

2016 GLOBAL LOGISTICS GUIDE

Inbound Logistics' 12th annual Global Logistics Guide, prepared in conjunction with Castrol, presents a transportation and logistics world atlas to help you identify and map continents and countries that warrant further exploration.



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MEASURING WORLD TRADE GROWTH

The Castrol Global Trade Barometer (CGTB) is a series of economic studies that shares Castrol's view on what is mined, made, and moved internationally. The report gives the big picture view of world exports and imports, highlighting the largest and fastest-growing nations, offering actionable and relevant insight based on the latest economic data in the aerospace, automotive, industrial, marine, and natural products trade.

There has been an improvement in the expected five-year growth rate for the aggregated CGTB. Since the previous forecast suggesting trade is improving, the predicted annualized growth rate has increased from 4.4 percent to almost 6 percent. While this is a substantial improvement, it reflects a predicted pickup in 2017 rather than expected rates of trade growth over the next couple of years.

The relatively modest growth rates between 2014 and 2017 reflect the current weakness in the global economy and the slow pace of growth for trade since 2011. Rapid growth between 2009 and 2011 is indicative of a bounceback following the post-financial crisis, and the significant acceleration of trade between emerging economies.

Since 2011, world trade growth has decelerated and decoupled from GDP growth. Prior to 2011, it was accepted that trade would grow at roughly twice the rate of global GDP growth, but this has not been the case in recent years.

The Barometer forecasts a mild acceleration between 2015-2016 and 2017-2018, with growth picking up substantially by 2018. This growth is still not as fast as the immediate post-crisis recovery, but represents a brighter outlook for trade in the future.

FASTEST-GROWING COUNTRIES

The top three fastest-growing export traders are Qatar, Iraq, and Vietnam, all of which have experienced strong growth since the last CGTB. The energy sector's continuing dominance is apparent in the concentration of Middle Eastern countries at the top of the fastest-growing exporters list.

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Since the last forecast, both Romania and Slovakia have fallen off the table of fastest-growing industrial nations, while Chile and Brazil continue to show strong signs of growth. They have risen from fourth and seventh to third and sixth, respectively. Although Argentina has slipped to 10th, its annualized growth is forecast to remain strong at 7.22 percent compared with 6.22 percent in the last forecast.

WHAT'S AHEAD FOR EUROPE

This forecast shows that the United States and Europe have upped their game to keep pace with Asia. This has been driven by better trade performance generally, particularly in the United States. Reshoring, however, also plays a large part.

The latest Industrial Trade Barometer, one of the five sectors explored in-depth in the CGTB, finds growth rates for all western countries improving. Annualized growth for the next five years for Germany – the world's third-largest trading nation – is forecast at 4.10 percent. After a period of slower growth, trade is expected to pick up by 2017.

Despite competition from emerging economies and Asia, Europe is holding its own in global trade. Five European countries feature in the top 10 trading nations by value in the latest CGTB (*see chart, right*).

The other European countries among the world's top 10 industrial trading nations – France, the Netherlands, Italy, and the United Kingdom – are all set to follow a similar trade pattern to Germany.

France, which occupied the ninth and 10th spot in the table of aerospace export products by country for "aircraft parts" in the last CGTB, has been replaced by

About the Castrol Global Trade Barometer

Castrol lubricants are in everything that is 'Mined, Made and Moved'. The company's global reach in the automotive manufacturing, marine, natural products, aerospace, and industrial sectors offers them a unique view of world trade.

The Castrol Global Trade Barometer (CGTB) (www.castrol.com/minedmademoved) provides a view on what is mined, made, and moved internationally. It tracks the performance and outlook of global trade, and provides a rolling five-year forecast of future trade patterns at a regional and sector level, based on data from the world's 50 largest trading nations.

Germany's exports of "turbo-jets and aircraft parts," reflecting Germany's high-end manufacturing capability.

Germany's increasing investment in the aerospace sector will help improve its global positioning over the next five years, cementing it as a top trading nation by both value and speed of growth. Several large aerospace companies are already based in the country: Airbus Deutschland, MTU Aero Engines, Rolls-Royce Deutschland, and Liebherr-Aerospace Lindenberg. This gives the country a large influence on the wider industry.

As a large German employer, Rolls-Royce, in particular, plays a leading role in engine partnerships with other German companies, as well as utilizes an extensive supply chain across the nation. Through its strong ties with Cottbus, Dresden, Darmstadt, and Karlsruhe universities, the company is also investing heavily in its skills base and technology training for German students.

