Agility Emerging Markets Logistics Index
2016

Transport Intelligence

Agility
A New Logistics Leader

Contents

Contents

The Agility Emerging Markets Logistics Index

One

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

National Review magazine recently noted that for the first time in history less than 10% of the world's population lives in extreme poverty, currently defined as subsistence on $1.90 a day or less. For context, in 1990, 37.1% of the world's people lived in extreme poverty. Emerging markets were – and still are – home to the most of the world's poor, but the pace of change and progress in those countries has been nothing short of breathtaking over the past 25 years. That's important to remember after a year like 2015, which was characterized by falling trade volumes, depressed commodity prices and geopolitical instability that combined to slow growth in emerging and developed markets alike. Emerging markets growth, 4.6% in 2014, slowed to 4.2% in 2015, according to the International Monetary Fund. The IMF forecasts a pickup – to 4.7% – in 2016.

In 2015, the lone bright spot among the largest emerging markets, the so-called BRICS, was India. India, which took initial steps to enact long-promised reforms such as tax simplification and regulatory streamlining, overtook

John Manners-Bell, CEO Transport Intelligence

The world's economy is still riven by instability, as markets come to terms with the hangover left by the global financial crisis of 2008-9 and the subsequent downturn which encompassed Eurozone economies. Emerging markets have not been immune to the world's economic malaise, with China in particular downgrading its economic growth prospects as commodity prices slump and exports stagnate. With China suffering, its trading partners across the region are also affected. On top of this a stronger US economy has meant a flight of capital from East to West, which has led many emerging countries to increase their interest rates, dampening domestic growth further.

The underlying economic problems have had consequences for the international freight sector. Air and sea volumes have been weak due to the slowdown in international trade. Shipping line Maersk now expects global demand for seaborne container transportation to increase by 1-3% in 2015, down from its previous expectation of 3-5% announced in its Q1 2015 report.

China as the world's fastest-growing economy. Russia and Brazil experienced sharp contractions. As a group, countries in Sub-Saharan Africa lost momentum after several years of strong growth, despite vitality in Ethiopia, Ivory Coast and Tanzania. The year-long persistence of cheap energy prices amounted to a $450 billion-plus transfer of wealth from producing countries to consuming economies, an enormous boon to consumers. But low prices also stalled ambitious energy projects, particularly in Africa, where oil and gas finds have the potential to accelerate development and bring dramatic improvements in living standards.

The global economy rode the coattails of emerging markets growth for a decade or more ahead of the 2008 crisis. With the slowdown in growth in 2015, some economists expressed concern that emerging markets, 52% of global GDP in purchasing power terms, could become a drag on the world economy. That does not have to be the case. Billions of people living in emerging markets countries continue to work their way into the global middle class. Their desire for better jobs, health care, high-quality education and elevated living standards should continue to propel growth in emerging markets, especially those countries with younger populations. Where policymakers take steps to enhance trade and improve the business climate – streamlining regulations, protecting investors, attacking corruption, strengthening contract law and property rights, easing capital restrictions, and nurturing entrepreneurs and small business – prosperity will take root and emerging markets countries will be vital, durable links in regional and global value chains.

Perhaps most worryingly of all, the OECD's latest economic outlook warns that global trade growth will be just 2% in 2015, down from 3.4% in 2014.

However, it is not all bad news. China is much more resilient than many would believe. It has the economic resources to be able to ride out the transient problems which it currently faces. Although there will be a slowdown in growth, the chances of a full-scale recession seem overblown.

Other emerging markets may not be so lucky. Brazil, for example, is not nearly as robust as China and is suffering substantially from an economy which has never materially diversified from its reliance on natural resources. Transport infrastructure is weak, again in contrast with China, and business is hamstrung by corruption and bureaucracy.

Smaller emerging markets also have systemic fiscal problems. Malaysia, for example, is suffering from severe indebtedness. Russia is struggling due to low commodity prices and the effects of trade sanctions imposed by the EU and US, and Turkey has high inflation and large foreign debts.

However, looking to the longer term, things are not as bad as they may at first seem. Although low oil prices have a detrimental impact on many producers in the developing world, they also spur growth in the West. According to the IMF, world GDP will actually grow by 3.6% in 2016. This is significant, albeit lower than before the 2008 financial crisis. India is expected to grow by 7.3%, taking over the mantle from China as the world's fastest growing large economy, helped by the fact that it is a consumer rather than producer of oil. Mexico is also in a much better position than many other emerging markets, not least because of its strong ties with the US and the benefits it is gaining from the near-sourcing strategies of US manufacturers.

More than ever, it seems, investors in emerging markets have to be discerning. When Ti established the Agility Emerging Markets Logistics Index in 2010, its purpose was to differentiate between countries which offered the best opportunities due to their farsightedness in terms of infrastructure investment, security, growth prospects and business environment, and those which lagged behind. The basis for the Index remains as relevant now as it was then, providing clarity in a confusing and complex world.

Sources

Two

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

Three

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 2015. 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.

2005-2014 data are 'actual' figures, whereas 2015 data are forecast figures based on actual monthly data from January-August 2015. A forecast model which accounts for seasonality has been applied to estimate full-year 2015 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

Four

Emerging Markets: How Logistics Executives See Them

Nearly 1,200 supply chain and logistics executives worldwide shared their views on the 2016 global economic outlook, prospects for emerging markets, key growth drivers and trends affecting emerging markets countries.

- The supply chain industry is bracing for more volatility in the global economy. A large majority of industry executives (61%) are unclear on the direction of the world economy or indicate they expect more turbulence. Their top two concerns are oil prices and **China's** economic health. At the same time, most (59.4%) feel the IMF was "about right" in forecasting 4.7% growth for emerging markets in 2016

- Global economic prospects in 2016 are heavily dependent on the **United States**, in the view of industry executives. After oil prices and Chinese economic vitality, respondents said the most significant drivers of the global economy will be the strength of the dollar and the health of the US economy

- For the first time, supply chain industry professionals see **India** as the emerging markets country with "the most potential to grow" as a logistics market over the next five years. India edged out China, which was seen as the market with the most potential in past surveys. India also climbed two spots to 3rd, behind China and UAE, in the data-driven Agility Emerging Markets Logistics Index. Its rise was propelled by an initial round of economic reforms and a surging economy. While optimistic, logistics professionals also remain cautious about India. Nearly 42% said India needs more structural reform to sustain its current growth and more than 21% said the country needs more than economic reform if it is to unlock its potential

- Logistics executives are intrigued by **Iran's** emergence from international isolation and anticipate opportunity and growth with the phased lifting of most economic sanctions. In the 2016 survey, Iran moves up 12 spots (from 27th to 15th), as a potential major logistics market over the next five years. Iran also leapt from 35th to 16th, among markets for potential investment over the next five years

- **Brazil** remains an appealing logistics market to a large percentage of industry executives, again ranking as the third most attractive emerging market among those surveyed. But sentiment has soured among some, who put Brazil 17th among emerging markets with the least potential as a major logistics market. Nearly 35% of survey respondents cited poor governance as the key barrier to Brazil's return to higher growth rates. Taken together, the top three barriers – poor governance, corruption and excessive government debt – drew 73.1% of responses, an indication that industry executives pin blame for Brazil's current recession mainly on the central government

- Economic growth rates are again, by far, the leading choice as the "key driver" that makes a country an important emerging market (30%). Foreign direct investment was picked as the 2nd most significant driver and growing trade volumes were 3rd. At the bottom of a 12-item list were the ability to be a near-sourcing market, lack of corruption and strong security

- Industry professionals see corruption as the biggest problem associated with doing business in emerging markets, even though they don't consider "lack of corruption" to be a key driver that makes a country an important emerging market. This suggests that industry professionals understand that they will encounter corruption in emerging markets and have strategies to deal with it

- For the first time, logistics professionals see economic shock as the leading supply chain risk in Asia Pacific, reflecting concern about the effect of a slowing Chinese economy and the potential for a ripple effect in the region. In the past, industry professionals viewed natural disasters and corruption and the top threats to Asia's supply chains. More than half (54.8%) of logistics professionals now believe the Chinese economy faces major challenges over the next two to three years. A significant percentage (38%) is reassessing its China strategy, as a result. Sluggishness in **China** has prompted 22% to re-examine their broader emerging markets strategy

- Logistics professionals believe that supply chain risks vary by region, although government instability is near the top of the list in most regions. In Latin America, corruption remains the top risk. In the Middle East and North Africa, terrorism is the biggest concern. In Sub-Saharan Africa, poor infrastructure tops the list

- Not surprisingly, countries gripped by war, sectarian conflict, political instability or international economic sanctions were identified by survey respondents as having the least potential as emerging logistics markets: **Syria** (1st), **Iraq** (2nd), **Libya** (4th) and **Iran** (5th). There were three notable exceptions among the 20 countries identified as the least attractive markets: **Ethiopia** (3rd) is riding an export boom but is also suffering its worst drought in decades and facing power cuts. **Bolivia** (up six spots to 16th) was jarred by the announcement that President Evo Morales wants to change the constitution in order to seek re-election and stay in power until 2025. **Brazil** (up 11 spots to 17th) is in the midst of a recession and experiencing high unemployment and inflation. President Dilma Rousseff, who wants to raise taxes and cut spending, is entangled in a massive corruption scandal

- Trade flows between Asian markets remain the most promising in the eyes of logistics professionals. At the same time, they showed increased optimism about prospects for growth along other key Asian trade routes: Asia-North America, Asia-Africa and Asia-Middle East. Sentiment about Asia-South America trade and South America-North America trade slipped from a year ago

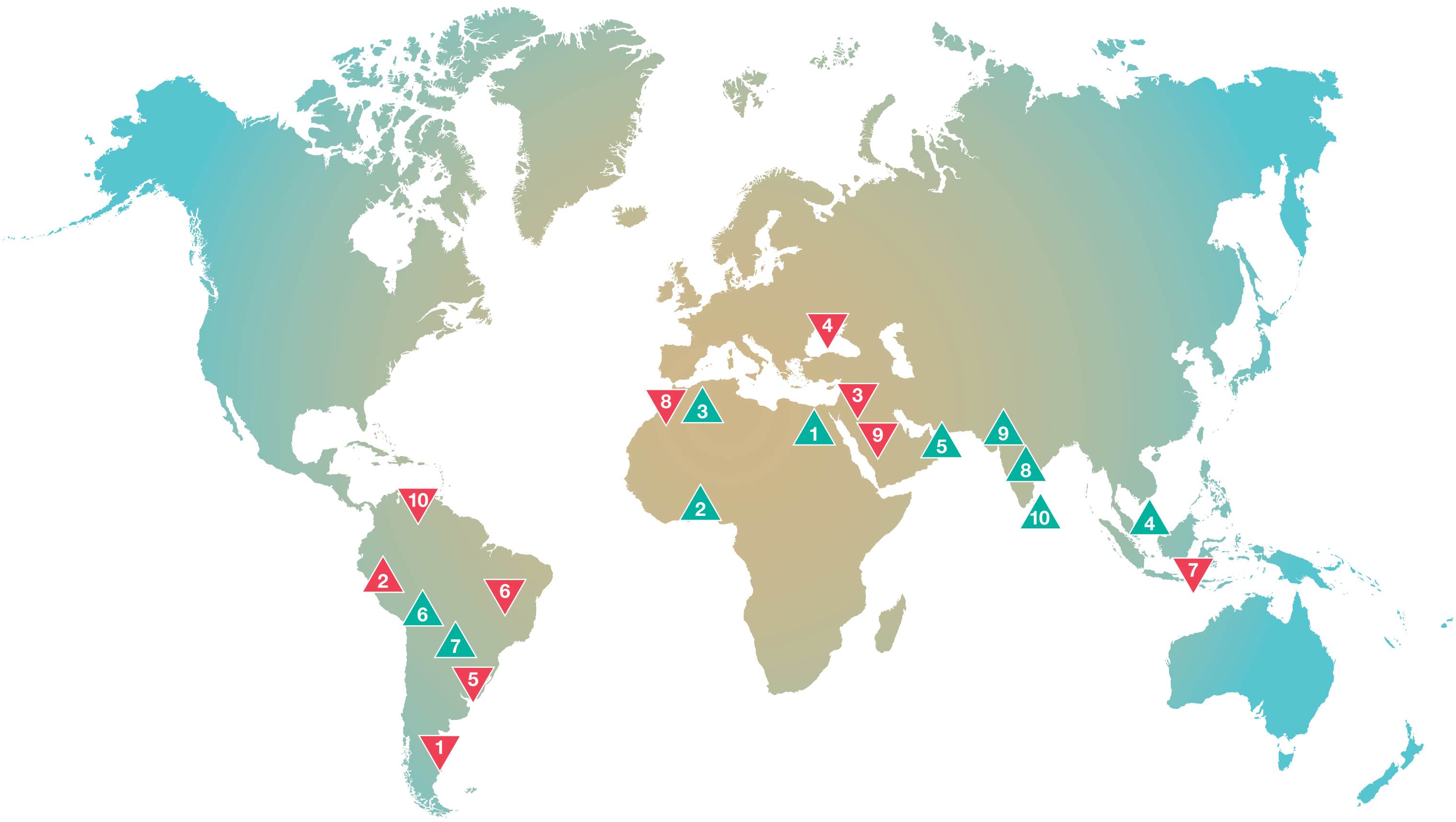
- Industry professionals continue to view the biggest emerging markets (**China**, **India** and **Brazil**) as ripest for investment over the next five years. But many are clearly intrigued by **Iran**. Iran leapt 19 spots to 16th, among markets with the biggest investment potential. **Turkey**, hit by slowing growth, falling exports and instability along its southern border, dropped three spots, to 14th. **Kuwait**, which continues to inch towards privatisation of key state-owned enterprises, climbed seven spots to 20th

- In spite of recent growth and surging foreign investment, Sub-Saharan Africa remains the emerging markets frontier, a place where only the bold are prepared to do business. Just 21.2% of respondents indicated they have established operations in Sub-Saharan Africa. Another 12.7% said they are in the planning stages to enter markets there. More than 43% said they have no plans to establish operations in Sub-Saharan Africa
- **South Africa** and **Nigeria**, Sub-Saharan Africa's two largest economies, are viewed by logistics professionals as the most promising markets, followed by **Kenya** and **Ghana**. For the first time, industry professionals see consumer spending by Africa's growing middle class as a more important driver of growth than mineral and resource demand. Poor infrastructure and corruption remain the leading inhibitors to growth, survey respondents said.

Markets on the Move

- Volatility in the global economy was mirrored in the 2016 Agility Emerging Markets Logistics Index. Eight of the top 10 emerging markets economies shifted places. **China** remains the leading market by a large margin, in spite of the fact that its economy is slowing
- Among the top 10 emerging markets, the countries taking steps to diversify and enact economic and business reform – **UAE** (2nd), **India** (3rd) and **Malaysia** (4th) – leapfrogged the commodity-dependent economies of **Saudi Arabia** (5th), **Brazil** (6th) and **Indonesia** (7th), all of which slid three spots
- **Nigeria** (17th) and **Egypt** (22nd) both jumped 10 spots, the largest improvement by any country since the Index was first published in 2010. In the case of Nigeria, businesses and investors have begun to get a truer picture of its performance and potential with the recalibration of its national economic statistics. A year ago, logistics professionals indicated they were growing more optimistic about Egypt, even though the country slipped four spots in the 2015 Index. In the 2016 Index, Egypt's performance has caught up with sentiment, the result of faster-than-expected growth and an improving business climate. **Algeria** – up four places to 30th – was the other bright spot in North Africa
- By far, the emerging markets best business climate – or market compatibility – is found in **UAE**. At the same time, the UAE boasts the best "connectedness" – a gauge of infrastructure and transport connections. As a result, UAE ranks as the world's 2nd most promising emerging market, even though its economy is dwarfed by that of China (25 times larger), India (five times larger) and Brazil (six times larger)
- Among the smaller emerging markets economies (less than $300bn GDP), **Chile** continues to be the top performer, based on its strong business climate, infrastructure and transport connections. **Qatar** and **Oman** score highest among smaller economies for their business environment
- The picture was gloomier in Latin America. Several Latin countries dropped sharply in the Index. In addition to **Brazil** (which fell three spots to 6th), **Uruguay** dropped four spots to 24th, **Colombia** slipped three spots to 25th, **Peru** plunged five places to 28th and **Argentina** dropped five spots to 31st. **Venezuela** continues its economic freefall. It dropped three spots to 39th. Twenty-three of the 29 countries with smaller economies outrank Venezuela in the Index. Elsewhere in Latin America, only **Paraguay** (up three to 35th) and **Bolivia** (up three to 38th) improved their Index rankings significantly
- **Russia**, increasingly isolated economically since it began backing rebels in eastern Ukraine, fell from 7th to 9th in the Index. **Ukraine** fell four spots to 34th.

Markets on the Move



UP BIGGEST MOVERS	
1	Egypt
2	Nigeria
3	Algeria
4	Malaysia
5	UAE
6	Bolivia
7	Paraguay
8	India
9	Pakistan
10	Sri Lanka

DOWN BIGGEST MOVERS	
1	Argentina
2	Peru
3	Jordan
4	Ukraine
5	Uruguay
6	Brazil
7	Indonesia
8	Morocco
9	Saudi Arabia
10	Venezuela

Source: Transport Intelligence

Trade Lanes

Air Freight to Emerging Markets

The busiest emerging markets air freight trade lanes originating in the EU or US tend to connect to larger markets in the Index: China, UAE, India, Saudi Arabia, Turkey, Mexico, Brazil and South Africa. Volume along these lanes grew by double-digit margins in many cases. The exceptions were EU-Brazil (down 1.5%) and US-Brazil (down 14.4%).

The nine fastest-growing air lanes involve EU origins. The top five were EU-Indonesia (up 72.8%), EU-Peru (up 61.6%), EU-Ethiopia (up 58.6%), EU-Thailand (up 52.9%) and EU-Malaysia (up 42.1%).

EU air shipments to emerging markets are on pace to grow by 16.5% for full-year 2015, but US air shipments to those same markets look set to shrink by 1.6%.

Air Freight from Emerging Markets

Flowing in the other direction – from emerging markets to the EU and US – the picture was mixed. Along the busiest air lane, China-US air freight grew 12.6%. Volume on the 2nd lane – China-EU – fell 17.3%. The largest gains among top 10 lanes were Vietnam-US (up 39.2%) and Ethiopia-EU (up 55.2%).

Ocean Freight to Emerging Markets

In ocean freight, the largest lane connects US origins with destinations in China. Trade along that lane fell 6%. The EU-China ocean lane experienced a 9.4% increase in volume. Elsewhere, EU ocean shipments to Saudi Arabia (up 20%) and US shipments to Colombia (up 11.7%) showed the most growth among the top 10 lanes involving EU/US origins and emerging markets destinations. Along lanes with less volume, the biggest increases came in EU-Bangladesh (up 107.4%), US-Pakistan (up 76.6%), EU-Oman (up 59.4%) and EU-Kenya (up 57.4%).

Ocean Freight from Emerging Markets

Along the top ocean lanes carrying emerging markets freight to the EU and US, growth was more modest. The biggest gain came in the busiest lane: China-US volume was up 7.4%.

A number of lanes linking emerging markets with the EU and US grew spectacularly, but most gains came off relatively small base volumes: Uruguay-EU (up 56.8%), Oman-US (up 56.7%) and Turkey-US (up 30.2%).

EU ocean freight from emerging markets origins was flat (up a mere 0.8%). US ocean volume from Index countries grew 4.3%.

Overview & Outlook

Five

Emerging markets have become increasingly important to the world's economy, taking on roles as manufacturing hubs, outsourcing destinations, transhipment points between production and consumption, and for some, as potential consumer markets home to millions of consumers entering the middle class each year. These roles became vastly more significant following the financial crisis in 2008, which highlighted the already compelling commercial opportunities and cost advantages offered to manufacturers, retailers and logistics service providers in a vast array of industries and sub-sectors. As we enter 2016, however, a potent mix of economic headwinds, market turbulence, and social and political pressures have threatened the capacity of many of the world's high growth, high potential emerging markets to fulfil their promise.

The year ahead will bring with it new found uncertainty and complexity in emerging markets, and those operating in many of these highly promising markets will have to navigate a third phase of the wider global economic trauma that first appeared in 2008. As Andy Haldane, Chief Economist at the Bank of England, explained, phase one came in 2007-2008, when banks lent too much without the protection of sufficient collateral. Phase two occurred during 2011-2012, with the realisation that lending in the Eurozone was offered on the false assumption that all countries had equal capacity to repay, culminating with massive rounds of quantitative easing. Now, we are in what can be characterised as the third phase: the need to adjust to an era of lower trade growth, lower oil and commodity prices, and a looming end to cheap credit propping up the global economy.

While acts one and two of the global economic turmoil led to many painful moderations and adjustments in developed nations, they brought about a boom period for emerging markets. China's economic output, for example, totalled \$4.56 trillion in 2008, according to World Bank figures. By 2014, that figure had skyrocketed 127% to \$10.36 trillion. It is growth on this scale that has proven so attractive to investors, but as we move into 2016, the two decades of spectacular growth that propelled China to become the world's second largest economy already seem like a distant memory. While the country looks to reorient its economy to place domestic demand and consumer markets at the centre of its next stage of development, emerging markets that geared their own development towards serving Chinese demand for parts, components and commodities must also adjust.

Lower Chinese demand is significant for a number of reasons, not least because it lowers the price of goods and materials that export-oriented emerging markets sell. For these markets, lower commodity prices have resulted in lower export revenues, lost jobs and currency volatility. One measure of the extent of the collapse in raw materials prices in this decade comes from The Economist's composite commodity-price index, which has plunged from a figure of around 240 near the start of 2011, to just 140 in the middle of 2015, implying a decrease of approximately 40% over the period. Net oil exporting countries are enduring particularly difficult times too. At the end of June 2014, the OPEC Basket Price for crude oil was around $110. By the November 2015, the price had sunk below $40, a crash of around 60%.

Emerging market currencies have endured a torrid 2015, too, with substantial depreciations recorded in a large number of markets. Analysis by the Financial Times showed that the currencies of Russia, Colombia, Brazil, Turkey, Mexico and Chile have lost between 20% and 50% of their value against the US dollar, since June 2014. This has occurred for various reasons, with the expectation of a US interest rate hike and China's decision to devalue the yuan compounding the effects of reductions in the quantity demanded and prices of commodities, prime amongst them. The falling value of emerging market currencies has been especially damaging because rather than reapportioning a fixed level of trade between winners and losers, the FT's research suggests currency weakness has undermined imports, as one would expect, but has not had any beneficial impact on export volumes. Additionally, the fall in the value of currency has meant that foreign-denominated debt that emerging markets hold has suddenly become more expensive to service.

Debt held in emerging markets is also presenting high levels of risk. Indeed, the severity of the emerging market debt problem is difficult to comprehend. The IMF's October 2015 Global Financial Stability Report warned that corporate debt of non-financial firms in major emerging markets has more than quadrupled (from $4 trillion to over $18 trillion) from 2004 to 2014, a period which also saw average emerging market corporate debt-to-GDP ratios increase by 26 percentage points. Such an expansion of debt is not surprising given growth in emerging markets and the large-scale rounds of quantitative easing amongst advanced economies that created vast amounts of cheap credit allied with low interest rates, over the period. But the obvious risk this presents is when global financial conditions inevitably tighten, as interest rates rise. Debt servicing costs will also rise: a problem already exacerbated by depreciation of emerging market currencies. On this basis, the IMF has warned that emerging markets should brace for a rise in corporate failures. On the other side of the coin, according to research by Moody's, the share of debt held in the world's largest emerging markets in domestic currency terms has jumped from just over 50%, to just under 75%, in the past 15 years. This will help to provide insulation for exposed emerging economies and means, while debt is definitely a problem, it could be far worse.

The final storm that emerging markets are weathering is tumbling trade volume growth. For 2012 to 2014, import and export volume growth in emerging markets averaged 4.7% and 4.2% respectively on a six-month moving average basis, with relatively little variation above or below those marks. In 2015, year-on-year growth rates have fallen well short of these figures, even dipping into negative territory at times in the second and third quarters of the year.

But, while 2015 has undoubtedly been a challenging year, forecasts for 2016 are more positive. The message to take from the turmoil is that the volatility and headwinds of the last 12 months are proof of the resilience of emerging markets. Many will already know that the trends seen in 2015 are better characterised as tornados rather than tsunamis (the effects are not balanced, the volatility not universal) and that recovery and subsequent growth is likely to be just as uneven. Creating value in this context requires not only business models that manage the complexity, but also mind-sets and decision-making models that manage the storm and empower those that understand the uncertainty.

Asia Pacific

Asia Pacific continues to dominate the top end of the Agility Emerging Markets Logistics Index in 2016: seven of the region's 11 emerging markets covered by this Index place within the top 20 ranking spots. Despite the economic turbulence originating from China, only one of the 11 – Indonesia – sees its ranking score fall.

The region remains the engine room of global economic development, with its output expected to grow 6.5% in 2015. According to the World Bank, East Asia will account for around 40% of all economic growth in 2015, with the sub-region's emerging markets growing 4.6%. These are positive numbers that indicate strong opportunities in serving both global markets as well as domestic demand in economies like China, South Korea and Singapore. Indeed, it may well be those seeking to facilitate intra-Asia trade that find the best opportunities, although this won't be without its challenges. The growth in containerised sea freight volumes on intra-Asia lanes has seen an explosion of competition and forced rates down. Despite this, the outlook remains positive. MOL Liner expects intra-Asia reefer volumes to grow 6%, adding around 1.3m extra TEU alone to the lane in 2015. While more generally costs remain low, skills amongst the region's labour force are increasing and supply chains are becoming more sophisticated, therefore creating opportunities to offer higher value and high margin services. Growing middle classes amongst Asia Pacific's emerging markets will further add to demand, as will the increased freedom and efficiency with which ASEAN member states will be able to trade.

However, while the emerging markets of Asia Pacific seem well placed to take advantage of such trends, there are challenges that must be overcome. Economies across the region are having to rapidly adjust to a slowing Chinese economy and subsequent fall in demand for, and prices of, commodities. Moreover, the prospect of higher interest rates and a stronger US dollar, especially against weakened domestic currencies, are a threat to those with high levels of public or private debt. How effectively these issues, in addition to lower oil prices in the region's net oil exporters such as Malaysia, are managed, will play a large role in the fortunes of markets, many of which will be facing their sternest test since the 1997-98 Asian Financial Crisis. Reforms that emphasise sustainable, long-term economic growth must be balanced with robust economic management that addresses short-term challenges, structural inefficiency and inequality.

Latin America

For the first time ever in the Agility Emerging Markets Logistics Index, Latin America has no presence in the top five Index ranking, as Brazil slipped to 6th and Mexico's improved performance was only strong enough to see it reach 8th. Of the 11 Latin American markets in the Index, six fell in the overall rankings, while the average score across the markets declined. All three other major regional groupings saw an increase in average score.

It should perhaps be no surprise then that an examination of Latin America reveals a number of challenges, with lower commodity prices primary amongst them. Lessening Chinese demand for the region's exports is a major driver of the lower prices, which is further compounded by low oil prices, hitting producers like Venezuela hard. In the early 2000s, growth rates of around 5% or more were common across the region. However, lower prices, as well as corruption (estimated to cost Mexico between 5%-9% of GDP), poor infrastructure (the IMF identified Brazil's infrastructure as hindering domestic integration, export performance, productivity and market efficiency) and poor economic management in various markets across the region, have driven the region's growth rate down to around 2%-2.5%, in more recent years. Indeed, the IMF has even gone so far as to forecast a slight contraction across the region in 2015, with the region's largest economies – Brazil, Venezuela and Argentina in particular – weighing down the more buoyant economies.

During the 2000s commodity boom, Latin America's middle class expanded by nearly 50%. This created vast consumer markets, but the stagnation of the region's economy means it is at risk of falling into a middle-income trap as rising wages sap the competiveness of higher value-added sectors. A chronic lack of adequate infrastructure is also a limiting factor in the region's capacity to propel itself back to higher growth rates, as is a lack of competitiveness and productivity in key industrial sectors. There are positives, though. Cold chain needs are growing in Colombia, a major global exporter of flowers, while the widening of the Panama Canal will create opportunities for transhipment operations within both Panama and surrounding countries. Mexico's proximity to the US and its membership of NAFTA also boost its prospects as the US grows.

Middle East & North Africa

For the second consecutive year, the MENA region is represented in 2nd second place in the overall Index, although this time by the UAE. Saudi Arabia, 2nd in last year's Index, slips three places to 5th. The 13 MENA countries included in the Index are spread fairly evenly throughout the 45 ranking places. Those in the upper half, broadly speaking, have resource wealth and political stability as pillars of economic development. Progressing down the list, however, reveals the effects of instability on performance as an emerging logistics market. Jordan (33rd), Tunisia (36th), Libya (41st) and Lebanon (42nd) have all seen significant upheaval in recent years, either as a result of the Arab Spring in 2011 or the ongoing conflicts in Syria and Iraq. The region's most improved performer is also perhaps the most illustrative example of stability's impact on the fortunes of MENA's emerging logistics markets. Egypt, having reached 18th position before the onset of the Arab Spring, slipped 14 positions by 2015, as stability and security across the country weakened, and confidence in the business environment eroded. In 2016, though, Egypt ranks 22nd, having risen 10 places over the last 12 months, as the rule of General Abdel-Fattah al-Sisi has restored a measure of confidence in the market and its governance, even if progress in other areas of society is slow.

The contrasting performance of MENA countries creates a clear picture of just how significant stability is to the emergence of high growth, high potential logistics markets. While it may well be founded on a basis of stability as security (both in terms of the physical security and economic stability that result from strong institutions implementing and enforcing rule of law), stability here also means continuity against a wider set of threats that include falling oil prices, short-termism in policy making and undiversified economies. Those markets that have taken measures to either reduce dependence on resource wealth by incentivising activity in other industrial areas, as the UAE has, or have implemented sound economic management during better times, such as in Saudi Arabia, are best positioned to handle more challenging conditions. Across the region, economic growth is expected to reach 2.9% in 2015, solidly below the 4%-5% experienced between 2000 and 2010.

