

The Turbulent Twenties

World Trade in Tumultuous Waters

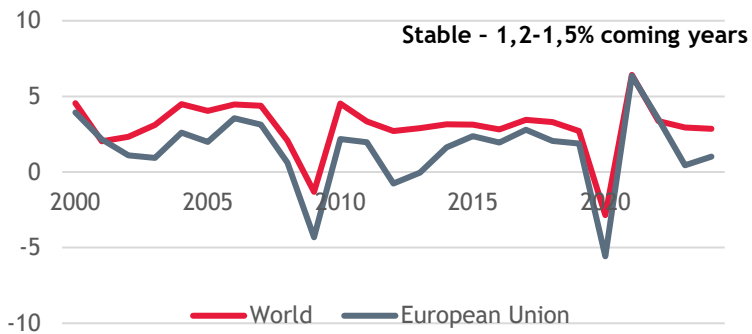
Prof. dr. Indra Vonck - Partner Transport and Logistics BDO

“If you want scale you need to cooperate”

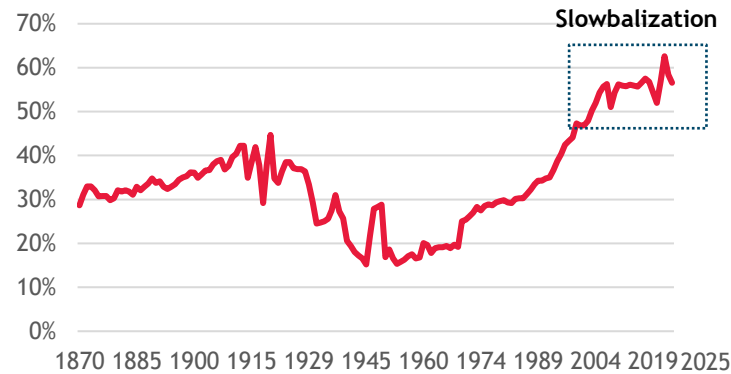
Jan Blomme - Flemish Port Commissioner 2025

The structural macro economic indicators remain neutral but show underlying vulnerabilities of the global and European economy

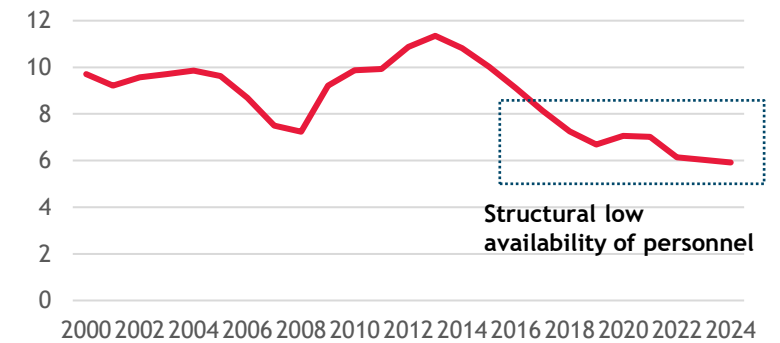
GDP evolution



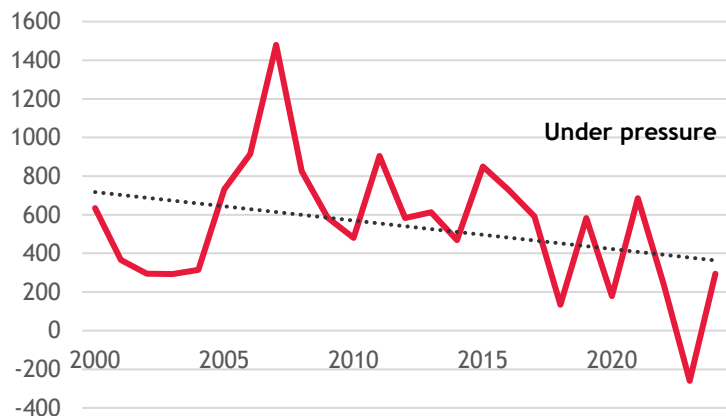
Trade openness (trade as % of GDP)



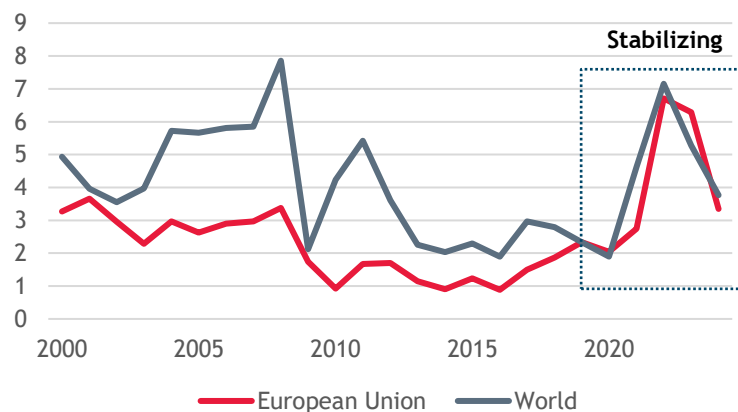
Unemployment European Union



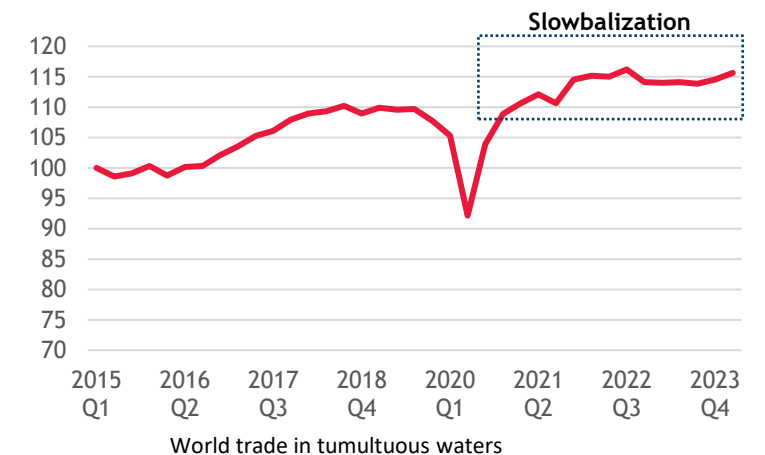
FDI - European Union (billion \$)



