



no. 1188

Special Report

Transport A two-speed world

Euler Hermes Economic Research Department

Economic Outlook

www.eulerhermes.com | no. 1188

This document is an extract from our
Economic Outlook no. 1188

To receive a full copy of the report and subscribe to our
publications, please contact: research@eulerhermes.com



EULER HERMES
Our knowledge serving your success

Content

n° 1188

Special Report

Transport: a two-speed world

Economic Outlook n° 1188 | **Special Report** | Transport: a two-speed world

Editorial

page 3

page 4

▶ Automobile – Europe stalled as the world rolls on by

page 4

1 The global market is currently growing by 4% to 5% per year

page 5

2 Production partially but not exclusively driven by growth in emerging market demand

page 6

3 The global market has also benefited from the recovery in United States and Japan

page 7

4 But Europe continues to suffer

page 10

page 12

▶ Maritime transport – Supply overhang

page 12

page 13

▶ Rail transport – A sector that is growing but dependant upon public financing

page 13

page 14

▶ Aeronautics – Aerospace industry with favorable tailwinds

page 14

1 A level of aircraft (100+ seats) deliveries immune to the influences of the economic environment?

page 14

2 Challenges remain for the aviation industry

page 16

3 Acces to financing for aircraft purchases, still a crucial parameter for aviation industry

page 18

page 19

▶ Air transport – Legacy companies, a fragmented world

page 19

Subsidiaries

page 21

Economic outlook

series

page 23

Euler Hermes Economic outlook is issued ten times a year by the Economic research department of Euler Hermes. It is also available on subscription for other businesses and organisations. Reproduction is authorised, so long as mention of source is made. ■ **Publication Director and Chief Economist:** Ludovic Subran • **Macroeconomic Research:** Maxime Lemerle (Manager), Mahamoud Islam (Economist), Ana Boata (Economist), Virginie Reboul (Economist), Romeo Grill (Economist Germany), Dan North (Economist USA), Clément Bouillet (Intern) • **Sector Research:** Yann Lacroix (Manager), Bruno Goutard, Marc Livinec, Didier Moizo (Sector Economists) • **Country Risk Research:** David Atkinson (Manager), Andrew Atkinson, Manfred Stamer (Economists) • **Graphic Design:** Claire Mabile • **Editors:** Martine Benhadj • **Support:** Valérie Poulain, Mathilde Lavaud • **For further information, contact:** the Economic Research Department of Euler Hermes at 1, place des Saisons 92 048 Paris La Défense Cedex – Tel.: +33 (0) 1 84 11 53 77 > Euler Hermes is a limited company with a Directoire and Supervisory Board, with a capital of 14,451,032.64 euros, RCS Paris B 388 236 853 • **Photoengraving:** Evreux Compo, Evreux, France – Permit november 2012—Bull 1176; ISSN 1 162 – 2 881 ■ 15 December 2012

Editorial

Rethinking mobility

The year 2012 marked a turning point for global transport, whether road, rail, maritime or aviation. Despite a natural market increase driven by demographics and growing wealth, the cards have largely been reshuffled between the world's regions and transport players. Europe appears to be in the midst of a forced landing or even a halt, while the 'new world' – a better name for the emerging countries, which have clearly emerged since the 2008 crisis! - is traveling fast, and in some cases very fast. These relatively worrying figures for Europe are confirmed also in our forecasts. As a matter of fact, the prolonged crisis in the eurozone creates a number of obstacles and even more uncertainty regarding the future of those markets. Public support is declining in the face of massive budgetary adjustments, and households – with purchasing power under pressure – are waiting for better days and deferring their consumption decisions: these are all reasons to expect a negative impact on the profitability of sector players. People are delaying buying a new car, hesitating to travel far on holiday. With flagging activity, the challenges of overcapacity provide further problems for the sector to resolve. The restructurings seen through in the United States, in both the car and airline sectors, seem to have spread to the other side of the Atlantic and are further disrupting an industry the origins of which lie in the industrial revolutions that shaped the Old Continent. And yet, in the words of French-Canadian author Roger Fournier, "Imagination is the world's best means of transportation" and imagine is still alive and kicking in Europe. When looking at the strategies of carmakers, the strength of aircraft manufacturers' business model, or even buzzing innovation (one only needs to attend trade shows to see the incredible inventions still in prototype), it is apparent that, despite a downbeat market, ideas remain bright and abundant. The mobility of knowledge and know-how seem to be a fine evolution for transport in industrialized countries. At the same time, a revolution is indeed underway in – shall we say – less mature countries, when it comes to the transport industry. The catch-up in terms of transport equipment and, especially, mode of transport, will be a revolution. And, as for any revolution, including the industrial revolution, we can always count on Europe! *_Ludovic Subran*