Sub-Saharan Africa

Just two markets from Sub-Saharan Africa reached the top 20 in 2016: South Africa and Nigeria. While this performance highlights Nigeria's progress (it matched Egypt by rising 10 ranking positions), as well as the potential of the region as a logistics market, sub-Saharan Africa is still a highly challenging environment in which to do business and perform logistics services. This is most clearly demonstrated by four of the region's six markets occupying positions within the bottom nine ranking spots.

Low commodity prices, and especially the low price of oil, are threats to sub-Saharan Africa's emerging markets. Nigeria, a major exporter, has indicated that capital expenditures will fall as part of a revised budget, threatening the development of much needed infrastructure. And while South Africa should be a benefactor of low oil prices, energy shortages and weak investor confidence have sapped dynamism from the country's economy. Moreover, South Africa is also feeling the effects of the fall in commodity prices, with the country's mining sector losing 23,000 jobs between April and August 2015 alone.

To put the region's acute infrastructure crisis into perspective, the weight dragging on productivity in the worst affected areas in some countries is estimated to reduce output by as much as 40%, at least equal to the burden imposed by corruption, crime and excessive bureaucracy. Providing a consistent supply of power is also a significant challenge. Indeed, the 48 countries that make up the region have a power generation capacity in line with that of Spain, which has a population totalling roughly 5% of sub-Saharan Africa's. While these challenges and their effects are uneven across the region, they demonstrate the scale and salience of the problems sub-Saharan Africa's emerging markets have to solve.

The 2016 Agility Emerging Markets Logistics Index

Six

The Top 10

The upheaval caused by the global forces that have shaped much of the emerging market landscape over the last 12 months are starkly illustrated within the high degree of fluctuation seen in this year's top 10 ranking. For several years, those countries ranked at the upper end of the Index looked to be slowly edging away from the rest of the pack. They were, within the Index at least, stable in their position as a group of emerging markets that appeared to offer the very best mix of economic robustness, commercial opportunity and access to both domestic and global markets. Results in 2016, however, appear to show a split between these markets, highlighting those best positioned to manage macroeconomic turbulence, and those more vulnerable to global market forces and economic headwinds.

Five of the top 10 ranked markets moved by at least three positions, while just two – China and Turkey – are in unchanged positions. Comparing the four markets that rose with the four that sank, the difference can largely be attributed to the efforts made to create diversified and modernised economies over the course of the 2000s. The UAE, which rose four positions to rank 2nd overall, is a prime example of this. The Emirates' ability to both understand and play to its strengths (primarily its geographic position as a strategic transit hub linking east and west, its vast hydrocarbon endowment and the revenues generated therein, and its ability to create a business environment highly attractive to foreign investment) has been central to its ability to achieve this ranking. For many organisations operating in UAE – including logistics and transportation service providers as well as manufacturers – a network of 34 free trade zones offers full foreign ownership, no direct business taxation, no exchange controls and no limits on the repatriation of capital. What is therefore an already highly attractive business environment is further complemented with a large pool of migrant labour, including both skilled and low-cost workers. In short, the UAE has taken significant steps to create the conditions for logistics service providers, and their clients, to succeed.

A similar pattern of economic diversification can be seen in Malaysia, another market rising four places in the Index to achieve its highest ever ranking. Once a market dominated by the export of raw materials, Malaysia has transformed into an open economy and become a leading global exporter of electrical appliances, parts and components, as well as palm oil. Also rising, although following a stuttering attempt at economic diversification, is Mexico, which gained one position to rank 8th. Nationalised 75 years ago, Mexico's oil industry was opened to private investment in mid-2014, just as oil prices plunged. The expected flood of FDI into the sector was stymied and the country, which relies on oil revenue for around one third of its outlays, is likely to cut public spending, including on infrastructure projects, as a result. The country, though, is able to perform well because it has strengths in other areas. Its manufacturing sector is highly developed and offers both proximity to the US and the capacity to produce high value goods with labour available at broadly similar costs to China. Such competitive advantages have seen FDI in Mexico's automotive sector total $20bn since 2010, with fDi Markets data showing that Mexico has overtaken China in terms of market share of investment in the global automotive industry.

The final top 10 market to rise is India. Its return to the top 3 for the first time since 2013 demonstrates just how uneven the country's growth has been. At the heart of the undulation in its fortunes sits stifling inefficiency, the best example of which can be found in the dire need for the still-pending Goods and Services Tax (GST). India's current tax regime effectively creates 29 sub-national markets within the continent-sized nation and requires checkpoints on major transportation lanes that create queues of trucks and delays in transit, while eroding value and efficiency, and adding significant complexity. Estimates suggest implementation of the GST alone would instantly add up to 2% to India's GDP and free up value within supply chains across the market. The need for such reforms is made all the more pressing by India's potential as a logistics market primarily bring driven by its size and strength as a consumption-driven economy.

Just as examples of weathering the global economic storm exist amongst the rising countries, so too do examples of vulnerabilities amongst those markets which slipped. Perhaps the most notable of these is Brazil, which placed outside of the top 3 ranking positions for the first time ever. Riding the commodity boom of the 2000s saw millions of Brazilians enter the middle class for the first time, allowing retailers and manufacturers to find new consumers, as disposable incomes grew. Sliding Chinese demand, however, has seen commodity prices fall, which has resulted in job losses. Meanwhile bureaucracy, high wages and poor quality infrastructure have left Brazil's manufacturers uncompetitive. Add to the mix a $2bn bribery scandal at state-owned oil company, Petrobras, and Brazil's problems are compounded by a government in gridlock, unable to implement much needed reforms that would enhance productivity and competiveness, or move ahead with spending on projects to remedy the country's chronic infrastructure deficit. With the economy in recession, logistics service providers face yet more challenges in Brazil. Russia's fall of two positions to 8th in the 2016 Index rankings comes as it deals with capital flight, a devaluation of its currency and rampant inflation, which have revealed the true extent of the need for the country to decrease its reliance on the energy sector. Under sanctions from Western governments following its activities in Ukraine, economic growth is almost certain to remain fragile so long as a certain degree of uncertainty over Russia's geopolitical ambitions exists.

Also falling as a result of falling commodity and oil prices are Saudi Arabia and Indonesia, ranking this year in 5th and 7th places, respectively. Saudi Arabia's slide from 2nd place last year follows a fall in oil prices: the Kingdom's oil & gas sector accounts for around 50% of GDP and 85% of exports. Sound economic management during the 2000s limited its fall down the rankings, but there is clear evidence of Saudi Arabia's need to diversify its economy. Steps are already being taken to privatise infrastructure assets, shifting the investment burden, and the risk, both of which are now unsustainable against a backdrop of lower oil revenues. The privatisation process is likely to touch on ports and airports, and with new impetus to compete against regional rivals such as Jebel Ali, could bring renewed impetus to innovate and drive costs down for shippers and logistics service providers. Indonesia, meanwhile, finds itself having to deal with lower commodity prices and lower demand for its exports. The country's government has responded with legislation designed to improve its business environment, but many of its shortcomings as a logistics market are linked to a lack of infrastructure, poor procedures and systems, and corruption. Domestically, most key trunk routes and gateways suffer from congestion as, for much of the last decade, ports, railways, airports and roads have been all but neglected. This adds cost to supply chains, and unless reforms and investments are made quickly and effectively, Indonesia could see itself lose out to neighbours as OEMs seek alternatives to China.

The two markets with unchanged rankings bookend the top 10 this year. For the fourth consecutive year, Turkey is positioned in 10th, primarily due to its position as a major manufacturing hub for European and US businesses, offering close proximity to the group of 28 European states. Such FDI has created jobs that employ millions of the country's labour force and empower its domestic consumers. The country has also positioned itself as a stable actor in a volatile region, a pillar of its economic attractiveness it would be well advised to preserve. There are challenges, however. Lower global trade is threatening the jobs created by foreign manufacturers and Turkey's private sector has borrowed heavily in dollar-denominated debt, with repayments becoming more expensive as the US dollar gains strength and the Turkish lira loses value. The second emerging logistics market with an unchanged ranking in 2016 is China which, having entered the Index in 2011, has successfully taken the top spot in each year since. China is, though, slowly regressing towards the pack. Its margin of victory has decreased in each year since 2012 and its score in the overall Index this year (7.91) represents the first time it has recorded a figure below the 8.00 mark. This is because growth in the Chinese economy is faltering, leaving it with significant questions to answer. Having been geared towards growth as an export-led manufacturer, China's productive capacity is now facing reorientation in order to smoothly and rapidly transition the economy to a consumption-led domestic market. As part of this transition, China must act quickly to diversify its economy, purge itself of corruption and integrate the vast population in rural areas into more productive economic activity. This is because, put simply, China's internal market is not yet able to offset the fall in export volumes quickly enough to make up for the shortfall in growth. While the loss of $5 trillion from its stock markets in July 2015 is an indication that confidence in the market is weakening, there are signs of progress. China's leadership recognises that modern consumption-driven economies run on reliable and robust roads, railways, electricity, telecommunication networks and international gateways. Investments in such infrastructure have benefitted vast swathes of the population, as well as Chinese industry. Further targeted infrastructure investment will be needed to support the transition to a domestic consumption-driven economy. Reports emerged in January 2015 suggesting an accelerated investment process across 300 infrastructure projects within the energy, health, transportation and mining sectors. This suggests the investment is taking place, but the question remains as to whether the scale and speed required can be achieved.

Changes outside the Top 10

Nigeria

Nigeria ranks 17th in the 2016 Index, moving up 10 spots this year. Its score has increased from 4.56 to 5.28.

In the Market Size and Growth Attractiveness sub-index, Nigeria's score has risen from 6.31 to 7.79. This reflects the country's 'rebasing' of its GDP in 2014, which promoted Nigeria to the largest economy in Africa, supplanting South Africa. More specifically, the revised GDP figure was 89% higher than previously thought. Although sceptics may doubt the validity of the new number, it was really the old figure that was dubious. As summarised by The Economist, "GDP is typically measured by reference to the shape of the economy in a 'base' year. Statisticians sample businesses in different industries to see how fast they are growing. The weight they give to each sector depends on its importance to the economy in the base year. As time passes the figures become less and less accurate. Nigeria's old GDP data relied on a hopelessly dated snapshot of its economy in 1990. The new figures (which have 2010 as the base year) give due weight to fast-growing industries such as mobile telecoms and film-making that have sprung up since then."

The rebasing also had a significant impact on Nigeria's Compatibility score (3.40 compared to 2.46 in the 2015 Index), because the composition of the economy is now more oriented towards logistics-intensive sectors than previously thought. This bumped Nigeria up three spots, though it still ranks poorly at just 40th in this sub-index.

Egypt

Egypt has jumped 10 spots in the overall Index ranking, to 22nd. Its score has risen from 4.38 to 4.99. This is mostly down to its Market Size and Growth Attractiveness score increasing from 4.92 to 6.12. The improvement has been driven by significant upward revisions to its economic growth forecasts and the overall size of its economy being more impressive compared to the rest of the pack, than last year. Post-Arab Spring, Egypt has quietly made an impressive recovery.

Unsurprisingly, there has also been a general improvement in Egypt's business environment which has seen its Compatibility score rise from 2.35 to 2.85, though this still only ranks 43rd. Foreign investors in particular appear to be regaining a measure of confidence in Egypt. According to fDi, real foreign investment in Egypt (as measured by the extent of greenfield capital investment projects) picked up strongly in 2014, with a significant number of large-scale investment projects announced, which themselves follow the redevelopment and widening of the Suez Canal. In fact, Egypt's inward capital investment of $18bn in 2014 was greater than any other country in the Middle East and Africa. However, this funding was concentrated in just 51 projects, compared to 302 ($13bn) in the UAE and 116 ($4bn) in South Africa.

Pakistan

Pakistan has moved up two spots in this year's Index to 23rd. Its score has improved from 4.77 to 4.99.

This is largely down to its economic outlook improving. For example, the IMF's latest iteration of real GDP forecasts to 2020 is certainly more optimistic than a year ago. Credit-rating agencies such as Moody's and Standard & Poor's have also been similarly upbeat. Both improved their credit rating outlook for the country to positive from stable in March 2015 and May 2015, respectively. Standard & Poor's stated: "The positive outlook reflects our expectations of Pakistan's improved economic growth prospects, fiscal and external performance, and the supportive relationship of external donors over the next 12 months." The agency also raised its 2015-2017 average growth projection to 4.6% from 3.8%.

However, Pakistan still lags behind severely in the Compatibility and Connectedness sub-indices, ranking 42nd and 35th respectively, with Pakistan's score in both measures falling year-on-year. One possible road to improvement may come in the form of Chinese investment. When President Xi Jinping visited Pakistan in April 2015, China pledged $46bn for road, ports and power plants: a planned investment equal to almost three times the total FDI that Pakistan has received over the last seven years. Pakistani officials say most projects will reach completion in one to three years, with some $15.5bn of coal, wind, solar and hydro energy projects to come online by 2017.

Peru

Peru struggled in this year's Index, losing five spots to rank 28th overall. Its score has fallen from 4.84 to 4.70.

The decline was largely attributable to a weakening of the country's economic prospects. While the IMF has downgraded its longer term outlook for Peru, its most concerning piece of data is that Peru's real GDP growth in 2015 is now expected to come in at 2.4%, down from its prediction a year ago of 5.1%. Although expansionary fiscal policy and higher year-on-year mining industry output are sustaining some measure of growth, lower commodity prices are having a significant adverse impact. The price of copper, for instance, has fallen by more than 15% in 2015 alone. In addition, Peru's manufacturing and construction sectors have struggled this year, while investment growth is slow, due to depressed business confidence. Aside from the economic data, Peru's Connectedness score is down from 4.96 to 4.84, mainly as a result of the country being judged to have poorer quality infrastructure and more inefficient customs procedures year-on-year.

A more positive spin might be that over the longer term, Peru is likely to be one of the better-faring countries in Latin America. Out of all South American countries, it has one of the best growth outlooks over the next five years, even with the downward revisions in 2015.

Algeria

Algeria moved up four spots in the overall Index ranking to 30th in 2016. Its score has increased from 4.10 to 4.46.

It has made meaningful gains across all facets of the Index. Its Market Size and Growth Attractiveness score is up 0.40 points, Compatibility has increased by 0.62 points and Connectedness is up by 0.21 points. Market Size and Growth Attractiveness has improved largely because its economy, as measured by PPP GDP, made impressive gains year-on-year. Compatibility has risen because Algeria's economy is now thought to be more oriented towards logistics intensive sectors than before, in addition to metrics of security improving year-on-year. Finally, Connectedness is better thanks to improved customs procedures.

The major question mark surrounding the country is the collapse in the oil price and the subsequent impact on the economy. With oil responsible for almost all of Algeria's export revenues, how the country responds to such an adverse shock will be crucial.

Argentina has plummeted five spots to No.31 in this year's Index. Its overall score has declined by 0.25 points to 4.42.

Unsurprisingly, given the country's ongoing economic difficulties, the drop in the Market Size and Growth Attractiveness sub-index was particularly severe (down from 4.78 to 4.14). Its economic outlook is worse now compared to a year ago, with the IMF predicting virtually no economic growth from 2016-2020. Inflation is around 25% and currency controls and trade restrictions in place since 2011 continue to choke the economy. This is the legacy that President Cristina Fernandez de Kirchner leaves behind. One reason for optimism is that Argentina will be under new leadership with the election of pro-business Mauricio Macri from December 2015 and it is difficult to imagine that economic policy going forward could be any worse than under the previous regime.

Jordan

Jordan has fallen four spots in the overall Index ranking to 33rd. Its score is down 0.26 points to 4.28.

The Market Size and Growth Attractiveness sub-index declined moderately, mainly on account of the country's worsening financial stability, but the main culprit was the Compatibility sub-index, which scored just 5.52 this year, down from 6.51 in last year's Index. The weight of instability caused by crime, violence and terrorism spilling over the border from Syria and its knock-on impact were primary drivers behind this. Apart from the catastrophic humanitarian impact of the conflict, the UN has estimated that the total economic loss from the war will reach $237bn by the end of 2015.

Ukraine

Ukraine ranks 34th in this year's Index, a decline of four places compared to the previous year. Its overall score has contracted by 0.37 points to 4.09.

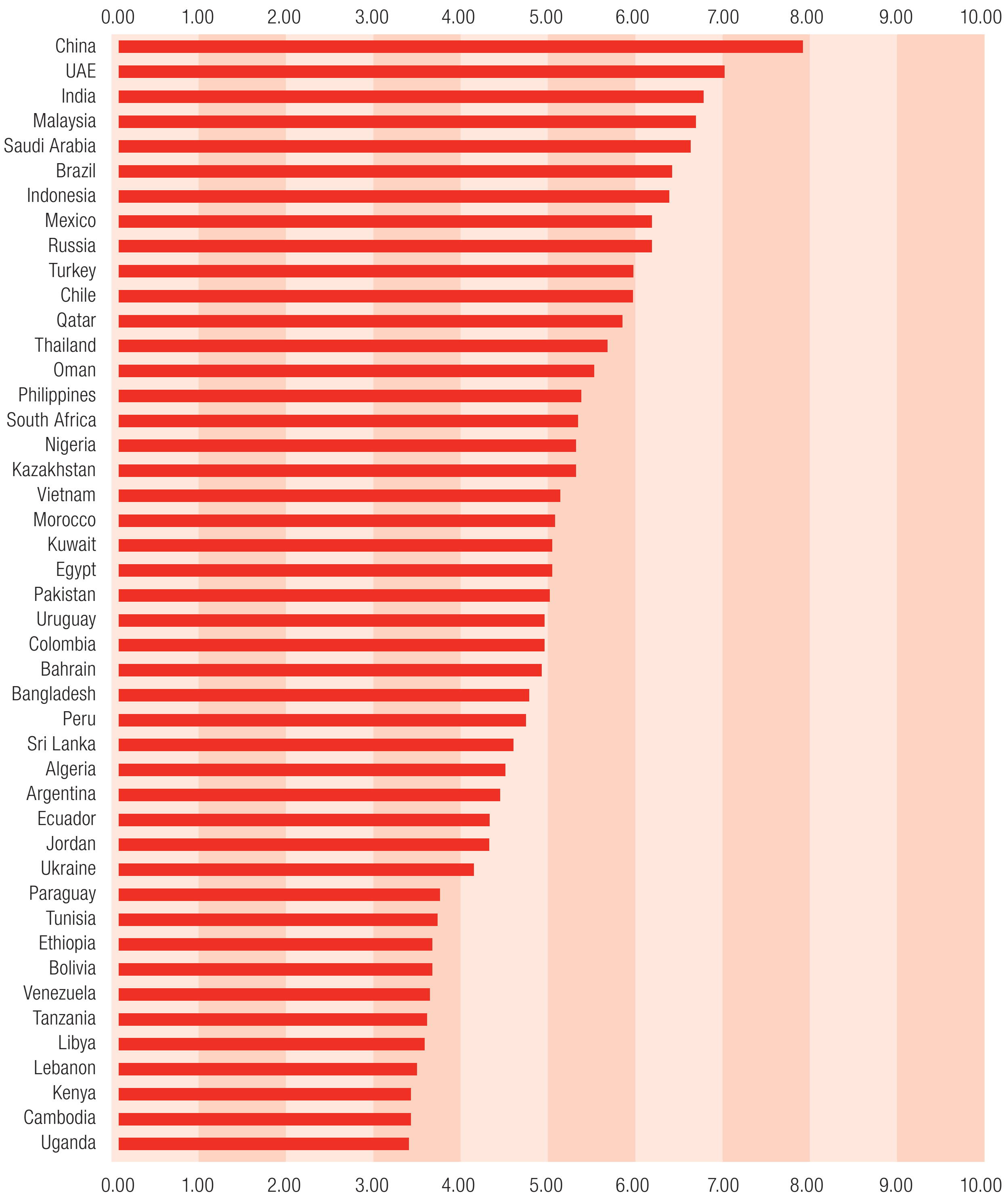
The country has been enveloped in crisis since November 2013, with mass unrest plaguing the country. The primarily Russian-speaking eastern and southern regions of the country have been hit the worst. In terms of Index scores, the conflict has taken its toll on various fronts. Its Market Size and Growth Attractiveness sub-index has crashed by 0.42 points to 3.48. The IMF estimated that real GDP growth was -6.8% in 2014 and worse still in 2015, at -9.0%. In addition, Ukrainian financial stability has taken a big hit. Moreover, the Compatibility sub-index score of 3.99, down by 1.30 points, indicates that the business environment in Ukraine has suffered severely. Measures of the instability are understandably far worse than before the crisis erupted. Furthermore, FDI flows to Ukraine fell by 91% to $410m in 2014 (the lowest level in 15 years), mainly due to Russian capital abandoning the country.

The 2016 Index

Ranking	Country	2016 Index	2015 Index	Change in Ranking
1	**China**	**7.91**	8.09	-
2	**UAE**	**7.00**	6.63	up 4
3	**India**	**6.76**	6.66	up 2
4	**Malaysia**	**6.66**	6.36	up 4
5	**Saudi Arabia**	**6.62**	6.76	down 3
6	**Brazil**	**6.40**	6.71	down 3
7	**Indonesia**	**6.36**	6.70	down 3
8	**Mexico**	**6.17**	6.30	up 1
9	**Russia**	**6.16**	6.57	down 2
10	**Turkey**	**5.95**	6.06	-
11	**Chile**	**5.94**	5.93	-
12	**Qatar**	**5.83**	5.87	-
13	**Thailand**	**5.63**	5.58	up 1
14	**Oman**	**5.48**	5.70	down 1
15	**Philippines**	**5.34**	5.15	up 1
16	**South Africa**	**5.30**	5.46	down 1
17	**Nigeria**	**5.28**	4.56	up 10
18	**Kazakhstan**	**5.28**	5.08	-
19	**Vietnam**	**5.10**	4.95	-
20	**Morocco**	**5.05**	5.11	down 3
21	**Kuwait**	**5.02**	4.91	-
22	**Egypt**	**4.99**	4.38	up 10
23	**Pakistan**	**4.99**	4.77	up 2
24	**Uruguay**	**4.93**	4.92	down 4
25	**Colombia**	**4.91**	4.86	down 3
26	**Bahrain**	**4.90**	4.78	down 2
27	**Bangladesh**	**4.73**	4.56	up 1
28	**Peru**	**4.70**	4.84	down 5
29	**Sri Lanka**	**4.55**	4.43	up 2
30	**Algeria**	**4.46**	4.10	up 4
31	**Argentina**	**4.42**	4.67	down 5
32	**Ecuador**	**4.29**	4.14	up 1
33	**Jordan**	**4.28**	4.54	down 4
34	**Ukraine**	**4.09**	4.46	down 4
35	**Paraguay**	**3.71**	3.74	up 3
36	**Tunisia**	**3.69**	3.87	down 1
37	**Ethiopia**	**3.62**	3.76	-
38	**Bolivia**	**3.61**	3.58	up 3
39	**Venezuela**	**3.60**	3.81	down 3
40	**Tanzania**	**3.57**	3.60	down 1
41	**Libya**	**3.52**	3.58	down 1
42	**Lebanon**	**3.43**	3.56	-
43	**Kenya**	**3.38**	3.47	-
44	**Cambodia**	**3.36**	3.46	-
45	**Uganda**	**3.33**	3.31	-

Source: Transport Intelligence

The 2016 Index



Source: Transport Intelligence

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

The 16 economies with GDP above $300bn remain the same as in 2015. While there is movement amongst the markets, it is true to say that large GDP equates to high potential as an emerging logistics market. Indeed, the top 10 markets overall have GDP above the threshold.

To depend solely on market size, however, would paint a misleading picture of what true logistics market potential looks like. UAE, ranked 2nd overall by the Index, has an economy just 3.9% the size of 1st ranked China, while the Emirates outscores India and Brazil, despite its economy equalling 19.4% of India's economy and 17.1% of Brazil's.

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market connected-ness sub-index	Total Index
1	**China**	9.48	6.79	6.75	**7.91**
2	**UAE**	5.58	8.61	7.73	**7.00**
3	**India**	9.32	4.80	4.95	**6.76**
4	**Malaysia**	6.41	6.56	7.00	**6.66**
5	**Saudi Arabia**	6.84	6.89	6.23	**6.62**
6	**Brazil**	7.87	6.09	4.91	**6.40**
7	**Indonesia**	8.66	4.44	4.81	**6.36**
8	**Mexico**	7.73	4.56	5.29	**6.17**
9	**Russia**	6.83	5.58	5.72	**6.16**
10	**Turkey**	6.74	5.63	5.23	**5.95**
11	**Thailand**	6.72	4.33	5.13	**5.63**
12	**South Africa**	5.54	4.81	5.31	**5.30**
13	**Nigeria**	7.79	3.40	3.50	**5.28**
14	**Colombia**	5.88	2.86	4.95	**4.91**
15	**Argentina**	4.14	4.99	4.42	**4.42**
16	**Venezuela**	3.38	3.69	3.79	**3.60**

Source: Transport Intelligence

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

Just as in the overall Index, the return of a measure of stability to Egypt sees it rise through the ranking, moving from 17th to 9th. The reverse is true of Ukraine, where the ongoing conflict has detrimentally affected its prospects: the country took hits to both its Size & Growth Attractiveness score and its Compatibility score.

Perhaps the most significant outcome here, though, is that a staggering 23 of the 29 countries with GDPs below the $300bn threshold outrank Venezuela as an emerging logistics market. In fact, Chile's overall score would see it finish 11th in the ranking of countries with GDP above $300bn. Against a backdrop of lower economic prospects across all emerging markets, this serves as a potent reminder that investment decisions must be both strategic and nuanced, reflecting the unique characteristics of the markets under investigation. While forecasts suggest 2016 will see something of a rebound in fortunes for emerging markets, the days of investment guided by headline figures – and indeed, the days of 'investment by acronym' – should be fully consigned to history.