Inflation

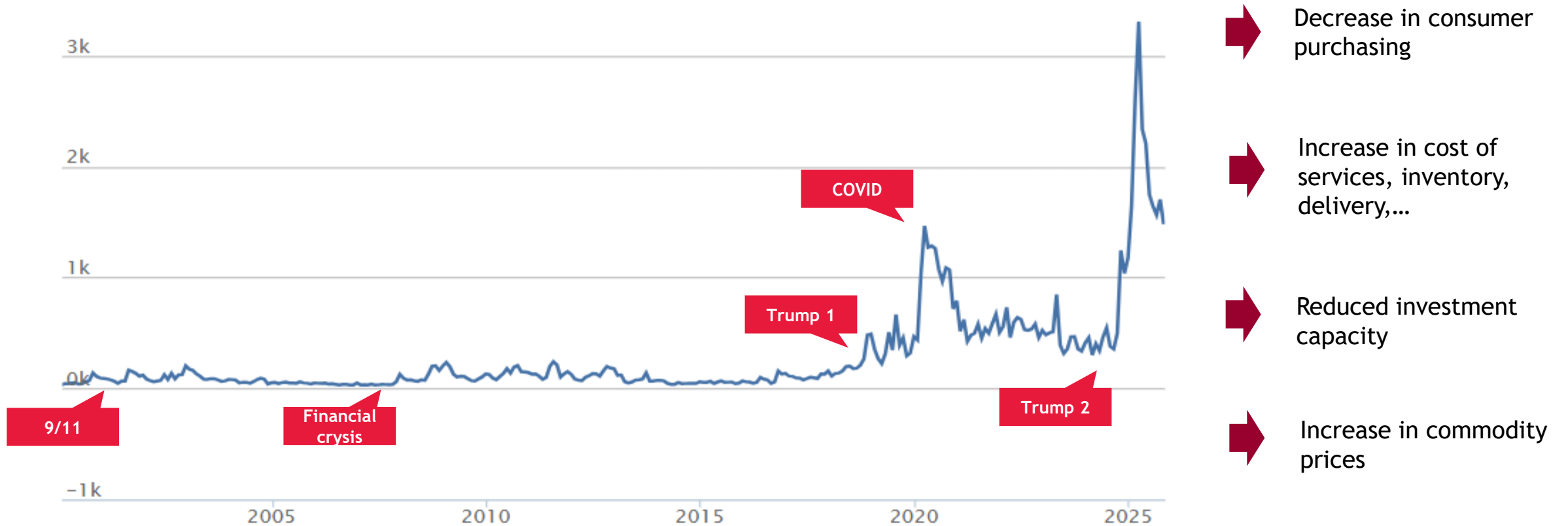


World trade growth



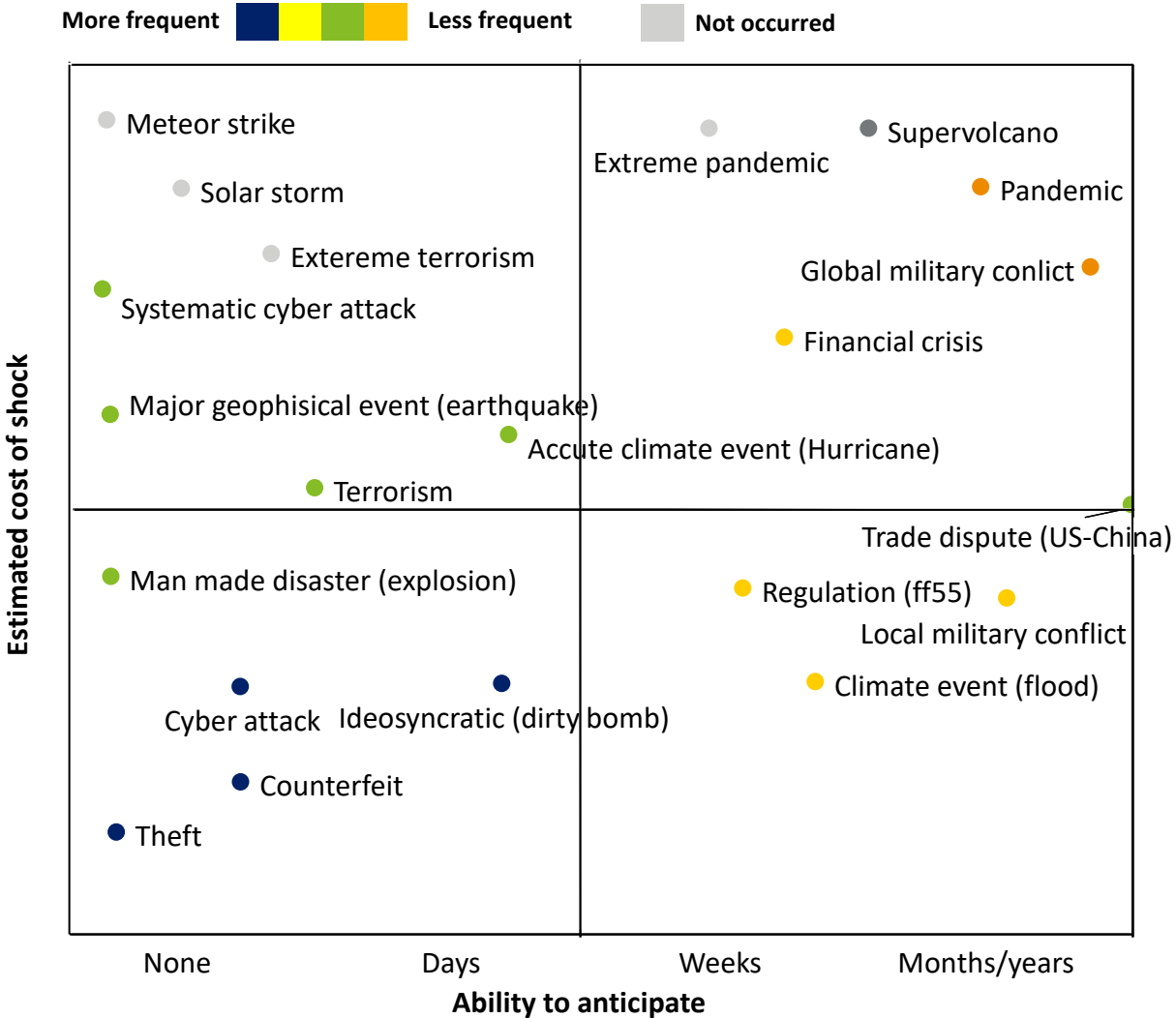
The world is the most uncertain it has ever been

