

LOGISTICS MOVES THE WORLD

WHEN LOOKING AT the list of Top 50 Global Transportation and Logistics Providers, the major takeaway is that consolidated revenues for these multibillion-dollar companies showed flat growth in 2013. This suggests top-line growth for these companies slowed during the year and, while it did for many, adjusting revenue growth for foreign currency fluctuations tells a much different story.

Consider that on a currency-adjusted basis, the combined revenue for the world's 50 largest transportation and logistics companies grew 2.2 percent last year. This growth fits perfectly in line with the 2.2 percent growth in the global economy, as estimated by the World Bank,

the result of the U.S. dollar strengthening by more than 20 percent versus the yen during 2013.

Growth at the Japanese companies helped to drive an increase in total revenue for top 50 companies based in the East Asia and Pacific geographic area, which also includes China and South Korea among others. For the 17 companies located in that region, currency-adjusted revenue increased a combined 5.4 percent, more in line with the region's 4.2 percent growth in GDP.

Likewise, Europe-based companies showed revenue growth in line with the continent's GDP growth. While the 19 companies based in the region showed a revenue increase of 0.8 percent during the year when measured in U.S. dollars, a weakened U.S. dollar versus the major European currencies (euro and Swiss franc) assisted top-line growth at those service providers. When considering growth as reported in native currencies, total revenue of the European companies dropped 1.1 percent in 2013, more in line with the 0.4 percent decline in eurozone GDP and marginal 0.1 percent growth for the entire European Union.

The 13 North American companies as a whole increased revenue growth more rapidly than the Europeans, but not as fast as the Asian companies on the list. While GDP is an indicator of demand, growth is still attainable in slowly expanding markets by way of yield increases made possible by tight capacity.

This is the case in North America, where companies were able to grow more rapidly as a whole than GDP growth in 2013, which averaged about 2 percent in the U.S. and Canada. Like revenue growth for North American companies, U.S. and Canadian GDP growth was sandwiched between that of Europe and Asia.

Through the first three quarters of 2014, China has showed slower expansion than in recent years. Pro-

jected real GDP growth for the third quarter of 2014 is 7.2 percent, down from 7.7 percent in 2013. European countries also are experiencing slower growth in 2014, including the major markets of France and Germany. France's economy has stalled for much of the last 2 1/2 years, and it shrunk slightly in the second quarter of 2014. Germany also experienced contraction during the latest reported quarter as its GDP fell 0.6 percent, its first decline in five quarters.

Similar to 2013, the U.S. and Canadian economies are growing slowly but steadily. Canada's GDP was up 3.1 percent in the second quarter, and the U.S. Federal Reserve is projecting U.S. GDP growth of 2.0 to 2.2 percent for 2014.

The Fed estimates growth will accelerate 2.6 to 3.0 percent for 2015. As such, Canada and U.S.-based companies will continue to see rising demand for their services and thus grow top-line revenue at an accelerating pace.

This expanding U.S. GDP is reflected in the accelerating growth of UPS and FedEx through the first nine months of 2014. UPS increased its top line by 4.6 percent over the prior year, and FedEx ticked up 4.2 percent during the comparable period. In contrast, the two largest Europe-based companies are still growing slower than those in the U.S., in line with the region's slower economic growth. DHL and Maersk only increased first-half revenues by 0.5 and 1.5 percent, respectively.

So what will happen to the world's largest global transportation and logistics players during the rest of 2014 and beyond? Tightening capacity has the potential to increase yields, but based on global economic projections, it's likely there's more slow growth ahead. **joc**

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THIS EXPANDING U.S. GDP IS REFLECTED IN THE ACCELERATING GROWTH OF UPS AND FEDEX THROUGH THE FIRST NINE MONTHS OF 2014.

suggesting the largest transportation and logistics providers move the global economy. This connection also holds true on a regional basis.

First, although the combined revenue for the Japan-based companies on the list fell 10.4 percent during the year in terms of U.S. dollars, only one those companies actually experienced a decline in revenue as reported in its native currency. Furthermore, all seven Japanese companies showed combined revenue growth of 9.8 percent before converting to U.S. dollars. This stark contrast in growth rates is