Maritime transport

► Supply overhang

> 1. Maritime transport key figures

Sea shipping plays a preponderant role in globalization, since 120,000 vessels flying 198 different flags carry approximately 80% of total international trade. Of the 80 million barrels in global daily demand for oil, 43 million barrels change hands each day thanks to maritime transport. Passenger transport, which by default necessitated ocean travel for centuries, now goes mainly by air, with the exception of cruise lines. In 2008, 12.6 million people traveled by ship, compared with 2 billion air travelers.

> 2. Maritime freight has benefited from the rapid growth in world trade, but was negatively affected by the economic slowdown in 2012

Maritime shipping of goods has trended in line with world trade, averaging 5.5% annual growth over the past 20 years. But the current situation is much less rosy. Three years after the collapse in world trade in 2008, the first half of 2012 marked the definitive halt to the brief rebound that began in 2010. The deterioration in international trade for goods and services should result in approximately 4% growth in world trade. In recent months, freight trends for container ships, bulk carriers and service activities have revealed the persistence of a major supply overhang in these various markets. The supply chain's ability to tailor its products and services to demand will therefore be essential if the international maritime transport industry is to stabilize freight rates in the months ahead.

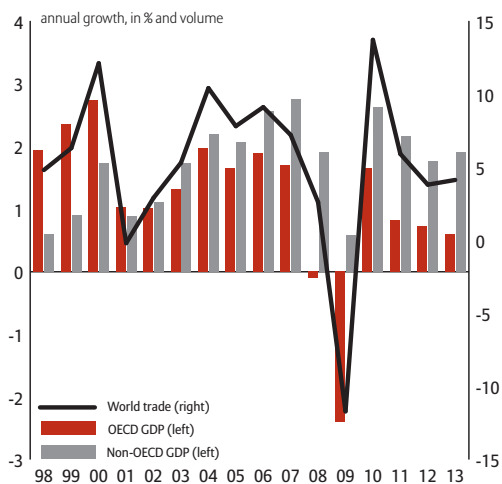
> 3. The supply overhang is expected to remain in place until 2014 and weigh on the profitability of maritime operators

The maritime transport sector is threatened, especially in the developed countries, by marine fuel price trends, strict environmental policies and the unfavorable economic situation of several European shipping companies. The biggest problem most of them face involves the glut of shipping capacity as opposed to a shortage of demand. The increase in the worldwide fleet, and therefore of shipping capacity, is expected to last at least through 2014. This situation has two consequences for ship owners, the first being reduced capacity utilization and therefore lower fixed-charge coverage, and the second being greater difficulty setting prices.

> 4. The paradox of a sector that is still growing but penalized by its overcapacity

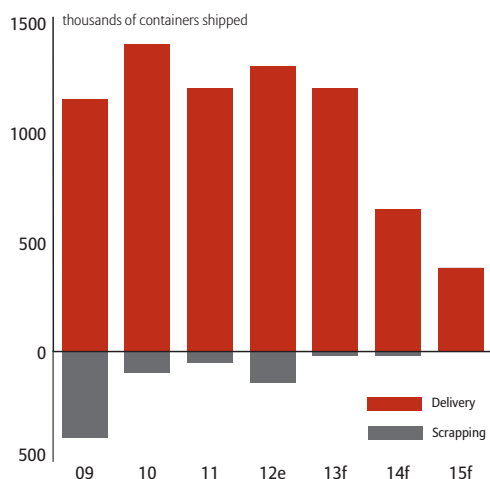
For 2013, the maritime transport industry outlook remains a concern in light of the still depressed economy, notably in Europe. This downturn causes traffic in the main maritime markets to slow even as new vessel deliveries continue at a significant pace, threatening to further exacerbate overcapacity. ■ YL

