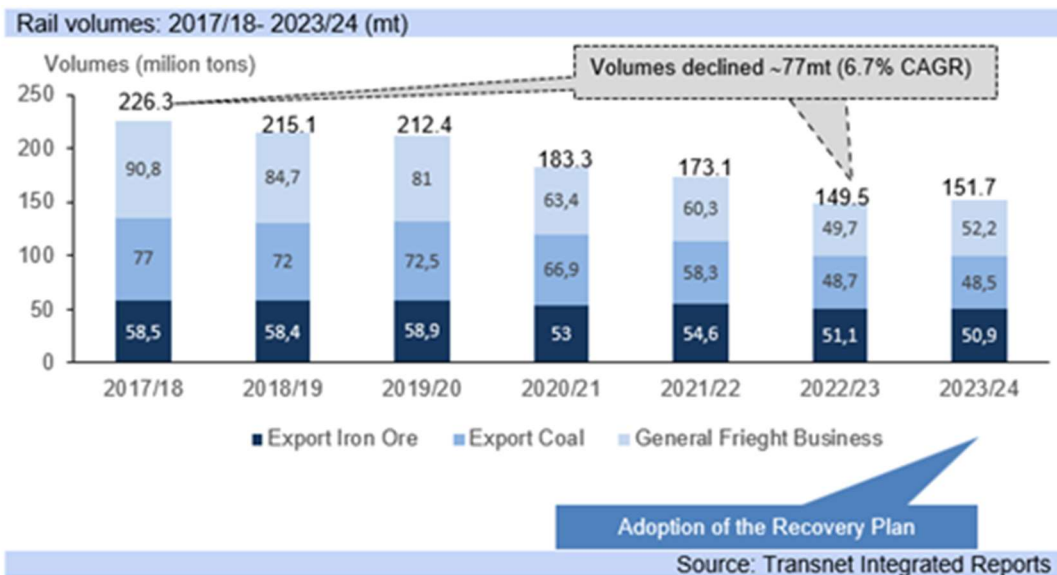


SA Economics

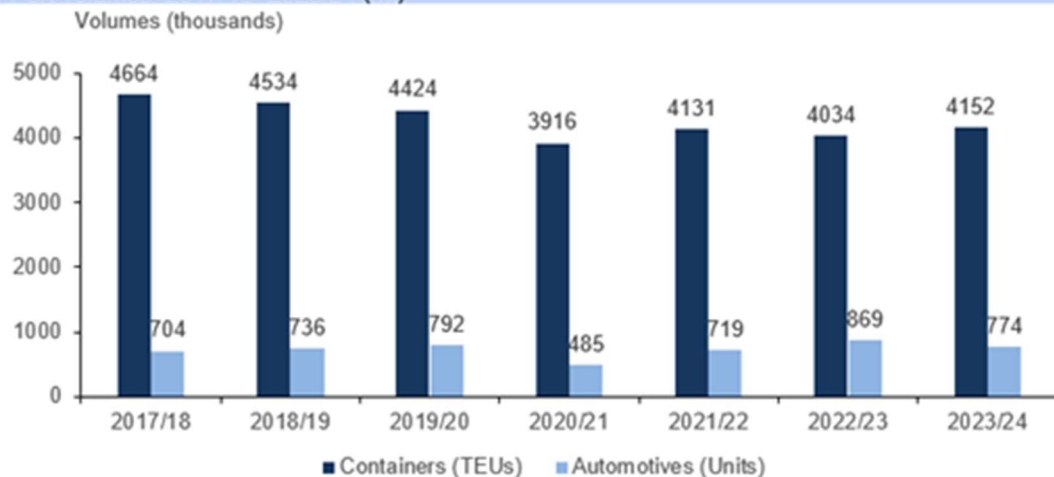


Fixed investment Outlook: expected to drive growth, but at a weak starting point

Thursday 21 November 2024

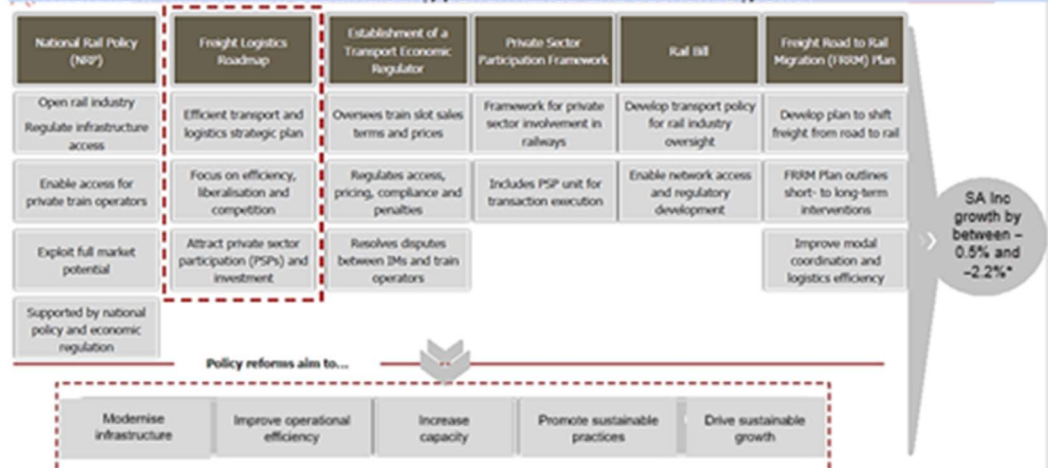