Trade policy uncertainty



Source: <https://www.policyuncertainty.com/>

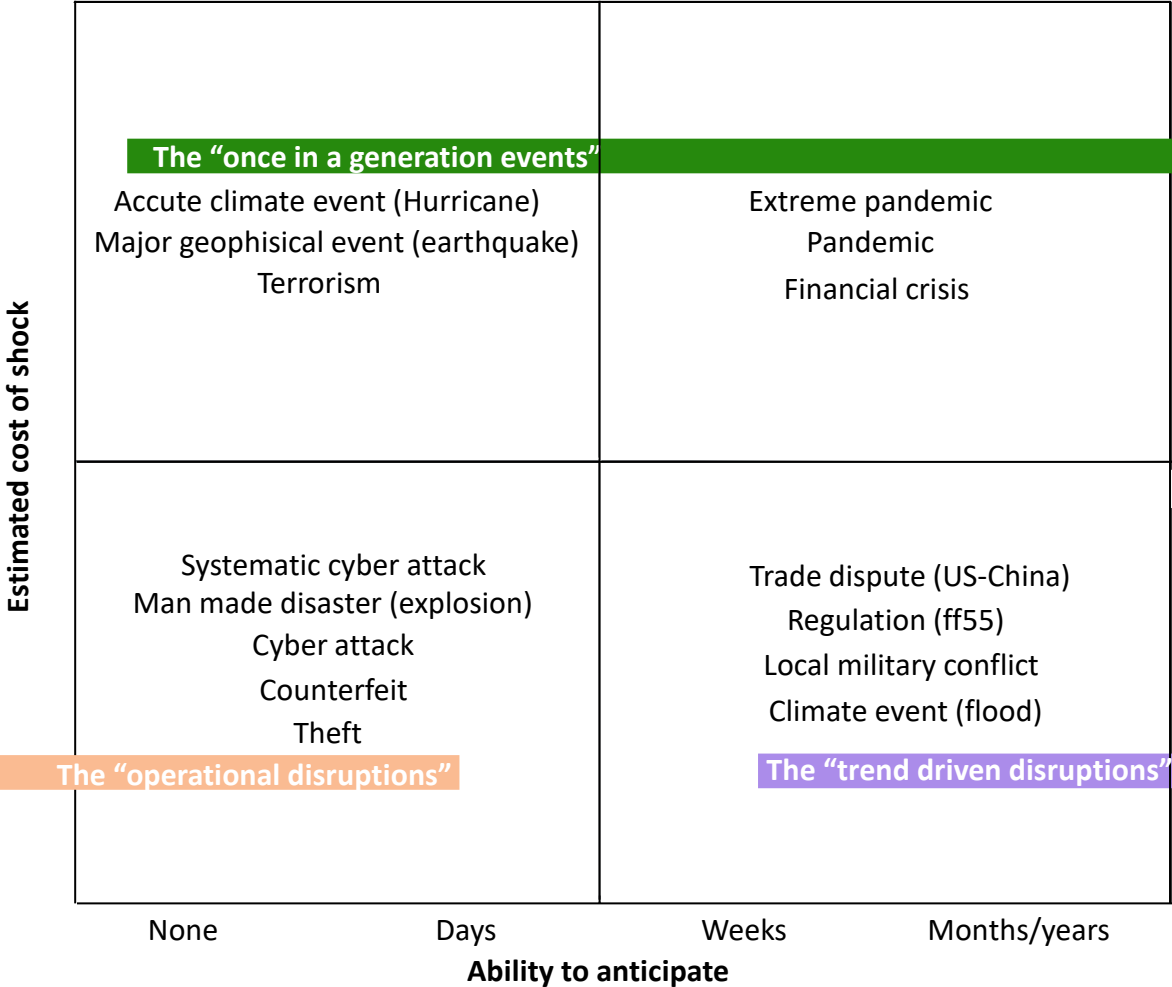
This growing uncertainty stems from a recent history of continuous shocks...



Source: BDO analysis based on Mckinsey

...which the successful firms have learnt to deal with through proactive strategic planning

More frequent  Less frequent  Not occurred



Often **operational mitigating programmes**
Operational risk prevention plans

- Often considered **black swans**
- Hard/impossible to plan for
- Long **term mitigation strategies** (diversification, financial resilience,...)

- Can actively be **managed by strategy**
- Sufficiently predictable**

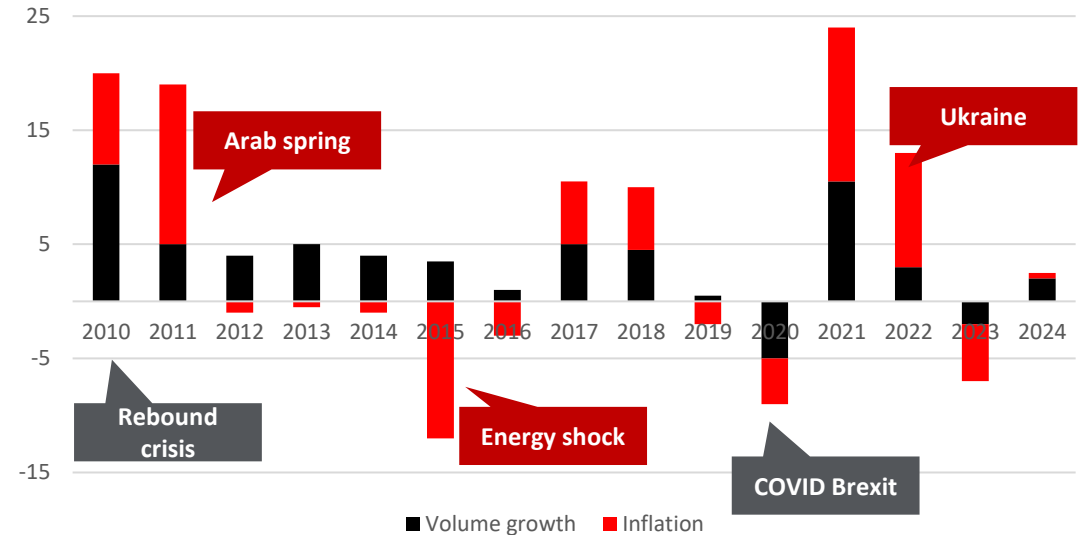
Source: BDO analysis based on Mckinsey

With external trade accounting for 22.4% of the EU's GDP, the EU is particularly vulnerable to disruptions in global trade flows

Selected trade flows changes 2023

Trade pairs	Growth 2022-2023	Growth 2018-2023	Value 2023
European union - USA	1,50%	7,10%	995
China - European union	-9,90%	4,90%	911
Mexico - USA	1,60%	5,40%	736
Canada - USA	-2,90%	4,70%	707
China - USA	-18,70%	-3,10%	613
European union - UK	-2,90%	-1,50%	527
China - Russian federation	19,80%	16,40%	237
European union - Russian federation	-54%	-13,80%	135

Global trade volumes growth rate (%)

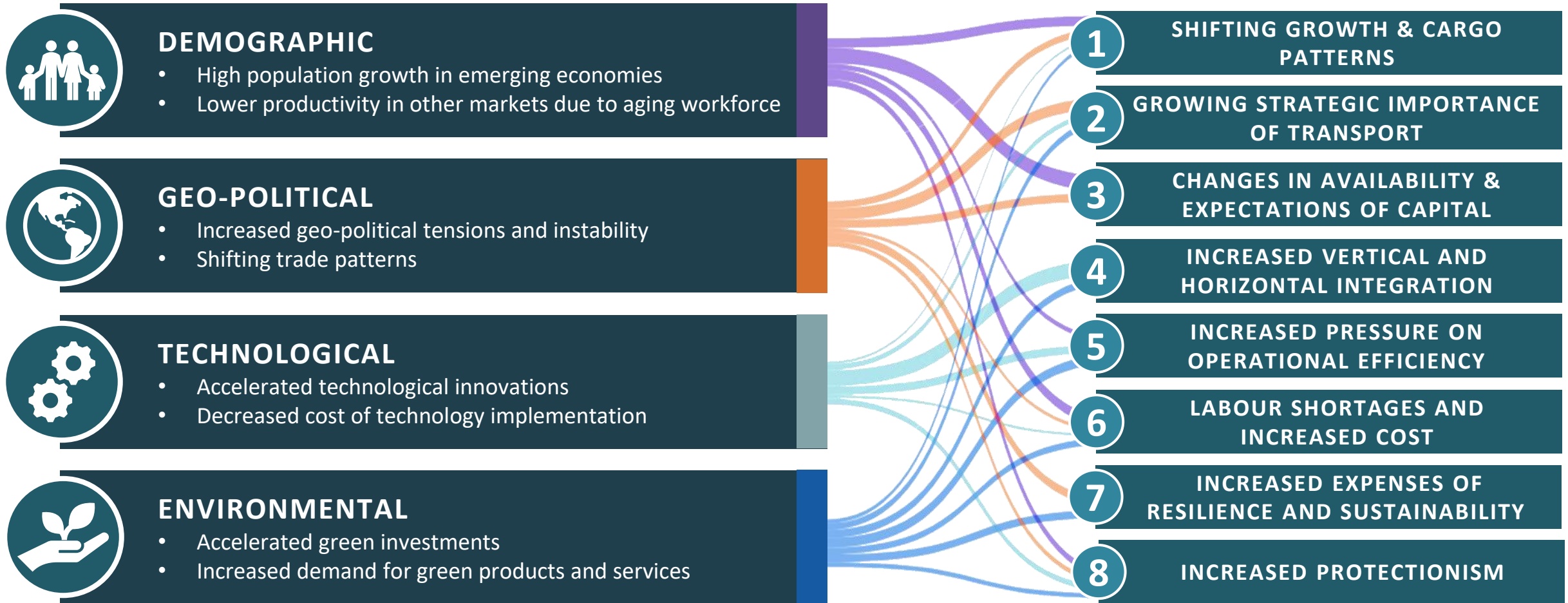


- ➡ Trade shows modest 5 year growth
- ➡ Clear impact of sanctions
- ➡ 2023 lower than the previous years

