AGILITY EMERGING MARKETS LOGISTICS

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2020

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Agility

Trade War -
fallout not diminishing China's potential

Business compatibility more important than ever – big wins for Gulf states

Recession Risk *two thirds of survey respondents expect a global recession in 2020*

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FOREWORD

John Manners-Bell, CEO Transport Intelligence

This year it could be argued that prospects for emerging markets are more fragile than ever, as politicians and traders prepare to face a range of unpredictable challenges.

Since the initiation of the Agility Emerging Markets Logistics Index in 2008, rarely has there been a year in which we have not highlighted economic uncertainty, social unrest and political tensions along, of course, with the many opportunities which present themselves to investors.

Foremost, the impact of the trade dispute between the US and China is still being felt on both sides of the Pacific Ocean. Tariffs are impacting on Chinese exporters, as Trump intended, but higher prices are also being passed on to US consumers. Trade volumes on key lanes have shrunk although some economies in Asia, outside China, have benefited as US importers seek to diversify their sourcing strategies. An agreement between the two superpowers may go some way towards providing confidence and certainty in the market, although this is by no means guaranteed.

In the Middle East, political tensions have reached crisis point between the US and Iran, sending oil prices soaring. Although both sides may step back from the brink of a full scale war after the assassination of Qassim Soleimani, many governments in the region will fear the consequences which such a confrontation will have, especially in the Gulf.

Despite the uncertainty, our Index has, for the time being, remained quite stable in terms of the relative rankings of the countries. Large markets, such as China and India, are still on an upward trajectory, fulfilling many of the criteria which make for successful economies. They are politically and financially stable; have good governance (relative to other emerging markets); diversified economies and are investing in technology and infrastructure.

Elsewhere in the Index, however, there is much more volatility. Smaller markets can make progress up the rankings if they display solid fundamentals, either economic or in terms of openness to trade (such as Egypt). Markets of almost any size suffer if they have dysfunctional regulatory environments (such as Brazil or Argentina) or if they're still essentially commodity exporters and so at the mercy of economic cycles.

Despite the uncertainty, opportunities have never been so good for emerging market MSMEs. Digital trading platforms which are being developed will allow them to access consumers in global markets. However, in order for this to happen, emerging markets need to embrace open trade policies, digitisation, address customs delays and corruption, invest in transport and communications infrastructure and allow international logistics providers market access. As this iteration of the Agility Emerging Markets Logistics Index makes clear, emerging markets are consistently being constrained by the rise in trade barriers, holding back investment and destroying economic value.

Essa Al-Saleh, CEO & President of Agility Global Integrated Logistics

- **Logistics executives worried about possibility of global slowdown after tumultuous year in trade, shipping and transportation**
- **Headline events in 2019 obscured fundamental changes in value chains that will make emerging markets stronger in long term**
- **Emerging markets consumption is rising and reshaping supply chains as they become more knowledge-intensive and less about low-cost labour**

2019 will be remembered as a rough year in logistics and shipping. It was marred by the US-China trade war, Brexit confusion, the looming arrival of new emissions rules for ocean shipping, social unrest in several emerging markets, and geopolitical events that rattled global supply chains.

Also rattled were the people who move goods. Nearly two-thirds of the global supply chain executives surveyed for the 2020 Agility Emerging Markets Logistics Index say global recession is likely or very likely this year.

Concern is justified, but underlying some of this is simple uncertainty. Producers, shippers, forwarders and carriers find it impossible to plan, forecast and make decisions in an ever-shifting climate of tit-for-tat tariffs and volatile fuel prices, not to mention new protectionist measures, sanctions and compliance rules.

In a welcome development, the US-China trade battle cooled with the signing of an agreement that puts off additional tariffs, at least for now. At the same time, manufacturing has shown recent signs of stabilising and picking up in the Philippines, Thailand, Malaysia, India and China.

The headline events of 2019 obscured more important fundamental changes in value chains. These changes are altering the global economy and should help make most emerging markets more resilient and stable over the long term.

Of note is that global output continues to rise, but the share of output traded across borders is falling. Why? Not because of trade spats or an impending recession but because emerging markets countries are consuming more of what they make. They are less dependent on foreign imports – of both finished goods and inputs – because they are getting better at producing high-value goods and a broader array of the products they need. Emerging markets are expected to consume almost two-thirds of the world's manufactured goods by 2025.

The first decades of globalisation took place as western producers sought to cut costs by producing where labour was cheap. That is changing. Today, only 18% of global goods trade is driven primarily by low-cost labour. Regionalisation, nearshoring and reshoring of production are driven by other factors: proximity to markets, infrastructure, workforce skills, and productivity-enhancing automation. Long-haul trade is declining at the expense of intra-regional trade, especially in emerging Asia.

The implications are profound for emerging market countries, none more so than countries in Africa, Latin America and the Caribbean that are still trying to find their place in the global economy.

Global value chains and supply chains are becoming more knowledge-intensive. They rely less on cheap labour and more on technology and new ideas: e-commerce, the Internet of Things, blockchain, load-matching platforms for trucking, automated document processing, autonomous vehicles that load and unload at ports. All of these things cut the amount of time and money spent on logistics. Emerging markets that are smart about adopting and integrating them will fare well; others will be left behind.

McKinsey estimates that new logistics technologies could cut shipping and customs processing times by 16% to 28% and boost overall trade by up to 11% in the next decade. Looking past the headlines, that's the reality. It is one that bodes well for emerging markets.

KEY FINDINGS

Recession risk is driving uncertainty

Recession is the top concern for a solid majority of survey respondents – 64% say a global recession is 'likely' or 'very likely' in 2020. Downward pressure on global trade volumes, uncertain growth prospects and the ongoing trade war between the US and China are driving this belief.

Logistics industry professionals said a 'slowdown in the global economy' is the most significant threat to emerging markets over the next five years. Emerging markets are expected to suffer as much as developed markets should a global recession take hold this year.

Trade war between US and China – companies staying put

The US-China trade war is dominant in logistics professionals' minds as we enter into 2020. The US has imposed tariffs on more than $360billion of Chinese goods, and China has retaliated with tariffs on more than $110billion of US products.

This is contributing to slower trade growth – in the first nine months of 2019, US exports to China are down 15.5% compared with the same period a year ago, a bigger drop than the 13.5% fall for Chinese exports.

Yet despite this uncertainty, a commanding majority (70%) say their operations or investment plans in China have not changed due to the Trump administration's trade war. Another 10% say they have actually expanded their operations in China. The worst shocks from the trade war may have passed – industry professionals say they expect a reduction of about 4% in trade volumes between the US and China as opposed to respondents last year saying there would be a 10.4% decline in trade volume.

If businesses are going to relocate from China, Vietnam and India are the most likely investment destinations, according to 48% of those surveyed. Mexico and Cambodia were the lowest rated relocation options amongst surevy respondents.

Lack of diversification, domestic instability and failure to fix weak institutions top the list of emerging market vulnerabilities

The era of rapid global trade growth, which powered the rise of many emerging markets and caused a great deal of prosperity, is over. Rising trade barriers, protectionism and a slowing global economy have weighed on trade, leaving many emerging markets vulnerable.

A positive sign, however, is that a large number of emerging market economies were able to weather political and social unrest, structural problems, even international sanctions in some cases, without losing much ground in the Index. They include China, India, Turkey, Russia, Chile, Thailand, Brazil, South Africa, Lebanon, Algeria and Bolivia. Libya and Venezuela also experienced serious unrest but sit toward the bottom of the Index. Egypt, where authorities were caught off guard by anti-government protests, actually gained six spots in the 2020 Index and showed improvement in the domestic and international logistics opportunities and business fundamentals indices.

That suggests resilience in the face of uncertainty, but threats persist. South Africa has been mired in corruption, while unemployment stands at 29% and a lack of fiscal discipline is hindering progress. Turkey also faces significant challenges including a corporate debt crisis and potential US sanctions.

Emerging markets can still succeed despite the challenges and those that developed and exploited structural or tactical advantages have performed well in this year's Index. China and India top the Index as a result of significant scale advantages, while Middle Eastern markets including the UAE and Saudi Arabia have further strengthened business environments to attract growth and investment.

Trade war winners and losers

Compared to last year, fewer survey respondents believe that South East Asian countries that both feed Chinese supply chains and compete with China's manufacturing sector will benefit overall as a result of US-China trade tensions. A combined 58% of those surveyed believe either that the positive and negative effects will cancel each other out or that South East Asian countries will suffer overall.

SMEs are expected to be another victim. Some 47% of those surveyed said SMEs would be most severely affected by a rise in restrictive trade policies, with trade bureaucracy and wider instability the most significant inhibitors of SME growth prospects.

Uncertainty clouds the future of global trade…

Rising trade barriers and the belief that protectionist trade policies are becoming more prevalent are creating concerns over the future of global trade. One fifth (19.7%) of those surveyed see additional trade barriers as the most important inhibitor of emerging market trade growth, as the future of the global trading system is under more scrutiny than at any point in at least three decades.

In order to boost growth prospects, survey respondents implore emerging markets to modernise customs and trade systems, while also encouraging the development of skills that will prepare the workforce for the coming era of digital supply chains.

Emerging markets are being constrained by the rise in trade barriers and threats to the global trading system. Both this year's survey and Index results reveal the importance of open trade policies, strong business environments and coherent economic and trade policy management to emerging market logistics growth.

Uncertainty is hindering trade, restricting investment and destroying value. This is holding back emerging market growth. It will be important to see if this trend continues as the decade moves on.

…but signs of optimism remain

While nearly two-thirds of those surveyed see recession as likely in 2020, 53% are still inclined to go along with the International Monetary Fund's forecast of 4.7% growth for emerging markets. Such a growth rate would indicate better prospects in the year ahead for emerging markets compared with 2019, when expansion was an estimated 4.1%.

THE AGILITY EMERGING MARKETS LOGISTICS INDEX 2020

Moving into 2020, the world faces a tempestuous economic scene. During 2019, global trade growth slowed to an estimated 1.1%, the lowest level since the 2008-09 financial crisis, and a number of factors are combining to weigh on prospects as the new decade begins. **Tariffs and tensions between the world's largest consuming and producing nations; an anaemic European Union economy; slowdowns in key developed and emerging economies; and social and political unrest are just some of the factors causing concern for leaders across the logistics industry.**

This is the backdrop against which two-thirds Agility Emerging Markets Logistics Index Survey respondents say a global economic recession is likely or very likely in 2020. **In the past year, trade growth has fallen and investor confidence has weakened as the future of globalisation, which has played such a significant role in emerging market growth over the last four decades, has been fundamentally questioned.**

To assess and understand these trends and their effects on 50 of the world's most promising emerging logistics markets, the Agility Emerging Markets Logistics Index 2020 examines three key areas for logistics market development:

- Domestic Logistics Opportunities
- International Logistics Opportunities
- Business Fundamentals.

Across each, the Agility Emerging Markets Logistics Index methodology utilises a unique set of variables that measure current, short-and medium-term performance across structural and cyclical factors in each country's logistics markets and in key vertical sectors. As a result, the Index weighs the current opportunity and future potential a market offers against the operational realities and the openness, robustness and fairness of the market's business environment.

The 2020 Agility Emerging Markets Logistics Index presents a data-driven analysis of 50 of the world's most promising emerging logistics markets, reflecting the complexity, connectedness and opportunities each market provides.

Key measures used in the Agility Emerging Markets Logistics Index 2020

Domestic Logistics: 33%

- Domestic logistics markets – size & growth
- Economy – size & growth
- Population – size & growth
- Income equality
- Urbanisation
- Development of business clusters

International Logistics: 33%

- International logistics markets – size & growth
- Logistics intensive trade – size & growth
- Infrastructure quality and connectedness
- Border procedures – time & cost

Business Fundamentals: 33%

- Regulatory environment
- Credit and debt dynamics
- Contract enforcement & anti-corruption frameworks
- Inflation & price stability
- Cost of crime & violence
- Market accessibility & domestic stability

The Agility Emerging Markets Logistics Index 2020 – Overall Ranking

Ranking	Country	AEMLI20 Overall Index	Domestic Opportunities Index	International Opportunities Index	Business Fundamentals Index	YoY Change
1	China	8.90	8.87	9.75	7.17	-
2	India	7.39	8.05	7.54	5.70	-
3	UAE	6.36	5.57	5.75	9.33	-
4	Indonesia	6.14	6.33	6.03	5.95	-
5	Malaysia	6.07	5.30	5.83	8.23	-
6	Saudi Arabia	6.00	5.44	5.53	8.17	-
7	Qatar	5.69	5.39	4.85	8.11	1
8	Mexico	5.67	5.36	6.33	4.91	-1
9	Thailand	5.59	5.09	5.90	5.97	2
10	Turkey	5.54	5.17	5.80	5.77	-1
11	Vietnam	5.52	4.94	6.17	5.37	-1
12	Chile	5.48	4.86	5.21	7.40	1
13	Russia	5.46	5.17	5.75	5.45	1
14	Oman	5.38	4.98	4.87	7.29	-2
15	Bahrain	5.35	5.01	4.66	7.51	1
16	Brazil	5.24	5.49	5.72	3.68	-1
17	Jordan	5.16	4.91	4.70	6.69	2
18	Morocco	5.15	4.62	4.95	6.69	-1
19	Kuwait	5.09	5.13	4.61	6.06	-1
20	Egypt	5.05	5.09	4.69	5.74	6
21	Kazakhstan	5.03	4.73	4.68	6.39	1
22	Philippines	4.98	4.98	5.22	4.47	-2
23	South Africa	4.87	4.64	4.96	5.16	1
24	Uruguay	4.87	4.82	4.39	5.98	-3
25	Peru	4.84	4.72	5.12	4.47	-2
26	Colombia	4.83	4.71	5.11	4.49	-1
27	Ukraine	4.77	4.79	4.81	4.64	-
28	Pakistan	4.74	5.09	4.58	4.34	-
29	Kenya	4.64	4.59	4.56	4.94	2
30	Lebanon	4.64	4.89	4.62	4.14	-1
31	Argentina	4.62	4.93	4.67	3.86	-1
32	Algeria	4.62	4.92	4.24	4.81	3
33	Tunisia	4.60	4.62	4.44	4.87	-
34	Sri Lanka	4.57	4.52	4.68	4.49	-
35	Nigeria	4.55	5.05	4.30	3.99	8
36	Ecuador	4.53	4.51	4.57	4.46	-
37	Tanzania	4.49	4.61	4.08	5.13	1
38	Bangladesh	4.45	4.95	4.38	3.54	1
39	Ghana	4.44	4.57	4.30	4.47	-7
40	Iran	4.39	4.85	4.11	4.01	-3
41	Cambodia	4.36	4.35	4.46	4.19	1
42	Uganda	4.36	4.37	4.33	4.40	3
43	Ethiopia	4.24	4.50	4.38	3.38	-2
44	Bolivia	4.23	4.41	4.41	3.48	-
45	Paraguay	4.21	4.37	4.33	3.63	-5
46	Angola	3.92	4.42	4.31	2.04	3
47	Myanmar	3.87	4.35	4.45	1.64	1
48	Mozambique	3.85	4.17	4.33	2.15	-1
49	Libya	3.83	4.45	4.34	1.45	-3
50	Venezuela	3.35	4.37	3.86	0.09	-

With the leading six markets unchanged year-on-year, the Agility Emerging Markets Logistics Index confirms that a group of elite emerging logistics markets have established and entrenched their positions through a mix of domestic market strength, international market connectivity and robust business environments.