Port volumes: 2017/18- 2023/24 (mt)



Source: Transnet Integrated Reports

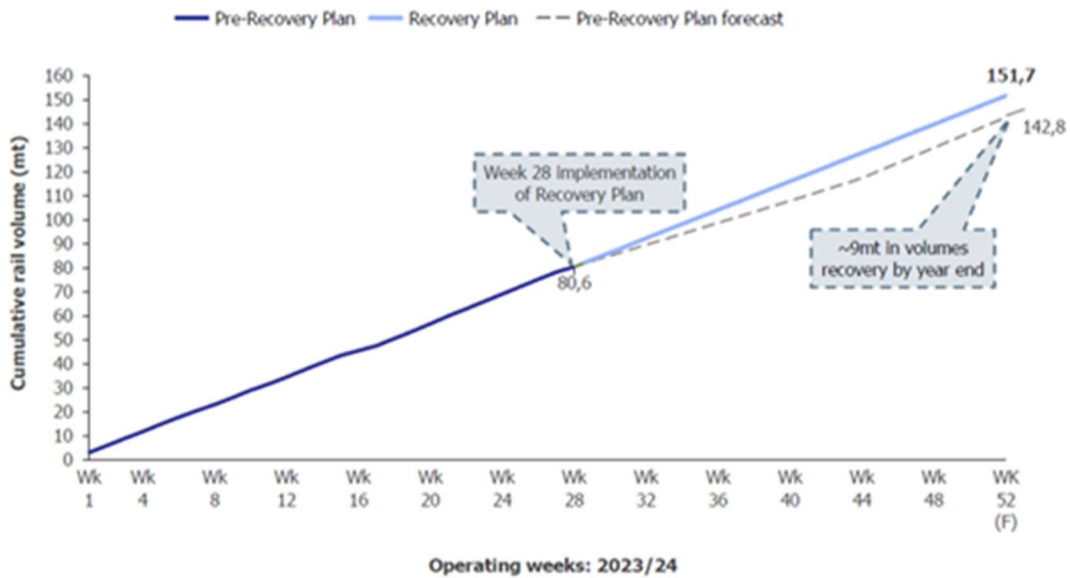
Introduction of several policy measures to drive change within the transport & logistics environment with the aim of stimulating performance and economic growth