- ➡ Inflation often cause of large "increase"
- ➡ Volatility increased since 2008

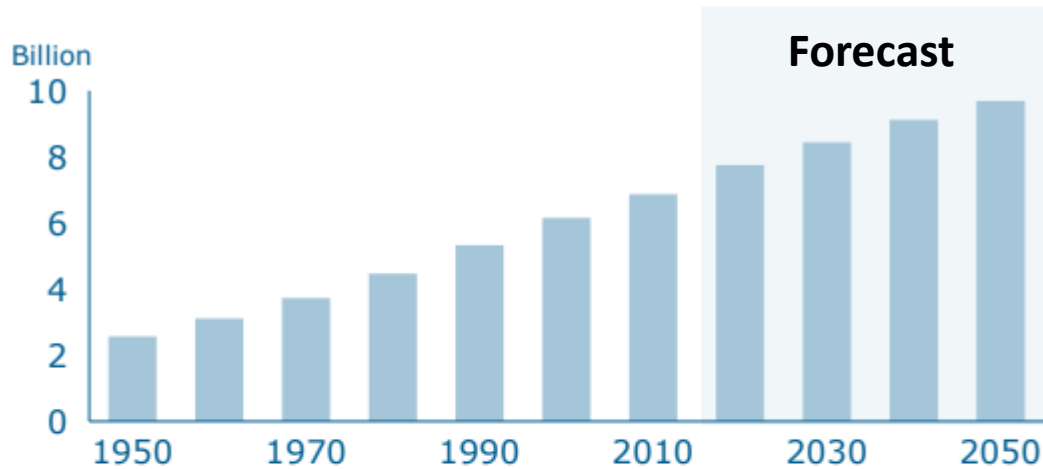
Source: Unctac calculation based on Comtrade and UNCTADSTAD

This is a dynamic world - good practitioners are constantly trying to understand what's happening, what they need to know, and whether to change course

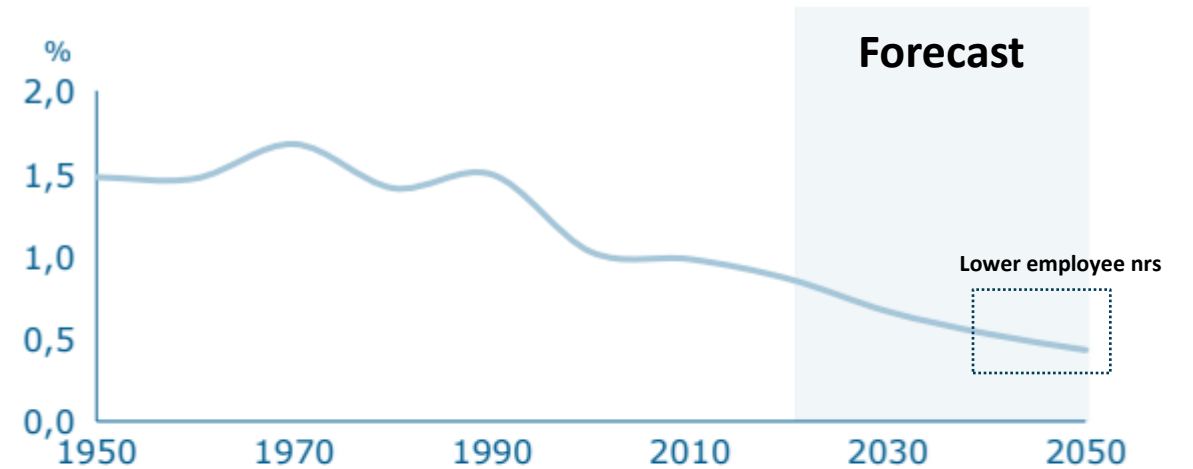


Demographics are at the core of trade growth and affect the way in which we can do business