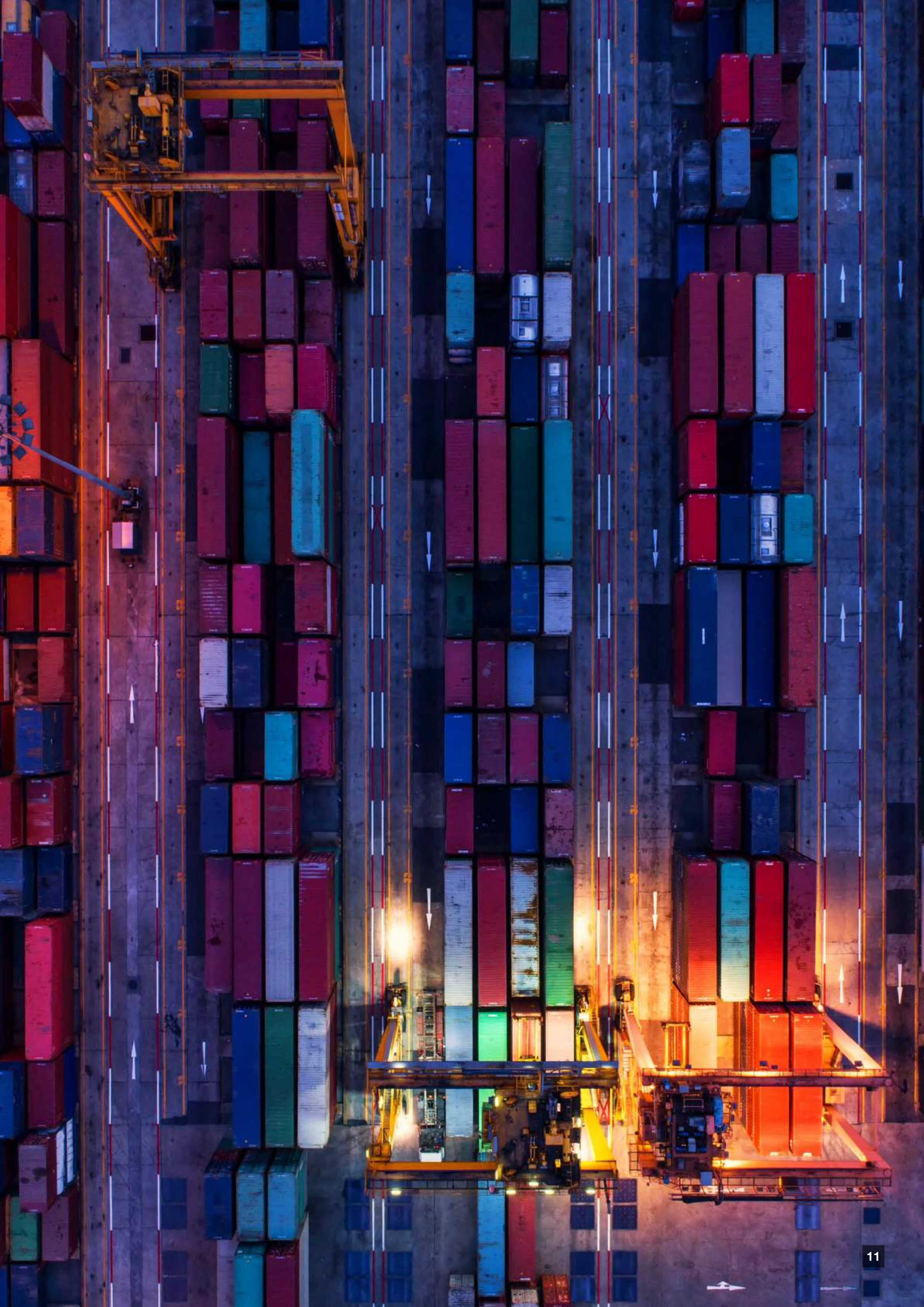
Leading the way is China. Despite uncertainty over the trajectory of its economy and significant disruption to its trade as a result of the trade war with the US, the world's second largest economy has distinct structural advantages. The scale, capacity and capability China has developed so rapidly over the last several decades have combined with a vast and increasingly rich population to produce high levels of resilience to the effects of the trade war. China maintains particular strength in the international logistics opportunities sub-Index, which propels its overall performance. The market's export-oriented manufacturing sector remains a global leader while favourable import policies are helping to fuel consumer demand for international brands, resulting in high inbound e-commerce growth. Second placed India, meanwhile, saw much more varied performance. The market faces several challenges. GDP growth is faltering – at 4.5% in Q3 2019, growth has slowed for seven consecutive quarters and is at the lowest level seen since 2013. The country's automotive sector has slumped as consumer lending has fallen, which combined with slowing economic growth has constrained spending and undermined confidence. These factors are amongst the reasons India's business fundamentals rank collapsed, dropping the market eight positions to 18th. The challenges appear manageable, however, with analysts calling the credit squeeze 'cyclical'. While 2020 may be another tough year, medium- and long-term prospects remain bright.

The remaining markets in the top six demonstrate how in 2020 it is possible for smaller economies with highly liberalised and open business environments to compete with structurally larger emerging logistics markets. Not only do the UAE, Saudi Arabia and Malaysia offer highly attractive investment prospects, each continues to build strength through further reforms and incentives, increasing attractiveness for new investors and established operators alike.

Elsewhere in the Agility Emerging Markets Logistics Index 2020, there is a greater degree of movement and volatility. Egypt – up six positions to 20th – has made rapid progress as a result of economic growth. The government successfully implemented a first wave of macroeconomic and structural reforms that addressed many entrenched issues and helped to stabilise the economy, spur growth and lay the groundwork for robust private sector participation in the economy. Nigeria – rising eight positions to 35th – is Africa's biggest oil exporter and has the largest natural gas reserves on the continent. After the oil price crash of five years ago, Nigeria's oil sector was thrown into chaos. Yet in 2018, Sub-Saharan Africa's oil market grew by 6.5%, while the country's manufacturing PMI reached a one-year high in Q3 2019 to indicate improving private sector growth. This helped drive Nigeria's domestic logistics opportunities sub-Index rank to 16th, some nine positions higher than last year.

Several other markets see notable movements in 2020. Uruguay – down three spots to 24th– and Paraguay – five positions lower in 45th – both saw performance hindered by the economic slowdowns in key trading partners Argentina and Brazil. Despite labour market challenges, Uruguay's macroeconomic fundamentals are strong after 16 consecutive years of growth. Paraguay faces stiffer challenges, though. Its economy shrank 2.5% in the first half of 2019 as the country's manufacturing, construction and agriculture sectors all recorded weak performance.

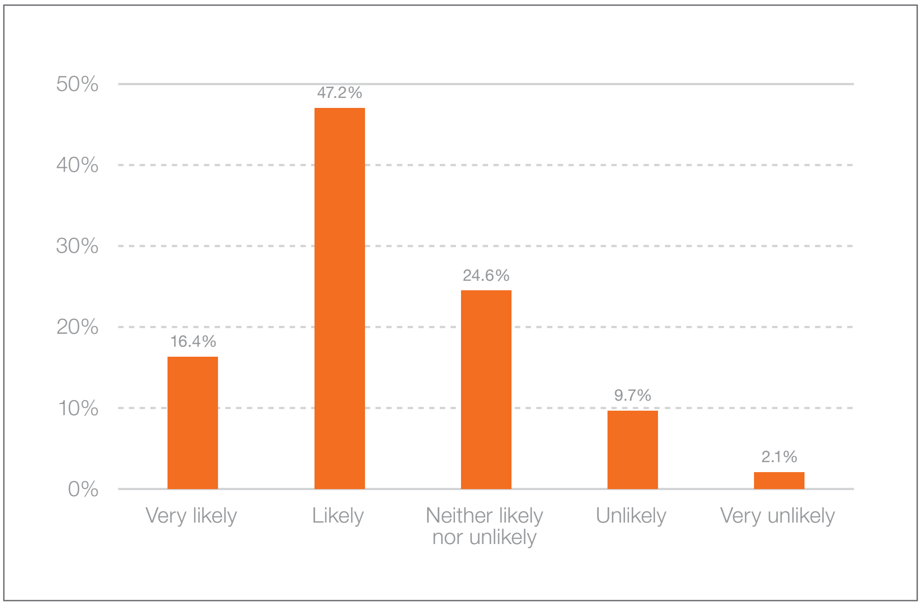
The Agility Emerging Markets Logistics Index 2020 also reveals the highly integrated position of emerging markets in the global economy and the extent to which that integration leaves them vulnerable to changes in macroeconomic trends and policy decisions of global partners. For each market subject to sanction or increased trade barriers, the Index reveals how others find new opportunities for growth.



RECESSION RISK – THE GLOBAL ECONOMY AND EMERGING MARKETS IN 2020

As uneven economic drivers continue into 2020, crucial questions around the future of the global economic growth and emerging markets' role in it remain unanswered.

Combining all responses that predict a recession shows an almost overwhelming 64% of the 780 survey respondents expect global recession in the year ahead. Downward pressure on global trade volumes, uncertain growth prospects and the trade war between the US and China, in addition to the wider move towards protectionism, are behind the pessimistic outlook amongst survey respondents.



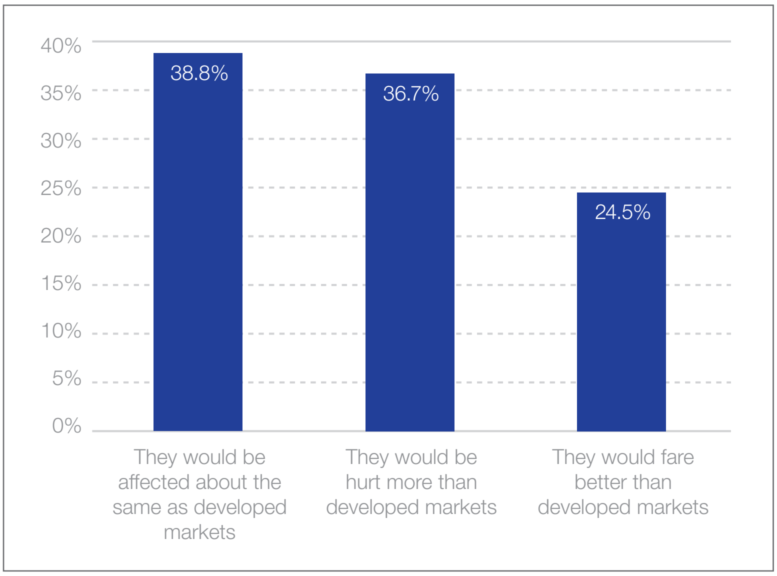
HOW LIKELY IS A GLOBAL RECESSION IN 2020?

Logistics providers have a great deal of factors weighing upon them. They are heavily exposed to the increase of trade barriers and subsequent uncertainty that was rife in 2019. With few of those measures forecasting a significant recovery in 2020 – the World Bank revised down its 2020 global GDP forecast to 3.6%, while the global manufacturing PMI registered negative growth for six consecutive months during 2019, for example – a global recession is clearly a key concern for survey respondents.

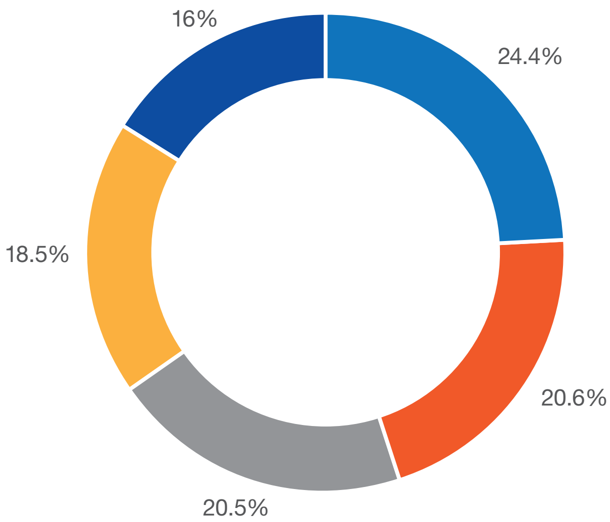
It is important to note that even though the indicators of economic activity for the year ahead forecast slower growth, very few, if any, actually predict a global recession. This suggests that survey respondents' fears may be overly pessimistic. These mixed messages of forecast data and opinion reflect a fundamental uncertainty that may carry on well into the 2020s.

The effect of a global recession on emerging markets is likely to be pronounced, with 76% of survey respondents indicating that emerging markets will be hurt as much or more than developed markets. This generally negative view is likely driven by a lack of dynamism in emerging market economies over the last few years, where growth is robust but well below potential in many markets, such as India. Across all emerging and developing markets, IMF data shows average GDP expansions of 4.2% annually from 2010-2015, with growth averaging just 2.9% in the five years to 2019.

HOW WOULD A RECESSION AFFECT EMERGING MARKETS AS A GROUP?



WHICH REGION WOULD SUFFER THE MOST IN THE EVENT OF A 2020 GLOBAL RECESSION?



Over the last several decades the role of emerging markets in the global economy has changed. Intra-emerging market trade has grown and populations have expanded and become increasingly wealthy. Domestic markets have become more dynamic while investments have improved infrastructure and labour markets have benefitted from enhanced skills. Despite these factors driving global emerging markets forward, however, the progress has been uneven, leaving individual markets vulnerable to the fortunes of the wider global economy.

In Asia Pacific, selected by survey respondents as the emerging market region most at risk from a global recession, economic activity has been decelerating in recent years. While growth in some regional markets remains robust – including key export markets like Vietnam as well as in more nascent manufacturing locations such as Cambodia – export growth has slowed. Despite efforts by regional exporters to diversify economic activity, survey respondents evidently have concerns about the region's ability as a whole to withstand further falls in global demand.

Perhaps more notably, survey respondents' selection of Asia Pacific as the region most at risk from a global recession points to a question over the sustainability of intra-regional trade lanes. During the 2010s, as China has moved through the manufacturing value chain and nearby markets – predominantly those in South East Asia – developed manufacturing capabilities and skills to participate in those supply chains, regional trade boomed. The implication from survey respondents is that regional demand from emerging consumer markets is unlikely to provide sufficient volume to buoy the fortunes of logistics providers heavily exposed to intra-Asia trade.

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The South America and the Middle East & North Africa regions come in 2nd and 3rd place, according to survey respondents. In South America, lower commodity prices, economic challenges, and more recently civil unrest, have weighed on growth in recent years. In the Middle East & North Africa, it appears economic diversification programmes have yet to fully convince survey respondents the region as a whole can withstand global shocks to trade or falling hydrocarbon prices.

OVERALL DYNAMICS

THE TOP 10

1/ China

China maintains its spot at the top of the Agility Emerging Market Logistics Index in 2020, edging away from the other markets as improvements in core strengths across domestic and international logistics opportunities offset some declines in business fundamentals.

The market's significant structural advantages continue to propel its overall attractiveness. The world's second largest economy continues to grow at a high rate, with official data putting 2019 GDP growth at 6.1%. This is partly driven by a large and increasingly wealthy population driving forward a retail market some analysts believe will overtake the US as the world's largest by the end of 2020. E-commerce is the primary driver behind this, as domestic giants Alibaba and JD.com return strong revenue growth and continue expansions into the country's second and third tier cities.

Despite the positives, China faced a volatile mix of challenges in the last 12 months. Its trade war with the US escalated over the course of 2019 and prospects for the year ahead are mixed. Trade with the US fell markedly during 2019, with air and containerised sea volumes between US and China down 10.9% and 11.8% respectively, according to official US data. Other indicators also reveal slowing momentum. Export growth is low, factory output is declining and at 6.1%, GDP growth in 2019 was at its lowest rate since 1990. The Chinese government and its state-owned enterprises have moved to ease liquidity concerns among smaller manufacturers to stem growing unemployment. In some Chinese cities unemployment is at its highest rate since the turn of the millennium.

The direction of US-China trade talks will therefore be keenly observed by many across the global economy. So far, businesses in the export-oriented eastern coastal region have remained resilient, which is a positive sign. It is likely that any improvements in US and China's relationship will quickly translate into positive momentum, although perhaps not in an orderly and linear fashion. Uncertainty may be eased though, by the preliminary deal laid out by China and the US and due to be signed in January 2020. Beijing has committed to increasing imports from the US, enhancing protection of intellectual property, stopping forced technology transfers, relaxing trade restrictions in food and agriculture, and opening up its financial sectors. In return, the US removed China as a "currency manipulator" and suspended tariffs planned for December 2019, as well as halving tariffs imposed back in September from 15% to 7.5%, on $120bn worth of goods.

2/ India

India, unchanged in 2nd overall in the Agility Emerging Markets Logistics Index, is driven in large part by the same structural characteristics as China – namely the size of its domestic and international logistics markets as well as the pace of growth expected over the medium term. In recent years, India has seen robust increases in sales, output and employment in consumer goods manufacturing, partly attributable to the benefits of Goods & Services Tax reforms in recent years elevating efficiency and speed to market. Throughout 2019, however, a slowing economy has drained momentum and GDP growth is at its lowest rate since Prime Minister Narendra Modi took office. Automotive manufacturers have suffered in particular. Sales have fallen as consumer lending has dried up just as new safety and emissions regulations drove prices higher. Passenger vehicle sales were 31% lower in July 2019 year-on-year resulting in 'hundreds of thousands' of job losses, according to CNN. The effects have spread into other sectors, too, with consumer goods manufacturers Unilever and Wipro Consumer Care cutting prices.

Reforms are on the way. September 2019 saw corporation tax rates cut from 30-40% to 22-25% which estimates suggest will create around $20billion of additional investment capital. As part of wider tax reforms to arrest slowing economic growth, new manufacturing ventures established in the country are being offered reduced rates of taxation as India looks to take advantage of fallout from the US-China trade war. Whether or not the reforms go far enough is open to debate. Additional reforms across land and property ownership, the labour market and FDI are also needed to unlock India's full potential and return growth to higher levels.

Asserting re-election as confirmation of his pro-business agenda, Modi has announced bold plans to nearly double India's GDP to $5trillion by 2024. Such an ambitious plan is impossible at current growth rates which the IMF forecasts at 6.1% in 2019 – the lowest level recorded in more than 6 years. **With economists suggesting annual**

GDP growth of 10% is required just to power job creation for the 10million people entering India's labour market each year, the scale of Modi's ambitious transformation plan, and the challenge in meeting it, comes into stark relief.

3/ UAE

The UAE's business environment remains the pillar of strength in 2019 as the country moved even further ahead at the top of the business fundamentals sub-Index ranking. The Emirates added to its open financial sector, transparent regulatory system and corruption protection frameworks in 2019 with progress towards a comprehensive national SME development strategy.

SMEs have been drivers of wider growth in the UAE for the last several years, helping to offset lower hydrocarbon revenues and employing some 86% of the non-oil private sector workforce. However, with SMEs' contribution to economic growth and job creation declining, UAE authorities have announced plans to boost cash flows to SMEs via quicker payments of government invoices, cost reductions and increased capital project allocation. Combined, these initiatives could provide an injection of more than $800million to the sector, while further reforms to promote SME prospects, including increased access to financing as well as a new insolvency framework are planned.

An improved international logistics opportunities sub-Index score saw the UAE rise two places to 9th. As a result, the UAE now features in the top 10 of all three individual sub-Indices for the first time.

With an extra $1.2billion invested into its pharmaceutical sector to drive export growth to high demand areas like Africa and Asia Pacific, as well as higher imports to support construction for Expo2020, the UAE remains the GCC region's dominant sea freight hub. The port and its surrounding free trade zone at Jebel Ali are the region's key gateway for regional and east-west trade.

4/ Indonesia

Indonesia's large domestic market drives its performance in the Index, as its large population helps to create the second biggest domestic express market among the 50 Index countries, second only to China according to Ti data. The market has been lifted by investments from Chinese e-commerce companies, although it remains stifled by creaking infrastructure, inefficiencies and high logistics costs. A growing consumer segment in the country is also advancing demand for contract logistics provision. **The World Bank estimates one fifth of Indonesia's 264million inhabitants can now be categorised as middle-class and retailers are seizing upon this market.**

During 2019, Indonesia's containerised sea forwarding market was somewhat sheltered from the US-China trade dispute and registered a growth rate of 2.5%. Indonesia's wider international logistics market has performed solidly too, primarily as its automotive sector provided a rare bright spot among global declines in vehicle sales thanks to solid demand from the Philippines, Saudi Arabia, Thailand and Vietnam.

