

# BALTICS TRANSPORT & LOGISTICS

---

# CHALLENGES AND OPPORTUNITIES

JEKATERINA ROJAKA

May 31, 2018

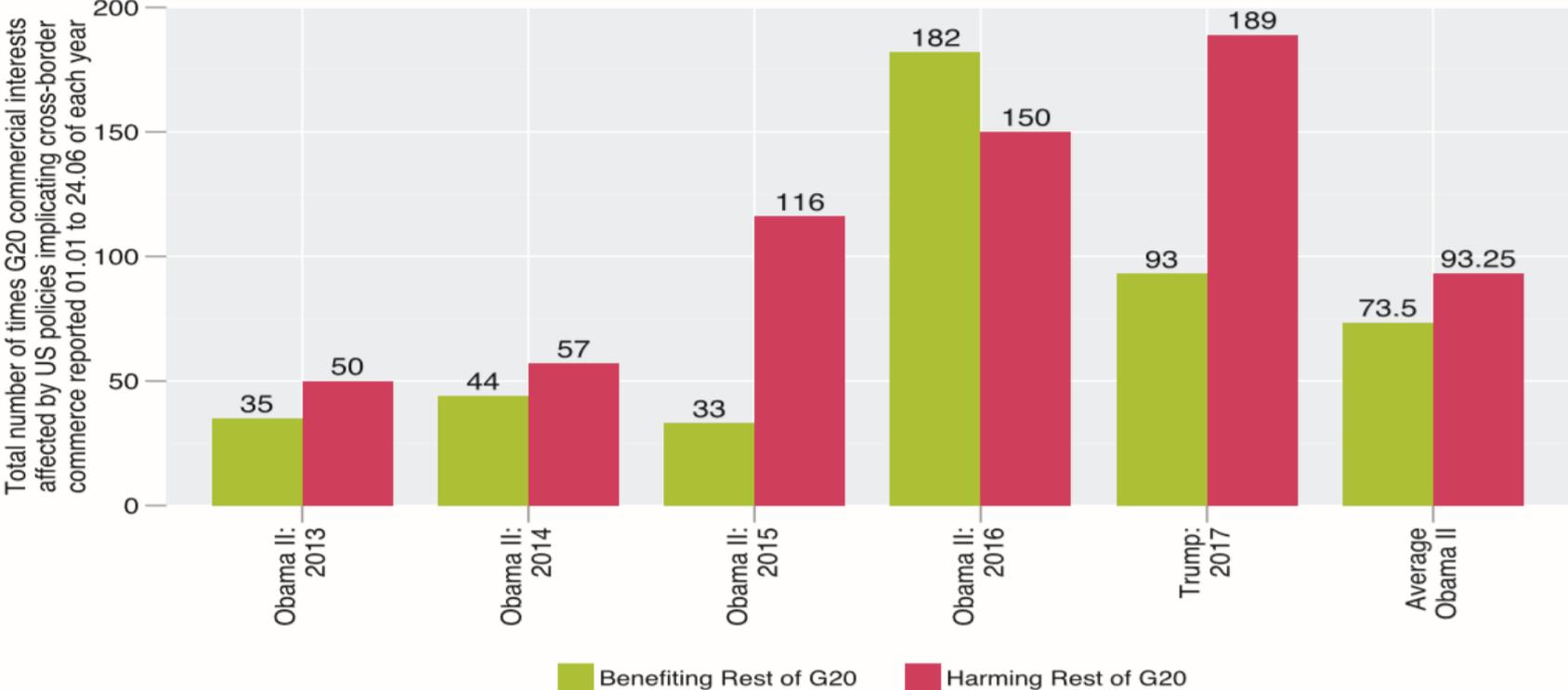


**America First**

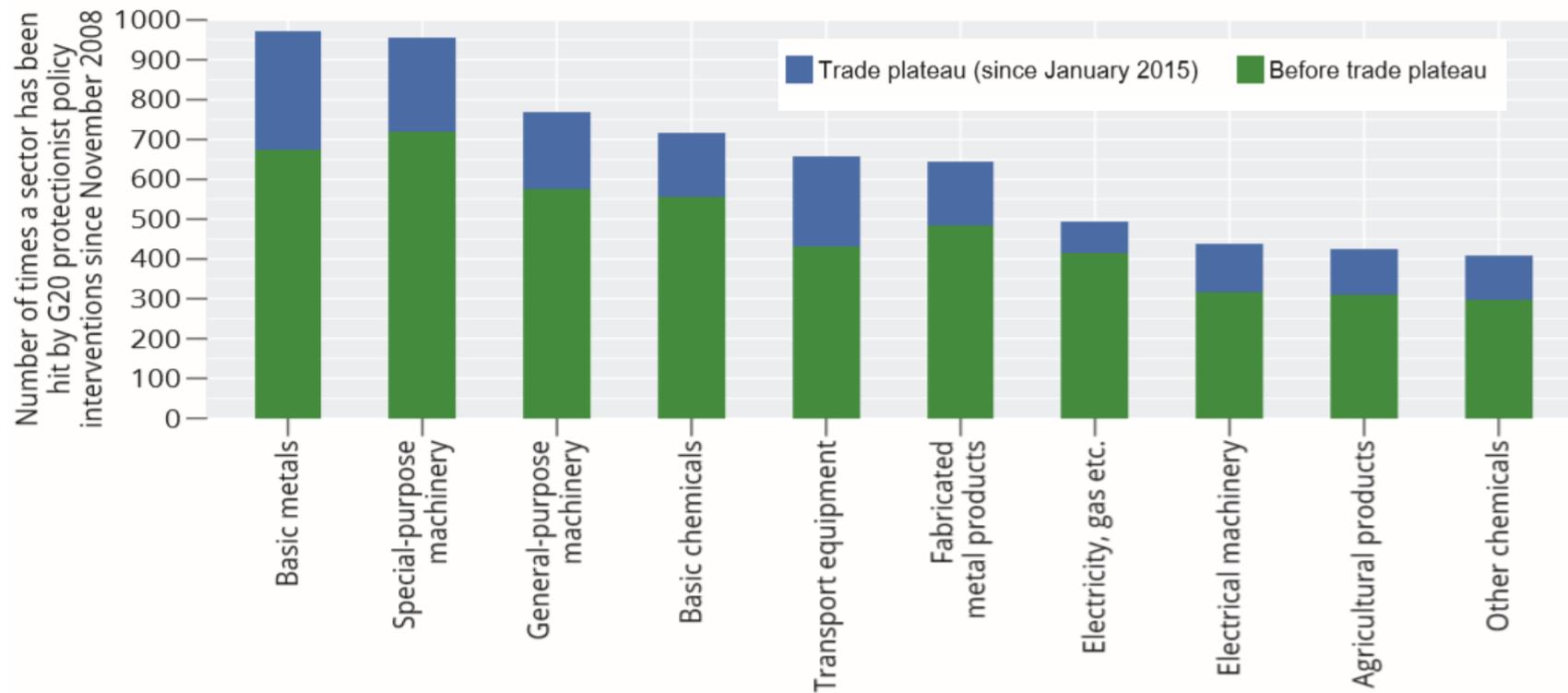
**Rest of World**



# More discrimination, less liberalising US policy intervention in 2017 than during Obama II

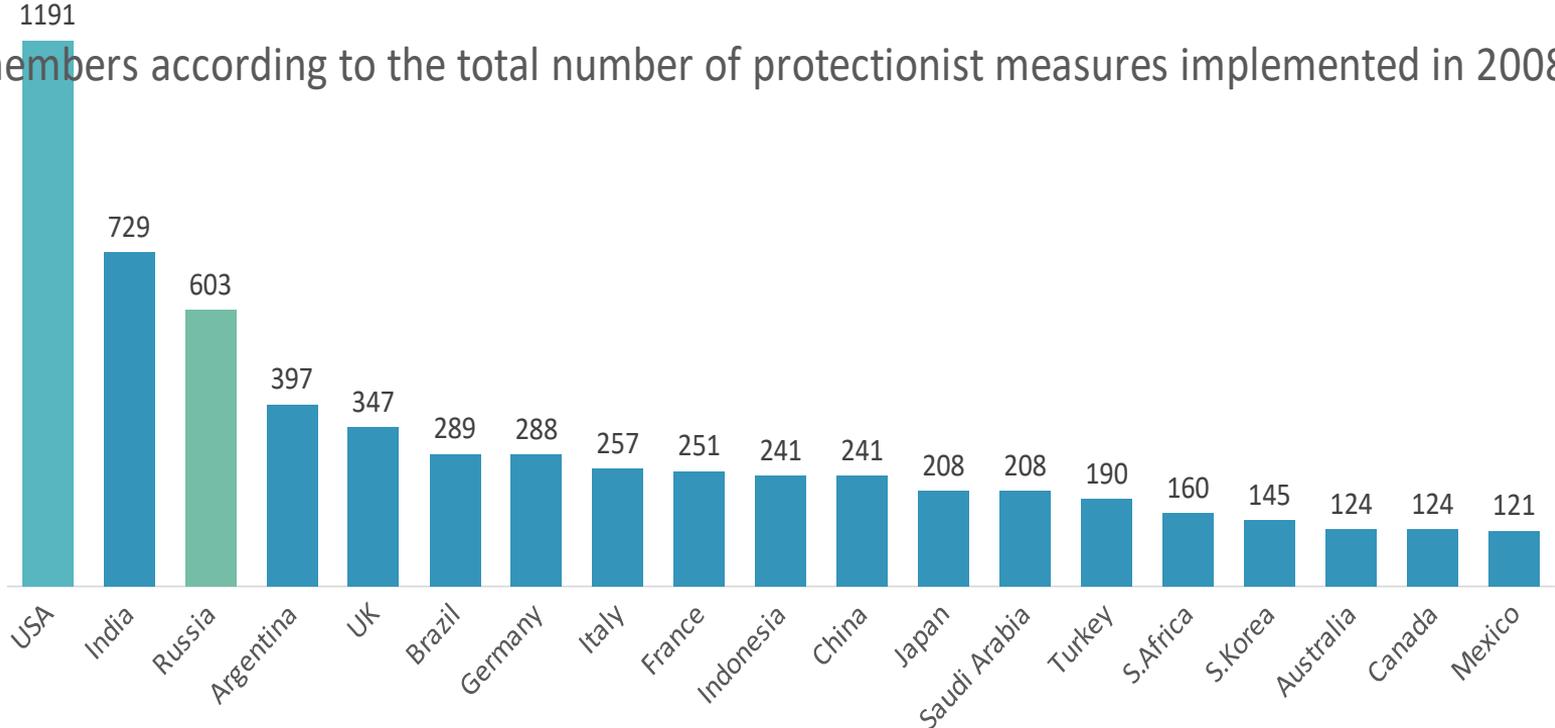


## Metals and machinery most hit sectors by G20 protectionist policy interventions since the crisis began



# Protectionism across the world is increasing

G20 members according to the total number of protectionist measures implemented in 2008-2017

