down to footwear, with volumes up by 3,080 tons, clearly illustrating the dominance of China's industrial and electronics sectors. For China-EU, air tonnage growth for 2014 is forecast at 9.6%. While electronics exports are thought to be the biggest driver of growth, machinery parts exports are thought to be fairly static in contrast to the US. Toys, furniture and plastics will stimulate growth to a lesser extent.

India is the only other country to have both US and EU trade lanes in the top 10. Air tonnage to the EU is predicted to grow by 4.5% and remain at the No.3 spot, while tonnage to the US will grow by 6.5% and remain the No.7 ranked lane. For India-EU, growth will be fairly broad-based, with no stand out commodity. Its largest sectors – apparel, machinery parts and pharmaceuticals – will not experience much change, with machinery parts experiencing the most growth. For India-US, the story is quite different. Pharmaceuticals and machinery parts exports will drive the majority of growth. For January-August 2014, pharmaceuticals exports amounted to 16,705 tonnes, up by 20.8% compared to January-August 2013. This accounted for 21.5% of total exported air tonnage to the EU, India's largest exported commodity by tonnage. In contrast, apparel export tonnage will fall substantially.

Other stand out performers in the top 10 are Kenya-EU, Peru-US and Mexico-EU. All these trade lanes are forecast growth of more than 5,000 tonnes. Interestingly, Kenya-EU and Peru-US trade are both dominated by individual commodities. For Kenya-EU trade, 63.9% of tonnage was down to exports of flowers in 2013. For January-August 2014, exports of flowers to the EU were up by 3,133 tonnes (5.1%) on the corresponding period in the previous year. For Peru-US, fresh vegetables exports by air accounted for almost 90% (89,791 tonnes) of the lane's tonnage in 2013. For January-August 2014, tonnage reached 48,364 tonnes, up by 7.0% compared to the same period last year. Mexico-EU trade extends across a much broader range of sectors, though 2014 growth is being driven almost exclusively by electronics exports, which are up by almost 3,000 tonnes (46.1%) from January-August 2014 compared to the same period last year.

Air Freight Fastest Growing Trade Lanes – Emerging Market to EU/US (Index of Tons, 2005=100)

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth	2011 Index	2012 Index	2013 Index	2014 Index*	2011-2014 CAGR	2005-2014 CAGR
1	Cambodia	EU	10,418	14,787	41.9%	82	216	300	425	73.4%	17.4%
2	Peru	EU	32,866	42,067	28.0%	197	178	182	232	5.7%	9.8%
3	Philippines	US	23,297	28,494	22.3%	57	58	63	77	10.6%	-2.9%
4	Philippines	EU	12,962	15,628	20.6%	76	67	62	75	-0.6%	-3.2%
5	Sri Lanka	EU	16,806	19,820	17.9%	95	103	112	132	11.6%	3.1%
6	Indonesia	EU	24,208	27,750	14.6%	107	71	77	89	-6.0%	-1.3%
7	Turkey	US	17,884	20,483	14.5%	81	88	101	116	12.9%	1.7%
8	China	US	1,020,027	1,165,874	14.3%	124	130	128	146	5.5%	4.3%
9	Chile	EU	50,258	56,097	11.6%	387	313	262	293	-8.9%	12.7%
10	Ethiopia	EU	42,822	47,656	11.3%	829	827	830	923	3.7%	28.0%
11	Ecuador	EU	24,299	26,803	10.3%	317	309	304	335	1.9%	14.4%
12	China	EU	938,495	1,028,983	9.6%	134	121	124	136	0.5%	3.5%
13	Colombia	EU	22,253	24,291	9.2%	111	109	107	116	1.7%	1.7%
14	Turkey	EU	52,162	56,526	8.4%	102	122	110	119	5.4%	2.0%
15	Mexico	EU	65,733	71,051	8.1%	165	160	165	179	2.8%	6.7%
16	South Africa	EU	35,757	38,503	7.7%	105	91	72	78	-9.5%	-2.8%
17	Vietnam	US	52,962	56,730	7.1%	137	150	192	205	14.4%	8.3%
18	India	US	107,874	114,836	6.5%	124	113	111	118	-1.6%	1.9%
19	Peru	US	100,833	106,595	5.7%	141	141	153	162	4.8%	5.5%
20	Vietnam	EU	44,038	46,262	5.1%	141	166	201	211	14.4%	8.7%
21	UAE	EU	14,349	15,069	5.0%	93	92	95	99	2.2%	-0.1%
22	Brazil	US	37,877	39,595	4.5%	66	56	41	43	-13.6%	-9.0%
23	India	EU	176,911	184,883	4.5%	144	122	127	133	-2.6%	3.2%
24	Kenya	EU	147,489	153,193	3.9%	234	231	221	229	-0.7%	9.7%
25	Thailand	EU	51,347	53,245	3.7%	86	79	75	78	-3.5%	-2.8%

Note: 2014* figures are forecasts

Source: Transport Intelligence

There are 11 trade lanes which are anticipated to experience double-digit tonnage growth in 2014. Five of these are smaller Asia Pacific markets. Cambodia-EU is expected to continue on an explosive growth trajectory, which has seen its index value rise from 82 in 2011 to 425 in 2014. However, it is worth emphasising that this is the smallest trade lane by tonnage in the top 25, with eleven other lanes experiencing higher growth in absolute terms. Apparel and footwear exports, which comprised more than 80% of air export tonnage to the EU in 2013, are expected to continue growing strongly in 2014. The Philippines was the only country to have both US and EU trade lanes in the top 10, with growth of 22.3% and 20.6% respectively in 2014. Increasing electronics and machinery parts exports are behind the rise to the US, while for the EU, growth will be down to electronics alone. Fish is Sri Lanka-EU's largest air export, accounting for around 40% of tonnage in 2013, and along with rubber and apparel, will drive almost all growth in 2014. For Indonesia-EU, animal and vegetable oil exports will expand from virtually nothing in 2013 to over 2,000 tonnes in 2014.

In South America, Peru-EU air freight is anticipated to grow by 28.0% year-on-year, with tonnage increasing more than every other trade lane apart from China-US and China-EU. This is expected to be almost exclusively down to higher exports of fruits. From January-August 2014, fruits air exports to the EU have virtually doubled to 10,292 tonnes compared to the same period in 2013. Although Chile-EU is ranked No.9 with growth of 11.6%, it ranked No.6 in terms of absolute growth (5,859 tonnes). Once again, increased fruit exports are mainly behind the strong forecast. For Ecuador-EU, exports of flowers accounted for 93.5% of tonnage in 2013. From January-August 2014, flower tonnage was up 1,756 tonnes or 11.4%.

In Africa, Ethiopia-EU air freight is expected to increase by almost 5,000 tonnes to approximately 50,000 tonnes. Like Kenya, flowers dominate Ethiopian export air freight, accounting for 87.7% of tonnage in 2013. From January-August 2014, flowers export tonnage increased by 3,734 tonnes or 14.8% compared to the corresponding period in 2013. Since 2005, no trade lane in the top 25 has grown by more than Ethiopia-EU, with its 2014 index value of 923 more than double No.2 placed Cambodia-EU at 425.

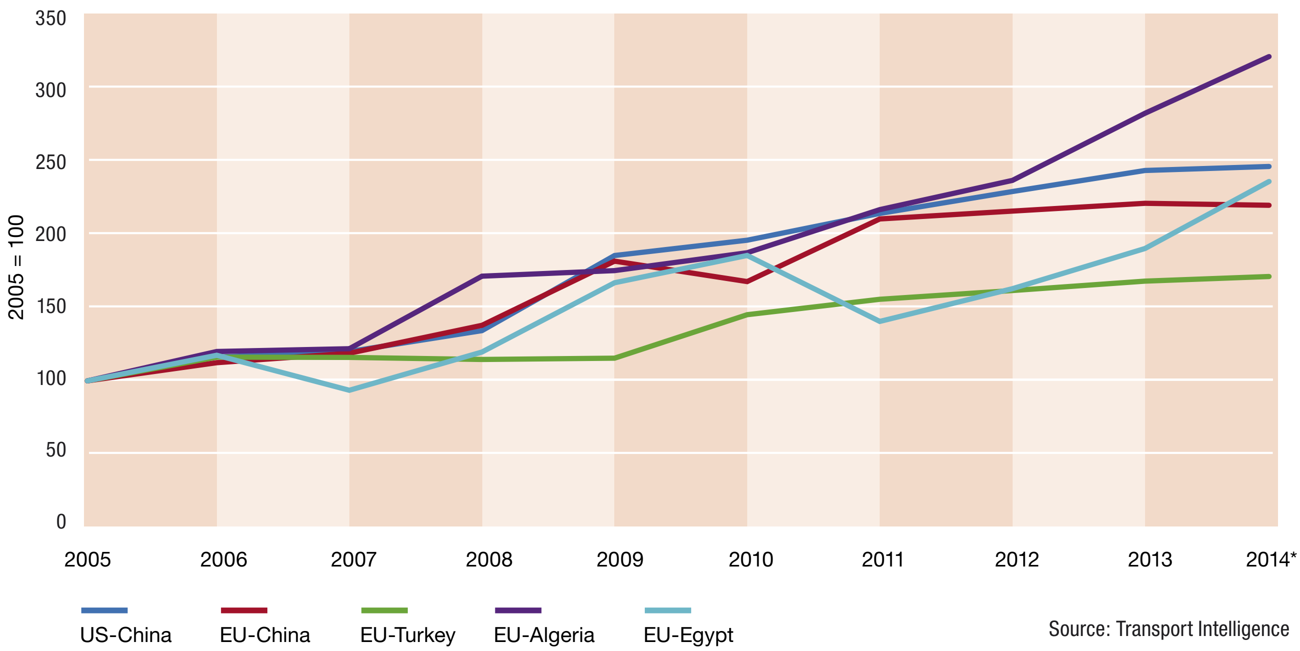
Sea Freight Top 10 Trade Lanes – EU/US to Emerging Market

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth
1	US	China	82,070,410	83,483,130	1.7%
2	EU	China	38,382,262	38,456,645	0.2%
3	EU	Turkey	31,196,327	31,632,686	1.4%
4	EU	Algeria	20,795,946	23,879,962	14.8%
5	EU	Egypt	13,227,401	16,300,270	23.2%
6	US	Mexico	13,919,943	14,830,472	6.5%
7	US	Brazil	14,489,625	14,153,396	-2.3%
8	EU	Saudi Arabia	15,434,053	13,766,917	-10.8%
9	EU	Brazil	12,362,980	12,249,864	-0.9%
10	EU	Morocco	9,825,682	11,765,480	19.7%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Sea Freight EU/US to Emerging Market Top 5 Trade Lanes



Source: Transport Intelligence

Of the 90 trade lanes going from the EU/US to the 45 emerging markets, the top 10 lanes are expected to account for 60.2% of total sea tonnage in 2014. US-China and EU-China rank No.1 and No.2 respectively in terms of total tonnage, with US-China trade more than double the tonnage of EU-China trade. China accounts for just 16.7% of all 45 emerging markets' sea tonnage from the EU, while for the US, the corresponding figure is 41.3%. Clearly, China is a far more important export destination to the US than the EU for sea freight. There is expected to be little movement in overall tonnage in both trade lanes. However, certain sectors have performed well which have been offset elsewhere. For example, US agriculture exports have seen strong increases, with soybeans, cereals and food waste exports for January-August 2014 up by over 6m tonnes on the corresponding period in 2013 to over 19m tonnes overall.

US-Mexico trade is expected to develop positively, with tonnage forecast to rise by 6.5% in 2014. This was again down to higher exports made by the agricultural sector, with cereals exports up by more than 860,000 tonnes alone for January-August 2014 compared to January-August 2013. Conversely, organic chemicals exports were down by almost 330,000 tonnes to 2.7m tonnes.

Among the top 10, EU-North Africa trade appears to have developed the most, with EU-Algeria, EU-Egypt and EU-Morocco trade all experiencing double-digit growth. For Algeria, this is down to higher cereals imports, as well as greater salt, sulphur, earths & stone, plastering materials & lime & cement imports. For Morocco, it is almost exclusively down to higher imports of cereals. For Egypt, it is largely again due to increased cereals imports, but also higher wood imports.

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

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth	2011 Index	2012 Index	2013 Index	2014 Index*	2011-2014 CAGR	2005-2014 CAGR
1	US	Colombia	5,534,962	9,332,628	68.6%	87	82	100	169	24.5%	6.0%
2	EU	Colombia	1,703,910	2,493,503	46.3%	131	159	164	240	22.3%	10.2%
3	US	Thailand	3,022,537	4,297,762	42.2%	133	134	111	158	5.8%	5.2%
4	US	Saudi Arabia	2,986,929	4,171,126	39.6%	190	179	160	224	5.6%	9.4%
5	US	Peru	3,169,992	4,403,945	38.9%	231	190	232	323	11.8%	13.9%
6	US	Egypt	5,109,164	7,032,439	37.6%	120	70	80	110	-2.8%	1.1%
7	EU	Philippines	1,267,666	1,646,529	29.9%	136	143	159	207	14.9%	8.4%
8	EU	Egypt	13,227,401	16,300,270	23.2%	143	165	191	236	18.1%	10.0%
9	US	Morocco	1,143,599	1,402,031	22.6%	159	103	91	112	-11.2%	1.2%
10	EU	Qatar	2,070,062	2,497,502	20.6%	192	278	260	314	17.8%	13.6%
11	EU	Morocco	9,825,682	11,765,480	19.7%	145	142	145	174	6.4%	6.4%
12	EU	Jordan	1,981,917	2,339,437	18.0%	132	126	164	193	13.6%	7.6%
13	US	Vietnam	3,678,455	4,277,335	16.3%	535	561	655	761	12.5%	25.3%
14	EU	Algeria	20,795,946	23,879,962	14.8%	214	234	277	318	14.2%	13.7%
15	US	Philippines	4,704,418	5,351,051	13.7%	140	141	143	162	5.0%	5.5%
16	US	Indonesia	6,183,433	6,938,246	12.2%	173	171	177	198	4.7%	7.9%
17	EU	Vietnam	2,069,447	2,319,957	12.1%	313	288	317	356	4.4%	15.1%
18	EU	Kuwait	1,068,428	1,191,708	11.5%	90	99	110	123	11.1%	2.3%
19	EU	Pakistan	2,073,621	2,305,902	11.2%	89	84	92	102	4.6%	0.2%
20	US	Ecuador	1,720,774	1,880,463	9.3%	165	173	172	188	4.5%	7.3%
21	EU	India	8,132,776	8,836,846	8.7%	150	150	116	126	-5.7%	2.6%
22	US	Mexico	13,919,943	14,830,472	6.5%	117	126	114	121	1.3%	2.2%
23	EU	UAE	6,985,764	7,133,564	2.1%	153	172	178	182	6.1%	6.9%
24	US	India	5,997,554	6,109,534	1.9%	290	253	214	218	-9.0%	9.1%
25	US	China	82,070,410	83,483,130	1.7%	214	232	244	248	5.0%	10.6%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Colombia occupies the two top spots for tonnage growth in 2014. US-Colombia trade was up solely due to higher cereals exports. For January-August 2014, volumes were up by about 2.8m tonnes on the same period in 2013. For EU-Colombia trade, it was salt, sulphur, earths and stone, plastering materials and lime and cement tonnage which sparked the increase. Volumes were up by over 400,000 tonnes for January-August 2014.

