Stalling Trade Concern for EMEA Seaports

Weak Volumes Caused by Reversion to Services, Weak Demand and War in Ukraine

The European container throughput index has declined more steeply than the global index due to the reversion from consuming goods to services after the pandemic, the secondary effects from the Russia-Ukraine war and weaker consumer demand in Europe.

The performance of the gateway ports like Hamburg, Rotterdam, Le Havre and Antwerp Bruges recorded throughput declines of 5%-15% in 1Q23. For 2022, liquid bulk and dry bulk volumes in Europe held up pretty well due to the increased cargo volumes from Egypt, Iraq, the US east coast, more than offsetting the drop-in oil products from Russian ports on the Baltic Sea. The drop in large containers and Ro-Ro mobile units was acerbated by the weak economic outlook.

Decongestion, Inflation May Pressure Margins

Port congestion considerably eased in the 12 months to June 2023 as opposed to 2021, due to weak demand for goods, lower waiting times and more predictable shipping schedules. This reduced the additional storage revenue port operators had gained during the pandemic. Weak volumes, reduced storage revenue together with higher costs may reduce port operator margins, especially if they are unable to pass on substantial price increases to shipping lines in the context of lower freight rates.

Increased Friend-shoring and Concentration of Global Trade

The geographical proximity of international trade has been fairly stable over the past five quarters, suggesting a lack of significant nearshoring trends. The war in Ukraine, the decoupling of the US-China trade relationship, and Brexit played a significant role in shaping bilateral trade trends. There has been a notable rise in the political proximity of trade since late 2022. This indicates a reorientation of bilateral trade flows to prioritise countries that share similar political values (friend-shoring). There has also been a decline in diversification of trade partners, implying that global trade has become more concentrated among major trade relationships.

Notable Developments in 1H23 in Fitch's Portfolio

- Fitch upgraded DP World Limited to 'BBB+' from 'BBB-' with a Stable Outlook following the deleveraging in line with management's commitments.
- Boluda Towage, S.L.'s Outlook was revised to Stable from Negative driven by the good evolution of moves, prices and margins, and the faster-than-expected deleveraging of the past two years.

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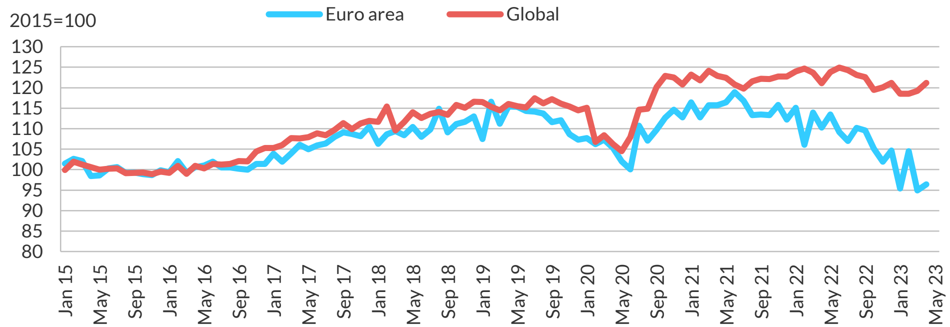
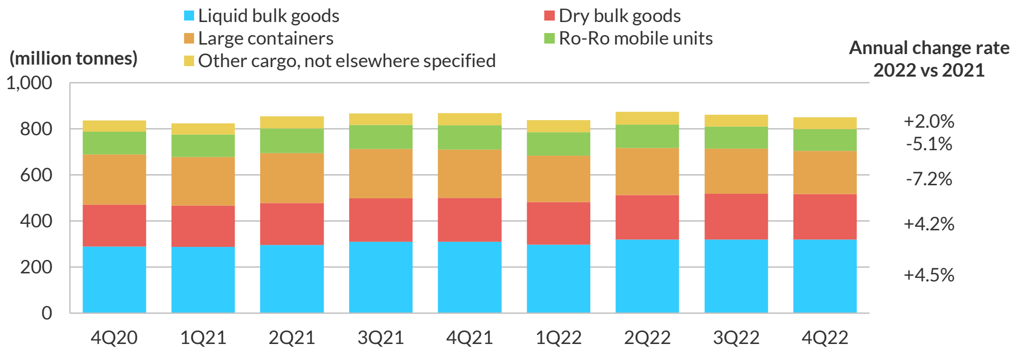
Global Versus European Container Indices



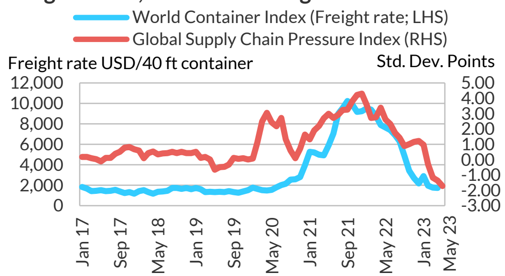
Note: Data for Europe are based on Haver Analytics' North Rage Container Throughput Index, which includes trends in important continental European ports (e.g. Antwerp, Rotterdam, Le Havre, Hamburg).
Source: Fitch Ratings, based on Haver, Leibniz Institute for Econ Research/Institute of Shipping Econ & Logistics

Gross Weight of Seaborne Goods Handled in Main European Ports by Type of Cargo



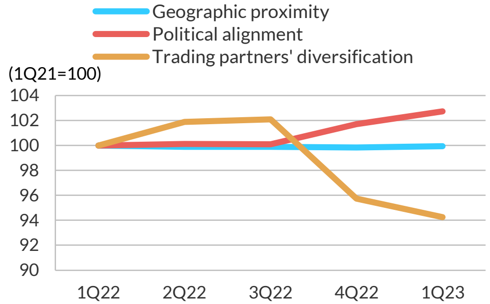
Source: Fitch Ratings, Eurostat

Supply-Chain Pressures Drove Higher Freight Rates, Trend Reversing



Source: Fitch Ratings, based on Drewry, Haver, Federal Reserve Bank of NY and Liberty Street Economics

Increasing Closeness for Global Trade



Source: Fitch Ratings, UNCTAD