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American President Donald Trump’s imposing of tariffs on Canada, Mexico and the EU has evened out the playing field a little in terms of the competitiveness of South African steel and aluminum products in the American market.

Back in April, when it was announced that certain key American trade partners would be exempt from the steep tariffs, the South African Department of Trade and Industry was quick to point out - and rightly so - that granting exemption to certain countries would negatively affect the competitiveness of South African steel and aluminum products in America and that it would likely have as a result the displacement of South African products out of the US market in favour of the exempted countries.

Although South African aluminium exports to the US equates to only 1.6% of total US aluminum imports, and its steel exports in 2017 comprised less than 1% of total US steel imports, it still comes to around 330 000t of steel, which represents 5% of South Africa’s total production.

This equates to approximately 7 500 jobs in the steel supply chain. Now, with tariffs once again spread equally (or nearly equally) among suppliers, South African steel and aluminum products once more have a fighting chance.

Unfortunately there are still a number of countries that remain exempt from the tariffs, with talk even pointing to some being permanently exempt from paying these tariffs.

So much for fair trade.
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ECIC - Proudly Supporting South African Exporters and Investors

The Export Credit Insurance Corporation of South Africa (ECIC) was established almost 17 years ago, in July 2001, when it was given the mandate of filling a market gap through the provision of medium to long-term export credit and investment guarantees by underwriting bank loans for political and commercial risk insurance cover, on behalf of the South African government.

The short-term transaction market was amply catered for, but medium to long-term export transactions still had a need for a dedicated export credit agency, hence the formation of the ECIC. Acting as a catalyst for private investment, the ECIC steps in where commercial lenders are either unwilling to or unable to accept long term risks. Along with the ECIC’s major shareholder – the Department of Trade and Industry – the ECIC makes use of market research tools and specialised business development units to create new insurance products that support government’s export promotion objectives. The revised performance bond insurance product, which was launched in 2016, is one such example.

The ECIC has recently developed new products including lines of credit, lease and return of plant equipment. It also continues to be a catalyst for increased lending capacity by financial institutions by entering agreements with other export credit agencies (ECAs). In this way, it creates a framework for both re- and co-insurance.

To this end, it has adopted a comprehensive plan of action aimed at actualising cooperation programmes for mutual benefit in conjunction with, among others, BRICS ECAs, Afreximbank and African Trade Insurance.

The ECIC is also able to price African risk more competitively, given its knowledge of the African market. The ECIC addresses obstacles through facilitation and by aiding in the release of funding required for infrastructure, which is of particular concern to global organisations seeking a presence in Africa. Export credit is imperative, considering capital exports are long-dated assets. It is customary for firms to finance such exports with bank debt for cash flow-management purposes. Export credit financing is therefore an important and key aspect of international trade.

The ECIC is committed to sustainable business through innovative solutions, operational and service excellence, business development and strategic partnerships. In enabling frontier markets to optimise production, the ECIC is effectively motivating a positive socio-economic impact.

Our mission is to provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles.

Since 2001 we have continued to provide commercial and political risk insurance for cross-border transactions, offering risk mitigation solutions to South African exporters of capital goods and investors. We have partnered with credible financial institutions and believe through partnerships economic growth can be achieved. As Export Credit Insurance Corporation of South Africa (ECIC) we are committed to supporting our South African businesses who export and invest in capital projects beyond our borders.

If you’re planning on exporting to or investing in capital projects beyond our borders, contact ECIC for assistance.

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South Africa
Inspiring new ways

YOUR EXPORT RISK PARTNER
The saying goes; no man is an island and this is particularly true in today’s business environment. Companies were once run in an insular manner. Business owners developed and produced everything in-house and kept abreast of all staff related matters.

Today, the businesses that are more likely to succeed are the ones willing to spread their wings to collaborate with more efficient and nimble external partners. This motto is synonym with Innovative Solutions GroupTM a leader in the outsourcing industry. Headed by entrepreneur extraordinaire, Arnoux Maré, the company incorporates 17 subsidiaries, more than 9,000 employees and offices in all major operational areas across the country.

The first and largest arm of the business is Innovative Staffing Solutions, started in 2011, which outsources staff to businesses in the transport, engineering, manufacturing, agriculture, hospitality, retail, administration and labour sectors.

The logic behind this business mantra is simple: companies can’t be good at everything, so why try? Sometimes you just can’t buy the experience you need, and, at times, the time and effort required to do so restricts your focus on running the business.

“Why attempt this when you can benefit from the hard work that others have already put in, and which can shorten your time to market for new products, as well as introducing new talent to your company?”

“An organisation can save a lot of resources (human and financial) by freeing itself from the burden of having to carry out every bit of work and can focus on the core aspects of its business,” says Maré.

In addition, working with outsourced partners may facilitate a new way of looking at your business. This can help you to shape it for the future and even uncover new areas to expand into. With the right partners, you can save money.

“By dealing with a company which is completely focussed on one business niche, you can be exposed to newer technology, specifically designed for your business. This makes you more efficient while giving you better cost control.”

However, the need to work with partners may be obvious to most, but finding the right ones is the tricky part.

If you select the wrong people to work with, who don’t match your company’s values, it will just cause you problems.

What are the current threats facing business owners?
All businesses are struggling to remain viable in a tough economic environment where competition is rife.
South Africa is a middle-income country with an abundance of unskilled workers. However, for a small firm and even for many bigger firms wanting to focus on their core business, managing them and ensuring that they remain skilled and current with new working practices can be a time-consuming challenge. At the other end of the spectrum, skilled workers and those in managerial positions are in high demand, expensive and in short supply.

They can be just as expensive to manage due to the need to retain them in a mobile job market.

These demands on time exacerbate a situation where South Africa is a highly monopolistic business environment.

Small businesses and new business start-ups often struggle to compete with large, dominant companies and barely two in 10 start-ups succeed.

As we were once a start-up ourselves, we understand the challenges faced by fellow entrepreneurs. It is a challenge we're passionate about. Our promise is to cut clients’ operational costs by anything up to 60% and improve productivity and efficiency.

We take care of the non-essentials so that our clients can focus on their core business. We have a proven track record of reducing absenteeism and sick days among staff while improving their efficiency and productivity.

We do so without depriving staff of a single benefit. Rather, we give them access to a broader range of large-company type benefits, which a small- or medium-sized company often can’t afford otherwise.

What are the major issues around sustainability and what do you believe are the keys to operating your various business interests in sustainable ways? Sustainability is all about productivity, saving money, improving efficiency and getting more done with less.

This virtually describes our business model. In a survey published in the New York Times, American workers admitted that only about 35% of their day was productive work time. The rest is lost to distractions—instant messages, chatting, the Internet, meetings, et cetera. We strive to get that 35% to as close to 100% as possible for our clients. While an absolute 100% is highly unlikely, it can be approached through staff outsourcing, which achieves: lower costs; more skilled staff; more focused management and improved customer service, resulting in a greater retention of customers.

By managing staff over multiple sites, we can promptly relocate staff to cut levels of downtime and by improving working conditions, we improve staff morale, thereby reducing absenteeism, sick leave, unproductivity and a poor work ethic.

Furthermore, when you outsource, you allow a business to skip certain personnel costs such as a medical scheme and leave pay — without the employees losing those benefits. We take over that burden, leaving the client with a fixed and predictable cost.

Most managers report that hiring good people is the biggest business challenge they face, as there are only a few top managers for whom human resources is their core skill.

Outsourcing frees companies from the hassle of in-house hiring, leaving them to focus on building their business.

The fact that Innovative Staffing Solutions has grown to over 9,000 employees in just seven years points to the efficacy of our systems.

We have become a magnet for highly-skilled drivers, among other professions, as the word gets out that we are a reputable outsourcing company.

Good customer service is the foundation of any company, but over-stretched executives wasting time hiring and firing, rarely give it sufficient attention. The time and energy they would otherwise have put into managing staff can now be redirected to managing customers. Each of these saves costs.

The proof is in the number of companies that are currently outsourcing. While outsourcing remains in its infancy in South Africa, it is a huge industry in developed countries.
Local company hits gold with world’s first AI powered investment cryptocurrency

Urban based startup, Krypteum, has already signed up close to 2,000 subscribers since announcing that it is developing the world’s first artificial intelligence (AI) powered investment cryptocurrency in August last year.

“Currently we have over 1,600 subscribers on the system and we expect this figure to increase substantially along with more exposure and education with respect to Krypteum and cryptocurrencies as a whole,” says Krypteum founder, Priven Reddy.

This follows news that Krypteum successfully raised more than R12 million in an initial coin offering (ICO) which ended in March. The month-long ICO for Krypteum ended on 31 March 2018 and the startup made available 400-thousand tokens, valued at $112 each. It is expected that this number will increase tenfold over the next few months.

