



Transport Intelligence

Market Intelligence for the Transport and Logistics Industry



TI Emerging Markets Logistics Index

A comparison of the world's major developing markets on a number of different metrics

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About Transport Intelligence

Headquartered in the UK, Ti is one of the world's leading providers of expert research and analysis dedicated to the global logistics industry. Utilising the expertise of professionals with many years experience in the mail, express and logistics industry, Transport Intelligence has developed a range of market leading web-based products, reports, profiles and services used by all the world's leading logistics suppliers, consultancies and banks as well as many users of logistics services.

Transport Intelligence products and services include:

- Ti's news and analysis briefing service, **Logistics Briefing**
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- Dedicated research through [Ti Consulting](#)
- Market and competitor monitoring
- Industry leading [research reports](#) including trend analysis, market sizing, market share, forecasting and ranking across global logistics markets
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1.0 Introduction

It is very easy to refer to 'Emerging Markets' as if they all shared the same attributes and involved the same risks of market entrance. This is of course not true. Each country has different standards of infrastructure, market size and growth rates, varying levels of accessibility and attractiveness from regulatory, cultural and bureaucratic perspectives.

Uniquely, Ti has created an index which seeks to compare the major emerging markets on a number of different metrics, identifying the key attributes which will make the market attractive from the point of view of logistics, air cargo, shipping lines and freight forwarders.

The overall index has been built up through three sub-indices: 'Market size and growth attractiveness'; 'Market compatibility'; and 'Connectedness'.

The Market size and Growth Attractiveness sub-index rates a country's economic output, its projected growth rate and population size.

The Market Compatibility sub-index identifies how compatible a market is with the services which global logistics companies provide. For instance it measures:

- A country's development in terms of the importance of its service sector (indicative of the level of out-sourcing of logistics requirements);
- Urbanisation of population (a driver of manufacturers' centralised distribution strategies and the likely consolidation of retailing);
- Distribution of wealth throughout the population (indicative of the widespread need for higher value goods often produced by international manufacturers);
- Foreign Direct Investment (FDI) (this is an indicator for the penetration of an economy by international companies);
- Market accessibility (the regulatory regime facilitating – or otherwise – the entrance of foreign companies to the market. This includes factors such as bureaucracy, regulations etc).
- Security (measuring the risk to companies' operations from threats such as piracy and terrorism)

The 'Connectedness' sub-index rates a country's international and domestic transport infrastructure links as well as the level of service it receives. It involves:

- The frequency and range of destinations of its liner shipping connections
- The level of airport infrastructure relative to the market's size
- A rating of its overall transport infrastructure
- A rating of the efficiency of its customs and border controls.

From these three sub-indices a weighted, total rating and ranking has been developed using established statistical techniques.

Defining an 'Emerging Market' is of course controversial in itself. We have decided to leave China out of the ranking due to its size, dwarfing the rest of the sample and skewing the results. However many would also contest that it can no longer be defined as an emerging market, as many of the world's largest manufacturers and logistics companies have, for the past decade and more, been present in the country. What is more, it has a (reasonably strong) legislative and security structure in place and, throughout much of the country, transport infrastructure is now impressive.

This is not to say that there are not counter-arguments to include China in the index. However the fact that the index is designed to be a guide for logistics companies, allowing them to target which markets they should be prioritising, negates the need for China's inclusion. It is understood that China is one of the most important logistics markets in the developed and developing world, and all global logistics companies should be there. China's scores in all sections of the index bear this out.

The index has been set out firstly in its full version, showing each of the three sub-indices for the 38 countries surveyed, and the total index score, on which the countries have been sorted. Following that table, the countries have been split into two sections based on size of GDP. This makes it possible to compare the performance of the large emerging markets (GDP over \$300 billion) and the smaller emerging markets (GDP under \$300 billion) more meaningfully.