Indonesia has sought to establish a position as a global logistics hub. Upon re-election in 2019, President Joko Widodo promised to boost economic growth as well as encourage investment via lower corporate taxes, relaxed labour laws and allowing foreign investors greater ownership of local companies. Significantly for domestic and international logistics operations alike, the package of economic reforms also comes with a promised five-year plan to aggressively spend on infrastructure. Indonesia is set to follow in the path carved out by near-neighbours China, Thailand and Vietnam as it seeks to advance its logistics sector in the 2020s.

5/ Malaysia

Malaysia maintains its 5th overall rank in 2020 as a result of a strong business fundamentals score, a sub-Index in which it ranks 2nd. Malaysia has created an environment that allows domestic and foreign businesses to invest and grow within favourable and robust regulatory frameworks that govern both domestic operations and import-export processes. Alongside this, its domestic and international logistics markets benefit from the presence of advanced and value-added manufacturing and oil & gas sectors.

However, the South East Asian state's economy has been subdued in recent years, with the World Bank revising 2020 growth downwards to 4.5%. Private consumption in the market is a consistent strong point, but global trade uncertainty is weighing on the outlook. The downward revision comes after Malaysia's export volumes fell, with key commodity and export sectors experiencing contractions, according to World Bank data.

Despite leading its South East Asian peers in the business fundamentals sub-Index, Malaysia trails Vietnam, Indonesia and Thailand in international logistics opportunities. Malaysia saw sea freight exports to the US rise 24% in the first eight months of 2019 as a result of the trade war, but its wider sea freight market remains small by comparison with its neighbours which each have a sea freight market around three times larger.

6/ Saudi Arabia

Saudi Arabia's 6th overall ranking is primarily a result of notable improvement in its business fundamentals, with improvements over the last 12 months that stand out even against regional peers. **The root of the Kingdom's gains are the transformative plans that comprise Vision 2030, a nationwide economic strategy that aims to open and diversify the domestic economy and integrate it more closely with the global market.**

Vision 2030's aim to reduce Saudi Arabia's economic dependence on oil has become quite apparent in 2019 as World Bank forecasts show annual GDP growth slowing to just 0.8% for the year. This is primarily a result of agreed upon oil production cuts, but also reflects the ongoing lack of diversity in the domestic economy. Meaningful progress is needed to grow the non-oil economy by the targeted ten-fold increase over the next decade.

The challenges are vast. Despite pending changes to FDI regulation – including the decision to allow foreign investors to own 100% of business in formerly blacklisted sectors such as warehousing – Saudi Arabia remains a restrictive, if now less prohibitive, market for foreign investors to operate logistics assets and businesses domestically. The lack of competition has led to under-developed logistics operations and services.

The transformation process so far has helped to create opportunities for domestic and foreign investors and, assuming progress is maintained, the Kingdom's potential as a logistics hub for regional operations will continue to develop. Alongside previously announced plans to increase the capacity and efficiency of Saudi Arabia's sea ports, through which more than 90% of the country's trade is transported, Vision 2030 is also spurring the development of free trade zones. **The zones at Riyadh's King Khalid International Airport and King Abdullah Economic City (KAEC) in particular have the potential to allow Saudi Arabia to compete with Jebel Ali. This would not only be as an import gateway for goods destined for the Kingdom but also as a key transhipment and light manufacturing hub for the GCC and the wider region.** Development of the free trade zones has been allied with reform in the Kingdom's customs regime, with clearing time at key gateways for certain goods reduced to hours or days rather than weeks in some cases. This progress has played a central role in Saudi Arabia's rise of two positions in the business fundamentals sub-Index.

Agility's Take

Saudi Arabia: Now the Hard Part

Agility

Saudi Arabia, ranked 5th in the 2020 Agility Emerging Markets Logistics Index, made strides in domestic logistics opportunities and improved business conditions.

The country is in the midst of what might be the most ambitious economic makeover in the world as part of its Vision 2030 drive. As part of that effort, Saudi Arabia has spent more than $100billion on infrastructure and related projects intended to position it as a global logistics hub at the crossroads of Asia, Europe and emerging Africa.

Saudi Arabia's sweeping transformation is yielding results for shippers and others in the supply chain. In just a short time, the country has:

- Cut customs clearance times to 24 hours, down from 7-10 days
- Cut maritime dwell times from 14 days to 4 days
- Reduced handling feeds for empty containers by 54%
- Boosted to 55% the percentage of cargo declarations submitted prior to arrival.

Saudi Arabia soared 30 places to No. 62 of 190 countries in the World Bank's Doing Business 2020 study.

That's the good news. The bad news is that Saudi Arabia is still 86th in the world when it comes to the time and cost associated with cross-border trade.

Continued on following page

Agility's Take

Saudi Arabia: Now the Hard Part *(continued)*

Agility

Our view is that Saudi Arabia's hard-won gains will be tough to build on without three things:

1. **A single supply chain and logistics regulator** with the legal and administrative authority to impact change across all government agencies.

   A sole authority would eliminate confusion, duplication of effort and cost; adds transparency, brings accountability and cuts down on corruption. It would act as an honest broker and single source of truth for the private sector, in addition to freeing government ministries to focus on national-level policy rather than day to day customs and trade administration.

2. Digitisation of all supply chain, business and logistics processes across **a common technology platform** to dramatically improve capacity to manage change through the supply chain and its extended network of public and private stakeholders.

   Like other countries, Saudi Arabia has online platforms and single windows. They need to be integrated to be able to allow the public and private sector stakeholders to conduct, process and administer transactions from end to end, 100% online. In addition, it must be small business-friendly. If small businesses and startups can't use it, it is not working.

3. Pay **special attention to land-use policy and administration.** This is an area plagued by regulatory ambiguity and uncertainty. It leads to confusion and loss of confidence among investors.

   Land policy related to logistics should be the purview of a single regulatory entity with the ability to manage a land bank and make strategic, merit-based decisions about the development of large parcels close to major ports so that all of connective tissue of trade is joined: state-of-the-art logistics parks, transit hubs, intermodal centres, distribution facilities, dry ports, and special economic zones.

   Smart land policy also requires careful planning and allocation of space at key entry/exit nodes of major municipalities for truck checkpoints and yards, and safe loading and unloading between large trucks and smaller ones.

   Finally, we need better incentives, clearer rules and a more liquid property market, especially when it comes to transformation of agricultural land to logistics/industrial use.

7/ Qatar

Moving up one position to 7th, Qatar is benefitting from its successful navigation of the trade blockade formed by Saudi Arabia, the UAE, Bahrain and Egypt. It replaced most of the goods sourced from neighbouring markets with substitutes imported directly from other trading partners including Turkey and Europe. Indeed, the net effects may have been positive with evidence to suggest domestic demand was stimulated by increased demand for the wider variety of higher quality products. Coupled with heavy infrastructure investments in preparation for the FIFA World Cup 2020 and in support of the National Vision 2030 strategy, the domestic contract logistics market is set for continued growth.

Qatar's real advantages lie in its business environment, a common trait of Middle Eastern emerging markets. The market is 4th in the 2020 business fundamentals ranking, slipping one place from last year, but with an improving score. Its gains were based on a stable financial environment as regulatory frameworks were strengthened. Its drop in the rankings, though, does demonstrate a failure to keep pace with another GCC market, Saudi Arabia. Qatar's position demonstrates both the rate of change in the Kingdom's business environment and the openness with which the region's markets approach global trade.

8/ Mexico

Mexico's individual sub-Index scores showed variation year-on-year, but combined to leave the North American market's overall score unchanged. The status quo perhaps points to unfulfilled potential, with markets of similar rank in the Index progressing more quickly to push Mexico down one position to 8th overall.

It has been a challenging year for the country, which narrowly avoided recession and implemented a $25.5billion stimulus package to drive growth in key sectors. There were, however, mixed reactions to the stimulus package with ratings agency Moody's voicing concerns over its capacity to have an immediate impact. Mexico faces a number of challenges. Government debt is close to record highs, meaning room to provide additional spending is limited. Even though domestic manufacturing showed positive signs in the first half of 2019, weak consumption and economic deceleration have restricted sales.

A contributing factor to the slowdown were the extensive delays for road freight across the US-Mexico border, a result of the Trump administration's decision to remove around 750 border agents from customs duty and reassign them to immigration posts. The border delays, which bottlenecked the flow of volumes for logistics providers, coupled with low sales led to the unplanned rise of finished goods inventory and strained relationships between businesses and 3PLs. According to the New York Times, Mexican trucking industry officials and other business leaders have reported millions of dollars per day in lost commerce and extra costs associated with the delays. Mexican businesses have in some cases been forced to slow or halt production, leading to corporate and labour leaders warning that if delays persist, the result could be the cancellation of contracts and widespread layoffs. The delays, combined with Mexico's ongoing rule of law challenges, combined to erode its business fundamentals ranking, and ultimately result in its slip down the overall Index.

9/ Thailand

Thailand boldly enters the top 10 of the Index for the first time, rising two spots this year. **Growth in the domestic logistics opportunities sub-Index is driven by relatively high express and contract logistics market growth, showing a healthy degree of resilience to regional trade uncertainty. In fact, both Thailand's contract logistics and domestic express markets are close to double the size of Vietnam's, the market displaced by Thailand's move up the rankings.**

ASEAN's second largest economy has seen strong growth in recent years, with GDP increasing by $100billion since 2015. Steadily rising incomes in the country and a rapidly urbanising population have further spurred demand for consumer goods and e-commerce expansion is solid. The Thai population is one of the most connected in the region, with 57million online, helping to drive demand for fulfilment and last mile services. Moreover, recent investments from global automotive manufacturers including BMW, Honda, Nissan and Toyota have powered growth in an air freight market that was already one of the largest in the region.

10/ Turkey

Rounding out the top 10 in the Agility Emerging Markets Logistics Index 2020 is Turkey, down one position from last year.

Turkey seemingly finds itself in a period of transition as it diverges from the United States, a long-time ally, amid souring relations and inches closer to Russia for military and political support, particularly in reaction to conflicts across the Syrian border. Its economy has faced challenges too – a currency crisis in 2018 saw the lira lose close to one third of its value against the US dollar. This was followed by three consecutive quarters of recession ending in September 2019, albeit with only a moderate 0.9% expansion.

The government's forecast of 5% GDP expansion in 2020 is ambitious and hinges on confidence returning not only to consumer markets, but to business spending as well. Significant, too, is the underperformance of the domestic construction sector which has provided the basis of economic growth in recent years, but which contracted by 7.8% even as the economy returned to growth, official data shows.

Turkey's international logistics opportunities sub-Index rank remains its strongest, although it does slip two places to 8th in the sub-Index ranking. With 60 countries and 120 destinations within three-hours of Turkey's major manufacturing hub and population centre of Istanbul, the market has meaningful potential for rapid improvements.

Domestic Logistics Opportunities

Rank	Domestic Logistics Index	Score	YoY Change
1	China	8.87	-
2	India	8.05	-
3	Indonesia	6.33	-
4	UAE	5.57	1
5	Brazil	5.49	-1
6	Saudi Arabia	5.44	3
7	Qatar	5.39	-1
8	Mexico	5.36	-1
9	Malaysia	5.30	1
10	Turkey	5.17	-2
11	Russia	5.17	1
12	Kuwait	5.13	1
13	Egypt	5.09	6
14	Thailand	5.09	6
15	Pakistan	5.09	-4
16	Nigeria	5.05	9
17	Bahrain	5.01	-3
18	Oman	4.98	-1
19	Philippines	4.98	-4
20	Bangladesh	4.95	-2
21	Vietnam	4.94	1
22	Argentina	4.93	-6
23	Algeria	4.92	1
24	Jordan	4.91	-1
25	Lebanon	4.89	-4
26	Chile	4.86	1
27	Iran	4.85	-1
28	Uruguay	4.82	-
29	Ukraine	4.79	1
30	Kazakhstan	4.73	-1
31	Peru	4.72	1
32	Colombia	4.71	-1
33	South Africa	4.64	-
34	Tunisia	4.62	4
35	Morocco	4.62	-1
36	Tanzania	4.61	1
37	Kenya	4.59	5
38	Ghana	4.57	-3
39	Sri Lanka	4.52	-
40	Ecuador	4.51	1
41	Ethiopia	4.50	-5
42	Libya	4.45	2
43	Angola	4.42	3
44	Bolivia	4.41	3
45	Uganda	4.37	-
46	Paraguay	4.37	3
47	Venezuela	4.37	-7
48	Myanmar	4.35	-
49	Cambodia	4.35	-6
50	Mozambique	4.17	-

There is a noteworthy degree of change in the domestic logistics opportunity ranking in 2020. No fewer than 18 emerging logistics markets move at least three ranking positions compared with last year's results based on performance against measures from size and growth of their domestic logistics markets to income equality, urbanisation and the development of business clusters. At the top of the sub-Index, Saudi Arabia rises three spots to 6th, consolidating its position in the top 10. A resurgent Nigeria climbed into the top 20 after a rise of nine positions saw its rank improve to 16th. Egypt and Thailand both leapt six spots to 13th and 14th respectively. Kenya also saw impressive ranking development as it rose five positions to 37th. There were also significant falls – Venezuela's internal difficulties saw its tumble down the rankings continue with a seven position fall to 47th, while Argentina fell six spots to 22nd, and Cambodia also dropped six to 49th.

As with the overall Index, China and India lead the domestic logistics opportunities sub-Index. It is in this sub-Index where China and India's structural advantages pay greatest dividends, with globally significant economies and vast populations supported by large domestic contract logistics and express parcels markets. Indonesia, again in 3rd position in 2020, benefits from similar advantages, although its 264million inhabitants and domestic logistics markets are somewhat smaller in comparison.

Climbing through the domestic logistics opportunities sub-Index are two GCC states, UAE and Saudi Arabia. UAE's rise has been driven by a boost to its e-commerce market, forecast to expand at a CAGR of 19.1% in the five years to 2023, while in Saudi Arabia, the benefits of the Kingdom's Vision 2030 strategy are improving prospects and performance. Growth in the construction and tourism sectors as a result of projects established by the Vision 2030 strategy increased demand for domestic logistics services. Going forward, Saudi authorities aim to substantially strengthen the country's domestic market through improvements in its labour force as jobs are created in new industry sectors. Meanwhile, authorities have been relaxing rules on foreign ownership of ventures to encourage investment. Logistics is one target sector of these rules, creating critical space for investment and expansion as domestic manufacturing capabilities are also broadened.

Outside of the top 10, there is much greater year-on-year volatility. Pakistan, Jordan and Lebanon all fall this year, in part as a result of nearby conflicts that have

created spill overs, political unrest and an unfavourable logistics and investment environment. Pakistan's four position fall to 15th comes as a result of critical gaps in infrastructure and a lack of coherent policy hindering the market's development. Pakistan ranks 122nd of 160 countries covered in the World Bank's 2018 Logistics Performance Index, significantly behind neighbour India, for example, which ranks 44th. This underperformance will be partially addressed through the China-Pakistan Economic Corridor (CPEC) project, which will see funding of $6.1billion invested to transform Pakistan's existing road infrastructure, while $3.7billion will support railway development. This will need to be complimented with updated policy frameworks and long-term strategy from central government aimed at unlocking the logistics sector's full potential. In Lebanon – also down four positions to 25th – protests sparked by proposed tax reforms revealed wider structural issues, bringing much of the its economy to a standstill. The resignation of Prime Minister Saad Hariri in October 2019 came amid job losses which have mounted, salary cuts which are increasing and a bank-imposed cap on withdrawals. With national debt at around 150% of GDP and a currency that markedly declined in value during 2019, Lebanon's short-term prospects appear limited. Jordan drops one position to 24th. Despite a hopeful 2.2% economic growth forecast from the IMF, a high unemployment rate of 19% and spill over from conflicts in neighbouring countries have combined to erode short-term potential.

Egypt and Nigeria have made significant progress as a result of economic growth, infrastructure upgrades and improved domestic demand. **In Egypt, which saw its rankings in each of the three sub-Indices rise, GDP growth is expected to quicken to 5.5% in 2019. Strong performance from the energy, retail and construction sectors are leading the growth, with underlying reforms that followed a $12billion IMF loan in 2016 helping to improve private sector cash flows and stabilise fuel costs.** Forecast growth in Egypt's contract logistics and domestic express markets are relatively low, highlighting the potential for further gains in the coming years.

Nigeria rose nine positions to rank 16th as its oil sector recorded its strongest performance in three years to power a 6.5% expansion as the country's manufacturing PMI reached a one-year high in Q3 2019 to indicate improving private sector growth. This bodes well for the country which had struggled for momentum as low oil prices and weak non-oil growth weighed down economic activity.

There are less positive trajectories, however. Argentina and Iran, for instance, have fallen as a result of domestic economic slumps. Despite high levels of optimism that greeted the pro-business agenda of the Marci administration in Argentina, the country is returning to Peronist rule against the backdrop of GDP contractions, a currency that has lost 25% of its value and runaway inflation – a result of the failure to implement much needed reforms. The economic challenges have squeezed the population's spending power and led capital controls, contributing to a domestic logistics opportunities sub-Index fall of six places to 22nd. **South America's second largest economy is home to contract logistics and express markets that remain small in comparison to similarly sized economies, and with political and economic uncertainty only likely to increase in early 2020, logistics providers in the market face continued challenges.**

Iran, meanwhile, found itself the subject of US sanctions that have isolated it from many growth opportunities. As a result, its once promising contract logistics sector is shrinking, according to Ti data, with a consequent slide down the sub-Index to 27th.