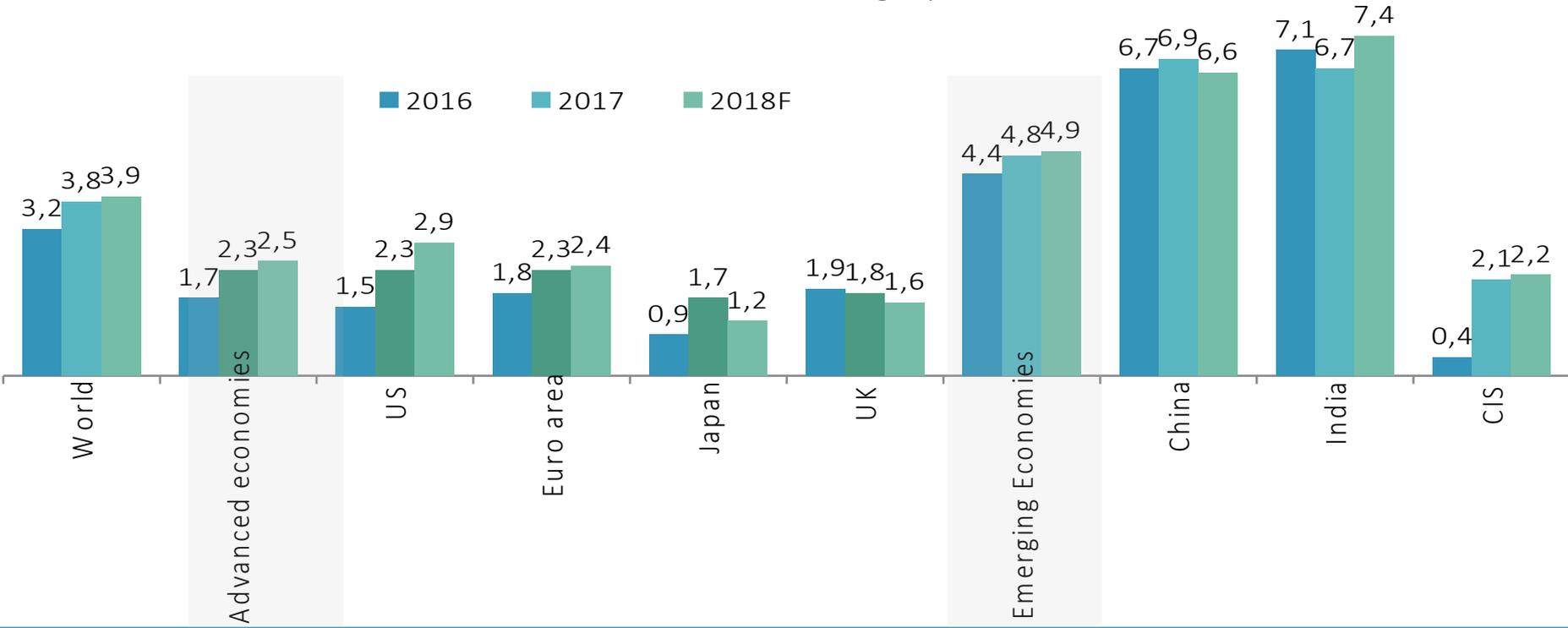




Paul Blow

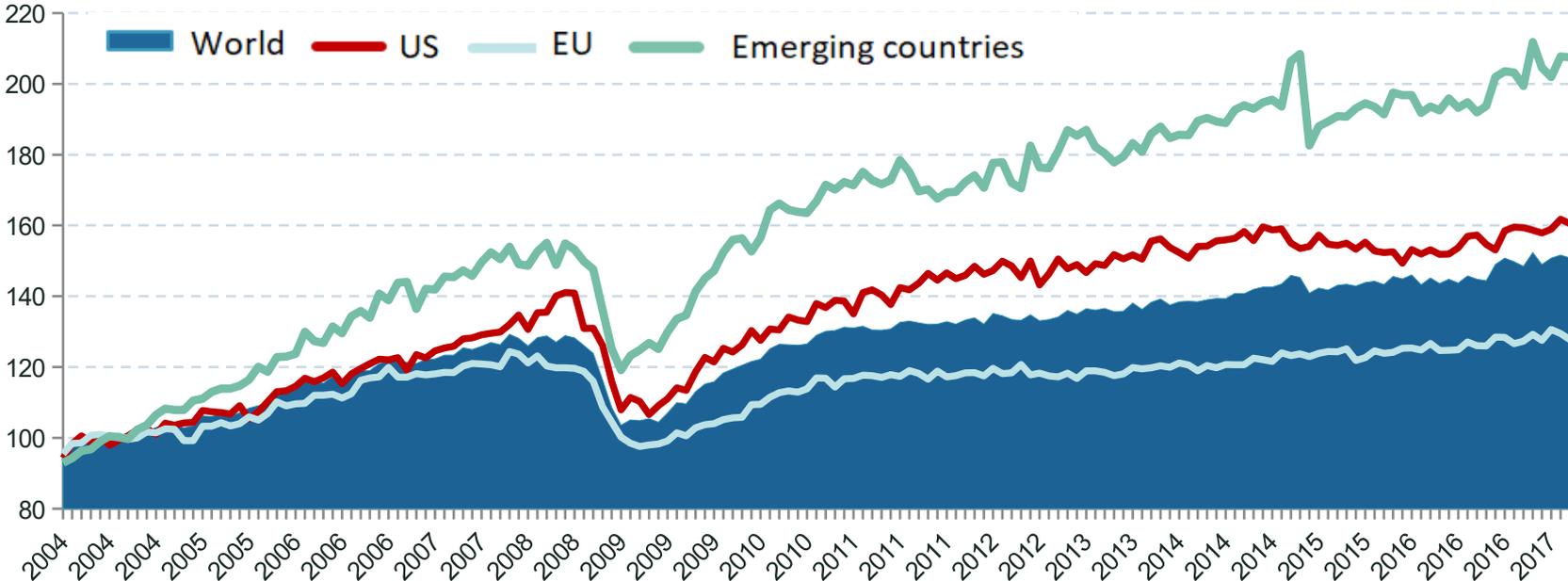
# The global economy is on the mend

Real GDP, annual change, percent



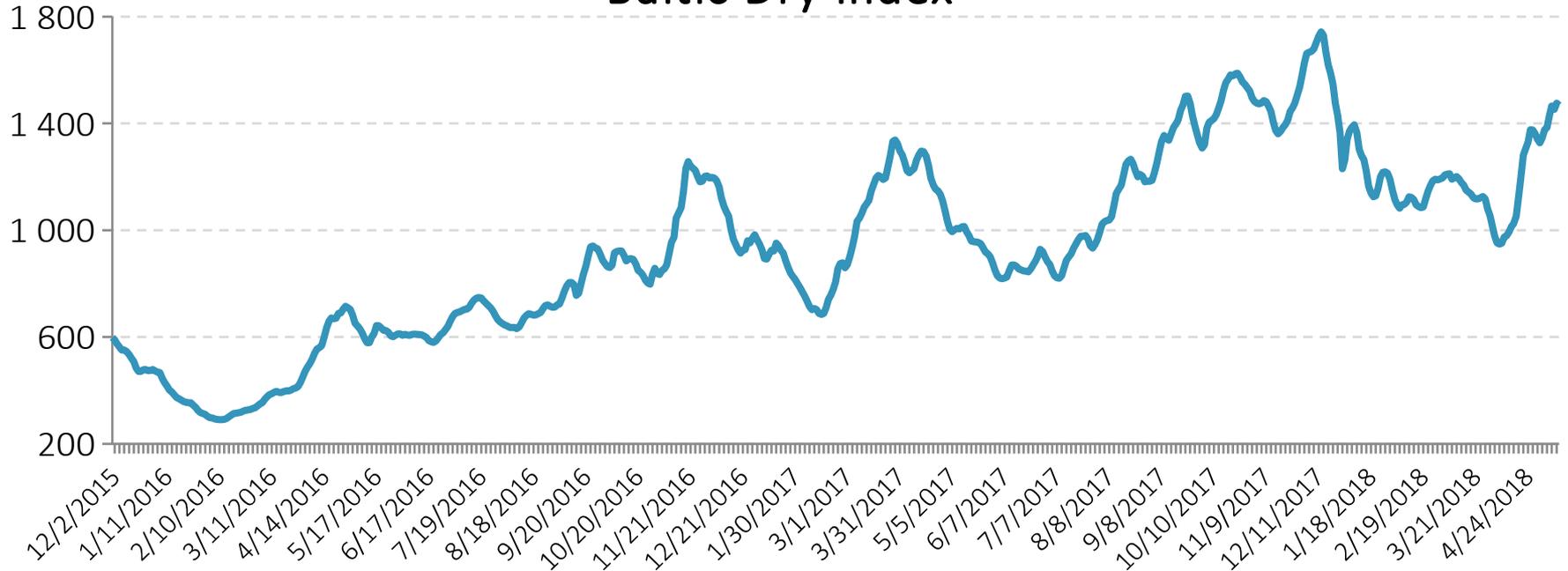
# World trade is regaining momentum

Exports dynamics of the key world economies (2004=100), percent