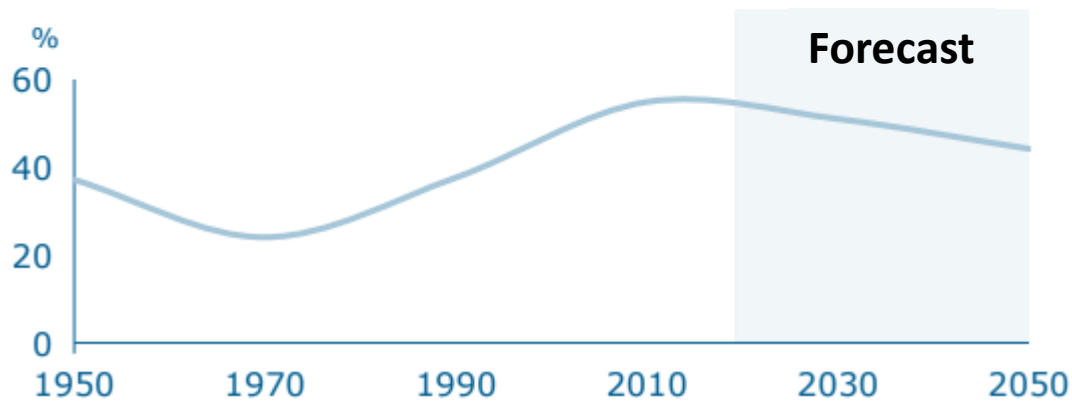
Total population



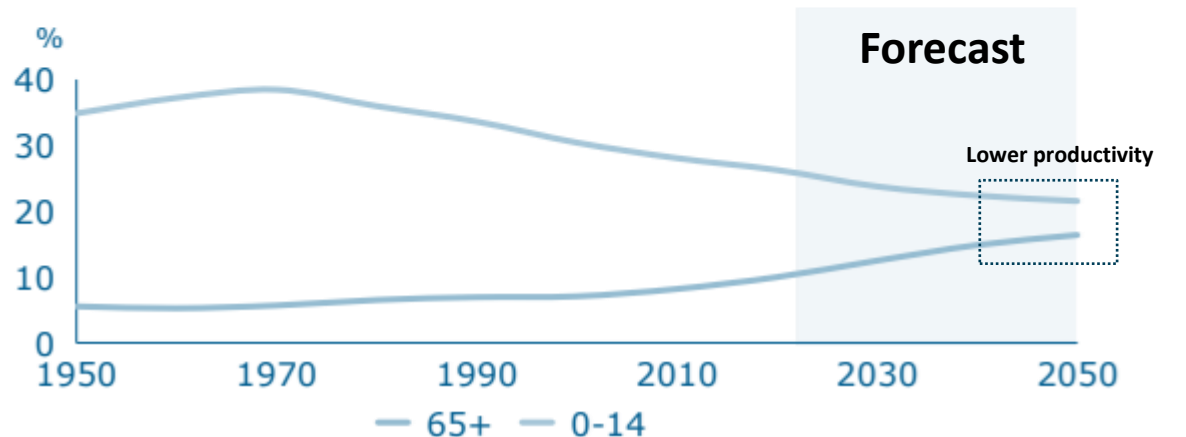
Population growth



Working share of population



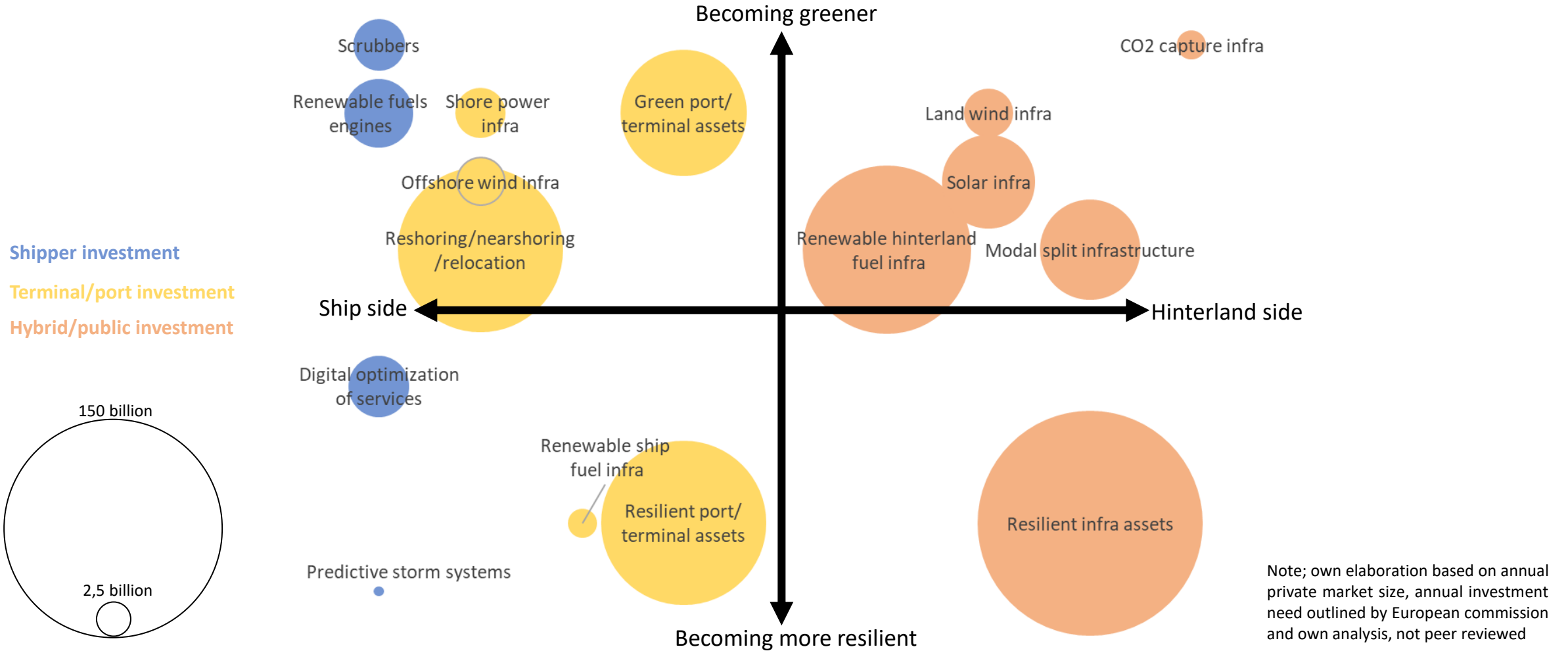
Age distribution



Source: Worldbank based on UN data 2015

Going green puts enormous pressure on expenses throughout the value chain from infrastructure to operations

European investment needs estimate

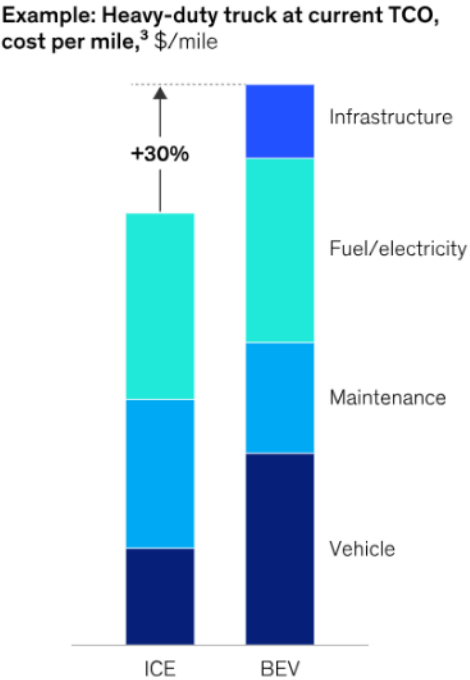


Note; own elaboration based on annual private market size, annual investment need outlined by European commission and own analysis, not peer reviewed

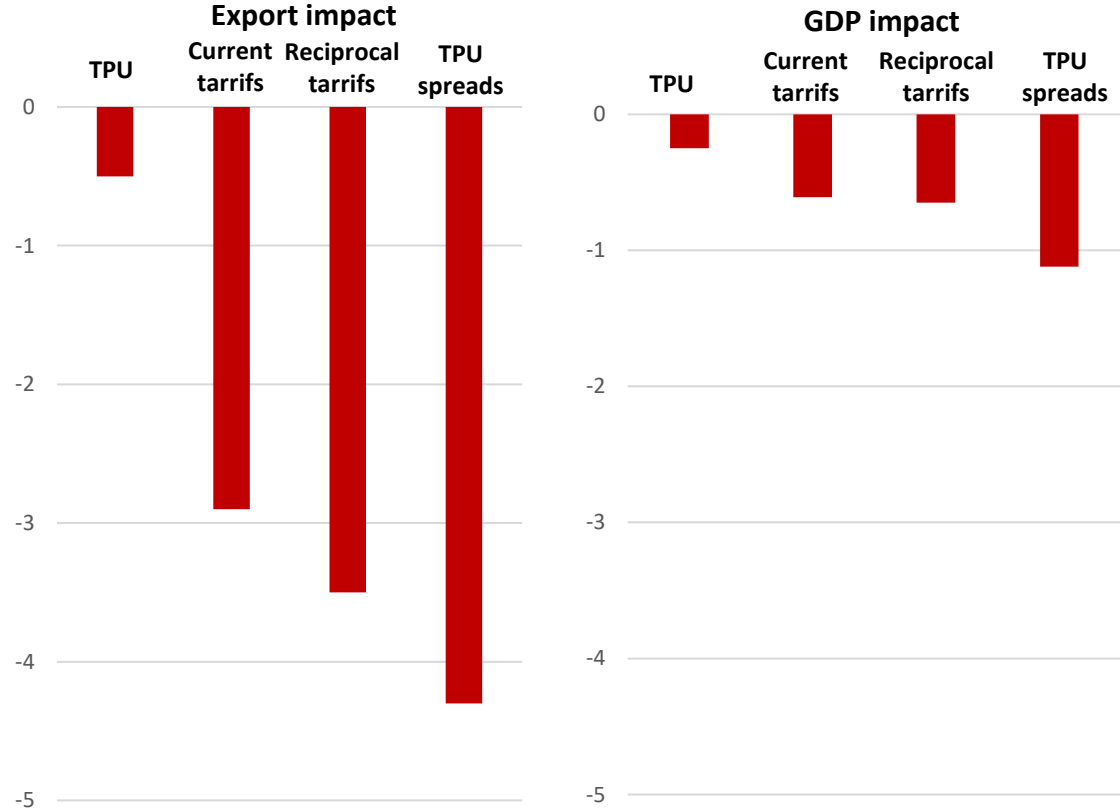
Geopolitic disruption is today by far the biggest “threat” to our transport system and measures itself in disruption but also increased regulation

