



**1 September 2023**

## **Press Release by GAIN Group - Transnet Freight Rail effect on the economy – estimate for 2023**

In the past, GAIN Group (Pty) Ltd. has quantified the effect Transnet (ports and rail) has had on the economy for 2022.

This press release shows the latest estimate of Transnet Freight Rail (TFR)'s negative effect on the economy for 2023.

Prof Jan Havenga, a Director at GAIN Group, stated that the 6.0% figure of last year (R411 billion) was expected to improve markedly this year due to co-operative forums that were created between the Minerals Council, mining houses and Transnet, and an expected improvement in throughput.

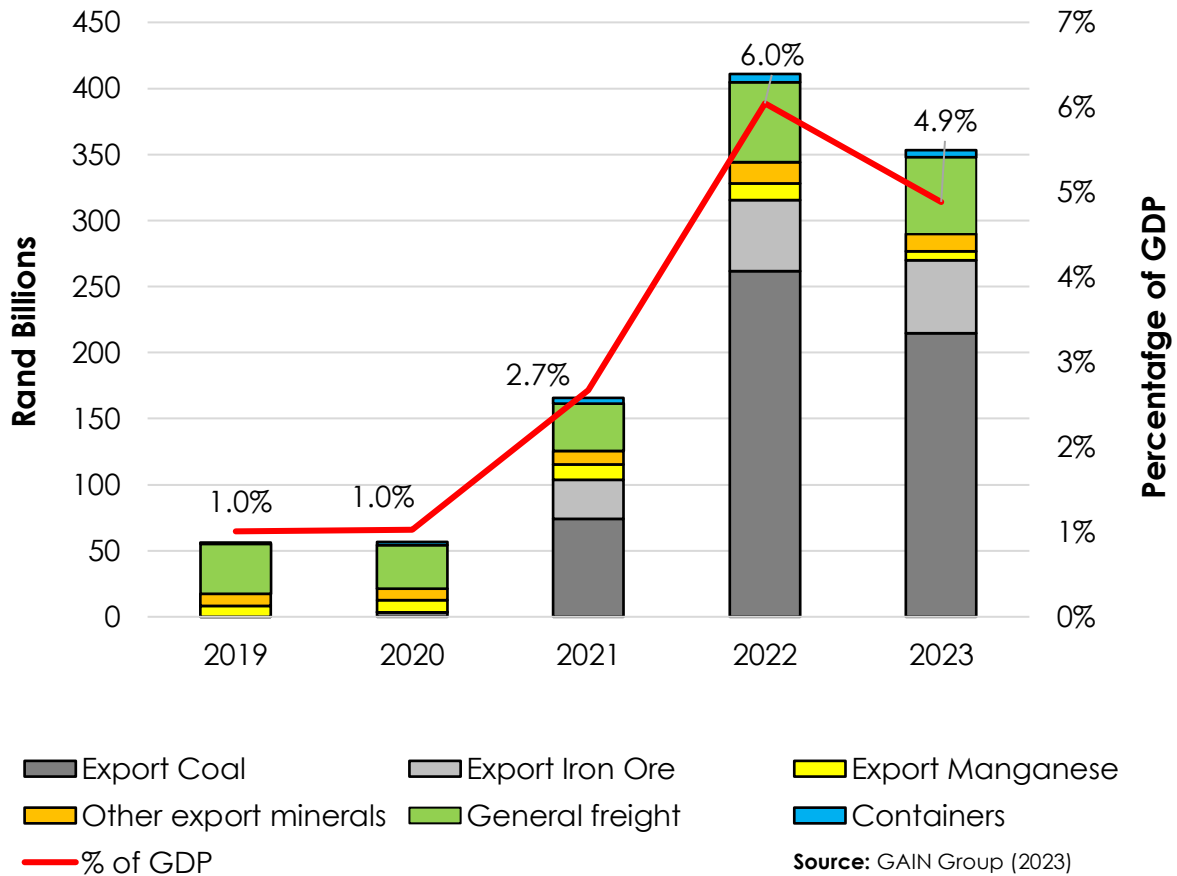
Sadly, said Havenga, this improvement did not materialize. Throughput has instead worsened, the anticipated positive impact of the co-operative forums did not materialise as intended, and the exchange rate deteriorated.

These combined factors have resulted in a daily economic loss of around one billion Rand this year. The projected loss for 2023 is R353 billion, equivalent to 4.9% of GDP.

This means that the economic growth of 0.5% expected for 2023 could have been 10 times higher at 5.4%.

The nearly 5% GDP loss is catastrophic and could have been even worse at higher commodity prices. Export coal price were lower than expected this year, from a high of \$296 in June 2022 and \$98 in June 2023.

### The economic cost of inefficient rail transport in South Africa



Dr Zane Simpson, director at GAIN Group, sheds more light on the calculation, “The calculation of this loss to the economy, considers and quantifies:

- the failure to achieve potential exports (predominant losses of coal and iron ore),
- the economic cost of Transnet’s performance resulting in inefficient logistics, combined with higher transport costs incurred by companies needing to shift cargo to more expensive road haulage (this includes both general freight and minerals on road that should have been on rail), and
- the resulting indirect impacts that these direct losses have on the economy”.



Recognising the gravity of this crisis, President Cyril Ramaphosa addressed the situation during this year's State of the Nation Address (SONA). In response, the President assured the nation of a comprehensive plan (roadmap) to navigate out of this predicament and acceded to the business sector's appeal for the establishment of a National Logistics Crisis Committee (NLCC).

The establishment of a presidentially mandated crisis committee should be an effective replacement for the co-operative forums.

In very simple terms, Transnet needs to run more trains, optimise the ports, and implement the president's roadmap (which is under discussion within the NLCC).

"I am optimistic that these interventions, which are steadily gaining traction, will yield positive results by next year", Havenga expressed.

**Press release available to download at <http://gaingroup.co.za/index.php/content/press>**

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