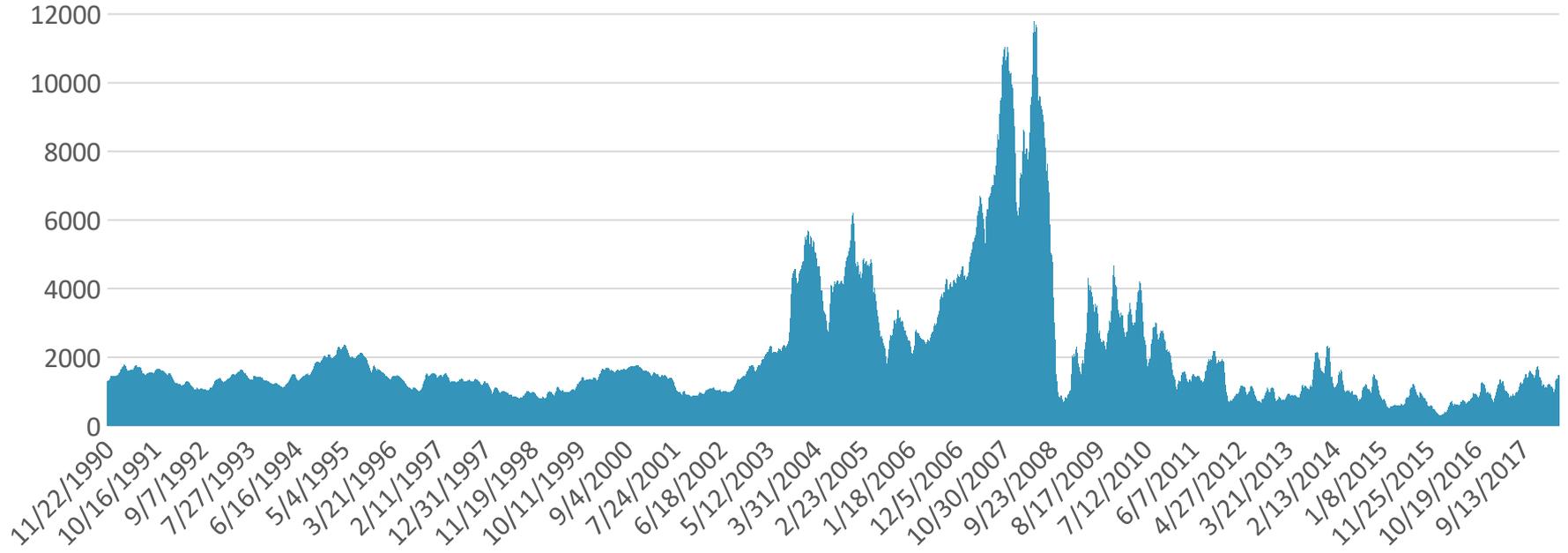
# Baltic Dry Index recovery eases global economy concerns

## Baltic Dry index



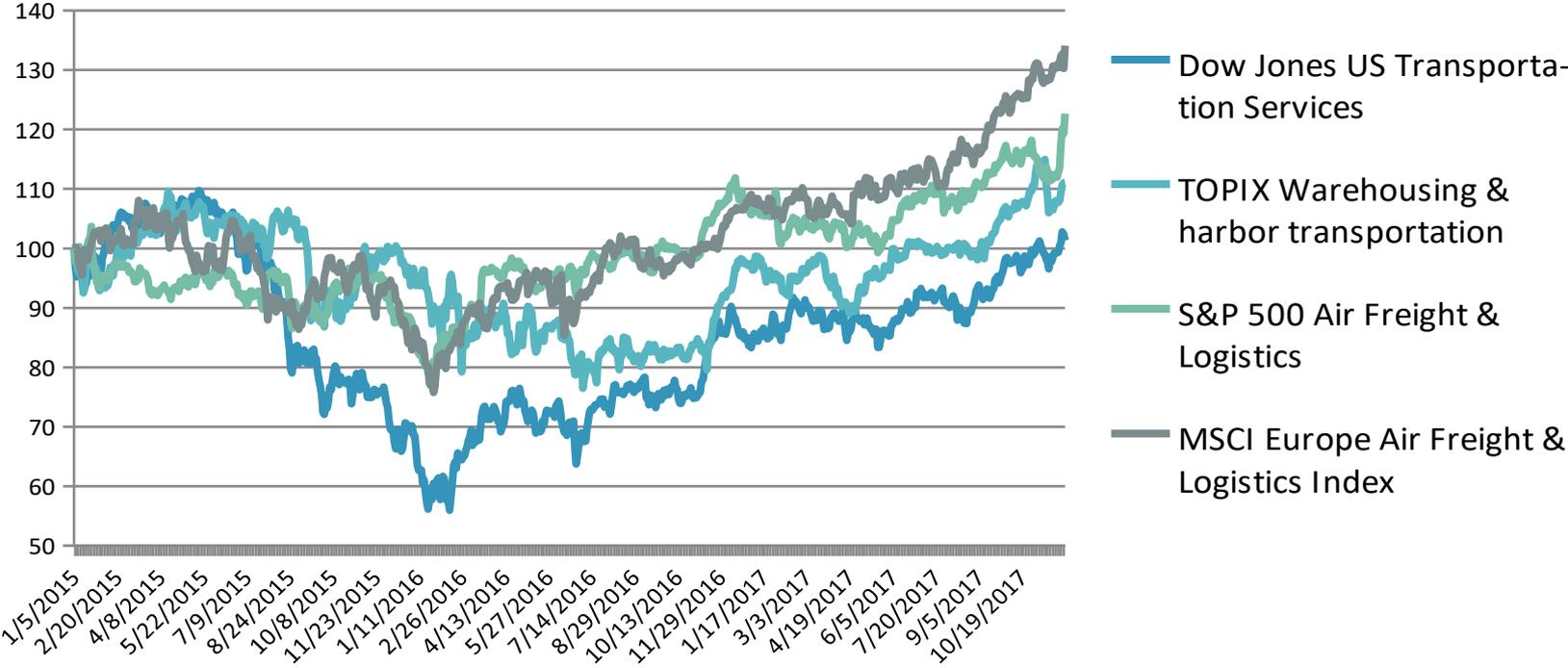
# Though retrospectively shipping costs are still very low

Baltic Dry index

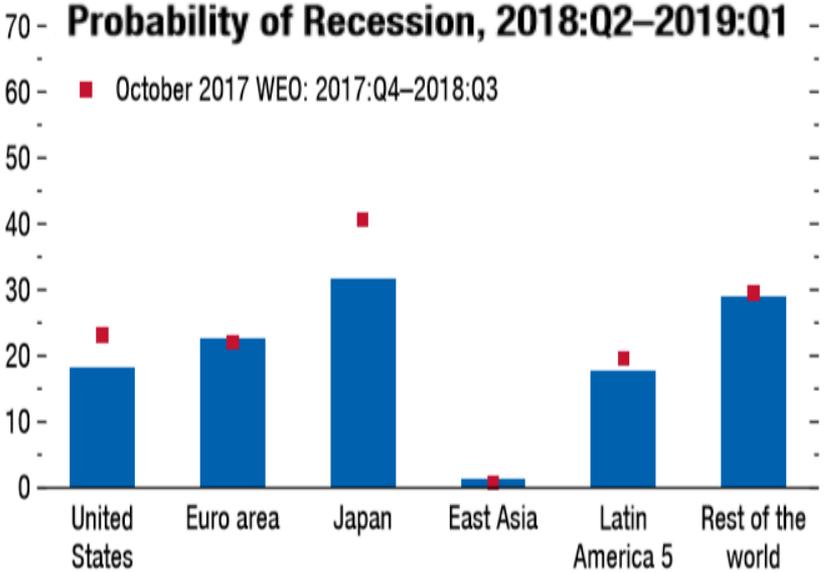
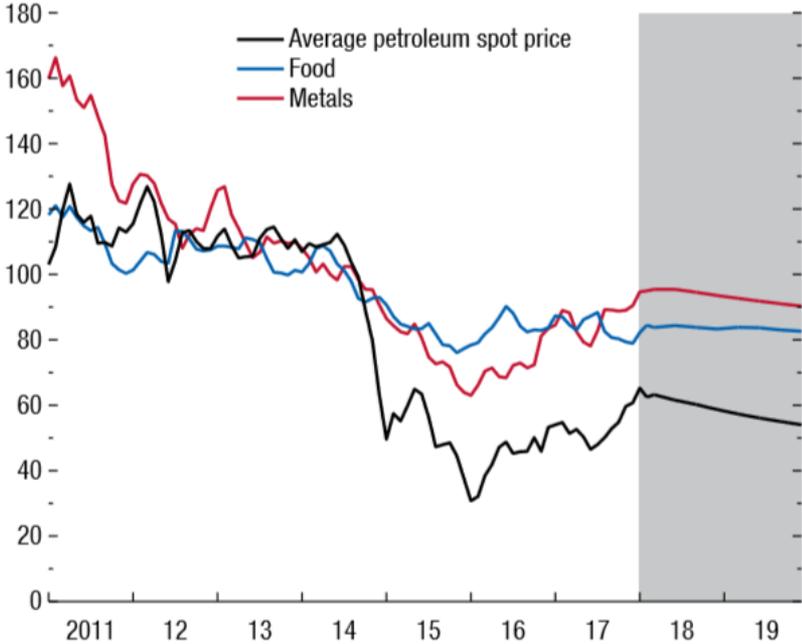