► GDP and world trade

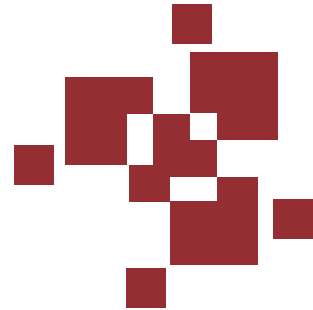
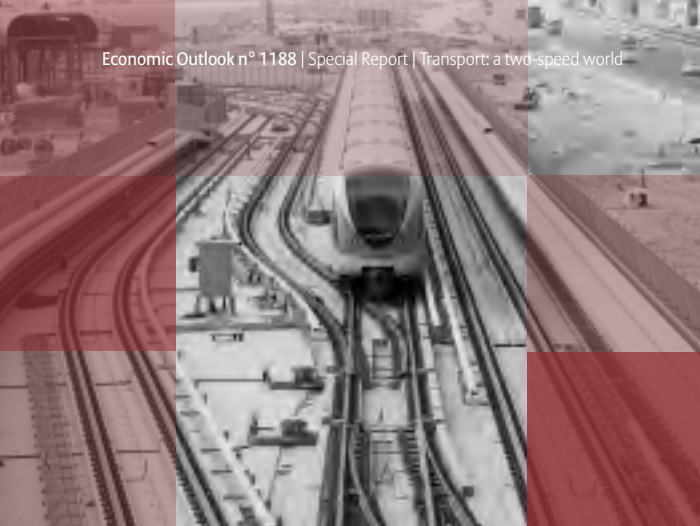


Sources: IHS Global Insight, Euler Hermes forecasts

► Growth in global fleet of dry bulk vessels

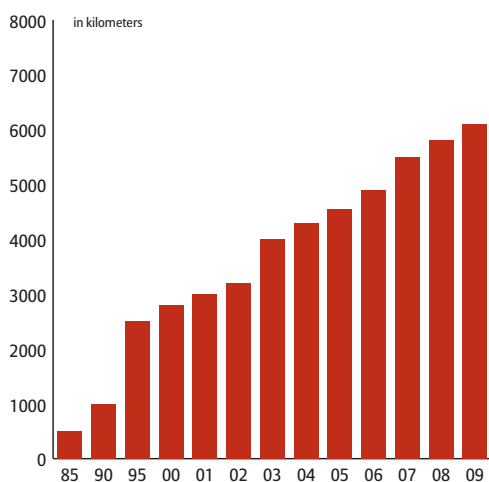


e: estimation, f: forecast
Source: BIMCO, CRSL



Rail transport

► Growth in high-speed rail lines in the European Union (1985-2009)



Sources : Union internationale des chemins de fer - high-speed rail department, national sources

Note : these figures only take into account lines or segments on which trains can travel at more than 250 km/hour

► The relative weight of civil engineering in a high-speed rail project

> New high-speed railway projects are very costly. The audit estimated the cost to build a 400 km railway over a right-of-way presenting no natural obstacles:

Infrastructure construction	Cost (€ millions)	Relative to total (%)
Land ownership and/or control (for the record)	540	9
Engineering (PO, PM)	600	10
Civil engineering (earthworks, engineered structures)	3,180	53
Track, ballast	1,080	18
Railway equipment (overhead lines)	300	5
Railway equipment (signaling, telecommunications, etc.)	300	5
Total	6,000	100

PO : Project Ownership ; PM : project Management, OA : ouvrage d'art ; Source : MEDDTL

A sector that is growing but dependent upon public financing

> Key figures for the rail industry

The rail industry includes everything from subways and tramways to high-speed trains. According to the International Union of Railways (Union Internationale des Chemins de Fer - UIC), railway transport accounted for 2,700 billion passenger kilometers and 9,000 metric ton kilometers in the freight segment in 2011. Overall, there are approximately 1 billion kilometers of railways around the world. In Europe, railways account for around 6% of total passenger transport and 7% of all freight transport.