Impact on forcing “green” solutions – TCO battery vs internal combustion

Segment	Application	Approximate BEV parity vs ICE
Light-duty	Parcel final mile	Disparity Parity
Medium-duty	Delivery step van	
	Utility/telecom	
	Garbage truck	
Heavy-duty	Intermodal	
	Distributor	
	Store dedicated	
	Construction/mining	
	Dry van network	

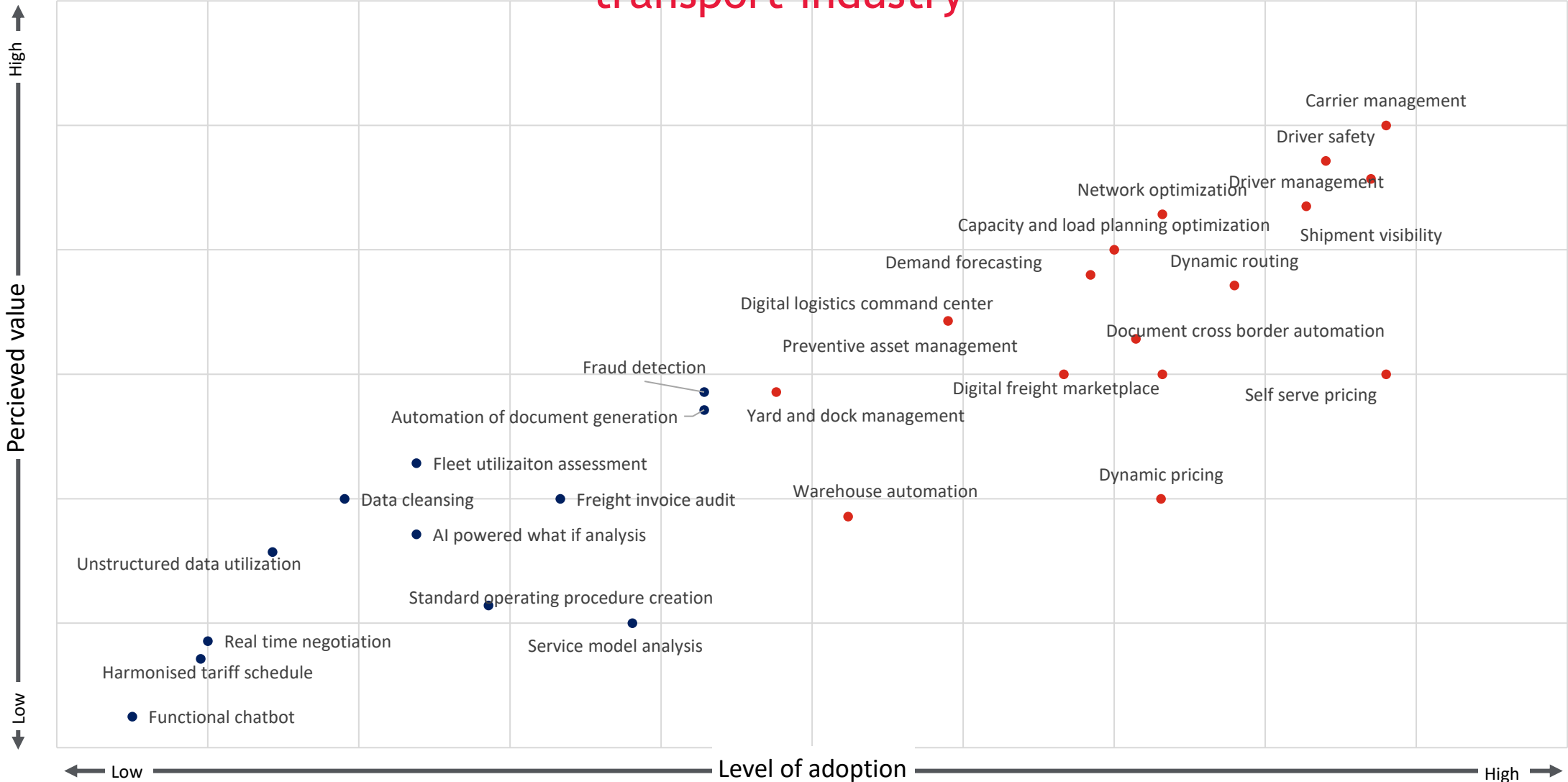


Projected GDP and export impact depending on tariff war outcome

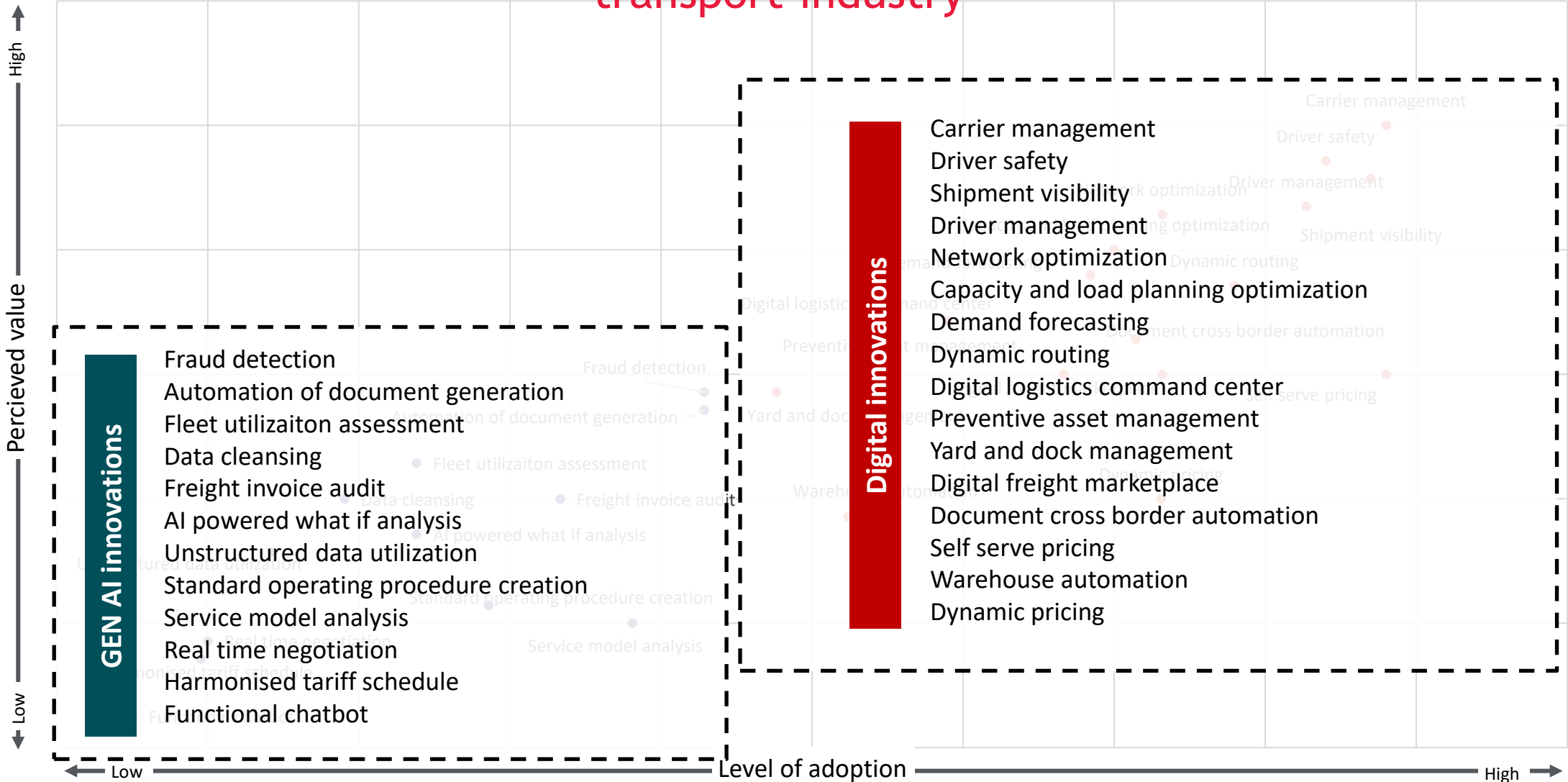


¹Battery electric vehicle.
²Internal combustion engine.
³Excluding driver. TCO numbers are indicative, and can be highly fleet-dependent and location-dependent.
 Source: McKinsey Fleet Decarbonization Tool

Technology is being seen more as a solution than as a disruptor in the transport industry