‘Having completed our ICO and having passed some of the negative market sentiment that existed particularly in SA around cryptocurrency, we now aim to focus on exposure and education about our product. This should translate to increasing our user base by tenfold over the next three months through user testimony and aggressive marketing,’ Reddy explains.

Krypteum is an AI enabled investment cryptocurrency coin. It incorporates the areas of artificial intelligence, machine learning and their proprietary trading algorithms. All of these areas are combined to produce a single predictive model that trades a portfolio of over 80 tokenized blockchain assets on the Krypteum coin holder’s behalf. The accuracy of the system is heightened by the predictive model that model encompasses 9 areas of strategy.

These include conventional indicators such as Fundamental, Historical and Technical analysis but extend to social media activity, activity of other traders, geo-political events and actual news sources such as CNN and Bloomberg.

“All of these areas of strategy are provided to the system by means of multiple live feed data sources including autochartist, Bloomberg LP, eToro, OANDA, Thompson Reuters, Google Trends any many more,” Reddy says.

Reddy, who is also the CEO of SA mobile app development group Kagiso Interactive, which owns Krypteum, says early sales were somewhat affected by market vulnerability such as the banning of online ads by Google and Facebook regarding ICOs and negative sentiment towards the rand.

“However, from where I see it this is the way forward not only in the cryptocurrency investment space but the investment industry as a whole! Krypteum is finally making available technology and opportunities that have previously only been available to the financial elite,” Reddy says.

Further development to the tune of R50 million is envisaged to complete the application.
'The AI system in terms of its functionality is in theory complete. However we never stop updating and improving the system whenever and however we can. In terms of the next big milestone that would be the release of our crowd sourced prediction platforms, which should attract some of the brightest minds around the world to improving our project with an economic incentive in the form of Krypteum tokens for those who manage to do so successfully,” he says.

Reddy says that the system trawls social media and news articles on the internet in a bid to assess which way the market will turn, when opting to buy or sell various tokens.

‘It entails completely autonomous management of your crypto-assets, 24 hours a day, 365 days a year. In doing so, not only earning the investor your conventional asset appreciation, but also creating a consistent passive income stream for token holders through dividend packages and leasing opportunities. So for example an investor in November would have experienced well over 200% in asset value growth as well as 35% in dividends should they have chosen a platinum investment package. All just in the last few months,’ Reddy explains.

Meanwhile, investors have already seen dividends over the last few months. ‘Dependent on market conditions, investors could expect a notable appreciation in value of their Krypteum, particularly between now and the end of 2019, to what extent is dependent on market conditions as we’ve said and we don’t want to speculate. In terms of the dividends one can earn form our sophisticated A.I trading software these range from 1.5% to 18% monthly, according to the package chosen, assets contained in that portfolio etc. These amounts however are guaranteed by our system,’ he says.

The total supply of Krypteum has been limited at 1.4 million tokens. Reddy is working with the Reserve Bank as part of the bank’s Fintech programme, to develop regulation around cryptocurrency.
The explosion of pioneering FinTech innovations from around the world is disrupting and transforming the global financial landscape.

From payment, investment and lending innovations, to mobile money, digital wallets and Blockchain technology, FinTechs make financial services more relevant, accessible, affordable and easy to use by society.

In emerging markets, FinTechs are destined to flourish and adoption is expected to skyrocket over the coming years. Welcomed or not, FinTech innovations are disrupting the South African financial landscape and accelerating the digital conversion of financial services.

Pioneering FinTechs like Mexem are breaking down trading and stock market entry barriers. Mexem empowers everyday South Africans to trade and invest intelligently with first-in-class and user-friendly trading platforms, superior trading algorithms, expert knowledge sharing and online security, customised portfolio reports and analytics, always-on customer service, attractive terms and access to 120 exchanges across the globe.

The group’s vision of financial empowerment is driven by Israeli-born Mexem CEO, Itai Liptz, a zealous advocate of global knowledge sharing.

Israel’s drivers of innovation
The Global Innovation Index (GII) recognises innovation as a key driver of economic growth and prosperity and the world’s top 10 innovation heavyweights, according to Bloomberg’s 2017 Innovation Index, are South Korea, Sweden, Singapore, Germany, Switzerland, Japan, Finland, Denmark, France and Israel.

The 2017 Global Competitiveness Report ranks Israel the 3rd most innovative economy and given the geographic location and economic size, Israel’s innovation rankings have sparked great interest in the drivers behind this rising economy.

New ideas are fuelled by existing knowledge bases and effective knowledge sharing across industries. This entails effective collaboration between diverse technologies, skillsets, research and development. The GII recognises the importance of collaboration to innovation and in 2017 ranked Israel 2nd in this area.

The success of Israel’s innovation ecosystem is driven by a flexible economy, young population, high demand and adoption rate of FinTech solutions.

What’s more, it is pushed forward by access to capital and a highly skilled workforce, extensive R&D capabilities and regulations conducive to FinTech growth. Israel’s compulsory military service also instills a culture of discipline and transfers advanced technical and risk management skills invaluable in the business and trading space.

The urgency of financial understanding
The lack of trading knowledge and low savings rate in South Africa poses a major socio-economic barrier to the prosperity and financial stability of the nation. Despite rising living costs and the current economic environment, poor financial planning is mainly fuelled by a lack of financial education, particularly regarding trading on the stock exchange.

The financial services sector should first dispel the myth that saving and investing is reserved for the elite. FinTechs can play a key role in easily disseminated financial education, whether that be through knowledge sharing or practical initiatives such as the Johannesburg Stock Exchange (JSE) Investment Challenge.
KNOWLEDGE IS THE POWER TO CONNECT GLOBALLY

40 MILLION TONS OF CARGO EACH YEAR
KwaZuluNatal’s investment drive has received a massive shot in the arm, as Mahindra launches a new Semi-knockdown assembly plant within Dube TradePort Special Economic Zone.

The facility will produce Mahindra’s PikUp range of Single and DoubleCab bakkies, and once the plant is operating at full capacity the facility will be able to produce 4,000 vehicles per year.

During the launch KwaZuluNatal, MEC for Economic Development, Tourism, and Environmental Affairs, Sihle Zikalala, welcomed the investment by Mahindra, saying that provincial government is committed to supporting the expansion of the vehicle manufacturing sector in South Africa.

“We welcome Mahindra’s decision to establish its world class assembly facility within Dube TradePort Special Economic Zone.
Zone and we look forward to supporting their growth as they expand their export reach into the rest of the African continent and widen their local sourcing of parts and components.”

Mahindra’s long term development strategy is centered on using their facility in Durban to supply new vehicles to the entire African market.

The company has committed to sourcing 40% of the components (measured by value) of its PikUp range from local component suppliers.

“The assembly of the PikUp is a very important step, but it remains only the first step in our long term plan that will see us increase employment, local sourcing and content, and the complexity of our assembly facility in KwaZuluNatal,” says Rajesh Gupta, the CEO of Mahindra South Africa.

He went on to highlight how Mahindra has grown significantly since the launch of its first models in South Africa.

In the last five years alone, it has grown its market share by a compound annual growth rate of over 4.6% per year.

“This puts us in league with five fastest growing companies in the same period. Much of this growth was achieved in a declining market which indicates our increased acceptance and popularity in the South African market.”

Mahindra’s Durban semi-knockdown plant is operated in partnership with AIH Logistics, an organisation that has vast automotive manufacturing experience. The 24 local assembly staff complement, 80% of whom were unemployed was trained in partnership between the global Mahindra & Mahindra Group and AIH Logistics.

“Training and skills development is going to be a special focus area going forward. We believe that to ensure the best engineering and quality, we will have to keep investing into nurturing a highly skilled workforce here in South Africa” says Dempsy Naidoo, chairman of AIH Logistics.
Finding the connection for power supply in Africa

Andrew Galbraith, Director: Transmission and Distribution, WSP, Power, Africa

Transmission and distribution networks are key components to electrifying Africa. With this in mind, regional integration dominates the agendas of African policymakers and donor finance institutions – and the focus is on developing infrastructure that binds the continent and facilitates intra-continental power trade.

Pooling power resources

The Southern African Power Pool (SAPP) is a prime example as it is currently driving a number of transmission interconnector projects.

The aim with these projects is to link or strengthen power interconnections between various countries in the SADC region, including Mozambique, South Africa, Zimbabwe, Botswana, Swaziland, Lesotho, Namibia, Malawi, Tanzania and Zambia, Angola and the Democratic Republic of Congo (DRC).

