

Covid-19 Update - Issue 2/2020

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Global Economic Trends

Analysts continue to monitor the effects on the global economy due to the COVID pandemic effects.

Public health response to the spread of the virus in each country should work within two-to-three months, with economic recovery by the third quarter of 2020 for the US, the fourth quarter of 2020 for China and the first quarter of 2021 for the Eurozone.

Italy

A forecast by Confindustria shows a sharp drop in Italian GDP in 2020 (-6.0%) under the assumption that the acute phase of the health emergency will end in May. This is a fall greater than that of 2009 and completely unexpected at the beginning of the year. Each additional week of closure of manufacturing activities, according to current parameters, could cost an additional percentage of Gross Domestic Product in the order of at least 0.75%.

Italy's Economic Outlook (base case scenario)			
	2019	2020 (forecast)	2021 (forecast)
€ Gross domestic product	+0.3	-6.0	+3.5
👤 Households consumption	+0.4	-6.8	+3.5
🏠 Gross fixed capital	+1.4	-10.6	+5.1
📦 Exports of goods and services	+1.2	-5.1	+3.6
👥 Total employment	+0.3	-2.5	+2.1
💰 Public debt	+1.6	+5.0	+3.2

Source: Centro Studi Confindustria on ISTAT data

Italian exports will not be saved by the general decline in economic activity (-5.1% in 2020) and they are expected to fall more than the world average, since the drop in activity will be particularly strong in the main destination markets for Italian products (China, USA and Europe) and our exporters will be more affected by production and logistics difficulties.

Maritime Shipping Updates

Containers

MSC and Maersk, main pillars of the 2M alliance, have decided to strip down services on the trade lanes in Europe and Asia citing coronavirus pandemic, due to decline in demand of services in western consumer markets. The cut down includes temporary suspension of the 2M AE20/DRAGON along with AE2/Swan services for next quarter of 2020, reducing transport capacity by 21% .

2M was followed by The Alliance (Hapag-Lloyd, HMM, ONE and Yang Ming), which announced

sailings cut down due to weak demand.

Cruises

Up to the 1st of April, over 50 cruise lines had suspended their activity. (Source: MedCruise-Cruise Lines Status Update). The majority of the cruise lines has presently scheduled to resume their activities between May 10 and July 15 (Costa Cruises April 29; MSC May 29), but the situation is changing day-by-day.

Arnold Donald, CEO of Carnival Corporation & Plc, declared that the company is preparing for the worst scenario possible: resuming again the activity in December, by the end of the year. Carnival Cruise Lines has already cancelled all the cruise calls scheduled in Italy for 2020.

Ports of Genoa - Jan-Feb Traffic Trend

Container traffic

In February container throughput was up 9.5%, registering a total of 231,309 TEU, (full containers exports +14% , imports +3.9%).

- Trade along the Far East routes decreased by 4.5% totalling 134,223 TEU
- Imports from China marked a decline of -6.7% (corresponding to 3,489 TEU), an even sharper drop from Singapore -15.0% (-3,205 TEU)
- ME trade was up, thanks to increasing exports to Emirates and Saudi Arabia
- Along Westbound routes, container traffic towards Spain and North America recorded increasing volumes



General Cargo

Conventional cargo showed a stable trend in the first two months of 2020, with Ro-Ro traffic recording a 2.6% growth. Due to the stop of most of international Motorway of the Seas services, volumes are set to fall in March and a -12% /-14% loss is expected in the first quarter.

Bulk cargo

Oil products performed well (+4.6%), while other liquid bulk fell by -3.6% , specifically vegetable oils -27.1% .

Dry bulk traffic recorded a sharp -44% reduction due to low market demand and, in particular, to the completion of major construction works in the port area.

Passengers

Passenger traffic continued to grow in the first two months (+23.8%), registering a record 266,000 pax.

Almost 150,000 pax transiting through the terminals in Savona and Genoa contributed to the +31.9% surge in the cruise sector.

Even in the low-season, ferry services showed a positive trend, with a +14.7% increase.

In line with recent directives, all passenger liner services have been suspended and no activity is expected until May, with the exception of pre-authorised services between the Italian peninsula and

the major Italian islands operated by Tirrenia ferry line, which has resumed operations thanks to a new financial agreement renegotiated with the support of the Ministry of Infrastructure and Transport.

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