Despite Germany's strong performance, European countries are lagging in the Automotive Trade Barometer. Belgium and Spain, previously the ninth and 10th largest automotive products importers, no longer appear in the table of top 10 importers, while Italy, the UK, and France have all dropped down the table. This is likely the result of continued economic issues facing many European countries.

Despite starting to see recovery in its automotive manufacturing, Spain does not appear in the top 10 automotive trading nations. The outlook in Belgium looks even less optimistic, with automotive plants closing and relocating to other trading nations.

TOP 10

FASTEST GROWING TRADING NATIONS BY CAGR* 2014 – 2019

1. Iraq 9.79%
2. Vietnam 9.70%
3. Qatar 9.55%
4. Indonesia 8.46%
5. Brazil 8.14%
6. UAE 8.05%
7. Hong Kong 7.95%
8. Australia 7.89%
9. Saudi Arabia 7.80%
10. South Africa 7.80%

(*Compound annual growth rate)

TOP 10

EXPORTERS BY 2014 VALUE (in billions)

1. China \$2,736.72
2. USA \$1,567.10
3. Germany \$1,529.55
4. Japan \$885.64
5. France \$614.45
6. Russia \$610.39
7. South Korea \$602.47
8. Netherlands \$552.88
9. Italy \$531.65
10. Canada \$458.65

TOP 10

FASTEST GROWING IMPORTERS BY CAGR* 2014 – 2019

1. 9.63% Vietnam
2. 9.59% Iraq
3. 9.31% Indonesia
4. 8.90% Brazil
5. 8.72% China
6. 8.37% Thailand
7. 8.34% Chile
8. 8.24% Hong Kong
9. 8.07% Venezuela
10. 8.02% India

(*Compound annual growth rate)

TOP 10

TRADING NATIONS BY 2014 VALUE (in trillions)

1. China \$4.29
2. USA \$3.54
3. Germany \$2.76
4. Japan \$1.53
5. France \$1.36
6. Netherlands \$1.28
7. UK \$1.12
8. Italy \$1.06
9. South Korea \$1.05
10. Russia \$0.97

TOP 10

FASTEST GROWING EXPORTERS BY CAGR* 2014 – 2019

1. Qatar 10.69%
2. Iraq 9.88%
3. Vietnam 9.77%
4. UAE 8.82%
5. Australia 8.33%
6. Romania 8.28%
7. South Africa 7.92%
8. Saudi Arabia 7.88%
9. Seychelles 7.74%
10. Indonesia 7.71%

(*Compound annual growth rate)

TOP 10

IMPORTERS BY 2014 VALUE (in billions)

1. USA \$1,974.12
2. China \$1,552.73
3. Germany \$1,227.65
4. France \$745.78
5. Netherlands \$724.75
6. UK \$675.43
7. Hong Kong \$646.92
8. Japan \$639.79
9. Italy \$533.20
10. Canada \$456.14

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UNITED KINGDOM

The UK's export performance was actually stronger during the economic downturn than in the 10 years previous. Net trade (exports minus imports), which was holding back growth, reversed during the recession and subsequent recovery.

UK

TURKEY

The dominance of Middle Eastern and Turkish ports, none of which appeared in the last forecast, highlights the emergence of fast-growing trade routes, particularly focused on logistics and infrastructure. Turkey's location makes it an ideal hub for trade between Europe, the Middle East, and central Asia. It is also benefitting from government investment in infrastructure and its growing middle class.

TR

THE SEYCHELLES

The Seychelles has replaced India as the ninth fastest-growing exporter, as well as appearing as the 10th fastest-growing aerospace exporter for the first time, displacing Switzerland. This is likely due to location and its proximity to India and China, as well as its proactive exports to grow its science and technology experience and capabilities.

AE

SE

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RUSSIA

Russia appears in the list of Top 10 trading nations for the first time, knocking Canada from the 10th position. This is due to Russia's access to raw materials, low labor and production costs, and close proximity to Europe and China.

Russia has moved from eighth to sixth position in the Top 10 largest exporters.

UAE

The UAE is one of the more industrially diverse countries, producing significant aluminum and steel as well as oil. The UAE's emergence as a trade hub is based on the government's commitment to capitalize on its location near the Middle East and North Africa by enabling business and promoting trade, most significantly by developing its infrastructure. As a result, in 2012, it appeared fifth in the World Bank Doing Business Report for ease of trading across borders.

