

Logistics sector to face challenges in 2024

While 2023 was a good year for South Africa's logistics sector, it faces considerable challenges in 2024.

Starting with logistical challenges, the congestion and delays at the ports – particularly the port of Durban – directly affected South Africa's macro environment. As a result of port delays, some retailers' stock for Black Friday and the Christmas period was limited, which harmed revenue.

 By [Ryan Gaines](#) 30 Jan 2024



Ryan Gaines, CEO, City Logistics

Turning to 2024, we can predict a somewhat turbulent year for the sector. One of the reasons for this prediction is the ever-escalating interest rate; since November 2021, the Monetary Policy Committee has increased the [interest rate](#) 11 times. The impact of increasing interest rates on the logistics sector can be multifaceted, affecting various aspects of the industry.

Tech-driven efficiency and financial constraints

For instance, the logistics sector is becoming increasingly reliant on technology for efficiency. The latest Trade in Transition study – unveiled at this year's World Economic Forum in Davos – reveals that 38% of executives identify the use of digital tools for improved inventory management as the primary strategy to reduce overall trade and supply chain costs in Africa.

Furthermore, 45% of executives plan to implement advanced automation and robotics to gain real-time insights and forecast disruptions in their [supply chains](#) in 2024. However, higher interest rates may limit the ability of companies to invest in these advanced technologies.

Furthermore, logistics companies rely on vehicles and fuel to transport goods. An escalation in interest rates can lead to higher costs for vehicle financing, which, in turn, may result in increased transportation costs.

Congestion and delays at South African ports

One of the greatest concerns for 2024 however is the impact of congestion and delays at South African ports. This is not an issue that is unique to South Africa; poor roads, ports, and rail networks add a staggering 30 to 40% to intra-African [trade](#)

[costs](#).

However, the problem is especially dire in South Africa – where, according to the South African Association of Freight Forwarders, delays cost R98m a day when [congestion](#) surcharges are added. The logistics sector in South Africa could be set for a record year in 2024 – but this is the one factor that could dampen growth. Government intervention is urgently needed.

On a positive front, volumes in KwaZulu-Natal normalised in 2023, after the floods in April 2022. The immediate disruption in trade was followed by a period of increased activity, restocking the flood-damaged stores.

City Logistics, for example, moved nearly 20 million parcels between April and November 2023.

Regional fleets and changing parcel dynamics

More people are buying larger items – such as appliances and furniture – online. Accordingly, the movement of these large items grew last year. In this sector there is an evident trend where most companies have regional fleets (to move goods in and around the region), and they are relying on line haul companies to move intra-city.

The growth in the online sales of larger items impacted the average weight of parcels moved last year – it increased by a substantial 47%.

Growth was also seen within the automotive sector. We saw a 31% year-on-year growth in total kilograms moved, 16% growth in the total number of parcels, and 13% growth when it came to kilograms per parcel. The bulk of these deliveries were made up of spare parts, driven by the many new vehicle launches in 2023.

As the sector navigates through both the positive and challenging trends in 2024, it remains to be seen how effectively the logistics industry can adapt, innovate, and collaborate with stakeholders to foster sustainable growth in the coming year.

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