> Toward clean mobility

The entire sector is benefiting from investment. In Europe and North America, this investment is going toward improving and, in some cases, renovating existing infrastructure. Meanwhile, Asia and South America are designing new rail networks that will serve their cities and regions, which are experiencing rapid population growth. Whether it involves reducing urban congestion or pollution, subways and tramways offer a promising growth outlook, with numerous cities around the world developing this form of public transportation. The transport sector accounts for around 23% of global CO2 emissions, with the vast majority of these emissions attributable to road transport and automobiles. Global CO2 emissions have steadily increased since 1990, and all transport modes – with the exception of rail – have seen an increase in their relative shares of greenhouse gas emissions produced through combustible energy. Railway companies operating around the world currently produce less than 1% of total CO2 emissions attributable to transport activities.

> Large-scale projects for high-speed rail lines

Rail transport also offers a promising outlook following the revolution that occurred some 30 years ago with the advent of high-speed trains. These trains are well-known in Europe and Japan thanks to the French manufacturer Alstom, the German company Siemens and the Japanese firms Japan Railway (JR) Tokai, JR East and JR West. Numerous projects have also been launched recently in China, where plans were laid starting in 2003 to build 12,000 km of high-speed rail lines by 2020, a figure that has since been increased to 16,000 km. In fact, given the massive investments, China decided to develop its own high-speed train, which it now offers for general export. According to the UIC, the rapid development of the high-speed rail lines, notably in Asia, should boost overall high-speed railway capacity to 50,000 km by 2050. The projects are multiplying in several countries, with Morocco planning to build 1,500 km by 2035, Saudi Arabia 450 km by 2014 and Brazil 510 km by 2018. Aside from the kilometers of tracks laid, the most promising outlook for export growth lies in rolling stock, as was the case for Alstom in South Korea and more recently Morocco. As with any growth sector, competition is stiff, notably with the German manufacturer Siemens, which in addition to winning bids in its domestic market also won contracts in Spain, Russia and China.

> Strong growth outlook dependent upon public financing

According to OECD forecasts, demand for rail transport is expected to increase by 80% for freight and 50% for passengers by 2050. Rail transport is expected to grow eight-fold, with passenger rail transport expected to increase 12-fold. One major point of uncertainty remains, however, namely the extremely high cost of such investments. The cost per kilometer of a high-speed rail line is estimated at €15 million for a right-of-way without obstructions. The sovereign debt crisis, notably in Europe, could put the brakes on some projects, as occurred in the United States, where only six of the 11 projects initially presented by the U.S. Department of Transportation in early 2010 remained under consideration by mid-2011. Five were abandoned, typically for lack of public financing, which was impossible to raise in the United States, as evidenced most clearly in Florida.

■ YL

Implantations

Holding company: Euler Hermes SA
1, Place des Saisons
92 048 Paris La Défense CEDEX
France
Tel.: + 33 (0) 1 84 11 50 50
Fax: + 33 (0) 1 84 11 50 17
www.eulerhermes.com

► Argentina

Euler Hermes Argentina S.A.
Av. Corrientes 299 - 2° Piso
C1043AAC CABA Buenos Aires
Tel.: +54 11 4320 7157/77

► Australia

Euler Hermes Australia Pty Ltd.
Level 9, Forecourt Building
2 Market Street
Sydney, NSW 2000
Tel.: + 612 8258 5108

► Austria

Prisma Kreditversicherungs-AG
Himmelpfortgasse 29
1010 Vienna
Tel.: +43(0) 5 01 02-0

Euler Hermes Collections GmbH,
Zweigniederlassung Österreich
Handelskai 388
1020 Vienna
Tel.: + 43 1 90 81 771

► Bahrain

Please contact United Arab Emirates

► Belgium

Euler Hermes Europe S.A. (NV)
Avenue des Arts - Kunstlaan 56
1000 Brussels
Tel.: + 32 2 289 3111

► Brazil

Euler Hermes Seguros de Crédito SA
Avenida paulista, 2.421 - 3° andar
Jardim Paulista
São Paulo /SP 01311-300
Tel.: + 55 11 3065 2260

► Canada

Euler Hermes Services Canada Inc.
1155 René-Lévesque Blvd West
Suite 1702
Montréal (Québec) H3B 3Z7
Tel.: + 1 514 876 9656