Ranking	Country	Market size and growth sub-index	Market compatibility sub-index	Market connected-ness sub-index	Total Index
1	**Chile**	5.26	6.62	6.32	**5.94**
2	**Qatar**	4.83	7.62	5.97	**5.83**
3	**Oman**	3.93	7.54	6.11	**5.48**
4	**Philippines**	6.56	4.79	4.27	**5.34**
5	**Kazakhstan**	4.60	6.94	5.14	**5.28**
6	**Vietnam**	5.42	5.15	4.72	**5.10**
7	**Morocco**	4.15	6.05	5.52	**5.05**
8	**Kuwait**	4.63	6.59	4.59	**5.02**
9	**Egypt**	6.12	2.85	4.90	**4.99**
10	**Pakistan**	6.85	2.86	4.06	**4.99**
11	**Uruguay**	3.38	6.71	5.69	**4.93**
12	**Bahrain**	3.27	6.21	6.01	**4.90**
13	**Bangladesh**	5.91	4.45	3.56	**4.73**
14	**Peru**	4.91	4.03	4.84	**4.70**
15	**Sri Lanka**	3.25	5.96	5.26	**4.55**
16	**Algeria**	4.87	4.49	3.98	**4.46**
17	**Ecuador**	2.80	4.65	5.77	**4.29**
18	**Jordan**	2.81	5.52	5.25	**4.28**
19	**Ukraine**	3.48	3.99	4.84	**4.09**
20	**Paraguay**	2.82	4.76	4.15	**3.71**
21	**Tunisia**	3.06	4.18	4.14	**3.69**
22	**Ethiopia**	3.37	4.39	3.48	**3.62**
23	**Bolivia**	2.76	4.52	4.06	**3.61**
24	**Tanzania**	3.15	4.52	3.53	**3.57**
25	**Libya**	2.68	2.08	5.25	**3.52**
26	**Lebanon**	2.46	4.33	4.04	**3.43**
27	**Kenya**	3.34	2.23	4.06	**3.38**
28	**Cambodia**	2.53	4.34	3.77	**3.36**
29	**Uganda**	2.90	3.48	3.74	**3.33**

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**	9.48	6.79	6.75	**7.91**
2	**UAE**	5.58	8.61	7.73	**7.00**
3	**India**	9.32	4.80	4.95	**6.76**
4	**Malaysia**	6.41	6.56	7.00	**6.66**
5	**Saudi Arabia**	6.84	6.89	6.23	**6.62**
6	**Brazil**	7.87	6.09	4.91	**6.40**
7	**Indonesia**	8.66	4.44	4.81	**6.36**
8	**Mexico**	7.73	4.56	5.29	**6.17**
9	**Russia**	6.83	5.58	5.72	**6.16**
10	**Turkey**	6.74	5.63	5.23	**5.95**
11	**Chile**	5.26	6.62	6.32	**5.94**
12	**Qatar**	4.83	7.62	5.97	**5.83**
13	**Thailand**	6.72	4.33	5.13	**5.63**
14	**Oman**	3.93	7.54	6.11	**5.48**
15	**Philippines**	6.56	4.79	4.27	**5.34**
16	**South Africa**	5.54	4.81	5.31	**5.30**
17	**Nigeria**	7.79	3.40	3.50	**5.28**
18	**Kazakhstan**	4.60	6.94	5.14	**5.28**
19	**Vietnam**	5.42	5.15	4.72	**5.10**
20	**Morocco**	4.15	6.05	5.52	**5.05**
21	**Kuwait**	4.63	6.59	4.59	**5.02**
22	**Egypt**	6.12	2.85	4.90	**4.99**
23	**Pakistan**	6.85	2.86	4.06	**4.99**
24	**Uruguay**	3.38	6.71	5.69	**4.93**
25	**Colombia**	5.88	2.86	4.95	**4.91**
26	**Bahrain**	3.27	6.21	6.01	**4.90**
27	**Bangladesh**	5.91	4.45	3.56	**4.73**
28	**Peru**	4.91	4.03	4.84	**4.70**
29	**Sri Lanka**	3.25	5.96	5.26	**4.55**
30	**Algeria**	4.87	4.49	3.98	**4.46**
31	**Argentina**	4.14	4.99	4.42	**4.42**
32	**Ecuador**	2.80	4.65	5.77	**4.29**
33	**Jordan**	2.81	5.52	5.25	**4.28**
34	**Ukraine**	3.48	3.99	4.84	**4.09**
35	**Paraguay**	2.82	4.76	4.15	**3.71**
36	**Tunisia**	3.06	4.18	4.14	**3.69**
37	**Ethiopia**	3.37	4.39	3.48	**3.62**
38	**Bolivia**	2.76	4.52	4.06	**3.61**
39	**Venezuela**	3.38	3.69	3.79	**3.60**
40	**Tanzania**	3.15	4.52	3.53	**3.57**
41	**Libya**	2.68	2.08	5.25	**3.52**
42	**Lebanon**	2.46	4.33	4.04	**3.43**
43	**Kenya**	3.34	2.23	4.06	**3.38**
44	**Cambodia**	2.53	4.34	3.77	**3.36**
45	**Uganda**	2.90	3.48	3.74	**3.33**

Source: Transport Intelligence

Market Size & Growth Attractiveness

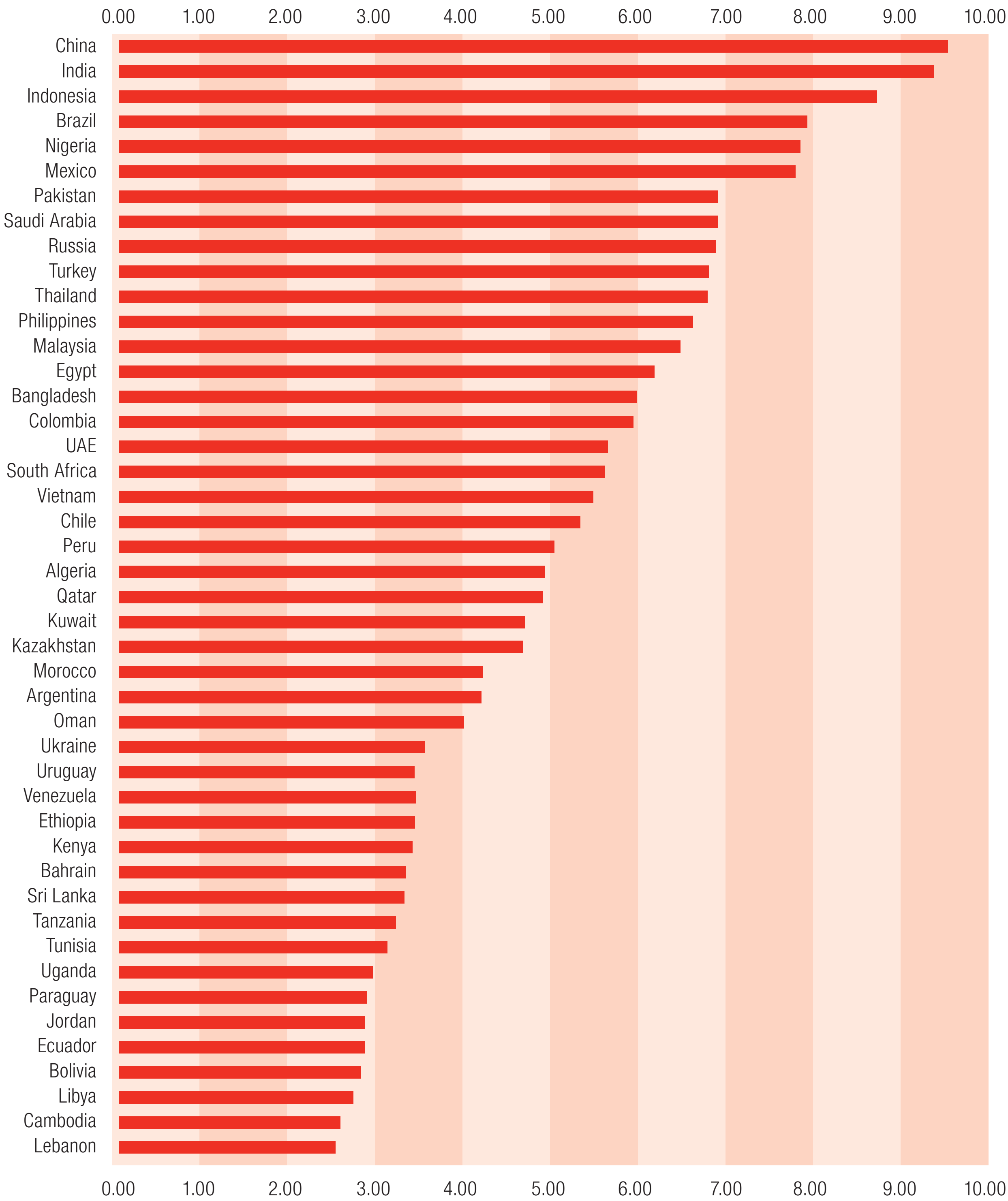
Within the ranking for Market Size & Growth Attractiveness, the top four ranking markets are unchanged for a third consecutive year. Nigeria has risen to take 5th in the ranking, while Pakistan jumped to 7th as a result of markedly better growth prospects for its economy than a year ago. Russia, however, has felt the impact of poorer growth expectations following the imposition of EU and US sanctions, which have seen it slip to 9th in this measure.

At the bottom end of the scale, Cambodia, for the first time since it was added to the Index in 2013, is not the lowest ranked Market for Size & Growth Attractiveness. Paraguay's improved outlook has seen it rise from the lowest reaches of this measure too.

Ranking	Country	Market size and growth sub-index
1	China	9.48
2	India	9.32
3	Indonesia	8.66
4	Brazil	7.87
5	Nigeria	7.79
6	Mexico	7.73
7	Pakistan	6.85
8	Saudi Arabia	6.84
9	Russia	6.83
10	Turkey	6.74
11	Thailand	6.72
12	Philippines	6.56
13	Malaysia	6.41
14	Egypt	6.12
15	Bangladesh	5.91
16	Colombia	5.88
17	UAE	5.58
18	South Africa	5.54
19	Vietnam	5.42
20	Chile	5.26
21	Peru	4.91
22	Algeria	4.87
23	Qatar	4.83
24	Kuwait	4.63
25	Kazakhstan	4.60
26	Morocco	4.15
27	Argentina	4.14
28	Oman	3.93
29	Ukraine	3.48
30	Uruguay	3.38
31	Venezuela	3.38
32	Ethiopia	3.37
33	Kenya	3.34
34	Bahrain	3.27
35	Sri Lanka	3.25
36	Tanzania	3.15
37	Tunisia	3.06
38	Uganda	2.90
39	Paraguay	2.82
40	Jordan	2.81
41	Ecuador	2.80
42	Bolivia	2.76
43	Libya	2.68
44	Cambodia	2.53
45	Lebanon	2.46

Source: Transport Intelligence

Market Size & Growth Attractiveness Sub-Index



Source: Transport Intelligence

Market Compatibility

Five of the top 10 ranked markets for Compatibility come from the Middle East & North Africa region. The UAE retains its position at the top for a second consecutive year, although its score has fallen. That the UAE is top, though, is unlikely to be a surprise to those with exposure to the market. Its 34 free trade zones, non-existent corporation tax and the offer of full ownership, as well as unlimited repatriation of profits, make it a highly appealing business environment for producers and manufacturers alike, as well as to logistics service providers.

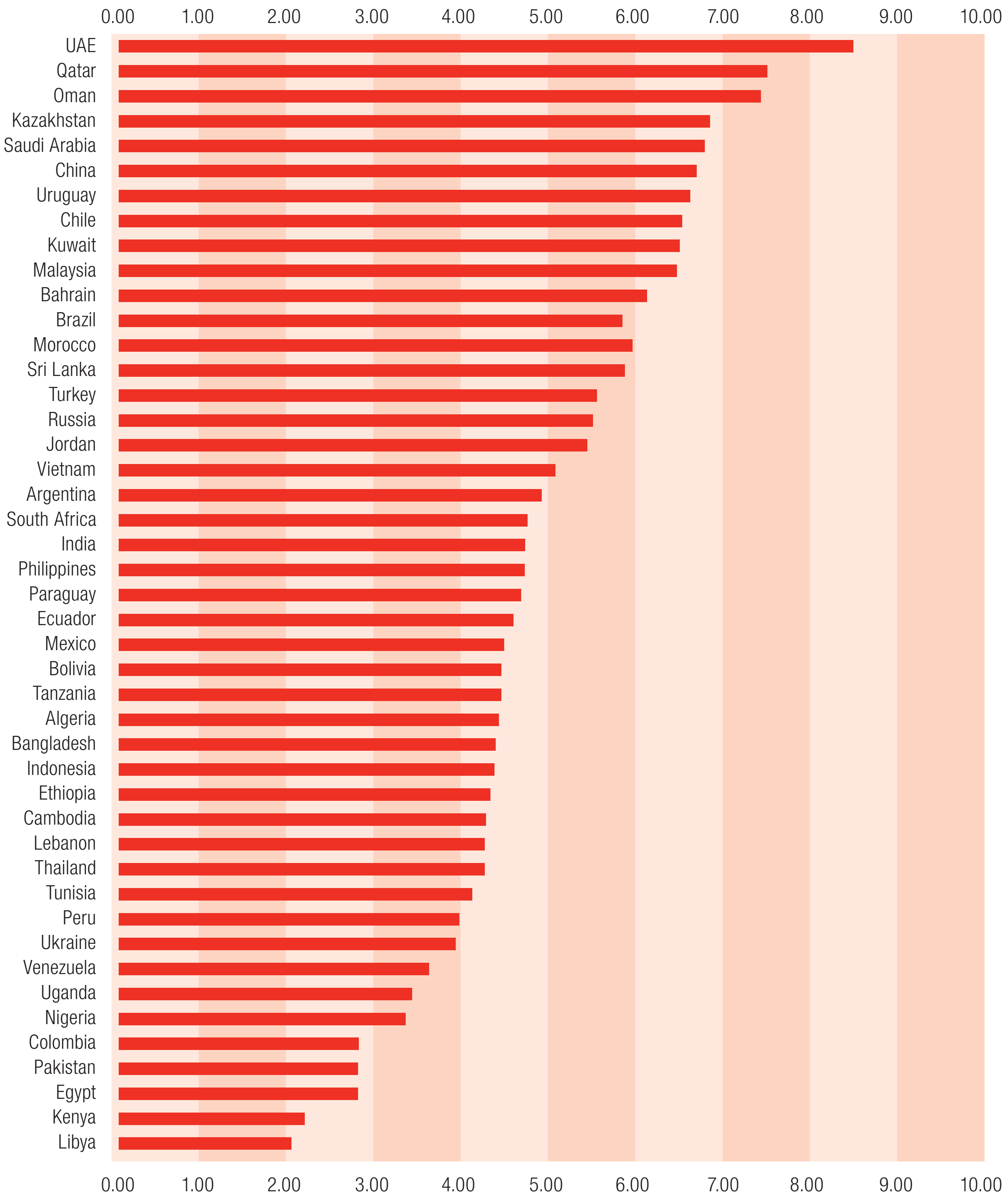
Kazakhstan's favourable tax regime sees it rise to become the 4th highest ranked market for Compatibility this year which, combined with Saudi Arabia's climb to 5th, sees China fall out of the top 5 in this measure. Another major emerging market to fall down the ranking is Russia, which slips three places to 16th, but it is Ukraine which suffers most heavily following the conflict between the two, dropping 19 spots from 18th to 37th. Conflict also caused Jordan's slide – having reached 4th in 2014, the country's slide has accelerated as it followed a four place drop in 2015 with a further nine position loss in 2016, to end in 17th overall – as the troubles in neighbouring Syria weigh down its prospects.

Libya props up the Compatibility ranking for a second year, and while Egypt and Nigeria were able to rise, neither could match their rate of progress in the Size & Growth Attractiveness ranking. Despite its high overall ranking, India still languishes as the 21st ranked market for Compatibility. This may represent a rise of eight positions, but it serves to highlight that the country's business environment is still in need of significant and rapid improvement.

Ranking	Country	Market compatibility sub-index
1	UAE	8.61
2	Qatar	7.62
3	Oman	7.54
4	Kazakhstan	6.94
5	Saudi Arabia	6.89
6	China	6.79
7	Uruguay	6.71
8	Chile	6.62
9	Kuwait	6.59
10	Malaysia	6.56
11	Bahrain	6.21
12	Brazil	6.09
13	Morocco	6.05
14	Sri Lanka	5.96
15	Turkey	5.63
16	Russia	5.58
17	Jordan	5.52
18	Vietnam	5.15
19	Argentina	4.99
20	South Africa	4.81
21	India	4.80
22	Philippines	4.79
23	Paraguay	4.76
24	Ecuador	4.65
25	Mexico	4.56
26	Bolivia	4.52
27	Tanzania	4.52
28	Algeria	4.49
29	Bangladesh	4.45
30	Indonesia	4.44
31	Ethiopia	4.39
32	Cambodia	4.34
33	Lebanon	4.33
34	Thailand	4.33
35	Tunisia	4.18
36	Peru	4.03
37	Ukraine	3.99
38	Venezuela	3.69
39	Uganda	3.48
40	Nigeria	3.40
41	Colombia	2.86
42	Pakistan	2.86
43	Egypt	2.85
44	Kenya	2.23
45	Libya	2.08

Source: Transport Intelligence

Market Compatibility Sub-Index



Source: Transport Intelligence

Market Connectedness

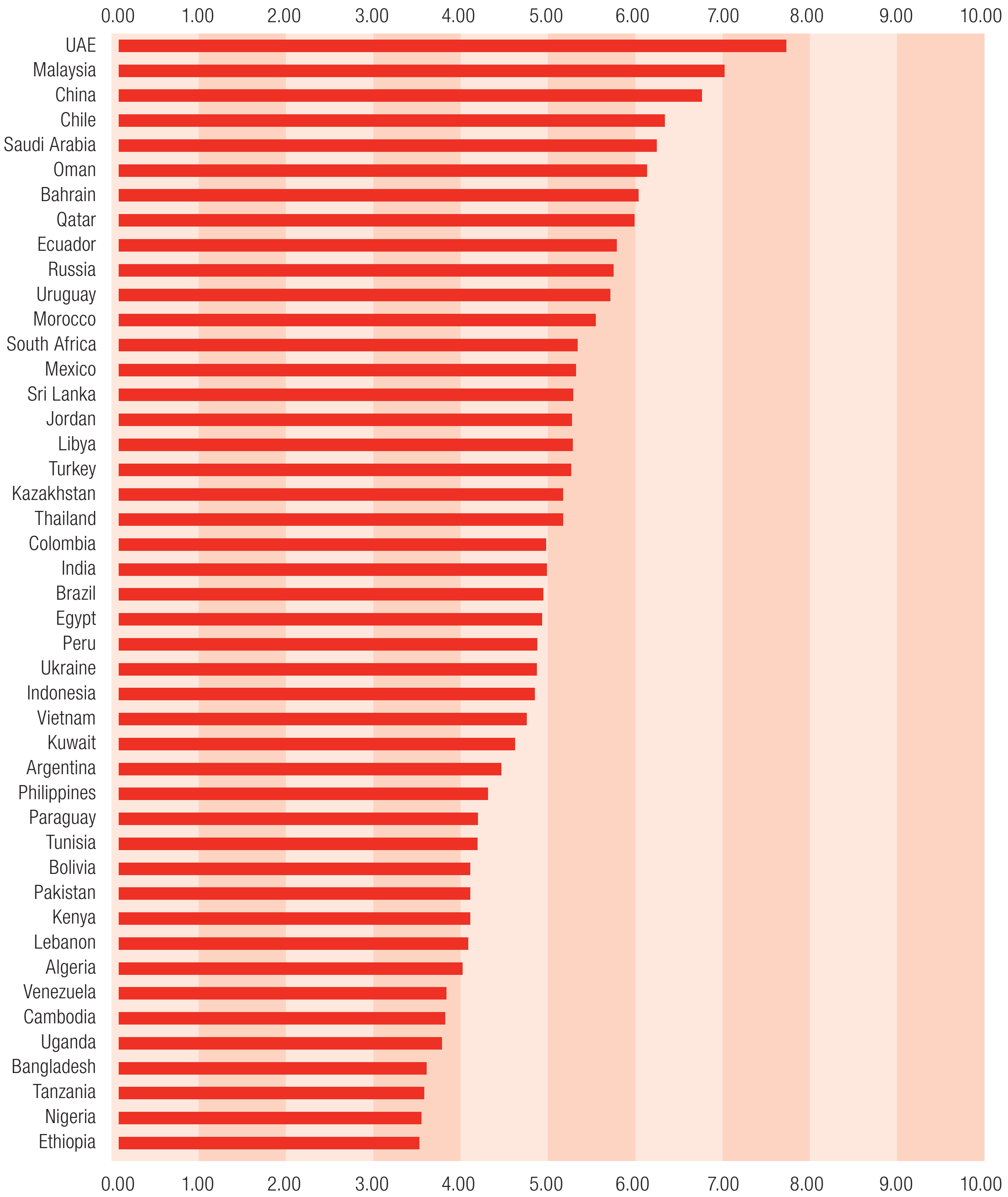
The top 10 ranking positions for Market Connectedness displayed a large amount of continuity year-on-year as the markets to occupy the top three positions – UAE, Malaysia and China – were unchanged, while nine of the 10 remained unchanged. The casualty was South Africa, which slid to 13th and was replaced by Russia. The infrastructure deficits of two major emerging markets – Brazil and India – are sharply illustrated in this measure of domestic and international connectivity, with both languishing in distinct mediocrity.

Overall, the Index in 2016 paints a broadly positive picture of Nigeria's potential as an emerging market. Having risen 10 places in the combined ranking, it may well serve as a warning to those excited by the country's potential, that its infrastructure is likely to severely limit growth unless significant progress is made. In this measure, Nigeria ranks 44th of the 45 markets under examination, having regressed over the last year.

Ranking	Country	Market connectedness sub-index
1	**UAE**	7.73
2	**Malaysia**	7.00
3	**China**	6.75
4	**Chile**	6.32
5	**Saudi Arabia**	6.23
6	**Oman**	6.11
7	**Bahrain**	6.01
8	**Qatar**	5.97
9	**Ecuador**	5.77
10	**Russia**	5.72
11	**Uruguay**	5.69
12	**Morocco**	5.52
13	**South Africa**	5.31
14	**Mexico**	5.29
15	**Sri Lanka**	5.26
16	**Jordan**	5.25
17	**Libya**	5.25
18	**Turkey**	5.23
19	**Kazakhstan**	5.14
20	**Thailand**	5.13
21	**Colombia**	4.95
22	**India**	4.95
23	**Brazil**	4.91
24	**Egypt**	4.90
25	**Peru**	4.84
26	**Ukraine**	4.84
27	**Indonesia**	4.81
28	**Vietnam**	4.72
29	**Kuwait**	4.59
30	**Argentina**	4.42
31	**Philippines**	4.27
32	**Paraguay**	4.15
33	**Tunisia**	4.14
34	**Bolivia**	4.06
35	**Pakistan**	4.06
36	**Kenya**	4.06
37	**Lebanon**	4.04
38	**Algeria**	3.98
39	**Venezuela**	3.79
40	**Cambodia**	3.77
41	**Uganda**	3.74
42	**Bangladesh**	3.56
43	**Tanzania**	3.53
44	**Nigeria**	3.50
45	**Ethiopia**	3.48

Source: Transport Intelligence

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").

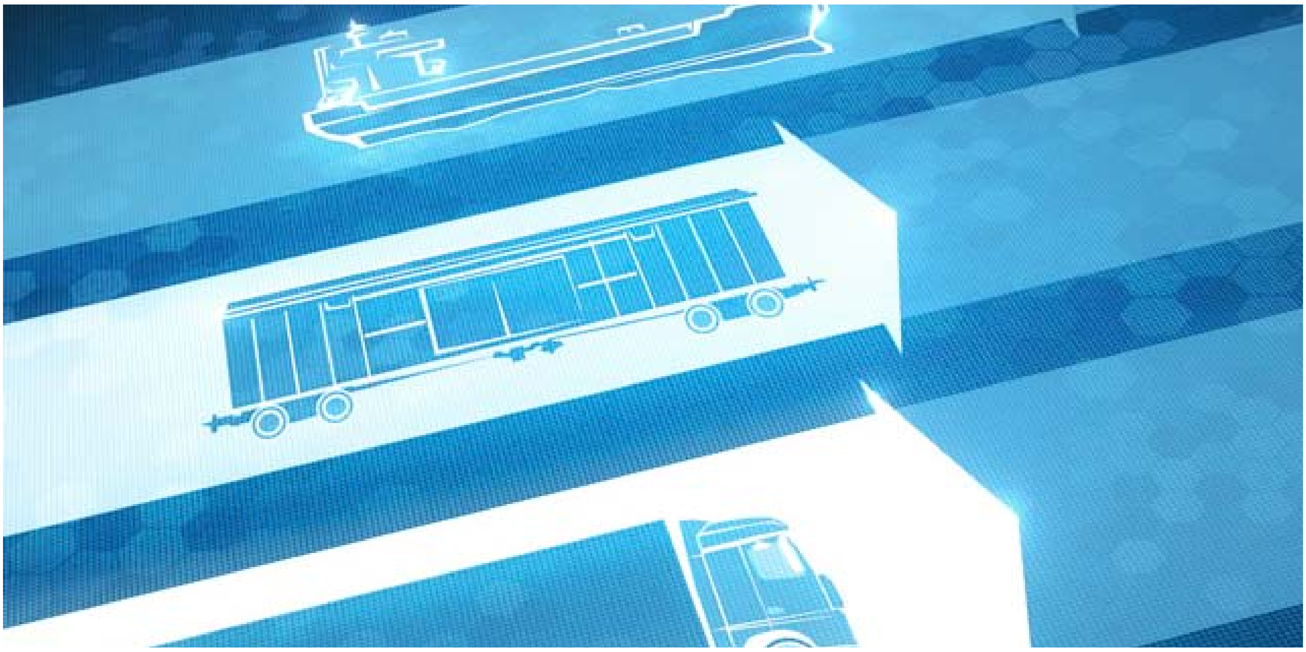
Countries in the top right quartile, such as China, represent the biggest targets for logistics investments as well as the easiest markets to operate in. In the top left quartile are those countries that represent smaller opportunities, but are easily penetrated. Oman and Qatar represent these types 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 are likely to move towards the upper quartiles. Nigeria and Kenya are examples of these types of opportunities.

Source: Transport Intelligence

Emerging Market Trade Lanes

Seven



The state of emerging market trade in 2015 can be summarised in one simple graph that tracks total year-on-year export and import growth for emerging markets. The graph measures the total value of trade over time, but holds the prices of all goods constant, so that changes are only driven by variation in the quantity of goods exported or imported.

Quite simply, 2015 has been a poor year for emerging market trade on the whole. For 2012 to 2014, import and export volume growth averaged 4.7% and 4.2% respectively, with relatively little variation above or below those marks. In 2015, year-on-year growth rates have clearly fallen short of these figures, even dipping into negative territory in the second and third quarters of the year.

Although the volume figures in the chart are perhaps of most concern to forwarders and logistics providers, when allowing prices to fluctuate over time the figures look significantly worse. Commodity prices have deteriorated in 2015, not only reducing the value of raw materials, but also in all manner of products which require them as inputs. In addition, when measuring trade in US dollars (as is most often the case), the picture is even bleaker given the currency's increasing value over the course of 2015, effectively eroding the value of goods priced in emerging market currencies.

Emerging market merchandise trade volumes, six-month average, % change on a year earlier

Source: CPB World Trade Monitor

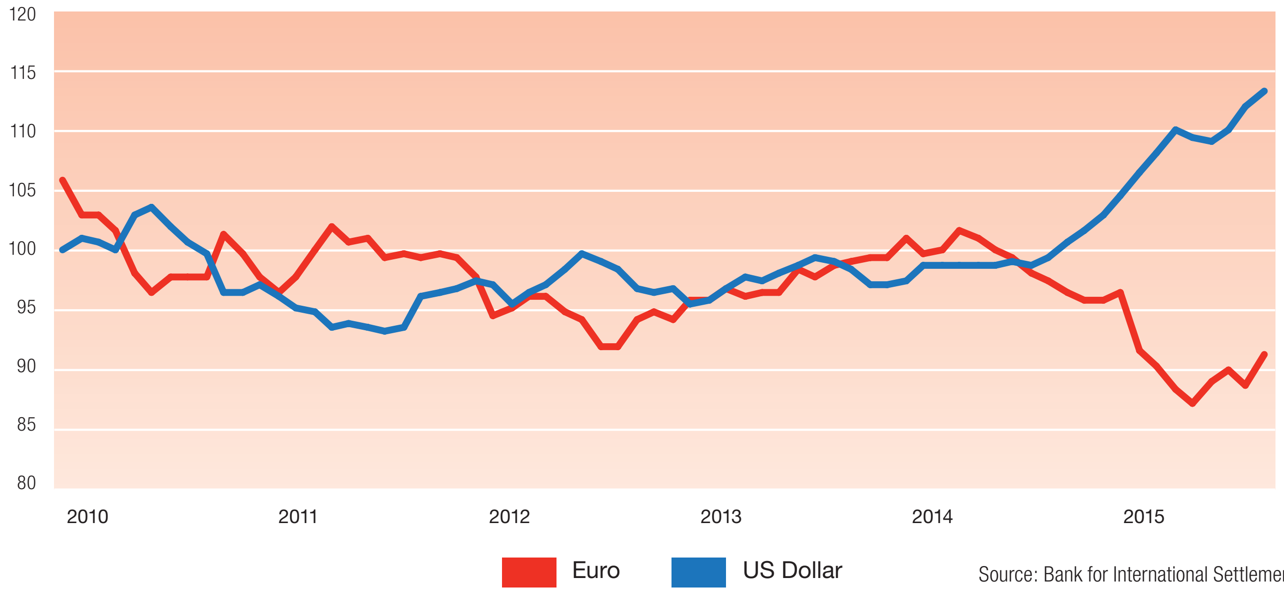
So given the anaemic trade numbers in 2015, is there reason to worry about the long-term future of emerging market trade? Yes and no. The latest set of IMF forecasts predicts that emerging market import and export volume growth in 2016 will be 4.3% and 4.6% respectively, and that both will rise and hover around 5% from 2017-2020. Essentially, a return to something like the moderate growth figures of 2012-2014. From 1990-2008, though, emerging markets were regularly recording trade volume growth rates in the range of 5-10%, sometimes higher. For the next five years at least, growth rates like that seem to be a long way off.

In the section that follows, air and sea volume data for trade lanes involving emerging markets and the EU/US will be analysed. As is usual with emerging markets, forecasts of tonnage for 2015 on these trade lanes suggest a vast amount of difference in performance between countries and high volatility when comparing volumes over time. Although there are obviously many factors at work, one important overall trend to pick up on in 2015 is the influence of exchange rate movements.

According to Bank of International Settlements data, on a trade-weighted basis and in real terms, the average monthly value of the euro between January-September 2015, compared to the same period in 2014, is 9.6% lower. Conversely, the dollar is 11.2% higher. The implication is that imports are more expensive for the Euro area but cheaper for the US, stimulating lower import demand in the EU and greater demand in the US. The opposite is true for exports. It is worth adding that over the past few years, such movement in currencies has not really been a factor, with the value of the dollar and euro relatively constant from 2010 until the start of 2014.

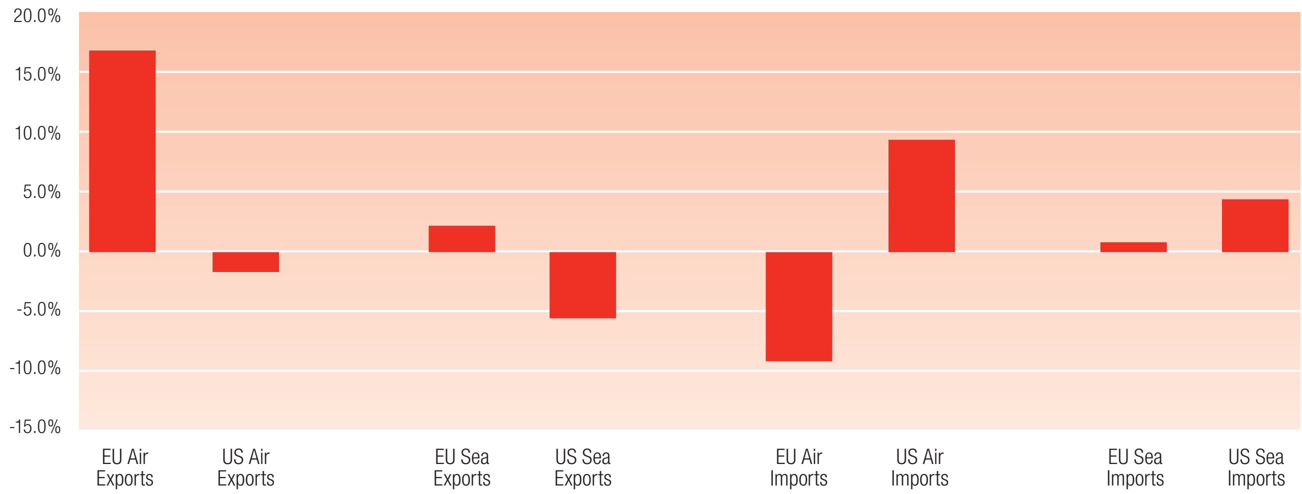
So what do the overall air and sea volume figures reveal? EU air and sea import growth rates from emerging markets in 2015 are predicted to fall short of US growth figures. On the other hand, EU export growth rates to emerging markets beat the US figures. Exchange rate movements could well be a significant factor behind this pattern of results.