For the other five trade lanes in the top 10 with US origin, increases were again mainly down to greater agriculture imports (specifically cereals). Bumper harvests in the US have seen agricultural commodity prices tumble encouraging far stronger exports in 2014.

For the remaining EU origin trade lanes in the top 10, EU-Philippines sea freight growth is being spurred by cereals, meat, food waste and fertilisers exports from the EU. EU-Qatar tonnage will increase thanks to greater ores trade.

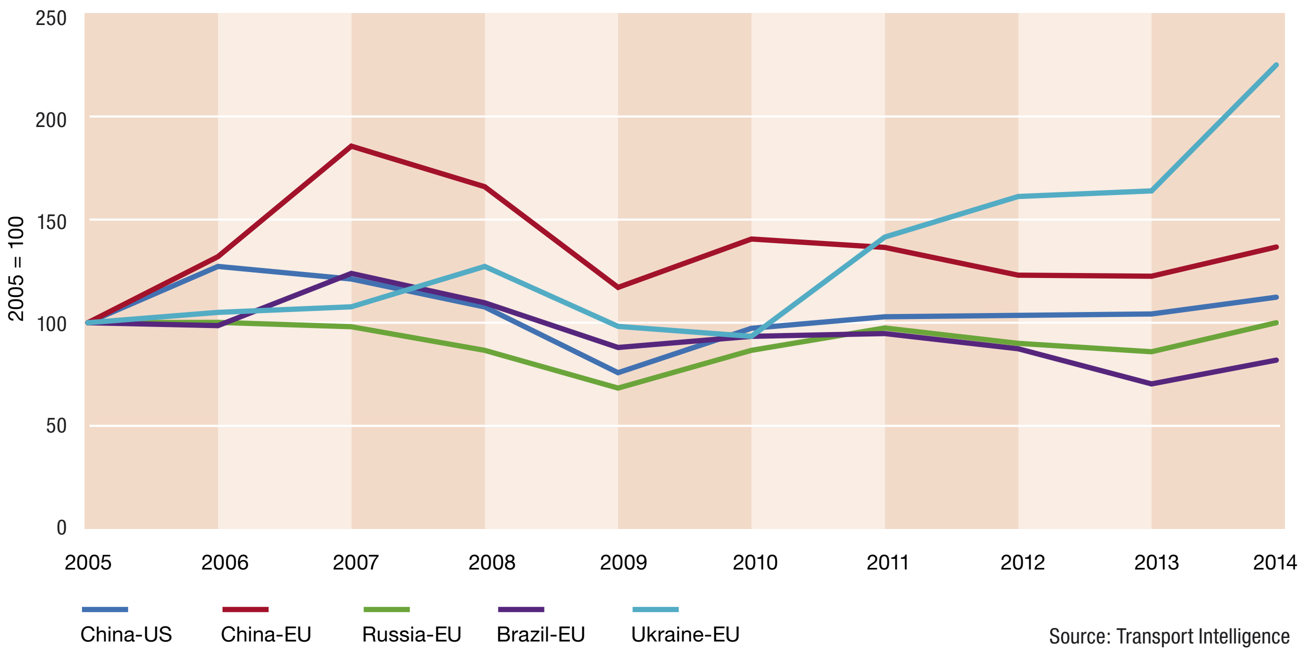
Sea Freight Top 10 Trade Lanes – Emerging Market to EU/US

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth
1	China	US	56,169,478	61,555,453	9.6%
2	China	EU	42,513,932	47,653,616	12.1%
3	Russia	EU	24,183,918	28,181,659	16.5%
4	Brazil	EU	23,254,231	27,243,359	17.2%
5	Ukraine	EU	18,262,548	24,798,282	35.8%
6	Mexico	US	15,641,625	17,469,010	11.7%
7	Brazil	US	15,898,558	17,193,697	8.1%
8	Turkey	EU	16,181,240	17,044,793	5.3%
9	Argentina	EU	12,504,485	11,740,375	-6.1%
10	South Africa	EU	12,067,318	11,557,233	-4.2%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Sea Freight Emerging Market to EU/US Top 5 Trade Lanes



Source: Transport Intelligence

Of the 90 trade lanes going from the 45 emerging markets to the EU/US, the top 10 lanes are expected to account for 62.7% of total sea tonnage in 2014. China-US and China-EU rank No.1 and No.2 respectively in terms of total tonnage, with China-US trade almost 30% larger than China-EU trade. China accounts for just 19.0% of all 45 emerging markets' sea tonnage to the EU, while for the US, the corresponding figure is 36.0%. As with the trade lanes in reverse, China-US sea freight is not only greater in absolute terms compared to China-EU sea freight, it also accounts for a far higher proportion of total US sea freight imports from emerging markets.

While EU/US to emerging market sea freight is almost always dominated by agricultural goods, this is certainly not the case when examining the trade lanes in reverse, which tend to be far more diversified.

For instance, the top 10 commodity groups by tonnage for China-US sea freight in 2013 were furniture (6.1m), machinery (5.2m), electronics (4.5m), plastics & plastic goods (3.3m), articles of iron & steel (3.3m), toys (2.5m), ceramics (2.3m), vehicles & vehicle parts (2.2m), wood & wood products (2.0m) and salt, sulphur, earths and stone, plastering materials & lime & cement (1.7m). In total, China-US sea freight weighed over 1m tonnes for 18 different commodity groups in 2013. China-US exports are predicted to rise by 9.6% in 2014, a far superior figure to the 3.5% tonnage growth in 2013. Growth will come from a vast range of goods. For January-August 2014, total tonnage was up by 9.9% and volumes were up by over 100,000 tonnes on the same period last year for 13 different commodity groups. Leading the way were iron & steel and salt, sulphur, earths & stone, plastering materials & lime & cement exports, which were up by approximately 700,000 tonnes each. Exports of fertilisers were next, up by about 500,000 tonnes, probably driven by the aforementioned bumper US harvests. Machinery and vehicle & vehicle parts exports increased by around 300,000 tonnes each.

China-EU sea freight is anticipated to develop even more favourably, with tonnage forecast to rise by 12.1% in 2014. However, growth will be less evenly spread compared to trade with the US. For January-August 2014, only eight commodity groups have grown by more than 100,000 tonnes on the corresponding period in 2013, compared to 13 for the US. For January-August 2014, iron & steel tonnage rose by over 800,000 tonnes alone. Second and third were machinery and articles of iron & steel exports, which were up by about 350,000 tonnes and 260,000 tonnes respectively. Furniture and plastics & plastic goods exports were also up by over 200,000 tonnes.

For CIS countries and Eastern Europe, Russia-EU growth is expected to be fairly broad-based, with eight commodity groups experiencing growth of over 100,000 tonnes for January-August 2014. However, all are bulk commodities and three are related to agriculture. Cereals (800,000), fertilisers (320,000) and food waste (280,000 tonnes) all grew strongly. Iron & steel and aluminium tonnage grew by 450,000 tonnes and 330,000 tonnes. Chemicals exports also increased substantially, with inorganic chemicals and organic chemicals tonnage up by 160,000 and 110,000 tonnes respectively. Meanwhile, Ukraine-EU's forecast of 35.8% growth is driven mainly by higher agricultural exports, with cereals tonnage up by 2.9m tonnes alone for January-August 2014.

Moving to the Americas, Brazil-EU sea freight growth will also stem from bulk commodities. For January-August 2014, oil seeds and oleaginous fruits exports grew by 780,000 tonnes, pulp of wood & paper or paperboard by 470,000 tonnes and iron & steel by 220,000 tonnes (compared to January-August 2013). Finally, Mexico-US sea freight growth is being spurred largely by higher volumes of salt, sulphur, earths & stone, plastering materials & lime & cement. For January-August 2014, tonnage of this commodity group rose by over 1.3m tonnes compared to the same period in 2013. In addition, Mexican manufacturing will contribute to sea freight growth, with iron & steel (150,000), vehicles & vehicle parts (130,000) and articles of iron & steel (110,000) all experiencing substantial tonnage growth for January-August 2014.

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

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth	2011 Index	2012 Index	2013 Index	2014 Index*	2011-2014 CAGR	2005-2014 CAGR
1	Algeria	EU	1,571,390	2,851,171	81.4%	53	54	47	86	17.4%	-1.7%
2	Peru	US	2,152,132	3,428,882	59.3%	112	91	85	136	6.9%	3.5%
3	Qatar	EU	817,499	1,301,933	59.3%	153	211	291	464	44.6%	18.6%
4	Russia	US	7,059,303	10,975,535	55.5%	109	112	114	177	17.7%	6.6%
5	Chile	US	7,143,912	10,803,237	51.2%	101	84	90	136	10.4%	3.5%
6	Mexico	EU	2,442,372	3,424,054	40.2%	143	127	122	171	6.2%	6.1%
7	Ukraine	EU	18,262,548	24,798,282	35.8%	137	162	165	223	17.6%	9.3%
8	UAE	US	833,400	1,124,032	34.9%	78	81	124	168	29.0%	5.9%
9	Qatar	US	1,176,089	1,585,252	34.8%	68	75	148	200	43.2%	8.0%
10	Egypt	US	870,474	1,132,343	30.1%	95	76	55	72	-9.0%	-3.6%
11	Turkey	US	2,940,100	3,728,972	26.8%	56	82	81	103	22.1%	0.3%
12	Oman	US	878,251	1,102,228	25.5%	1,020	2,545	1,829	2,295	31.0%	41.6%
13	Vietnam	EU	2,738,455	3,326,238	21.5%	152	157	155	188	7.5%	7.3%
14	India	US	5,324,123	6,363,595	19.5%	106	114	109	130	7.0%	2.9%
15	South Africa	US	2,693,543	3,200,589	18.8%	99	101	95	113	4.6%	1.4%
16	Brazil	EU	23,254,231	27,243,359	17.2%	96	89	71	83	-4.9%	-2.1%
17	Russia	EU	24,183,918	28,181,659	16.5%	98	91	87	101	0.9%	0.1%
18	China	EU	42,513,932	47,653,616	12.1%	139	121	120	134	-1.1%	3.3%
19	UAE	EU	1,287,268	1,440,762	11.9%	268	250	260	291	2.7%	12.6%
20	Mexico	US	15,641,625	17,469,010	11.7%	80	78	102	114	12.2%	1.4%
21	Saudi Arabia	US	1,193,337	1,330,054	11.5%	100	94	90	101	0.4%	0.1%
22	China	US	56,169,478	61,555,453	9.6%	99	99	103	112	4.4%	1.3%
24	Colombia	US	1,385,954	1,515,709	9.4%	41	40	37	41	-0.3%	-9.5%
25	India	EU	9,626,727	10,526,033	9.3%	113	105	106	116	0.9%	1.6%
25	US	China	82,070,410	83,483,130	1.7%	214	232	244	248	5.0%	10.6%

Note: 2014* figures are forecasts

Source: Transport Intelligence

Algeria-EU is predicted to be the fastest growing emerging market to EU/US sea freight trade lane in 2014, with growth of 81.4%. Interestingly, the increase will be mainly be driven by fertiliser exports, which amounted to almost 440,000 tonnes for January-August 2014, and were virtually nothing in the same period last year. However, Algeria-EU tonnage in 2014 remains lower than 2005 levels and struggled from 2011-2013.

In Latin America, both Peru-US and Chile-US tonnage will rise primarily due to increased salt, sulphur, earths & stone, plastering materials & lime & cement exports, which were up by almost 520,000 tonnes and 2.8m tonnes respectively for January-August 2014. While it is fresh vegetables driving increased air freight tonnage from Peru-US, fresh fruit is an important secondary cause of higher sea freight volumes (up about 90,000 tonnes for January-August 2014). However, both Peru-US and Chile-US volumes in 2014 are expected to be just 36% higher than in 2005. Mexico-EU tonnage is expected to recover from two years of decline with growth of 40.2% in 2014. Cereals, organic chemicals, sugars & sugar confectionery and plastics volumes will all rise substantially.

Middle Eastern and nearby countries' sea freight to the United States occupied spots 8-12 on the list of fastest growing countries. For January-August 2014, UAE and Qatar growth has been sparked by fertilisers (220,000 and 360,000 tonnes respectively), probably due to booming US crop yields. While both trade lanes have been on similar upward trajectories since 2011, it is easy to see these figures dropping back if US agriculture has a poor year in the future. For Egypt, salt, sulphur, earths and stone, plastering materials & lime & cement exports were up by 280,000 tonnes from January-August 2014, while Turkey's tonnage will rise mainly thanks to iron and steel exports (up by 380,000 tonnes).