► Chile

Euler Hermes Seguro de
Crédito SA
Ave. Presidente Kennedy 5735
Of. 801, Torre Poniente
Las Condes
Santiago
Tel.: + 56 2 246 1786

► China

Euler Hermes Consulting
(Shanghai) Co., Ltd
Unit 2103, Taiping Finance Tower,
N°488 Middle Yincheng Road, Pudong
New Area, Shanghai, 200120
Tel.: + 86 21 6030 5900

► Colombia

Euler Hermes Colombia
Calle 72 6-44 Piso 3
Edificio APA
Bogota
Tel.: + 571 326 4640

► Czech Republic

Euler Hermes Europe SA
organizacni slozka
Molákova 576/11
186 00 Prague 8
Tel.: + 420 266 109 511

► Denmark

Euler Hermes Denmark
filial of Euler Hermes Europe SA, Belgium
Amerika Plads 19
2100 Copenhagen O
Tel.: + 45 88 33 3388

► Estonia

Please contact Finland

► Finland

Euler Hermes Europe SA
Suomen sivuliike
Mannerheimintie 105
00280 Helsinki
Tel.: + 358 10 8 50 8500

► France

Euler Hermes France SA
Euler Hermes Collection
Euler Hermes World Agency
1, place des Saisons
F-92048 Paris la Défense Cedex
Tel.: + 33 1 84 11 50 50

► Germany

Euler Hermes Deutschland AG
Friedensallee 254
22763 Hamburg
Tel.: + 49 40 8834 0

Federal Export Credit Guarantees
Friedensallee 254
22763 Hamburg
Tel.: + 49 40 8834 9000

Euler Hermes Collections GmbH
Zeppelinstr. 48
14471 Postdam
Tel.: + 49 331 27890-000

► Greece

Euler Hermes Emporiki SA
16 Laodikias Street &
1-3 Nymfeou Street
115 28 Athens
Tel.: + 30 210 69 00 000

► Hong Kong

Euler Hermes Hong Kong Services Ltd.
Suites 403-11, 4/F
Cityplaza 4
12 Taikoo Wan Road
Island East
Hong-Kong
Tel.: + 852 2867 0061

► Hungary

Euler Hermes Europe SA
Magyarországi Fióktelepe
Kiscelli u. 104
1037 Budapest
Tel.: + 36 1 453 9000

► India

Euler Hermes India Pvt. Ltd.
4th Floor, Voltas House
23, J N Heredia Marg
Ballard Estate
Mumbai 400 001
Tel.: + 91 22 6623 2525

► Indonesia

PT Assuransi Allianz Utama Indonesia
Summitmas II, Building, 9th floor
Jl. Jenderal Sudirman Kav 61-62
Jakarta 12190
Tel.: + 62 21 252 2470 ext 6100

► Ireland

Euler Hermes Ireland
The Arch
Blackrock Business Park
Carysfort Avenue
Blackrock
Co Dublin
Tel.: +353 1 200 0400

► Israel

ICIC,
2, Shenkar street
68010 Tel Aviv
Tel.: + 97 23 796 2444

► Italy

Euler Hermes Europe S.A.
Rappresentanza per l'Italia
Via Raffaello Matarazzo, 19
00139 Rome
Tel.: + 39 06 87001

► Japan

Euler Hermes Deutschland AG
Japan Branch Office
Kyobashi Nisshoku Bldg. 7F
8-7 Kyobashi, 1-chome,
Chuo-Ku
Tokyo 104 0031
Tel.: + 81 3 3538 5403

► Kuwait

Please contact United Arab Emirates

► Latvia

Please contact Poland

► Lithuania

Please contact Poland

► Malaysia

Please contact Singapore

► Mexico

Euler Hermes Seguro de Crédito S.A.
Bldv. Manuel Avila Camacho #164,
8° piso
Col. Lomas de Barrilaco
Deleg. Miguel Hidalgo
Mexico DF CP 11010
Tel.: + 52 55 5201 7900

►Morocco

Euler Hermes Acmar
37, bd Abdelattif Ben Kaddour
20050 Casablanca
Tel.: +212 5 2279 0330

►The Netherlands

Euler Hermes
Nederland NV
Pettelaarpark 20
5216 PD's-Hertogenbosch
Tel.: +31 73 688 9999