A combination of its location and commitment to innovation and development has also seen Dubai enter the table of Top 20 ports by volume in the Global Port Report. This is also the result of the UAE's decisive efforts to develop a trade hub by improving infrastructure, enabling business, and promoting trade.

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CANADA

Canadian ports Vancouver and Montreal also appear as fastest-growing ports for the first time, reflecting faster-growing trade in the North American Free Trade area in general.

Canada also appears to be on the ascent, having overtaken the UK as the 10th largest exporter.

UNITED STATES

After years of sluggish growth, trade is firmly picking up for the second-largest trading nation on the planet. The United States is now strongly placed in the top 10 rankings for every sector analyzed by the CGTB.

The United States has overtaken Germany as the second-largest exporter due to a significantly improved growth forecast as well as the strength of the dollar against the euro (likely affecting the dollar value of total exports).

Like Europe, the United States has brought back some of its manufacturing capacity in response to tightening operating conditions by long-term offshoring partners such as China. Interestingly, in the Port Report, the United States rose from seventh to fifth place in the Top 10 ship parts trading nations. This is based on the country's success in honing specialist skills as evidenced by its move into the Top 10 export products by country for its production of "special purpose ships." But, continuing labor disputes at West Coast ports could be a potential threat to these growth rates.

MEXICO

Mexico's automotive output is also benefitting from the growth of a Latin American supply chain, according to the Automotive Trade Barometer. The country's liberal free trade agreements with 44 countries make it a crucial export base for Europe, China, Japan, and U.S. automakers.

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GEODIS is an expert supply chain operator and part of SNCF Logistics, ranking among the top companies in the logistics industry in Europe and the World. As the number one logistics and transportation company in France, and the number four player in Europe, GEODIS continues to extend its global network that currently spans over 120 countries. In order to strengthen its service offerings, GEODIS continues to grow with its partners in strong growth regions like the Americas.

With its five Lines of Business (Supply Chain Optimization, Freight Forwarding, Contract Logistics, Distribution & Express and Road Transport), GEODIS manages its customers' end-to-end supply chain by providing integrated logistics solutions enabled by our people, infrastructure, processes and systems.

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Asia Pacific

In its last forecast, Castrol noted how expertise in consumer electronics had allowed Asia to become more integrated into global manufacturing supply chains. As a consequence, the United States and Europe were outperformed.

Asian nations are showing the strongest levels of growth among the Top 10 importers by value in the Industrial Barometer. The majority of these imports are in pharmaceuticals and biopharmaceuticals. As Asia's economies continue to develop, and living standards improve, the demand for higher-end healthcare increases.

CHINA

The Top 10 largest trading nations by value in the overall CGTB remain largely unchanged. China is in first place, followed by the United States and Germany.

China, as the world's largest trade partner, dominates on the global stage while Germany continues its run as the export powerhouse of Europe, specializing in high-end manufacturing and car exports.

China – as an economic superpower – still ranks as the largest exporter in the world, topping the table of Top 10 exporters by value and dominating in its electronics exports. This is expected to continue, with a healthy annualized growth rate of 6.98 percent over the next five years, an increase from 5.60 percent forecast over the same period in the last CGTB. This rapid growth rate is based on the fact that China manufactures much of the world's material goods, benefitting from its vast labor force and low production costs.

