

Covid-19 Update - Issue 25/2020

24 July 2020



Global Economic Trends

Chinese's Economy

China's economy grew strongly in the second quarter, in fact after having fallen at the fastest pace on record in Q1, real GDP increased by 11.5% from the first quarter, which translates to an annualized rate of 54.6%. It was up 3.2% from a year earlier.

China, the first economy hit by the virus, is the only major economy to experience such a strong recovers in the second quarter. Most of the other large economies are projected to see significant growth in Q3 having declined sharply in the second quarter.

The economy's strength derives from strong increase of the industrial sector, largely driven by government investment in infrastructure as well as a strengthening of exports.

Yet consumer spending appeared to remain weak, with retail sales declining. Evidently, many consumers remain wary of social interaction given that the virus has not gone away. Moreover, many investors are likely concerned about a variety of risks, including the increasingly fraught relationship between the United States and China, the risk of more US sanctions and trade restrictions, and increasing tension between China and the European Union.

China's trades

In the first semester of the year, Southeast Asia became China's largest trading partner, overtaking the European Union: Chinese trade with the EU fell by 5% in the first half of 2020 versus a year earlier, and Chinese trade with the United States fell 10%.

Meanwhile, Chinese trade with Southeast Asia increased considerably, apparently because China's manufacturers are shifting some production to Southeast Asia, in order to both reduce costs and avoid US tariffs. Thus, there is more movement of components between China and Southeast Asia. In addition, increased trade with Southeast Asia gives Chinese producers access to technologies that, increasingly, the United States is making difficult to obtain. Singapore, for example, is a prime supplier of high value-added components, such as semiconductors, while Vietnam is helpful in providing low-wage production.

The increased trade between China and Southeast Asia has also entailed direct foreign investment in

Southeast Asia by Chinese companies, although such investment has lately decelerated during the COVID-19 crisis.

Finally, in order to facilitate greater trade and cross-border investment, China and the Association of Southeast Asian Nations (ASEAN) signed a trade deal late last year that reduced trade barriers and intensified an existing free trade agreement. To enhance the relationship, China is also using its Belt and Road Initiative.

Shipping & Logistics

Container Shipping

According to IAPH Barometer, blank sailings continue to affect container trade, mainly on trade routes with the Far East, even if their impact is lowering, in fact, worldwide, 53% of the ports are reporting that the number of calls by other cargo vessels is rather stable compared to a pre-COVID19 situation.

Ports of Genoa - January-June Traffic Trend

Container traffic

Port container throughput in the first semester of the year experienced a heavy setback, falling off by -10.5% compared to the same period of 2019, registering a total of 1,213,189 TEU. After the positive performance of the first two months of the year, a contraction of 5.3% was recorded in March, which worsened in April (-15.8%) and in May (-26%), generating a drop of 26.5% in June (65,203 TEU less than in June 2019).

- The hinterland traffic suffered the most in the first half of the year. It was influenced by an extremely negative trend in Q2, with a decrease of 10.5% (1,061,217 TEU).
- Also transshipment underwent the dynamics of international trade, settling at 151,680 TEU (-10.4% compared H1 2019).
- Containers handled by train experienced a considerable setback in the second quarter, both in terms of units transported and trains, which decreased respectively by 25.8% and 17.6%.

General Cargo

Conventional cargo volumes reached 6 million of goods handled, a sharp drop if compared to same period of previous year.

June rolling stock traffic showed a drop in all the ports of the system, but with different performances: the Sampierdarena basin showed a 8.3% drop in tonnes, while the ports of Savona/Vado Ligure fell off 28.5%.

Metal products showed a marked decrease with -48.7% in the port of Genoa and -61.4% in Savona, while forestry products show divergent trends between the two ports with Genoa up 77.9% and Savona down 34.4%. The fruit handled in the Savona port ended the semester substantially stable with a drop of 2.7% compared to the same period of 2019.

Bulk cargo

Mineral oils fell by 18.2%, closing the period moving 8.4 million tons (5.36 in the port of Genoa and 3.08 in the port of Savona-Vado Ligure). June closed down 370 thousand tons compared to the same month in 2019 (-20.5%).

The dry bulk trade posted unprecedented decline, contracting by 47.7% mainly because of the lower commodity demand as a direct result of the economic slowdowns.

Passengers

Passenger traffic continues to be significantly impacted by COVID-19. In fact, the cruise passenger market remained at zero levels in June, because of the last 4 months suspension. The semester registered an 80.6% decrease, with 693,841 passengers less than in the first six months of 2019.

Ferry passenger traffic, limited to a few services, in June dropped by 70.4%, with 94,709 passengers (+85,371 compared to May 2020), signal of a slow recovery in the sector. However, passenger traffic decreased by 73.9% in the semester, with 1,147,902 passengers less than last year.