►New Zealand

Euler Hermes New Zealand Ltd
Level 1, 152 Fanshawe Street
Auckland 1010
Tel.: +64 9 354 2995

►Norway

Euler Hermes Norge
Holbergsgate 21
P.O. Box 6875
St. Olavs Plass
0130 Oslo
Tel.: +47 23 25 6000

►Oman

Please contact Poland Arab Emirates

►Philippines

Please contact Singapore

►Poland

Towarzystwo Ubezpieczen Euler Hermes S.A.
ul. Domaniewska 50 B
02-672 Warsaw
Tel.: +48 22 363 6363

►Portugal

COSEC - Companhia de Seguro
de Créditos, S.A.
Av. da República, nº 58
1069-057 Lisbon
Tel.: +351 21 791 3700

►Qatar

Please contact United Arab Emirates

►Romania

Euler Hermes Europe S.A.Bruxelles
Sucursala Bucuresti
Str. Petru Maior, nr.6,
Sector 1
011264, Bucarest
Tel.: +40 21 302 03 00

►Russia

Euler Hermes Credit Management OOO
Office C08, 4-th Dobryninskiy per.,8
Moscow, 119049
Tel.: +7 495 98128 33 ext 4000

►Saudi Arabia

Please contact United Arab Emirates

►Singapore

Euler Hermes Singapore Services Pte Ltd
3 Temasek Avenue
03-02 Centennial Tower
Singapore 039190
Tel.: +65 6297 8802

►Slovakia

Euler Hermes Europe S.A, pobočka
poist'ovne z ineho clenскеto statu
Plynárenská 7/A
821 09 Bratislava
Tel.: +421 2 582 80911

►South Africa

Please contact Italy

►South Korea

Euler HermesHong Kong Services
Korea Liaison Office
Room 1411, 14th Floor, Sayong
Platinum Building
156, Cheokseon-dong
Chongro-ku
Seoul 110 052
Tel.: +82 2 733 8813

►Spain

Euler Hermes Crédito,
Sucursal en España
de Euler Hermes France-S.A.
Paseo de la Castellana, 95
Planta 14
Edificio Torre Europa
28046 Madrid
Tel.: +34 91 417 77 67

►Sri Lanka

Please contact Singapore

►Sweden

Euler Hermes Sverige filial
KlaraBergsviadukten 90
P.O. Box 729
101 64 Stockholm
Tel.: +46 8 55 51 36 00

►Switzerland

Euler Hermes Deutschland AG,
Zweigniederlassung Zürich
Tödistrasse 65
8002 Zürich
Tel.: +41 44 283 6 5 65

Euler Hermes Reinsurance
Tödistrasse 65
8002 Zürich
Tel.: +41 44 283 65 85

►Taiwan

Please contact Hong Kong

►Thailand

Allianz C.P. General Insurance Co, Ltd
323 United Center Building
30th Floor
Silom Road
Bangrak, Bangkok 10500
Tel.: +66 2638 9000

►Tunisia

Please contact Italy

►Turkey

Euler Hermes Sigorta A.s
Maya Akar enter
Buyukdere Cad. No:100k:7,
34394, Esentepe/Istanbul
Tel.: +90 212 290 76 10

►United Arab Emirates

Euler Hermes
c/o Alliance Insurance (PSC)
Warba Center, 4th Floor
Office 405
PO Box 183957
Dubai
Tel.: +971 4 211 6005

►United Kingdom

Euler Hermes UK
1 Canada Square
London E14 5DX
Tel.: +44 20 7512 9333

►United States

Euler Hermes North America
Insurance Company
800 Red Brook Boulevard
Owings Mills, MD 21117
Tel.: +1 410 753 0753

Euler Hermes UMA Inc.
(trade debt collection)
600 South 7th Street
Louisville, KY 40201-1672
Tel.: +1 800 237 9386