The intention is to try to create a large power pool that will offer those countries with a power deficit, the facility to import power, and those with excess power various options for exporting their surplus energy.

An interconnected power pool is a complex system that requires careful planning and development.

By its very definition, a power pool involves the connection of a number of networks in a region that in the past, may have been operated in isolation. Connecting power systems together requires entities such as the SAPP Co-ordination Centre to provide oversight.

The SAPP Co-ordination Centre has numerous responsibilities - and importantly though not limited to - these include, advising on the use of the SAPP Operating Guidelines, monitoring the operation of the power pool, and report on the control performance criteria to all the Operating Members. The SAPP Co-ordination Centre also has the onus of evaluating the impact planned future projects may have on the operation of the power pool – and member utilities who intend on expanding their own networks (generation and transmission) may also need to consider the impact of such projects on a regional level.

One such project is the proposed 330 kV interconnector between Zambia and the Democratic Republic of Congo (DRC). The project is financially backed by the African Development Bank, the World Bank and the AREP programme, as it is recognised that a strong transmission link will help both countries improve the security and reliability of their power networks, and that this will aid in fostering economic development and regional integration.

The project also aims to support the development of an efficient and competitive regional power market to reduce electricity prices in the region.

Options being considered for this transmission line are to connect Kolwezi in DRC to the district of Solwezi in Zambia, through the Zambia Electricity Supply Corporation (ZESCO) network at Lumwana or Kalumbila Substation and the future Société Nationale d’Electricité (SNEL) network at Kolwezi NRO substation.

A team of engineers from WSP have been appointed to develop the transmission line and will undertake a three-stage feasibility study to develop
options and recommend a preferred solution for the interconnector. This will include initial assessment of the routes and substations, data gathering, financial and economic analysis, detailed route surveys and detailed design and specifications.

State of ownership of power transmission and distribution
Generally, the state utility, municipalities or power companies for metros are largely responsible for providing the power at a distribution level. For instance, in Johannesburg, City Power is mainly responsible for distribution infrastructure outside of areas not supplied directly by Eskom.

In cases where those SOEs are unable to fund such projects then the likes of the African Development Bank (AfDB), International Finance Corporation (IFC), World Bank and various other development financiers get involved in various ways to develop projects in the region.

Furthermore, commercial debt will generally only get involved in financially viable projects presenting decent returns on investment, such as independent power projects (IPPs).

A good example of this is the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in South Africa, although most of the IPPs as part of this programme are power generators and thus do not get involved in the development of the transmission and distribution system to the end-user.

However, one can’t work without the other. Generation needs a route to the off-taker or end-user, and that requires overhead lines, substation and cables.

Mozambique, is a great example of where the full range of the power system is required. The country possesses some of the largest gas finds in Southern Africa and the plan is to use some of this gas to enable development of gas-fired power stations – and look for opportunities to link these new power sources into the country’s electricity infrastructure networks.

An example of this is the proposed 400 MW gas-fired Temane Generation Project (IPP) at Temane. Temane IPP is owned by Sasol (49%) and the Moz SPV (51%) – which is owned by Electricidade de Moçambique E.P. (EDM) and Hidroelecrica de Cahora Bassa S.A. (HCB), and a third-party international investor.

However, the demand in this area may not sufficiently large for a 400 MW power station and, as such, a 560 km 400kV single circuit AC transmission system is being proposed to export power to larger load centres in the south, from Vilankulos to Maputo. The line also provides for substations, at Chibuto and Matalane, along the proposed route to provide power to towns or industrial centres. This will provide a platform to develop industry and infrastructure in the region.

Attending to Africa’s growing demand requires a broader view on electrical infrastructure development other than just focusing on power generation. It is important to develop the ability to effectively transmit and distribute energy to where it is needed – and WSP is playing an active role in helping to make these connections across the continent.
Armed with US$330 million in government funding and other international investments, Taiwan is on a quest to become a global artificial intelligence development hub.

Huge leaps forward have been made in recent years in the field of artificial intelligence (AI), which is tipped by researchers to become the cornerstone of a Fourth Industrial Revolution.

Not surprisingly, Taiwan has been keen to establish itself as one of the pioneers in the development of this emerging technology, designating 2017 as Year Zero in its overarching commitment to AI development. Last September, the island’s Ministry of Science and Technology (MOST) unveiled its Artificial Intelligence Research and Development Strategic Plan, an initiative that prioritised five strategic approaches.

First, it advocated establishing AI research and development (R&D) infrastructural facilities, as well as setting up AI innovation research centres, developing smart robot innovation facilities, and investing in core technologies for smart device semiconductors (an initiative billed as the Semiconductor Moonshot Project). It also recommended that the island seek highly-skilled staff from around the world to contribute to its ongoing AI research, a subsidiary project referred to as the Formosa Grand Challenge.

In assessing Taiwan’s potential for AI development, MOST cited the island’s existing strengths in wafer original equipment manufacturing (OEM) and integrated circuit (IC) packaging and testing (for which it is ranked top globally), as well as its IC design capabilities (globally ranked number two) as benchmarks for its likely success.

It also noted that its domestic academic and research base had already demonstrated considerable mastery of several related fields, including artificial neural networks (ANNs), expert systems, machine learning and Big Data forecasting/analytics.

The Ministry also highlighted several areas where Taiwan had notable shortcomings for future AI development. Chiefly, they related to its comparative paucity of related R&D activities and its lack of expertise in the field of algorithm application.

In addition, according to MOST, the island only has a relatively small number of patents related to core AI technologies. In particular, with regard to software and hardware systems integration and applications, as well as product and service provisions, Taiwan has made comparatively few breakthroughs.

To address these shortcomings, MOST announced that some NT$16 billion (US$330 million) would be earmarked over a five-year period to fund a series of AI innovation and research centres in four of the island’s universities – Taiwan University, Tsing Hua University in Hsinchu, Chiao Tung University and Cheng Kung University. Between them, these four...
institutions will undertake 67 AI-related research projects, with 300 AI professionals set to be recruited to ensure all the objectives are met.

In addition, the island’s industrial base is also expected to contribute to its bid in becoming an AI leader. Taiwan already has considerable expertise in the design and production of chips, with several local manufacturers expected to raise their game in AI development.

In the case of MediaTek, a Hsinchu City-based leader in the IC sector, it has signed up to the Open Neural Network Exchange (ONNX), a joint initiative by Amazon, Facebook and Microsoft, designed to facilitate accelerated AI development. Two other high-tech Taiwanese IC businesses – Global Unichip and Faraday – have also confirmed their commitment to developing AI capabilities.

A similar pledge has been made by Taiwan Semiconductor Manufacturing (TSMC), a Hsinchu City-based specialist in wafer OEM technology. Last November, company Chairman Morris Chang announced that the business would refocus on four AI-related sectors: mobile devices, high-speed computers, the Internet of Things (IoT) and automotive electronics. In line with this, he also revealed plans to invest heavily in each of these sectors over the next 10 years.

With four of TSMC’s major clients – Qualcomm, Broadcom, Apple and Nvidia – already established as leaders in global AI development, it is inevitable that the sector’s growth will provide a wealth of new opportunities for the company. The emergence of a new generation of AI start-ups is also expected to be a windfall for TSMC, which stands to benefit from a surge in demand for its wafer OEM production services.

To meet this increased output requirement, TSMC has already announced plans to train an additional 300 engineers in the machine-learning sector. The company is not the only AI-oriented Taiwanese business to invest in staff development, however, with Taiwan Mobile, one of the island’s leading telecoms operators, already committed to working with Chiao Tung University to train 1,000 AI teachers, with the ultimate aim of allowing 100 local schools to develop their own AI resources.

Local businesses are not the only ones looking to build on the island’s existing strengths in the AI sector. Just last month, Google launched Intelligent Taiwan, an initiative intended to provide AI training to 5,000 local residents. This is in line with the California-based Internet giant’s commitment to establishing Taiwan as one of its global AI priority centres.

A similar move was made by Insilico Medicine, a Baltimore-based biotechnology business, ranked as one of the world’s leading 100 AI companies. It established a dedicated AI R&D centre – Insilico Taiwan – in Taipei’s Nangang Software Park, its first such facility in Asia.

This followed an earlier move by Microsoft, which launched its own AI R&D centre in Taipei in January. The company is reportedly planning to invest NT$1 billion over the next two years as it looks to build its research team. By 2023, some 200 AI specialists are expected to be employed at its Taiwan facility.
Business debt levels mirrors strong economic data for Q1

Experian’s latest BDI shows SA’s business debt conditions remain in positive territory and are likely to moderate in next quarters

Business debt stress conditions in South Africa continued to improve in Q1 2018 with the latest Experian Business Debt Index reading of 0.360.