The 2015 Agility Emerging Markets Logistics Survey

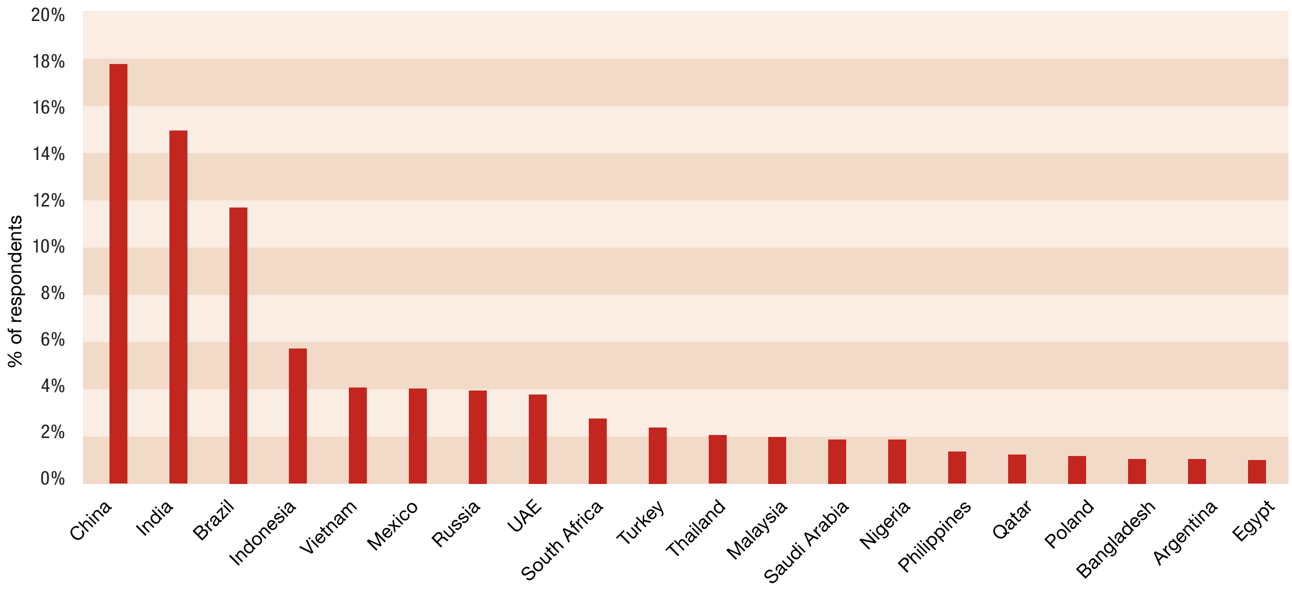
Section 8

To investigate the potential of the world's emerging economies as future logistics markets, Transport Intelligence undertook a survey of logistics industry professionals between August and October 2014. Participants from a range of logistics markets and vertical sectors took part in the survey, offering opinion and insight from their experience in these markets. Responses from 972 industry professionals are used in this, the sixth annual edition of the Agility Emerging Markets Survey.

Emerging Markets with the Most Potential

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

Perceived Major Logistics Markets for the Future



Source: Transport Intelligence

Country	2015	2014	Y-o-Y Change
China	1	1	-
India	2	2	-
Brazil	3	3	-
Indonesia	4	5	up 1
Vietnam	5	7	up 2
Mexico	6	6	-
Russia	7	4	down 3
UAE	8	9	up 1
South Africa	9	10	up 1
Turkey	10	8	down 2
Thailand	11	13	up 2
Malaysia	12	14	up 2
Saudi Arabia	13	11	down 2
Nigeria	14	12	down 2
Philippines	15	20	up 5
Qatar	16	22	up 6
Poland	17	15	down 2
Bangladesh	18	17	down 1
Argentina	19	18	down 1
Egypt	20	24	up 4

Source: Transport Intelligence

Survey respondents were asked to rank the five emerging markets they viewed as the most likely to become major logistics markets over the next five years. A score was calculated in order to rank the markets – a first preference was awarded five points, a second preference four points, and so on down to a single point for the fifth preference.

Using this method, survey participants revealed that China is again viewed as the most likely to become a major logistics market of the future. Also unchanged in 2015 were the No.2 and No.3 ranked markets – India and Brazil. While the order of the top three markets has remained consistent for the last three years, belief in the fourth BRIC economy faltered in 2015. Russia slipped from the No.4 spot it had occupied since 2012 to No.7 following a year of uncertainty brought about by the country's foreign policy stance. Gaining at Russia's expense were Indonesia and Vietnam, while Mexico held onto its No.6 ranking.

It was further through the rankings, though, that the real dynamism of emerging logistics markets was revealed. After gaining 14 places in 2014, the Philippines rose a further five spots this year to reach No.15. Resilient domestic demand in the country has combined with growth in the country's major export industries – in US$ terms, electronics export values have risen 71.0% over the past two years, while machinery export values are up 31.0% over the same period. Indeed, the Philippines is a major producer of semiconductors, and saw exports values rise 34.5% between 2011 and 2013. Several barriers remain for the country's logistics market, however – public spending on infrastructure is needed, and Manila, the country's capital and main logistics hub, imposes restrictions on the movement of trucks which, in some cases, can add as much as three days to lead times.

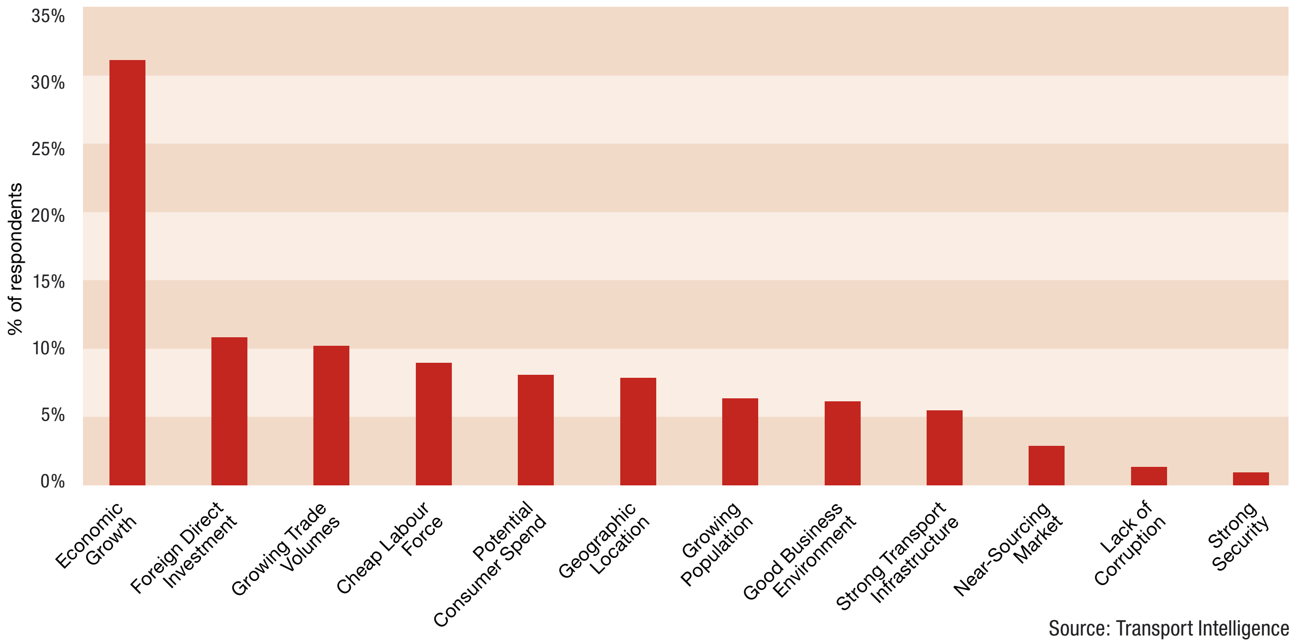
Another market to gain in the 2015 survey was Egypt which returned to the top 20 most attractive market ranking. The rise may be a result of increased investments. According to the World Bank, overall foreign direct investment in Egypt increased 98.5% between 2012 and 2013, and returned to a level close to that seen before the Arab Spring. Major international organisations are committing to the country too – PepsiCo and Almarai, a Saudi dairy company, will invest $345m over the next five years into an Egyptian joint venture, for example. With investment returning, logistics service providers appear to sense renewed optimism in the country, although economic reforms that ease access to capital for SMEs and emphasise productive activity outside of Cairo are also needed.

Survey respondents indicated less belief in the potential of Saudi Arabia as a future logistics market than was suggested by the Emerging Markets Index. The country's economic mix is developing beyond traditional oil & gas markets and investment programmes to build and expand airports, roads, ports, industrial complexes and other key logistics infrastructure are underway. Infrastructure investment is, however, a common practice throughout the region, and the mismatch between Index data and industry perception could be viewed as hesitancy amongst industry professionals to commit to Saudi Arabia when rival locations, including UAE, Qatar and Oman, present fierce competition.

Factors Behind the Potential Emergence of Logistics Markets

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

Factors behind the potential emergence of markets



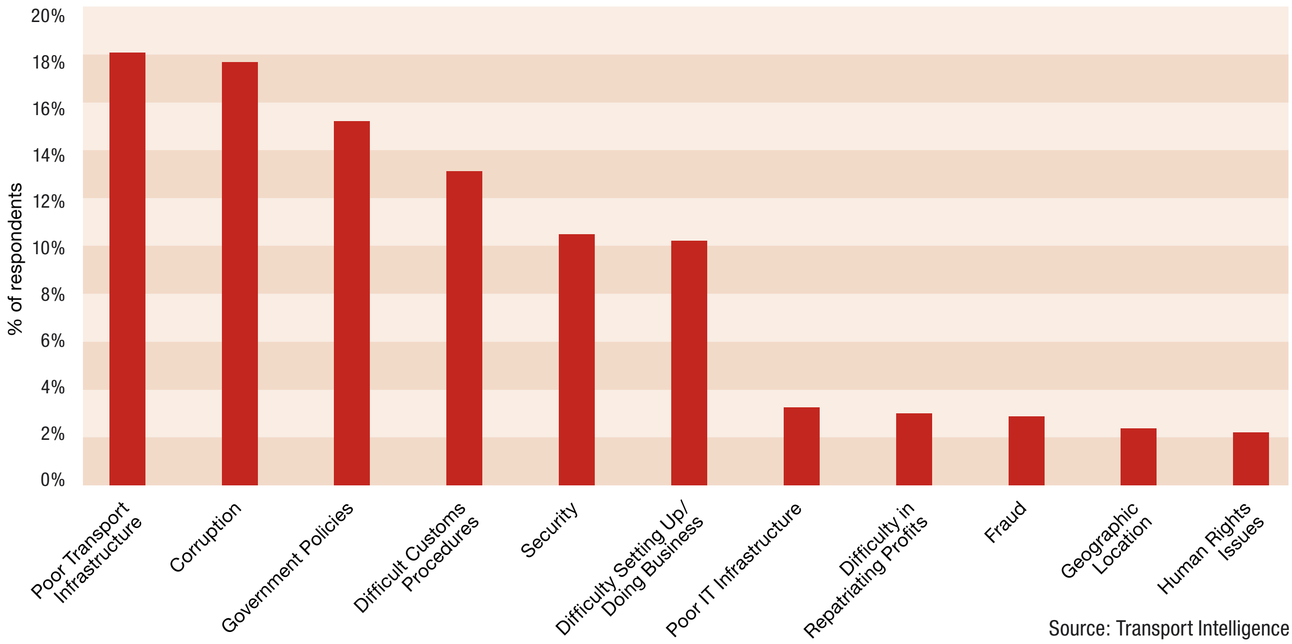
Source: Transport Intelligence

Factor	2015	2014	Y-o-Y Change
Economic growth	1	1	-
Foreign Direct Investment	2	3	up 1
Growing trade volumes	3	2	down 1
Cheap labour force	4	4	-
Potential consumer spend	5	5	-
Geographic location	6	6	-
Growing population	7	7	-
Good business environment	8	10	up 2
Strong transport infrastructure	9	9	-
Near-sourcing market	10	8	down 2
Lack of corruption	11	12	up 1
Strong security	12	11	down 1

Source: Transport Intelligence

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

Problems associated with doing business in emerging markets



Source: Transport Intelligence

Factor	2015	2014	Y-o-Y Change
Poor transport infrastructure	1	1	-
Corruption	2	2	-
Government policies	3	4	up 1
Difficult customs procedures	4	3	down 1
Security	5	6	up 1
Difficulty in setting up and doing business	6	5	down 1
Poor IT infrastructure	7	8	up 1
Difficulty in repatriating profits	8	7	down 1
Fraud	9	9	-
Geographic location	10	11	up 1
Human rights issues	11	10	down 1
Strong security	12	11	down 1

Source: Transport Intelligence

The importance of general economic growth maintained a very clear lead as the primary driver behind the emergence of future logistics markets. This is perhaps not surprising given the strong link between increasing economic activity and higher demand for logistics services, but part of this assessment too will be the indirect role economic growth plays in expanding a market's middle class, improving its business environment and encouraging the development of infrastructure.

Gaining in the rankings this year was the perception that foreign direct investment has a significant positive effect upon the emergence of logistics markets. Domestic logistics providers within emerging markets can struggle to gain access to the capital required to grow, and the increased emphasis placed on FDI may be a reflection of its capacity to overcome such funding shortages, especially in locations or vertical sectors where demand is growing and the need for logistics services is immediate. It may also be an indication that the larger international players are increasingly willing to look at joint ventures or partnerships with domestic providers. The movement of 'good business environment', up two places in the ranking, is likely related, as it helps investors mitigate some of the risks associated with investing in new or expanded operations or partnerships.