Euro and US Trade-Weighted Exchange Rate Indices (2010=100)



Source: Bank for International Settlements

2015 EU/US Air and Sea Tonnage Growth with 45 Emerging Markets



Note: 2015* figures are forecasts

Source: Transport Intelligence

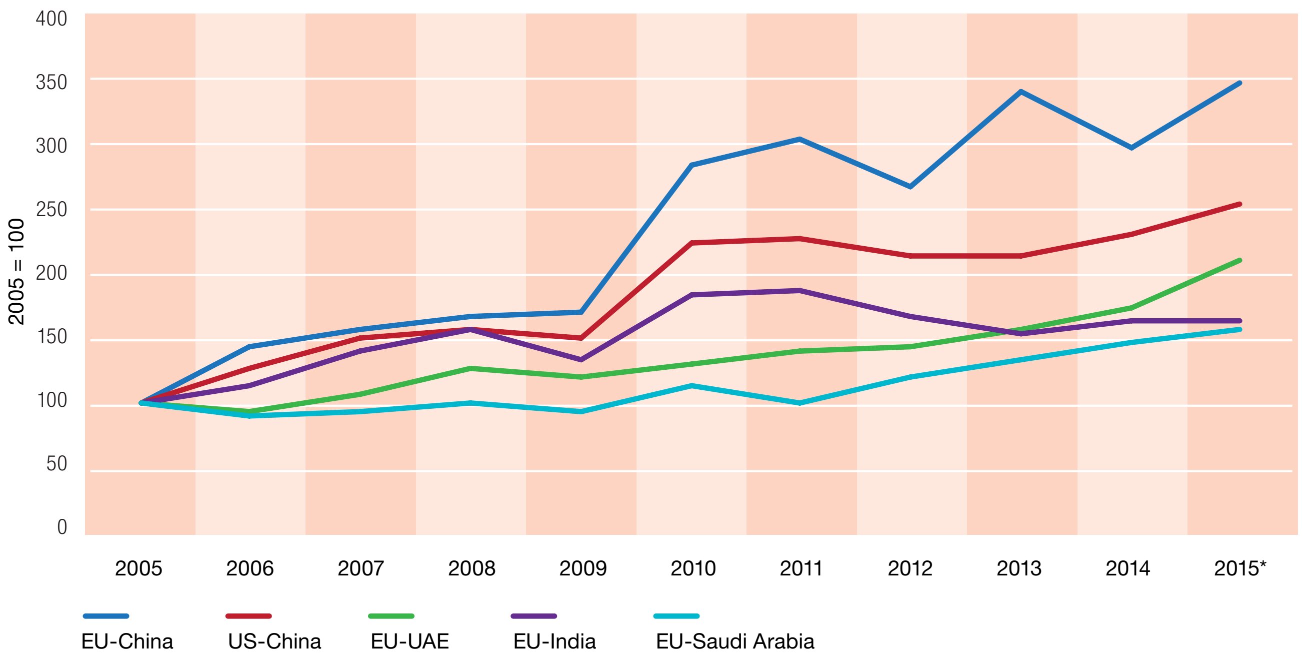
Air Freight Top 10 Trade Lanes – EU/US to Emerging Markets

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth
1	EU	China	595,757	690,699	15.9%
2	US	China	282,261	311,890	10.5%
3	EU	UAE	202,825	245,823	21.2%
4	EU	India	154,589	156,573	1.3%
5	EU	Saudi Arabia	105,948	115,166	8.7%
6	EU	Turkey	93,464	114,161	22.1%
7	EU	Mexico	88,943	110,834	24.6%
8	EU	Brazil	111,483	109,863	-1.5%
9	EU	South Africa	89,773	104,803	16.7%
10	US	Brazil	119,530	102,265	-14.4%
n/a	EU	All 45 EM	2,143,124	2,497,725	16.5%
n/a	US	All 45 EM	1,134,428	1,116,802	-1.6%
n/a	EU and US	All 45 EM	3,277,552	3,614,526	10.3%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Air Freight EU/US to Emerging Market Top 5 Trade Lanes 2005-2015 Growth



Note: 2015* figures are forecasts

Source: Transport Intelligence

On aggregate, the 90 trade lanes going from the EU/US to the 45 emerging markets are forecast tonnage growth of 10.3% in 2015. Cumulatively, EU trade lanes are predicted growth of 16.5%, whereas US trade lanes are anticipated volume growth of -1.6%. The top 10 lanes are predicted to account for 57.0% of total air tonnage in 2015. This forecast implies an increase of 0.7 percentage points year-on-year, signalling that the top 10 emerging market air freight destinations are becoming relatively more important compared to the chasing pack.

Unsurprisingly, China continues to occupy the top two spots. Out of all air freight going from the EU to the 45 emerging markets, China is expected to be the recipient of 27.7% of tonnage. For the US, the corresponding figure is 27.9%. EU-China air freight tonnage will remain more than twice as large as US-China tonnage, with the gap widening further in 2015 as EU growth (15.9%) exceeds the US' performance (10.5%).

By commodity, EU-China air freight is having a mixed year. The traditional major commodity groups of machinery & machinery parts (149,000 tonnes in 2014), electronics (99,000 tonnes) and vehicles & vehicle parts (57,000 tonnes) – which together accounted for 51.2% of total air freight tonnage in 2014 – have all struggled so far in 2015. For January-August 2015, volumes for each of these product groups are down by 2.3%, 5.5% and 42.1% respectively, year-over-year. However, these declines have been more than offset by growth in two sectors where volumes are usually relatively low – dairy products (41,000 tonnes for January-August 2015) and fertilisers (33,000 tonnes).

US-China air freight is dominated by machinery & machinery parts (55,000 tonnes in 2014), electronics (36,000 tonnes), optic, photo, medic and surgical instruments (25,000 tonnes) and plastics & plastic articles (23,000 tonnes), which together comprised almost 50% of air freight in 2014. For January-August 2015, the four groups have all seen positive year-on-year growth of 0.7%, 8.1%, 6.4% and 17.0% respectively. Other notable climbers include vehicles & vehicle parts (8,000 tonnes) and fruits (7,000 tonnes), with their tonnage rising by 35.2% and 20.0% respectively.

Aside from China, a number of other emerging markets in the top 10 are forecast strong import performances. EU-UAE air freight is predicted to grow by 21.2% in 2015, largely on the back of a rise in oil & gas related air imports. For January-August 2015, air freight for this product group amounted to almost 37,000 tonnes, up from around 16,000 tonnes over the same period in 2014. EU-Turkey and EU-Mexico are predicted similarly strong years, with volumes anticipated to increase by over 20% for both trade lanes in 2015. For EU-Turkey, its most important product groups of oil & gas products (25.8%), machinery & machinery parts (35.2%), electronics (36.1%) and vehicle & vehicle parts (77.0%) have all recorded very impressive growth for January-August 2015. For EU-Mexico, heavy industry alone appears to have driven most expansion, with machinery & machinery parts (39.1%) and vehicles & vehicle parts (17.8%) largely behind higher volumes.

EU-South Africa air freight is anticipated to rise by 16.7% in 2015, mainly on account of higher machinery & machinery parts imports (17.8% growth for January-August 2015), although product groups such as electronics (12.2%), vehicles & vehicle parts (29.8%) and pharmaceuticals (26.4%) are also providing strong impetus.

The obvious loser this year is Brazil. Air imports from the US are predicted to contract by 14.4% in 2015. Its core commodity groups of machinery & machinery parts and electronics, which together represented about 40% of tonnage in 2014, have recorded volume declines of 21.7% and 24.7% respectively for January-August 2015, compared to the same period last year. EU-Brazil air freight is expected to decline by just 1.5% in 2015, with machinery & machinery parts trade propping up overall tonnage. Electronics (-17.3%) and vehicles & vehicle parts (-6.9%) are chief among the suffering sectors.

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

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth	2012 Index	2013 Index	2014 Index	2015 Index*	2012-2015 CAGR	2005-2015 CAGR
1	EU	Indonesia	27,505	47,528	72.8%	115	124	106	183	16.8%	6.3%
2	EU	Peru	10,896	17,608	61.6%	173	189	194	313	21.9%	12.1%
3	EU	Ethiopia	7,791	12,358	58.6%	129	170	158	251	24.9%	9.6%
4	EU	Thailand	51,707	79,061	52.9%	117	162	107	163	11.8%	5.0%
5	EU	Malaysia	41,508	58,964	42.1%	149	156	155	220	13.9%	8.2%
6	EU	Ecuador	7,592	10,664	40.5%	131	153	183	258	25.4%	9.9%
7	EU	Philippines	18,447	25,315	37.2%	95	107	121	165	20.1%	5.2%
8	EU	Qatar	50,012	67,999	36.0%	249	275	307	417	18.7%	15.3%
9	EU	Ukraine	10,165	13,287	30.7%	71	102	61	79	3.7%	-2.3%
10	US	Vietnam	20,605	26,250	27.4%	280	341	491	625	30.7%	20.1%
11	US	Kuwait	12,766	16,244	27.2%	133	135	139	177	10.1%	5.9%
12	EU	Mexico	88,943	110,834	24.6%	128	120	126	157	7.0%	4.6%
13	EU	Egypt	41,592	51,346	23.5%	108	89	116	143	9.8%	3.6%
14	EU	Turkey	93,464	114,161	22.1%	136	155	152	186	11.1%	6.4%
15	EU	UAE	202,825	245,823	21.2%	145	157	173	209	13.0%	7.7%
16	EU	Jordan	11,412	13,674	19.8%	98	129	100	120	6.8%	1.8%
17	EU	Russia	78,133	93,199	19.3%	60	61	56	67	3.4%	-4.0%
18	EU	Lebanon	16,672	19,476	16.8%	125	130	136	159	8.3%	4.7%
19	EU	South Africa	89,773	104,803	16.7%	131	125	113	131	0.0%	2.8%
20	EU	China	595,757	690,699	15.9%	265	338	297	345	9.1%	13.2%
21	EU	Colombia	19,596	22,682	15.7%	111	118	127	147	9.9%	3.9%
22	EU	Nigeria	35,079	40,141	14.4%	126	118	117	134	2.0%	3.0%
23	EU	Bahrain	11,693	13,377	14.4%	96	84	107	123	8.6%	2.1%
24	EU	Morocco	18,455	20,872	13.1%	218	221	191	216	-0.3%	8.0%
25	EU	Chile	23,533	26,308	11.8%	119	139	122	137	4.8%	3.2%
n/a	EU	All 45 EM	2,143,124	2,497,725	16.5%	147	160	153	178	6.7%	5.9%
n/a	US	All 45 EM	1,134,428	1,116,802	-1.6%	164	163	167	165	0.0%	5.1%
n/a	EU and US	All 45 EM	3,277,552	3,614,526	10.3%	152	161	158	174	4.5%	5.7%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Out of the top 25 fastest growing emerging market air import trade lanes in 2015, 23 have the EU as their origin, compared to just two for the US (US-Vietnam and US-Kuwait), although US-Philippines (11.1%) and US-China (10.5%) have just missed out, ranking 26th and 27th. On the whole, emerging market air imports from the EU have grown very strongly, whereas US origin air freight has more or less stagnated.

EU-Indonesia is predicted to be the fastest growing trade lane in 2015, with growth of 72.8% driven almost exclusively by fertiliser imports, which have increased from virtually zero in 2014, to 14,000 tonnes for January-August 2015. EU fertiliser exports seem to be responsible for strong growth in a number of trade lanes, including EU-Ethiopia (with volumes of electronics also growing quickly), EU-Thailand and EU-Malaysia. EU-Thailand's performance is somewhat less impressive, as tonnage has merely recovered to 2013 levels, with volumes severely contracting in 2014.

Looking at the performance of some other sizeable trade lanes, EU-Qatar is predicted growth of 36.0% in 2015, mainly thanks to oil & gas sector product volumes more than doubling in January-August 2015, compared to the same period in 2014. The long-term performance of this trade lane is among the best, exemplified by a 2005-2015 CAGR of 15.3%. In addition, its growth trajectory is remarkably consistent, displaying relatively little volatility. Elsewhere in the Middle East, EU-Egypt air freight is anticipated to rise by 23.5%, thanks mainly to growth in machinery & machinery parts, oil & gas sector products and electronics. EU-Russia volumes are predicted to improve by 19.3%, though it is worth noting that Russia's air imports from the EU in 2015 are estimated to be about one third lower than they were in 2005, as indicated by its 2015 index value of 67.

As earlier stated, US-Vietnam and US-Kuwait were the only two trade lanes with the US as their origin to make the top 25 fastest growing trade lane list in 2015. For US-Vietnam, exports of fish – which accounted for 27% (the highest single product group) of the trade lane's tonnage in 2014 – expanded by 8.9% for January-August 2015. Footwear, machinery & machinery parts and electronics are also forecast decent growth in 2015. For the US-Kuwait, perishables are expected to drive much of the growth. Tonnage of vegetables and fruits has risen by 10.2% and 19.2% respectively for January-August 2015. They accounted for 20.4% and 13.4% of total tonnage in 2014. In addition, machinery & machinery parts volumes for January-August 2015 are up by 73.8% year-on-year, having accounted for 12.7% of total tonnage in 2014.

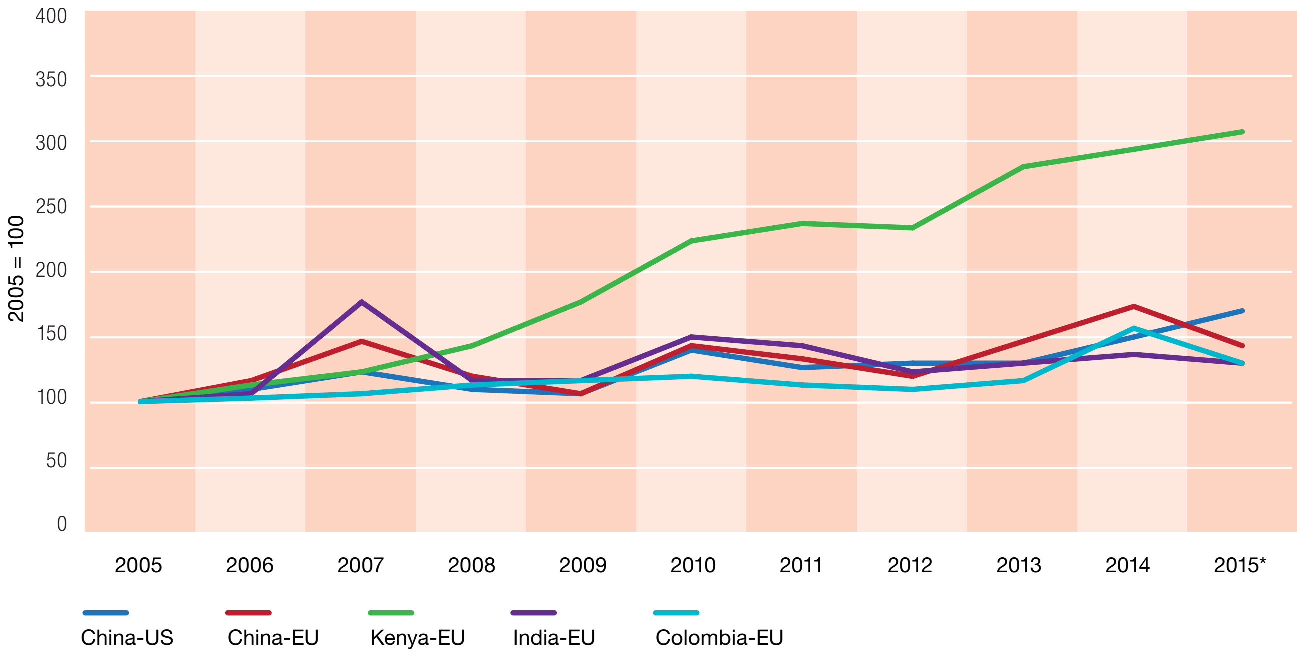
Air Freight Top 10 Trade Lanes – Emerging Market to EU/US

Rank	Origin	Destination	2013 Tons	2014* Tons	13-14 Growth
1	China	US	1,194,106	1,344,115	12.6%
2	China	EU	1,315,294	1,087,696	-17.3%
3	Kenya	EU	196,060	204,888	4.5%
4	India	EU	190,898	178,351	-6.6%
5	Colombia	US	164,972	158,520	-3.9%
6	Chile	US	150,574	133,357	-11.4%
7	India	US	116,528	127,457	9.4%
8	Peru	US	106,250	114,673	7.9%
9	Vietnam	US	65,159	90,702	39.2%
10	Ethiopia	EU	57,615	89,398	55.2%
n/a	All 45 EM	EU	2,695,843	2,455,204	-8.9%
n/a	All 45 EM	US	2,246,903	2,453,996	9.2%
n/a	All 45 EM	EU and US	4,942,746	4,909,200	-0.7%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Air Freight Emerging Market to EU/US Top 5 Trade Lanes 2005-2015 Growth



Note: 2015* figures are forecasts

Source: Transport Intelligence

In total, it is estimated that the EU and US will import 0.7% less air freight from emerging markets in 2015 compared to 2014. The EU's tonnage is expected to decline by 8.9% in 2015, whereas US volumes are set to increase by 9.2%.

Out of the 90 trade lanes going from the 45 emerging markets to the EU/US, the top 10 lanes are predicted to account for 71.9% of total air tonnage in 2015. China is by far the largest exporter, having comprised 48.8% of all emerging market air freight to the EU and 53.1% of air freight to the US in 2014. In a nutshell, China represents around half of emerging market air export tonnage to the US and EU.

For air exports to the US, Chinese air freight is forecast a strong year for 2015, with double-digit growth of 12.6% predicted. Conversely, China-EU air freight is expected to contract by 17.3%. The contrast in performance is so severe that China-US will displace China-EU as the largest trade in 2015. To put this into context, China-EU air freight tonnage was about 10% larger than China-US tonnage in 2014. In 2015, China-EU tonnage is anticipated to be almost 20% smaller than China-US tonnage. From January-August 2015, China-EU tonnage of electronics and machinery – by far the two most important product groups – decreased by 26.4% and 21.8% respectively. On the other hand, for China-US freight, electronics and machinery tonnage was up by 12.7% and 6.9% over the same period. Exchange rate movements potentially played an important role in driving these figures.

A particularly surprising statistic is that Kenya is the third largest emerging market air export trade lane by tonnage, exceeding not just its continental competitors such as South Africa and Nigeria, but even the likes of India. Tonnage is predicted to increase by 4.5% in 2015, to over 200,000 tonnes. Two product groups are responsible for almost all of Kenya's air exports – flowers (72.1% in 2014) and vegetables (24.0% in 2014). For January-August 2015, exports of flowers to the EU have increased by 4.0%, whereas for vegetables the corresponding figure is -2.5%. This market is clearly interesting major logistics providers. In November 2015, Panalpina announced that it would acquire a majority stake in Airflo in November 2015: a Kenyan and Netherlands based forwarder specialised in handling flowers and vegetables. Panalpina claims the company is the second largest forwarder in Kenya. Staying with Africa, for Ethiopia-EU air freight – the tenth largest trade lane – the dependency on flowers is even greater (92.1% of exports in 2014). For January-August 2015, exports of flowers were up by 52.8% year-on-year.

Aside from Ethiopia-EU, the only other trade lane in the top 10 to record very strong growth is Vietnam-US (39.2% in 2015). This trade lane is dominated by apparel (46.9% of exports in 2014), although footwear (13.4%), machinery & machinery parts (12.8%) and electronics (10.4%) are also important. For January-August 2015, exports of these product groups have increased by 63.6%, 73.3%, 9.5% and 98.6% respectively.

Moving to South America, Colombia-US and Chile-US are reporting declining volumes. Exports of flowers, which account for almost 90% of Colombian air tonnage to the US, have fallen by 8.5% in January-August 2015, compared to the same period in 2014. Meanwhile, Chile's exports of fish, which comprised over 75% of its exports to the US in 2014, have declined by 2.5% in January-August 2015. In addition, vegetables exports collapsed by 31.3%. Peru-US air freight, of which about 90% is vegetables, is expected to increase by 7.9% in 2015. Perhaps the most interesting feature of this top 10 is the absence of Brazil. Brazil-EU air freight is estimated to contract by 27.6% in 2015, to around 65,000 tonnes, while Brazil-US air freight is actually forecast growth of 8.5%, to 42,000 tonnes.

Finally, India's prospects for 2015 are mixed. Air freight tonnage to the EU is expected to decline by 6.6%, whereas tonnage to the US, is predicted to grow by 9.4%. For January-August 2015, pharmaceuticals export tonnage to the US has increased by 19.4% year-on-year, to almost 20,000 tonnes, while apparel tonnage has grown by 12.4%, to almost 23,000 tonnes. Holding this trade lane back was machinery & machinery parts, for which tonnage has decreased by 8.9% over the same period. For India-EU freight, tonnage of apparel, leather goods, electronics and pharmaceuticals were all down for January-August 2015 compared to the same period in 2014.

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

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth	2012 Index	2013 Index	2014 Index	2015 Index*	2012-2015 CAGR	2005-2015 CAGR
1	Ethiopia	EU	57,615	89,398	55.2%	827	1,009	1,116	1,732	27.9%	33.0%
2	Vietnam	US	65,159	90,702	39.2%	150	192	236	328	29.8%	12.6%
3	Bangladesh	US	13,673	18,852	37.9%	110	189	96	133	6.4%	2.9%
4	Turkey	EU	55,829	76,219	36.5%	122	111	118	160	9.5%	4.8%
5	Sri Lanka	US	16,537	21,868	32.2%	88	104	102	135	15.1%	3.0%
6	Chile	EU	45,158	54,844	21.5%	313	262	236	286	-2.9%	11.1%
7	Turkey	US	21,802	25,378	16.4%	89	101	123	144	17.5%	3.7%
8	Philippines	US	31,765	36,784	15.8%	58	63	86	99	19.6%	-0.1%
9	Indonesia	US	33,944	38,528	13.5%	87	84	91	103	5.6%	0.3%
10	China	US	1,194,106	1,344,115	12.6%	130	128	150	168	9.1%	5.3%
11	Thailand	US	63,397	69,994	10.4%	84	82	84	93	3.5%	-0.7%
12	Ecuador	US	47,310	52,223	10.4%	97	96	90	100	1.0%	0.0%
13	Egypt	EU	45,155	49,817	10.3%	159	107	111	123	-8.4%	2.1%
14	India	US	116,528	127,457	9.4%	113	111	120	131	5.1%	2.8%
15	Philippines	EU	15,111	16,521	9.3%	67	64	72	79	5.6%	-2.3%
16	Malaysia	US	47,629	52,071	9.3%	35	38	39	43	6.6%	-8.1%
17	Brazil	US	38,622	41,887	8.5%	56	41	42	45	-6.6%	-7.6%
18	Peru	US	106,250	114,673	7.9%	141	153	162	174	7.4%	5.7%
19	Bangladesh	EU	59,905	64,223	7.2%	167	222	162	174	1.3%	5.7%
20	Vietnam	EU	51,619	54,601	5.8%	167	220	236	249	14.3%	9.6%
21	Mexico	EU	77,410	81,242	5.0%	160	169	194	204	8.4%	7.4%
22	Kenya	EU	196,060	204,888	4.5%	231	280	294	307	10.0%	11.9%
23	Ecuador	EU	26,581	27,599	3.8%	308	294	332	345	3.8%	13.2%
24	Uganda	EU	29,517	30,043	1.8%	98	150	139	142	13.0%	3.6%
25	Cambodia	EU	11,966	11,933	-0.3%	217	300	344	343	16.5%	13.1%
n/a	All 45 EM	EU	2,695,843	2,455,204	-8.9%	109	124	137	124	4.6%	2.2%
n/a	All 45 EM	US	2,246,903	2,453,996	9.2%	109	110	120	131	6.5%	2.8%
n/a	All 45 EM	EU and US	4,942,746	4,909,200	-0.7%	109	117	129	128	5.5%	2.5%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Out of the 43 emerging market air freight trade lanes to the EU/US for which volumes exceeded 10,000 tonnes, only 24 are expected to increase their tonnage in 2015. However, some trade lanes are still predicted strong performances, highlighted by Ethiopia-EU and Vietnam-US, as described in the previous section. In fact, 13 trade lanes are forecast double-digit growth for 2015.

One relatively large emerging market which performed well was Turkey. Turkey-EU air freight tonnage is expected to rise by 36.5% in 2015, mainly thanks to higher volumes of chemical products and machinery & machinery parts. Turkey-US air freight is forecast growth of 16.4%, primarily due to greater exports of apparel, machinery & machinery parts and fish.

Turkey was one of just five emerging markets that appear twice in the top 25 fastest growers, the others being Bangladesh, Ecuador, Philippines and Vietnam.

Bangladesh's exports are dominated by apparel. It accounted for approximately 90% of air freight tonnage to the EU and US in 2014. For January-August 2015, apparel tonnage was up by 52.1% year-over-year to the US, while for the EU the corresponding figure was 4.2%.

Ecuador's export profile is also almost entirely based on a single product group, flowers, which accounted for around 75% of air freight to the US and about 90% to the EU, in 2014. For January-August 2015, tonnage was up by 7.3% year-on-year to the US, while for the EU the figure was 2.9%. Ecuador is looking to become a regional transhipment hub for flowers, taking traffic from the likes of Colombia and Peru, having replaced the old airport in Quito in 2013 with a facility that has the longest runway in Latin America and 10,000 sq m of modern cold storage facilities. However, this ambition is being hampered by the imposition of a 45% import tax. The airport's business development director has stated, "The government thinks it's protecting national profit, but it's a big mistake. It's very bad for cargo. The aircraft leave full of flowers, but there are almost no imports. That makes exporting flowers very expensive. We need more imports to balance the price of exports." Ecuador's only other significant air export is fish (only to the US, accounting for about 20% of tonnage in 2014). Volumes to the US were up by 25.1% year-on-year for January-August 2015.

For the Philippines, air exports to the US will develop particularly strongly (15.8% growth forecast for 2015) on the back of electronics and machinery & machinery parts growth. A similar story holds true for freight bound for the EU, albeit growth is predicted to be weaker at just 9.3%.

For Vietnam, its air freight growth of 39.2% to the US has already been outlined in the previous top 10 section. For Vietnam-EU, tonnage growth for 2015 will be more modest at 5.8%. By commodity, it is evident that electronics exports will grow strongly, with volumes up by 36.4% for January-August 2015, compared to the same period in 2015. Over the same period, machinery & machinery parts (9.1%) will also register decent growth, but overall performance will be held back by apparel (-19.7%) and footwear (-12.3%).

Some other very strong growers in 2015 are predicted to be Sri Lanka-US (32.2%) and Chile-EU (21.5%). For Sri Lanka-US, apparel tonnage increased by 76.4% for January-August 2015 year-on-year and made up around 70% of all tonnage in 2014. Disappointing volumes among other product groups such as fish offset these gains, however. Chile-EU air freight is dominated by copper products (over 60% of all freight in 2014), which were up by 5.6% for January-August 2015 year-on-year.

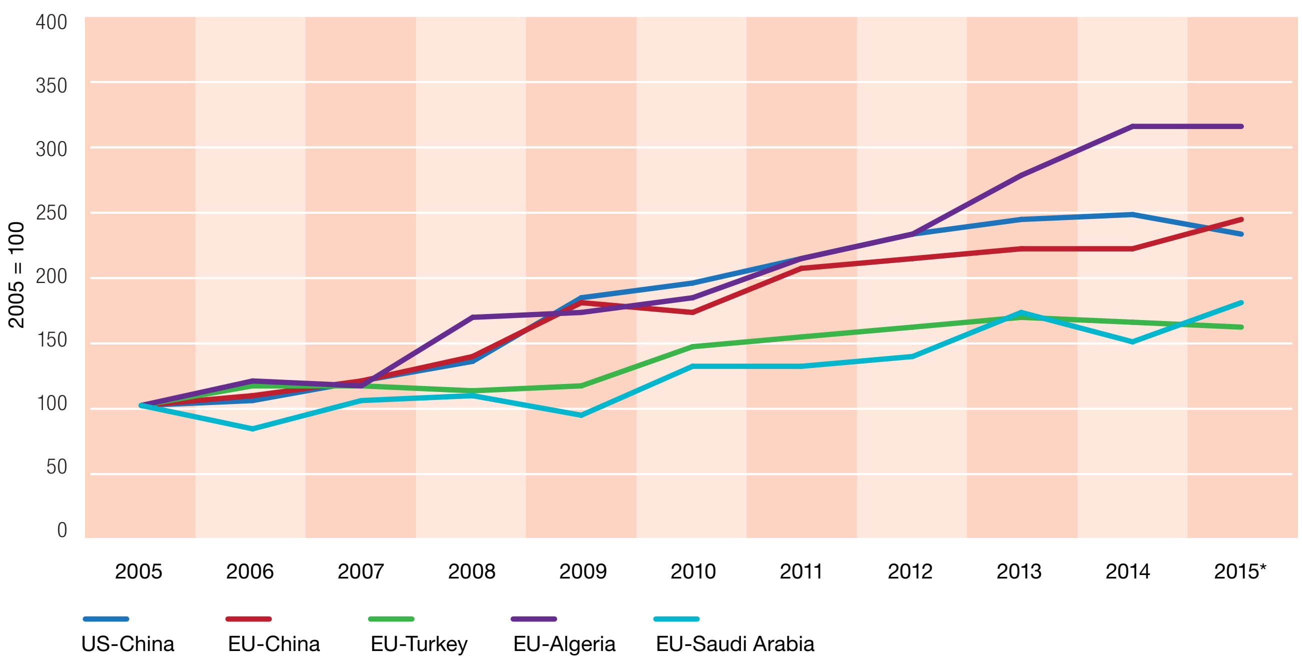
Sea Freight Top 10 Trade Lanes – EU/US to Emerging Market

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth
1	US	China	83,479,512	78,450,667	-6.0%
2	EU	China	38,793,102	42,424,053	9.4%
3	EU	Turkey	30,976,238	30,392,534	-1.9%
4	EU	Algeria	23,527,358	23,584,683	0.2%
5	EU	Saudi Arabia	13,326,139	15,993,938	20.0%
6	US	Mexico	14,809,684	15,990,840	8.0%
7	EU	Egypt	16,135,216	15,941,231	-1.2%
8	EU	Morocco	11,726,469	11,671,493	-0.5%
9	US	Colombia	9,413,399	10,514,592	11.7%
10	EU	Brazil	11,712,876	10,492,615	-10.4%
n/a	EU	All 45 EM	231,659,176	236,715,779	2.2%
n/a	US	All 45 EM	201,359,333	190,342,195	-5.5%
n/a	EU and US	All 45 EM	433,018,509	427,057,974	-1.4%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Sea Freight EU/US to Emerging Market Top 5 Trade Lanes 2005-2015 Growth



Note: 2015* figures are forecasts

Source: Transport Intelligence

Unlike air freight, whereby very strong European growth will comfortably offset a slight decline in US exports in 2015, the story of sea freight is one whereby tepid European growth will not be sufficient to outweigh the impact of declining US exports. Overall, sea freight tonnage to emerging markets from the EU and US is predicted to decline by 1.4% in 2015. EU tonnage will increase by 2.2%, while US volumes will drop by 5.5%.