2.0 The Main index

Two of the largest economies in the survey led the rankings as the most attractive investment markets for logistics companies: India and Brazil. However they display very different attributes as can be seen from the sub-indices. India holds the number one position largely as a result of its size and growth prospects: it scores below average on the both market compatibility and connectedness sub-indices. Brazil, however, shows a much more consistent set of scores. Although its market attractiveness is lower than that of India in terms of size and growth, it displays high levels of market compatibility and has good domestic and international connections.

Indonesia also scores well in third position with Mexico and Russia making up the top five logistics markets.

Perhaps surprisingly, Vietnam is not as high up the index as might have been imagined. Although still offering good opportunities as manufacturers continue to invest in low-cost production, the market is being held back severely by weak infrastructure and transport links. The country must overcome these challenges if it is to continue its strong economic growth. Its infrastructure plans in this respect can be contrasted with its larger neighbour China, which has driven through road, rail, port and airport investment.

At the foot of the table lies Kenya which scores lowly in all the categories. This is not to say that logistics companies should completely avoid the market. Some sectors in the country are growing significantly, such as automotive, perishables and cut flowers. However the index shows that opportunities in this market are highly niche and any company entering it should be highly focused on high margin activities.

TI Emerging Markets Logistics Index				
	Market size and growth attractiveness sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index
India	10.00	4.99	4.84	7.51
Brazil	8.82	5.86	5.50	7.28
Indonesia	9.03	5.36	4.48	7.02
Mexico	7.56	5.21	5.42	6.46
Russia	7.62	5.47	4.70	6.38
Turkey	6.74	5.41	5.17	6.03
UAE	3.85	6.41	8.96	5.73
Egypt	5.77	5.57	5.64	5.69
Saudi Arabia	5.54	4.73	6.96	5.69
Malaysia	4.76	5.30	7.51	5.56
Thailand	5.61	4.75	5.95	5.48
Chile	4.15	6.07	7.44	5.42
South Africa	5.26	4.12	6.03	5.17
Oman	3.43	6.69	6.92	5.08
Argentina	4.94	5.38	5.08	5.08
Pakistan	6.21	3.37	4.38	5.07
Qatar	3.90	6.29	5.97	4.99
Ukraine	4.36	6.04	4.70	4.85
Bahrain	3.20	6.04	6.71	4.75
Philippines	5.26	4.06	4.07	4.67
Jordan	3.23	6.54	5.81	4.67
Vietnam	5.17	4.53	3.59	4.63
Uruguay	3.22	6.61	5.58	4.62
Bangladesh	5.75	4.09	2.79	4.62
Nigeria	6.12	2.92	3.14	4.61
Tunisia	3.49	6.06	5.45	4.60
Peru	4.21	4.52	4.66	4.40
Ecuador	3.53	4.98	5.43	4.35
Colombia	4.74	2.81	4.82	4.29
Morocco	3.89	4.71	4.56	4.25
Ethiopia	4.35	4.90	3.19	4.20
Algeria	4.64	3.69	3.78	4.20
Kazakhstan	3.76	5.47	3.83	4.20
Venezuela	4.03	4.08	4.34	4.12
Tanzania	3.72	5.09	3.10	3.90
Bolivia	3.30	4.55	3.32	3.61
Paraguay	3.21	4.52	3.10	3.50
Kenya	3.66	3.28	3.11	3.43

Source: Transport Intelligence

Of the largest markets in the survey (GDP in excess of \$300bn) Brazil scores well on market compatibility – its economy is well-suited to higher value logistics products. Egypt also rates highly. The lowest performers in this respect are Colombia and Nigeria – two countries which, although offering undoubted opportunities in certain niche markets, are highly challenging, not least from a security perspective.

Of these large economies, Nigeria also has the worst ‘connectedness’ – it has relatively poor air, shipping and road infrastructure links, and its customs authority is particularly problematic. Malaysia stands out as having the best transport connectivity.