This represented a slowdown in the rate of improvement in business debt conditions, from the previous quarter’s 0.430, but remains substantially elevated against recent historical values.

“Although the first quarter Experian BDI’s reading is slightly lower than the fourth quarter, the BDI, as it stands, is the second-best reading in four years.

It continues to be supported by improved macroeconomic conditions made possible by a marked turnaround in economic growth in South Africa and abroad,” says David Coleman, Chief Data Officer at Experian SA.

Economic growth received a boost from the lagged effects of drought conditions coming to an end in the agricultural sector and the sharp recovery in the mining sector following a dismal 2016.

The lower than anticipated headline inflation rate on the back of a continued reduction in food inflation, subdued fuel prices and the stronger rand played a role in assisting the economy and consequently the BDI’s performance. The fall in inflation has also led to lower interest rates which further improved business debt conditions in Q1 2018.

The first quarter BDI for 2018 also benefited from the sharply lower producer price index (producer inflation rate) which came in below the consumer price index (consumer inflation rate); thus allowing for improved business margins that could benefit from the rate of increases with their cost structures tracking lower.

“All of these factors were further boosted by the improved business confidence that followed from the change in leadership in the country.

Optimistically, improved confidence will see businesses commit more working capital. However, this may have the unfortunate consequence of delaying payment of existing debt,” says Coleman.

Debt age ratio
Given that the macro economy improved in Q1 2018, a significant contributor to the decline in the overall BDI was The debt age ratio – the ratio of debt owed of between 60-90 days relative to debt owed of less than 30 days - which increased sharply to 6.8% in Q1 2018 from 5.5% in the previous quarter.
Despite increasing in Q1 2018, the ratio was still lower than the ratios recorded in 2012 and 2015.

From a sectoral perspective, sharp declines in the BDI for agriculture and mining contributed to the deterioration in the overall BDI. This fall back is largely a process of normalisation following the previous quarters where both sectors showed a pronounced recovery.

The debt profile in the agriculture sector worsened due to the drought in the Western Cape, which has resulted in financial strain among farming communities, exacerbating difficulties by the agricultural sector in meeting loan repayments.

There was also a decline in the BDI for mining, which was largely statistical, coming off a high base from the previous quarter.

The BDI reading improved for community services, which is primarily composed of government. This is linked to the reduction in time by government department payments for services rendered.

Other services sectors such as finance and retail trade also recorded an improvement showed significant improvements. The increase in the BDI for retail and wholesale trade correlates with the strong performance of retail sales in Q4 2017.

Construction and transport reflected a continuing deterioration in business debt conditions and reflects the cut back in public sector infrastructure investment.

The uncertain financial state of state-owned enterprises means a reluctance to extend themselves financially on investment projects.

**Outlook**
While the sharp improvement in business confidence in the first three months of 2018 strongly suggest an improved BDI in the next quarter, it is likely that this will not occur.

The upward revisions to economic growth in the second half of 2017 would see growth moderating in the initial quarters of 2018. This, together with the fall in US economic growth as well as data on SA’s main economic sectors of mining, manufacturing and electricity production, retail and wholesale trade sales point to the likelihood that economic growth in South Africa will normalise during 2018.

“Furthermore, if businesses continue to commit funding to their operations in a more conducive growth climate, it is conceivable that they will be more pressed to extend the repayments of their debts. In line with this concept, the BDI will see a slight further slowdown in improved BDI for the next quarters,” says Coleman. As such, the BDI is expected to show a sideways movement in the next quarter before declining as the economy stabilises.

The moderate outlook in the next quarter is likely to be in line with the renewed weakness in the rand with potential inflationary pressures which will be exacerbated by the increase in the rate of VAT and sharp escalation of world oil prices, which will hamper global economic growth.
How to promote good driver and fleet management relationships

The lives of long-haul truck drivers are often romanticised – every day is different, they are out on the open road, they get to drive through spectacular landscapes, they manoeuvre beasts of machines, they command the respect of all other drivers on the road, they are the kings of the road.

While these assertions may be true to some extent, driving long-haul is not an easy job. Long hours of negotiating traffic, roadworks and bad roads, as well as fending off fatigue and boredom, can take their toll. If drivers have poor relationships with their fleet managers, their job can get even more difficult and stressful.

Innovative Staffing Solutions Managing Director, Arnoux Maré, says it is important to ensure drivers are not unduly stressed. “Stress leads to a lack of concentration, which could, in turn, lead to driver error and even accidents. That’s why it is important for fleet managers to create a balance between keeping drivers motivated and happy while remaining firm about deadlines and work schedules.”

Harness the facts to build trust
Drivers need to know their fleet managers have their best interests at heart. “Obviously, logistics companies need to keep their vehicles on the road and want their drivers to be as productive as possible, but this should not be at the cost of their health or safety,” says Maré.

He points out that a good fleet technology monitoring system can help fleet managers manage driver schedules more effectively.

“A good monitoring system allows vehicles to be tracked and provides driver statistics, maintenance records and fuel consumption figures that can be harnessed by fleet managers to be more objective when assigning work or rewarding excellent performance.

“The better the reporting, the easier it is to make well informed decisions. When fleet managers make fair decisions based on the facts, they build trust amongst their drivers, which is a critical component of a successful driver/fleet manager relationship,” adds Maré. Keep communication channels open

While most employees in South Africa are expected to work a maximum of nine hours a day, six days a week, South Africa’s Bargaining Council allows drivers to work a maximum of 30 hours overtime per week.

Maré says high productivity pressure in the logistics industry can put a strain on the relationship between drivers and fleet managers, resulting in absenteeism or a general lack of commitment.

Maré says while meeting delivery deadlines is important, it is equally
important that fleet managers put themselves in their drivers’ shoes. “They need to have an intimate understanding of what is required of their drivers and the challenges they face.

“All the clients we outsource more than 5,500 drivers to employ controllers to oversee an average of 40 trucks and their drivers.

“The controllers are expected to confirm routes with drivers as well as collection and drop-off points. Importantly, they must communicate with drivers on a regular basis to check on their wellbeing and levels of fatigue,” adds Maré.

In fact, communication is critical. “Fleet managers need to give drivers the chance to voice their issues and fleet managers, equally, need to communicate the challenges they face. Effective communication is another way to build trust with drivers – something every good fleet manager should be adept at,” says Maré.

Get the basics right
The most effective fleet managers are good team leaders. In addition to being able to connect with their drivers and understand their challenges, they need to be able to provide them with the support and tools they need to do their jobs properly.

Maré says fleet managers need to provide a combination of regular driver evaluation and corrective training. “At Innovative Staffing Solutions, we invested in truck that is specifically used for training and evaluation. This means our clients don’t have to lose money by taking their trucks off the road to train drivers.”

In addition, all Innovative Staffing Solutions clients have on-site driver trainers. They are expected to reinforce the importance of safety regulations and accompany drivers on trips from time to time to observe their driving and make sure they conform to the various regulations.

Another critical component of the fleet manager’s toolbox is ensuring drivers have the know-how and time to conduct pre-route checks of tyres, brakes, leaks and lights – in addition to the truck having been through the truck depot for fuel top-ups, tyre checks, mechanical checks and washing.

Ultimately, fleet manager and driver relationships are enhanced when both parties understand and respect their respective challenges. “It is important for both parties to find solutions that do not compromise the safety of drivers and road users on the one hand or undermine the success of the business on the other,” concludes Maré.
Now in its fifth year, TruckX – South Africa’s all-encompassing, interactive event for the commercial transport industry – has moved things up a gear.

With a new headline sponsor, new industry partnerships and new events in parallel, TruckX 2018 is set to surpass the record-breaking support it received last year. The event takes place on July 11 and 12 at the Kyalami Grand Prix Circuit, Midrand.

“In line with our vision of creating an industry event that gives visitors an interactive, hands-on, practical experience, a full-blown exhibition and outside events were added to TruckX last year,” explains John Thomson, the exhibition organiser.

“To enable this, TruckX moved from Sandton Convention Centre to Kyalami Grand Prix Circuit. This really worked! TruckX had its highest number of visitors ever – over 2 100 people.”

Thomson expects to increase attendance at this year’s show by 50%, since support from the industry for the new format has been extremely encouraging.

“There is a crying need for a conference and exhibition of this calibre,” says Japie Burger, Transport Manager at ZZ2, a farming conglomerate operating with 104 trucks.

Norman Pillay, managing director of Jesslyn Carriers, agrees: “The expo showcased how technology in the transport industry is changing rapidly and evolving with the times. TruckX is an excellent opportunity to get updates of events and to stay ahead of industry developments.”