Agility's Take
Nigeria: Fresh Momentum

Nigeria surged up the rankings in the 2020 Agility Emerging Markets Logistics Index. Rising energy prices have helped – oil accounts for 97% of Nigerian exports. GDP growth is expected to be a modest 2.2% for 2020.

Four years removed from a painful recession, Nigeria is in the midst of a number of needle-moving economic developments. Among them improvements in the electricity grid and changes in the way users pay for power; the Lagos-Ibadan railway project; the deep seaport at Lekki near the Lagos Free Trade Zone; opening of four new airport terminals; tollgates along major highways; new rules for cashless payments and banking.

The Dangote Refinery, the largest in the world at 650,000 barrels per day, likely to open in 2022, will eliminate much of the costly dependence on imported fuel and have a significant impact on the country's economics.

Outside of the energy sector, investors in Nigeria are focused mainly on Lagos and surrounding regions. Of the 200million Nigerian population, 70million live in this region, where there is skilled labor, a burgeoning consuming class and relatively efficient delivery of government services, thanks to collection of taxes. The government is raising the VAT from 5% to 7.5% in an effort to generate more revenue from non-oil sources.

Remittances from the huge Nigerian diaspora could amount to as much as $40billion a year, but the diaspora is also providing western know-how, technology and seed capital to startups. Nigeria's core industries such as petroleum, manufacturing and agriculture need ideas and capital to become more efficient.

Nigeria is taking steps to improve conditions for business, strengthen rule of law, manage debt and enhance productivity. It has a budding fintech industry and has attracted major investments from Samsung Heavy Industries and some others. Talent City, a charter city intended to attract technology and tech jobs, is being established in a free trade zone.

International Logistics Opportunities

Rank	International Logistics Index	Score	YoY Change
1	China	9.75	-
2	India	7.54	-
3	Mexico	6.33	-
4	Vietnam	6.17	-
5	Indonesia	6.03	-
6	Thailand	5.90	1
7	Malaysia	5.83	1
8	Turkey	5.80	-2
9	UAE	5.75	2
10	Russia	5.75	-
11	Brazil	5.72	-2
12	Saudi Arabia	5.53	-
13	Philippines	5.22	1
14	Chile	5.21	-1
15	Peru	5.12	-
16	Colombia	5.11	-
17	South Africa	4.96	1
18	Morocco	4.95	1
19	Oman	4.87	2
20	Qatar	4.85	-
21	Ukraine	4.81	-4
22	Jordan	4.70	-
23	Egypt	4.69	5
24	Kazakhstan	4.68	2
25	Sri Lanka	4.68	-
26	Argentina	4.67	-3
27	Bahrain	4.66	-3
28	Lebanon	4.62	-1
29	Kuwait	4.61	1
30	Pakistan	4.58	10
31	Ecuador	4.57	-
32	Kenya	4.56	-3
33	Cambodia	4.46	3
34	Myanmar	4.45	1
35	Tunisia	4.44	2
36	Bolivia	4.41	-3
37	Uruguay	4.39	-3
38	Ethiopia	4.38	6
39	Bangladesh	4.38	2
40	Libya	4.34	2
41	Uganda	4.33	-2
42	Mozambique	4.33	-4
43	Paraguay	4.33	-11
44	Angola	4.31	2
45	Nigeria	4.30	-
46	Ghana	4.30	-3
47	Algeria	4.24	-
48	Iran	4.11	1
49	Tanzania	4.08	-1
50	Venezuela	3.86	-

The international logistics opportunities sub-Index displays a degree of continuity year-on-year as the top five ranked markets remain unchanged. The five markets are each highly exposed to international trade, with China's wide lead at the top of the sub-Index a result of its decades long development as a manufacturing and logistics hub supporting global supply chains. Indeed, despite fallout and volume loss due to its trade war with the US, China's score in fact increased in 2020. Vietnam and Indonesia also saw their international logistics opportunities sub-Index scores improve, with gains made via a combination of volumes won as manufacturers switched production locations from China, as well as moderate increases in domestic demand.

Elsewhere in the top 10, two other South East Asian markets – Thailand and Malaysia – rose as a result of infrastructure investment programmes. In Thailand, the Eastern Economic Corridor is developing sea and airport connectivity, as well as highway infrastructure to improve export efficiency and build volumes, whereas in Malaysia, infrastructure projects are helping to fuel a rapid rise in exports of electronic devices, which have risen as US tariffs depressed Chinese export volumes.

Mexico maintained its 3rd ranking in the international logistics opportunities sub-Index amid uncertainty in the relationship with its largest trading partner, the United States. More than 12 months after being signed, the NAFTA-replacing USMCA trade deal sought by the Trump administration remains unratified. Mexico has maintained its position through a series of infrastructure projects totalling a value over $400billion, aimed to be finalised by 2024. It is the world's 15th largest exporter and has seen its production capacities strengthen in recent years as it diversifies away from oil, increasing value-added manufacturing exports and more closely integrating with regional and global value chains. However, economic malaise has set in and the government introduced a $25.5billion stimulus package in mid-2019, leading to concern over the sustainability of further public spending initiatives.

The most rapid rise in this year's international logistics opportunities sub-Index sees Pakistan leap 10 places higher to rank 30th. **Pakistan's newly developing trade relationship with China plays a fundamental role in this. Trade between the two has expanded an average of nearly 20% in each of the last five years, while as part of its wider Belt & Road Initiative (BRI), China has invested $19billion and completed 11 infrastructure projects with more on the horizon as**

Vietnam and Indonesia also saw their international logistics opportunities sub-Index scores improve, with gains made via a combination of volumes won as manufacturers switched production locations from China, as well as moderate increases in domestic demand.

the China-Pakistan Economic Corridor takes shape. Pakistan is a popular investment destination for others as well, with total foreign direct investment surging 200% in the first half of 2019, according to Abdul Hafeez Shaikh, financial adviser to the Pakistani prime minister. Maintaining the growth will be a challenge, requiring both operational and efficiency gains. That 90% sea freight imports are currently routed through just two ports at Karachi and Qasim, while the poor state of the domestic road network adds time to export operations, goes some way to explaining the need for rapid improvements. Further investment is required to support funding for much needed infrastructure projects, but as questions are raised with growing frequency over the sustainability of Chinese BRI loans, Pakistan may need to look more widely for investment partners.

More subdued performance comes from Sub-Saharan Africa's markets, with six ranking amongst the bottom 10 for international logistics opportunities. **Ethiopia ranks more highly in 38th and provides a bright spot in the region. Its transformation into a low-cost manufacturing hub serving export markets in Europe and Asia has become an increasingly important contributor to GDP growth, with the IMF forecasting expansion to average 7.1% each year to 2023. The growth has also provided impetus to open its market to foreign investment and relax rules on privatisation in order to encourage competition.** The logistics sector has benefitted with reduced restrictions on foreign investment in packaging, forwarding and shipping agency services introduced to encourage growth in the sector. Reforms including reducing import tariffs and further incentives for international investment have also generated growth.

As US sanctions take full hold, Iran ranks 48th in the international logistics opportunity sub-Index. The IMF forecasts a GDP contraction of 9.5% in 2019, a downward revision of a previous -6% estimate. With subdued economic activity, an increasingly isolated Iran is grappling with high unemployment and inflation leading to protests in Tehran after a hike in gas prices. With sanctions curtailing oil exports, Iran is unable to take advantages of its reserves, the fourth largest in the world, and is deprived of a key pillar of growth. With any company trading with or operating in Iran also unable to do business in the US, trading options in Iran's private sector are also severely limited. Opportunities over the medium term also appear challenging – little evidence points to an easing of tensions between the US and Iran. Indeed, further escalation seems far more likely.

Business Fundamentals

Rank	Business Fundamentals Index	Score	YoY Change
1	UAE	9.33	-
2	Malaysia	8.23	-
3	Saudi Arabia	8.17	2
4	Qatar	8.11	-1
5	Bahrain	7.51	3
6	Chile	7.40	-
7	Oman	7.29	-3
8	China	7.17	-1
9	Jordan	6.69	4
10	Morocco	6.69	-1
11	Kazakhstan	6.39	5
12	Kuwait	6.06	-1
13	Uruguay	5.98	-1
14	Thailand	5.97	1
15	Indonesia	5.95	-1
16	Turkey	5.77	2
17	Egypt	5.74	10
18	India	5.70	-8
19	Russia	5.45	-2
20	Vietnam	5.37	-
21	South Africa	5.16	3
22	Tanzania	5.13	3
23	Kenya	4.94	-2
24	Mexico	4.91	-1
25	Tunisia	4.87	-3
26	Algeria	4.81	2
27	Ukraine	4.64	10
28	Colombia	4.49	3
29	Sri Lanka	4.49	3
30	Philippines	4.47	4
31	Peru	4.47	-2
32	Ghana	4.47	-13
33	Ecuador	4.46	-3
34	Uganda	4.40	9
35	Pakistan	4.34	-2
36	Cambodia	4.19	4
37	Lebanon	4.14	-2
38	Iran	4.01	-12
39	Nigeria	3.99	5
40	Argentina	3.86	1
41	Brazil	3.68	-2
42	Paraguay	3.63	-6
43	Bangladesh	3.54	2
44	Bolivia	3.48	-2
45	Ethiopia	3.38	-7
46	Mozambique	2.15	-
47	Angola	2.04	2
48	Myanmar	1.64	-
49	Libya	1.45	-2
50	Venezuela	0.09	-

UAE maintains its top position in the business fundamentals sub-Index as it added strength to its business environment with a better regulatory situation, particularly in terms of access to public spending budgets for SMEs. As SMEs contributed less to GDP and created fewer jobs, UAE authorities announced plans to raise cash flows to SMEs via quicker payments of government invoices, cost reductions and increased capital project allocation. These initiatives would provide an increase of more than $800million to the sector. In addition, steps to increase SME access to financing are planned, as is a new insolvency framework.

The Middle East once again features heavily at the top of the rankings. While Qatar dropped one place its score improved markedly – rather than being an indication of poor performance, Qatar's slip was a result of rapid gains in another GCC market, Saudi Arabia. The Kingdom is continuing reforms across its economy, opening formerly restricted sectors of its market to increased levels of foreign ownership and investment as well as providing stimulus for private sector job creation. It gained two positions in this year's business fundamentals sub-Index to rank 3rd. While remaining a top 10 market in the business fundamentals sub-Index, Oman fell three positions to 7th as regulatory frameworks and judicial oversight of the private sector weakened during 2019.

Rising five positions to 11th, Kazakhstan is displaying noteworthy progress in its relationships with surrounding Central Asian countries in recent years. The country has benefitted from its key position on the Belt & Road Initiative and has seen extensive infrastructure investment, including at the strategic dry port of Khorgos. Economic diversification programmes have also been at the centre of its movement upwards in the business fundamentals sub-Index. **Kazakhstan has introduced comprehensive support programmes to aid the foreign operations of its national business, created frameworks to encourage and govern economic and trade relationships with foreign countries, while also targeting increased FDI with strategic partners Germany, Japan and the US. The unifying link behind the programme has been to realise its potential as a logistics and transportation hub.**

India's fall in the business fundamentals sub-Index highlights the unevenness of policy across the country's regulatory system. Sliding eight places to 18th, the market has yet to fully recover from demonetisation, while also still undertaking reforms to formalise economic activity.

Its ambitious economic targets, which include growing GDP from $2.9trillion to $5trillion by 2024, necessitate marked improvements across the business environment. The steps taken to incentivise new ventures, particularly those with foreign partners, that saw tax breaks offered to investors is a promising start, as are corporation tax cuts, which should boost profitability and job creation. Regulation covering land and property ownership, however, are in need of improvement, as is FDI governance. Considering ambitions at the scale of India's, coherent and conducive business regulation is vital.

The Kingdom is continuing reforms across its economy, opening formerly restricted sectors of its market to increased levels of foreign ownership and investment as well as providing stimulus for private sector job creation.

There was mixed performance across Sub-Saharan Africa's emerging logistics markets, with some notable positive and negative performances in the business fundamental sub-Index. Ghana's economic expansion – forecast to rise to 7.5% in 2019 from 6.3% in 2018 by the IMF – masks some challenging realities which saw its rank in each sub-Index fall and combine for a loss of seven positions in the overall Index, where it ranked 39th. The country's economy remains heavily concentrated on the natural resources and commodities sectors, limiting job creation and leaving Ghana susceptible to commodity cycles. Around 40% of the country's labour force are employed in the non-wage agriculture sector or in the low productivity and informal urban services sector, contributing to a 13 ranking position fall in the business fundamentals sub-Index. There are opportunities to overcome the challenges through development of domestic agribusiness, chemicals, textiles and processed raw materials sectors, as well as in investments in skills and infrastructure, according to the World Bank. Ghana is also taking steps towards regional integration with plans to join the West African Economic and Monetary Union (UEMOA). This will see it adopt the eco, a new currency the bloc's eight member states intend to have in place by the end of 2020. Ghana hopes the shift towards regional integration will remove trade and monetary policy barriers.

With expected GDP growth of 5.5-6% in 2019, Uganda is also making progress. Its overall rank of 42nd is three positions higher than last year. Steady inflation rates which have contributed to a 4.9% rise in domestic consumption and a rise of 45.4% in FDI inflows to $1.7billion, according to government figures, have also helped propel its business fundamentals ranking nine spots higher to 34th. There are hurdles to overcome, however. At the expected level, economic expansion is set to come in below both forecasts and 2018, primarily as a result of manufacturing export activity which, excluding gold, is down some 12.7% in the 12 months to October 2019.

Angola – expected to see GDP contract 3.3% and 1.9% in 2019 and 2020 respectively according to the EIU – rises in all sub-Indices, including a two position jump in business fundamentals, and three positions to 46th in the overall Index. The performance demonstrates the efforts made by President João Lourenço to increase tax revenues, reduce public spending and comply with IMF targets, but also measures to tackle corruption and improve investment opportunities in the oil sector.

Agility's Take

Egypt's Long, Painful Road Back

Egypt has engineered one of the most remarkable turns of economic fortune in recent memory. It jumped six places to 20th in the 2020 Agility Emerging Markets Logistics Index, improving in all categories but most notably in business conditions, where it leaped up 10 spots to 17th.

Egyptian GDP is forecast to grow 6% in 2020. Egypt has $96billion in mega-projects and infrastructure work underway and another $240billion in planning or pre-planning execution. Expansion of the Suez Canal, the Greater Cairo Monorail, the New Cairo development and construction of satellite cities near Cairo are among the showcase projects. Much of the current work involves power projects and road construction associated with mega-projects.

Egypt's turnaround began in late 2016 with the government's decision to allow depreciation of the pound, cut subsidies and reduce public spending. The austerity moves hurt Egyptian consumers and workers but won the confidence of the International Monetary Fund. Since then, structural reforms and an improved business environment have revived consumption and private-sector investment. The annual inflation rate, which hit 33% in 2017, touched a nine-year low of 3.5% in October.

The government has relaxed restrictions on imports. The country's competitive labour cost structure has multi-national consumer goods companies looking at Egypt as a hub for African and regional exports.

The government was caught off guard by short-lived street protests in 2019. The cost of living remains high, along with unemployment. Critics contend that focus on infrastructure has led to "jobless growth" because construction and related jobs tend to be temporary or, in some case, part of the informal, off-the-books economy.

Even so, there are signs that the old ways are changing. In the past, Egypt's government was almost exclusively focused on the needs of large, politically connected businesses. Today, a new generation of startups and entrepreneurs is taking advantage of targeted incentives and the government's professed desire to help small and medium-sized businesses thrive.

New knowledge-based companies and service providers are starting to flourish. One is ExpandCart, an e-commerce enablement startup that Agility has invested in. ExpandCart helps sellers in the Arab world build online stores and market their goods. E-commerce online commerce in the Middle East is expected to enjoy double-digit growth for the next few years, driving demand for new digital platforms that are built specifically for .Arabic or dual English-Arabic functionality.

THE AGILITY EMERGING MARKETS LOGISTICS INDEX SURVEY

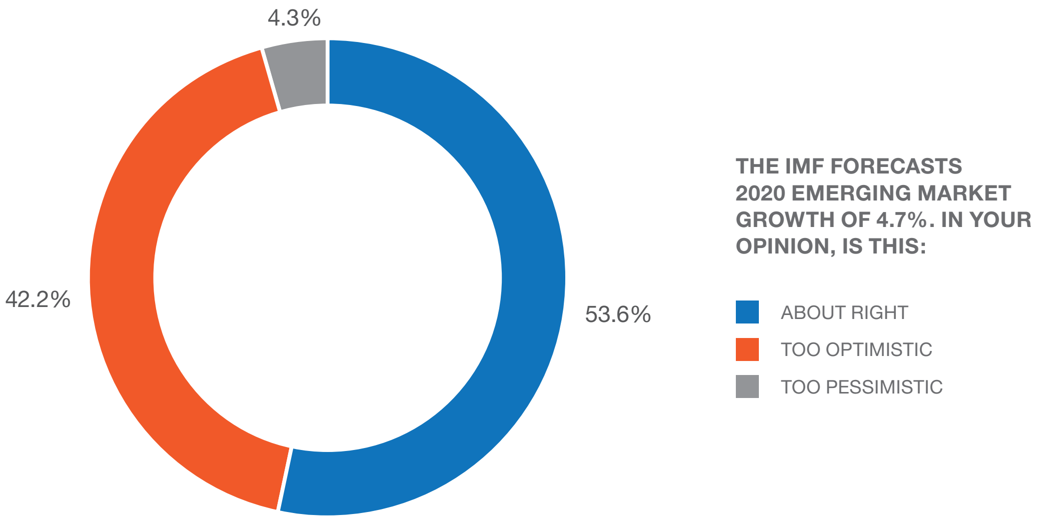
Between October and December 2019, Transport Intelligence surveyed 780 logistics industry professionals to gather their opinions on the prospects and challenges facing emerging markets in the year ahead.