Source: Transnet Integrated Reports

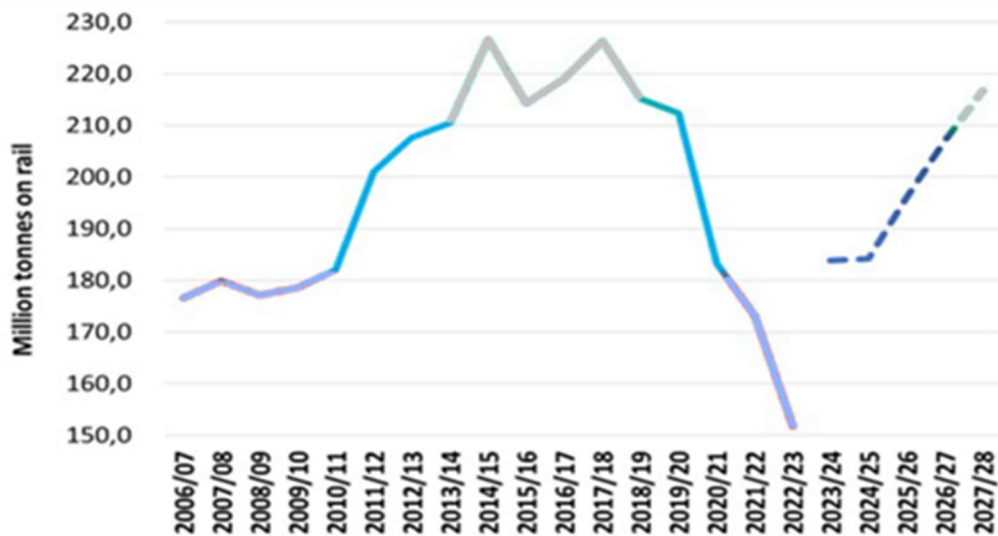
*It is estimated that logistics underperformance cost the South African economy between ~0.5% GDP (5.605bn) in 2019 and ~2.2% GDP (R6 793bn) in 2022

Impact of Transnet Recovery Plan on rail freight volumes in 2023/24 (mt)



Source: Transnet Integrated Reports

Transnet Freight Rail actual and planned volumes



Source: Treasury, SA Government

- With no bailouts for the SOE's in the MTBPS, Finance Minister Godongwana instead affirmed public private partnerships (PPP) as government's preferred approach "to reduce inefficiencies and costs", particularly at Transnet.
- The presidency notes blockages in the freight system cut at least 3% y/y from growth. "The department of transport, Transnet and the Passenger Rail Agency

... are finalising a list of priority projects that will be issued to the market in 2025.”

- “(W)e are implementing reforms that will create conditions to attract greater private sector participation” by mobilising “significant private sector financing and technical expertise to augment the limited public sector capacity and capability”.
- South Africa has maintained an average since 2017 of 71% of fixed investment carried out by the private sector versus the below 30% carried out by general government and the parastatals (SOEs) combined.
- With Transnet and Eskom shouldering high debt burdens, along with many other SOE’s, infrastructure investment is limited, requiring private sector expertise and investment mechanisms, and a highly skilled state infrastructure department.
- Fitch’s BMI report on South Africa’s logistics and freight transport notes that SA’s competitiveness as an emerging market logistics hub is declining on internal supply chain disruptions on deteriorating infrastructure and criminality on trade routes.
- The report adds “(w)e project a rise in port activity and overall container throughput at South African ports in 2025, supported by a recovery in trade activity. In the long term, ... (PPPs) will support port throughput and rail sector revitalisation”.
- “We forecast rail freight tonnage to grow by 1.2% y-o-y in 2025, albeit from a low base, recovering from negative aggregate annual growth over 2020-2023 ... capital investment and effective resource management will be crucial”.
- Fixed investment is expected to continue to be driven by the private sector over the medium-term, with similar growth rates to total fixed investment, with SOE investment driven by the business government partnership.

