

A lot of change expected in Freight in 2016

By [Stephen Segal](#)

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It's never easy to predict what is going to happen in the world of freight, and predicting for 2016 is even more difficult than before as exchange rates and regulations change on a regular basis.



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Some factors point to a much better year. An increase in the size of shipping vessels, for example, creates the opportunity to transport more goods without necessarily adding too much to shipping costs. We have also seen the market settling into the current rand-dollar exchange rate of between 16.00 and 16.50. By all accounts, this rate shouldn't vary too much in 2016. Certainly from what we've seen, our clients are taking less forward cover than before, which indicates that they expect the rate either to improve or to stay the same.

Freight rates

After 17 years of no increase, we could start seeing freight rates going up ever so slightly. Freight companies have been offering really low rates to attract business. We don't see this practice being viable for much longer as margins are being squeezed in so many other areas that freight companies will have to start looking to cut losses wherever they can in their businesses.

The trade side

On the trade side, the decline in mineral exports looks set to continue in 2016 after China's stock market crash and currency devaluation. This will obviously have a negative impact on not only South African exports but also on many countries in Africa where raw materials are a primary generator of export income.

We are, however, seeing a lot more export activity from South Africa into other African countries. One example of such activity is the solar power industry. We have noticed a massive increase in storage of solar power equipment in our bonded warehouses. Most of these goods are being imported to South Africa, bonded with us, and then sent on to other African countries on demand. We see this as a precursor of good things to come on the continent where there is a massive drive for intra-regional trade.



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Tighter cash flow

For importers and exporters, things are going to start getting tighter in 2016. This tells us that traders are experiencing tighter and tighter cash flows - and sadly, there's not much chance of this improving in the near future. In fact, it's likely to get worse as the new Customs Act, set to come into effect in the later part of 2016, will in all likelihood affect the way VAT is claimed by importers. SARS want to implement a payment date of the 7th of each month for all deferred payments, which means importers will no longer be able to defer VAT payments and keep the cash in their businesses.

So a few things to look forward to in 2016, and few things that indicate we'll need to tighten our belts. But in the world of freight, there are so many variables that you never really know what's going to happen next.

ABOUT THE AUTHOR

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