Emerging markets are major contributors to global supply chains, but they currently face a new set of challenges from restrictive trade policies to rapid population growth and considerable apprehension over the direction of the global economy in 2020.

The 2020 Agility Emerging Markets Logistics Index Survey contains the most up-to-date insights from logistics industry leaders across the globe. This year's findings serve as bold assertions of the opinions respondents hold on the future of trade. Respondents offer insight into the scale of potential impacts and headwinds being created by uncertainty coming from all angles, but also restate faith that global emerging markets will continue to show deep resilience and offer opportunities to domestic populations and international investors alike.

Nearly two thirds of those surveyed also expect a global recession in 2020, with 38.8% expecting emerging markets to be affected to the same extent as developed markets. This highlights the intensity and character of uncertainty currently gripping the global economy.

DEGLOBALISATION & TRADE BARRIERS: THE FUTURE OF EMERGING MARKET GROWTH

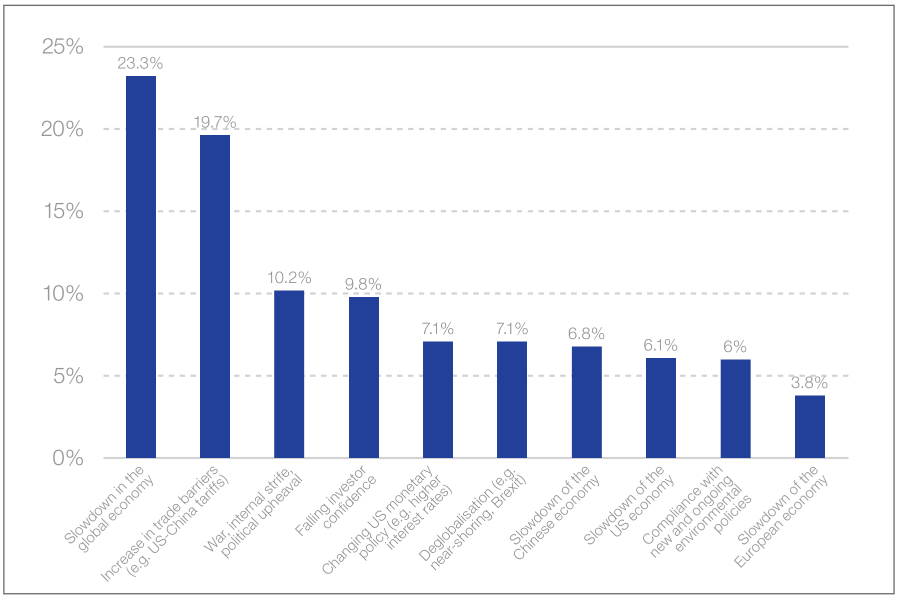


Respondents rate the IMF's prediction of 4.7% emerging market growth in 2020 as broadly accurate, but with only 4.3% of those surveyed arguing the forecast underplayed emerging markets' potential, the upper limits of expectation are clearly set.

The result, though, paints a picture of distinct uncertainty. **Nearly two thirds of those surveyed also expect a global recession in 2020, with 38.8% expecting emerging markets to be affected to the same extent as developed markets. This highlights the intensity and character of uncertainty currently gripping the global economy.**

It is understandable that in such an unpredictable policy environment survey respondents would produce seemingly conflicting responses. While that may be the case on the surface, the survey as a whole reveals a clear and unambiguous message – **confidence in emerging markets has disappeared and has been replaced by uncertainty. The bullishness that has characterised much of the last decade has now been replaced by uncertainty as trade barriers and protectionism rise.**

WHICH OF THE FOLLOWING WILL HAVE THE MOST NEGATIVE EFFECT ON EMERGING MARKET GROWTH OVER THE NEXT 5 YEARS?



The selection of "slowdown in the global economy" as the key driver of negative emerging market growth illustrates both how significantly integrated into the global economy emerging markets have become, and shows that as a group they have been unable to decouple themselves from economic trends and demand in developed market trading partners.

It is certainly true to say that emerging markets have become more than commodity exporters, with domestic markets and value-added manufacturing capabilities playing an increasingly important role in their economies. However, the response to the survey suggests that the transition is not yet complete. It is an uneven process, relying as much on skills in local workforces, access to capital, productivity gains and robust regulatory frameworks as it does on manufacturing capacity. **As such, the suggestion from survey respondents is that a slowing global economy will have ripple effects throughout emerging markets – demand for finished goods will fall, as will demand for components and raw materials used to manufacture them. While emerging markets with stronger and more sustainable domestic consumer markets or diversified economies may fare better, the clear implication is that all emerging markets are vulnerable to some extent.**

A more positive note can be found, however, in the weaker sentiment behind the effect of a slowdown in either the US or Chinese economies. In 2015, weaker growth in China resulted in falling commodity prices globally, the effects of which are arguably still present in South America. Changes in US monetary policy, meanwhile, has made dollar-denominated debt held by emerging markets more expensive, limiting public spending and investment in infrastructure in Turkey and several South East Asian markets, for example. It appears emerging markets as a collective are somewhat more resilient to slowing growth in the world's two major economies than had been the case even in the recent past.

Price sensitivity remains important too, with survey respondents indicating that additional costs – whether financial or indirectly through lost efficiency or productivity – present a significant threat to the growth plans of manufacturing and export driven emerging markets. **Increases to trade barriers were cited by 20% as a major threat to emerging market growth in the next five years. Perhaps more than at any point in the last three decades, there is scope for additional tariff and non-tariff barriers to be rapidly introduced and implemented, creating insecurity around previously stable and prosperous trade. The effects are often widespread and inflict pain on both sides of the trade.** Tariffs on Chinese exports to the US have already resulted in changes to trade patterns, but are yet to noticably impact the US consumer. With the goods covered by tariffs generally in capital equipment and intermediate goods categories, the direct impact has been to effectively raise costs for those US businesses importing and using them. Should a point be reached when tariff costs feed through to US consumers, a whole new set of outcomes and implications to the raising of trade barriers may be revealed. Survey respondents are evidently mindful of the impacts on emerging markets.

Agility's Take

Can Gulf Countries Do Even Better for Business?

Gulf countries as a group are the world's most business-friendly emerging markets. But have they reached a plateau?

The United Arab Emirates (UAE) again ranks as the best business climate in the annual 50-country Agility Emerging Markets Logistics Index. In business fundamentals, Saudi Arabia (3th), Qatar (4th), Bahrain (5th), Oman (7th), Kuwait (12th) and nearby Jordan (9th) have been rewarded for sustained efforts to improve the environment for business.

Separately, the World Bank's Doing Business 2020 study says Saudi Arabia, Jordan, Bahrain and Kuwait are among 10 countries worldwide making the most notable improvements and implementing the most reforms to improve business conditions.

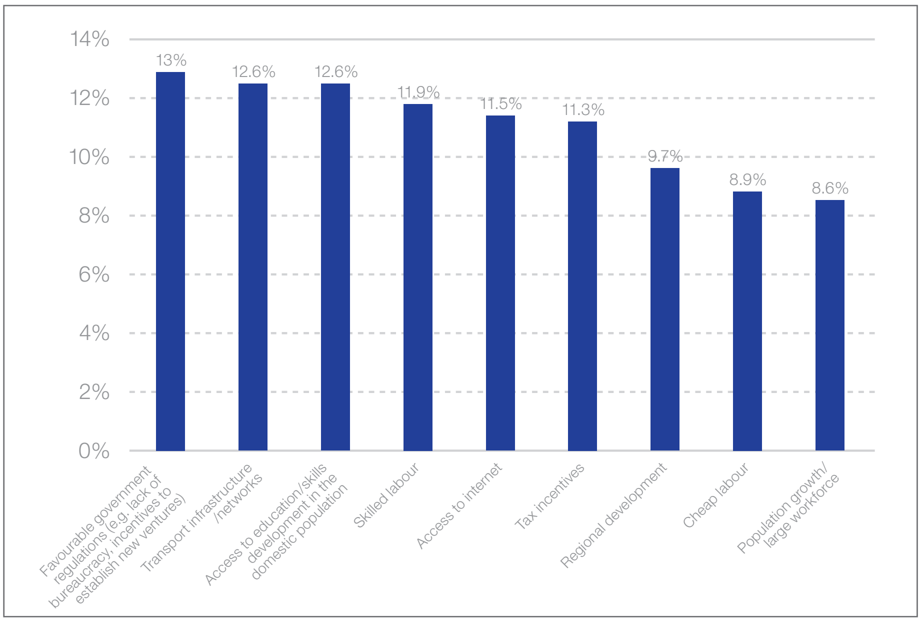
But nations in the Gulf continue to lag leading developed countries – perhaps now their real competition – despite years of efforts in areas benchmarked by the World Bank. Is momentum behind improving business conditions in the Gulf stalling?

Most Gulf countries continue to perform poorly when it comes to trading across their borders. The World Bank measures the time and cost required to ship goods to and from overseas or regional trading partners. It's closely tied to the amount of documentation, and the border compliance and administrative burden.

In cross-border trade, UAE ranks 92nd. Saudi Arabia is No. 86; and Kuwait is No. 162. Those rankings are especially disappointing in light of the infrastructure investments that UAE and Saudi Arabia have made to make themselves global logistics hubs, along with plans by Kuwait to build Silk City, which is intended to be one of the world's most advanced special economic zones.

On the bright side, Gulf countries tend to make it easy for businesses to calculate and pay their taxes. Bahrain tops all countries worldwide. Qatar is No. 3.

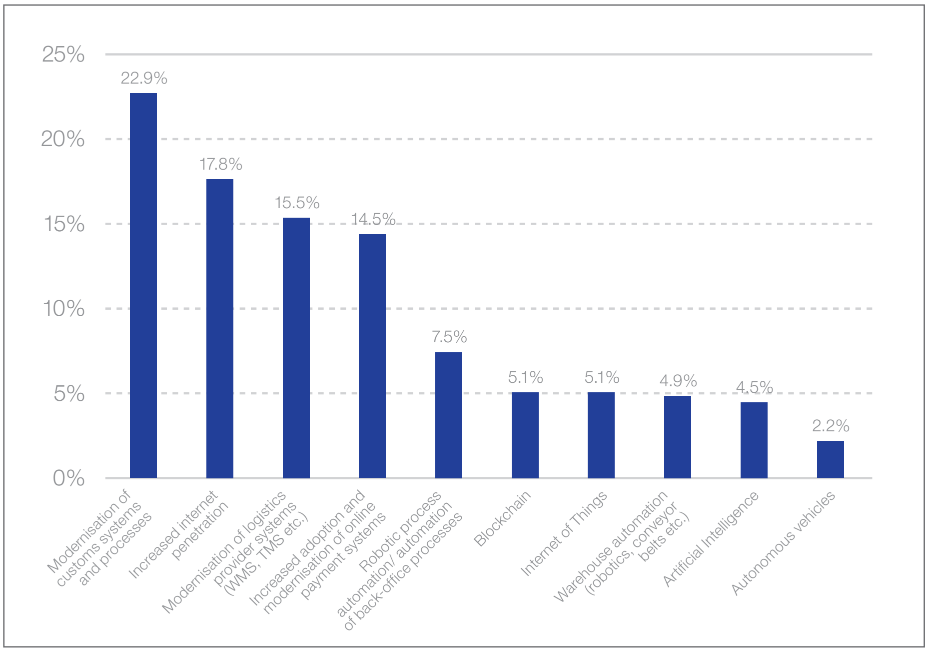
Businesses struggle to get credit in Bahrain and Oman, but region-wide, the most difficult hurdle is the lack of adequate framework for business bankruptcies. Insolvencies tie up productive assets, strand creditors, and hurt healthy and ailing companies alike.



PLEASE RANK THE FACTORS BELOW IN ORDER OF THEIR SIGNIFICANCE WHEN ASSESSING EMERGING MARKETS AS INVESTMENT OPPORTUNITIES

In assessing emerging markets as investment opportunities, respondents see a degree of parity among drivers, favouring those which signpost favourable and robust business environments. It is likely that this is motivated by both the rise of protectionism in the US and Europe, as well as by the growth in regions like the Middle East where economies, businesses and vast numbers in the local population have positively benefitted from openness and the encouragement of domestic and foreign investment.

The strength of an emerging market's business environment includes the skills of its workforce. **Survey respondents rank both existing skills and the capability of markets to develop and engender new skills highly as key investment parameters. This serves as recognition that, throughout logistics, jobs are becoming more skilled and technical as technology is increasingly integrated throughout the supply chain.** With this comes a need for a labour force which can effectively operate and take advantage of the benefits and value gains associated with more advanced technologies, as well as better understand and capture the value of data analytics across profit and performance.



WHICH OF THESE WILL BE MOST IMPORTANT IN FACILITATING EMERGING MARKETS TRADE GROWTH OVER THE NEXT 5 YEARS?

Survey respondents reinforce this message when asked to rank the most important digitalisation trends that will facilitate emerging market growth over the medium term. A group of 'enabling' technologies which power connectivity and connectedness of information and data rank the highest. The selected technologies improve and empower the *management* of logistics operation and systems and are rated ahead of isolated technologies that offer value through increasing the efficiency or reducing the costs of operations directly.

The highest ranking technologies also remove or lower barriers to trade. Modernisation of customs systems remains a key driver in the facilitation of emerging market growth, particularly as exporters seek to reduce delays and costs in the process and as new technologies become available. Indeed, for several years' survey respondents have stressed the need to implement new technologies to aid in the modernisation of customs systems. This suggests the issue is of strategic importance to emerging markets aiming to develop key manufacturing, retail and logistics industries.

Value is still placed on individual technologies, however. Potential clearly remains for these technologies as part of the logistics industry's wider digitalisation. But with the potential gains of some (such as blockchain) still unrecognised at scale and widespread adoption yet to occur for others (including autonomous vehicles), the case for return on investment may be too hard to prove when compared with the more immediate gains to be found in tech that facilitates trade.

THE EMERGING MARKETS

Emerging Logistics Markets with the Most Potential

Rank	Country	YoY Change
1	India	-
2	China	-
3	Vietnam	-
4	Brazil	-
5	Indonesia	-
6	UAE	-
7	Thailand	6
8	Malaysia	2
9	Mexico	-
10	Saudi Arabia	-2
11	Russia	-4
12	South Africa	-1
13	Bangladesh	2
14	Turkey	-2
15	Pakistan	3
16	Philippines	5
17	Egypt	-3
18	Cambodia	13
19	Nigeria	3
20	Ethiopia	-1

Emerging Logistics Markets with the Least Potential

Rank	Country	YoY Change
1	Syria	-
2	Iran	4
3	Venezuela	1
4	Iraq	-2
5	Libya	-2
6	Ethiopia	-1
7	Egypt	7
8	Argentina	12
9	China	20
10	Pakistan	2
11	Brazil	15
12	Algeria	-2
13	Bolivia	-4
14	Ecuador	1
15	Angola	3
16	Bangladesh	-8
17	Belarus	-4
18	Papua New Guinea	-11
19	Cambodia	-8
20	Lebanon	-4

Agility's Take

Chile: What's the Way Forward?

Chile, a quiet superstar in the annual Agility Emerging Markets Logistics Index, tumbled into recession after an increase in the price of public transportation triggered an outbreak of violence in October.

Until then, Chile was, in the words of The Wall Street Journal, Latin America's freest, most stable and richest nation. In our Index, it typically ranked first among the smaller emerging economies.

In the 2020 Index, Chile actually advances one spot to 12th, but that's because the social unrest took place after collection of the data used to make the rankings.

So now what for Chile? If policymakers can address public concerns and resolve doubts about the free market reforms that made it the standout in the region, it is in a strong position to recover. It has little debt and its copper mines, the world's largest, survived the violence unscathed.

Chile's business climate has distinguished it from other emerging markets in the past – it ranks 6th on our 50-country list. Foreign investors spooked by the rioting and violence will be watching to see if business-friendly policies are rolled back or whether new regulations and taxes are put in place to placate an angry public.

The group of six markets identified by survey respondents as having the most potential as future logistics markets was unchanged in 2020. India and China maintain a marked lead in this ranking as they do in the data-driven Index. Vietnam remains 3rd as confidence matches the progress it has made in improving its infrastructure and domestic market in recent years, in addition to the export growth it has seen as trade shifts from China.

A number of markets make notable movements throughout the ranking, including Thailand (7th), up from 13th and the Philippines (15th), up from 20th. Thailand's improving business environment and regulatory frameworks, its Eastern Economic Corridor policy and manufacturing sector reforms, are likely recognised as drivers by survey respondents. In the Philippines, infrastructure spending via the 'Build, Build, Build' investment programme, healthy inflation levels and increased liquidity in the financial sector will have played a role in improved perception. However, perhaps the more powerful motivator behind the markets' progress is the potential to gain as trade patterns in the South East Asia regional shift.