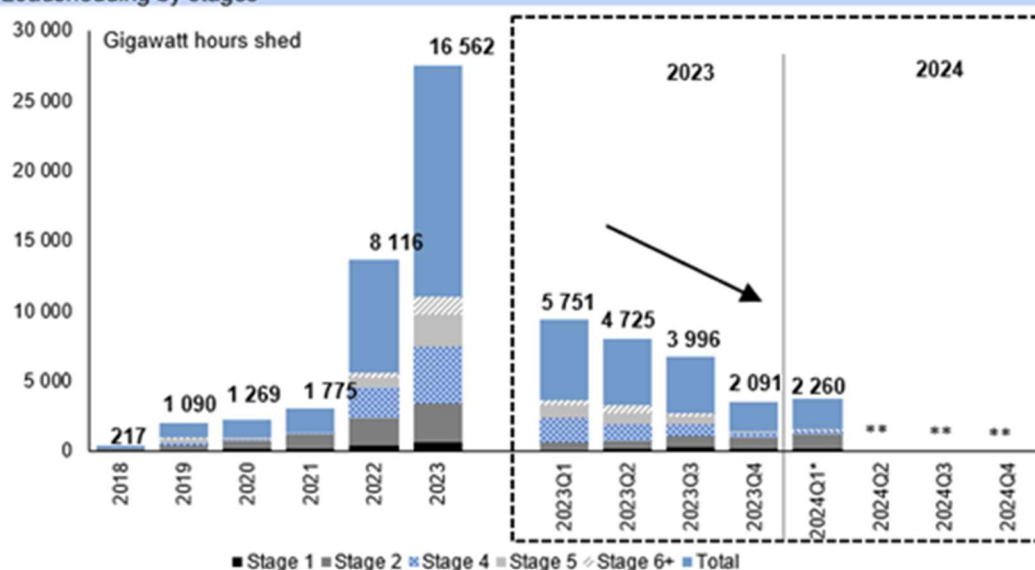
Please scroll down to the second section below

Gross Fixed Capital Formation	2023	2024	2025	2026	2027	2028	2029
GFCF, total (real, %)	3.9	4.3	4.8	5.0	5.2	5.7	6.3
GFCF as % of GDP	14.8	15.3	15.8	16.2	16.7	17.2	17.6
Private sector (real, %)	3.0	4.4	4.8	5.1	5.2	5.8	6.3
Government (real, %)	6.1	4.0	4.7	4.8	5.1	5.5	6.3
Non-residential GFCF (real, %)	5.4	4.9	4.8	5.2	5.2	5.8	6.4
Residential buildings (real, %)	-7.1	2.0	4.9	4.9	5.2	5.6	5.7

GDP summary, % real growth rates	2023	2024	2025	2026	2027	2028	2029
GDP (real, y/y %)	0.7	1.0	1.7	2.0	2.5	2.8	3.1
HCE (real, y/y %)	0.7	1.5	2.2	2.3	2.6	2.8	3.0
GCE (real, y/y %)	1.9	-0.7	-0.2	0.0	0.7	1.3	1.4
GFCF (real, y/y %)	3.9	4.1	4.8	5.0	5.3	5.7	6.5
GDE (real, y/y %)	0.8	1.0	2.1	2.2	2.8	3.0	3.3
Export (goods & non-factor services) - (real, y/y %)	3.7	3.1	3.8	4.1	4.5	4.6	4.9
Imports (goods & non-factor services) - (real, y/y %)	3.9	2.9	4.3	4.5	5.1	5.1	5.4
Current Account - (% GDP)	-1.5	-1.7	-2.2	-2.5	-2.5	-2.6	-2.7
Imports as % of GDP	30.3	30.8	31.6	32.4	33.2	33.9	34.7
Exports as % of GDP	28.1	28.7	29.3	29.9	30.5	31.0	31.5

