PORTS of GENOA

COVID-19 UPDATE

Issue 1/2020

30 March 2020

The starting point

The COVID-19 pandemic crisis has grafted into an enduring weakness momentum for the global economy.

World trade declined by 0.5% last year last year, due to the US-China trade war and threats to raise tariffs on European goods, in addition to the continuing poor performance of the European economy.

China

In February the international concern was focused on the halt of Chinese economy and its impact on global supply chains.

According to UNCTAD, Chinese industrial production indices fell by 22% in February, which is reflected in a 2% year-on-year contraction in exports. Following the severe COVID restrictions, Chinese exports fell by 17% in January and February.

Bloomberg estimates the Chinese GDP is expected to drop in the first quarter: it would be the first contraction since China began reporting quarterly data in 1992.

However, with the improvement of the epidemic situation in China, starting from the end of February, production recovered and exports returned on a growth path (also for the shipment of goods which could not leave the Country in the previous weeks). The trend is towards a return to full activity.

According to the base scenario of the IMF, Chinese economy may return to normal in the second quarter 2020, reaching + 5.6% in the year.

Rest of the World.

Following the weak performance of IV Q 2019, OECD predicts that the Covid-19 epidemic could slow the growth of global GDP by half a point in 2020, from +2.9 to + 2.4%.

According to Bloomberg's worst case scenario, global GDP growth may drop to zero in 2020.

UNCTAD says the slowdown in the global economy caused by the coronavirus epidemic will cost at least $ 1 trillion.

According to the International Labor Organization (ILO), the impact of COVID-19 could lead to job losses between 5.3 million and 24.7 million globally. By comparison, the financial crisis of 2008-9 had caused an increase in world unemployment of about 22 million units.

Italy

Cerved analyzed the trend of the Italian economy following the Covid epidemic, with a contraction in the turnover of Italian companies between -7% (loss of 220 billion euros) and -18% (470 billion euros) in 2020 (https://know.cerved.com/imprese-mercati/gli-impatti-del-covid-19-sui-ricavi-delle-imprese-italiane/).

The most affected sectors would be Tourism (between -37 and -73%), Air Transport (-25 / -55%) and the Automotive industry (-24 / -45%). The Transport and Logistics sector would lose between 13.7% and 30.2%. Counter trend for Online Commerce (+ 26 / + 55%), Food Distribution (+ 12 / + 23%) and the Pharmaceutical / Medical sector (+ 8/14%)

Ports of Genoa

Regional economy

Among the Ports of Genoa hinterland regions, Cerved expects a greater decline for Piedmont (between -9.8% and -22.8%), due to the crisis in the automotive sector, while the performance of Lombardy, Veneto and Emilia would be substantially aligned (between -6.7% and -15.7%).

In the case of Liguria, Cerved expects a contraction between -7.7% and -17.8%, due to the high incidence of the Transport and Logistics sector and Tourism on the regional economy.

Port traffic

Container traffic is expected to remain above 2019 volumes in the first quarter 2020, despite an estimated fall between 8 and 10% in March.

Ro/Ro traffic has been severely hit by the halt to MOS services between Med countries and is expected to lose around 40% of the volumes in March, leading to a 12/14% drop in the first quarter.

The food supply chain is performing well, recording increasing fruit and cereal imports.

The oil sector has shown a downward trend in the first part of the year (-7/-8%), but it does not seem to be affected by the COVID crisis yet.

The cruise and ferry activity is paying the heaviest toll to the current restrictions: passenger ships have been stopped during March, causing a -60/-80% traffic drop in the month and -20/-30% in the first quarter.

Port labour

The Port of Genova dockers pool (CULMV) is facing a -15/-20% decline in terminal shifts, mostly due to the slowdown of the Ro/Ro and container terminals activity, while the Port of Savona Vado dockers pool (CULP) shows a stable trend compared to the first part of 2020, thanks to the growing activity of the new Vado Gateway container terminal (which began operations on February 12), counterbalancing the job loss in the general cargo terminals.

Capital Investment

The potential impact of the COVID containment measures on construction and maintenance activities within the port is not yet evident. The Port Authority is checking the ability of all the contractors to keep on their activity in accordance with the Government safety provisions.

Economic support measures

€ 750 billion has been allocated by BCE for a massive quantitative easing intervention, via purchase of government bonds and private securities and commercial papers issued by European companies.

The Italian economic stimulus bill recently approved by the Government provides for support to:

- the National Health and Civil Protection Services
- workers, with the extension of the income guarantee fund to the workers' categories currently not covered
- households, through banks and the National Guarantee Fund
- private companies, via the temporary suspension of tax and social security payments

Ports

The Government also defined measures supporting the port and shipping industry, among which

- Suspension of port dues for ships (17 March/30 April 2020)
- Suspension of port terminal concession fees (until July 2020)
- Postponement of Customs duties (17 March/30 April 2020)
- Contributions to port authorities to compensate tax-income losses