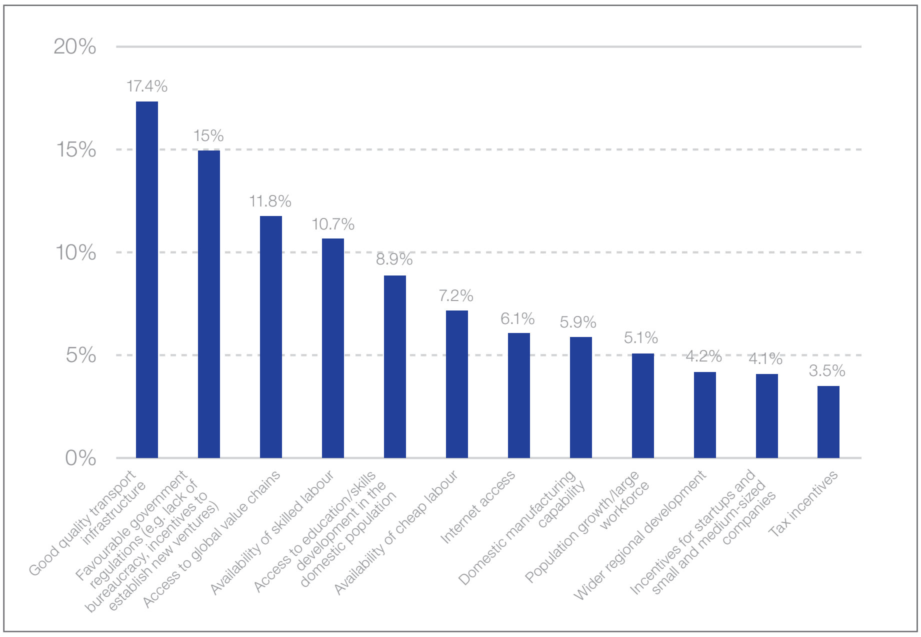
Cambodia is a new entry into the most potential ranking. The South East Asian market's tourism, garment, construction and agricultural industries created more than 1.6million jobs in the decade up to 2015. Rapid development of garment manufacturing competencies have spurred the industry's contribution to GDP more than $5billion annually, as logistics structures have formalised to support operations of domestic and foreign manufacturers supplying goods to international brands like Armani, Asos, Adidas, H&M and Uniqlo. However, there are challenges to be overcome and a combination of factors disrupted the operations of logistics operators and manufacturers alike in 2019. Infrastructure development has failed to keep pace with manufacturing growth and is under increasing strain – around half of the country's road network is classed as 'poor' – while the country's majority hydropower electricity supply struggled amid droughts. Both factors hindered manufacturing and logistics operations domestically, forming the basis of Cambodia's 19th so it's 'least potential' ranking and the collapse in its domestic logistics opportunities sub-Index score.

Exiting the ranking of most promising emerging logistics market is Iran. Ranking 17th in 2019, the Central Asian market is subject to widespread and debilitating sanctions from the US, with the re-imposition of tariffs. These tariffs, ordered by President Trump, have been a key factor in reducing growth in the Iranian market. Prior to President Trump's decision, the IMF had expected the market to grow by around 4%. Instead, the country slipped into recession in 2018. Iran also rises four spots to 2nd in the emerging logistics markets with the least potential ranking, trailing only Syria.

As with the most potential ranking, the group of six emerging logistics markets with the least potential is unchanged in 2020, although the order of the markets does show variation.

Domestic conflict and political instability characterise the markets, with the notable exception of Ethiopia where government reforms and investments are opening the market and encouraging investment in its manufacturing and logistics sectors. Despite ongoing challenges – namely long lead times for exports at border bottlenecks, underdeveloped logistics infrastructure and concerns over debt repayments on Chinese loans – Ethiopia's progress as a logistics market is sufficient to earn it a place among the top 20 markets with most potential. Survey respondents evidently see the African nation at an inflection point, with strong logistics potential should it overcome its impediments.

South American countries have struggled throughout the 2020 Index, and the region provides four emerging logistics markets in the least potential ranking – Ecuador, Bolivia, Argentina and Brazil. Argentina has seen its potential erode as it continues to tackle economic instability and the largest bailout in IMF history. Political tensions have clouded future prospects in the South American nation. Brazil, meanwhile, has re-entered the least potential ranking in 2020, despite seeing some positive developments over the last 12 months – including distinct rises in cotton and soybean exports to China as it seeks substitutes to avoid US tariffs. However, survey respondents have not overlooked problems in South America's largest economy which range from sluggish growth to political turmoil.

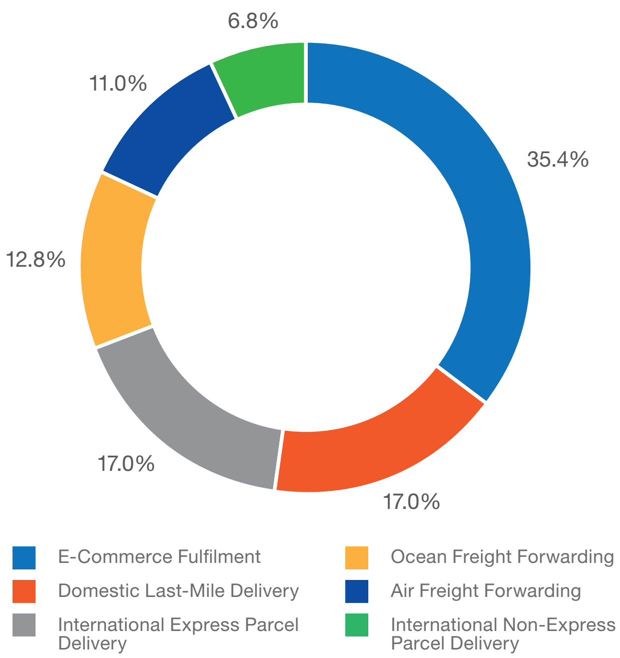


OF THE FACTORS LISTED BELOW, PLEASE SELECT THE THREE MOST IMPORTANT DRIVERS OF LOGISTICS MARKET GROWTH

As with emerging market investment opportunities, access to good quality transport and logistics infrastructure is key in driving emerging markets logistics growth. Connectivity is of course vital in the transportation of goods, and from that perspective, the high rating of infrastructure quality is unsurprising. In addition, as protectionism threatens to undermine the openness of trade, the efficiency of infrastructure is playing an increasingly important role in the business case of selecting certain trading partners in certain locations. **With tariffs introducing additional monetary costs, they and other protectionist changes in regulation governing international trade also threaten to add time and indirect costs of compliance.** It is perhaps this rationale that survey respondents cite in rating favourable government regulations alongside quality infrastructure at the top of the ranking.

Observed together, e-commerce fulfilment and last mile delivery are cited by 52% of survey respondents as the most significant logistics market growth opportunities in 2020. This points to a belief among respondents that emerging market consumer demand is sustainable, even during a prolonged period of lower growth. It also tallies with strong growth trends across global retail markets. These trends have included rapid phases of disruption and development as online retailers, from SMEs to Amazon and Alibaba, have changed the shopping experiences and expectations of consumers. Speed and cost have become crucial components in both retailers' strategies to satisfy consumers, but have also become ingrained in consumer expectations. **As e-commerce globalises and cross-borders sales grow, the fundamental priorities of speed and cost are unlikely to change. This reinforces survey respondents' selection of good quality infrastructure and favourable government regulations as the most significant drivers of emerging markets logistics growth.**

WHICH LOGISTICS MARKETS WILL MAINTAIN OR IMPROVE GROWTH DESPITE HIGHER TRADE BARRIERS OVER THE NEXT 12 MONTHS?

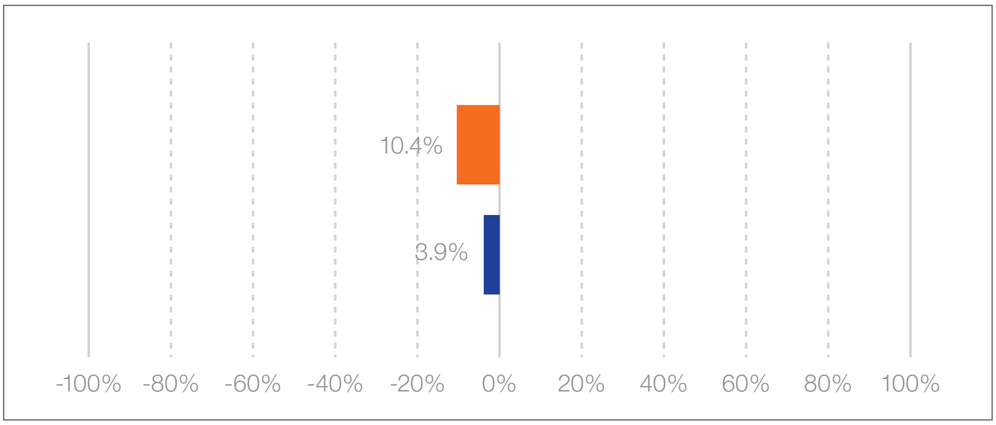


THE FUTURE OF GLOBAL TRADE

In late 2019, the US and China signed a phase-one trade deal, preventing further escalation of a bruising 19-month trade war. The deal commited China to increasing imports from the US, enhancing protection of intellectual property and opening up its financial sectors. In return, the US suspended tariffs planned for December 2019 and halved tariffs imposed in September 2019 from 15% to 7.5%.

The suspended US tariffs worth $160billion, and Chinese commitments to purchase $200billion of services and goods over the course of two years are welcome news to operators on both sides of the trade. The December 2019 tariffs would have imposed additional tariffs on goods such as laptops, toys, video games, thus virtually covering all major remaining areas of trade with China. Chinese spending will cover manufactured goods, $40billion of agricultural and seafood products, energy products, and other services.

The effects of the Trump administration's tariff impositions on US imports from China and elsewhere in the world are becoming clear as trade data begins to capture the sometimes grim reality. Chinese exports to the US, by both air and sea, are forecast to decline by 10% in 2019, as revealed by trade lane data. Additionally, Chinese imports from the US by air have been negatively affected, dropping 12% in comparison to 2018. However, despite growth rates continuing to tumble, it appears that this years' survey respondents are more optimistic than the story revealed by trade data.



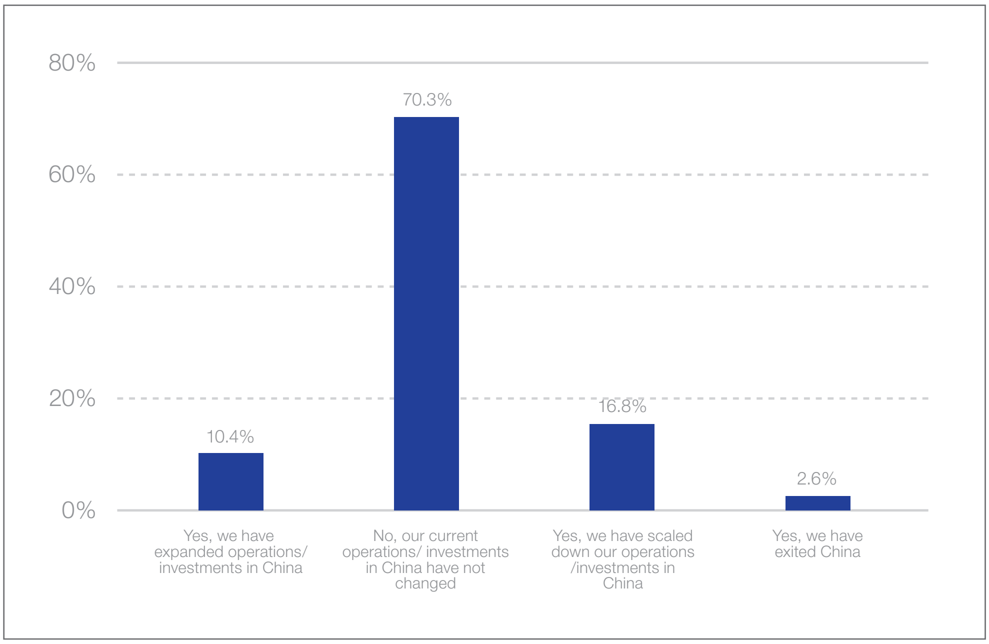
HOW MUCH ARE US-CHINA TRADE VOLUMES LIKELY TO CHANGE IN 2019 AS A RESULT OF ONGOING TRADE TENSIONS?

When asked how they perceived changes to trade volumes between the US and China in 2019, survey respondents on average indicated they expected a 4% fall. This is a significant drop from the expected 10.4% fall survey respondents indicated last year when the trade war first broke out. This may suggest that survey respondents are hopeful that much of the volume losses have already occurred. Such optimism, however, will not in itself remove uncertainty from the global trading system, the shadow of which is a recurring theme throughout this year's survey. It also will not save businesses and consumers on both sides of the trade war from additional costs and resource expenditures on compliance.

Indexed Volume of Trade Between US and China by Air and Sea (2012 = 100)										
Mode	Destination	Origin	2012 index	2013 index	2014 index	2015 index	2016 index	2017 index	2018 index	2019* index
Air	US	China	100	98	116	122	111	124	126	115
Air	China	US	100	101	108	118	122	143	148	131
Sea	US	China	100	103	116	120	116	123	131	118
Sea	China	US	100	105	107	105	110	101	57	66

Nor does the survey respondents' optimism match the reality revealed by trade data, which shows that volume losses on trade between the US and China will be more significant both in 2019 than in 2018 and higher than survey respondents suggest. In all cases, except sea freight from China to the US, data from the US Census Bureau shows falling trade volumes.

HAVE YOUR OPERATIONS/INVESTMENT PLANS IN CHINA CHANGED AS A RESULT OF THE TRADE WAR BETWEEN THE TRUMP ADMINISTRATION AND CHINA?



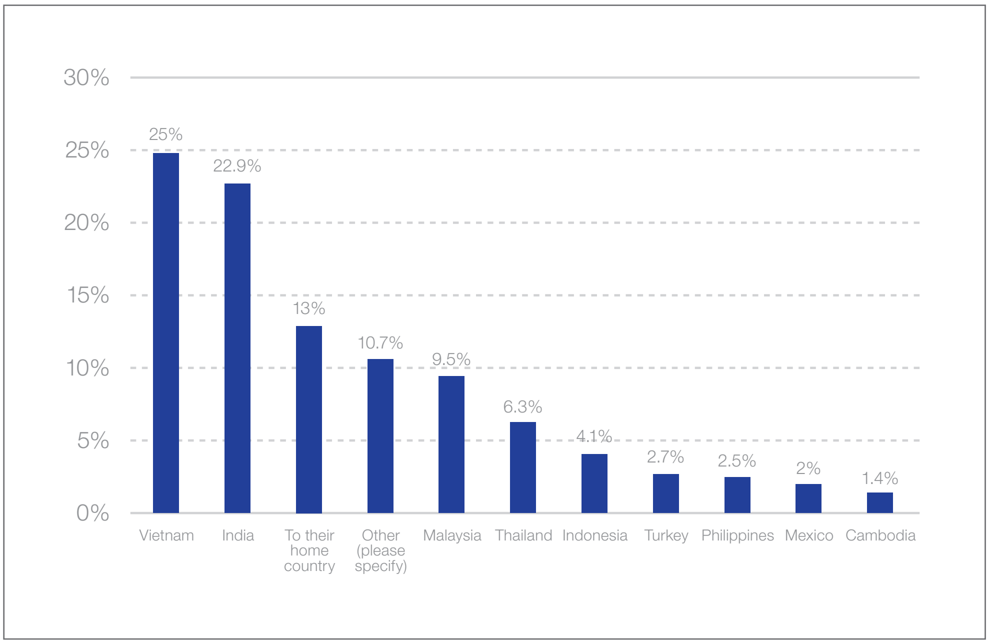
As for the impact of the trade war on operations in China, it does appear somewhat more limited than volume decline – nearly three quarters (70%) of those surveyed with current operations or investments in China have made no changes as a result of the dispute.

The evidence from survey respondents is that China has suffered only minimal losses, with only a 2.6% minority having exited operations or investments in the market.

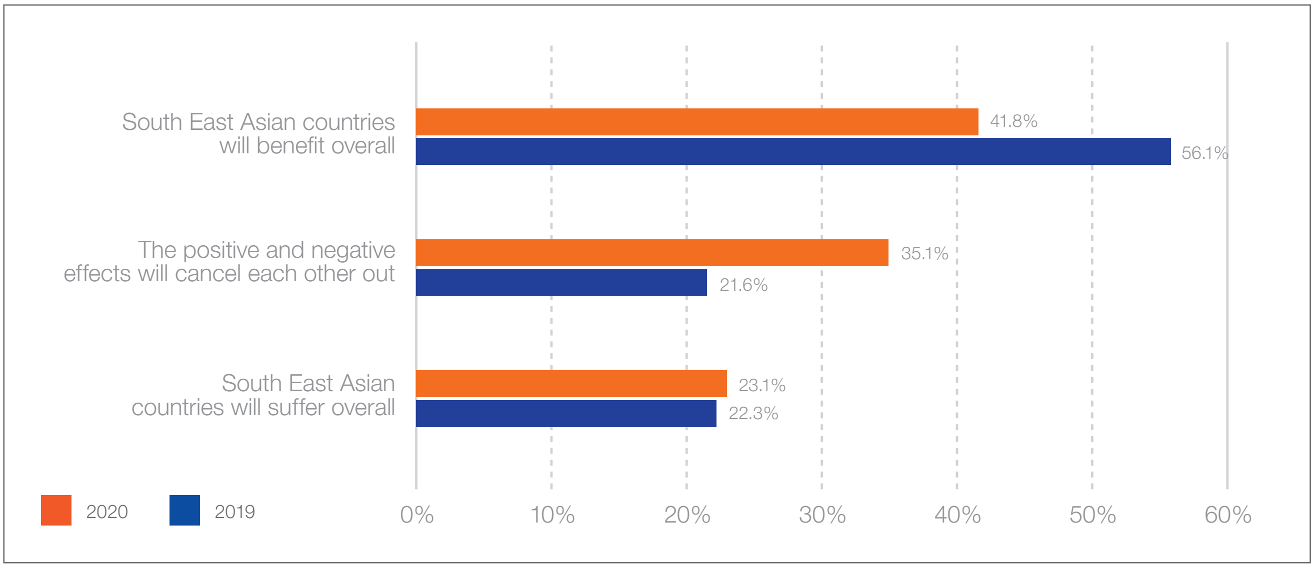
The US-China trade war has undoubtedly changed the character of global trade, creating winners and losers in the process. The evidence from survey respondents is that China has suffered only minimal losses, with only a 2.6% minority having exited operations or investments in the market. This is likely a result of several factors, among which is the reality that only certain exports to the US are affected. Though the world's largest economy is a vital trading partner for China, it is only one of many. At 10%, a not insignificant proportion of respondents to this question have expanded operations or investments in China as a result of the trade war. It may be that these respondents are securing cheaper access to capacity as domestic Chinese partners lower prices to keep assets in operation. It is worth remembering that only products going to the US are affected by the tariffs, and exporters to other regions may be seeing a positive outcome as a result.