How will the top 10 fare in 2015? Plenty of variation is anticipated as five markets are set to increase their volumes, whereas five will suffer declines.

Starting with the largest, US-China tonnage is expected to shrink by 6.0%, with exports of soybeans likely to suffer an annual decline in volume in the range of 10%. Soybeans constituted almost 40% of US sea export tonnage to China in 2015. Key manufacturing sectors such as vehicles & vehicle parts (-19.9%) and machinery & machinery parts (-4.7%) have also suffered so far in 2015 (from January-August 2015). EU-China sea freight, however, is set to expand by around 9.4%. Wood pulp – which accounted for over 20% of volume in 2014 – is expected to increase its tonnage markedly, with January-August 2015 growth of 11.2% year-on-year. Other commoditised sectors such as cereal crops and wood products have also done well over the same period. Conversely, in core high-value manufacturing sectors such as vehicles & vehicle parts (-14.9%) and machinery & machinery parts (-6.4%), tonnage volumes are predicted to decrease.

Unsurprisingly, many emerging markets in relatively close geographical proximity to the EU feature in the top 10. For EU-Saudi Arabia sea freight, tonnage growth of over 20% is forecast for 2015. Exports of cereal crops (around a quarter of all tonnage in 2014) have grown by over 50% for January-August 2015, compared to the same period in 2014. In addition, machinery & machinery parts tonnage has expanded by 19.8% over the same period, indicating strong demand from Saudi Arabia's manufacturing sector.

For EU exports to Turkey, Algeria, Egypt and Morocco, volumes will be more or less flat in 2015 compared to 2014, although this disguises plenty of variation in growth of different commodities. EU-Turkey sea freight is predicted to contract by 1.9%. Iron and steel exports, which constituted almost half of tonnage in 2014, have decreased by 10.8% for January-August 2015. Growth in vehicles & vehicle parts, machinery & machinery parts, fertilisers and food residues over the same period will offset some of this decline. EU-Algeria tonnage is estimated to be virtually flat in 2015 compared to 2014. Growth in cereals tonnage (11.5%) has been offset by declines in iron & steel (-7.4%) and salt, sulphur, earths & stone (-12.6%). For EU-Egypt, the story is virtually a mirror of EU-Algeria, except that the growth rates are much more extreme (in the range of 40-50%). EU-Morocco sea freight for January-August 2015 has been a story of falling cereal crop tonnage (-25.7%), though this has largely been offset by growing tonnage across a range of product groups.

US-Mexico, another relatively short-distance trade lane, is set to expand its tonnage by 8.0% in 2015. For January-August 2015, tonnage of cereal crops (which represent around 40% of total volume) has increased by 9.2% year-on-year, soybeans (about 10% of total volume) are up 15.0%, while organic chemicals (around 25% of total volume) are down by 3.9%. US-Colombia freight is predicted to grow by 11.7% in 2015. Around half of tonnage is accounted for by soybeans, which will display moderate growth in 2015. Finally, EU-Brazil sea freight is forecast to decrease by 10.4% in 2015. Chemical-related freight is expected to take a hit, with tonnage of fertilisers and inorganic chemicals down by 7.7% and 12.6% respectively for January-August 2015. Perhaps more worryingly, the high-value sectors of machinery & machinery parts and vehicles & vehicle parts have both experienced tonnage declines of around 25% over the same period.

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

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth	2012 Index	2013 Index	2014 Index	2015 Index*	2012-2015 CAGR	2005-2015 CAGR
1	EU	Bangladesh	968,409	2,008,741	107.4%	155	178	219	455	43.2%	16.4%
2	US	Pakistan	793,664	1,401,385	76.6%	142	143	139	246	20.1%	9.4%
3	EU	Oman	713,669	1,137,257	59.4%	270	242	227	361	10.2%	13.7%
4	EU	Kenya	725,906	1,142,790	57.4%	152	172	195	308	26.4%	11.9%
5	EU	Thailand	3,959,650	5,051,638	27.6%	195	206	176	225	4.8%	8.4%
6	EU	Mexico	4,430,595	5,392,776	21.7%	118	119	118	144	7.0%	3.7%
7	EU	Peru	905,379	1,099,538	21.4%	244	204	190	231	-1.9%	8.7%
8	EU	Saudi Arabia	13,326,139	15,993,938	20.0%	139	172	149	178	8.5%	6.0%
9	EU	Argentina	1,710,009	1,985,466	16.1%	169	157	145	168	-0.2%	5.3%
10	US	Morocco	1,300,279	1,493,785	14.9%	102	93	103	119	5.1%	1.7%
11	US	Saudi Arabia	3,969,234	4,472,804	12.7%	179	160	213	240	10.3%	9.2%
12	EU	Colombia	2,456,893	2,753,206	12.1%	157	164	235	263	18.7%	10.2%
13	US	Colombia	9,413,399	10,514,592	11.7%	82	100	170	190	32.3%	6.6%
14	US	Thailand	4,155,070	4,615,921	11.1%	134	111	153	169	8.1%	5.4%
15	EU	China	38,793,102	42,424,053	9.4%	213	220	222	243	4.5%	9.3%
16	EU	Tunisia	4,033,191	4,407,148	9.3%	106	136	116	127	6.0%	2.4%
17	US	Mexico	14,809,684	15,990,840	8.0%	126	114	121	131	1.3%	2.7%
18	EU	Lebanon	2,310,856	2,487,303	7.6%	170	197	188	202	6.0%	7.3%
19	EU	India	9,088,598	9,762,656	7.4%	150	116	130	139	-2.4%	3.4%
20	EU	South Africa	4,776,783	5,092,408	6.6%	143	155	154	164	4.7%	5.1%
21	US	Chile	3,198,637	3,355,589	4.9%	250	267	223	234	-2.1%	8.9%
22	EU	Philippines	1,580,572	1,656,699	4.8%	143	159	199	208	13.3%	7.6%
23	EU	Kuwait	1,212,954	1,267,852	4.5%	99	110	125	131	9.8%	2.7%
24	EU	UAE	7,104,911	7,375,776	3.8%	172	182	182	189	3.1%	6.5%
25	EU	Jordan	2,272,126	2,335,110	2.8%	126	163	188	193	15.2%	6.8%
n/a	EU	All 45 EM	231,659,176	236,715,779	2.2%	166	176	180	184	3.4%	6.3%
n/a	US	All 45 EM	201,359,333	190,342,195	-5.5%	179	186	194	183	0.8%	6.3%
n/a	EU and US	All 45 EM	433,018,509	427,057,974	-1.4%	172	181	186	184	2.2%	6.3%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Out of the 55 trade lanes with volumes of at least 1m tonnes, 29 are expected to record higher volumes in 2015 than in 2014. There are 14 lanes predicted to see double-digit growth, of which eight are expected to have growth of over 20%.

For all the trade lanes in the top 10 with EU origin, growth is overwhelmingly being driven by higher volumes of cereal crops, except for EU-Argentina, where higher volumes of salt, sulphur, earths & stone are the primary cause. Specifically, wheat and barley exports are driving most of the growth. The EU is the world's biggest grower of wheat and it will achieve a record harvest in 2015, with stockpiles set to rise to a seven-year high. Given the supply glut, prices are low and in combination with the favourable exchange rate, this has stimulated significant additional export volumes in 2015, to a wide range of emerging markets.

In a similar vein, US-Pakistan growth of 76.6% can be attributed to volumes of soybeans rising from virtually nothing in 2014, to over 300,000 tonnes for January-August 2015.

Looking specifically at some of the larger trade lanes (over 10m tonnes), EU-Saudi Arabia growth of 20.0% in 2015 will come on the back of higher wheat and barley tonnage, with cereal crop volumes up by 53.1% for January-August 2015 compared to the same period in 2014. Overall growth will be stunted by less impressive volume developments in other commodity groups.

For US-Colombia, growth of 11.7% is anticipated, again on the back of higher cereals tonnage, which comprises approximately half of total tonnage. Additional stimulus will come from higher food residue & waste volumes and organic chemicals.

Finally, US-Mexico volumes will increase to almost 16m tonnes in 2015 (8.0% growth) as cereals tonnage, which accounted for around 40% of total volumes in 2014, has increased by 9.2% for January-August 2015, year-on-year. Over the same period, organic chemicals tonnage, which represented over a quarter of the total in 2014, has shrunk by 3.9%.

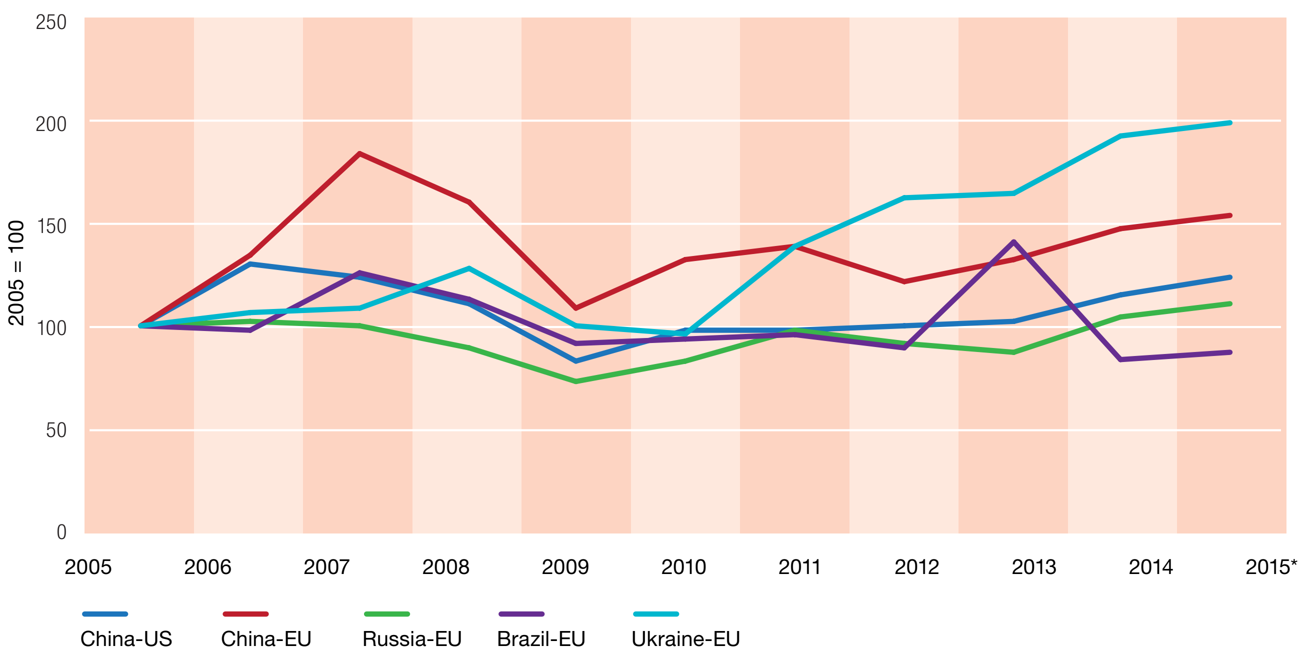
Sea Freight Top 10 Trade Lanes – Emerging Market to EU/US

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth
1	China	US	62,904,959	67,571,275	7.4%
2	China	EU	52,196,353	54,189,588	3.8%
3	Russia	EU	29,295,372	30,667,079	4.7%
4	Brazil	EU	27,665,552	28,981,323	4.8%
5	Ukraine	EU	21,333,682	21,943,181	2.9%
6	Mexico	US	18,502,997	18,935,792	2.3%
7	Turkey	EU	16,875,363	17,256,738	2.3%
8	Brazil	US	16,619,229	16,695,746	0.5%
9	Argentina	EU	12,577,510	13,500,271	7.3%
10	Chile	US	11,225,212	11,983,196	6.8%
n/a	All 45 EM	EU	258,860,857	260,848,096	0.8%
n/a	All 45 EM	US	172,913,917	180,377,702	4.3%
n/a	All 45 EM	EU and US	431,774,774	441,225,798	2.2%

Note: 2015* figures are forecasts

Source: Transport Intelligence

Sea Freight Emerging Market to EU/US Top 5 Trade Lanes 2005-2015 Growth



Note: 2015* figures are forecasts

Source: Transport Intelligence

As with emerging market exports to the EU and US by air, the US is expected to record higher sea freight volume growth than the EU in 2015. However, the disparity is much lower, just 3.5 percentage points for sea, compared to 18.1 for air. The upshot is that emerging market sea freight export tonnage to the EU and US is expected to increase by just 2.2% in 2015.

Out of the 90 trade lanes going from the 45 emerging markets to the EU and US, the top 10 are forecast to constitute 63.9% of total tonnage in 2015. China alone will account for 27.6% of tonnage. However, this disguises China's greater importance to the US, compared to Europe. China-US tonnage is forecast to represent 37.5% of all tonnage to the US, whereas for the EU the corresponding figure is just 20.8%.

Another salient feature of emerging market sea freight exports is that they are much more diversified compared to imports, which are overwhelmingly comprised of agricultural goods. Such variation holds generally across the board for emerging market exports, but China is perhaps the best example of it.

In 2014, the top 10 product groups by tonnage for China-US sea freight were furniture (6.4m), machinery & machinery parts (5.8m), electronics (4.7m), iron & steel articles (3.6m), plastics & plastic articles (3.5m), iron & steel (2.8m), vehicles & vehicle parts (2.6m), toys, games & sports equipment (2.6m), ceramic products (2.5m) and salt, sulphur, earths & stone (2.2m). Moreover, 21 different product groups had volumes in excess of 1m tonnes. Overall, China-US export tonnage is expected to increase by 7.4% in 2015. For January-August 2015, some product groups which have recorded strong tonnage growth year-on-year include furniture (11.7%), electronics (7.7%), iron & steel articles (13.0%), vehicles & vehicle parts (9.7%) and toys, games & sports equipment (9.2%). On the other hand, export growth of the following product groups was less impressive: machinery & machinery parts (0.6%), iron & steel (-4.2%), ceramic products (-9.7%) and rubber & rubber articles (-13.2%).

For China-EU sea freight, the top 10 product groups by tonnage in 2014 were: machinery & machinery parts (5.9m), iron & steel (4.9m), electronics (3.9m), furniture (3.5m), iron & steel articles (3.3m), stone articles (2.8m), wood & wood articles (2.2m), plastics & plastic articles (2.2m), organic chemicals (1.6m) and vehicles & vehicle parts (1.4m). In total, export volumes in 17 different product groups were above 1m tonnes. On the whole, China-EU tonnage is anticipated to rise by 3.8% in 2014. For January-August 2015, year-on-year export growth was particularly strong for wood & wood articles (64.7%), iron and steel (36.1%) and electronics (13.6%). Some poor performing product groups were stone articles (-6.4%), machinery & machinery parts (-3.7%), and vehicles & vehicle parts (-6.0%).

Elsewhere, the two trade lanes involving CIS markets in the top 10 – Russia-EU and Ukraine-EU – are predicted to have moderate growth of 4.7% and 2.9% respectively, in 2015. For January-August 2015, year-over-year growth in Russian exports of iron and steel (18.9% to 6.3m tonnes) and fertilisers (11.1% to 2.7m tonnes) has been particularly strong. Another short trade lane, Turkey-EU, is forecast growth of 2.3% in 2015. Automotive trade will be especially strong. Vehicles & vehicle parts exports for January-August 2015 amounted to almost 1m tonnes, up by 32.0%.

All the remaining trade lanes in the top 10 involve emerging markets in the Americas. Brazil-EU tonnage is anticipated to rise by 4.8% in 2015, thanks to very strong growth in iron and steel, and moderate growth in important bulk sectors such as food residues and wood pulp. More worryingly, machinery & machinery parts exports are down by 16.2% year-on-year for January-August 2015. Mexico-US freight is expected to increase by 2.3% in 2015, with salt, sulphur, earths & stone tonnage (about 75% of total tonnage) up by 8.4% year-on-year for January-August 2015. Vehicles & vehicle parts exports are up by 14.9% over the same period. Brazil-US freight will remain more or less flat, as decent growth in iron and steel volumes will be offset by declines elsewhere. Argentina-EU trade is expected to rise by 7.3% in 2015 on the back of food residues and waste tonnage growth of about 10% (around 75% of total tonnage in 2014). Finally, Chile-US tonnage is expected to increase by 6.8% in 2015. Salt, sulphur, earths & stone exports for January-August 2015 have increased by 8.0% year-on-year (70.8% of total tonnage in 2014), while exports of fruit have increased by 7.0% over the same period (7.7% of total tonnage in 2014).

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

Rank	Origin	Destination	2014 Tons	2015* Tons	14-15 Growth	2012 Index	2013 Index	2014 Index	2015 Index*	2012-2015 CAGR	2005-2015 CAGR
1	Uruguay	EU	1,728,892	2,710,594	56.8%	114	144	114	179	16.3%	6.0%
2	Oman	US	836,393	1,310,574	56.7%	2,545	1,829	1,741	2,729	2.4%	39.2%
3	Turkey	US	4,255,757	5,539,745	30.2%	83	81	117	152	22.7%	4.3%
4	UAE	US	1,177,501	1,491,569	26.7%	81	124	176	222	39.9%	8.3%
5	Colombia	EU	1,557,219	1,868,721	20.0%	137	108	108	129	-1.9%	2.6%
6	Argentina	US	1,698,847	1,947,697	14.6%	77	123	82	94	7.2%	-0.6%
7	Saudi Arabia	EU	3,490,392	4,001,566	14.6%	139	139	134	154	3.4%	4.4%
8	Bangladesh	EU	912,614	1,027,489	12.6%	141	160	181	204	13.2%	7.4%
9	Thailand	US	3,434,677	3,824,159	11.3%	51	48	50	56	3.2%	-5.7%
10	Nigeria	EU	1,068,633	1,185,190	10.9%	126	144	323	358	41.6%	13.6%
11	UAE	EU	1,427,377	1,572,582	10.2%	250	256	288	317	8.3%	12.2%
12	Vietnam	US	3,816,821	4,181,880	9.6%	274	291	319	350	8.5%	13.3%
13	Saudi Arabia	US	1,304,565	1,426,021	9.3%	94	90	99	108	4.8%	0.8%
14	Qatar	US	1,539,987	1,657,412	7.6%	75	148	194	209	40.9%	7.6%
15	Indonesia	US	4,211,389	4,530,398	7.6%	78	93	96	104	10.0%	0.4%
16	China	US	62,904,959	67,571,275	7.4%	99	103	115	123	7.5%	2.1%
17	Argentina	EU	12,577,510	13,500,271	7.3%	84	69	69	74	-4.1%	-3.0%
18	India	US	6,607,621	7,081,060	7.2%	114	109	135	145	8.3%	3.8%
19	Chile	US	11,225,212	11,983,196	6.8%	84	90	142	151	21.6%	4.2%
20	Malaysia	EU	5,303,888	5,661,567	6.7%	82	81	98	104	8.4%	0.4%
21	Tunisia	EU	2,394,298	2,535,495	5.9%	81	84	69	74	-3.1%	-3.0%
22	Morocco	EU	5,658,166	5,937,524	4.9%	61	60	63	66	2.3%	-4.1%
23	Brazil	EU	27,665,552	28,981,323	4.8%	89	141	84	88	-0.3%	-1.3%
24	Russia	EU	29,295,372	30,667,079	4.7%	92	88	105	110	6.2%	0.9%
25	Ecuador	US	1,499,992	1,561,609	4.1%	95	98	103	107	4.0%	0.7%
n/a	All 45 EM	EU	258,860,857	260,848,096	0.8%	101	107	110	110	3.0%	1.0%
n/a	All 45 EM	US	172,913,917	180,377,702	4.3%	88	93	107	111	8.1%	1.1%
n/a	All 45 EM	EU and US	431,774,774	441,225,798	2.2%	96	101	108	111	5.0%	1.0%

Note: 2015* figures are forecasts

Source: Transport Intelligence

For emerging market to EU/US sea trade lanes, many of the best growth rates forecast for 2015 have been attributed to some of the smallest trade lanes. Of the 90 trade lanes, only 53 are predicted to have volumes in excess of 1m tonnes (excluded from the top 25 ranking). Among the top 10 fastest growers, six have volumes in the range of 1-2m tonnes.

For Uruguay-EU, tonnage growth of 56.8% is expected for 2015, thanks to very strong growth in exports of wood pulp and soybeans. For Oman-EU freight, growth of 56.7% is predicated on chemical-related exports, with organic chemicals and fertilisers sparking most of the growth. Growth in exports of fertilisers will also be behind much of UAE-US growth (26.7% overall in 2015). Turkey-US sea freight is predicted to rise by 30.2% in 2015. For January-August 2015, tonnage of stone articles (about 20% of total tonnage) and iron & steel (about 40% of total tonnage) has increased by 22.4% and 58.0% respectively. Colombia-EU (20.0% growth in 2015) is the only other trade lane predicted to grow by at least 20%. For January-August 2015, export tonnage of fruit has increased by 30.7% year-on-year, to almost 720,000 tonnes.

Turning to some relatively high tonnage trade lanes with the EU as a destination, chemical products appear to be behind decent growth for a number of trades. Saudi Arabia-EU volumes are expected to increase by 14.6% to over 4m tonnes in 2015. For January-August 2015, organic chemicals and plastics & plastic articles have grown by 21.4% and 9.9% year-on-year, respectively. Both product groups account for approximately 50% of total exports. For Malaysia-EU, growth of 6.7% is forecast for 2015, thanks to very strong growth in tonnage of miscellaneous chemical products and oils. Morocco-EU will see growth of just 4.9% in 2015, but inorganic chemicals tonnage is up almost 30% for January-August 2015 year-on-year.

Finally, an inspection of some of the larger US trade lanes reveals that certain Asia Pacific origin markets will fare well in 2015. For Vietnam-US sea freight, tonnage growth of 9.6% is predicted. Furniture exports (over a quarter of total tonnage in 2014) were up by 21.6% for January-August 2015 year-on-year. Over the same period, apparel volumes (over 10% of total tonnage) were up 13.4%, while footwear (6% of tonnage) was up by 23.9%. Elsewhere, Indonesia-US growth of 7.6% in 2015 is largely based on strong growth of rubber & rubber articles and oils tonnage, which have increased by 7.4% and 16.1% respectively for January-August 2015, year-on-year. Lastly, India-US tonnage is set to grow by 7.2% in 2015, with growth coming from a range of product groups. For January-August 2015, tonnage growth of textile articles (15.3%), stone articles (29.8%), iron & steel articles (27.0%), machinery & machinery parts (20.4%) and vehicles & vehicle parts (19.7%) has been particularly impressive.

The 2016 Agility Emerging Markets Logistics Index Survey

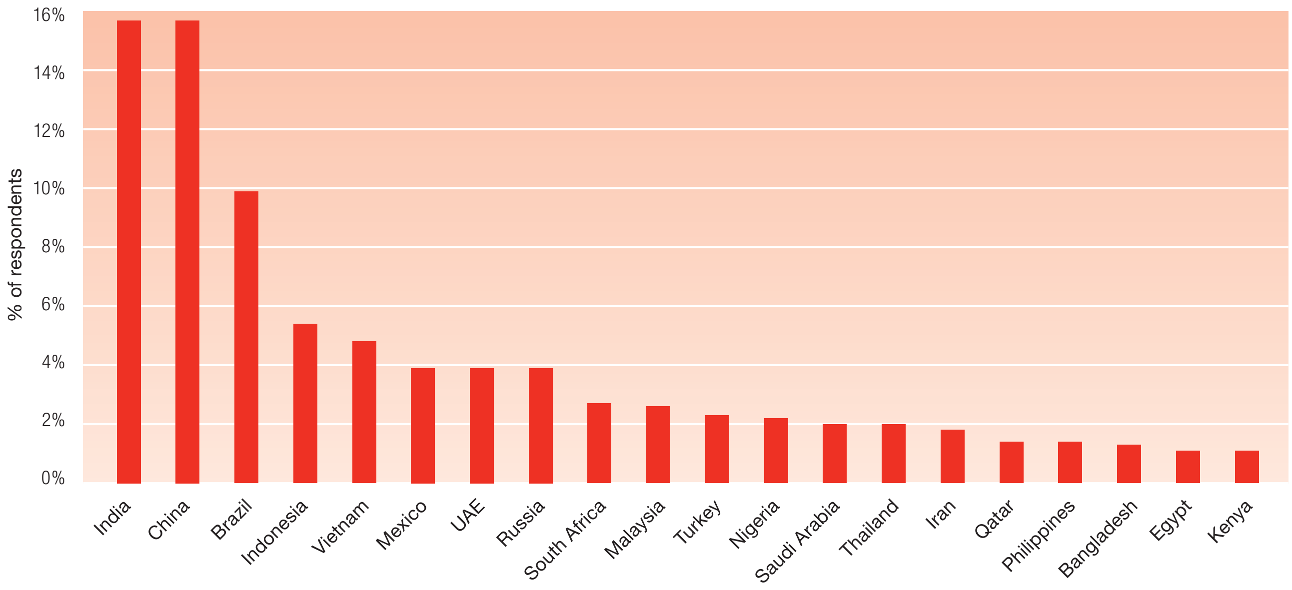
Eight

To examine the potential of the world's most promising emerging logistics markets and to measure the impacts of the trends seen across the global economy on the development and emergence of these markets, Transport Intelligence undertook a survey of logistics industry professionals between August and November 2015.

Participants from a range of logistics markets and vertical sectors took part, offering insight and opinion from their exposure to emerging markets. Responses from 1,118 industry professionals are used in this, the seventh annual edition of the Agility Emerging Markets Logistics Index Survey.

Perceived Major Logistics Markets of the Future

Which of the following countries do you believe have the most potential to grow as logistics markets in the next five years? Please rank.



Source: Transport Intelligence

Country	2016	2015	Change
India	1	2	up 1
China	2	1	down 1
Brazil	3	3	-
Indonesia	4	4	-
Vietnam	5	5	-
Mexico	6	6	-
UAE	7	8	up 1
Russia	8	7	down 1
South Africa	9	9	-
Malaysia	10	12	up 2
Turkey	11	10	down 1
Nigeria	12	14	up 2
Saudi Arabia	13	13	-
Thailand	14	11	down 3
Iran	15	27	up 12
Qatar	16	16	-
Philippines	17	15	down 2
Bangladesh	18	18	-
Egypt	19	20	up 1
Kenya	20	22	up 2

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 respondents revealed that the slowdown seen in China's economy has undermined its position as the most attractive emerging market, with India replacing it at the top of the rankings.

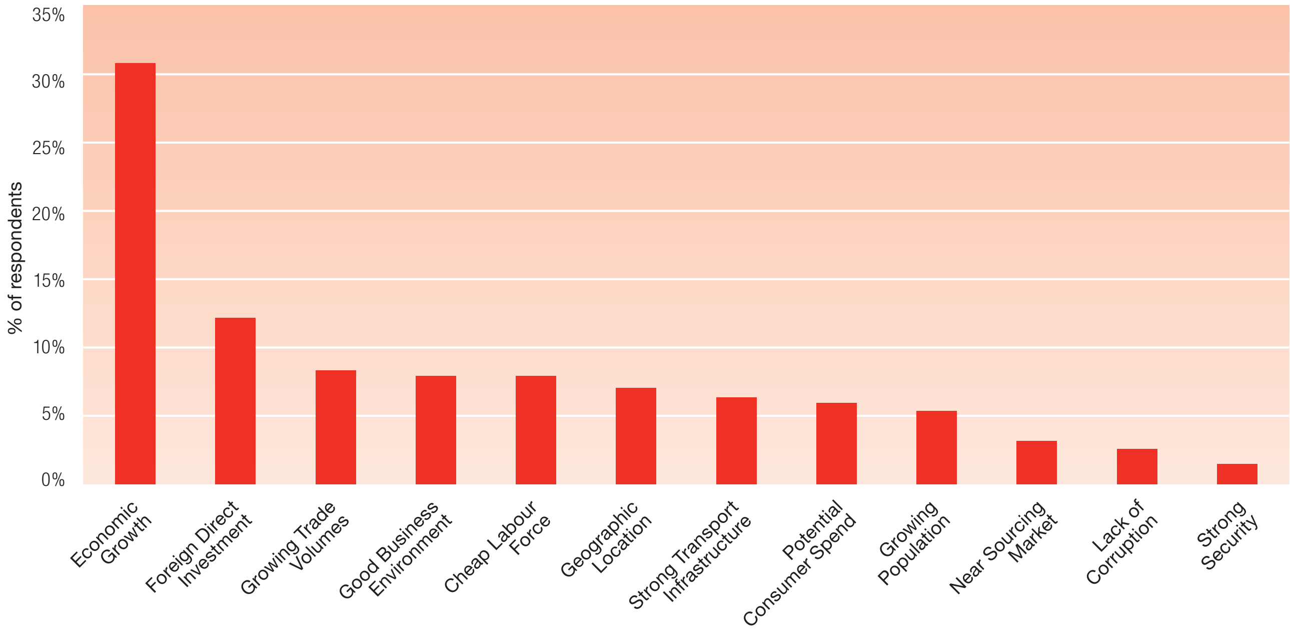
The switch at the top of the rankings undoubtedly has several drivers. In India, where economic growth is expected to exceed that of China until at least 2020, many logistics executives, these results suggest, will be paying close attention to the depth, breadth and, perhaps most significantly, the pace of reforms the Modi government can enact. Meanwhile, the slowing Chinese economy will have played a part in the changed ranking, but so too will the market's already established position within supply chains. China is no longer an automatic choice for low-cost manufacturing and cheap labour. It must compete with neighbouring and nearby markets, such as Indonesia, Malaysia and Vietnam, that can offer similar, and sometimes more significant, cost advantages to manufacturers and producers, particularly in industry sectors where these competing markets have developed specialisations. Such decisions to locate outside of China appear even more common when presence in the Chinese market is already established. So called 'China+1' strategies are seeing manufacturers creating regionally dispersed production models, allowing them to both spread risk across several locations and create the most economically viable cost profiles.