Shell takes Headline Sponsorship
Global energy group Shell has taken headline sponsorship for this year’s event. Commenting on this exciting news, Bongani Motloung – Sales Manager of Shell South Africa, says: “We believe that TruckX and FleetX are invaluable industry events. Shell South Africa is proud and delighted to have been afforded the opportunity to be one of the headline sponsors for 2018.”

FleetX Speed in a Suit Competition
This year, Fiat Chrysler Automobiles also makes its début at FleetX, the co-located event dedicated to the light commercial vehicle and fleet segment of the industry. The world’s eighth largest auto maker will be supplying the express courier vehicles used for the highly popular “Speed in a Suit” competition.

The event will pit courier industry leaders against Fiat Chrysler’s top driver to see who is fastest around Kyalami’s dynamic handling track, using the least amount of fuel.

“TruckX is the only industry event that offers live demonstrations – a place for visitors to experience and interact with trucks,” says Thomson. “It is a much-needed home for trucking industry suppliers – and one which is supported by the trucking industry and broader commercial vehicle transport industry.”
Since the establishment of FedEx Express in South Africa, the company has grown their business and established a footprint across Southern Africa.

As this is the company that literally invented - and since perfected - the concept of express distribution, it is no surprise that FedEx Express was able to overcome nearly all of the hurdles that often complicate and for the most part minimizes intra-African trade.

According to FedEx Sub-Saharan Africa Managing Director of Operations, André Bresler, while there can be immense challenges within the courier and logistics industry in Africa that range from shortcomings in infrastructure, to bureaucracy, and complicated and often time consuming import and export measures, there are also immense opportunities for businesses in Africa.

“FedEx is known internationally for its innovative solutions and its ability to identify and deliver according to the needs of its clients. We do not necessarily view the challenges of doing business in Africa as obstacles. We prefer to look at it as great opportunities to provide alternative solutions, and alternative ways of ensuring that our customers get an outstanding service.”

The company offers a range of services within the logistics and express distribution arenas, all carefully tailored to the market segments with which they work.

The company provides integrated express transport to over 220 countries and territories, and is a large domestic player in Southern Africa, providing a range of logistics services including warehousing solutions, air freight, sea freight, and even retail freight solutions.

In addition the company provides special services, which include charter services for urgent deliveries. They also handle special freight, from large shipments to Dangerous Goods, literally providing an end to end solution to meet any client’s needs.

“The trick is to correctly and consistently evaluate customer needs,” says Bresler. “Firstly, you have to look at the whole picture: What do you want to achieve, and what are you able to achieve with the tools that are available.

“Once again you have to keep in mind the associated challenges. Last-mile deliveries can become difficult due to infrastructure challenges, as well as the cost of road transport in Africa, which can be as much as two or three times higher than in the rest of the world.

“One must also consider that, even with all the technology that we have available today, and one of the fastest growing mobile and smartphone adoption rates, not everyone in Africa has access to the internet.

“So what we do differently is that we assess the challenges, we come up with alternatives, and we differentiate ourselves in the field.”

Logistics being a service industry, FedEx approach is very customer-centric. With this in mind, the company has developed a number of tools that make it easier for their customers to request or complete their shipments.

“From downloadable software, to apps, to our website, all offers our customers the opportunity to, for instance, track their shipments in real time, or to get a quote instantly, thereby giving them the freedom to make decisions on the go.

“This gives our customers the freedom they need to run their businesses, and also greatly enhances the ease of doing business.”
Supply chain is about service first

It has been four decades since South Africa hosted its first supply chain conference, SAPICS. Since then, there has been significant innovation, leading to evolutionary trends and a change in approach. But, what matters more today, and has for many decades, is the service delivered versus the product produced.

Cassie Lessing, MD, Strato IT Group, a mobile business solutions provider, says that the majority of today’s industries are driven not just by technology innovation, but equally by the service provided: “Service ahead of product is not new, but as the supply chain industry continues to develop, the importance of service will develop, gaining focus and importance. In fact, product will feature less and service will define success moving forward.”

Lessing says that as the industry enters the 4th Industrial Revolution, there are several emerging technologies that will influence and shape the future of supply chain: “We are faced with technologies such as the Internet of Things (IoT), Robotics; Augmented and Virtual Reality; Artificial Intelligence, and 3D Printing. These will all influence and impact supply chain immensely, with the majority touching on the concept of service and the importance of the role it plays.”

Service can be the difference between success and failure. Lessing says that perfect order metrics often defines success for clients. He says that this mostly means delivering the right product to the right person, at the right time, with the correct information. “It’s the latter where things often go wrong, documentation is often lost, incorrect or unsigned upon delivery. This can cause significant issues for both companies and even lead to non-payment.”

Having developed a proof of delivery (POD) app four years ago, Lessing says he has first-hand knowledge of the impact this technology has had on supply-chain heavy businesses: “A perfect order before using the app was a challenge, we now have clients that are much closer to achieving their goals within the supply chain thanks to the ePOD,” says Lessing.

StratoPOD, the Strato IT Group’s app, has helped clients work towards the industry standard of “right first time” and has assisted in building stronger and more information-rich supply chain departments: “The app greatly assists in improving service delivery and also provides information-rich data to the client.”

The Strato IT Group is excited to be participating in the 40th SAPICS at the Century City Conference Centre in Cape Town from 10 – 12 June 2018.
Total recall

The news across the globe about South Africa’s calamitous listeriosis outbreak continues to make headlines. By March 26 982 laboratory-confirmed listeriosis cases across the country were reported to NICD since the beginning of January 2017, and 189 deaths recorded.

With the continued threat and reality of foodborne illnesses and product recalls, food safety remains a priority for consumers and food chain manufacturers. While South Africa may have identified the source of the listeria outbreak, the human and economic cost, as well as damage to brand reputation is extensive.

Coding and marking is essential for providing information on products, labels and packaging. “Brand owners incorporate marks or codes onto their products or packaging to protect themselves and consumers by ensuring security throughout the supply chain,” explains Pyrotec PackMark’s general manager, Brandon Pearce.

“It also makes traceability possible, providing a record of reliability for products, and makes efficient stock control possible.”

For consumers, ‘best by’ and ‘use by’ dates confirm that the product is safe to consume. These markings also help consumers to derive the most value from their purchases and reduce food waste.

However, for coding and marking to be effective it needs to be error free and despite automated production lines human error is inevitable.

“In addition to its world-class coding and marking equipment, Markem-Imaje’s CoLOS software, exclusively distributed in southern Africa by Pyrotec PackMark, reduces human error through centralised data management that links, manages and operates all printers across packaging lines,” Brandon explains.

CoLOS offers real-time data by linking the production plan to individual end-of-line packing machines. This increases the productivity visibility of each machine, provides more accurate scheduling, and downtime information lets operators identify the causes of machine errors.

The reporting benefits of CoLOS software are impressive, and supervisors have access to production statuses at any time, immediately providing live updates of any issues on the line.

Packaging Line Traceability (PLT) solutions such as CoLOS are scalable and can transform coding and marking at any level of a line (units, trays, cases or pallets). Alternatively, it can be integrated into the complete packaging line from units to pallets.

“Correctly coded, marked and labelled products limit recalls, save money and time, protect consumers and manufacturers, discourage counterfeiting, and ensure advanced traceability throughout the entire supply chain,” he concludes. ■
MOZAMBIQUE

Credit Guarantee experience

Cover is considered on a case-by-case basis

Recent Political Highlights
- According to the DnB’s (Dun&Bradstreet) report, the death of the opposition group Renamo’s leader poses a threat to security and the elections due for 2019.
- The main opposition group, and armed former-rebel group, Renamo, is looking for a new leader following the sudden death of Afonso Dhlakama. The death of Dhlakama has pushed Renamo into turmoil during a key period in Mozambican politics, with a lasting peace deal between the ruling Frelimo party and Renamo still ongoing, and national elections set for October 2019. Renamo has appointed an interim leader, Ossufo Momade, who has pledged to uphold the current ceasefire with Frelimo, and continue to pursue a final peace settlement. However, there is a risk that hardliners in Renamo will wrestle control of the party, and destabilise the peace process. Similarly, hardliners in Frelimo may attempt to take advantage of the instability in their rival, and push for a much-harder negotiating stance. The death of Dhlakama has raised the risk of renewed armed conflict between Frelimo security forces and Renamo armed rebels.