# Stock market of the transportation and logistics sector is up

Stock indexes, 2015=100



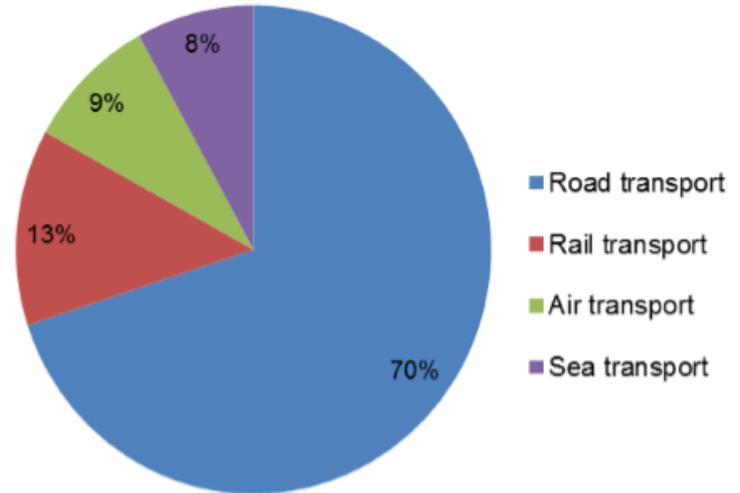
# Commodity market is supportive however the risks are still there



## Environmental regulations – one more factor for global transportation outlook in line with economic momentum, trade wars, fuel price volatility

- Transport accounts for ¼ of global CO2 emissions and they are still growing.
- Automated cars may reduce greenhouse emission by 60% (McKinsey & Company).
- New regulations: The Netherlands and Norway plan to ban the introduction of road vehicles using fossil fuels by 2025; and Norway also aims to reduce its greenhouse gas emissions from local shipping by 40% in 2030 compared to 1990.

**Breakdown (in value) of means of transport worldwide**



An aerial photograph of a large, ancient stone fortress built on a prominent hill. The fortress features a prominent cylindrical tower with a flag on top. A long, narrow ramp or staircase structure runs down the left side of the hill. In the background, a city with various buildings, including a church with a dome, is visible under a hazy sky. The foreground shows the rooftops of modern buildings.