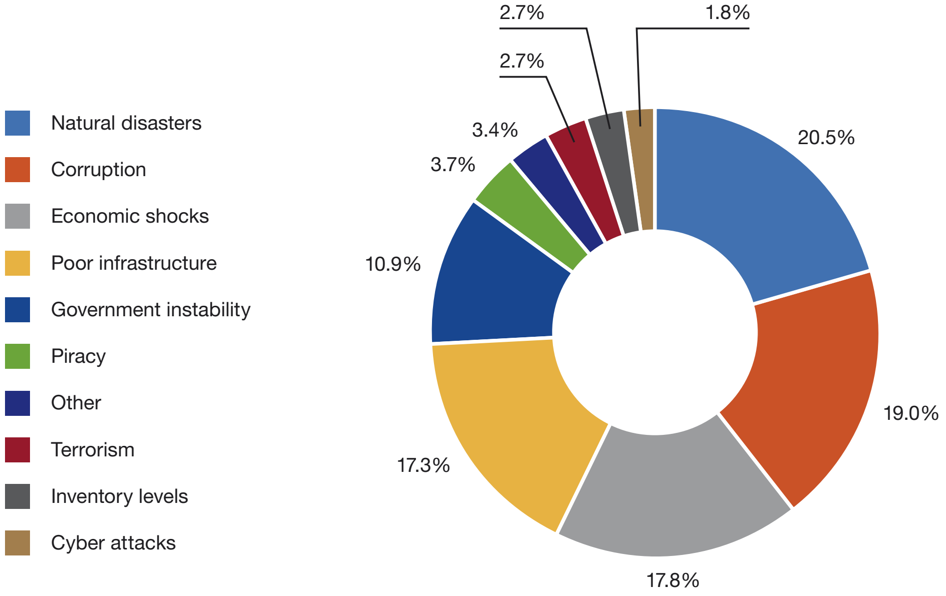
On the whole, however, where there was change in the ranking it was slight. Year-to-year continuity of this sort should perhaps not be too surprising, especially as logistics service providers become ever more exposed to emerging markets, gaining real-world operational experience of the success factors needed. The factors that can inhibit the emergence of logistics markets are much more closely ranked by survey respondents, however. Just 0.4pp separates the top two inhibitors – poor transport infrastructure and corruption – while a total of six factors each gained at least 10% of the rankings points. Despite this closeness, changes in position followed a similar pattern of small adjustments to again suggest that logistics service providers are employing consistent frameworks to judge how significantly factors will weigh on success.

When comparing the perception of similar factors as both a driver and inhibitor of a market's emergence, it can be seen that in many cases very different levels of importance are attributed. For example, strong transport infrastructure ranks only No.9 as a driver, but poor infrastructure ranks as the most significant inhibitor. Similarly, a lack of corruption ranks in No.11 as a driver, but is perceived as the No.2 most significant inhibitor. This perhaps suggests that logistics service providers are looking either only for a market to match or beat a base level that will make operations viable, or for the presence of drivers and absence of inhibitors in only the geographic areas or vertical sectors in which they intend to operate.

Supply Chain Risks

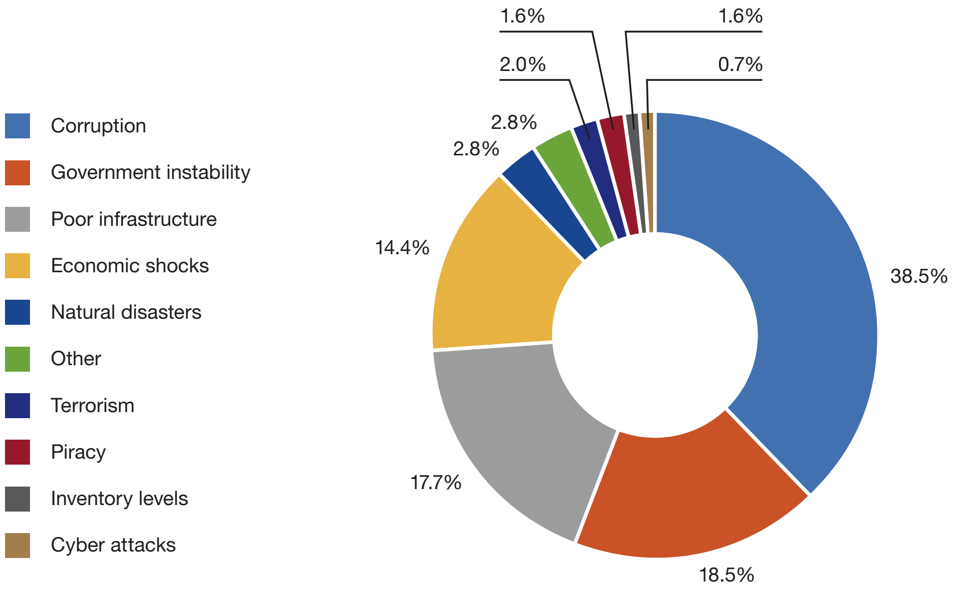
For each of the following regions, please outline which supply chain risk poses the most considerable threat to growth:

Asia



Source: Transport Intelligence

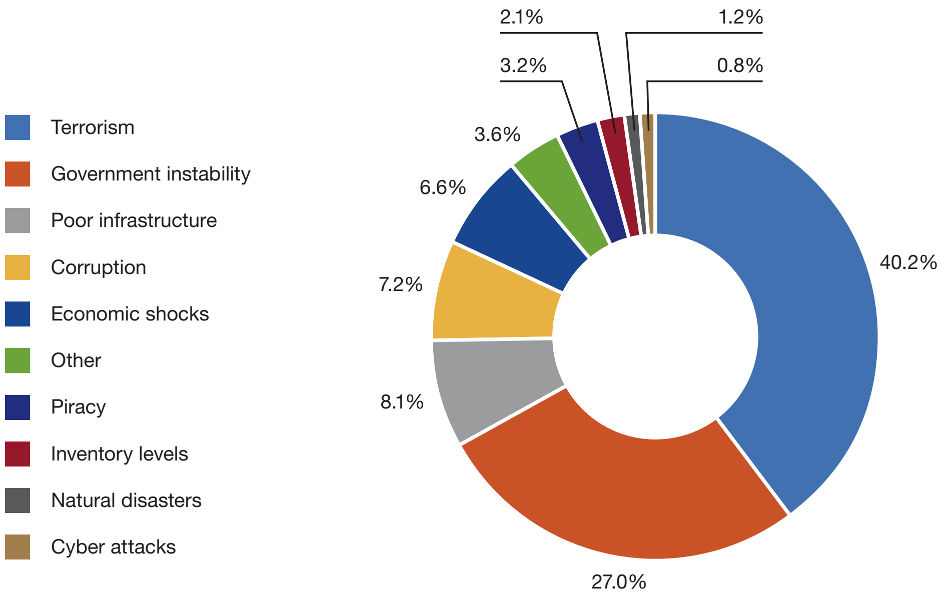
Latin America



Source: Transport Intelligence

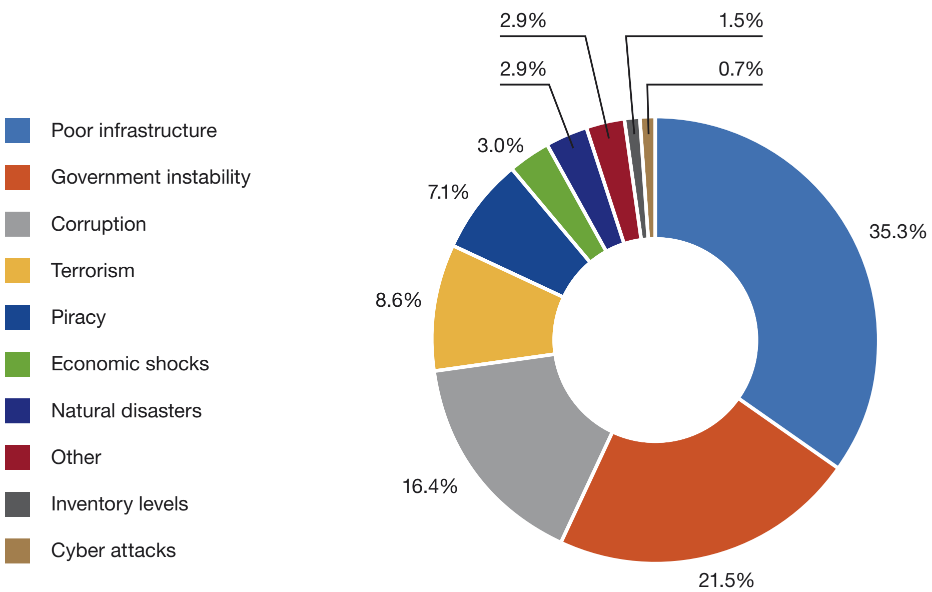
For each of the following regions, please outline which supply chain risk poses the most considerable threat to growth:

Middle East & North Africa



Source: Transport Intelligence

Sub-Saharan Africa



Source: Transport Intelligence

With supply chains an ever more integral part of manufacturing and retailing operations, the need to understand, manage and mitigate risks in the supply chain becomes vital if organisations are to maintain low inventory and just-in-time production schedules. Survey respondents indicated that while macroeconomic indicators were important, individual markets needed to be properly assessed on a micro level if opportunities and risks were to be fully understood. One respondent characterised such assessments as the need to "balance the logical business metrics with that of the opportunity for growth…no different to the decisions you make in a mature market."

Asia

Natural disasters are the most prominent threat to supply chains in Asia, according to survey respondents. In 2013 alone, the Philippines dealt with the Bohol earthquake and Typhoon Haiyan, the effects of which were also felt in China and Vietnam. Elsewhere in the region, India and Nepal were both hit by flooding and Pakistan was struck by an earthquake of its own.

Overall, the top four risk factors accounted for 74.6% of all responses. The relative parity afforded to each of the four suggests survey respondents have to account for a number of equally pressing risk factors when designing supply chains.

Latin America

Survey respondents suggested that corruption was the most prominent risk in Latin America. At 38.5%, the response rate was more than double the 18.5% that cited government instability as the No.2 most significant risk. The top four risks accounted for some 89.1% of the responses, and were unchanged from the 2014 survey.

Middle East & North Africa

Just two risk factors – terrorism and government instability – accounted for 67.2% of the responses in the MENA region. Events that have taken place in the region over the last few years suggest that respondents' fears are founded in reality – governments have collapsed as part of the Arab Spring, order has again been challenged by the spread of terrorism across Iraq, and Syria's civil war has entered its fourth year, for example, combining to create a climate of uncertainty and an uninviting business environment across parts of the region.

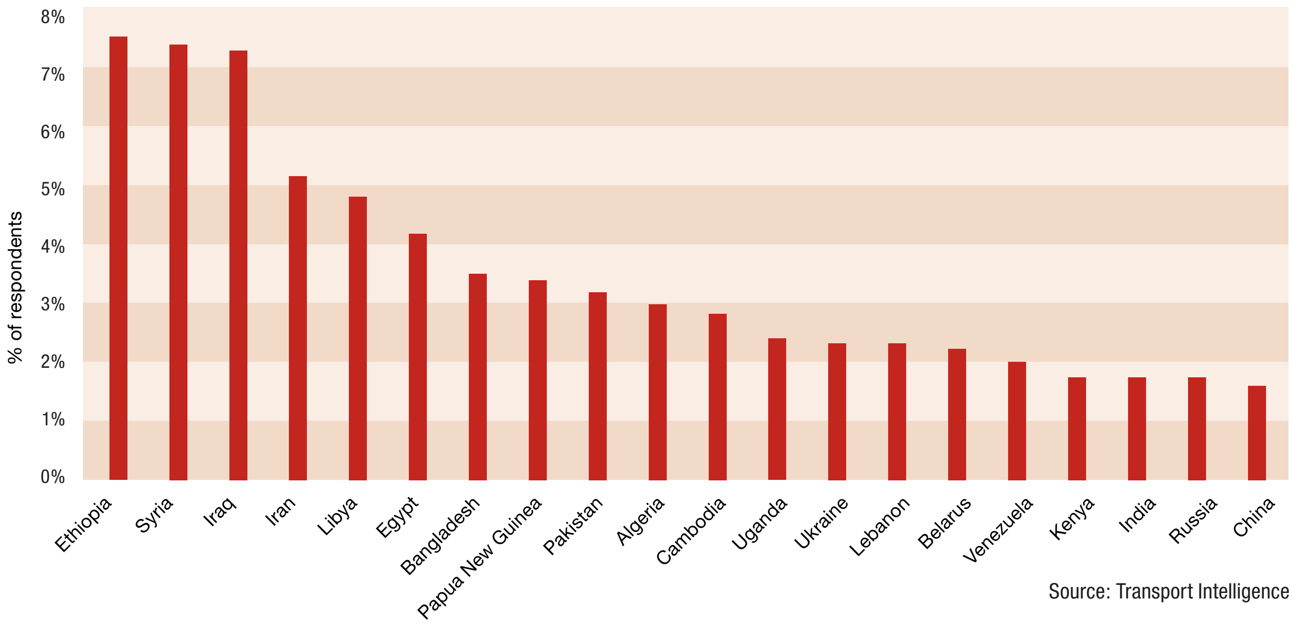
Sub-Saharan Africa

Three risks dominate in sub-Saharan Africa. Poor infrastructure tops the list, with more than one third (35.3%) of respondents citing the region's lack of physical connectedness as the biggest risk to supply chains. In such a vast and diverse region as sub-Saharan Africa, poor infrastructure is a pervasive problem. That attempts to improve the situation, such as the trans-African highway, have only been partially realised has resulted in higher transportation costs and a drag on productivity in the worst affected areas of as much as 40%. Government instability also ranks highly as a risk in sub-Saharan Africa, with high profile and ongoing issues in Somalia, Sudan, the Democratic Republic of Congo and the Central African Republic likely foremost in respondents' minds. In total, the top three risks identified in the region accounted for 73.2% of the responses.