Source: Investec, SARB historical data

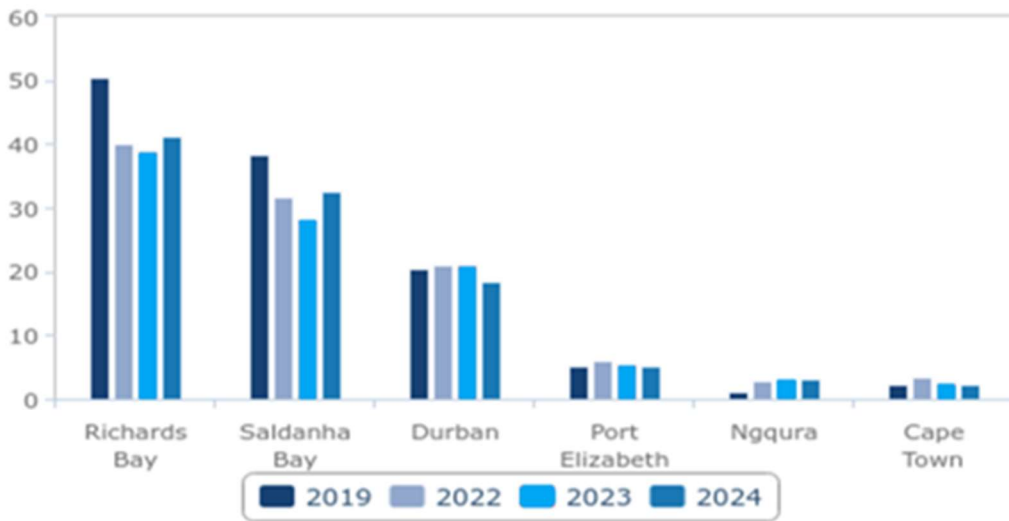
Loadshedding by stages



Source: National Treasury, Budget 2024, Eskom se Push, Investec

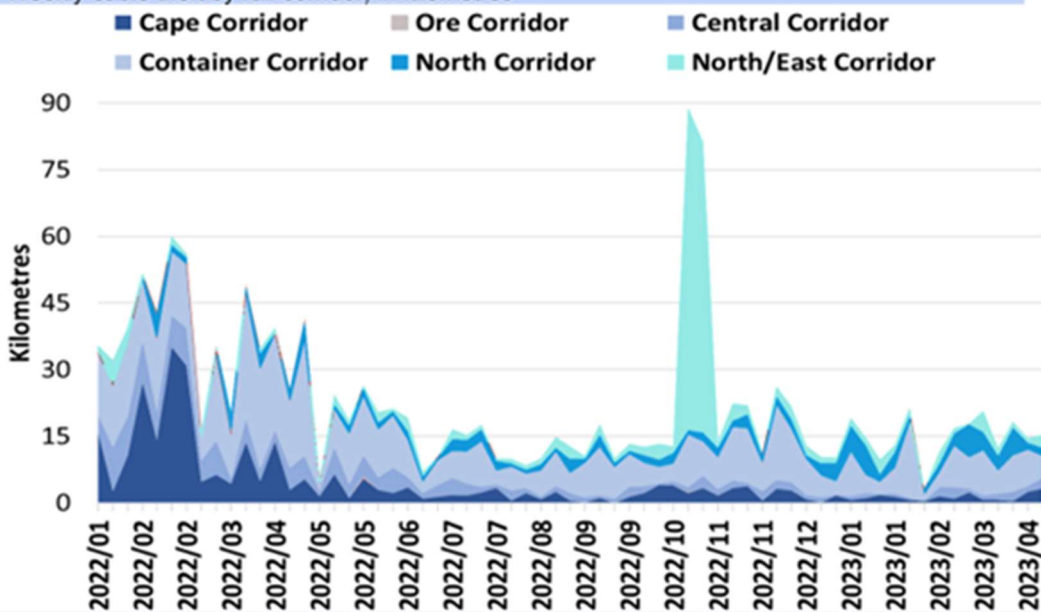
* 2024Q1 estimates are based on available loadshedding data up until 26 March 2024 when loadshedding was suspended. ** No loadshedding occurred between Q2 and Q4 2024 to date

Selected Ports – Total tonnage throughput, tonnes mn (Jan-Jun)