TI Emerging Markets Logistics Index for Countries with GDP more than US\$300bn				
	Market size and growth attractiveness sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index
India	10.00	4.99	4.84	7.51
Brazil	8.82	5.86	5.50	7.28
Indonesia	9.03	5.36	4.48	7.02
Mexico	7.56	5.21	5.42	6.46
Russia	7.62	5.47	4.70	6.38
Turkey	6.74	5.41	5.17	6.03
Egypt	5.77	5.57	5.64	5.69
Saudi Arabia	5.54	4.73	6.96	5.69
Malaysia	4.76	5.30	7.51	5.56
Thailand	5.61	4.75	5.95	5.48
South Africa	5.26	4.12	6.03	5.17
Argentina	4.94	5.38	5.08	5.08
Pakistan	6.21	3.37	4.38	5.07
Philippines	5.26	4.06	4.07	4.67
Nigeria	6.12	2.92	3.14	4.61
Colombia	4.74	2.81	4.82	4.29
Algeria	4.64	3.69	3.78	4.20
Venezuela	4.03	4.08	4.34	4.12

Source: Transport Intelligence

Of the smaller economies, the Index shows that UAE offers the greatest exploitable opportunities for logistics companies. Its economic growth plus its strong transport connections make this country a strong market for logistics activities of all kinds.

As mentioned above Vietnam's mid-rank position may be a surprise. However although it has a reasonably large, growing economy, the immature state of much of its industry and regulatory structures, plus its poor transport infrastructure weighed against it. Although this market will focus on export-based freight forwarding activities, further penetration into domestic logistics will take a long time. Likewise, although Kazakhstan offers opportunities related to the energy sector, penetration of its undeveloped domestic markets will be painful and difficult.

TI Emerging Markets Logistics Index for Countries with GDP less than US\$300bn				
	Market size and growth attractiveness sub-index	Market compatibility sub-index	Connectedness sub-index	Total Index
UAE	3.85	6.41	8.96	5.73
Chile	4.15	6.07	7.44	5.42
Oman	3.43	6.69	6.92	5.08
Qatar	3.90	6.29	5.97	4.99
Ukraine	4.36	6.04	4.70	4.85
Bahrain	3.20	6.04	6.71	4.75
Jordan	3.23	6.54	5.81	4.67
Vietnam	5.17	4.53	3.59	4.63
Uruguay	3.22	6.61	5.58	4.62
Bangladesh	5.75	4.09	2.79	4.62
Tunisia	3.49	6.06	5.45	4.60
Peru	4.21	4.52	4.66	4.40
Ecuador	3.53	4.98	5.43	4.35
Morocco	3.89	4.71	4.56	4.25
Ethiopia	4.35	4.90	3.19	4.20
Kazakhstan	3.76	5.47	3.83	4.20
Tanzania	3.72	5.09	3.10	3.90
Bolivia	3.30	4.55	3.32	3.61
Paraguay	3.21	4.52	3.10	3.50
Kenya	3.66	3.28	3.11	3.43