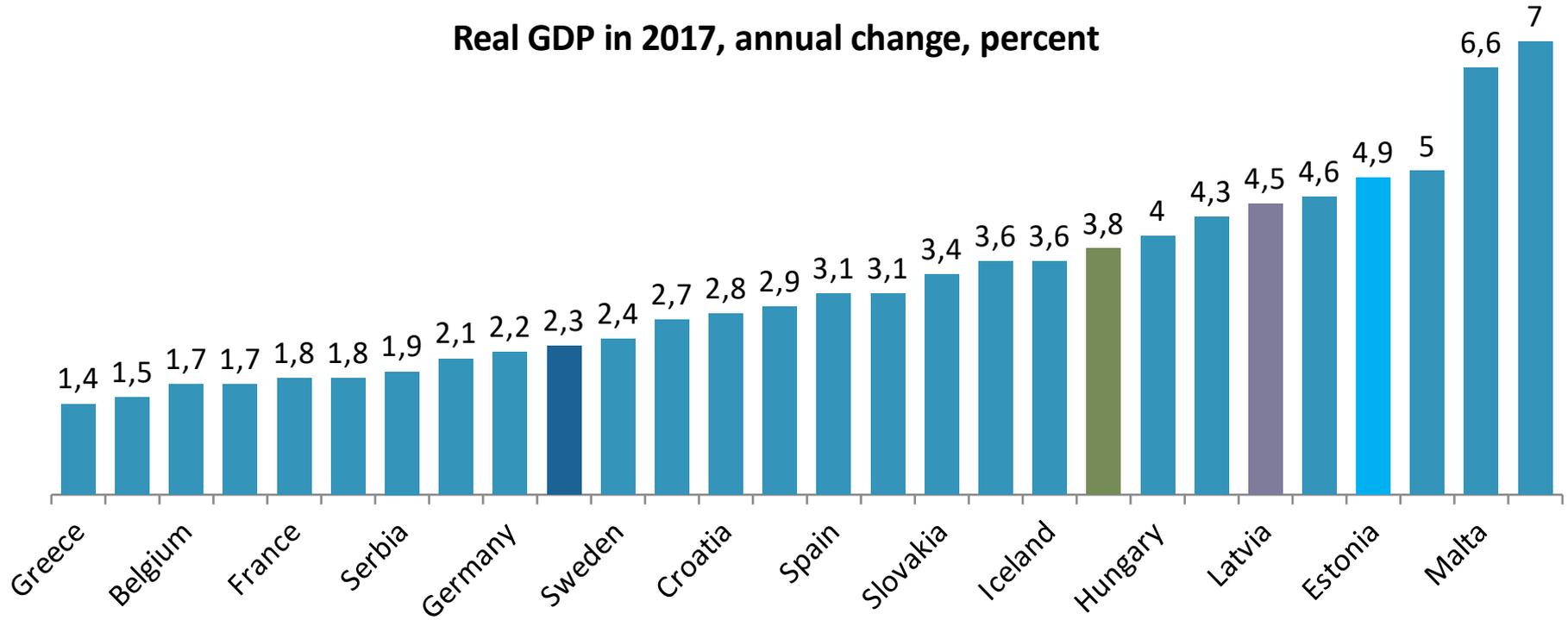
---

# Baltic Economic Outlook: impact on transport and logistics

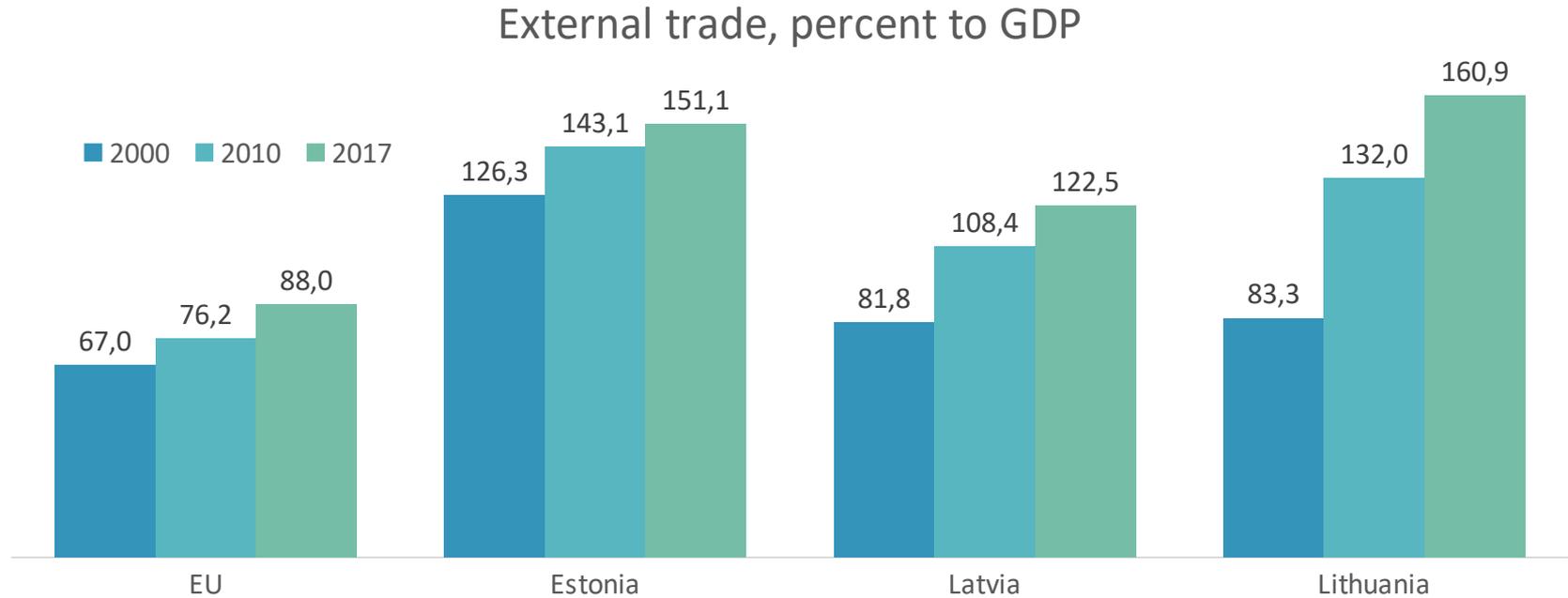
---

# Economic growth in the Baltics gets stronger

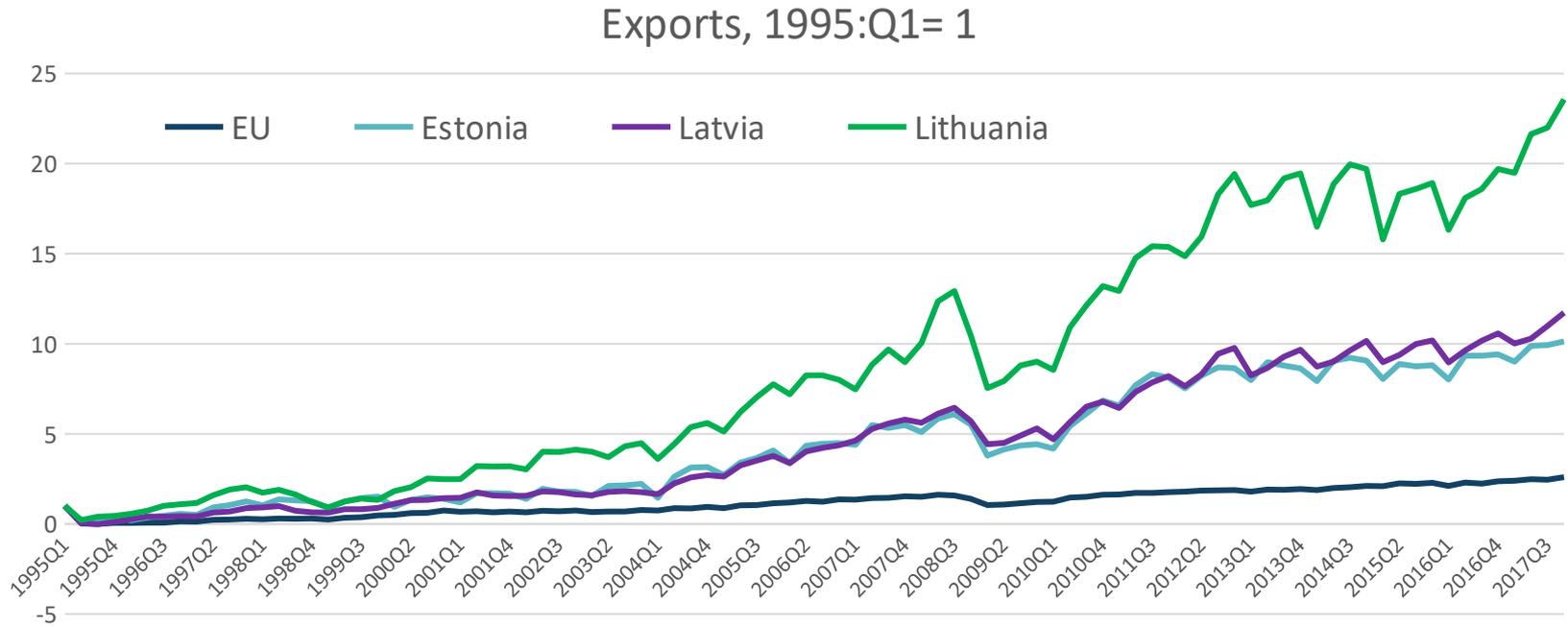
Real GDP in 2017, annual change, percent



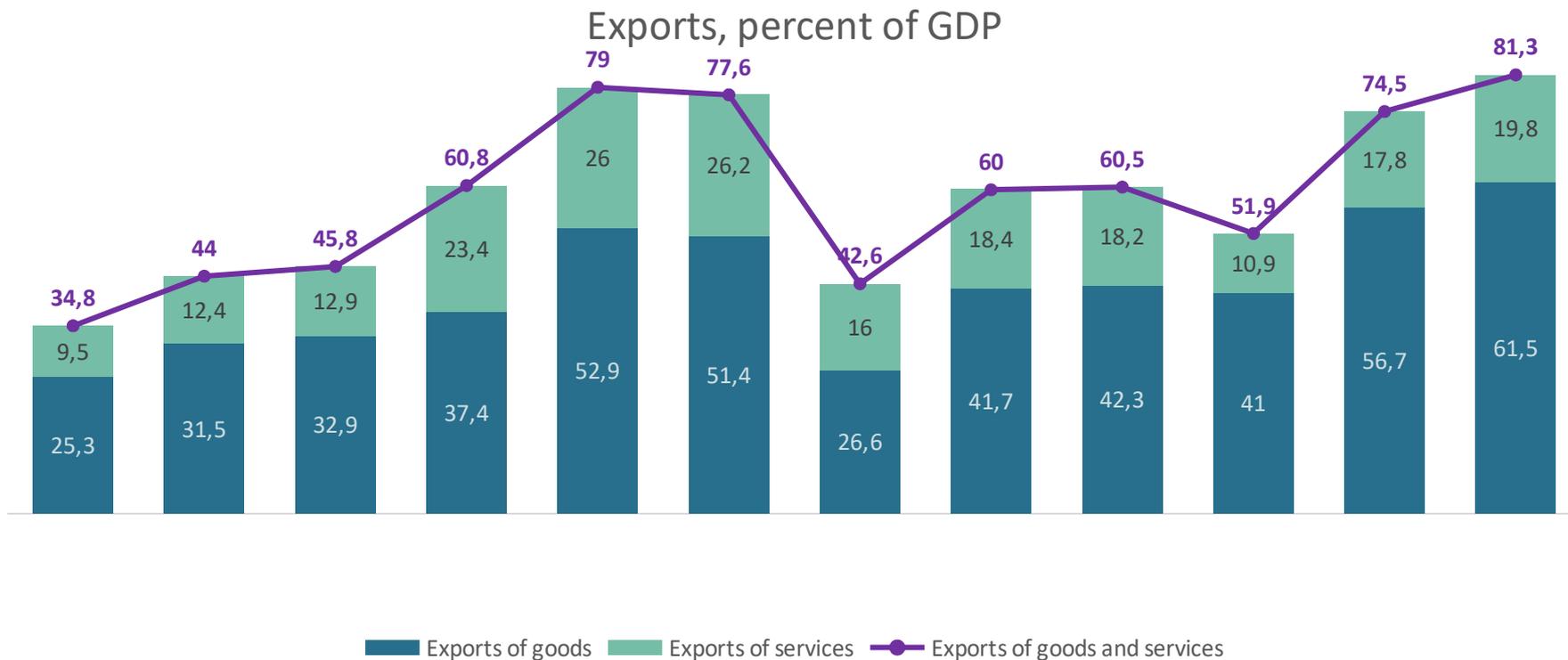
# Importance of international trade to the Baltics is obvious