Moreover, it is an extremely challenging process to shift manufacturing and logistics processes from a dominant player like China which is deeply entrenched in global supply chains. It has also developed skills among its workforce that are not easily available or quickly replicable at scale in alternative locations. In sum, while volume shifts have been notably large for some product groups, shifting operations is an entirely different proposition that many do not see cause for.

IF COMPANIES MOVE OPERATIONS FROM CHINA, WHERE ARE THEY MOST LIKELY TO RELOCATE?



ON BALANCE, HOW WILL SOUTH EAST ASIAN COUNTRIES THAT BOTH FEED CHINESE SUPPLY CHAINS AND COMPETE WITH CHINESE MANUFACTURERS BE AFFECTED BY US-CHINA TRADE TENSIONS?



Survey respondents clearly favour Vietnam and India as alternative origins for US supply chains, with both ranking some distance ahead of alternative options.

As the trade war has raged over 2018 and 2019, China suffered and is forecast to experience a 10% decline in air and sea exports to the US in 2019. However, while China has been hurt a number of countries have benefitted from the ongoing tensions. Examples can be found among US imports of steel. China has been subject to US steel tariffs since early in the trade war, and over the first nine months of 2019 China has exported 426.5million kg less iron/steel exports to the US by sea as a result. These lost exports have occurred in line with increased exports to the US from South Korea (+64.6million kg), Thailand (+61.8million kg) and Vietnam (+60.5million kg). Similarly, exports of electronic machinery by air and sea to Thailand have flourished as China has struggled, while Malaysia (high tech) and India (stone, plaster, cement and related materials) have also witnessed exports rise as Chinese volumes have declined.

With fewer survey respondents this year suggesting that South East Asia as a region would benefit from the US-China Trade War, it appears the consensus on markets that will benefit is narrowing to a few markets, with Vietnam – both in terms of survey sentiment and trade data – emerging as a clear winner.

In line with survey respondents' assertion, however, Vietnam currently appears to be the 'winner' of the trade war as both air and sea imports to the US are forecast to increase 23% and 25%, respectively, in 2019. China's largest export (in terms of volumes) to the US by sea via container was furniture, bedding and lamps in 2018. This accounted for 14% of sea freight volumes exported to the US. Goods from this product category were hit in the tranche of tariffs applied on $200billion worth of goods, initially at 10% in September 2018 before rising to 25% in May 2019. As Chinese exports of these products to the US have fallen, Vietnam has benefitted, exporting 333million kg more furniture to the US over the same period. Projecting the whole year at this level, Vietnam could export over 2.1billion kg of furniture goods to the US. This would be the highest growth rate over this time period and comfortably the largest increase in absolute terms.

With fewer survey respondents this year suggesting that South East Asia as a region would benefit from the US-China trade war, it appears the consensus on markets that will benefit is narrowing to a few markets, with Vietnam – both in terms of survey sentiment and trade data – emerging as a clear winner.

Agility's Take

South East Asia: At the Heart of the Global Value Chain

For three decades, China has used its size to build advantages over competitors, especially its emerging Asian neighbours. In emerging Asia, it has the best infrastructure, the deepest labour pool, the broadest range of manufacturing capabilities, the biggest consumer market.

The gaps in all these areas have been yawning. But China's southern neighbours – from India to Indonesia – are catching up.

India is a special case because it is nearly as large as China. India has lower labour costs, abundant labour supply, a pro-business government and one of the world's highest rates of digital adoption. By enrolling 1.2billion people in a biometric identity program, it gave the masses access to banking and credit, and ways to manage their use of public services, including healthcare and education.

The world's consuming class is swelling, thanks largely to emerging Asia, where ongoing industrialisation and urbanisation are leading to rising demand and productivity growth. The Philippines, Vietnam, Bangladesh, India, Malaysia, Thailand and Indonesia are producing world-class industry leaders, and a generation of innovators in tech, finance and logistics.

As in China, South East Asia is seeing a boom in mobile payments providers, startup investment, innovation hubs, internet-enabled services and e-commerce, all emphasising a mobile-first environment.

And in traditional manufacturing, even poorer countries such as Bangladesh are experiencing a healthy industrial maturity. In industries like textiles and apparel, there is a drive to automate and get more vertically integrated.

None of the countries to China's south can match its capacity or infrastructure. But together, they are integrating into a strong regional value chain. One that has prompted a number of foreign brands and manufacturers to take to leap from China.

Agility's Take

China's Pivot to Consumption

After its slowest GDP growth in nearly three decades, China is looking to halt its deceleration. A January agreement with the Trump administration brings a temporary truce in the long-running US-China trade war, though not a rollback of punitive US tariffs on Chinese exports.

The trade war is prompting some foreign companies manufacturing in China to look at alternatives, chiefly Vietnam, India and Indonesia. The survey for this report shows 70% of companies with operations and investments in China plan to stay put. But that means 30% are open to moving or plan to move, a figure that is roughly in line with other surveys, including one by the American Chamber of Commerce in Shanghai.

Even before the Trump tariffs and a clash over 5G telecom standards, higher costs were fueling a manufacturing exodus from China. Many companies have uprooted because of more intrusive regulation, social welfare taxes and compliance costs in China. Others are simply looking to move production closer to their markets.

China is struggling to deal with a rapidly aging population (its working age population is shrinking), slumping sales of automobiles and other big-ticket items, and double-digit vacancies in key real estate markets. Months of unrest have tipped Hong Kong into recession and show no signs of ending, so many shippers are routing their products out through other Chinese ports.

China exported 17% of what it made in 2007; by 2017, that figure had fallen to 9%. It still accounts for one-fourth of the world's manufacturing output, but it is pivoting from an export-driven economy to one powered by consumption and services.

China buys and uses more of what it makes, and its vibrant service sector is generating a larger share of output. In manufacturing, a clear split has emerged. China's world-class producers are enhancing productivity and value through system upgrades, technology adoption, R&D, automation, upskilled workforces, and rigorous performance benchmarking. Others, often debt-heavy state enterprises, are falling dangerously behind.

Growth in incomes and consumption have led to explosive growth in the domestic logistics market. With that, though, have come growing pains – price-fixing complaints against leading courier companies and allegations of uncompetitive practices by e-commerce enterprises.

The country has put off hard choices about its inefficient state sector, which continues to receive favourable treatment from policymakers and lenders. China could experience renewed pressure to consider liberalisation measures, corporate governance overhaul and lifting of capital controls to boost domestic productivity and entice foreign investors who have left.

Imports last year slumped 2.8% on weakening demand from companies and consumers – and reflecting trade turmoil, they were down nearly 21% from the US.

Chinese officials said the country emerged from 2019 with an official economic growth of 6.1% – well within the government's target range of 6% to 6.5% but the lowest level in nearly three decades.

Trade, investment, consumer spending and business confidence are all on retreat, while the economy continues to suffer indigestion from debt that had helped fund its remarkable bulk-up and is proving difficult to slash.

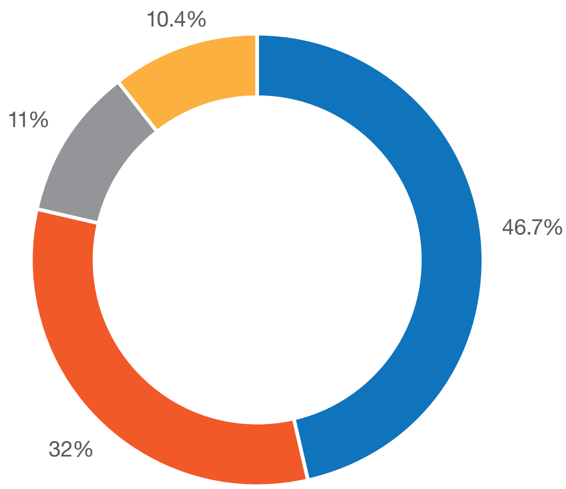
American tariffs and a campaign targeting the country's corporate champions took a toll on China's exports and business confidence throughout the year. Nomura economists calculate the trade war, coupled with slower global growth, shaved 1 percentage point off China's 2019 GDP figure.

Overheated property market; rapidly aging population; Hong Kong; slumping imports and car sales; double-digit vacancies in key real estate markets.

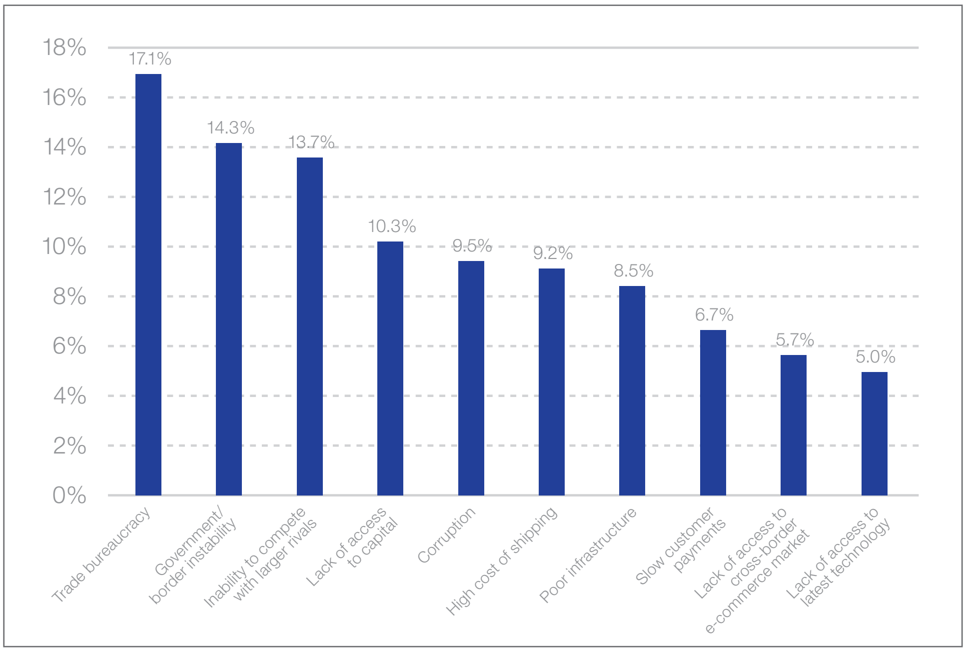
Imports last year slumped 2.8% on weakening demand from companies and consumers – and reflecting trade turmoil, they were down nearly 21% from the US.

SMEs

WHAT TYPE OF COMPANY STANDS TO LOSE THE MOST FROM MORE RESTRICTIVE TRADE POLICIES?



WHICH FACTORS MOST INHIBIT SMES FROM CROSS-BORDER TRADE?



Advances in technology, and particularly the development of e-commerce in recent years, have connected SMEs with vastly larger potential markets on a global scale. This has driven their need for appropriate, cost effective and scalable logistics services. Logistics providers have reacted with the introduction of specialised services and more recently, digital freight platforms – such as shipa.com – to meet the growing needs of SME shippers, especially those in emerging markets with distinct operational and trade compliance support.

Platforms like shipa.com address several fundamental challenges SMEs face when operating in global markets. SMEs have traditionally had less access and expertise to guide them through global trade. They also have less capital to absorb or otherwise mitigate added costs of trade barriers, both tariff and non-tariff, adding monetary and bureaucratic burdens.

It is these burdens of compliance, and the challenges associated with overcoming them, that are likely behind survey respondents' assertion that SMEs will both be most affected by more restrictive trade policies and that such barriers represent the single largest inhibitor of growth.

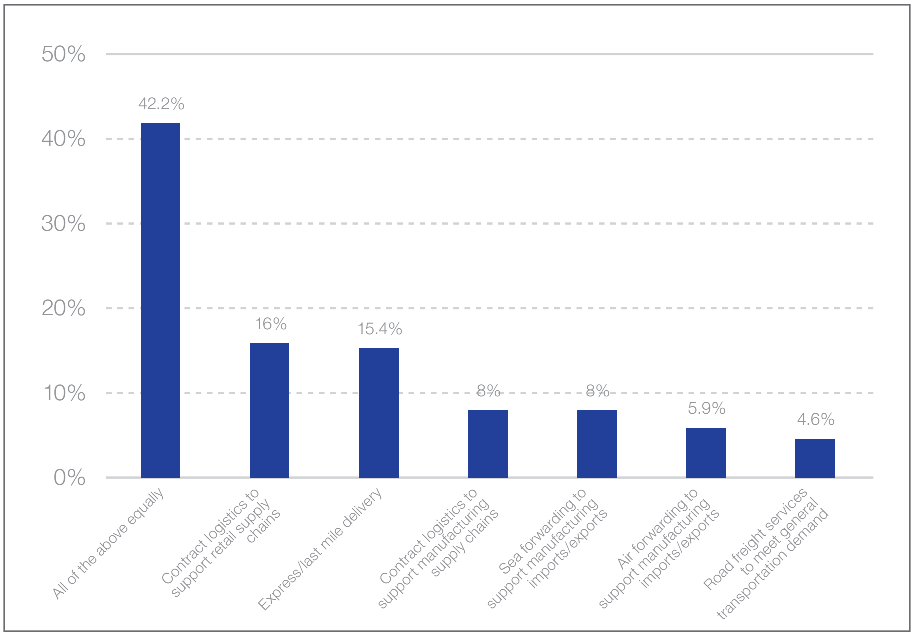
More widely across the ranking, survey respondents cite a number of inhibitors, pointing to the fundamental challenge of SMEs, resources – capital, human, technological and others – that place constraints on SME operations. Simply put, larger rivals have greater scope to understand and navigate trade barriers, switch production or supply chain operations in the event of instability, or simply outcompete smaller competition. Access to resources that help SMEs overcome such barriers are part of the UAE's plans to empower its SME sector in a national strategy to encourage wider economic activity.


SME
321
$

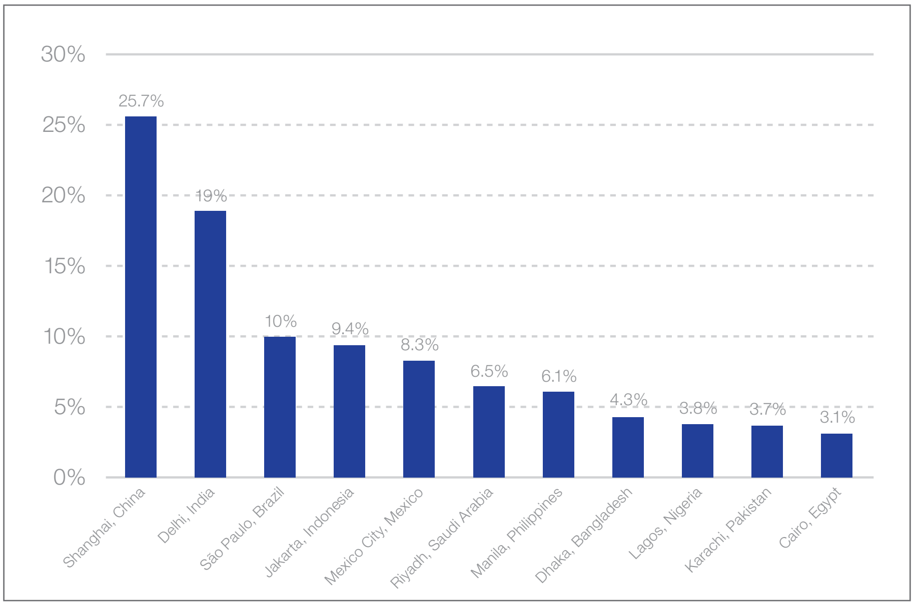
25.7% view Shanghai as the most attractive megacity for logistics opportunities.

MEGACITIES

WHICH LOGISTICS SERVICES PROVIDE THE BEST OPPORTUNITIES WITHIN MEGACITIES?



OF THESE MEGACITIES, PLEASE RANK THE TOP 5 IN TERMS OF THEIR ATTRACTIVENESS AS LOGISTICS HUBS



The world's growing urban population presents significant logistics obstacles which must be overcome over the coming decades. In 2018, some 1.7billion people lived in one of the 548 cities across the world with a population exceeding 1million. Over the next decade or so, the number of cities of at that scale will rise to more than 700 and become home to 28% of all the people on earth.

Logistics has a vital role to play in supporting the development of megacities. As populations grow, so too does the demand for goods, in turn creating demand for logistics services across the spectrum. However, the challenges are complex and often evolve rapidly and with unpredictable consequences. Perhaps most importantly, however, no two megacities are the same – indeed, rarely are two neighbourhoods within a single city – demanding solutions which are not only context-specific, but also flexible and adaptable to changes in demand.

The characteristics of emerging market megacities – high population density, low mobility – meaning products have to come to consumers and make established logistics practices inappropriate and inoperable. Last mile networks in emerging market megacities must adapt to increased size and complexity as populations grow and demands shift, too. Evidence from China, where Alibaba and JD.com have built vast last mile infrastructures in recent years, provide perhaps the best examples of the efficiency, flexibility and resilience required. It is unsurprising then that some 42% of those surveyed found it hard to discern between the various logistics opportunities that megacities offer.

In line with the results from the data-driven Index, survey respondents again showed faith in China and India to produce logistics opportunities in the future, with 45% selecting either Shanghai or New Delhi as the most promising emerging market megacity for logistics opportunities.


HOTEL
HOTEL
HOTEL
HIRA SONS
READY MADE GARMENTS
A COMPLETE FAMILY SHOP
SUMMER & WINTER WEAR
THE EXOTIC ROOFT
BREAKFAST LUNCH & D
REMEMBER US FOR DELIC
Tanika Fas
HIRA SONS

APPENDIX 1

SOURCES & METHODOLOGY

Source

The Agility Emerging Markets Logistics Index has three main components.