Emerging Markets with the Least Potential

Which of the following countries do you believe have the LEAST potential as emerging logistics markets? (Please rank)

Least attractive emerging logistics markets



Source: Transport Intelligence

Country	2015	2014	Y-o-Y Change
Ethiopia	1	3	up 2
Syria	2	1	down 1
Iraq	3	4	up 1
Iran	4	2	down 2
Libya	5	5	-
Egypt	6	7	up 1
Bangladesh	7	8	up 1
Papua New Guinea	8	6	down 2
Pakistan	9	10	up 1
Algeria	10	12	up 2
Cambodia	11	13	up 2
Uganda	12	11	down 1
Ukraine	13	48	up 35
Lebanon	14	9	down 5
Belarus	15	14	down 1
Venezuela	16	15	down 1
Kenya	17	19	up 2
India	18	25	up 7
Russia	19	36	up 17
China	20	24	up 4

Source: Transport Intelligence (*Forecast)

Survey participants rated the markets with the least potential closely – Ethiopia led the ranking at just 7.5%, while the top three were separated by just 0.2pp. Overall the top 5 markets remained the same as in 2014, although some change to the order has occurred. Iran became slightly more attractive following a change in leadership and increased investments from established international partners, particularly China. More potential was eroded from the Iraqi market, however, which rose to No.3 in the ranking as security in the country deteriorated over the course of 2014. On a regional basis, eight of the top 20 least attractive markets were drawn from the Middle East & North Africa. Asia Pacific contributed six to the top 20, while sub-Saharan Africa had three in the list. Latin America fared best regionally, with just one market, Venezuela, making the ranking.

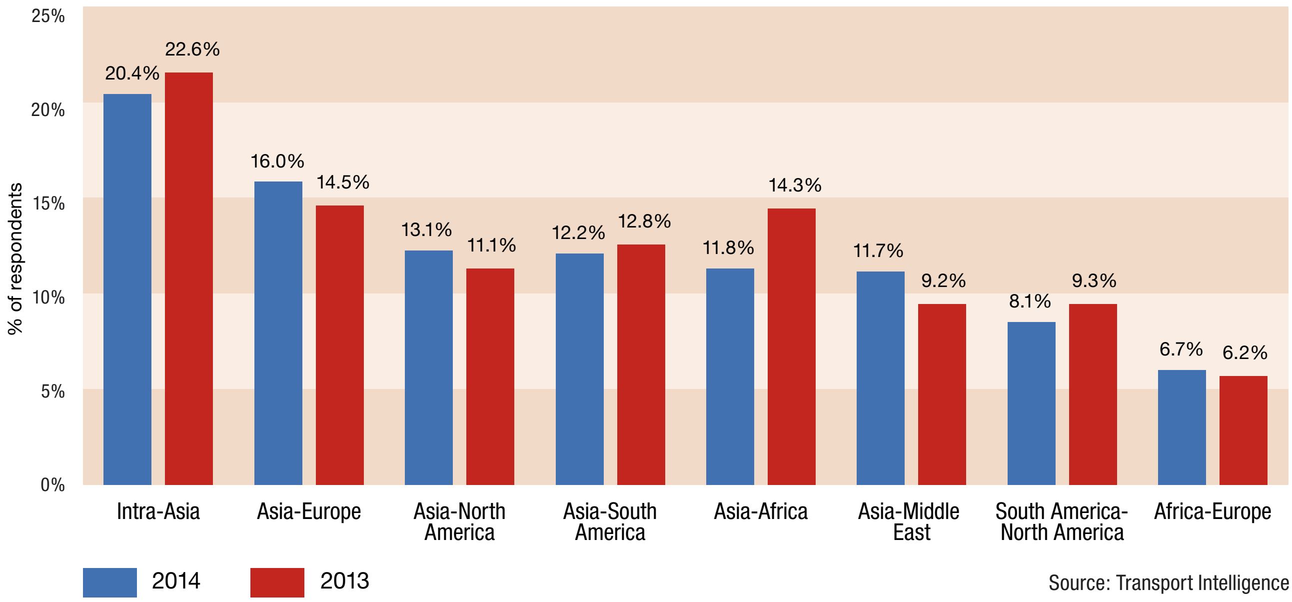
Despite a return to the top 20 most attractive emerging markets ranking, Egypt maintained its position as the sixth least attractive market. While survey respondents see potential returning to the market, they clearly demonstrate the need for caution. Egypt is in fact one of five markets to appear in both the most and least attractive rankings, along with Bangladesh, China, India and Russia. China's appearance in the least attractive market list is perhaps based on perceived limitations of its ability to continue providing significant returns on investment against a backdrop of higher costs, growing wages and slowing economic growth. With GDP figures having shown an average growth rate of around 10% since the 1980s, recent deceleration in the economy's expansion may be prompting industry professionals to question whether such growth is rule or (long lasting) exception. The appearance of India – ranked by survey respondents as the No.2 most attractive emerging market in 2015 – within the top 20 least attractive ranking is perhaps more surprising, but it could be that respondents see reason to temper their optimism following India's unilateral holdout from the Bali Trade Deal.

The most significant risers in the ranking, however, were two countries whose fortunes over the near-term seem inextricably linked – Russia and Ukraine. Recent events were enough to see Russia become the No.19 least attractive market, equating to a 17 position rise. It was Ukraine which suffered more significantly, however, rising 35 positions to become the No.13 least attractive market in 2015.

Trade Lanes

Which of the following trade lanes do you believe have the greatest potential for future growth? (We have specified a few but please add your own in the 'Others' box)

Prospects for emerging trade lanes



Source: Transport Intelligence

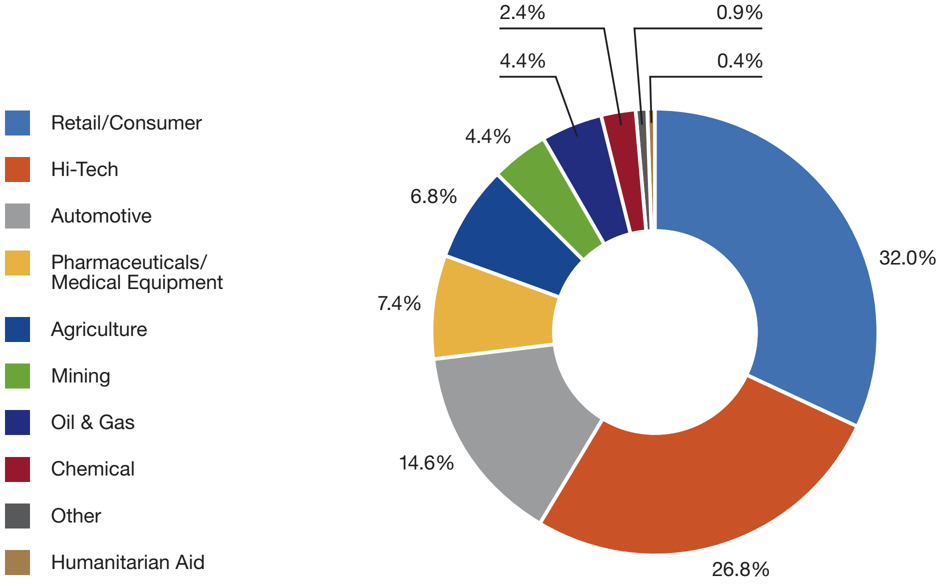
Survey respondents again ranked Intra-Asia as the trade lane with the most growth potential over the coming year, although a slightly smaller proportion of those surveyed confirmed this, as the lane's share of the responses fell 2.2pp.

With confidence in growing volumes on a particular trade lane comes a tacit acknowledgement that demand will grow in the destination region. Both Asia-Europe (No.2) and Asia-North America (No.3, rising two positions) had an increased response rate compared with 2014. This shows belief from survey respondents that economic recovery in these markets will continue. The reverse was true of the Asia-Africa trade lane which slipped two positions down the ranking, with South America-North America the only other lane to slip in the rankings.

Vertical Sectors

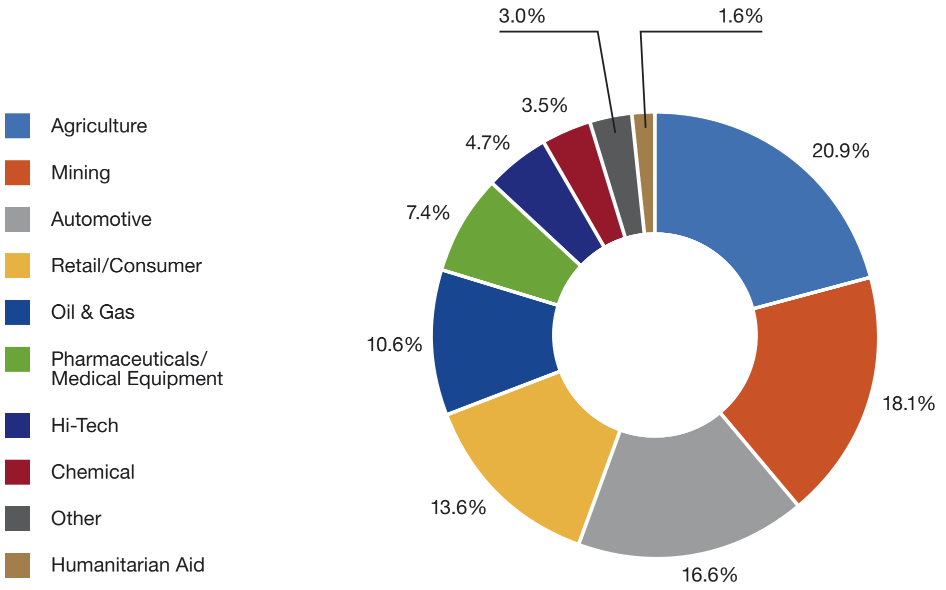
Which of the following vertical sectors do you believe have the greatest potential for future growth in emerging markets?

Asia



Source: Transport Intelligence

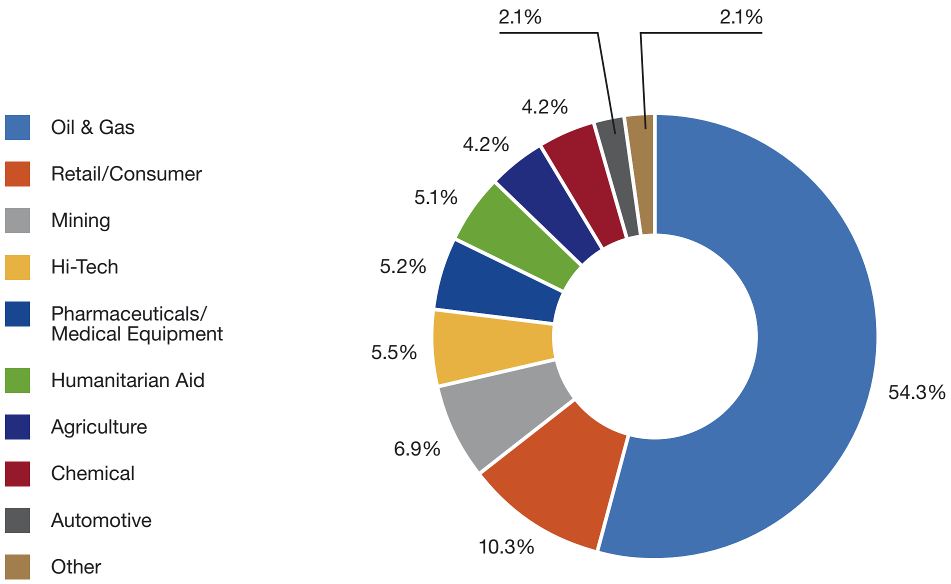
Latin America



Source: Transport Intelligence

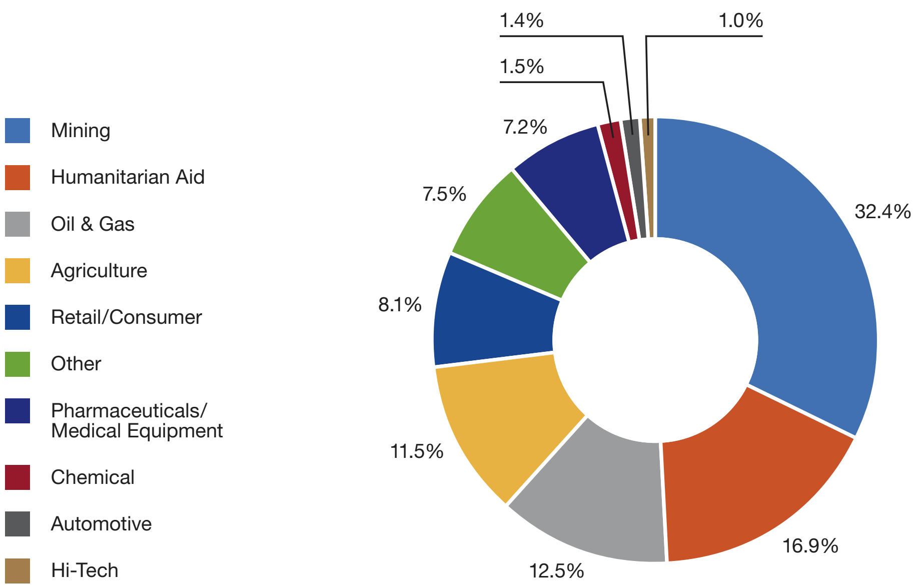
Which of the following vertical sectors do you believe have the greatest potential for future growth in emerging markets?

Middle East & North Africa



Source: Transport Intelligence

Sub-Saharan Africa



Source: Transport Intelligence

Asia

In Asia, three verticals – retail/consumer, hi-tech and automotive – accounted for 73.4% of survey responses and pointed to a transition towards domestic consumption, as demand emanates from a growing middle class. Retail/consumer markets ranked No.1 with 32.0%, while the automotive sector ranked No.3 with 14.6%. China has seen the number of global component suppliers operating in the country grow as vehicle manufacturers have introduced world class production systems and constructed new supplier parks. As vehicles are often produced in or near the markets where they will be sold, this speaks to both China's growing domestic demand and to its development as a manufacturer of higher value goods. The vertical perhaps most associated with manufacturing in the region, hi-tech, came in No.2, suggesting the belief that it will remain a powerhouse in this sector, while the ranking of pharmaceuticals/medical equipment at No.4 suggests the likelihood that more sophisticated logistics services will increasingly be in demand in the future.