There was general continuity year-on-year throughout the rest of the top 10, although UAE did rise to seventh, at the expense of Russia. After gains in 2015, Thailand and the Philippines both slipped down the rankings, but Malaysia rose two spots to claim 10th. Thailand's slip to 14th position saw it lose the gains it made in 2015, as economic growth rates failed to live up to the country's potential following weaker-than-expected exports and private spending, and political uncertainty exerted further downward pressure on growth. A more positive story can be found in Malaysia which entered the top 10, having gained two places this year to add to the rise it achieved in 2015. Higher domestic demand combined with a sustained expansion in the service, manufacturing and construction sectors benefited its growth and partly offset the drag of cheaper oil prices. Lower commodity prices boosted manufacturing exports, contributing to real exports of goods and services growth of 5.1% in 2014. A revival in the electronics sector also contributed to the higher export volumes.

Survey respondents ranked Brazil as the third most attractive emerging logistics market, highlighting an enduring appeal in Latin America's largest economy, despite significant difficulties. The suggestion here is that the market, and the potential it holds for logistics service providers, will recover from the recession it entered in 2015. It appears those surveyed have faith in Brazil's domestic market and that its sizeable middle class population will once again be encouraged to spend, invest and start businesses. Survey respondents are likely to have faith too that the country's well developed agriculture, mining, manufacturing and service sectors will become increasingly competitive and productive. The pace and scale of progress Brazil makes over the course of 2016 is certain to determine whether it retains its high ranking in the future, just as it will in Iran. The lifting of sanctions against the state during 2015 has seen the Iranian logistics sector climb 12 places to rank as the 15th most promising emerging logistics market. Iran's oil & gas industry looks set to receive a boost of FDI, with opportunities for LSPs, even in the current era of low oil prices, while the country's trade with the UAE, an important re-exporting location, is set to jump $13bn following the removal of sanctions. Iran also has a diversified manufacturing base and growing middle class, both of which are likely to be interesting to logistics service providers.

Factors behind the Potential Emergence of Markets

Please rank, in order of importance, the key drivers that make a country an important emerging market.



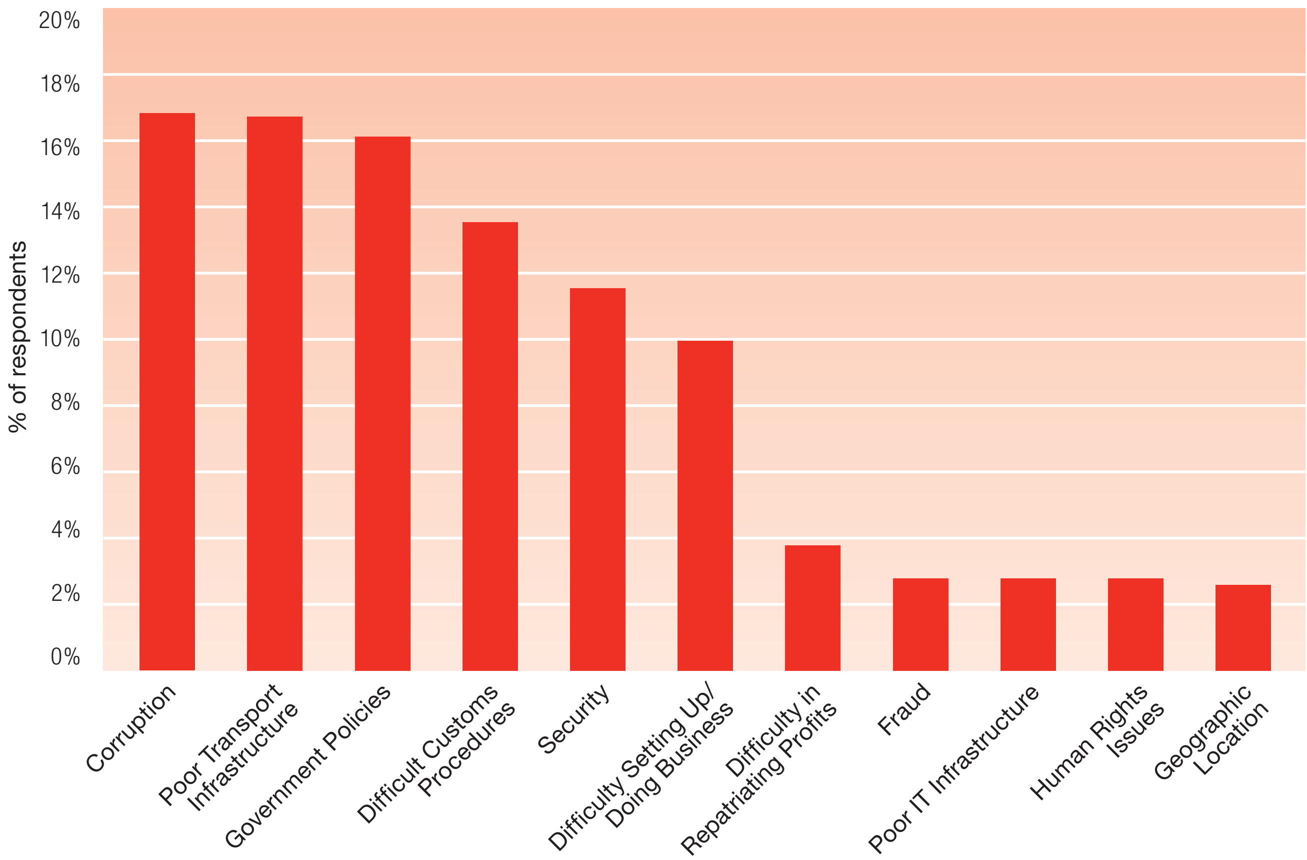
Source: Transport Intelligence

Factor	2016	2015	Y-o-Y Change
Economic Growth	1	1	-
Foreign Direct Investment	2	2	-
Growing Trade Volumes	3	3	-
Good Business Environment	4	8	up 4
Cheap Labour Force	5	4	down 1
Geographic Location	6	6	-
Strong Transport Infrastructure	7	9	up 2
Potential Consumer Spend	8	5	down 3
Growing Population	9	7	down 2
Near Sourcing Market	10	10	-
Lack Of Corruption	11	11	-
Strong Security	12	12	-

Source: Transport Intelligence

Problems Associated with Doing Business in Emerging Markets

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



Source: Transport Intelligence

Factor	2016	2015	Y-o-Y Change
Corruption	1	2	up 1
Poor Transport Infrastructure	2	1	down 1
Government Policies	3	3	-
Difficult Customs Procedures	4	4	-
Security	5	5	-
Difficulty In Setting Up And Doing Business	6	6	-
Difficulty In Repatriating Profits	7	8	up 1
Fraud	8	9	up 1
Poor IT Infrastructure	9	7	down 2
Human Rights Issues	10	11	up 1
Geographic Location	11	10	down 1

Source: Transport Intelligence

Economic growth remains by far the most significant factor driving the emergence of logistics markets, according to survey respondents. This should not be surprising given the correlation between wider economic expansion and growing demand for logistics services, especially when allied to the role general economic growth plays in encouraging spending within consumer markets, pulling larger amounts of the population into the middle class and increasing levels of public spending on infrastructure projects and other public services. Foreign direct investment again ranked 2nd as it suggests a strengthening business community and the potential that manufacturers and retailers are actively investing, increasing commercial opportunities. It may also be the case that logistics service providers looking for partnerships or joint ventures with domestic providers view higher FDI as an indicator of good business practices within the emerging market. The rise of 'good business environment' is likely related, to some extent, as it too helps mitigate some of the risks of investment.

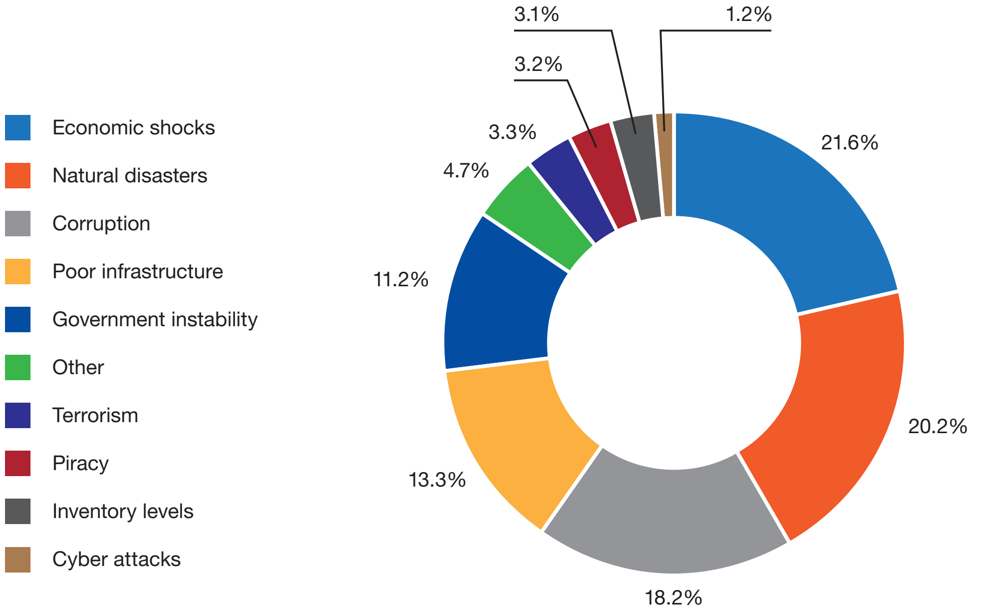
The economic turbulence experienced in emerging markets over the last 12 months, as well as high profile corruption scandals in Brazil and Malaysia, may also have contributed to the rising importance of a good business environment, with the suggestion that survey respondents place increasing value on fair, open and transparent legal and regulatory institutions which can protect investments, enforce contracts and offer robust commercial markets. Indeed, the rise of corruption in the list of inhibitors appears to reinforce this message. The effects of corruption on business operations are clear. Whether it manifests at the highest levels, affecting contract awards or investment decisions, or lurks in day-to-day operations with payments required to process loads through ports or checkpoints, corruption fundamentally reduces the capacity of logistics service providers to operate efficient and profitable businesses.

Overall, though, it appears general economic growth is considered a pre-requisite for emergence as a logistics market. With the rest of the drivers ranked very closely, however, it is not clear which other specific factors respondents look for. This should not gloss over their importance, however. In a context of economic turbulence and challenging trade conditions, the closely matched factors take on added importance: where economic growth is similar between markets, it will be the combination, strength and attractiveness of the other drivers that will see some markets promoted above others in investment decisions. The more even spread and the relatively higher proportions of responses afforded to the inhibitors by survey respondents, suggest the presence of perhaps just one or two risk factors significantly diminishes the potential of an emerging logistics market.

Supply Chain Risk

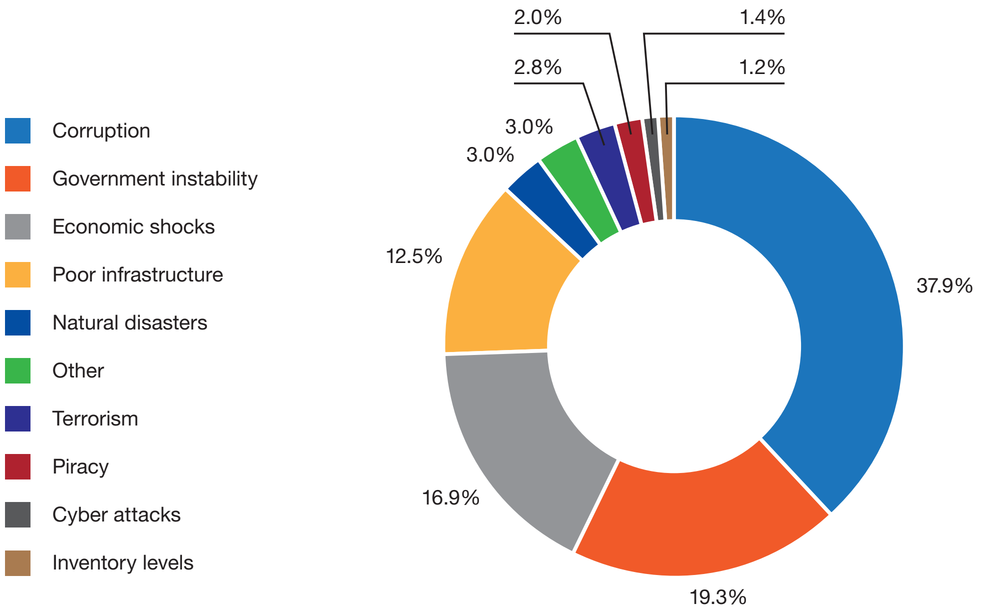
For each of the following regions, please outline which supply chain risk poses the most considerable threat to growth:

Asia



Source: Transport Intelligence

Latin America

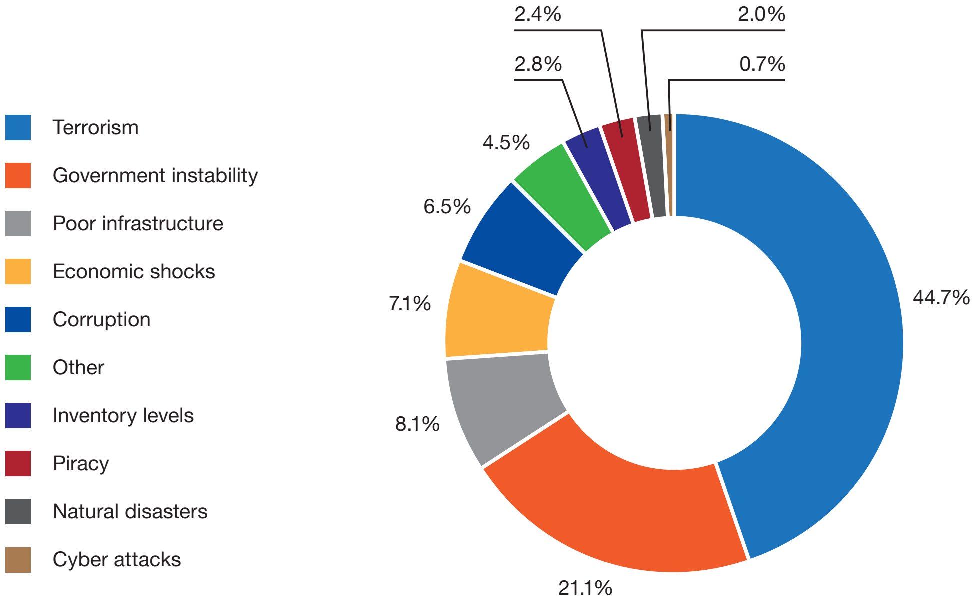


Source: Transport Intelligence

Supply Chain Risk

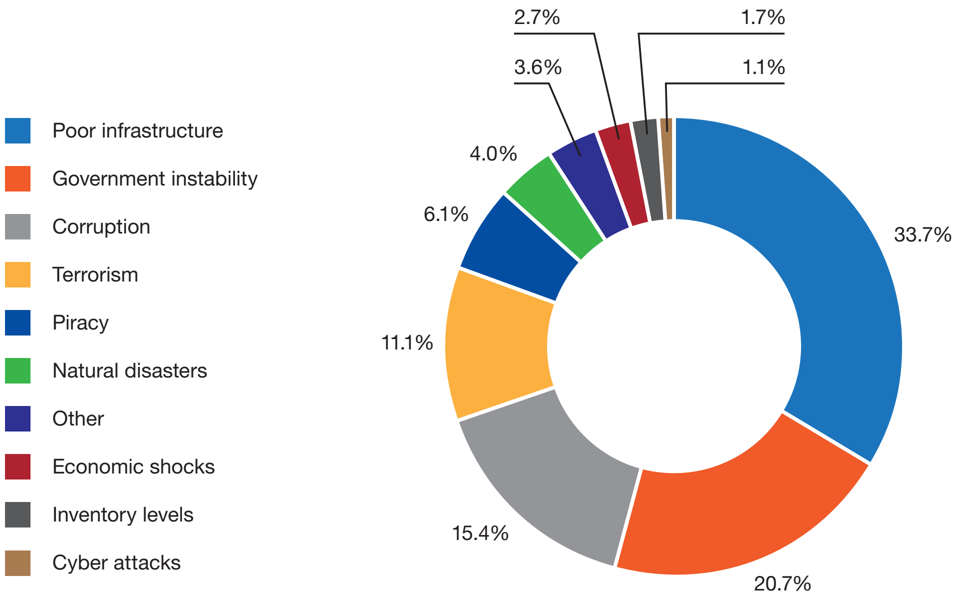
For each of the following regions, please outline which supply chain risk poses the most considerable threat to growth:

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.

Asia Pacific

In a year that has seen China's economy slow and end a run of unprecedented growth that began in 1990, as well as high degrees of currency volatility across the region's emerging markets, it is perhaps not a surprise that 21.6% of survey respondents rated economic shocks as the number one supply chain risk in Asia Pacific. Due to the growing risk posed by economic uncertainty in the region, natural disasters were pushed into 2nd position. Across just four Asia Pacific countries – China, India, the Philippines and Indonesia – there have been 1,166 weather-related disasters since 2005, according to the UN Office for Disaster Risk Reduction. Also pushed down the ranking was corruption, which moved into third overall this year, perhaps influenced by Xi Jinping's leadership of China's much publicised anti-corruption purge.

Overall, the top three risks in Asia Pacific account for 60.0% of the total responses, with the relative parity afforded to each suggesting logistics service providers must account for a number of equally pressing risk factors when designing supply chains.

Latin America

Corruption remained the top supply chain risk in Latin America, which at 37.9%, gained nearly twice the proportion of responses as 2nd placed risk, government instability. Economic shocks placed 3rd, in a year when the region's largest economy entered a recession. Combined, these top three risks accounted for 74.1% of the responses.

The perception of poor infrastructure as a major threat to growth in Latin America has sharply declined amongst survey respondents, however. At 12.5%, the proportion of those citing physical connectivity as the most significant risk to supply chains in the region has fallen from more than 20% in 2013. Over this period, major construction initiatives have taken place in Latin America, including in Brazil as it prepared for its duties hosting the 2014 World Cup and the 2016 Summer Olympics.

Middle East & North Africa

As in the 2015 edition of the Index, just two factors – terrorism and government instability – dominate as risk factors in the Middle East & North Africa region, accounting for 65.8% of the responses. The ongoing conflict in Syria is likely to be a major influence in this – not only has it contributed to the rise of the 'Islamic State' group, it has also spilt over into neighbouring countries, with refugees fleeing into Turkey, Lebanon and Jordan, amongst others.

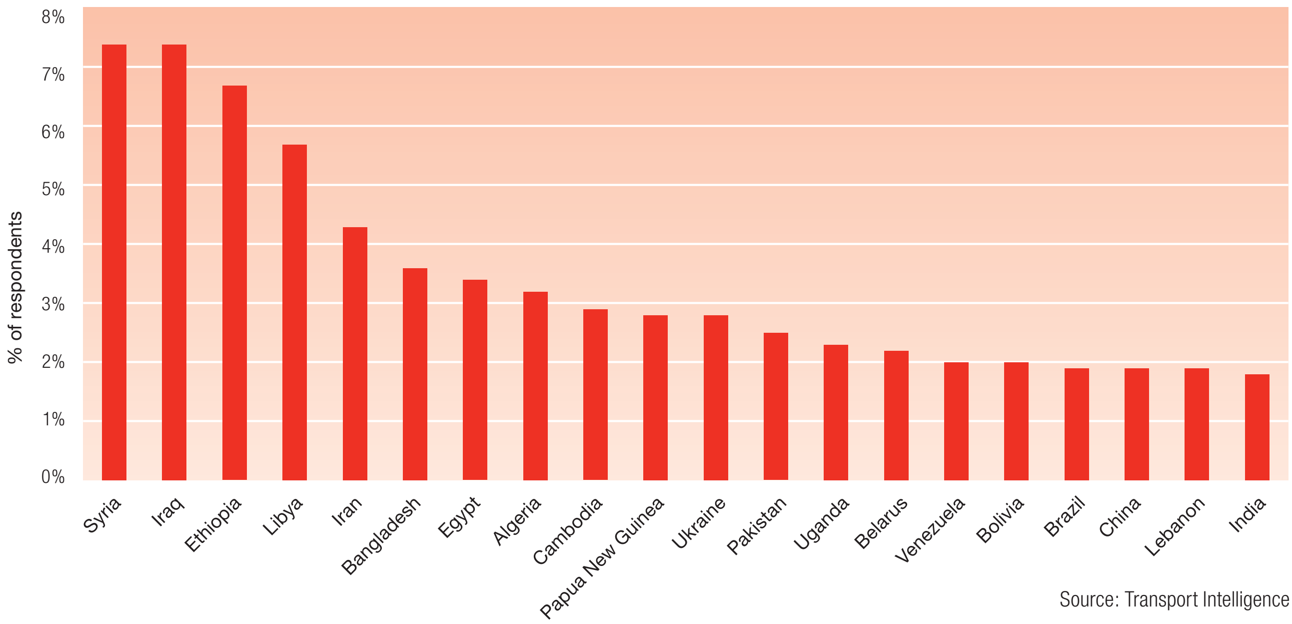
Egypt's return to stability following the Arab Spring has seen much of the optimism, potential and investment evident before 2011 return to the market and provides evidence that risk factors can be overcome.

Sub-Saharan Africa

Poor infrastructure, government instability and corruption remain the top three risk factors in sub-Saharan Africa, according to 69.8% of survey respondents. Marginally more than one third (33.7%) cite poor infrastructure and the lack of physical connectedness as the prime risk to supply chain operations in the region. It was terrorism, rated 4th with an 11.1% share of the responses, which appears an increasingly salient risk in the minds of respondents however, with attacks in Kenya and Nigeria by groups including al-Shabaab and Boko Haram likely to be driving this.

Least Attractive Emerging Logistics Markets

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



Source: Transport Intelligence

Country	2016	2015	Y-o-Y Change
Syria	1	2	up 1
Iraq	2	3	up 1
Ethiopia	3	1	down 2
Libya	4	5	up 1
Iran	5	4	down 1
Bangladesh	6	7	up 1
Egypt	7	6	down 1
Algeria	8	10	up 2
Cambodia	9	11	up 2
Papua New Guinea	10	8	down 2
Ukraine	11	13	up 2
Pakistan	12	9	down 3
Uganda	13	12	down 1
Belarus	14	15	up 1
Venezuela	15	16	up 1
Bolivia	16	22	up 6
Brazil	17	28	up 11
China	18	20	up 2
Lebanon	19	14	down 5
India	20	18	down 2

Source: Transport Intelligence

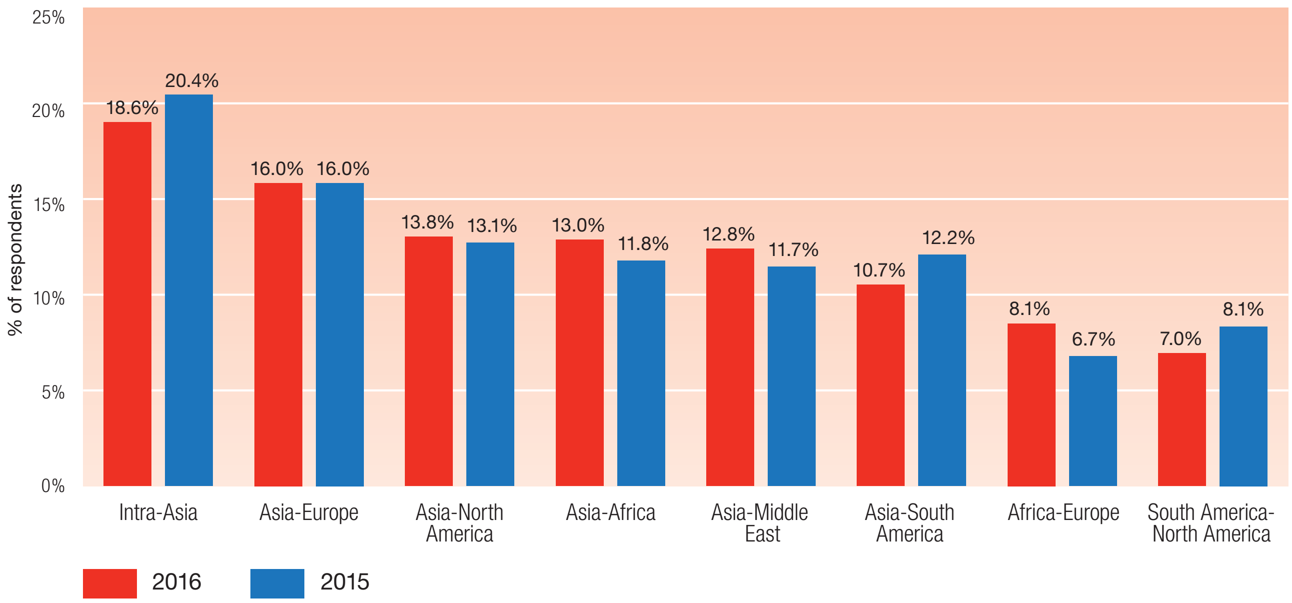
The ranking of the emerging markets with the least potential to emerge as major logistics markets produced many small movements this year. While the rankings were close, the insights derived from survey respondents tally with broad expectations. Syria (1st), Iraq (2nd) and Libya (4th) – three countries affected by war and terrorism – rank highly, while the wider instability in the Middle East & North Africa region sees it contribute six of the top eight least attractive emerging logistics markets. Included in this highly ranked grouped of six MENA markets are Iran (5th) and Egypt (7th), both of which also made the top 20 most attractive markets list and both of which fail to match moves up that ranking with parallel movements down this measure.

Elsewhere regional performances were more mixed – Asia Pacific contributed five of the top 20 least attractive markets, with two coming from sub-Saharan Africa and three from Latin America. Brazil, Latin America's largest economy, appears to hold a curious position in the minds of survey respondents. Ranked as the 3rd most attractive market ranking, and with the 3rd highest number of planned investments, Brazil managed to climb 11 places to become one of the top 20 least attractive markets. This perhaps reinforces the message that significant potential remains, but that much change is needed before it can be unlocked. Brazil was also one of six markets to appear in both the most and least attractive emerging logistics markets rankings, along with Bangladesh, China, Egypt, India and Iran.

Having ranked as the 13th least attractive logistics market in 2015, Ukraine climbs two more spots to 11th this year. Despite its proximity to the EU and its Western leaning government, it appears the economic turmoil and instability caused by its conflict with Russian-backed forces in the east of the country are too worrisome for survey respondents to see past. Lebanon fared better in the ranking during 2016. GDP growth of 2.0% in 2014 was an improvement over the 0.9% seen in the previous year, with the expansion encouraged by the Central Bank's stimulus package and lower oil prices. Also rising quickly through this ranking is Bolivia, which saw its unattractiveness highlighted by a rise of six ranking positions to 16th. Bolivia is beginning to feel the impact of lower commodity prices and must adapt. Its domestic market is also underdeveloped: despite progress over much of the last 15 years, the World Bank estimates some 45% of the Bolivian population is affected by poverty.

Prospects for Emerging Trade Lanes

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



Source: Transport Intelligence

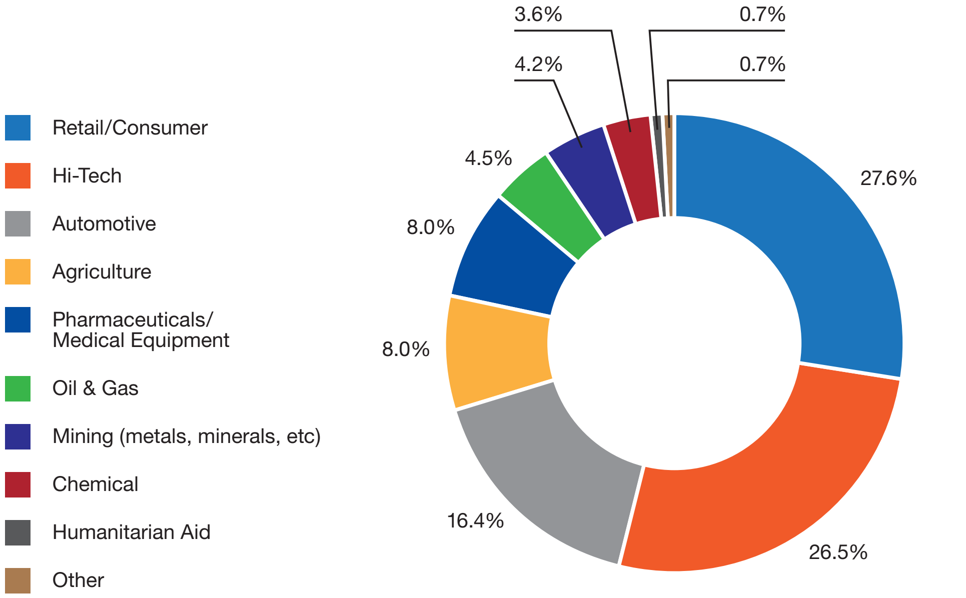
The intra-Asia trade lane remains the most promising, according to survey respondents, although its proportion of responses dropped 1.8pp year-on-year. Already a significant trade lane, intra-Asia sea freight movements total approximately 25% of all sea freight container movements, according to MCC Transport, a subsidiary of Maersk Line. This has a number of drivers, but perhaps most significantly for the lane's ongoing fortunes is the growing trend amongst manufacturers and producers to adopt 'China+1' strategies. This is likely to see more regionalised manufacturing patterns and an increase in the volume of parts and components shipped between locations within Asia. Falling confidence in the lane, however, may also be explained by a number of factors. On the positive side, it may be a victim of its own success – the intra-Asia lane is flooded with capacity, especially in sea freight, and is highly competitive. Under this light, the fall in proportion of responses reflects the challenge of commercially viable operations in the region, rather than a fundamental loss of confidence undermining the lane's prospects. Another possible cause of the fall does advance a loss of confidence in the lane, however. China's slowdown and its lessening demand for commodities will alter the dynamics of intra-Asia trade – logistics service providers must adapt and respond.