Recent Economic Highlights
- The country is rich in solid mineral reserves and agricultural potential, and has vast natural gas reserves that are subject to large-scale investment projects by international oil and gas companies.
- Mozambique has the potential to become one of the world’s largest producers of natural gas and exporters of liquefied natural gas during the 2020s.
- GDP in Mozambique expanded 3.2% in the first quarter of 2018 over the same quarter of the previous year.
- The inflation rate was recorded at 3.3% in May of 2018.
- Business Confidence increased to 103.50 Index Points in April from 103.40 Index Points in March of 2018.
- The country is reported to have a long-term growth potential linked to large untapped solid mineral and energy reserves, farming and strategically-positioned ports. However, the economy is struggling with restricted access to international capital and a very-high external debt burden. Foreign donors are withholding funds as a result of the lack of transparency in public borrowing and mismanagement of public funds. Also, as aforementioned, political stability and security across the country is threatened by tensions and conflict between Frelimo and the armed opposition group Renamo.
- According to the DnB’s report, Mozambique has been in sovereign debt default since early 2017, restricting the government’s access to capital from multilateral and bilateral sources. Public finances are stretched, state-owned enterprises financially stressed, and spending cuts are being implemented. The commercial banking system is burdened by a high level of non-performing loans. Armed conflict has abated following a ceasefire that was reached in early 2017, and discussions regarding a lasting peace deal are ongoing, although the sudden death of the leader of Renamo (the armed opposition group) poses a threat to securing a peace settlement. Major developments in the gas sector are progressing, which could begin to attract substantial FDI in the years ahead and boost the economy. Mozambique is aiming to become one of the world’s largest natural gas producers, and a key logistics hub for Africa in the 2020s.
- The report continues to state that the financial fragility of some fully or partially state-owned enterprises is a major threat to ongoing investments and contracts affecting foreign companies. However, it also raises the prospect of a renewed push for privatisation of state assets, as the authorities continue to struggle with sovereign default and suspended credit facilities.
- A subdued but improving economic growth is reported. Mozambique has experienced weak economic growth in recent years, with real GDP decelerating from 3.8% in 2016 to an estimated 3.0% in 2017. The economy continues to be burdened by the financial stress caused by the downturn in commodity prices in 2015 and 2016, suspension of some donor support since 2016 and ongoing sovereign default that began in early 2017. A build-up of public sector payment arrears and exposure of the commercial banking sector to the government and loss-making state-owned enterprises continue to weigh on the economy, while the IMF estimates that the country will remain in sovereign debt default during 2018.

Credit Guarantee House, No 1 Mutual Place, Rivonia Road, Sandton, 2196
Tel: 011 889 7373, Fax: 011 886 1027, Email: info@cgic.co.za
the next few years. Currently, real GDP is expected to pick up to 4.0-5.0% in 2018-19, driven by higher mining sector output and a modest recovery in agricultural output, even though the risk is subject to significant downside risks.

- Commercial risks are high and the business environment is challenging, which reflects poor governance and weak legal structures, widespread corruption among officials, and difficult conditions for logistics operations.
- In April, according to the NKC’s analysis of the CPI’s impact in the economy, the BdM (Bank of Mozambique) increased the pace of rate cuts and has now reduced the MIMO (Monetary Policy Interest Rate) by a cumulative 300 bps since the beginning of the year, including the latest rate cut in April.
- On IHS’ end, it has lowered Mozambique’s growth prospects for 2018-19 as non-mega project related GDP growth remains constrained by foreign exchange liquidity pressures. The Mozambican government has also showed very little political will to resolve these issues before the 2019 national elections. Relations between the International Monetary Fund and G-20 donors remain constrained.
- The commencement of large scale liquefied natural gas development projects during 2018 will boost private-sector investment spending and investment-related imports. IHS Markit assumes a widening in the current-account deficit, financed sufficiently through rising foreign direct investment inflows.
- The nominal exchange rate is expected to depreciate marginally against the US dollar while lower inflation could open up the opportunity for further monetary easing. Fiscal expansion remains limited in the wake of lower foreign assistance forthcoming to the Mozambican government.

Economic Indicators

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2016</th>
<th>2017(e)</th>
<th>2018(f)</th>
<th>2019(f)</th>
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<tr>
<td>GDP</td>
<td>3.4</td>
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<td>General government revenue (GDP%)</td>
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<td>25.8</td>
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<td>30.8</td>
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</table>


Latest trade developments

<table>
<thead>
<tr>
<th>SA EXPORTS TO MOZAMBIQUE (TOP 5)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral products</td>
<td>R 9 957 836 880</td>
<td>Mineral products</td>
</tr>
<tr>
<td>Products Iron &amp; steel</td>
<td>R 4 671 210 875</td>
<td>Machinery</td>
</tr>
<tr>
<td>Machinery</td>
<td>R 4 662 359 558</td>
<td>Products Iron &amp; steel</td>
</tr>
<tr>
<td>Prepared foodstuff</td>
<td>R 3 140 951 707</td>
<td>Prepared foodstuff</td>
</tr>
<tr>
<td>Chemicals</td>
<td>R 1 962 328 984</td>
<td>Chemicals</td>
</tr>
</tbody>
</table>
Credit Guarantee country profile

Credit Guarantee experience
Cover is considered on a case-by-case basis

Recent political highlights
• President Mauricio Macri assumed office since 10 December 2015. Election last held in 2 rounds on 25 October and 22 November 2015, next to be held in October 2019.
• A possible threat to the government’s stability is the reported strike by the Argentina’s leading labour federation. It announced plans to stage a one-day general strike on June 25 to protest against government economic policies, raising pressure on President Mauricio Macri as he moves to speed up spending cuts to balance the budget.
• Macri’s announcement last month that Argentina was turning to the International Monetary Fund (IMF), following a run on the peso currency, raised political risk for the government. Many Argentines blame IMF-imposed austerity policies for aggravating a 2001-2002 economic crisis that plunged millions into poverty.

Recent Economic Highlights
• According to DnB’s (Dun & Bradstreet) short term economic outlook, the economic activity remains weak. Economic activity remained weak in March, with a decline of 0.1% m/m, in seasonally-adjusted terms following a contraction of 0.2% m/m in February. DnB’s 2018 real GDP forecast is now 2.0% as the government faces stubborn twin deficits. The growth outlook is further clouded by the ongoing drought - the worst in 30 years - which is contributing to the lowest soybean and corn harvests in several years. Argentina has had to buy soybeans for the first time in two decades. Moreover, the weakening peso is driving up dollar-denominated sovereign debt and contributing to already-resilient inflation. With a potentially large negative impact on export receipts and tax revenue, this echoes 2009, when a severe drought contributed to the economy slipping into recession. The government has promised to tackle the twin deficits (which undoubtedly became more challenging with the recent currency weakness). The fiscal deficit has widened on account of higher interest payments as Argentina’s debt burden expanded rapidly after its return to capital markets in 2016. The economy grew by 2.9% in 2017, just above the group’s (DnB) forecast of 2.8%.
• IHS reports turbulence and volatility in the local currency have ignited a series of economic policy changes and a more aggressive Central Bank intervention in the foreign exchange market. Although raising the monetary policy rate to 40% is expected to be a temporary move, it will dampen gross fixed investment and private-sector consumption, leading to slower-than-previously-expected GDP growth in 2018, despite high-frequency indicators showing a dynamic domestic economy in the first quarter.
• According to IHS, GDP is expected to grow 3.0% in 2018. The Argentine government is working on securing a credit facility with the IMF to bring calm to the foreign exchange market and reduce the volatility. Early this month Argentina reported to revise the fiscal targets set as part of a $50 billion financing arrangement with the IMF to increase spending on social programs, according to the IMF director.
• Monetary policy is expected to remain relatively tight to bring the inflation rate...
Country rating key - political risks: 1 = low, 2 = medium, 3 = high

Commercial risks: A = low, B = medium, C = high

into the target path and the devaluation of the peso will bring inflationary pressures in the short term.

- Argentina benefits from rich natural resources, a highly literate population, an export-oriented agricultural sector, and a diversified industrial base.
- The country comes from a position of the world’s wealthiest countries 100 years ago, but ultimately came plummeting down for the better half of its 20th century from recurring economic crises, persistent fiscal and current account deficits, high inflation, mounting external debt, and capital flight. Due to that - in 2016, the World Bank downgraded Argentina from a high-income to upper-middle-income economy, said to be on par with Colombia.
- A severe depression, growing public and external indebtedness, and an unprecedented bank run culminated in 2001 in the most serious economic, social, and political crisis in the country’s turbulent history, according to reports. Interim President Adolfo Rodríguez Saa declared a default - at the time the largest ever - on the government’s foreign debt in December of that year, and abruptly resigned only a few days after taking office. His successor, Eduardo Duhalde, announced an end to the peso’s decade-long 1-to-1 peg to the US dollar in early 2002. The economy growth dwindled that year, with real GDP 18% smaller than in 1998 and almost 60% of Argentines below the poverty line. Cristina Fernandez De Kirchner succeeded her husband as president in late 2007, and the rapid economic growth of previous years began to slow sharply the following year as government policies held back exports and the world economy fell into recession.
- With the election of President Mauricio Macri in November 2015, Argentina began a historic political and economic transformation, as his administration took steps to liberalize the Argentine economy, lifting capital controls, floating the peso, removing export controls on some commodities, cutting some energy subsidies, and reforming the country’s official statistics. Argentina negotiated debt payments with holdout bond creditors and returned to international capital markets in April 2016, and completed its first IMF Article IV Consultation since 2006.
- Emerged from recession in 2017 with GDP growth of nearly 3.0%. The country took on several international leadership roles in 2017, including hosting the World Economic Forum on Latin America and the World Trade Organization Ministerial Conference, and is set to assume the presidency of the G-20 in 2018.