Technology is being seen more as a solution than as a disruptor in the transport industry

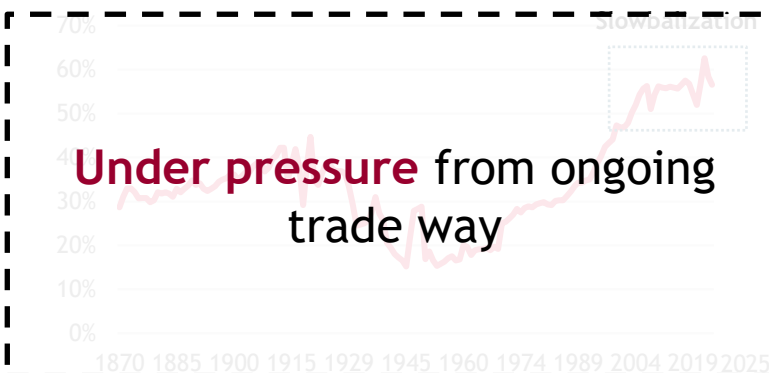


Looking forward - we need to be aware of our weaknesses and understand that for the foreseeable future the world is a more turbulent place

GDP evolution



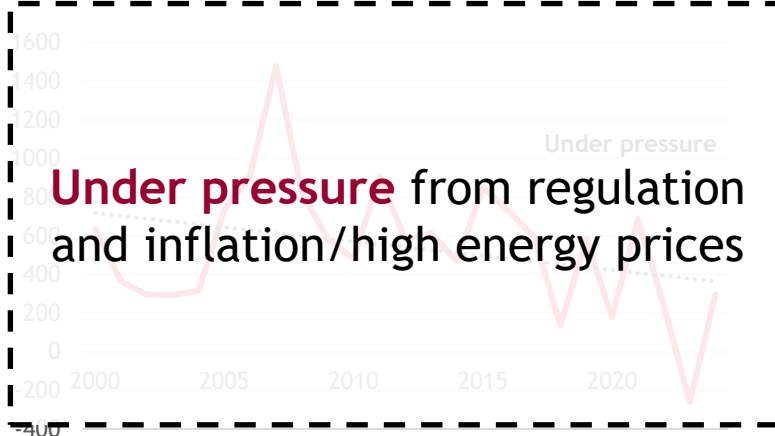
Trade openness (trade as % of GDP)



Unemployment European Union



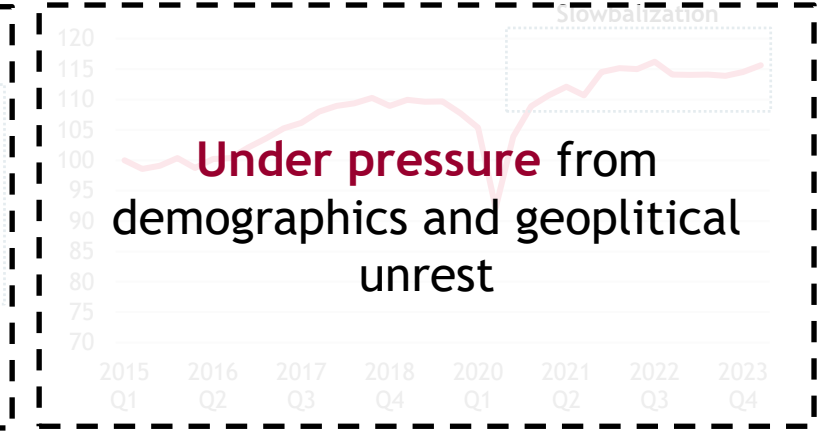
FDI - European Union (billion \$)



Inflation



World trade growth

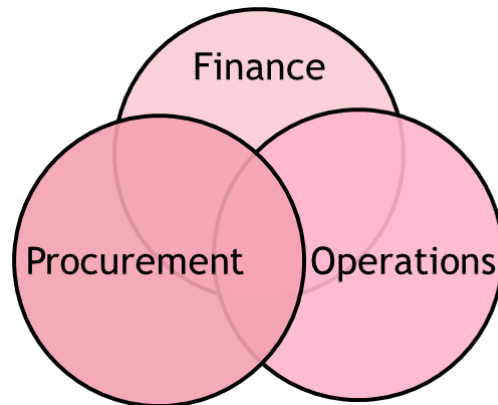


World trade in tumultuous waters

So what do we do? We cooperate internally and externally

Internal silo breaking

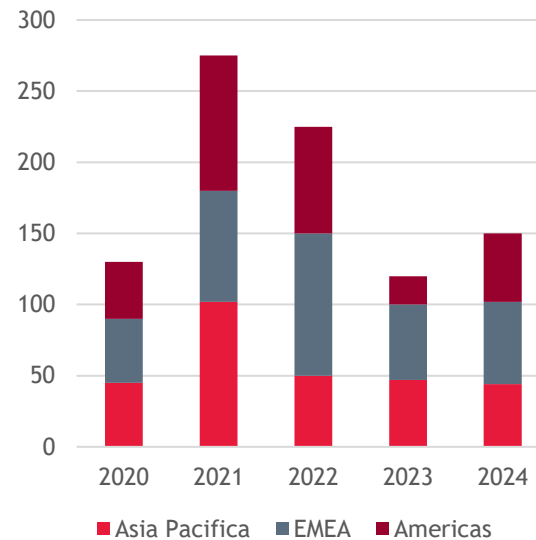
As interest rates go up, longer transit times mean higher inventory costs and holding costs.