Also losing response share are the two South American lanes. As with all regional challenges, the effects and outcomes are spotty, causing more disruption in some markets than in others, but the region, experiencing economic woes in major markets including Brazil and Argentina, is suffering from a fall in global commodity prices and reduced demand for some of the raw materials and products it exports. With confidence in growing volumes on a particular trade lane comes a tacit acknowledgement that demand will grow in the destination region. Four lanes – Asia-North America (no.3), Asia-Africa (no.4, rising one position), Asia-Middle East (no.5, rising one position) and Africa-Europe (no.7, rising one position) – show a year-on-year increase in response proportions, suggesting survey respondents see improving demand from these locations.

Vertical Sectors

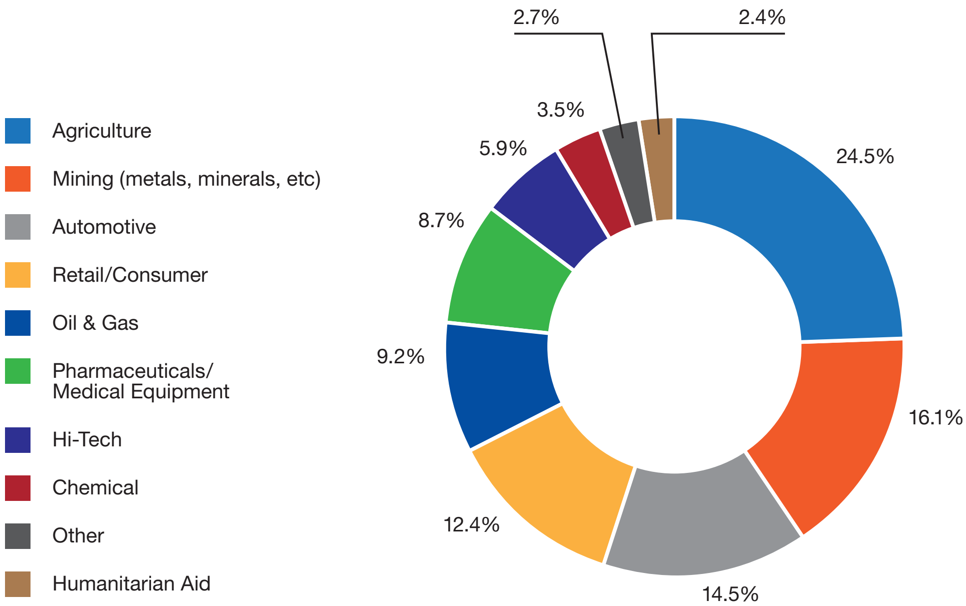
Which of the following vertical sectors do you believe have the greatest potential for future growth in emerging markets?

Asia



Source: Transport Intelligence

Latin America

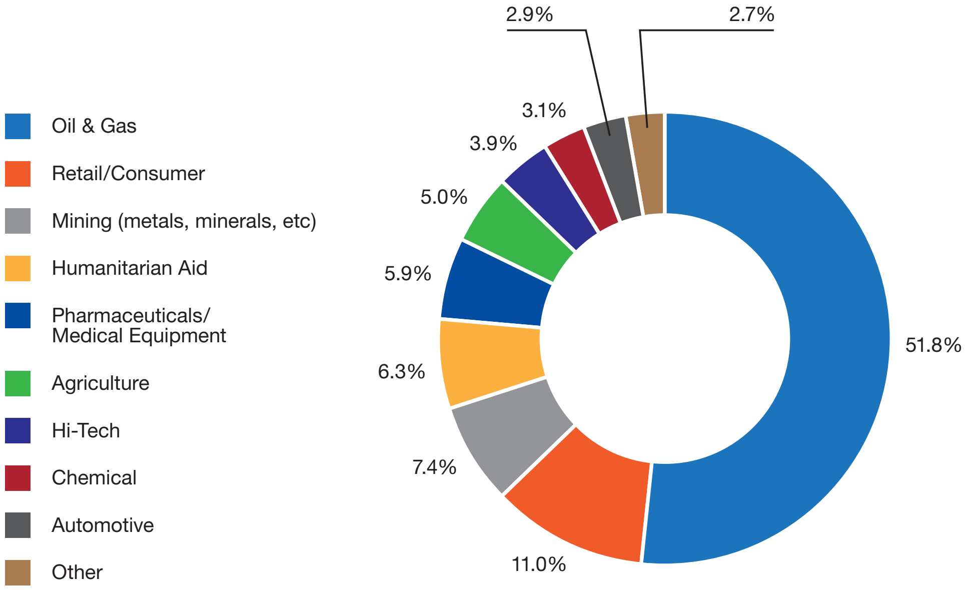


Source: Transport Intelligence

Vertical Sectors

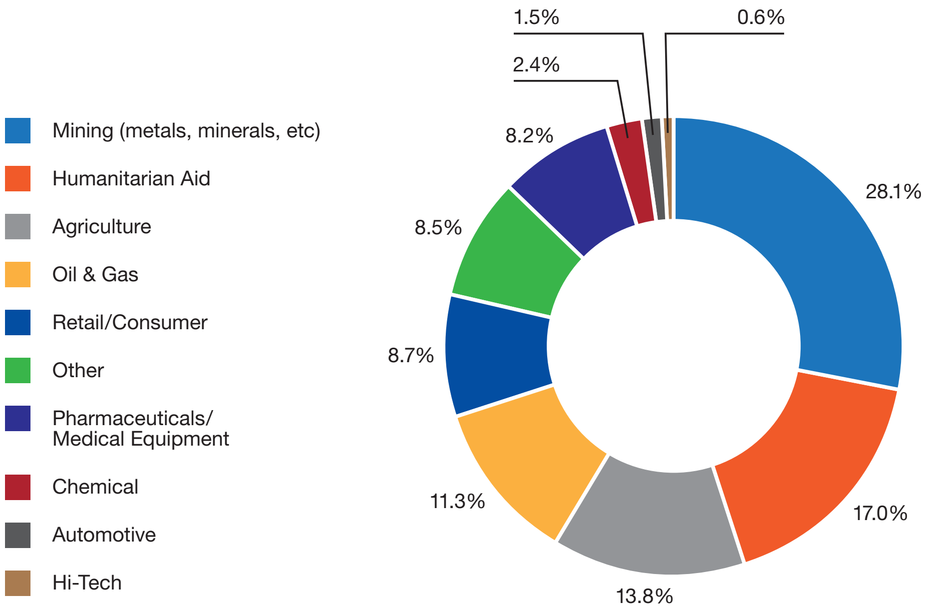
Which of the following vertical sectors do you believe have the greatest potential for future growth in emerging markets?

Middle East & North Africa



Source: Transport Intelligence

Sub-Saharan Africa



Source: Transport Intelligence

Asia Pacific

In Asia Pacific, three verticals – retail/consumer, hi-tech and automotive – retained the top three ranking positions as the vertical sectors most likely to create opportunities for logistics service providers. Together, the three accounted for 70.5% of the total responses, pointing towards the increased spending power of the region's middle class, as well as the increasingly sophisticated and valuable products Asia Pacific's manufacturers are producing.

Latin America

Four vertical sectors within Latin America achieved a share of at least 10.0% of responses, accounting for a total of 67.5%, to suggest that logistics service providers can find opportunities throughout the region's economy. Of the four, however, three – mining, automotive and retail/consumer – lost share when compared with last year, while Agriculture, the leading sector, saw its share increase. Overall, however, the results appear to again show that Latin America is viewed as a producer of raw materials. Major markets in the region offering such resources include Brazil (a major producer of sugar, coffee and orange juice), Argentina (a leading exporter of both soya bean oil and corn) and Colombia (a major producer of flowers shipped via airfreight).

Middle East & North Africa

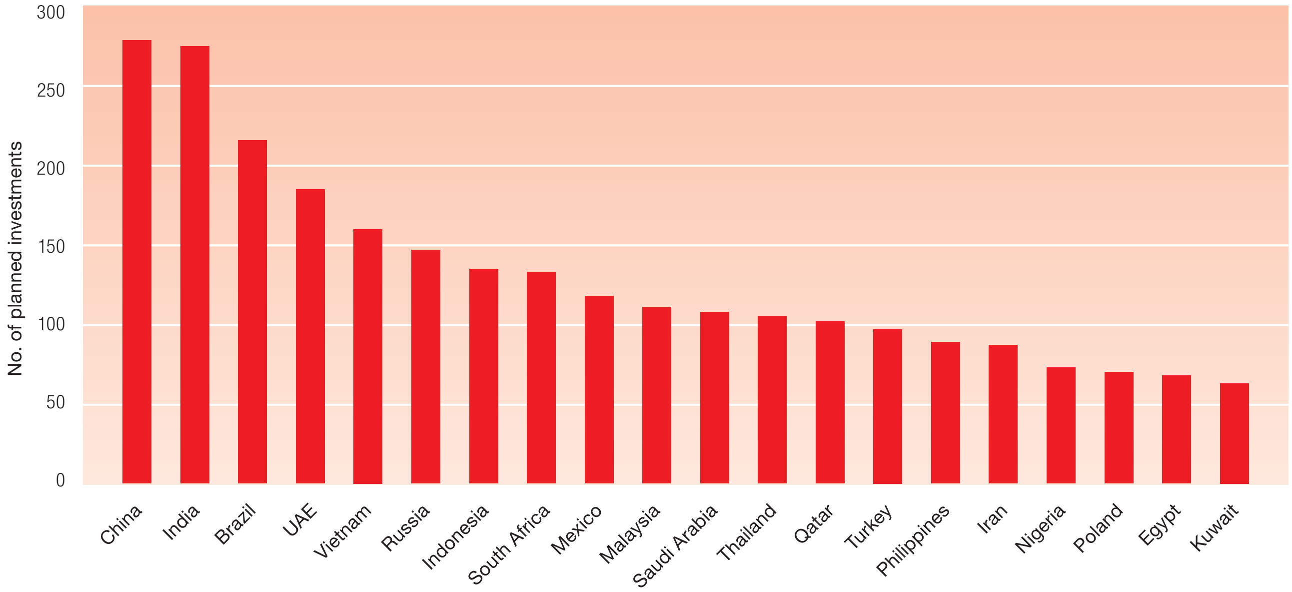
The oil & gas sector is clearly favoured by survey respondents as the industry most likely to drive growth in the MENA region. Indeed, more than half (51.8%) agreed this was the case. Across the region, however, logistics service providers may find themselves under pressure to increase efficiency and identify potential savings, with oil exporting markets feeling the pinch of lower prices. Similarly, it seems likely that investments in other sectors will increase, as the need for economic diversification to mitigate against the fall in oil prices accelerates. In the UAE, for example, diversification initiatives saw the non-oil sector grow 8.1% in 2014. Currently, only one other sector gains more than a 10.0% share of the responses: retail/consumer at 11.0%. Humanitarian aid, MENA's fourth ranked vertical sector, jumps from a ranking of 6th last year. This is likely to be due to ongoing conflicts in Syria and Iraq, and the subsequent refugee movements into and through other regional markets.

Sub-Saharan Africa

Sub-Saharan Africa's mining sector placed at the top of the rankings with 28.1% of those surveyed suggesting it holds the greatest capacity to drive future growth in the region. Humanitarian aid ranked second, with the two vertical sectors combined accounting for nearly half (45.1%) of the total responses. The retail/consumer sector was ranked 5th, with just 8.7% of the responses. Although this demonstrates a gain of 0.6pp compared with last year's results, the suggestion is that there remains much progress to be made if a growing middle class and consumer spending is to be a key driver behind the region's emergence, as also stated by respondents.

Markets for Potential Investment over the Next Five Years

Which of the following countries, if any, do you plan to expand into in the next 5 years?



Source: Transport Intelligence

Country	2016	2015	Y-o-Y Change
China	1	1	-
India	2	2	-
Brazil	3	3	-
UAE	4	5	up 1
Vietnam	5	4	down 1
Russia	6	6	-
Indonesia	7	7	-
South Africa	8	9	up 1
Mexico	9	8	down 1
Malaysia	10	12	up 2
Saudi Arabia	11	13	up 2
Thailand	12	10	down 2
Qatar	13	15	up 2
Turkey	14	11	down 3
Philippines	15	14	down 1
Iran	16	35	up 19
Nigeria	17	17	-
Poland	18	18	-
Egypt	19	22	up 3
Kuwait	20	27	up 7

Source: Transport Intelligence

The top three markets for planned investments are unchanged in the 2016 survey. Respondents also matched the top markets here with the most attractive markets, appearing to follow their opinions with action.

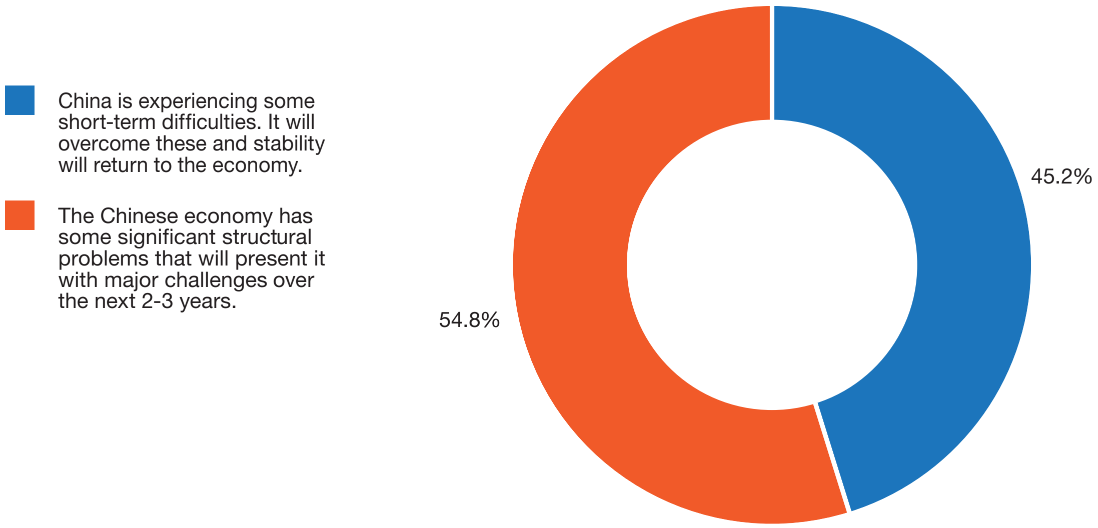
China retains its first placed ranking for the number of planned investments with 279, but India runs very close alongside, at 275. This again suggests the two markets present compelling opportunities for logistics service providers. Brazil retains 3rd position with 216 planned investments, up from 213 in 2015, despite a challenging year that saw the country enter recession. Investments, and investing plans, however, are long-term strategies and many may well be willing to look past short-term turbulence to the fundamentals of the market which remain in place, a theme suggested several times by this year's survey respondents. How many of these planned investments in Brazil actually come to fruition may well ride on the trajectory of Brazil's recovery over the next 12 months, however.

Iran again performs well. After rising 11 places to become a top 20 most attractive market, it jumps 19 places to 16th here, with 87 planned investments, up from 30 last year. Amongst those that view the Iranian market as one of high potential, there appears to be a will to move quickly in order to gain presence and share in the market. While there were relatively minimal changes amongst the top 10, Vietnam's slip to 5th came on the back of a year that saw a 7.4% rise in FDI. That the UAE was able to outpace Vietnam shows the intensity of the competitive environment emerging markets find themselves in.

It took China 279 planned investments to top the chart in 2016, up from the 254 that were required to take top spot last year. Combined, the top 20 investment locations in 2016 have a total of 2,621 planned investments, up from 2,225 last year. The number of planned investments amongst the bottom 20 ranked markets also increased, growing from 354 to 368, suggesting growth in investment activity throughout emerging markets. Measured by region, Asia Pacific led the way with 1,383 planned investments across 14 emerging markets, followed by Middle East & North Africa with 959 across 17 markets. The UAE ranks first amongst MENA countries with 185 planned investments, having added 33 since last year. Saudi Arabia ranks second in the region with a total of 108, while Qatar, with 102, is its third most popular investment location. Latin America has a total of 604 planned investments, led by Brazil which, at 216 planned investments, is nearly twice as popular as second ranked location Mexico, with 118 planned investments. A similar pattern is visible amongst planned investments in Sub-Saharan Africa. Of the region's 347 planned investments, 133 are located within the most popular market, South Africa, while 2nd ranked Nigeria has 73 planned investments. The remaining 337 planned investments are spread across Russia (147) and Eastern Europe, including 70 in Poland and 19 in Ukraine.

Prospects for the Chinese Economy

Which position do you believe best reflects the current state of the Chinese economy?



Source: Transport Intelligence

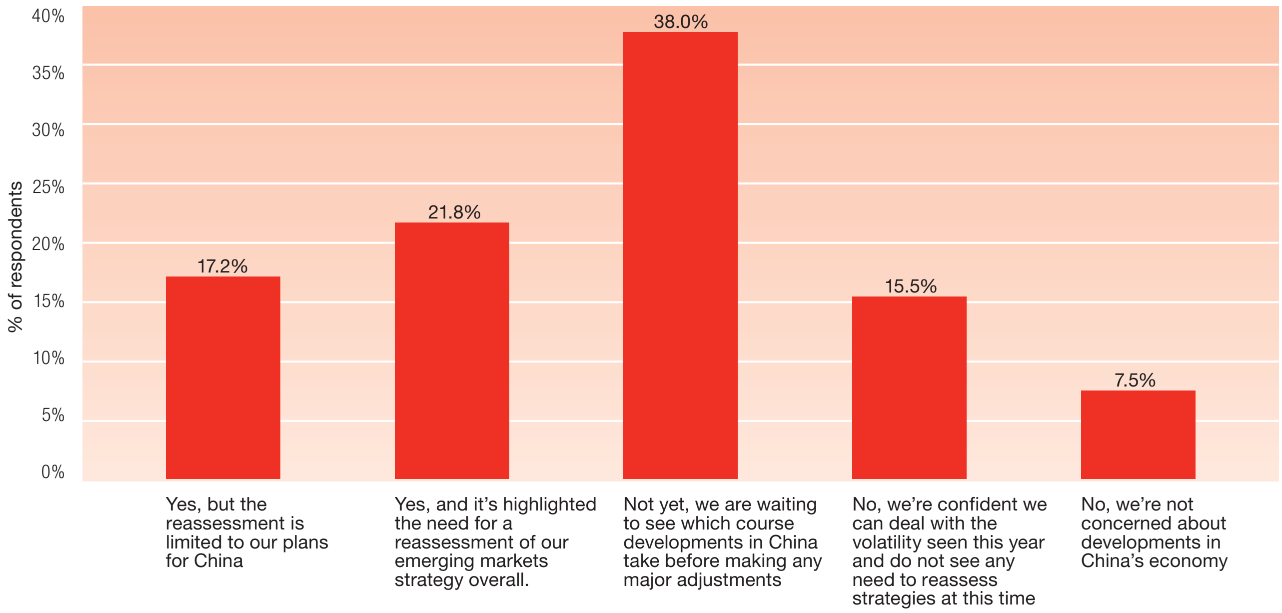
As growth in China slowed during 2015, questions have been raised about the future of the Chinese economy. With annual growth forecast at an official rate of 7.0% in 2015 and key sectors of its economy slowing, there are fundamental questions about how China is best understood – as a prosperous market undergoing a short-term adjustment, or as an economy with significant structural problems. At 54.8%, more than half of survey respondents understand China as the latter, calling into question the long-term growth prospects of the world's second largest economy.

This is significant because China plays such a major role in the prospects of so many other emerging markets. In the rush to meet Chinese demand, emerging markets on a global scale began to feed in commodities and raw materials that fuelled the country's construction boom. Still others fed in components and finished products to be absorbed by the world's largest manufacturing hub. Moreover, Chinese investments have become large enough to equal major components of GDP in some countries within sub-Saharan Africa, meaning an end to Chinese investment in the region may have a devastating impact.

Despite this, however, a not insignificant 45.2% have faith in China's leadership to overcome what they see as a temporary slowdown. Achieving this will be linked to the ability of the state to successfully transition its economy from export-led manufacturer to a market driven by domestic demand. It may well be that those who see this course unfolding are looking to China's rapidly growing and increasingly wealthy middle class, and are positioning their business to provide logistics services that support and supply retail and consumer markets in the country. It could also be that these logistics service providers are looking to position their operations to take advantage of the trend towards higher value manufacturing in the country, particularly in the automotive and pharmaceutical & medical device sectors. Either way, those with a more positive outlook for China appear to be looking for its economic transition to bring about greater demand for higher value logistics services.

The Effects of Chinese Economic Turbulence

Has the turbulence in the Chinese economy during 2015 caused you to reassess your emerging markets strategies?



Source: Transport Intelligence

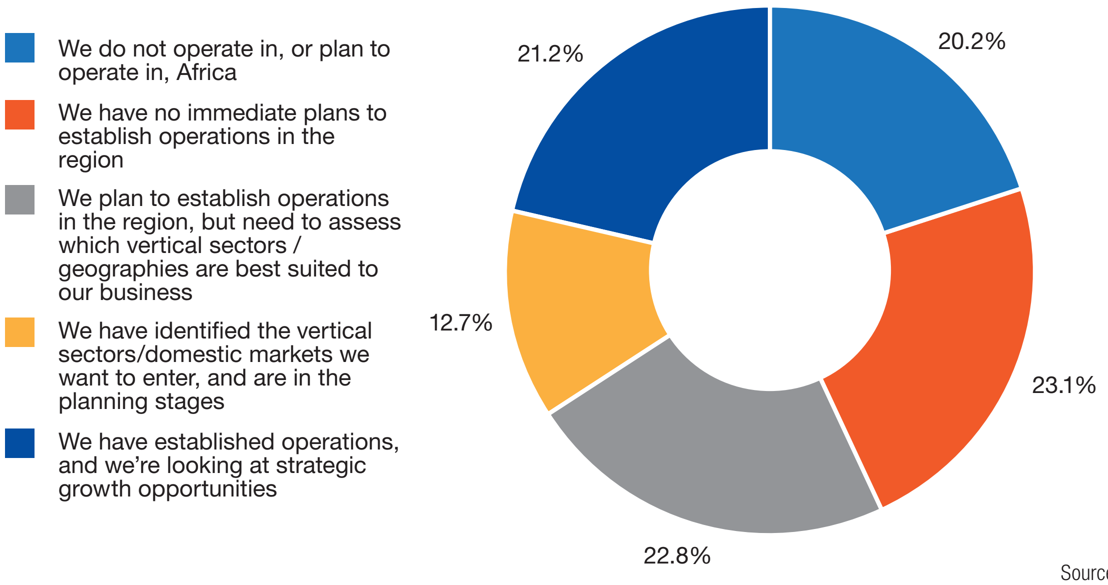
When asked the extent to which the turbulence within the Chinese economy had affected emerging market strategies, 38.0% of those surveyed indicated that while no major reassessment has so far taken place, it was likely that the course of events in the world's second largest economy would impact upon their future actions. On balance, more respondents (39.0%) are already adjusting their plans as a result of the turbulence than those who do not see any cause for realignment (23.0%).

Throughout the Index and the survey, a more turbulent picture of both the present and future of emerging markets' logistics sectors is presented. This has many drivers and the slowdown in China's economy is certainly one of these. China's influence on other emerging markets is highly significant. While manufacturers and producers in emerging markets the world over have found customers and clients in the world's developed nations, so too have they found a booming business serving China's demand for parts, components and raw materials. Falling demand in China's construction and manufacturing sectors are suppressing growth and many emerging markets are seeing lower export volumes as a result. Falling volumes are creating problems of industry overcapacity, particularly in sea freight, and heightening price competition.

Indeed, the situation presented by China is causing more than one fifth of all survey respondents (21.8%) to fundamentally reassess their entire emerging markets strategy, while a sum total of 77.0% will change course in either China or across their emerging markets presence if China's economy does not experience a steadier year in 2016. The results here suggest 2016 could see a potentially fundamental shift in emerging market strategy if the turbulence in China's economy turns into a hard landing for those that have ridden the commodity wave over much of the last decade. Logistics service providers will have to react quickly to adapt their operations to a new set of rules that will govern emerging market logistics.

Strategies for Sub-Saharan Africa

Which of the following statements best reflects your strategy in sub-Saharan Africa?



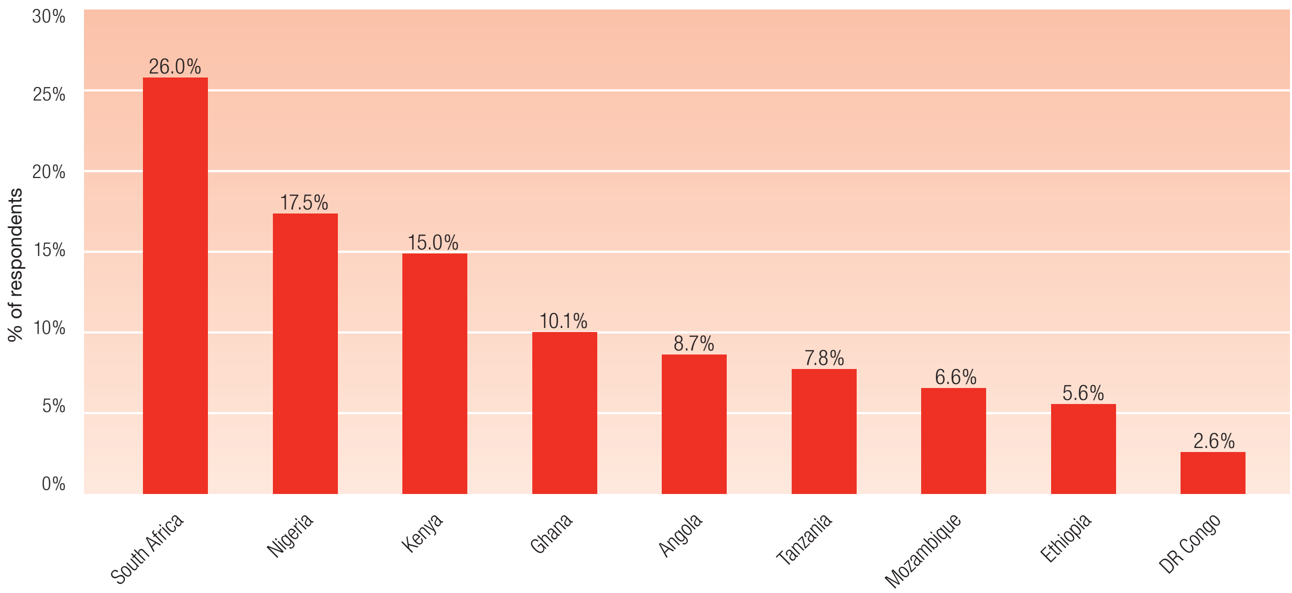
Source: Transport Intelligence

More than half of those surveyed are either operational or in the planning stages for entry into the African logistics market, although just 21.2% of respondents have fully established operations. This would seem to suggest that many have identified Africa and its individual economies and industries as holding potential as future logistics markets. There is, however, also a strong message that many have a harder time seeing the region's potential – 43.3% have no immediate plans or no intention of entering Africa. Such a split can be explained by many factors – the size of Africa's population (particularly those that are a part of the middle class) and the scale of the opportunities in industries such as mining, consumer goods & retail and agriculture are as vast as the challenges that need to be overcome in order to make them viable commercial opportunities. Infrastructure across the continent is poor and a significant hindrance to operating in many African markets – simply linking manufacturing locations to export gateways can be problematic and roads, where paved, are often subject to chronic congestion. Electricity production is sporadic in many areas, especially those outside major urbanised zones, limiting the potential for more advanced logistics operations, such as cold chain facilities.

It may well be that Africa's logistics market may remain in its seemingly perpetual state of being a medium-term opportunity until it can overcome some of these more fundamental challenges. At 22.8%, the indication is that nearly one quarter of logistics service providers will enter the continent's logistics market, should the correct opportunity arise. Creating the conditions to facilitate this – a task that will include the improvement of infrastructure, the promotion of income equality, the growth of the middle class as well as the promotion of transparent business environments – is a long-standing problem, both regionally and within individual markets.

Sub-Saharan Africa's Most Promising Markets

Which of these African countries do you believe has the most potential as a logistics market over the next 5 years? Please rank.



Source: Transport Intelligence

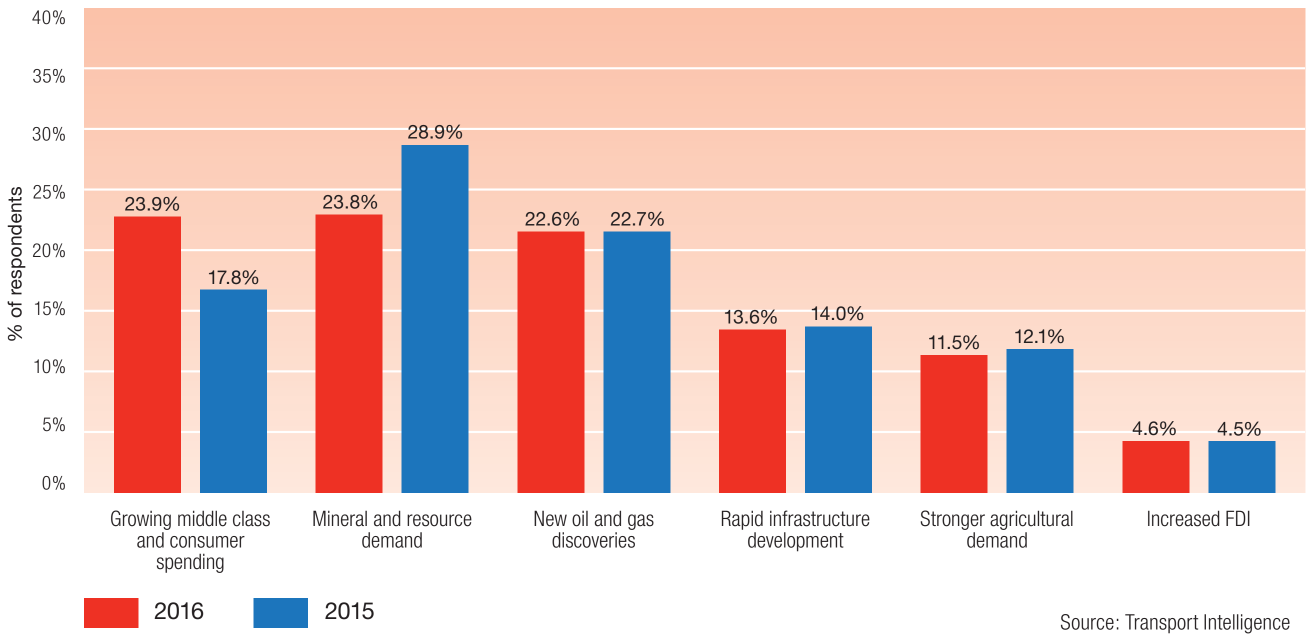
When asked to identify the most promising markets in sub-Saharan Africa, survey respondents identified the region's two largest economies as having the most potential. South Africa leads the way with a 26.0% share of the responses, with Nigeria ranked second with a 17.5% share. Both Kenya (15.0%) and Ghana (10.1%) also gained a double-digit share of the responses.