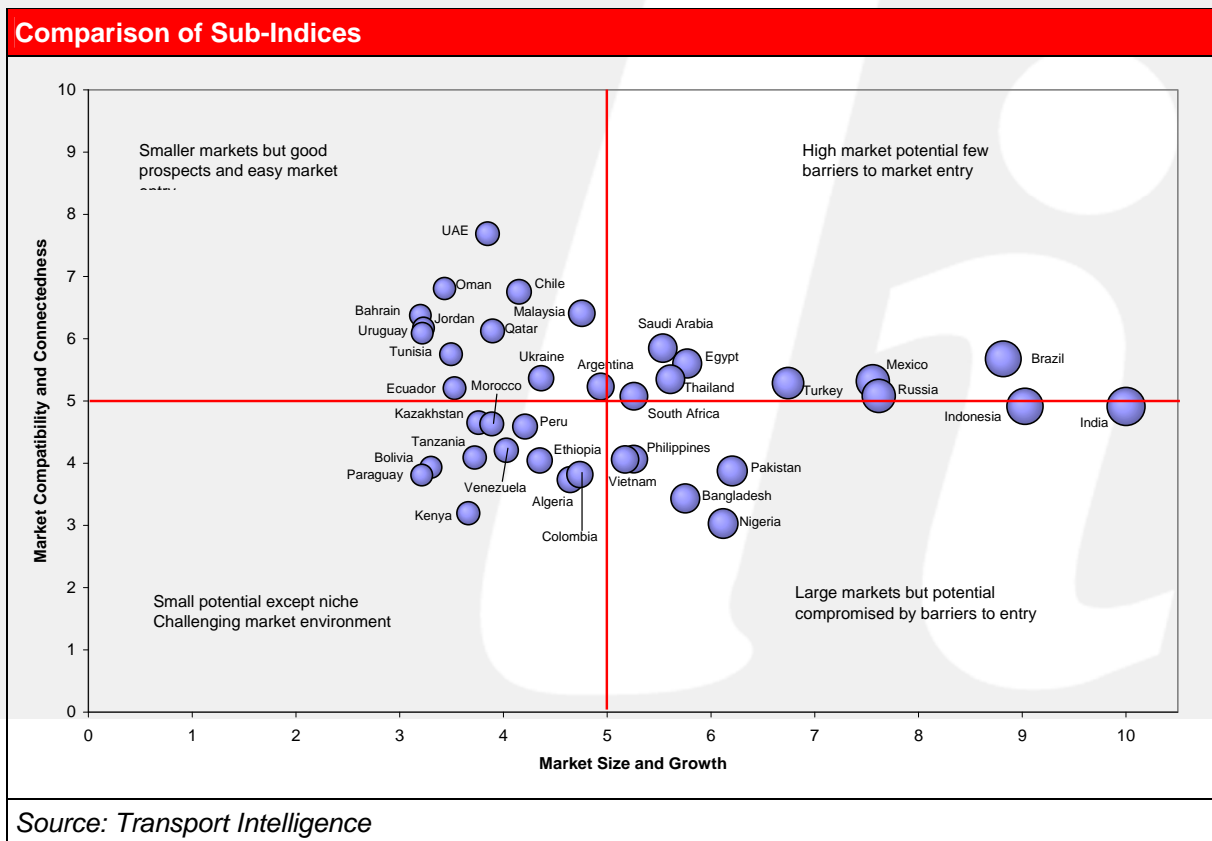
Source: Transport Intelligence

The chart below, divided into four quadrants, provides another way of displaying the relative positions of the countries in the survey. Countries are plotted on axes of 'Market Compatibility and Connectedness' (an average of their scores in both these sub-indices) and 'Market Size and Growth', with the size of the bubble denoting the size of the opportunity.

Countries in the top right quartile are those which represent the biggest targets for logistics investment as well as the easiest markets in which to operate; they already have good compatibility and connections.

In the top left quartile are those countries which represent smaller market opportunities, but are also easily penetrated such as the UAE.

The bottom half of the chart includes countries in which there are significant barriers to market entry and difficulties in operating. As these economies become more mature, de-regulated and better connected with the global markets, they will move towards the upper quartiles. The index, which will be published on an annual basis will track their progress.



Logistics Opportunities & Trends 2010

Now that the global economy has finally returned to growth, it is a great time to examine investment in the logistics industry. The Emerging Markets Logistics Index is part of a major new report from Ti, Logistics Opportunities and Trends 2010.

This unique report provides you with 50 great investment opportunities in the hottest sectors of the global logistics market. It identifies the sectors with the best growth dynamics and pinpoints the most lucrative market spaces.

The report looks at the fastest growing geographical areas, the logistics segments with the most dynamic business models and the industry vertical sectors which will have the most need of high end, value adding logistics services in the future.

The report will provide you with a road map for future investment, providing you with a target list of sectors you need to take into account when building your business plans.

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