Latin America

Opinion on the most promising vertical sectors in Latin America was fairly evenly spread, with five receiving at least 10.0% of the responses each. Of the top 5 sectors, three – agriculture, mining and oil & gas – account for 49.6% of the responses, and highlight the focus logistics providers place on the region as a producer of resources for consumption around the world, whether it be Brazil, the largest producer of soybeans in 2013, or Chile, the world's largest copper producer. The region also performs strongly as a venue for automotive production, with two markets – Brazil and Mexico – both near-sourcing locations, particularly for the US, and markets that hold domestic demand.

Middle East & North Africa

Oil & Gas dominated responses for the MENA region. Indeed, more than half (54.3%) of those surveyed saw it as the sector most likely to drive future logistics growth. In many cases, the physical and market infrastructure is already established, but industry professionals clearly display an expectation that the market will continue to grow, driving up demand for logistics services.

Perhaps as striking as the dominance of the oil & gas sector is the lack of a clear alternative as a growth market. At 10.3%, retail/consumer markets placed No.2 in the minds of survey respondents, while no other sector gained more than 10.0% of the responses.

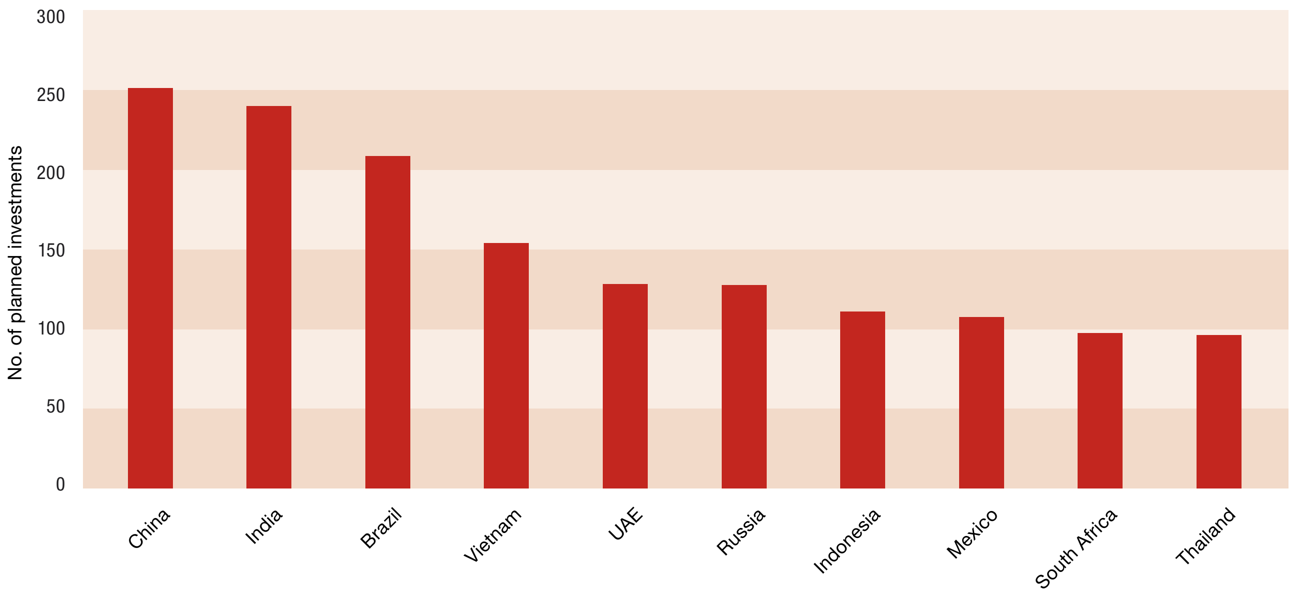
Sub-Saharan Africa

Mining placed at the top of the rankings in sub-Saharan Africa with 32.4%, close to double the 16.9% that voted humanitarian aid as the No.2 biggest growth sector. Together the two sectors accounted for around half (49.3%) of the responses suggesting that participants struggled to see a diverse range of opportunities in the region.

Investment Plans

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

Markets for potential investment over the next five years



Source: Transport Intelligence

Trade Lane	2015	2014	YoY Change
China	1	2	up 1
India	2	3	up 1
Brazil	3	1	down 2
Vietnam	4	4	-
UAE	5	10	up 5
Russia	6	5	down 1
Indonesia	7	6	down 1
Mexico	8	7	down 1
South Africa	9	9	-
Thailand	10	11	up 1

Source: Transport Intelligence

Despite a change in order, the top three countries for planned investments were unchanged in 2015. Brazil fell from No.1 to No.3, with both China and India moving ahead. There was similar continuity across the top 10, with nine of the markets remaining the same as 2014 – only Turkey slipped out of the group, replaced by Thailand. A total of 1,548 investments are planned in these top 10 markets, up from 1,192 in 2014. Across the full 55 countries in which survey respondents indicated planned investments, 2015 again saw a higher overall number – some 3,140 compared with 2,296 in 2014. As a measure of this overall growth, when Brazil topped the chart in 2014, it had a total of 198 planned investments. Such a number would have secured a market only the No.4 position this year; it took China 254 planned investments to top the 2015 chart.

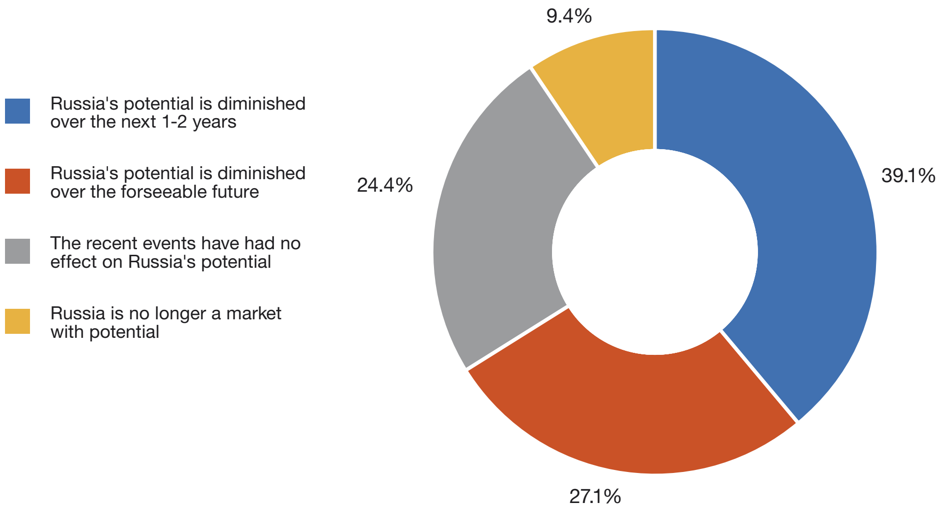
With the countries ranked as the top investment destination matching closely with those ranked as the most attractive markets, it appears that survey respondents are following opinions with action. The top 10 most attractive markets have 1,544 planned investments – 49.2% of the total. The 10 markets ranked as having the least potential account for 263 planned investments – just 8.4% of the total. Gaining the most were India and UAE which both saw increases of 59 planned investments, followed closely by China which added 58. Malaysia and the Philippines added 47 and 45 more planned investments respectively. Qatar (+39), Thailand (+36), Vietnam (+35), Indonesia and Saudi Arabia (both +32) and Mexico (+30) were the other markets to add at least 30 additional planned investments. At the other end of the scale, four markets saw a drop in planned investments – Uganda had one less, Libya had two less and both Ethiopia and Kazakhstan had three fewer planned investments when compared with 2014.

Asia is the most popular region with a total of 1,357 planned investments, of which more than a third (36.6%) are in China and India. Middle East & North Africa has the second highest total number of planned investments with 770 planned across 18 markets in the region. UAE leads with 132 of these, while Turkey and Saudi Arabia follow with 92 and 85 respectively. In Latin America, 213 of the 602 planned investments will take place in Brazil. Mexico ranks No.2 for the region with 108 planned investments, ahead of Argentina at No.3 with 66. A total of 225 investments are planned in sub-Saharan Africa, with South Africa accounting for 98. Survey respondents' least attractive market, Ethiopia, has 24 planned investments. Outside of the four major regions, Poland leads the way with 53 planned investments.

The Potential of the Russian Market

To what extent have Russia's recent actions affected its potential as an emerging logistics market?

The Potential of the Russian market



Source: Transport Intelligence

A clear majority of those surveyed viewed recent events as having diminished Russia's potential as an emerging logistics market – a combined 66.2% indicated they had downgraded Russia's potential for at least the next year. In addition, 9.4% suggested that the market had lost all potential, meaning more than three quarters (75.6%) are somewhat pessimistic about Russia's prospects. As demonstrated elsewhere in the survey, however, opinions on Russia's future are somewhat split, and the results here can be just as inconclusive. Some 24.4% of survey respondents did not see any reason to believe that Russia's prospects were diminished. When combined with those suggesting the issues would be resolved in the near-term, 63.5% of respondents indicated that Russia would suffer a short-lived dimming of prospects at worst, with hesitation, rather than sea-change, the order of the day.

The longevity of the situation therefore seems likely to play a key role. One survey respondent noted that their operations in the country had yet to see any fallout from the recent events. Another agreed, but stressed that while little had changed currently, the effects would increase overtime;

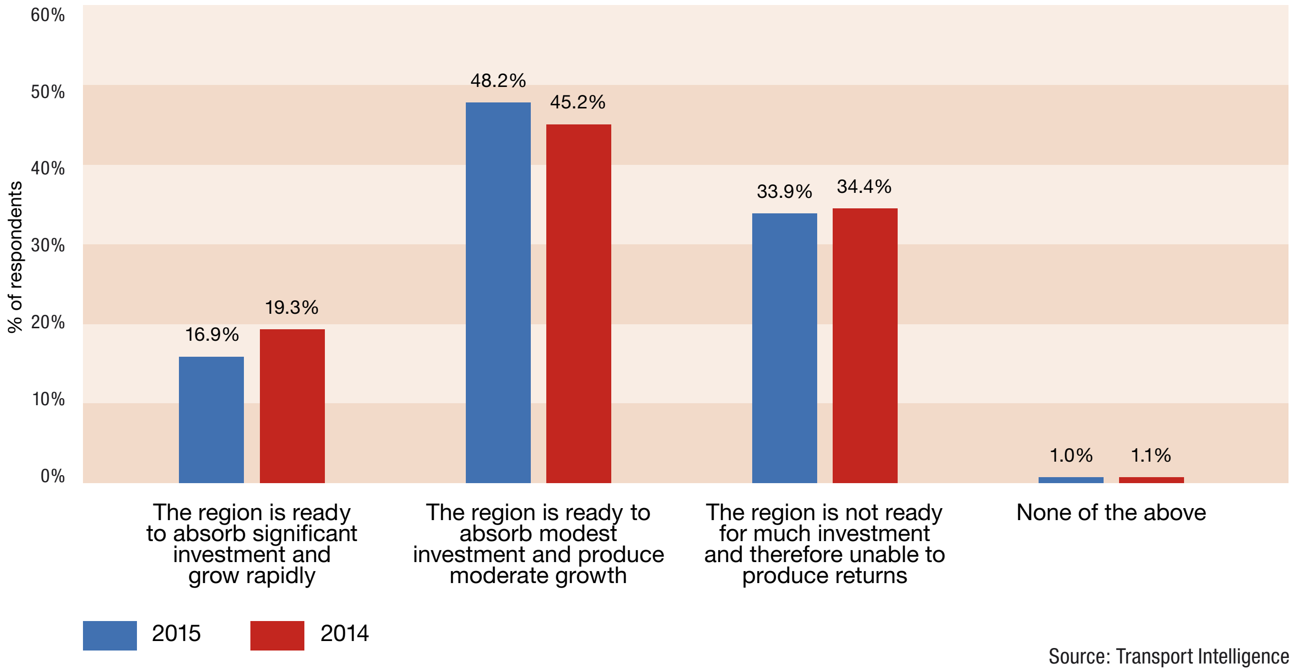
"The barriers to entry have always been high in Russia and corruption has always been a deterrent to enter the market. Full blown sanctions will affect supply and demand and therefore logistics. The currency is already hitting all-time lows and the pressure is just beginning."

This points to two important tension points for logistics providers. Certain logistics markets – road freight, in particular – are closely tied to overall economic growth. Should the sanctions imposed against Russia remain in place for an extended period and begin to bite over the medium-term, wider economic growth is likely to suffer, curtailing growth in key logistics markets. In addition, investors are likely to become increasingly wary the longer the sanctions remain in place. Logistics providers benefit when vertical sectors grow, but access to financing is needed to fund that vertical sector growth. Indeed, such limitations on access to funding may have already begun – no Russian companies received any loans whatsoever in US dollars, Swiss francs or euros during July 2014.

Prospects for Sub-Saharan Africa

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

Prospects for Sub-Saharan Africa

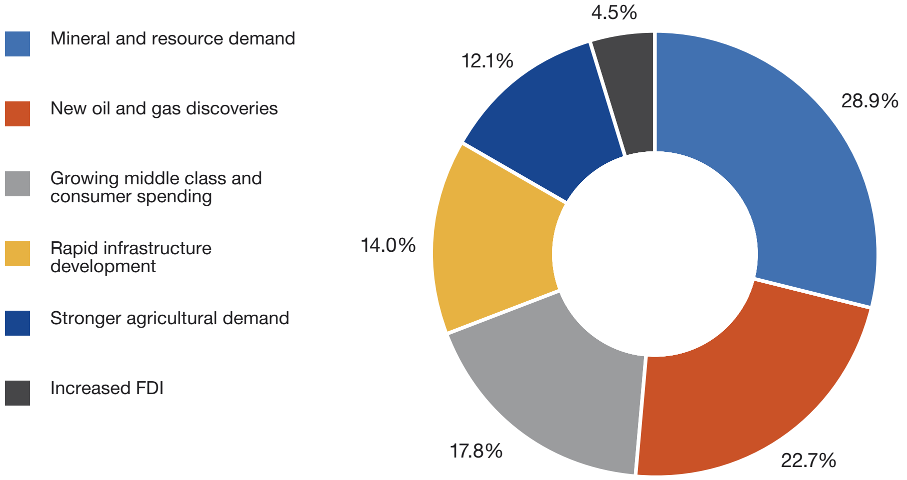


Source: Transport Intelligence

Nearly half (48.2%) of those surveyed suggested that sub-Saharan Africa is ready to absorb moderate investment and return moderate growth rates as a result. When this is combined with those displaying more optimism about the capacity of the region to absorb investment and return growth, some 65.1% of those surveyed indicated that the region is well positioned to grow, a very slight increase of 0.6pp over 2014.

