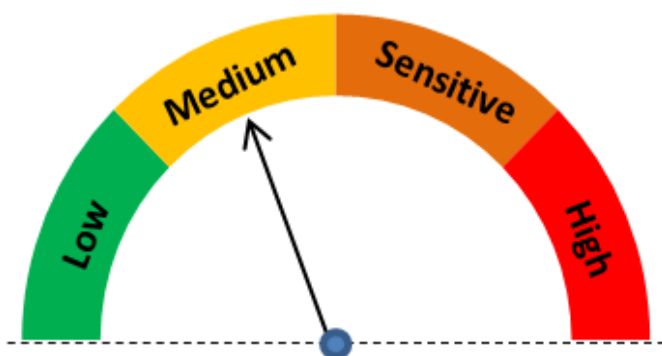


Sector Risk Rating



What to Watch?

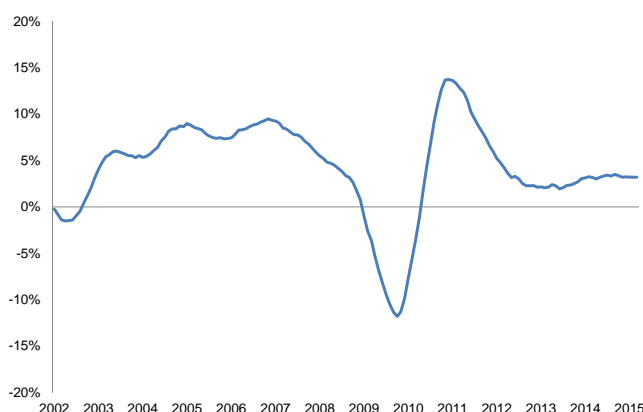
- Gradual recovery of global economic growth and trade flows
- Ability to benefit from low oil prices, representing 30% of total input cost for road transportation
- Increasing environmental constraints
- Development of service-related activities to improve profitability levels

Cheap Oil Prices not Sufficient to Offset Overcapacity Issues

World trade is the main driver for transportation of goods across oceans, roads, and more marginally for air transportation. World trade has now slowed to approximately +4% against twice as much before the financial crisis of 2008-2009. At that period, companies massively invested to increase capacities in order to cope with this increasing demand. But this *new normal* low tempo has incurred a dramatic plummet of freight rates (to a lowest in February 2015). This situation heavily weighs on firm's margins and ability to generate cash, putting financial situation at risk, despite lower oil prices.

Another driver for transportation is the increasing movement of people, especially through air travel. This business is expanding at an annual rate of +6% thanks to higher demand for business travel and tourism. Transport companies around the world are taking advantage of this trend and the current reduction in oil prices, although competition remains fierce in Europe.

World Trade Evolution,
yearly average, %



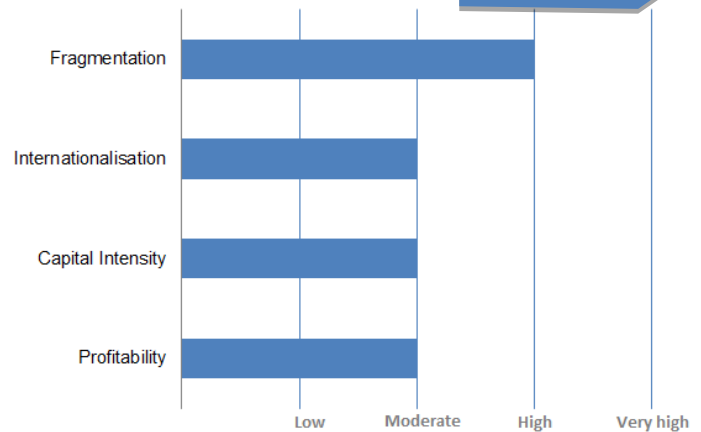
Sources: CPB, Euler Hermes

Sector Value:
2,503bn
USD

Key Players

Country	Role	Sector Risk
United States	#1 producer	●
Japan	#2 producer	●
Germany	#3 producer	●

ID Card



Strengths

- Air transportation, essential for business and tourism, continues to increase
- The air transportation industry in the United States has finished restructuring, and has recovered to strong levels of margin

Weaknesses

- Substantial overcapacities since the crisis
- On-going restructuring in the European air transportation industry
- Highly competitive market

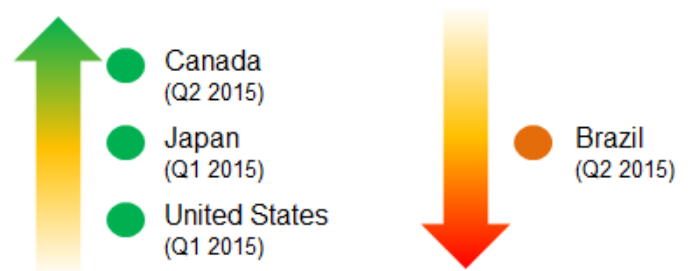
Subsectors Insights

Road transportation: Numerous and small actors with weak pricing power.

Maritime transportation: Overcapacities and low freight rate undermine the activity.

Air transportation: Good fundamentals except in Europe and South America, but strong competition of the Gulf companies.

Recent Sector Risk Changes



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