That South Africa leads the rankings is likely to be influenced by the relatively advanced stage of major vertical sectors in the country, as well as its more established financial institutions and business environment. It is, however, primarily driven by the economic opportunity South Africa presents – survey respondents ranked economic growth as by far the most significant driver behind the emergence of logistics markets. Joining South Africa as highly rated markets are Nigeria and Kenya, the latter of which is supporting high economic growth with low energy costs and investments in infrastructure, as well as industries including agriculture and manufacturing. Moreover, the country's population of 45.5m is growing by around one million per year, with continually improving education offered to the young. There are challenges, however. In November 2015, heavy rains caused damage to roads between Mombasa and Nairobi, causing a 50km traffic jam that lasted 60 hours, with the hauliers caught up losing millions of shillings as a result.

While there may be some amount of consensus behind Africa's most promising markets – 58.5% agree that either South Africa, Nigeria or Kenya deserve this title – coupled with the previous question, the suggestion is of a gap between recognising the traits of a promising market and entering a market. In such circumstances, it may be that logistics markets in Africa are opportunities best addressed with low risk strategies over the short- and medium-term, such as joint ventures or partnership agreements.

Drivers behind the Emergence of Sub-Saharan Africa's Emerging Markets

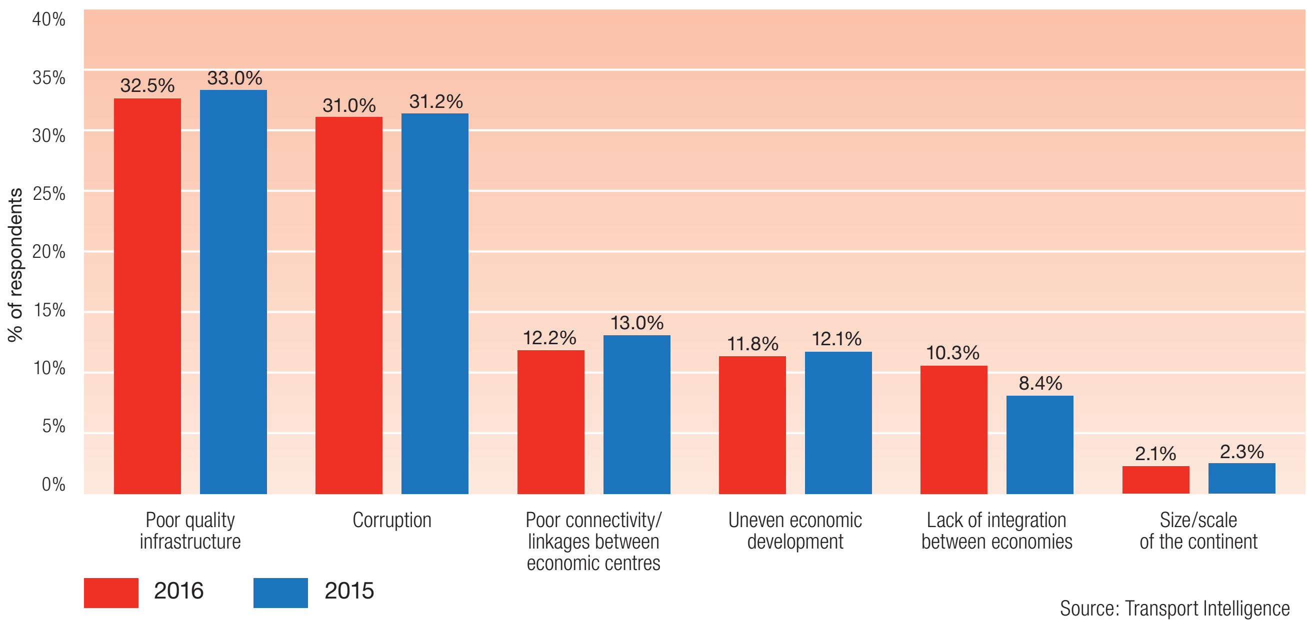
What do you perceive to be the most significant driver of growth in the emergence of Africa's logistics market?



Source: Transport Intelligence

Inhibitors of Growth in Sub-Saharan Africa

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



Source: Transport Intelligence

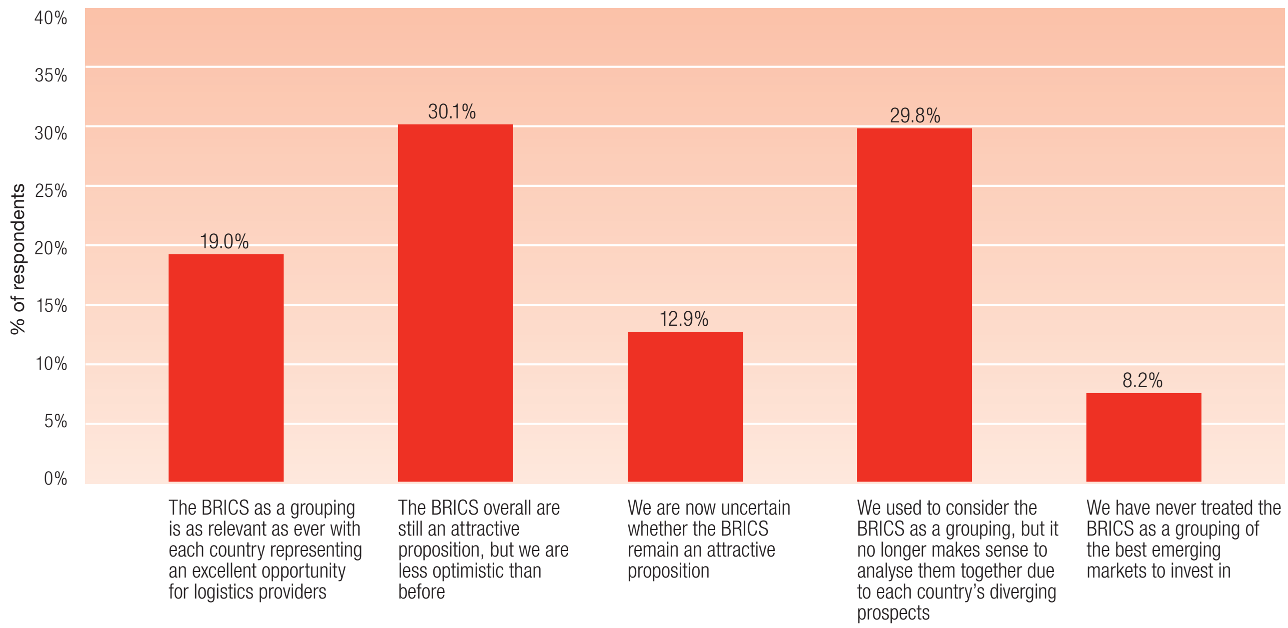
A significant switch took place in 2016, as the top two drivers of sub-Saharan Africa's emerging logistics markets switched positions. With 23.9% of the responses, a growing middle class and consumer spending ranked as the primary driver behind the region's emergence, marginally beating mineral and resource demand into second position. Although, while the ranking order may have changed, those that see extractive industries as the driving force still account for the largest share of responses. This figure is down from 51.6% last year, however. Individually, though, all three drivers ranked closely and were separated by just 1.3pp. This appears to reflect survey respondents' recognition of the diversity of Africa's individual markets and that growth will be driven by various logistics requirements across the different areas of the continent.

It seems fair to say that this year's results reflect several wider trends. Firstly, increased faith is being shown in Africa's ability to grow its middle class, in turn stimulating demand for the higher value logistics services required to support more sophisticated retailing and manufacturing practices. Secondly, it appears that survey respondents have already begun to factor in lower commodity prices into the development of their African strategies. It also appears to show that, when these results are compared with question 2 in this survey (which factors drive emerging market growth globally) industry executives are looking for the driver of the most significant factor overall, economic growth. Finally, it paints a picture of complexity and of varied and diverse opportunities in different logistics markets across Africa. This is perhaps why we see just 21.2% of those surveyed actively operating in Africa and why 43.3% have no plans to enter any of the region's markets over the medium- or long-term.

In 2016, the significance of the factors inhibiting the emergence of sub-Saharan Africa's emerging logistics markets are broadly unchanged from those a year ago. This would appear to suggest that, while progress is being made to improve the attractiveness of opportunities in some markets, little is being done to reduce the barriers to entry. Once again, survey respondents saw poor infrastructure as the most significant inhibitor of development in the region, yet ranked infrastructure development as only the fourth most significant driver. Not only is logistics fundamentally limited by poor infrastructure, wider economic development is hindered by poor connectivity and linkages between economic centres and general inequality. That just 2.1% 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.

Prospects for the BRICS

Brazil's credit is junk, Russia is in recession, China could be headed for a 'hard landing' and South Africa is yet to fulfil its potential. Currently, India seems to be the only BRICS nation growing and generating optimism. Given these recent 'struggles', which statement best represents your view of the BRICS?



Source: Transport Intelligence

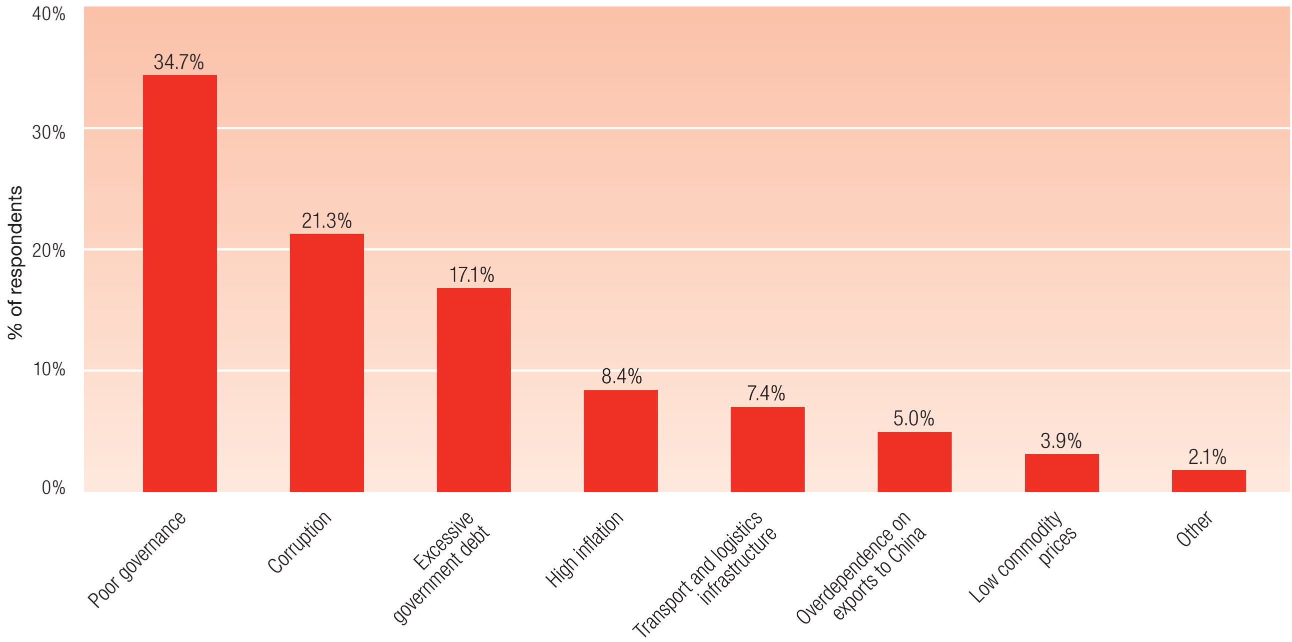
Opinion amongst survey respondents appears split as to whether the BRICS nations remain a group that represent the best opportunities emerging markets have to offer: 30.1% suggest that the group remains valid, so long as expectations are moderated, 29.8% suggest that individually the markets hold potential, but that the divergent paths taken by the markets to this point mean acronym-based strategies are no longer useful.

The position of the BRICS nations at the centre of their respective regional economies and their significance to the global economy has grown markedly since the term was coined more than a decade ago. As examples of high growth, high potential emerging markets, opportunities could be found in manufacturing sectors or amongst the rapidly expanding middle classes of all five nations. However, with China slowing, Brazil and Russia in recession and India growing but struggling to implement desperately needed reforms, 50.9% of survey respondents agreed that it is increasingly hard to look at this grouping of nations with the same positivity as in years gone by. Those disinclined to believe the grouping retains its potential mainly cited the rapidly diverging prospects of the individual nations as the reason for their scepticism. However, with the split in opinion so even, it appears those with a more positive outlook of the grouping see a compelling reason to retain this view. This position is perhaps best summed up by one respondent who commented:

"These countries are grouped together due to their size and opportunity. They are still exceptionally relevant and great opportunities for individuals that take time to understand the unique challenges and opportunities for each market."

Barriers to Growth in Brazil

What is Brazil's biggest obstacle to returning to higher growth?



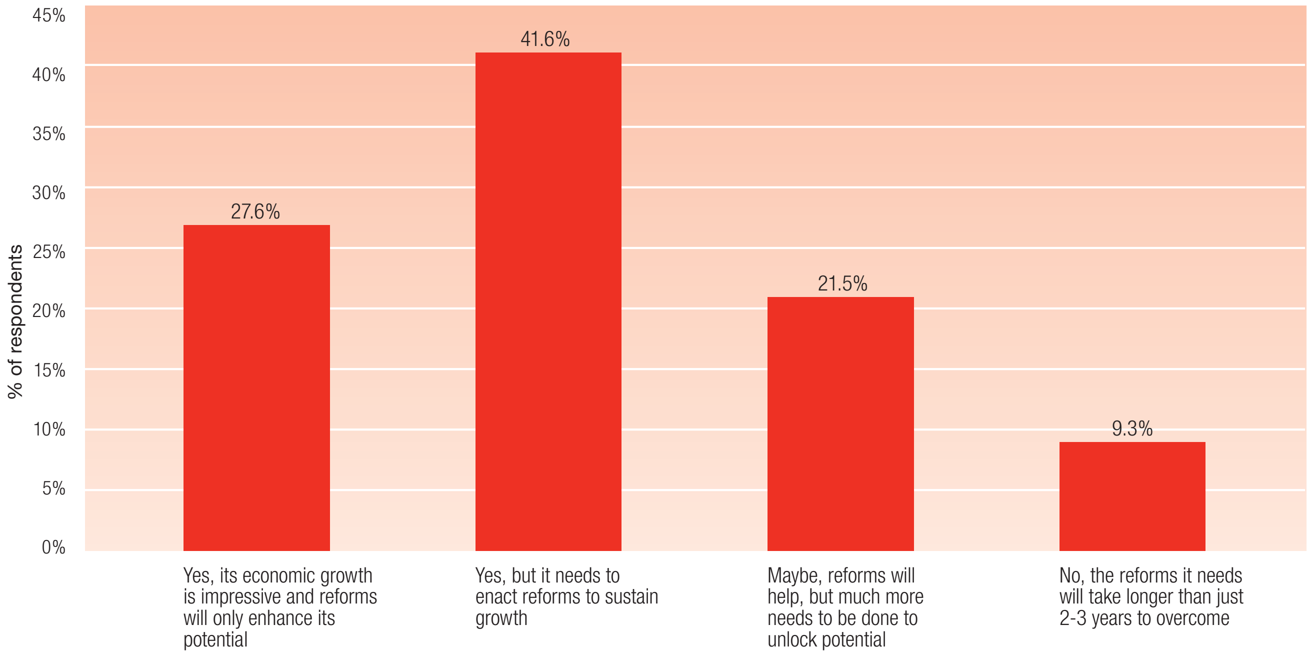
Source: Transport Intelligence

More than one third (34.7%) of respondents cited poor governance as the key barrier to Brazil returning to higher rates of growth. While this barrier established a fairly sizeable lead over the other options, it makes sense to group together the top three ranked barriers – poor governance, corruption and excessive government debt (which totalled 73.1% of the responses) – as each shares a common causal variable, the country's central government.

Forecasts suggest Brazil's public debt could reach as much as 70% of GDP in the coming years. While the country's leadership has moved to dispel such estimates, Standard & Poor's, in threatening to remove Brazil's investment-grade rating, clearly see causes for concern for its financial health. Currently in recession, Brazil's economy, its private sector and its middle class have lost much of the dynamism that contributed so significantly to the country's potential over the last few years. Taken together, the top three ranked reasons go some way to explaining this. Much of Brazil's growth was driven by the commodity boom which saw it become an exporting powerhouse, with millions entering the middle class and deploying their new found spending power. Falling commodity and oil prices however, revealed that Brazil's government failed to implement structural reforms that would ensure the country's businesses and labour market could remain competitive and productive. Investment has slowed in the country. According to data from fDi Markets, greenfield FDI in Brazil attracted $50bn in 2011, with more than 500 projects funded. The level of funding has fallen in each year since, however, and in 2014, 322 greenfield projects attracted just $18bn, while capital investment in Brazil's manufacturing sector has also mirrored this decline. This is compounded by an economy suffering from a corruption scandal at state-owned oil company Petrobras, with an estimated cost of $2bn to the economy, which reaches senior levels of government.

The Future of Growth in India

India now has a higher economic growth rate than China, a feat it is expected to repeat through 2020. Are you optimistic about India's prospects over the next 2-3 years?



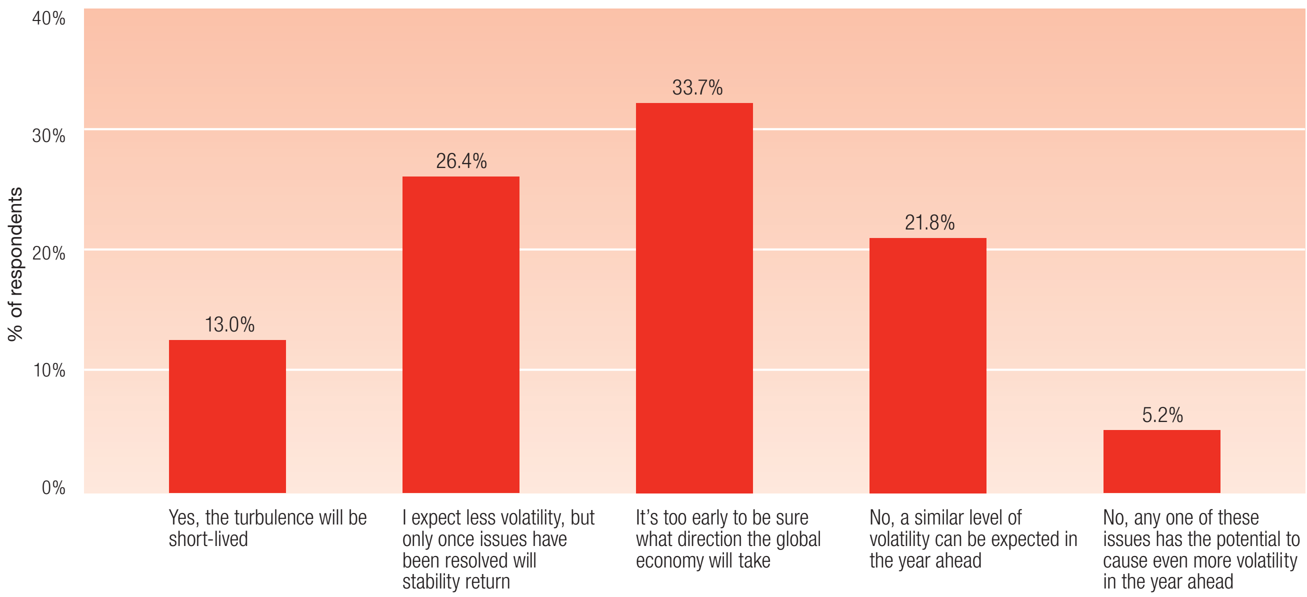
Source: Transport Intelligence

At 41.6%, a large proportion of those surveyed indicate that India's growth cannot be sustained beyond the short-term without reforms that remove complexity and inefficiency from the economy. Combined with the 21.5% that see the reforms as just the start of the process in terms of unlocking India's potential, the significance of the task facing Narendra Modi becomes clear. Overall, some 90.7% classified themselves as having a degree of optimism regarding the development of the Indian economy over the short-term.

While many examples of much-needed reforms exist, with the General Sales Tax prime amongst them, it is essential that India's leadership takes a wide-ranging view of the reforms necessary to unlock growth in the market. Within India, action is required to tackle poverty, inequality, corruption, sporadic energy provision and a gaping infrastructure deficit. Tackling just two of these issues – energy provision and the infrastructure gap – will, according to the World Bank, cost as much as $1.7 trillion over the next decade. Indeed, there are few areas of the Indian economy which are not in need of attention – increased privatisation, labour-market reform and opening sectors of the economy, including retail, would all contribute to an increased growth rate in India.

Expectations for 2016

2015 has seen the US dollar gaining strength, low oil prices and a sharp slowdown in Chinese growth which sent emerging market currencies plunging while trade volumes sank, markets became more volatile and commodity prices fell. Do you expect a return to more stable times in 2016?



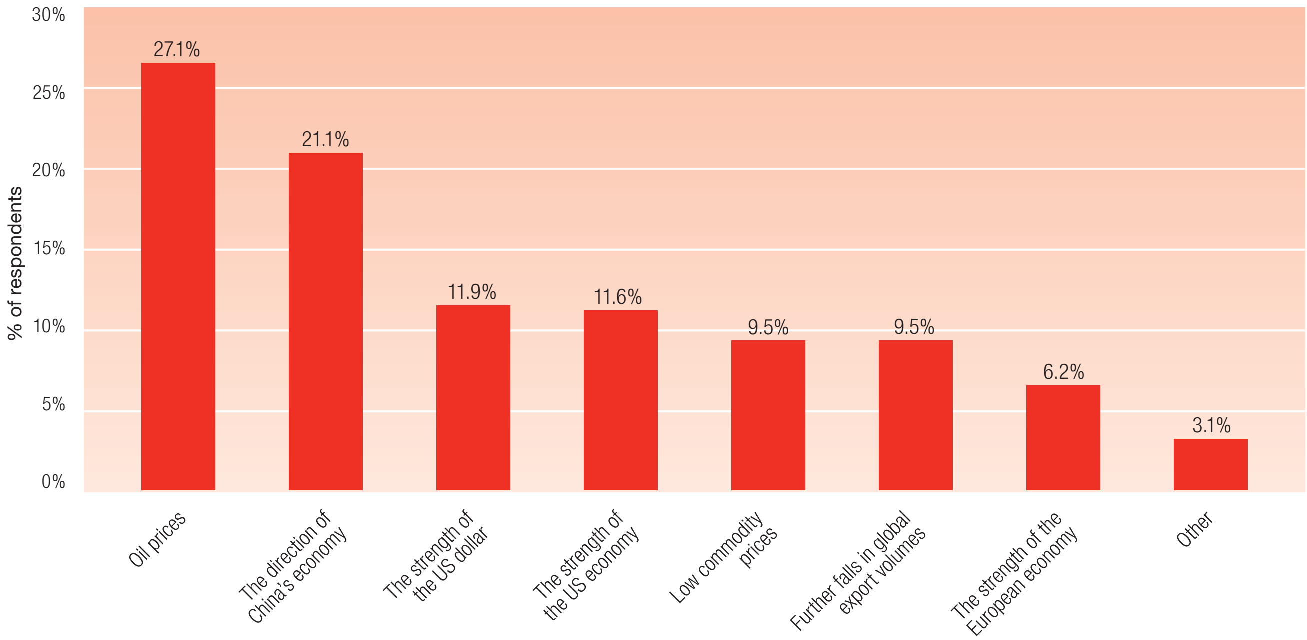
Source: Transport Intelligence

Following the turbulence of 2015 that saw commodity prices fall, emerging market currencies lose value while the US dollar gained strength, low oil prices, weak global trade volume growth and slowing economic growth in major emerging markets like China, Russia and Brazil, it is perhaps reasonable that 33.7% of those surveyed indicated that they were still unsure whether the global economy would return to a more stable time in 2016. When splitting those respondents with a positive outlook from those who view prospects for 2016 negatively, however, a slight advantage is given to those expecting a less turbulent, if not entirely stable 2016, with 39.4% expecting an improvement to the landscape in the year ahead.

Such uncertainty seems a reasonable response to the events of 2015. The forces and trends that have shaped the trajectory of logistics markets across the world have had unpredictable and uneven impacts, and it appears likely that the recovery predicted by the IMF in 2016 will be just as uneven, with downside risks remaining and growth likely to be sporadic and shallow. The third phase of the global financial turbulence looks set to continue with low commodity prices, currency depreciations and financial market volatility combining to produce generally lower growth amongst emerging markets. Logistics executives will still find opportunities in these markets, however, and bright spots will emerge from a global economy forecast to produce more stability.

Most Significant Drivers in the Global Economy

Which of the following do you think will have the most significant impact on global economic and trade growth over the next 12 months?



Source: Transport Intelligence

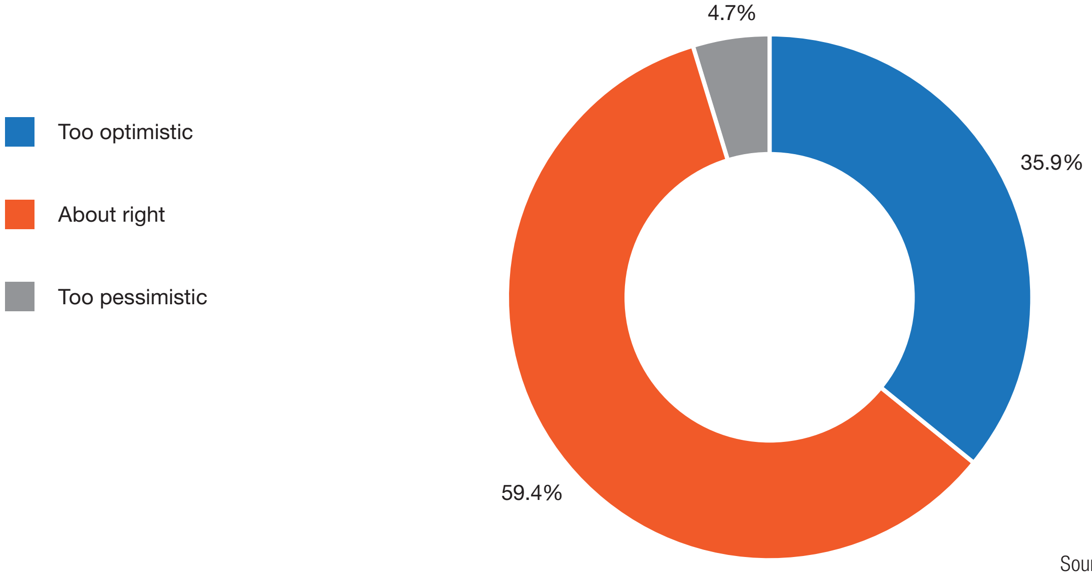
The price of oil was rated as the factor most likely to have a significant impact on global trade in the year ahead, with 27.1% of survey respondents citing it as such. For many, including countries such as the UAE and Saudi Arabia which rank amongst the top 10 most promising emerging markets in this year's Index, as well as fast rising markets like Nigeria, lower oil prices equate to lower revenues and reductions in public spending. This undermines the ability of some markets to make investments targeted at diversifying their economies and growing consumer markets as well as investments in improving infrastructure, all of which are hindering factors that logistics executives will need to account for in their investment decisions.

The second most significant driver in the global economy will be the direction of China's economy, according to 21.1% of survey respondents. As an importer of commodities, parts and components, China is positioned at a crucial point for many commodity exporting nations which have come to depend on the demand it generates. Across the world, but particularly in Asia's other emerging markets, manufacturers and producers have established operations to feed parts and components into China's own manufacturing sector. A slowing Chinese economy has already resulted in lower demand and lower prices, meaning other emerging markets are having to adjust to lower export revenues and seek a more diversified base of economic growth. The outcome is likely to depend on the interaction of prices and volumes, as well as the amount of contagion China's slowdown pushes into the global economy via ongoing currency volatility and a more general undermining of confidence in emerging market investment.

According to 23.5% of respondents, it will be the influence of the US that will, one way or another, be the most significant driver of the world economy. A growing US economy may have a positive influence on trade, increasing demand for imports, especially at a time when the US dollar is gaining strength. This last element, however, will push the cost of dollar-denominated debt up, effectively raising repayments, as will an increase in US interest rates.

Prospects for Emerging Market Growth

The IMF forecasts 2016 emerging market growth of 4.7%. In your opinion, is this:



Source: Transport Intelligence

More than half (59.4%) of those surveyed express the belief that emerging market growth of around 4.7% could be considered realistic over the course of 2016. And, according to more than one third (35.9%) of respondents, this is as much as can realistically be expected.

Throughout 2015, many threats and challenges to growth in both developed and emerging economies have caused disruption and turbulence. China's slowing economy, lower oil prices, volatile currencies and the spectre of higher US interest rates all circulate and cause uncertainty, mainly because each has an impact, directly or indirectly, on a fundamental driver of the logistics industry – global trade volumes. For these reasons, it may well be that survey respondents have moderated their expectations of explosive growth in emerging markets downwards. The uneven impact of these variables, however, will perhaps see strong growth in certain sectors or certain markets. Where this occurs, logistics service providers would be well advised to expect to find highly competitive environments.

About Agility and Transport Intelligence

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.

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.

Web: www.agility.com

Twitter: @Agility

LinkedIn: www.linkedin.com/company/agility

Transport Intelligence

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.

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

Telephone:+44 (0)1666 519900

Email: ssmith@transportintelligence.com

Web: www.transportintelligence.com

Twitter: @transportintell

Linkedin: The Transport Intelligence Forum