What do you perceive to be the most significant driver of growth in the emergence of sub-Saharan Africa's logistics market?

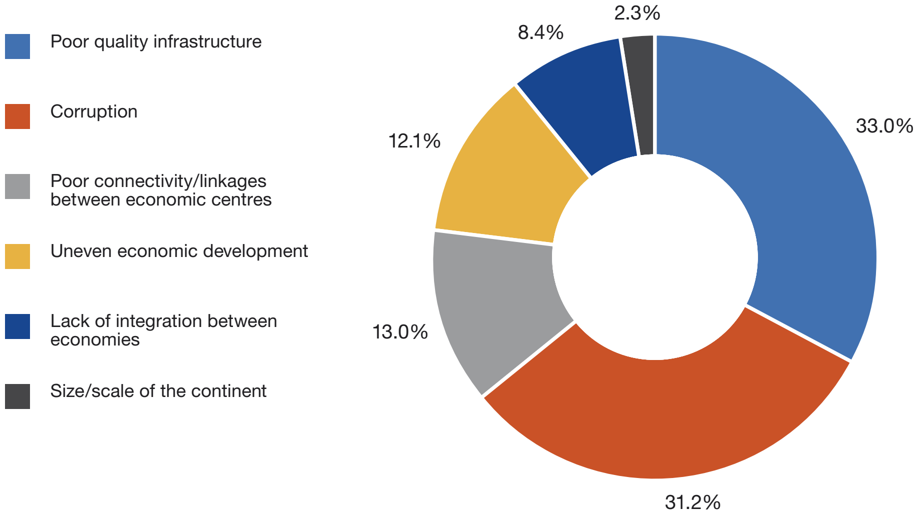
Drivers behind the emergence of Sub-Saharan Africa



Source: Transport Intelligence

What do you perceive to be the biggest challenge prohibiting the emergence of Africa's logistics market?

Inhibitors of growth in sub-Saharan Africa



Source: Transport Intelligence

When asked to rate the drivers of growth in sub-Saharan Africa, survey respondents rated those drivers related to extractive industries highly. More than half (51.6%) saw two such drivers – mineral and resource demand, and new oil & gas discoveries – as key to the region's future development.

Interestingly, survey respondents saw poor infrastructure as the most significant inhibitor of development in the region, yet ranked infrastructure development as only the No.4 most significant driver. Logistics is fundamentally limited by poor infrastructure, and sub-standard infrastructure presents limitations elsewhere too; other factors inhibiting growth such as poor connectivity and linkages between economic centres, uneven economic development and lack of integration between economies are exacerbated by poor infrastructure. That just 2.3% of respondents believed the size and scale of the continent to be fundamentally holding back growth suggests a lack of coordinated action to overcome infrastructure challenges is behind the problem.

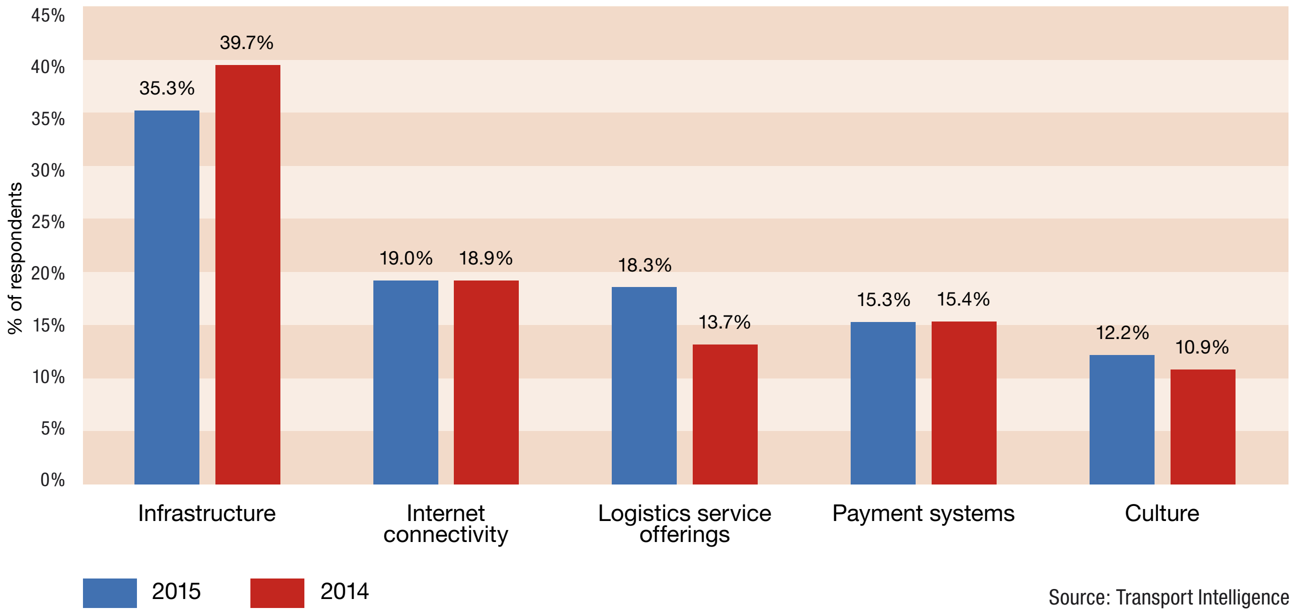
A lack of viable infrastructure may also feature in the minds of some survey respondents who see the prospect of a resource boom without a sustainable economic development plan in the region's future. Without infrastructure to connect communities and economic centres, there's a risk that resources are extracted and removed without economic development that creates long-term opportunities, for local communities or logistics service providers. Some 17.8% of those surveyed saw growing middle class and consumer spending as the biggest driver, but measures – physical and economic – to integrate sub-Saharan Africa are also needed in order to achieve wider economic development.

While survey respondents were clear that both opportunities and challenges were abundant in sub-Saharan Africa, a number also pointed out that logistics providers' best strategy for success in the region's markets would be to enter the markets early, position their operations to ride out initial volatility, and encourage and assist their clients to pursue market share.

e-commerce

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

Factors inhibiting e-commerce growth in emerging markets



Source: Transport Intelligence

Infrastructure ranked as the primary factor inhibiting the development of e-commerce in emerging markets, accounting for 35.3% of responses. Infrastructure is key to all logistics services, but offers tension points that can have a significant impact on e-commerce. Firstly, goods must be transported through networks, sometimes internationally, to the local area in which the order has been made. In developed markets, this generally occurs through an express provider which offers extensive geographic coverage. However, in developing markets such coverage can be less extensive and population centres less connected by viable infrastructure. The extra time and capacity required to overcome infrastructure gaps increases costs and puts extra pressure on margins for manufacturers and retailers as well as logistics service providers. In addition, last mile networks can suffer from infrastructure-related impediments including congestion, further increasing costs and margin pressure.

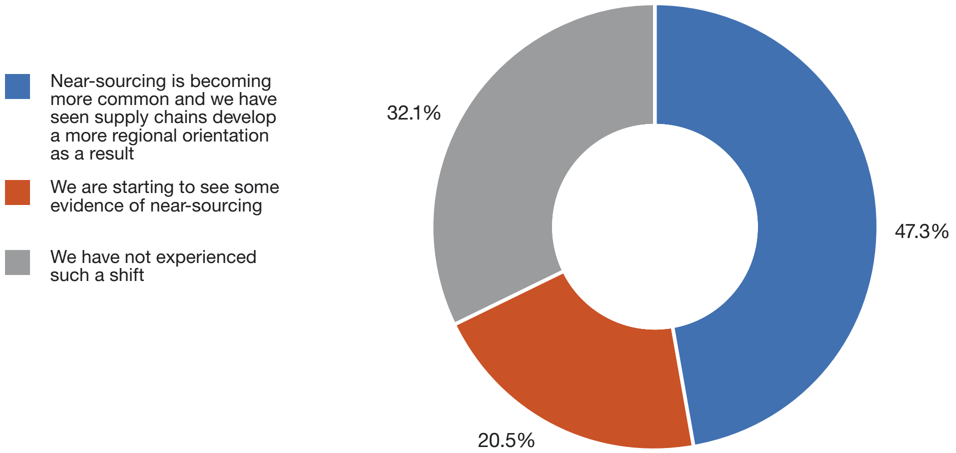
Survey respondents also suggested that logistics providers themselves have room to develop, with 18.3% pointing out that supply side offerings are impeding the growth of e-commerce. This is perhaps not surprising given the complexity and cost of e-fulfilment operations, as well as the exceptional levels of demand which threaten to outstrip logistics capacity.

Ranked in last position is culture – an element of the e-commerce process over which retailers, manufacturers and logistics service providers have the least influence, directly or indirectly. There are several cultural challenges that need to be addressed in order for e-commerce markets to fully develop in some emerging markets, such as a preference for cash-on-delivery payment across much of the Middle East. Those seeking to take advantage of the potential growth in the market are likely to face a lengthy process before such social norms are adapted in some regions. It was suggested by several survey respondents that consumer behaviours are beginning to change, however, with the exponential growth of e-commerce in China variously cited as evidence.

Near-Sourcing and Freight Movements

Of the following statements, which most closely matches your organisation's experience of near-sourcing?

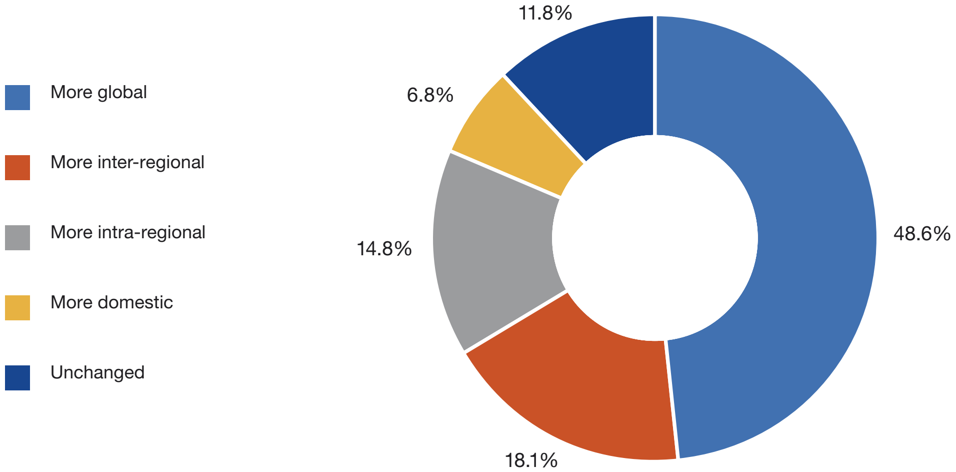
The effect of near-sourcing on supply chains



Source: Transport Intelligence

Compared with three years ago, are your freight movements: more global, more inter-regional, more intra-regional, more domestic or unchanged?

Changing freight movements



Source: Transport Intelligence

Survey respondents indicated that near-sourcing has had a real and tangible impact on the design of their supply chains, with 47.3% suggesting the shift of manufacturing to locations closer to end-markets is already an established trend. Different vertical sectors will place different demands on a potential near-sourcing market, with attractiveness a combination of what can be offered by the market – skills in the labour force, cost advantage, proximity to an end-market or potential as a hub location just a few such variables.

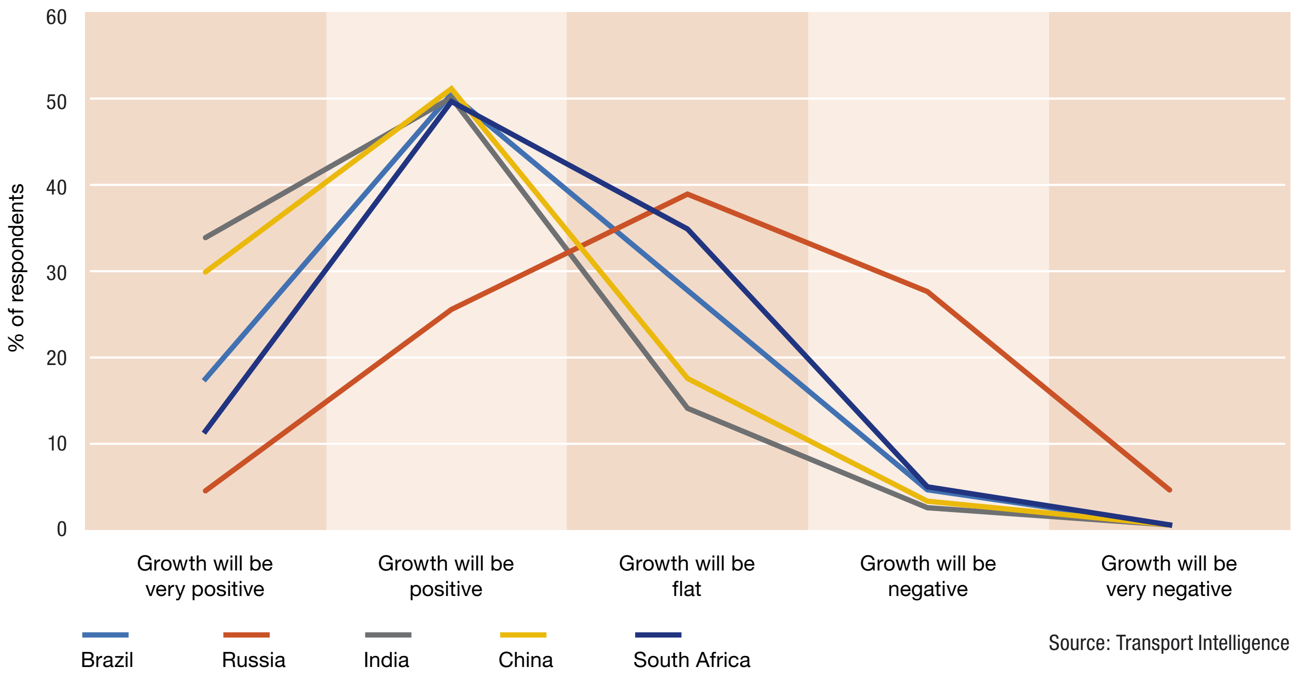
Still, approximately one third (32.1%) of those surveyed have yet to witness any such shift. This is likely due to the varying needs of vertical sectors. For example, near-sourcing practices do not offer universal benefits, and not all verticals are equally exposed to logistics costs. This is reinforced by the 48.6% of survey respondents that are seeing more freight movements on a global scale, again suggesting that different vertical sectors are reacting to different pressures and seeking different advantages.