Source: Transnet, BMI

Weekly cable theft by rail corridor, in kilometres



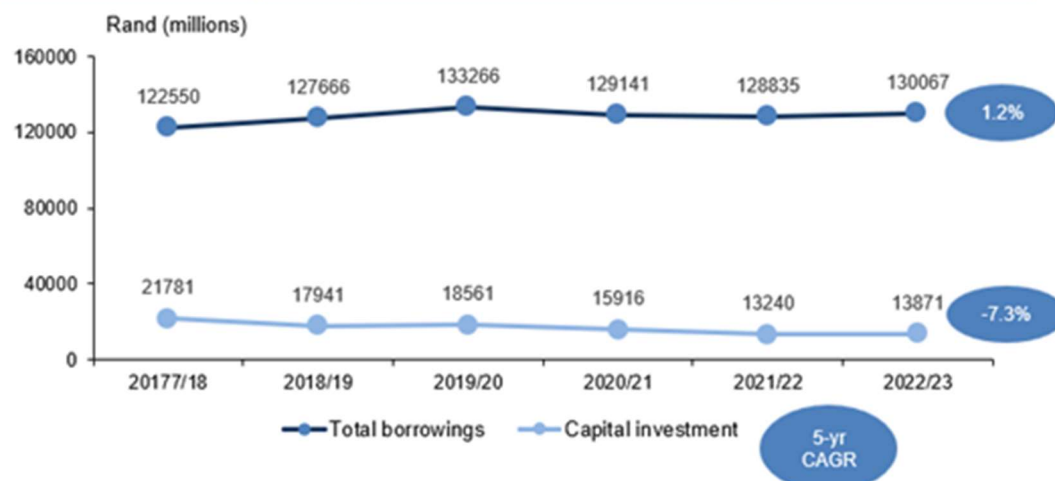
Source: Treasury, SA Government

- Transnet Port Terminals (TPT), has said “the current supply of straddle carriers has been significantly impacted, not only by shortage of units but also by the adverse weather conditions that have compounded the issue.”
- The Saaff/Busa update confirms “(p)ort operations were mainly constrained by poor weather conditions, congestion, and equipment breakdowns and

shortages.” The constraints on GDP growth persist, limiting it to around 1.0% this year.

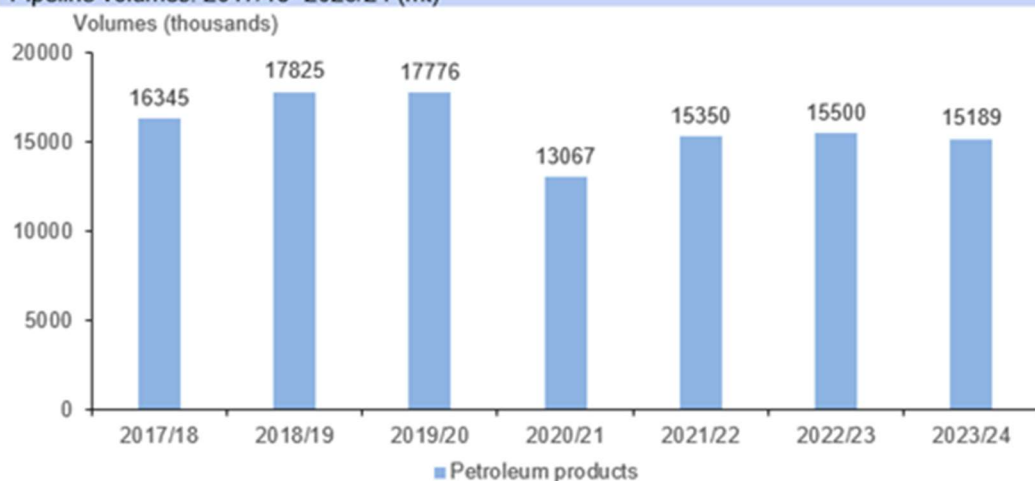
- “(C)ontinuous equipment breakdowns and shortages, accompanied by adverse weather, ensured operational disruptions in Durban” disrupting ... operations and ... plac(ing) additional strain on the available equipment across all areas of operation.”
- Fitch’s BMI report further notes “issues such as crime, labour unrest and infrastructure decay are diminishing South Africa's appeal as a regional gateway.” “Rail lines are poorly maintained despite heavy reliance on bulk freight trade.”
- “South Africa's ports, roads and rail networks face numerous challenges. The deterioration of Transnet's freight rail system due to crime and lack of maintenance has resulted in a decline in freight taken by rail”.
- “(W)ater availability risks are rising due to water stress and poorly maintained infrastructure, impacting sectors such as mining, agriculture, transport, manufacturing and other energy-intensive industries” a low to moderate risk.
- “Trade Procedures and Governance (low risk): Various customs administration procedures, stringent tax regulations, legal risks and exposure to organised crime, along with disruptive strikes and social unrest, hinder trade efficiency.”
- “Criminal activity; including vandalism, violence and theft; negatively affect electricity, road, rail and port infrastructure.” Corruption remains a pressing issue both domestically and for foreign investors”.
- Transnet is reported to have said that private rollingstock (train) operators could access the rail network by April next year, aiming to run a competitive, efficient system for transport and logistics.