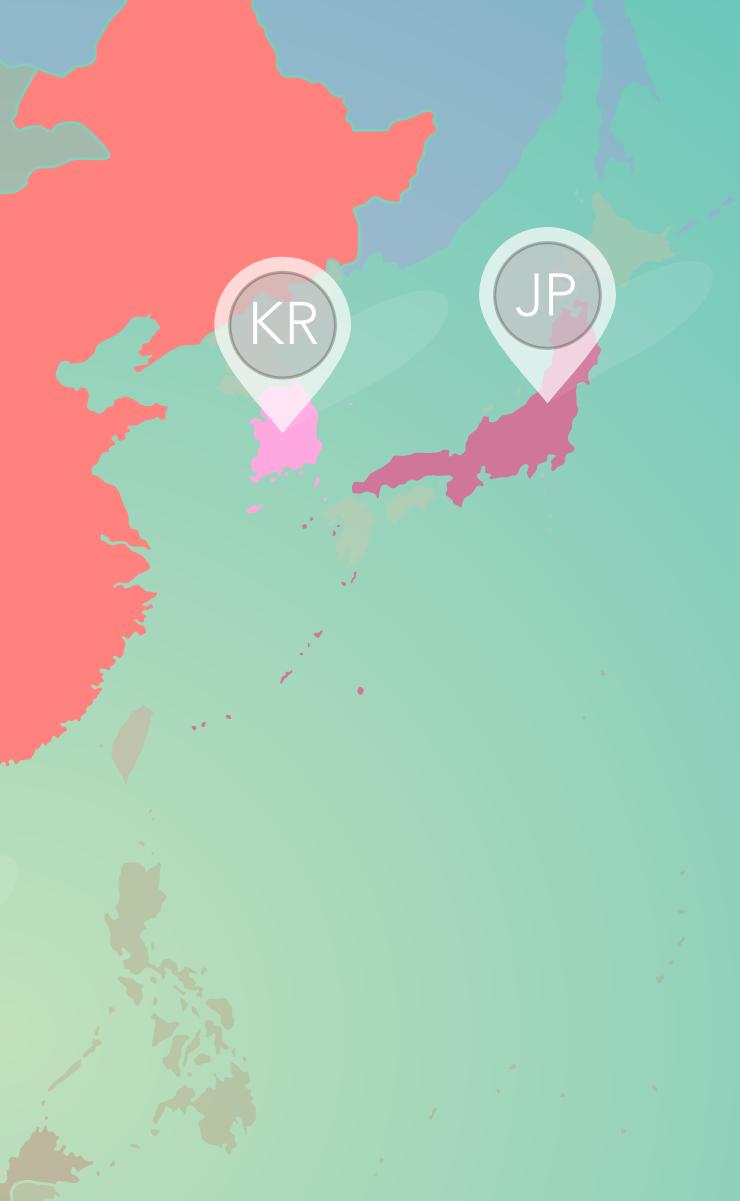
China also features heavily in the table of Top 10 ports by volume, which includes seven of the country's ports. Importantly, China is regionalizing, meaning that the benefits are spreading to other nearby regions.

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THAILAND

Thailand's introduction as the sixth fastest-growing importer is largely due to its rapid growth as a Southeast Asian trade hub. Like Vietnam, it is also used as a production base by neighboring nations, which is driving an increase in skills, wages, and living standards, as well as boosting demand for imported goods.



VIETNAM

Vietnam performs particularly strongly in the overall CGTB due to its geographic location and relationship with China. As a result of the rise of a middle class and wage costs, there has been an increase in manufacturing outsourcing in sectors such as semi-conductors. Vietnam often benefits from this outsourcing, which also explains its continuation as the third-fastest growing export nation. Vietnam's location and improving trade conditions have also helped it climb the rankings of fastest-growing natural products trading nations in the Natural Products Trade Barometer.

In particular, Vietnam is building a reputation for manufacturing high-end technology and pharmaceuticals outsourced from China. Some high-tech goods are final consumer products, while other high-tech imports are intermediate inputs into the ICT production process.

Around one-third of Vietnam's population now lives in cities, and its youthful population and the rapid pace of urbanization should provide an increasingly skilled workforce to help the country develop its foothold in global information and communications technology (ICT). However, this will depend on increasing research and development spending. Vietnam will also face the challenges of maintaining this talent pool and further strengthening its infrastructure.

JAPAN

Japan remains the world's fourth-largest trading nation, but consistently falls behind larger nations in the CGTB. It also appears fourth in the list of Top 10 global exporters, behind China, the United States, and Germany. Meanwhile, Japan is the second-largest automotive exporter and the third-largest automotive trading nation, with Germany and the United States in the top two positions. Japan's automotive manufacturing success and consistency is undeniable – and looks set to continue to 2019.

Japan may not be one of the world's top three largest trading nations, however, it appears across the Barometer as a key component of world trade, boasting many crucial ports. Five Japanese locations appear in the list of Top 20 ports, more than any other nation: Tokyo (10th), Yokohama (11th), Nagoya (12th), Kobe (13th), and Osaka (14th).

SOUTH KOREA

As an Asian trade hub, South Korea is growing at a rapid rate for natural products due to its position close to China and at the center of key trade routes including the North American route, the Southeast Asian route, and the European route.

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