Currently, the economy expanded 3.6% year-on-year (y/y) in the first quarter of 2018, slightly above consensus expectations of 3.5% but below the 3.9% expansion for the previous quarter.
- The inflation rate was recorded at 26.4% in May of 2018.
- Argentina scored 3.95 points out of 7 on the 2017-2018 Global Competitiveness Forum.
- The country is ranked 117 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings.
- According to Trading Economics, the Industrial Production m-o-m, increased 0.6% in October of 2016 over the previous month. According to the graph, is DnB’s data on the Industrial Production growth (m-o-m).
- Major exports: Soybeans and derivatives, petroleum & gas, vehicles, corn, and wheat.
- Main trading partners: Brazil, China, US, Germany and Vietnam.
- SA exports to Argentina totalled R1.1bn in 2011, R1.7bn in 2012, R2.5bn in 2013, R2.3bn in 2014, R1.9bn, R2.4bn in 2016, R2.4bn in 2017, and R901m in January to April in 2018.

Researched and compiled by Cindy Motloung, economic services – Credit Guarantee Insurance

### Economic Indicators

#### Key Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017(e)</th>
<th>2018(l)</th>
<th>2019(l)</th>
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<tr>
<td>GDP</td>
<td>-2.3</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Inflation</td>
<td>n/a</td>
<td>25.6</td>
<td>18.7</td>
<td>14.8</td>
</tr>
<tr>
<td>Volume of imports of goods and services</td>
<td>4.2</td>
<td>10.2</td>
<td>7.6</td>
<td>5.9</td>
</tr>
<tr>
<td>Volume of exports of goods and services</td>
<td>6.6</td>
<td>5.2</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Unemployment rate (% of total labour force)</td>
<td>8.5</td>
<td>7.4</td>
<td>7.3</td>
<td>7.2</td>
</tr>
<tr>
<td>General government revenue (% of GDP)</td>
<td>33.7</td>
<td>32.3</td>
<td>32.2</td>
<td>32.2</td>
</tr>
<tr>
<td>General government total expenditure (% of GDP)</td>
<td>39.5</td>
<td>38.4</td>
<td>37.3</td>
<td>36.1</td>
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<tr>
<td>Current account balance (% of GDP)</td>
<td>-2.6</td>
<td>-2.9</td>
<td>-3.4</td>
<td>-3.7</td>
</tr>
</tbody>
</table>


#### Latest trade developments

<table>
<thead>
<tr>
<th>Products</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles aircraft and vessels</td>
<td>R 794 384 259</td>
<td>R 722 824 695</td>
</tr>
<tr>
<td>Machinery</td>
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Source: IMF DataMapper
The completion of the R360 million Admin Craft Basin (ACB) in the Port of Ngqura has opened up opportunities for revenue growth in this young developing port.

The new structure will be home to the port’s three tugs and one pilot boat soon, freeing up Berth C101, which was designed to handle revenue generating vessels.

“Having had no facility to berth the tugs was always a limitation for the port in terms of revenue creation," says senior engineer, Zanele Ntantala, who managed the project.

“This significant investment in infrastructure demonstrates TNPA’s confidence in the future capabilities of this expanding port.

“The long term future development of the port was taken into account during design, with the position of the facility, located at the root of the Eastern Breakwater, allowing unhindered developments in the long term.”

Unique features
As much as the structure is in the middle of an operational port, the construction was done in the dry. That took time, as the contractor had to build a temporal working platform and piles for the ACB Finger pier.

The pier is a suspended concrete deck on piles. The water was pumped out of the Finger pier site area so that piling and other work could commence. It was pumped back in again after completion.

Characteristics
The facility is made up of a 300m long breakwater armoured with rock and a 120m long Finger Pier capable of handling six tugs or four tugs, a pilot boat and other small craft as per the current medium term requirement.

Provision has also been made for easy extension of the pier to accommodate two extra tugs should there be a need for more tugs in future.

The design of the ACB provides ample opportunities for easy construction to berth additional small craft such as tugs, SANParks and SAPS vessels in future.

The channel of the ACB as well as the basin is 8.3m deep.

The final move
There is one outstanding construction task to be completed before the tugs can move to their new home.

This entails the final completion of dredging, which was anticipated to be completed by end April 2018. TNPA Lighthouses also have to install navigational equipment on site.

The people involved
The contractor was Basil Read, with subcontractor Sub-Tech responsible for dredging.

The role of TNPA’s Port Engineers department was mainly to ensure that the project was delivered within budget, according to specification and that it fulfills its purpose.

The following people played a key role in ensuring its success – Gerrit du Plessis (Port Engineer), Zanele Ntantala (Senior Engineer), Thulani Dubeko (Harbour Master) and Tandi Lebakeng (Port Manager).

Construction on the project started in February 2015.

Siyabonga Gadu (TGC Project Manager) and his team together with Kevin Stone (ECI Joint Venture Project Manager) and Leonard Coleske (Construction Manager) worked hard to make the project a success.

The completion of the R360 million Admin Craft Basin (ACB) in the Port of Ngqura has opened up opportunities for revenue growth in this young developing port.
New tech helps container terminals reduce fuel bills, emissions and power peaks

New technology allows container ports and terminals to capture, store and reuse energy from container yard handling equipment to reduce fuel cost and emissions and better manage peak electricity demands.

Following a successful proof of concept trial at the UK Port of Felixstowe, Cress Systems has announced the commercial release of its ProwESS energy capture, storage and reuse system for container terminal yard handling equipment.

The first version of the system has been designed for rubber-tyred gantry cranes (RTGs), the global workhorse of yard operations, with a second version under development for straddle carriers.

Originally developed in the laboratories of energy giant British Petroleum (BP), with further research and development input from the UK University of Reading, the Cress solution recycles kinetic energy from container handling equipment that is otherwise wasted.

Neither terminal operations nor equipment driving and lifting activities are affected. The flywheel-based system runs in parallel with normal RTG operations, with no mechanical connection required, providing stored energy when needed while leaving the RTG free to work in usual fashion.

“One of the key findings out of the extensive Felixstowe pilot in 2016/2017 was the ability of the CRESS energy storage system to manage and control the release of stored energy as and when required to achieve optimal results, including the ability to reduce the peak demand on the RTG generator set,” says Cress CEO Richard Bradshaw.

“After conducting the field tests on different container and spreader weight combinations ranging from an empty seven tonne spreader to a 28 tonne loaded containers, energy savings ranged from 12,91 to 26,3% depending on the sequence of moves.”

The table below shows the savings in relation to spreader and container weights lifted:

***Place image “comparisontable.png” here***

For European terminal operators using traditional diesel-powered equipment, these energy savings translate to a three to four year return on investment (ROI) per RTG, depending on local fuel prices, throughput and mode of operations.

Furthermore, with its energy peak reduction capabilities, the technology also helps terminals better manage the fast-growing trend to more electrified operations, explains Bradshaw.

“Electrification of ports is placing new demands on electricity grids globally and grids are also changing with more intermittent renewable sources and increasing demands from other electricity users,” he says.

“As terminals convert more handling equipment from diesel to electric operations and face new demands such as providing electric shore power for ships, this is placing pressure on the main grid supply and creating peaks in demand that could lead to excess charges and potentially exceed supply.”

“But new technologies such as ProwESS are now arising globally for major industrial consumers to secure cost savings by reducing their peak loads on the electrical network.”

“The improvements that we have introduced to the system following the Felixstowe pilot have given us the confidence to move into mainstream production for the next customer orders in container terminals” adds Bradshaw.

The company has also strengthened its global team with the appointment this April of industry veteran Ziad Banna. With more than 25 years experience in digital enterprise transformation and technology solutions for ports and other asset intensive industries, Banna joins as vice president of Global Sales to develop and execute the right strategy to bring this innovative solution to market.