►Vietnam

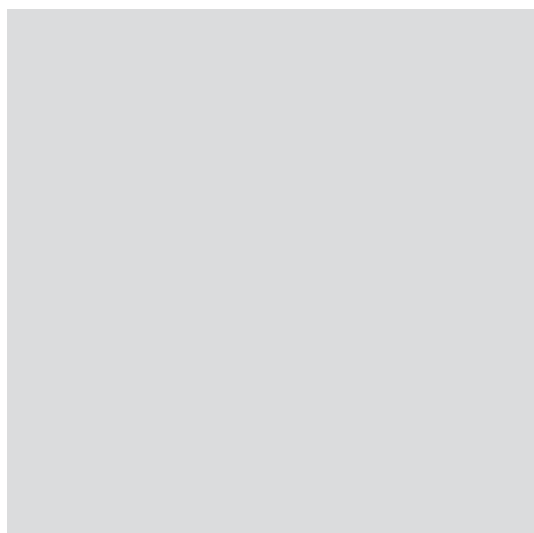
Please contact Singapore

Implantations

Holding company: Euler Hermes SA
1, Place des Saisons
92 048 Paris La Défense CEDEX
France
Tel.: +33 (0) 1 84 11 50 50
Fax: +33 (0) 1 84 11 50 17
www.eulerhermes.com

Economic Outlook

series...



N° 1173 ▶ **Global Sectors Review**

Global economic recovery continues, but new threats are arising

N° 1174 ▶ **Business insolvency in France (only available in French)**

The decline in insolvencies remains modest overall and still very uneven, with a high number of cases
The French economic environment - the slowdown continues

N° 1175 ▶ **Global Macroeconomic Perspectives**

The slowdown is confirmed, the weaknesses remain, the risks endure

N° 1176 ▶ **Special Dossier**

Green Economy

N° 1177-1178 ▶ **Macroeconomic, Risk and Insolvency Outlook**

On the edge

N° 1179 ▶ **Global Sectors Review**

Looking for growth where it can be found

N° 1180 ▶ **Business insolvency in France (only available in French)**

The overall decrease in French insolvencies hides several weaknesses

N° 1181 ▶ **Macroeconomic, Risk and Insolvency Outlook**

A fog cannot be dispelled by a fan

N° 1182 ▶ **Special Dossier**

Payment periods in Europe: wide gaps

N° 1183-84 ▶ **Macroeconomic, Risk and Insolvency Outlook**

Too much time wasted saving time

N° 1185 ▶ **Global Sector Outlook**

Economic sectors put to the test

N° 1186 ▶ **Macroeconomic, Risk and Insolvency Outlook**

In 2013, we take the same and start again

N° 1187 ▶ **Special report**

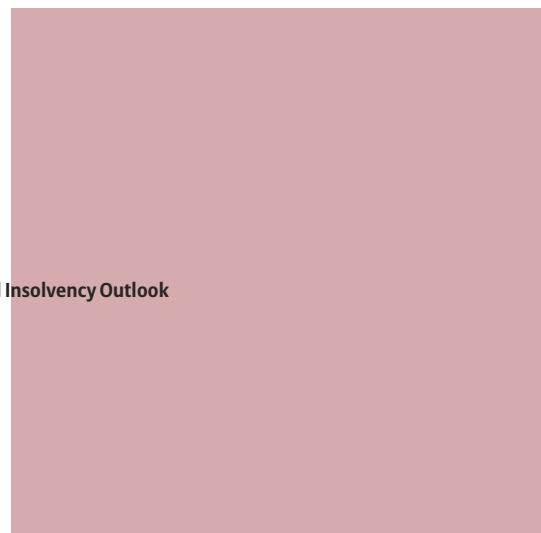
The Reindustrialization of the United States

N° 1188 ▶ **Special report**

Transport: a two-speed world

To come:

N° 1189-1190 ▶ **Macroeconomic, Risk and Insolvency Outlook**



www.eulerhermes.com
Euler Hermes *Economic Outlook* is published once a month
by the *Economic Research Department* of Euler Hermes
1, place des Saisons, 92048 Paris La Défense Cédex
E-mail: research@eulerhermes.com - Tel. : +33 (0) 1 84 11 50 50

*This document reflects the opinion of the Economic Research Department of Euler Hermes.
The information, analyses and forecasts contained herein are based on the Department's current hypotheses and viewpoints
and are of a prospective nature. In this regard, the Economic Research Department of Euler Hermes has no responsibility for
the consequences hereof and no liability. Moreover, these analyses are subject to modification at any time.*