That 20.5% of respondents are beginning to see the shift, though, could be viewed as evidence that the benefits of near-sourcing are both spreading throughout supply chains as well as into new verticals. Moreover, it could also suggest that near-sourcing may be a more attractive option in certain stages of production – perhaps in the final stages where logistics providers can offer value-added services in less costly markets. Risk should also not be overlooked as a driver of near-sourcing. Shifting production location can reduce exposure to potential risk, making transportation more predictable as manufacturers, retailers and logistics providers seek to mitigate various threats which can impact upon the supply chain.

Growth in the BRICS

What do you expect will happen to economic growth in each of the BRICS countries in 2015?

Growth expectations in the BRICS



Source: Transport Intelligence

Overall, survey respondents demonstrated an expectation that performance would be positive in many of the BRICS economies. Indeed, opinion that 'positive' performance would be recorded across four of the markets – Brazil, India, China and South Africa – was almost uniform as all were separated by just 2.1pp.

When those survey respondents expecting either positive or very positive performance from each market are combined, a strikingly clear picture of how each market's potential is viewed reveals itself. Leading the group in this measure is India, a market which some 83.8% of those surveyed expected to return growth, followed closely by China, where 80.4% expected positive or very positive performance.

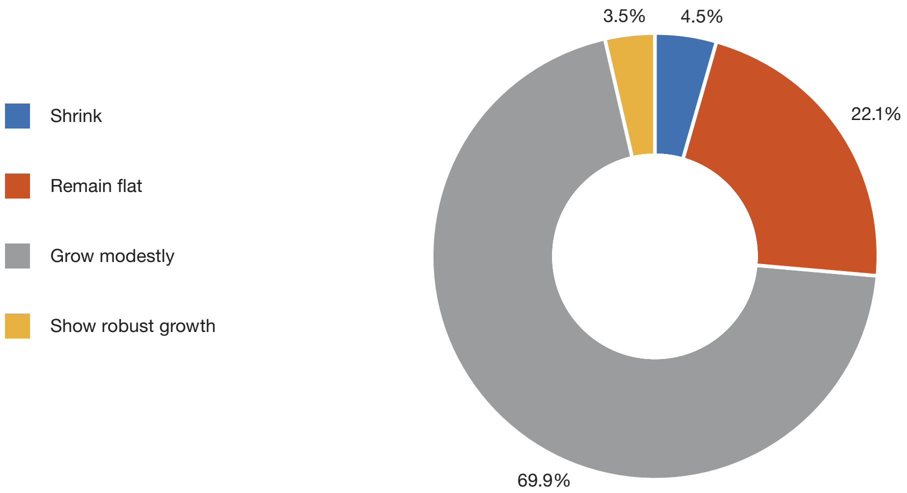
Brazil was rated more lowly, although 67.1% still expected positive or very positive performance, seemingly a vote of confidence that it would emerge from the mid-2014 recession and overcome chronic infrastructure problems in a more politically stable context. The final market to see more than half (60.3%) of respondents expect it to return growth was South Africa. Growth has been slow in Africa's most advanced economy where industrial action in the mining sector has reduced output and productivity – indeed a platinum strike in the first quarter of 2014 was cited as the primary reason for a 0.6% economic contraction during the period. It was perhaps the fear of the mining sector's strikes turning into wider industrial action that played on the minds of survey respondents who were measured in their belief in the market.

It is current events in Russia, though, which appears to cause most concern for survey respondents – just 28.8% expect the economy to show any signs of growth in the year ahead, while 32.6% rated growth as likely to be negative or very negative over the next 12 months. Overall, however, expectations of the Russian economy were balanced. Responses were split fairly evenly between those expecting positive and negative growth, while 38.6% expect flat performance. This suggests that reasons can still be found to have some faith in the market – strong links with China and significant hydrocarbon resources chief amongst them – or belief that a resolution with Ukraine can be found.

Trade and the Global Economy

In 2015, the global economy and trade are likely to:

Prospects for the global economy and trade volumes



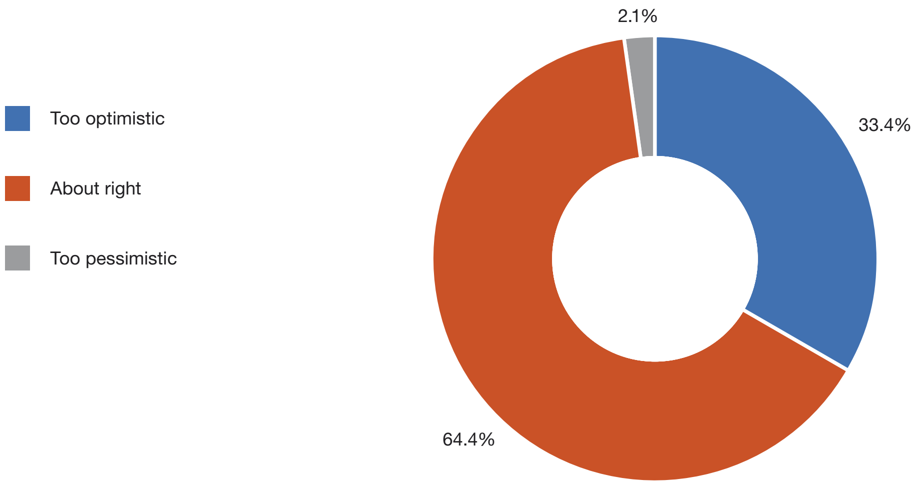
Source: Transport Intelligence

Some 69.9% of those surveyed expected modest growth in world trade and the global economy in 2015. This could be viewed as a triumph of resilience and of the capacity to find new ways to create value given that just a few short years ago the world was rapt by the most significant recession in decades which threatened to collapse the global economy. While differences certainly exist between the various regions and economic players in the world, that just 4.5% of respondents indicated shrinkage suggests that fears related to the 2008 recession are now all but vanished.

Emerging Market Growth

The World Bank forecasts 2015 emerging market growth of 5.4%. In your opinion, is this: too optimistic, about right or too pessimistic?

Prospects for emerging market growth



Source: Transport Intelligence

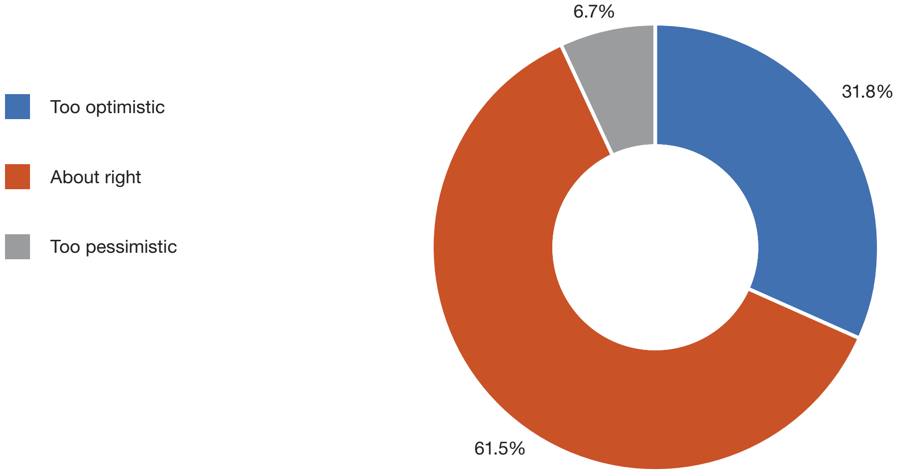
Nearly two thirds (64.4%) of those surveyed agreed that emerging markets were likely to see growth of around 5.4% in 2015. That those who thought the rate was too optimistic (33.4%) significantly outweighed those expecting even greater growth (2.1%), however, demonstrates that 5.4% is viewed as an upper limit. Certainly there are reasons to be cautious: 2014 saw Brazil enter a recession, Russia become increasingly isolated and China's economic growth slow. However it is questionable whether these high profile examples of economic strife in emerging markets are forbearing of something more sinister. Rather, it appears that survey respondents are beginning to expect emerging market growth to return to the mean – the inference being that the explosive growth seen in the last decade, and the position to which emerging markets were elevated following the 2008 recession, are drawing to a close.

Indeed a number of survey respondents saw the reduction in growth forecasts as an indication that emerging markets are entering a new era of development. Many cited a transition from export led growth to increasing domestic demand as a sign that, while emerging markets will remain key production locations and integrated with global supply chains, economic growth would become more sustainable at lower rates, as billions of people enter the middle class and new logistics markets emerge. Other respondents saw the tempering of growth expectations as the driver needed to bring rationality to emerging market operations. Several respondents argued that more realistic growth expectations would heighten the need for better IT systems, reduced costs and increased efficiency.

US Growth Forecasts

The World Bank forecasts 2015 US market growth of 3.0%. In your opinion, is this: too optimistic, about right or too pessimistic?

Prospects for US growth



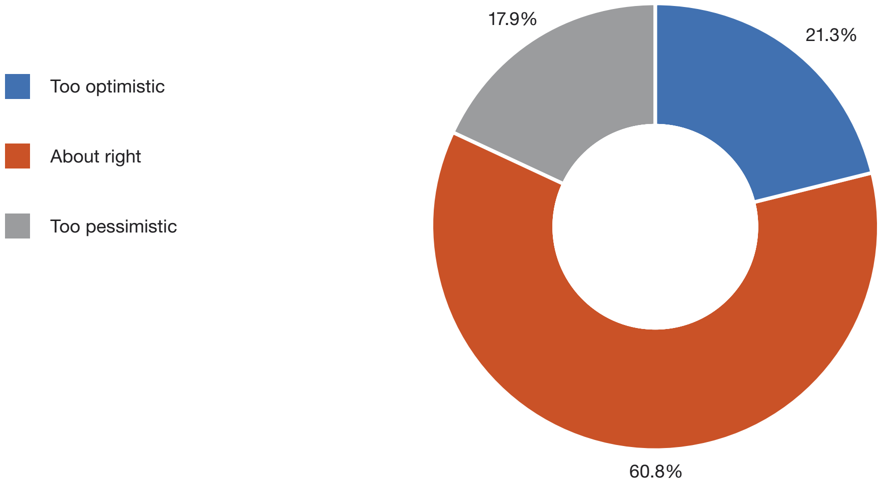
Source: Transport Intelligence

Similar to the potential seen for growth in emerging markets, survey respondents appeared to suggest that growth of 3.0% was about as much as could realistically be expected of the US economy in 2015. Significantly though, nearly one third (31.8%) suggested that even this was too optimistic for the year ahead. It is true to say that the US has emerged more strongly from 2008's tests than other developed economies, but many still see reasons to be cautious about the near-term future of the world's largest economy.

European Growth Forecasts

The World Bank forecasts 2015 Euro Area market growth of 1.8%. In your opinion, is this: too optimistic, about right or too pessimistic?

Prospects for Euro area growth



Source: Transport Intelligence

The Euro Area continues to feel the effects of 2008 more than most developed economies, having to balance the prospects of its stronger economic performers with those that still have lingering structural woes, such as Italy and Spain. As a result, there is far less confidence in the Area's ability to return to prosperity than is placed in the US – more than one fifth (21.3%) noted that predicted economic growth of 1.8% was too optimistic for the 18-strong group of countries.

Most survey respondents (60.8%) did indicate that a growth rate of 1.8% was realistic, however. Whether or not this proves to be the case will again rely on a few strong performers, Germany in particular. This creates a tough environment for the region's own emerging economies, like Poland, which needs strong surrounding markets. It will also be interesting to watch the effects of the Russia-Ukraine conflict, playing out in the Area's neighbourhood.

About Agility and Transport Intelligence

Section 9

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 $4.8bn in revenue and more than 20,000 employees in 500 offices across 100 countries.

Transport Intelligence – Expert Research and Analysis

Ti is one of the world's leading providers of expert research and analysis dedicated to the global logistics industry. Utilising the expertise of professionals with many years' experience in the mail, express and logistics industry, Transport Intelligence has developed a range of market leading web-based products, reports, profiles and services used by all the world's leading logistics suppliers, consultancies and banks as well as many users of logistics services.

Agility - Continued

Agility's core commercial business, Global Integrated Logistics (GIL), provides supply chain solutions to meet traditional and complex customer needs. GIL offers air, ocean and road freight forwarding, warehousing, distribution, and specialized services in project logistics, fairs and events, and chemicals. Agility's Infrastructure group of companies manages industrial real estate and offers logistics-related services, including e-government customs optimization and consulting, waste management and recycling, aviation and ground-handling services, support to governments and ministries of defense, remote infrastructure and life support.

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Transport Intelligence - Continued

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