# Exports since 1995 grew more than 10 times in the Baltics

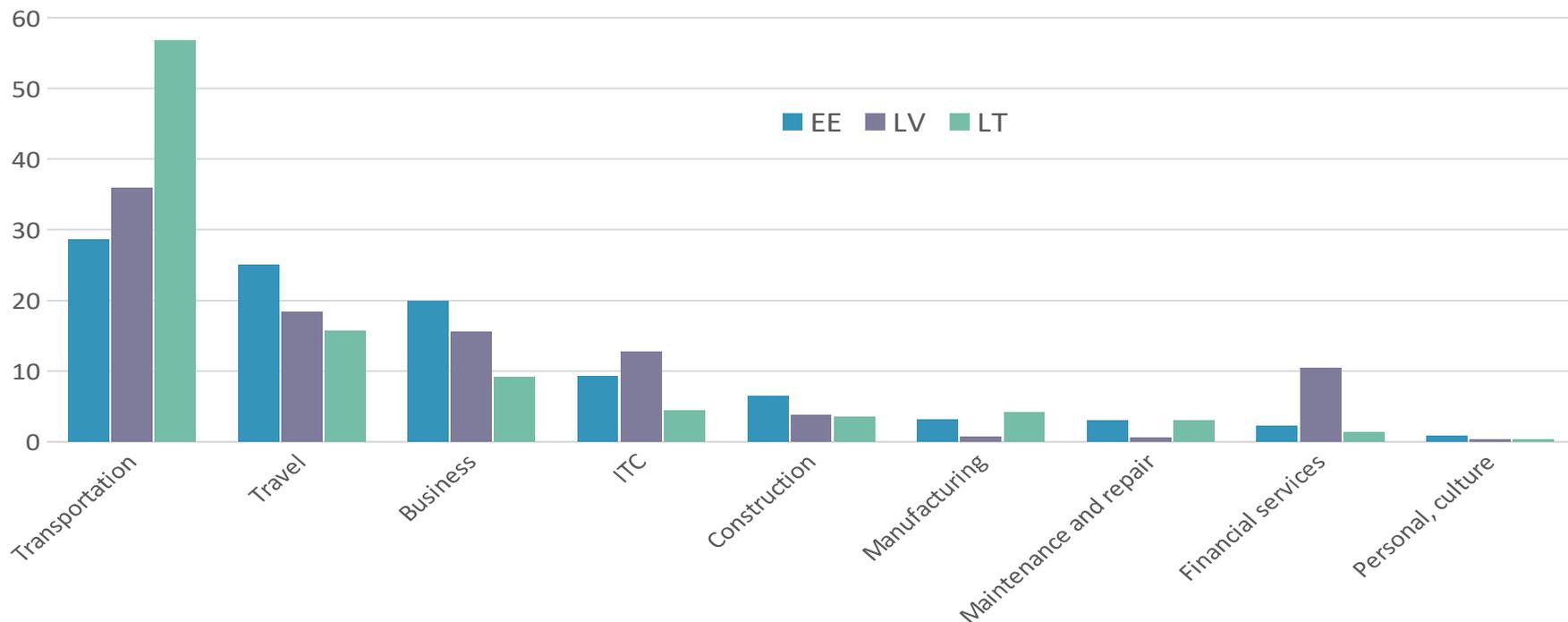


# Exports of services in the Baltics is on a rise



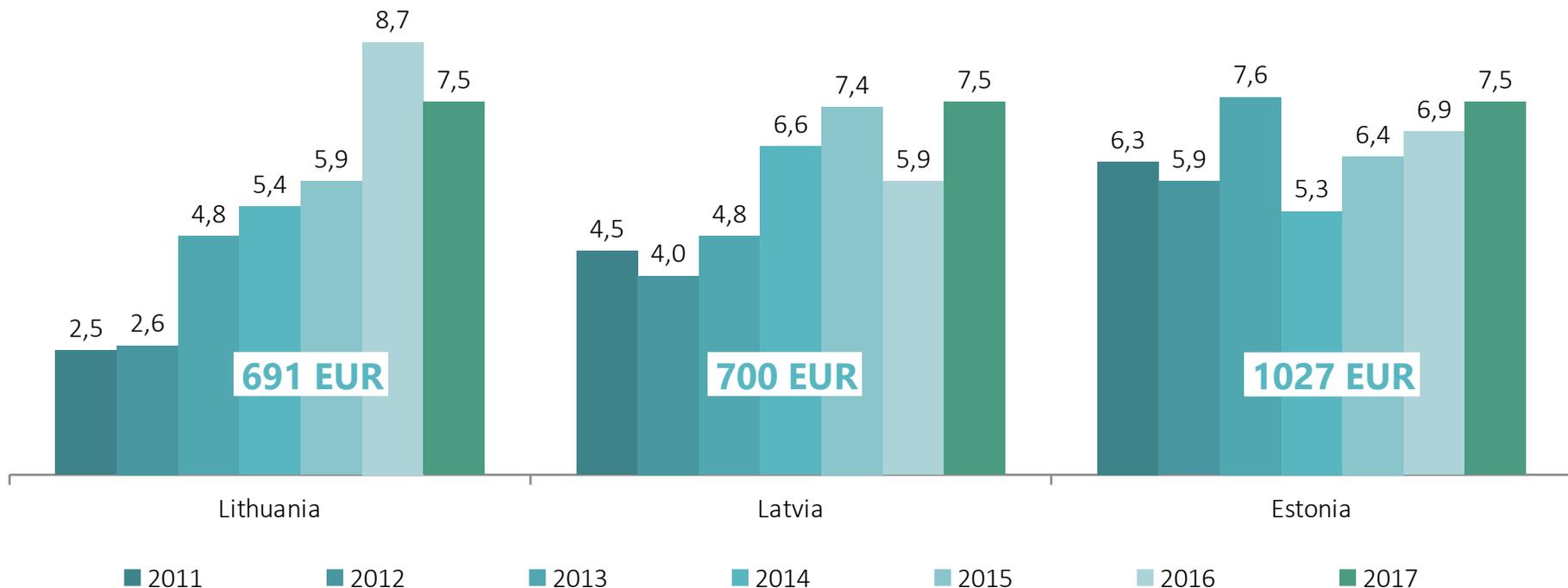
# Transportation services take a bulk of exports of services

Structure of exports of services, percent



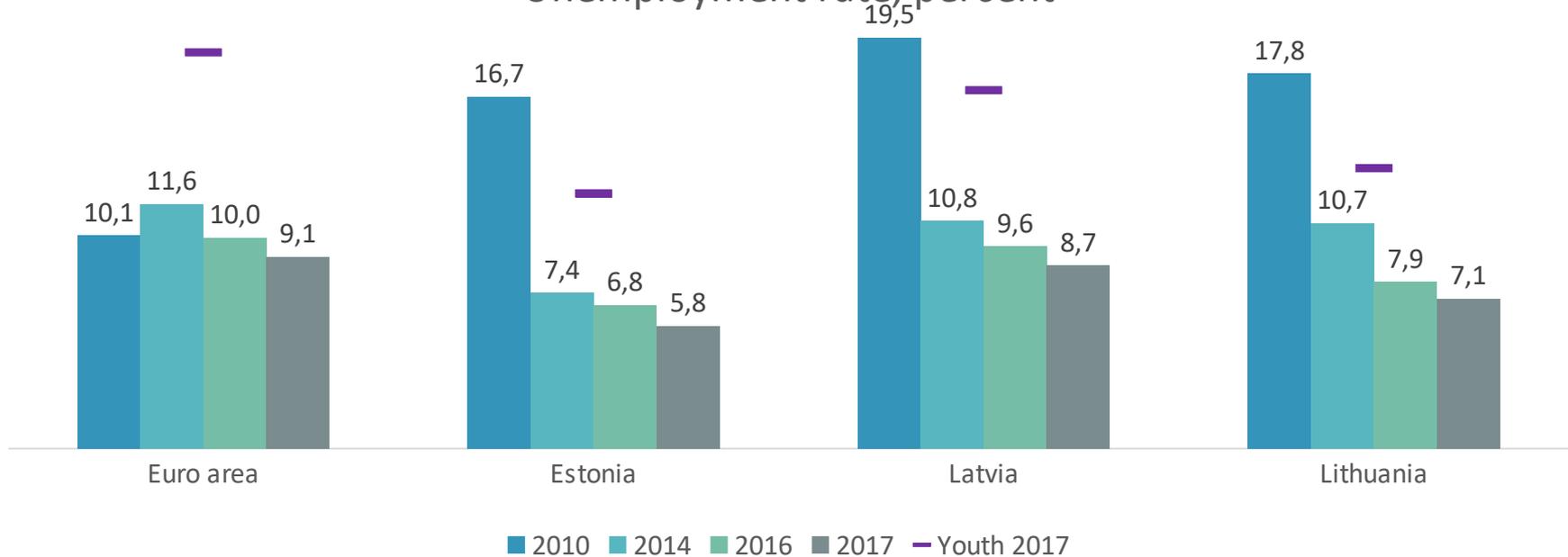
# Rising wages put pressure on costs, while increasing consumption