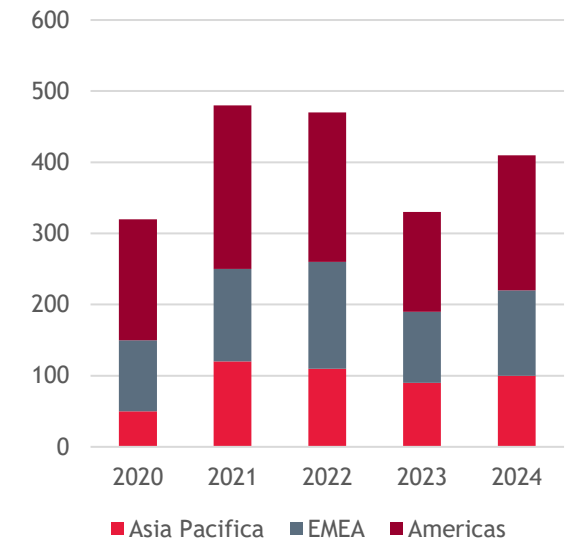
- **Procurement** team will hammer on using scale to secure cheaper freight rates.
- **Operations** team cares a lot about that transit time for their day-to-day workflow.
- **Finance** team cares about the working capital involved

External cooperation/integration

Total deal value by region



Total deal volume by region

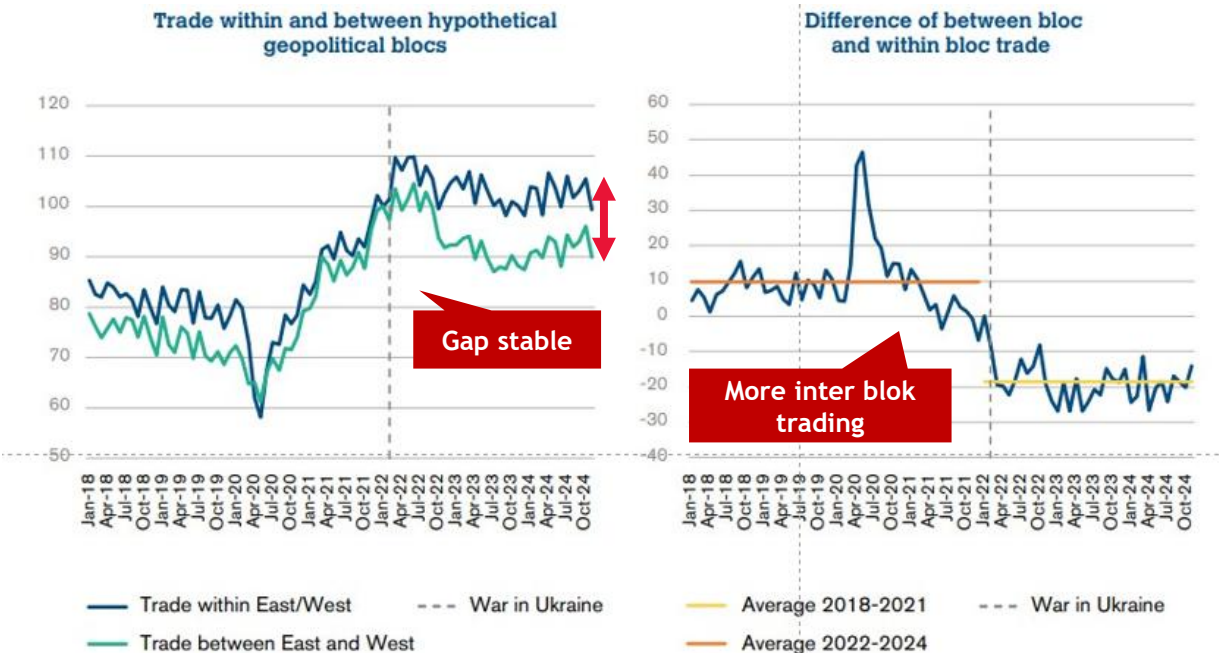


- External cooperation can be informal and lead to better end-to-end visibility
- External integration can lead to vertical and horizontal integration

So what do we do? We mitigate but also strategise

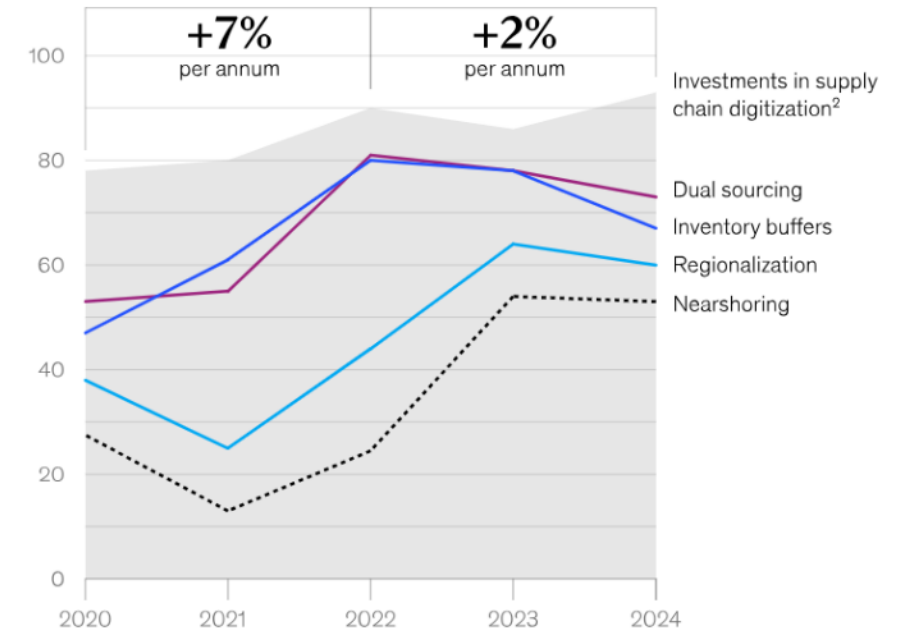
Derisking of supply chains

Nearshoring indicators



External information sharing

Resilience measures implementation comparison (% of respondents)



¹Question: Which of the following footprint resilience options (if any) have you already started or completed implementing in the last year?

²Question: To what extent have you increased investment in digital supply chain technologies in the last year?

Source: McKinsey Global Supply Chain Leader Survey, April 26–June 10, 2024 (n = 88)

Some suggestions moving forward

- The **policy makers** should:
 - **Understand** the harshness of the current economic climate and the position of Europe in the wider geopolitical landscape
 - **Tailor** regulation to support the shippers and logistics providers in their task of keeping Europe trading
 - **Guide** the logistics stakeholders through these turbulent times as well as facilitate them in this process of change
- **Collaboration is critical** on both a horizontal and vertical level and nurturing an ecosystem where innovation and sustainable growth can truly thrive is now essential
- **Rethink how change is currently managed** in your port and develop specific strategies for transformational innovations: be bold, set up a specific structure operating with protected funds, measure and incentivize with non-economic metrics
- **We need to manage the entirety of the market risks** proactively and prepare our workforce and organizations for the impact of digitalization and automation



Prof dr. Indra Vonck

Indra is partner at BDO Belgium responsible for the Transports and Logistics industry, he has a PHD in Maritime economics (specialisation resilience in seaports, dealing with economies of change) from the university of Antwerp and Solvay Business School Brussels and is tenured professor at the University of Brussels where he teaches on European economics and integration.

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