Transnet total borrowings and capital investment: 2017/18 to 2022/23 (Rm)



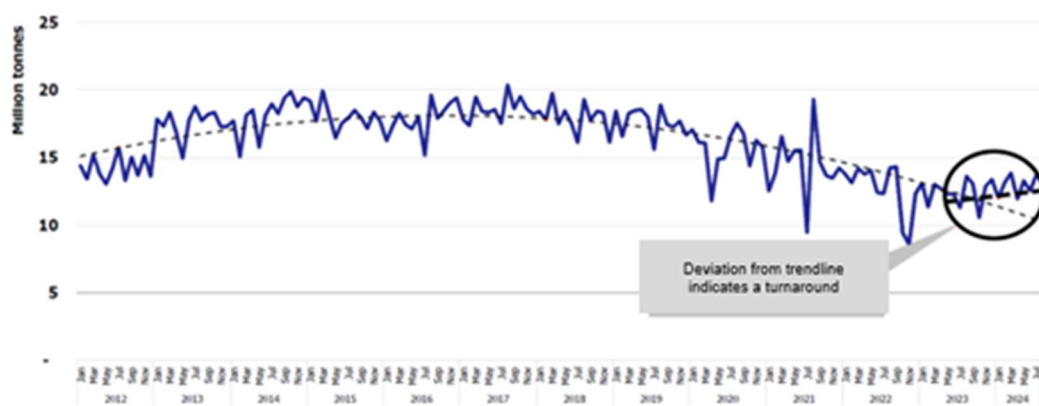
Source: Transnet Integrated Reports

Pipeline volumes: 2017/18- 2023/24 (mt)



Source: Transnet Integrated Reports

Steadying Transnet



Source: Transnet Integrated Reports

A number of Freight Logistics Roadmap and other policy reform successes have already been attained...

Initiative	Importance	Progress
Accounting separation	<ul style="list-style-type: none"> Enable commercial separation between network and operations 	<ul style="list-style-type: none"> TFR's financial statements has been successfully completed between network and operation (excel based separation) Completed initial mapping of assets and infrastructure between operating company and infrastructure manager (BQ)
Establish Interim IM	<ul style="list-style-type: none"> Transitional measure to carry out all required activities to ensure successful implementation of an Infrastructure Manager 	<ul style="list-style-type: none"> Transnet established an interim IM in October 2023 and appointed acting Infrastructure Manager A process of refining organisational design, labour consultation and change management is underway
Network statement	<ul style="list-style-type: none"> Statement will promote efficiency and transparency in the slot application process 	<ul style="list-style-type: none"> Development of a multi-tier rail network classification consisting of strategic segments and the identification of economic network Draft network statement based on best practice, having reviewed other networks statements and worked with DB Consulting and incorporating initial feedback from BREC was published in March 2024 Development of tariff methodology and initial system-wide tariff underway
TNPA as subsidiary	<ul style="list-style-type: none"> Vertical separation of infrastructure ownership and terminal operations will be undertaken in the ports sector 	<ul style="list-style-type: none"> Final network statement and proposed tariff methodology to open slots for third party access are on track Then Minister of Public Enterprises and the Transnet Chairperson announced the appointment of the inaugural Board of Directors of Transnet National Ports Authority (TNPA) in October 2023 Process of establishing TNPA as a 100% Transnet-owned subsidiary is underway
PSPs	<ul style="list-style-type: none"> Private sector participation (PSP) utilised to crowd in private investment and know-how to building an efficient and effective logistics system 	<ul style="list-style-type: none"> Selected an equity partner (ICTSI) for DCT Pier 2 transaction Concluded Transnet-Sasol partnership – Sasol will fund the maintenance & repair for a fleet of 128 ammonia tankers Delivery of locomotive spares procured by RBCT TNPA has appointed Vipak and Transnet Pipelines to build and operate a LNG import facility at the port of Richards Bay Grindrod SA appointed as the preferred bidder by TNPA for port of Richards Bay container handling facility Identified several other PSPs across the ports, property and rail segments for development

Source: Transnet Integrated Reports

Several initiatives are being undertaken to improve locomotive availability and reliability which will drive volumes on the rail network over the next three years



Source: Transnet Integrated Reports