Annual change of gross wages and net wages, eop, percent

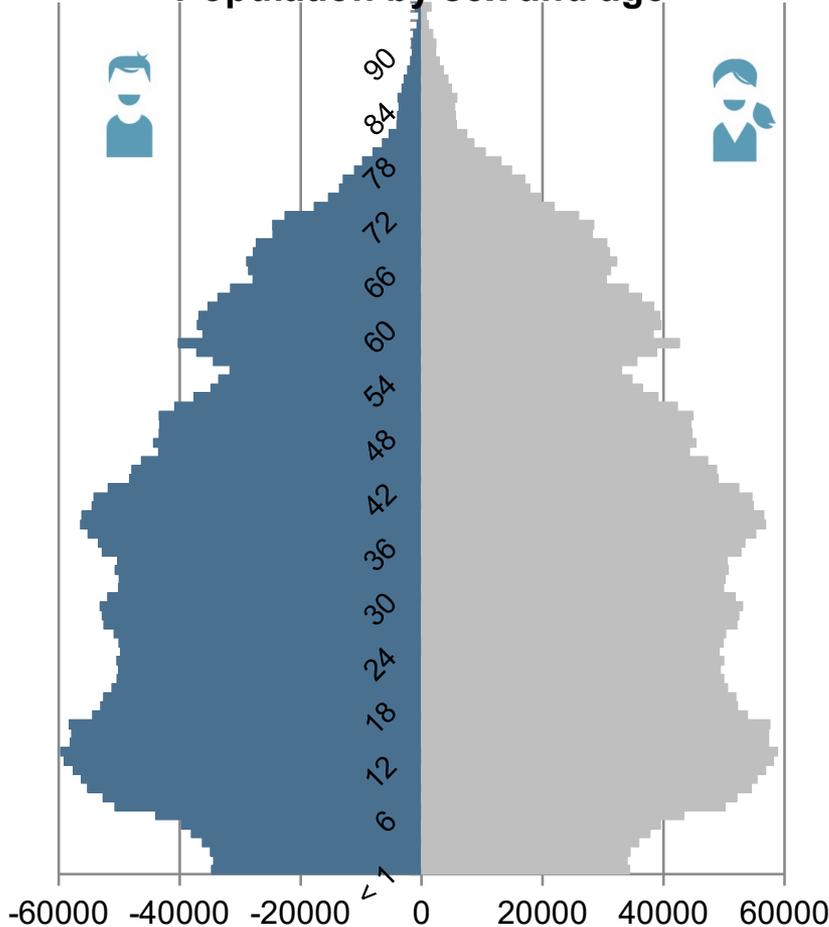


# Unemployment rate has fallen to the pre-crisis level

Unemployment rate, percent



## Population by sex and age



Demographics play crucial role  
in the Baltics

Year 2000

Number of population

**6 883 628**

Old age dependency ratio

**16.3 %**

# Demographics play crucial role in the Baltics

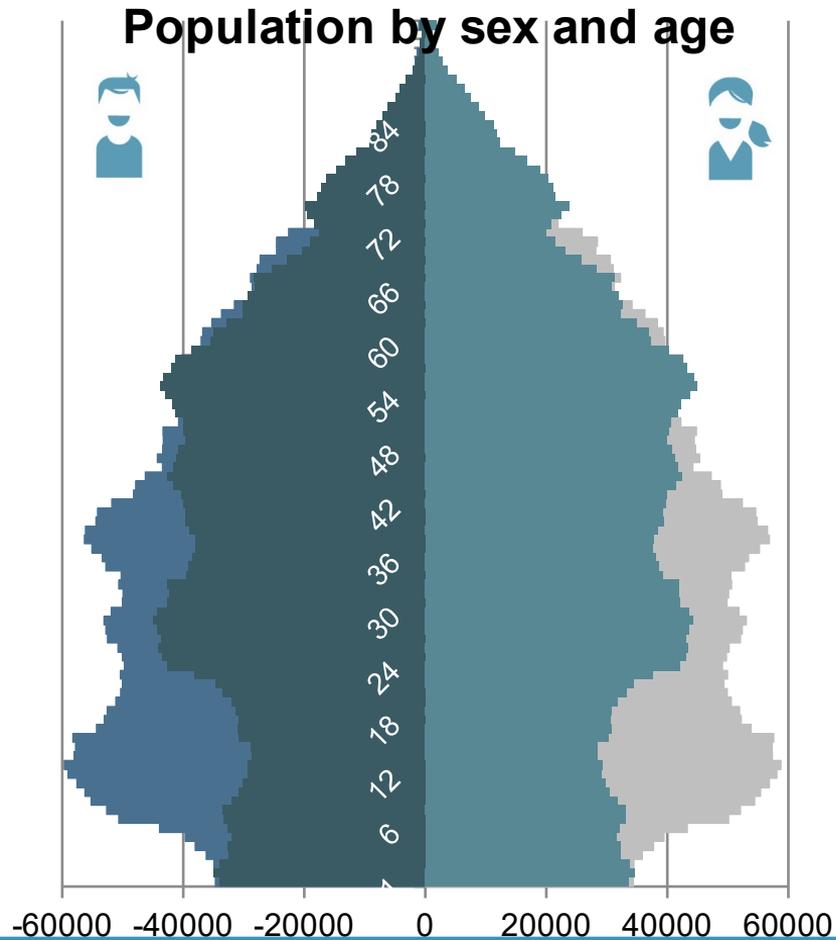
## Year 2017

Number of population

**5 732 383**

Age dependency ratio

**22.6 %**



# Demographics play crucial role in the Baltics

## Year 2030

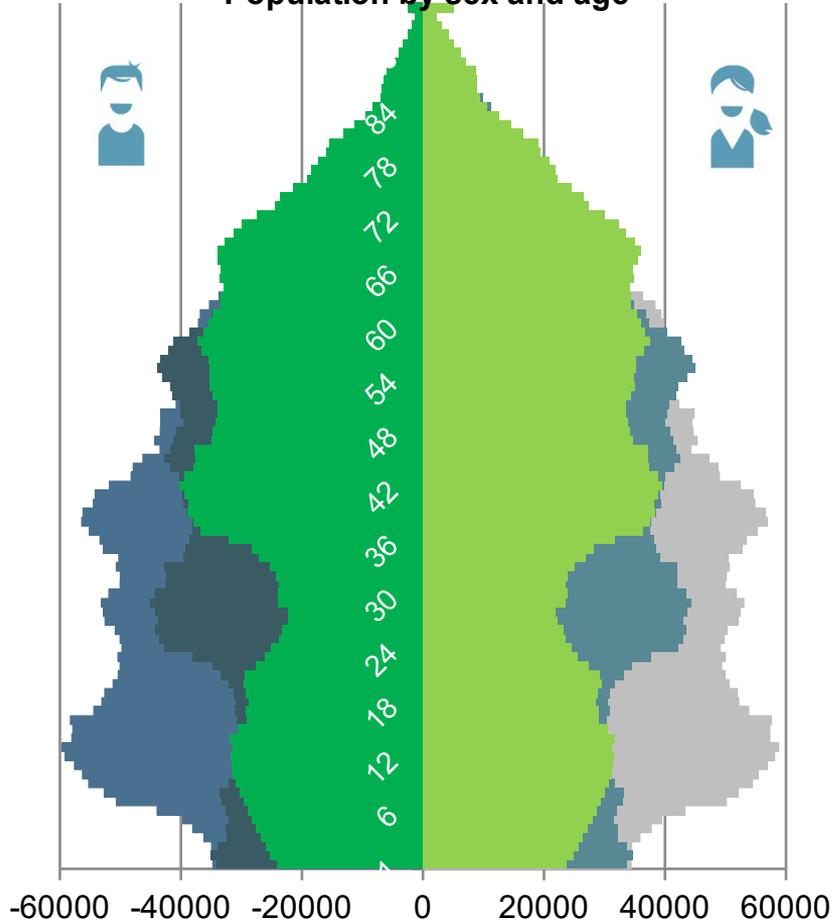
Number of population

**5 132 057**

Age dependency ratio

**34.1 %**

Population by sex and age



# Demographics play crucial role in the Baltics

## Year 2050

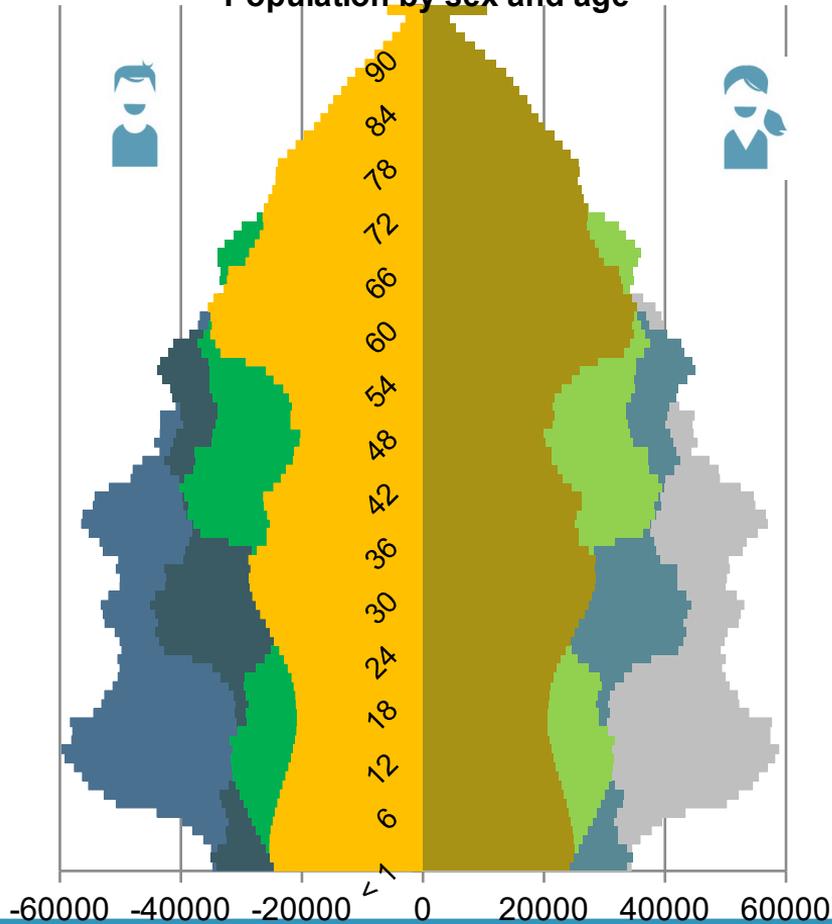
Number of population

**4 499 521**

Age dependency ratio

**48.1 %**

Population by sex and age

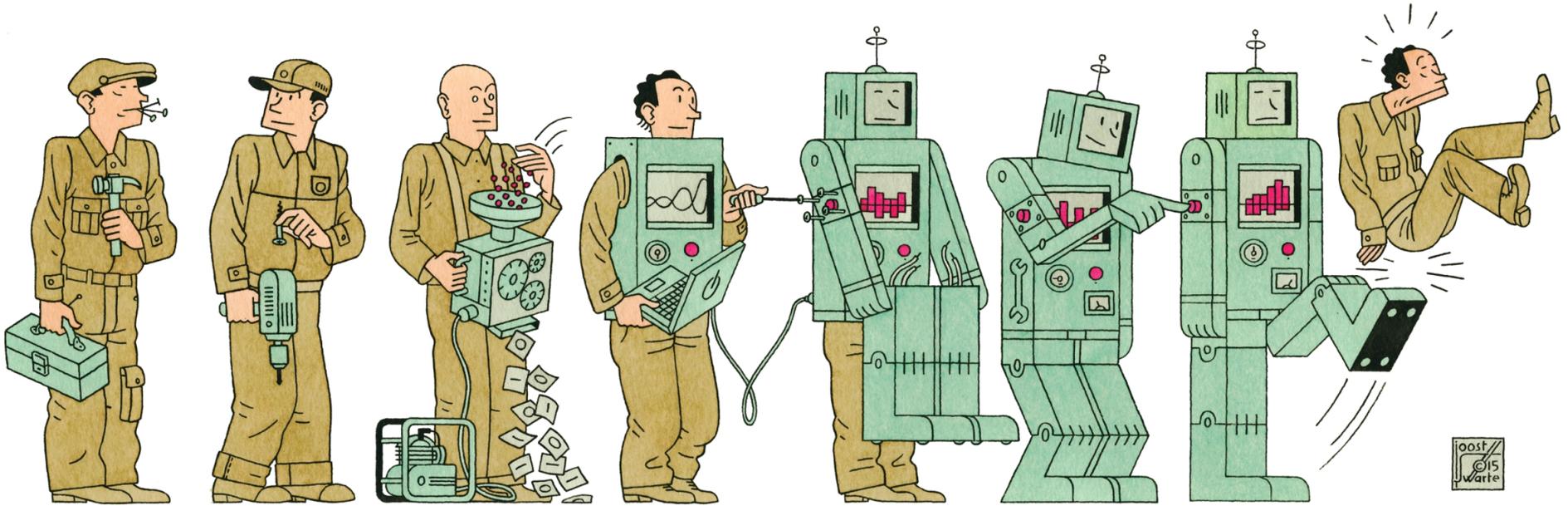


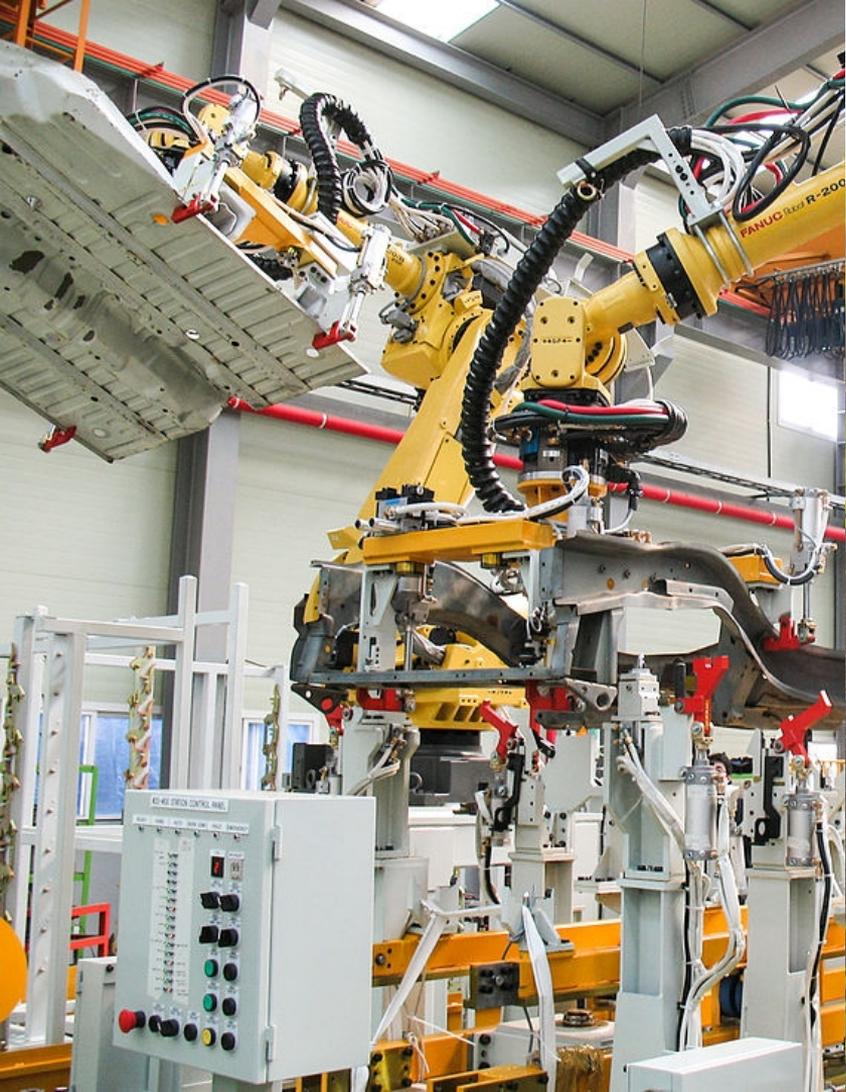


## Demographics is a ticking time bomb for the Baltics

- Slower growth potential, limited consumption
- Pressure on pension system
- Increasing costs of labour
- **Investment into infrastructure – think twice!!**

# JOBS UNDER ATTACK?





## ROBOTS CHANGE THE JOB LANDSCAPE IN SHIPPING...



## ... and post

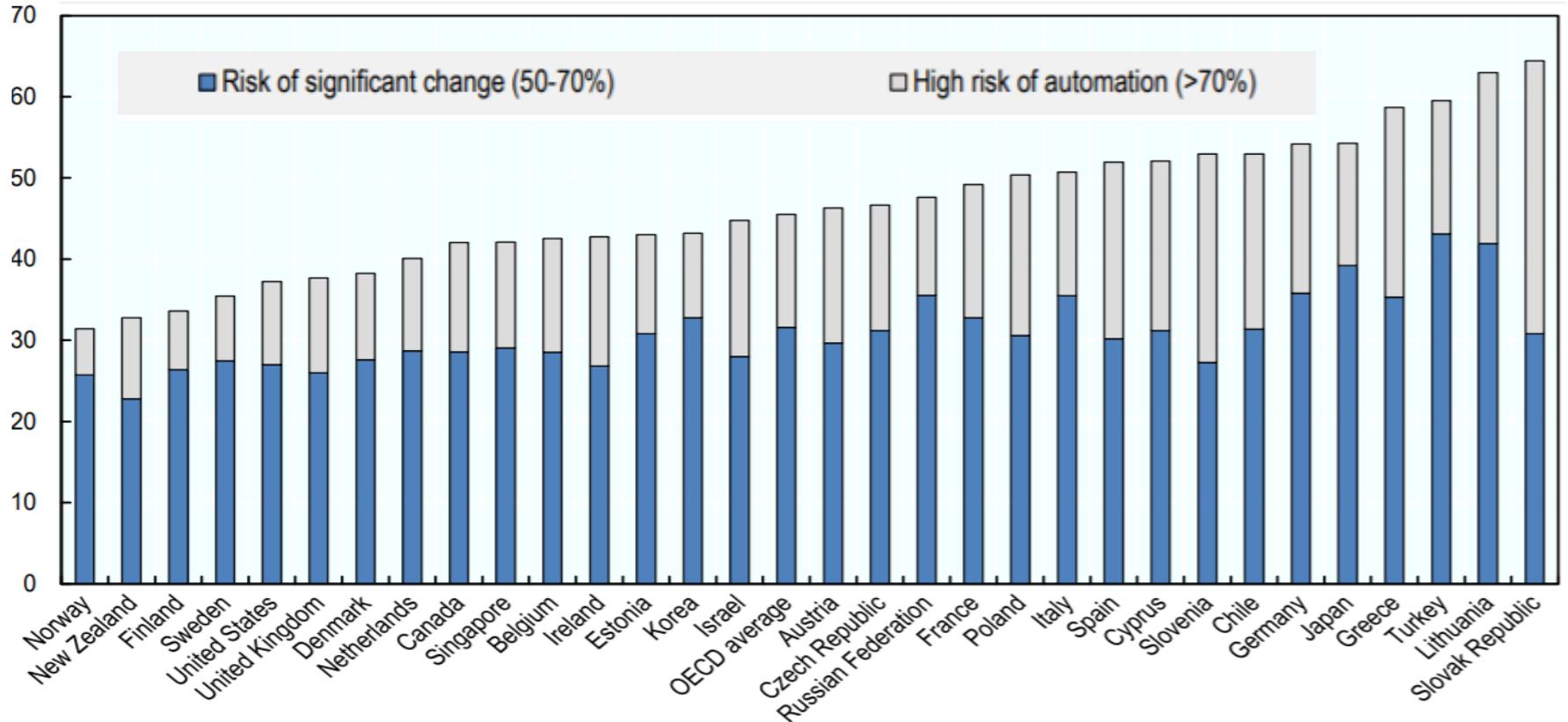


Blood is "expensive, lifesaving but doesn't last very long. Using drones, we can deliver blood 10 times as quickly as cars, on demand."

Chinese takeaway is ready to be delivered by drone. 17 newly approved routes over an industrial zone in Shanghai. 20 minutes no extra charge.