“With payback of three to four years on RTGs versus an expected equipment lifecycle of 25+ years, and minimal maintenance, the savings from energy storage technology stack up across reduced fuel bills, less CO2 emissions and ability to normalise energy peak consumption,” says Banna. ■
Richards Bay Lighthouse demolished ahead of new construction

Transnet National Ports Authority (TNPA) has erected a temporary light and structure on the site of the old Richards Bay lighthouse to guide vessels navigating the surrounding waters. This follows the recent demolition of the 39-year-old lighthouse due to severe coastal erosion.

The new, temporary structure was successfully commissioned on 1 April 2018 after a period of testing and calibration. The steel structure was fabricated by a local company, while the LED long range beacon was shipped from the United Kingdom.

The original lighthouse situated at Meerensee was commissioned on May 22, 1979 and stood more than 200 metres from the edge of the cliff at the time of its construction. More recently the structure had come close to toppling into the sea.

David Gordon, Executive Manager for Transnet National Ports Authority (TNPA) Lighthouse and Navigational Services (LNS) said the recent slippage was a unique situation of great concern.

“The South African Maritime Safety Authority was informed and a navigational warning was issued. TNPA’s LNS division issued a tender calling for specialist advice for the demolition and removal of the structure and four unique proposals were received from well-established contractors,” he said.

The proposal submitted by Atomic Demolishers was selected and TNPA LNS enlisted their services in March 2018. Their proposal involved anchoring the structure to two purpose-built concrete anchors and pre-tensioned cables, in order to secure and control the direction of the structure’s collapse. The site was handed over to the contractor on 12 April 2018 and the demolition took place under the guidance of a structural engineer.

Once the pre-tensioning was completed, the base of the tower was chipped and broken away using a hydraulic excavator mounted breaker. The tower was collapsed and broken up, and the concrete rubble was transported and disposed of. LNS conducted a final inspection on 4 May 2018.

Access to the dune face is presently restricted by a newly-erected wire fence.

LNS is working with the City of Umlithathuze to put the necessary services in place for a new lighthouse on a new site in Richards Bay. An environmental impact assessment (EIA) is outstanding, however construction of the new lighthouse is expected to begin later this year.

TNPA’s LNS division provides, operates and maintains lighthouses and other Aids to Navigation (AtoNs) along the 2,954 km coastline of South Africa, which is home to 46 lighthouses.
Transnet targets new terminal operators for Port of Durban’s Island View Precinct

Transnet National Ports Authority (“TNPA”) recently outlined its Island View Precinct Strategy, which sets out to address lease consideration within this major petrochemical hub in the Port of Durban, while encouraging new entrants into the market.

Addressing affected lease holders and representatives of the petrochemical industry, Chief Executive of TNPA, Shulami Qalinge, said: “The TNPA Island View Precinct Strategy aims to facilitate greater participation of historically disadvantaged persons in terminal operations, in line with TNPA’s statutory mandate, while enhancing the country’s supply of strategic liquid bulk commodities.”

Historically lessees in the Island View Precinct have enjoyed tenancy in excess of 50 years, leading to slow transformation within the precinct. The majority of the precinct’s footprint is occupied by cargo owners who act as Terminal Operators. They are responsible for landing, shipping and/or storage of South Africa’s petroleum, diesel, chemicals, oils, lubricants and aviation fuel.

Qalinge said: “The underlying principles of the Island View Precinct Strategy are to promote radical socio-economic transformation, job creation and to facilitate investment in ageing infrastructure. The strategy will also allow us to allocate capacity to new entrants and to introduce an operating model that ensures equal access. This will enhance the security of supply.”

Currently 14 leases in IVP are on a month-month arrangement. An additional lease expires in 2020 which will potentially free up three sites in the IVP.

All of these affected leases will be advertised through an open tender process, commencing in 2018. The open process will allow for shortlisting of bidders and only shortlisted bidders will be eligible to submit final bids.

Qalinge said that existing operators could re-bid but would need to fulfill the stringent transformation and job creation requirements of Transnet SOC Ltd. Potential new entrants will be required to meet certain transformation criteria such as Level 4 BBBEE and TNPA will seek 51% Black ownership in the Terminal Operator company.

“The execution of the IVP strategy is a complex process given national imperatives, but TNPA requests industry to embrace the IVP outcomes and to work with us to effect a smooth transition,” she said.

All immovable assets in the Island View Precinct will transfer to TNPA as provided for in existing lease agreements. Leases that are currently running on a month to month tenure will be extended to allow for the open process to be concluded and for a smooth transition with the implementation of the IVP strategy. Lease extensions will in general be on the same terms and conditions, but rentals will be market related.

Tenure will be aligned with the condition assessment of existing facilities and terminal operator investment plans and will be capped at 25 years. Tenants will be responsible for decommissioning/ rehabilitation/ remediation of IVP lease sites.

Any comments and suggestions can be submitted to TNPA as follows: IslandViewstrategyengagement@transnet.net

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Agreement paves way for SA’s first off-shore supply base

South Africa’s first dedicated and customised facility supporting offshore oil and gas activities will be introduced at the Port of Saldanha. This follows the conclusion of an agreement between Transnet National Ports Authority (TNPA) and Saldehco Pty Ltd, which was signed off at an official ceremony at the port on Monday, 23 April 2018.

Saldehco is a privately owned South African company, comprising principal shareholder HARPS Holdings Pte Limited and local partner Semona Pty Limited.

Speaking at the ceremony at the Port of Saldanha, TNPA Chief Executive, Shulami Qalinge, said: “The OSSB will play a key role in positioning Saldanha as an oil and gas services hub and stands to benefit from the international logistics and energy experience of global players, backed by the local expertise and empowerment credentials of Semona.”

Saldehco was procured through a Section 56 market approach, which sees TNPA enter into contracts with private terminal operators to design, construct, rehabilitate, develop, finance, maintain, operate and transfer port terminals or facilities back to the Authority.

TNPA has provided berth infrastructure for the OSSB at the port’s general maintenance quay. Saldehco will be responsible for providing warehousing, workshops, offices, canteen and rest room facilities, as well as equipment such as cranes and other rubber tyred equipment to operate the facility.

Representing Saldehco, Chairperson Sophie Masipa said: “In partnering with Transnet, Saldehco will focus on developing the marine and ocean services industry in Saldanha Bay.

“Our focus is on making Saldanha a hub for marine related activities and services on the Western Cape. We expect this to contribute to the area’s economic and social development through employment creation and development of the small business sector.”

She added: “Some of the expected activities to be provided will include critical need based services such as marine bunker, lubricants, as well as fresh water for vessels calling at the port and marine traffic passing by the Cape of Good Hope.

Additionally, a support facility is intended to allow for fabrication of offshore structures in support of both projects on the Western Cape and up to the West Coast of Africa, as well as capacity to support offshore and onshore pipe laying projects.”

Off-Shore Support
The OSSB will serve vessels engaged in supporting offshore exploration and production activities along the West and East coasts of Africa and calling at South African ports for support and logistics services.

Transnet Group Chief Executive, Siyabonga Gama, said: “We are confident that the job opportunities and capital investment created by project will change the economic landscape of the local, regional and national economy.”

Fundamental to TNPA’s oil and gas strategy is the creation of sustainable jobs and opportunities, skills development, and access to business opportunities.

Local partners have been identified for construction and operation with 30% of capital spend to be dedicated to supplier development (SD).

During construction 1300 jobs will be created and a further 300 direct jobs will be created during operation.

TNPA has been engaged in ongoing collaboration with the Saldanha Bay IDZ Licencing Company to optimise opportunities for foreign direct investment in the oil and gas sector in Saldanha.

The Authority recently concluded a commercial development lease agreement with the Saldanha Bay IDZ for the development of various pockets of land, totalling 35 hectares in the port, as the first tranche of IDZ designated land parcels.

This is the first time that an SEZ has been designated within a South African commercial port.

The IDZ and TNPA will jointly market the port and the IDZ will be the implementing vehicle for the provision of infrastructure, promotion of investment and management of the SEZ. The IDZ was granted a permit to operate the SEZ with funding of R303 million for the development of the landside area. The core activities within the area will include logistics, repairs and maintenance, new builds and fabrication activities for the servicing of upstream and midstream oil and gas services.

Qalinge concluded: “On behalf of TNPA and Transnet, I would like to thank the Saldanha Bay IDZ Licencing Company for its unrelenting work to establish Saldanha as a world-class, internationally recognised and thriving industrial centre of South African marine engineering, where the local economies can benefit from entering the global oil and gas value chain.”

The OSSB will operate within the SEZ and will offer incentives to the industry, both local and international, to establish an oil and gas hub to drive the port’s and region’s overall focus on positioning itself as a global player in the sector.”

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