- First is the Index country rankings: a look at the composite scores of the 50 Index emerging markets based on a combination of their domestic and international logistics markets, and their business environment.
- Second is a survey of trade and logistics industry professionals.
- Third is an examination, by volume and mode of transport, of the largest and fastest-growing major trade lanes linking emerging and developed markets.

The Index country rankings are underpinned by data from the International Monetary Fund, Organisation of Economic Cooperation and Development, World Bank, government statistical agencies, Transparency International, United Nations and UN agencies, World Economic Forum, International Trade Centre and International Air Transport Association. In addition, Ti's own proprietary market size and forecast data is used.

Trade lane data is derived from United States Census Bureau and Eurostat data.

Methodology

Definition of 'Emerging Markets'

The term 'emerging markets' was first coined by the World Bank's International Finance Corporation (IFC) in 1981. According to 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 50 emerging markets. The metrics measure the countries':

- Domestic Logistics Opportunities (33%)
- International Logistics Opportunities (33%)
- Business Fundamentals (33%)

Domestic logistics opportunities rates the performance, potential and drivers of a country's domestic logistics market. This includes measures which assess each individual emerging market's economic strength, development and growth forecasts, as well as:

- Urbanisation of population – a driver of manufacturers' centralised distribution strategies and the likely consolidation of retailing
- Distribution of wealth throughout the population – indicative of widespread demand for higher value goods
- Cluster development – an assessment of the depth and economic development of business clusters within a market.

In addition, Ti's proprietary market sizing and forecast data is used to assess the strength of performance and potential growth opportunities within a country's domestic contract logistics and express markets.

International logistics opportunities rates the performance, potential and drivers of a country's international logistics market. This includes measures which assess each individual emerging market's trade volumes and tariff regimes, as well as:

- The frequency and range of destinations of its international connections across air and sea
- A rating of the efficiency of its customs and border controls.
- The value of logistics intensive trade by a country, that is goods which account for the vast majority of volumes handled by traditional LSPs, discounting product groups such as oil and bulk items. Ti has developed a proprietary method for calculating logistics intensive trade.

In addition, Ti's proprietary market size and forecast data is used to assess the strength of performance and growth opportunities within a country's air and sea forwarding markets, as well as each individual country's international express market.

Business Fundamentals assesses factors that either aid or hinder the operations of business in a country. This determines the market's regulatory and financial health, whilst also assessing the overall state of the wider business environment. Specifically, this measures:

- Market accessibility – how easy it is for foreign companies to enter and compete effectively in the market, including measures which assess their ability to deal with existing bureaucracy and regulation
- Security – the risk to companies' operations from threats such as theft, corruption and terrorism
- Domestic stability – wider financial health and a market's capacity to ensure property rights, enforce contracts, and minimise corruption.
- Infrastructure – to what extent does underlying transport and technological infrastructure aid or hinder the growth of business.

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 Trade Lanes – Air and Sea, Import/Export
   A list of trade lanes with the highest volumes, as measured by tonnes, 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, presented in an appendix.

For air and sea, by imports and exports, the 25 fastest growing trade lanes for each case have been ranked by their growth in 2019. In addition, an index has been calculated with a base year of 2012 to offer a long-term perspective on each trade lane's performance.

2012-2018 data are 'actual' figures, whereas 2019 data are forecast figures based on actual monthly data from January-July 2019. A forecast model which accounts for seasonality has been applied to estimate full-year 2019 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 1million 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.

APPENDIX 2 – EMERGING MARKETS TRADE LANE DATA

AIR FREIGHT

AIR FREIGHT EU/US TO EMERGING MARKETS
Fastest Growing Trade Lanes (Index of tons, 2012=100)

Rank	Destination	Origin	2018 Tons	2019* Tons	18-19 growth	2012 Index	2013 Index	2014 Index	2015 Index	2016 Index	2017 Index	2018 Index	2019* Index	2012-2019 CAGR
1	Philippines	EU	15,620	20,221	29.5%	100	119	104	130	132	146	142	184	9.1%
2	Malaysia	US	31,045	38,752	24.8%	100	122	175	216	214	225	264	330	18.6%
3	Mexico	EU	14,979	17,827	19.0%	100	110	124	129	148	142	137	163	7.2%
4	Nigeria	US	37,456	44,243	18.1%	100	100	96	92	87	94	100	118	2.4%
5	Indonesia	EU	11,514	13,369	16.1%	100	79	101	101	72	66	62	72	-4.6%
6	Vietnam	EU	92,402	105,695	14.4%	100	106	96	107	103	108	114	130	3.9%
7	India	EU	24,828	27,344	10.1%	100	93	92	100	59	58	66	72	-4.5%
8	Kenya	EU	19,403	21,331	9.9%	100	104	109	129	134	143	126	139	4.8%
9	Ethiopia	EU	273,263	294,182	7.7%	100	108	119	139	144	161	161	173	8.1%
10	Russia	EU	12,687	13,592	7.1%	100	109	112	129	129	129	130	140	4.9%
11	Turkey	US	12,168	12,989	6.7%	100	96	95	83	85	104	100	107	1.0%
12	Brazil	EU	47,468	49,834	5.0%	100	105	104	141	121	115	119	125	3.2%
13	Turkey	EU	42,787	44,671	4.4%	100	82	107	122	107	102	110	115	2.0%
14	Brazil	US	46,458	47,539	2.3%	100	97	100	82	67	69	71	73	-4.4%
15	Bangladesh	EU	50,601	51,753	2.3%	100	112	145	158	213	221	223	228	12.5%
16	India	EU	10,757	10,972	2.0%	100	97	93	66	51	68	49	50	-9.4%
17	Peru	EU	35,569	36,109	1.5%	100	108	92	195	180	165	119	121	2.8%
18	China	US	44,179	44,743	1.3%	100	105	100	92	85	86	101	102	0.3%
19	Chile	EU	84,514	85,002	0.6%	100	111	123	150	157	212	208	209	11.1%
20	Thailand	US	23,188	23,281	0.4%	100	97	89	89	80	91	90	90	-1.5%
21	Saudi Arabia	US	26,347	26,298	-0.2%	100	101	94	92	88	97	90	90	-1.5%
22	Argentina	US	41,834	41,493	-0.8%	100	97	97	98	93	97	102	101	0.2%
23	Philippines	EU	13,131	12,981	-1.1%	100	89	44	47	48	46	50	49	-9.6%
24	Peru	US	60,249	59,480	-1.3%	100	111	124	116	102	109	106	104	0.6%
25	South Africa	EU	823,009	811,766	-1.4%	100	127	112	132	138	160	155	153	6.2%
n/a	All 50 EM	EU	2,717,408	2,686,403	-1.1%	100	109	104	120	119	130	129	127	3.5%
n/a	All 50 EM	US	1,210,777	1,145,719	-5.4%	100	99	102	97	92	102	108	102	0.3%
n/a	All 50 EM	US & EU	3,928,185	3,832,121	-2.4%	100	105	103	112	110	120	121	118	2.5%

AIR FREIGHT EMERGING MARKETS TO EU/US
Fastest Growing Trade Lanes (Index of tons, 2012=100)

Rank	Destination	Origin	2018 Tons	2019* Tons	18-19 growth	2012 Index	2013 Index	2014 Index	2015 Index	2016 Index	2017 Index	2018 Index	2019* Index	2012-2019 CAGR
1	US	Argentina	14,539	22,284	53.3%	100	101	91	83	88	92	65	100	-0.1%
2	EU	UAE	14,969	20,090	34.2%	100	110	124	118	111	112	107	144	5.3%
3	EU	Argentina	12,172	15,113	24.2%	100	94	105	93	95	127	120	150	5.9%
4	EU	Tanzania	18,532	21,662	16.9%	100	106	100	87	117	129	133	155	6.5%
5	US	Vietnam	115,653	128,327	11.0%	100	128	157	217	230	286	279	309	17.5%
6	EU	Kenya	212,032	234,521	10.6%	100	121	127	131	140	138	138	152	6.2%
7	EU	Ecuador	32,120	35,516	10.6%	100	96	108	108	127	123	130	144	5.3%
8	EU	Malaysia	303,283	334,144	10.2%	100	137	118	112	131	139	863	950	37.9%
9	EU	Uganda	32,324	35,108	8.6%	100	153	142	144	157	148	155	169	7.8%
10	EU	Ghana	14,059	15,247	8.4%	100	106	126	113	99	130	121	131	3.9%
11	US	Ecuador	60,918	65,989	8.3%	100	99	94	107	109	110	120	130	3.8%
12	EU	Brazil	90,295	97,303	7.8%	100	94	134	103	118	119	135	146	5.6%
13	EU	Pakistan	66,416	71,239	7.3%	100	110	102	92	113	120	125	134	4.3%
14	EU	Peru	47,630	50,866	6.8%	100	102	125	119	132	122	148	158	6.7%
15	EU	Colombia	27,881	29,548	6.0%	100	107	144	114	115	115	123	130	3.9%
16	EU	China	1,427,691	1,498,982	5.0%	100	122	145	120	136	144	157	165	7.4%
17	US	Chile	173,513	181,002	4.3%	100	113	108	103	101	104	125	130	3.8%
18	EU	Sri Lanka	19,250	20,031	4.1%	100	110	126	77	82	120	123	128	3.6%
19	US	Colombia	178,987	186,215	4.0%	100	106	105	99	105	111	113	118	2.4%
20	US	Turkey	35,163	36,064	2.6%	100	114	142	170	172	201	225	231	12.7%
21	EU	Vietnam	136,058	139,522	2.5%	100	132	141	145	150	179	372	382	21.1%
22	US	Philippines	33,880	34,613	2.2%	100	108	148	148	133	149	157	161	7.0%
23	US	India	164,626	166,401	1.1%	100	98	107	113	122	148	150	152	6.1%
24	US	Pakistan	17,968	17,988	0.1%	100	85	84	78	80	99	100	100	-0.0%
25	EU	Mexico	104,167	103,682	-0.5%	100	106	121	130	162	157	163	163	7.2%
n/a	EU	All 50 EM	3,639,254	3,591,504	-1.3%	100	114	126	115	126	149	169	166	7.5%
n/a	US	All 50 EM	2,572,115	2,471,513	-3.9%	100	101	111	116	111	123	127	122	2.9%
n/a	US & EU	All 50 EM	6,211,369	6,063,018	-2.4%	100	108	119	116	119	137	149	145	5.5%

SEA FREIGHT

SEA FREIGHT EMERGING MARKETS TO EU/US

Fastest Growing Trade Lanes (Index of tons, 2012=100)

Rank	Destination	Origin	2018 Tons	2019* Tons	18-19 growth	2012 Index	2013 Index	2014 Index	2015 Index	2016 Index	2017 Index	2018 Index	2019* Index	2012-2019 CAGR
1	EU	Colombia	2,668,650	5,096,859	91.0%	100	79	79	107	115	143	135	257	14.4%
2	US	Egypt	2,562,498	3,587,856	40.0%	100	73	95	95	86	131	214	299	17.0%
3	EU	Mexico	3,845,468	5,178,460	34.7%	100	97	135	100	115	137	150	202	10.6%
4	EU	Qatar	1,426,272	1,890,670	32.6%	100	355	339	161	184	309	241	319	18.0%
5	US	Qatar	1,610,504	2,064,471	28.2%	100	198	260	263	233	253	272	348	19.5%
6	US	Vietnam	6,718,466	8,255,720	22.9%	100	106	117	130	167	180	205	252	14.1%
7	US	Malaysia	3,363,546	4,109,104	22.2%	100	100	99	100	100	97	107	131	3.9%
8	US	Turkey	7,638,324	9,295,097	21.7%	100	98	142	184	227	241	254	310	17.5%
9	EU	Ukraine	29,516,105	34,731,033	17.7%	100	102	120	125	124	146	165	194	9.9%
10	US	Argentina	1,421,972	1,647,747	15.9%	100	161	108	145	199	172	90	104	0.6%
11	EU	Russia	34,433,637	39,820,015	15.6%	100	96	115	121	113	111	135	156	6.5%
12	US	India	8,321,010	9,609,934	15.5%	100	95	119	121	109	142	149	172	8.1%
13	US	Thailand	4,908,771	5,608,514	14.3%	100	94	99	108	121	138	141	161	7.0%
14	EU	South Africa	14,755,362	16,831,422	14.1%	100	78	76	69	78	90	96	109	1.3%
15	EU	Philippines	1,069,069	1,210,531	13.2%	100	87	86	128	127	130	164	185	9.2%
16	EU	Turkey	29,290,168	32,822,959	12.1%	100	108	113	119	132	162	195	219	11.8%
17	EU	Uruguay	2,788,920	3,116,034	11.7%	100	127	100	157	150	135	162	181	8.8%
18	EU	Malaysia	5,422,076	5,962,785	10.0%	100	99	120	129	112	117	122	134	4.3%
19	US	Brazil	21,332,806	23,309,287	9.3%	100	104	116	117	96	115	113	124	3.1%
20	US	Mexico	18,879,822	20,614,349	9.2%	100	130	153	158	143	136	156	171	8.0%
21	EU	Indonesia	10,681,796	11,567,772	8.3%	100	108	111	109	105	118	133	144	5.3%
22	EU	Pakistan	1,605,957	1,720,018	7.1%	100	144	143	134	140	153	177	189	9.5%
23	EU	Bangladesh	1,242,379	1,320,389	6.3%	100	114	129	141	152	156	175	186	9.3%
24	EU	China	57,699,645	61,288,019	6.2%	100	110	122	122	123	123	134	143	5.2%
25	US	Peru	4,316,284	4,540,041	5.2%	100	94	143	139	130	147	189	198	10.3%
n/a	EU	All 50 EM	319,988,740	342,889,249	7.2%	100	109	109	113	114	123	133	142	5.2%
n/a	US	All 50 EM	200,764,959	200,989,243	0.1%	100	105	122	125	118	127	137	137	4.6%
n/a	US & EU	All 50 EM	520,753,699	543,878,492	4.4%	100	107	114	117	116	125	134	140	5.0%

SEA FREIGHT EU/US TO EMERGING MARKETS

Fastest Growing Trade Lanes (Index of tons, 2012=100)

Rank	Destination	Origin	2018 Tons	2019* Tons	18-19 growth	2012 Index	2013 Index	2014 Index	2015 Index	2016 Index	2017 Index	2018 Index	2019* Index	2012-2019 CAGR
1	Nigeria	US	1,668,415	3,176,307	90.4%	100	102	82	68	45	66	45	85	-2.3%
2	Bangladesh	EU	1,709,778	2,343,224	37.0%	100	117	144	229	222	200	255	350	19.6%
3	Malaysia	US	3,747,299	4,965,670	32.5%	100	101	90	77	79	117	154	204	10.7%
4	Ecuador	US	1,685,935	2,213,838	31.3%	100	99	107	96	78	85	97	128	3.6%
5	Iran	EU	1,105,448	1,441,479	30.4%	100	88	138	70	57	44	30	39	-12.7%
6	Egypt	EU	12,431,691	15,165,496	22.0%	100	115	142	128	116	109	109	133	4.2%
7	South Africa	EU	5,335,449	6,426,364	20.4%	100	109	108	118	117	122	120	145	5.4%
8	Russia	EU	4,396,766	5,263,502	19.7%	100	95	86	55	49	65	53	63	-6.4%
9	Philippines	EU	1,990,899	2,347,526	17.9%	100	111	139	137	149	144	175	206	10.9%
10	China	EU	35,993,902	42,417,683	17.8%	100	103	105	109	103	105	97	114	1.9%
11	China	US	44,560,086	51,652,736	15.9%	100	105	107	105	110	101	57	66	-5.7%
12	Thailand	EU	3,387,031	3,919,838	15.7%	100	106	90	96	80	79	77	89	-1.6%
13	India	US	10,652,959	11,750,394	10.3%	100	85	90	93	101	120	150	166	7.5%
14	UAE	EU	6,515,278	7,172,314	10.1%	100	106	106	115	120	109	97	107	0.9%
15	India	EU	11,447,069	12,490,357	9.1%	100	77	87	92	102	97	109	119	2.5%
16	Morocco	EU	10,184,409	10,886,500	6.9%	100	103	123	117	137	117	106	114	1.8%
17	Nigeria	EU	3,237,011	3,443,640	6.4%	100	92	97	83	75	84	75	80	-3.2%
18	Indonesia	EU	4,103,451	4,308,148	5.0%	100	101	98	86	91	85	112	118	2.3%
19	Indonesia	US	8,980,176	9,380,251	4.5%	100	103	110	89	121	137	150	157	6.6%
20	Turkey	EU	30,846,647	32,101,962	4.1%	100	104	103	100	105	120	103	107	1.0%
21	Chile	US	3,944,330	4,074,826	3.3%	100	108	90	92	111	114	110	114	1.9%
22	Philippines	US	6,905,050	7,129,121	3.2%	100	100	113	111	135	134	147	152	6.2%
23	Qatar	EU	2,454,936	2,531,724	3.1%	100	93	110	109	105	98	111	115	2.0%
24	Colombia	EU	2,200,211	2,267,377	3.1%	100	104	149	163	162	140	134	138	4.7%
25	Peru	EU	1,066,389	1,083,283	1.6%	100	84	78	92	86	89	92	94	-0.9%
n/a	All 50 EM	EU	222,462,572	234,522,841	5.4%	100	106	109	108	107	103	100	105	0.7%
n/a	All 50 EM	US	193,247,115	189,351,778	-2.0%	100	105	109	105	113	113	104	102	0.3%
n/a	All 50 EM	US & EU	415,709,687	423,874,619	2.0%	100	105	109	106	109	107	101	103	0.5%

ABOUT TI

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 of experience in the mail, express and logistics industries, Transport Intelligence has developed a range of market leading web-based products, reports, profiles and services used by many of the world's leading logistics suppliers, consultancies, banks and users of logistics services.

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