# AUTOMATION RISK IN LITHUANIA IS HIGH



# Changes ahead – investment vs labour

## ◆ **Future jobs.** Probability of losing a job in the transport sector

Computerisable		
Rank	Probability	Occupation
322.	0.57	Transit and Railroad Police
328.	0.59	Transportation, Storage, and Distribution Managers
329.	0.59	Recreational Vehicle Service Technicians
412.	0.75	Transportation Attendants, Except Flight Attendants
525.	0.89	Bus Drivers, School or Special Client
528.	0.89	Rail-Track Laying and Maintenance Equipment Operators
531.	0.89	Taxi Drivers and Chauffeurs
537.	0.9	Traffic Technicians
538.	0.9	Transportation Inspectors
670.	0.98	Inspectors, Testers, Sorters, Samplers, and Weighers
679.	0.98	Shipping, Receiving, and Traffic Clerks

# Conclusions

- World trade growth will be the main driver for freight transport growth (esp. sea and road transportation). Maritime activity back on track due to world trade recovery.
- High fuel dependency may curb profitability of the sector, thus further consolidation of operative costs is necessary.
- Tighter environmental regulations will penalize transportation sector.
- The sector is a subject to a sizable adjustments in the future.
- The Baltics will enjoy growth momentum – the key driver for rising external trade. However the labour market structure and demographic challenges may lead to a sooner automation, which will put jobs at risk and increase inequality.

*“THE FUTURE ALWAYS COMES TOO FAST  
AND IN THE WRONG ORDER.”*

ALVIN TOFFLER

---

Thank you

A solid teal horizontal bar at the bottom of the slide.