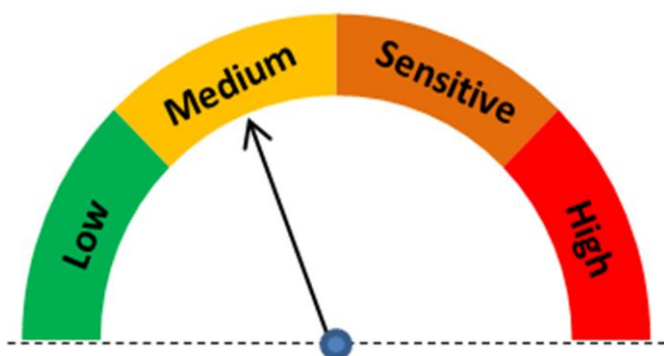


Sector Risk Rating



What to Watch?

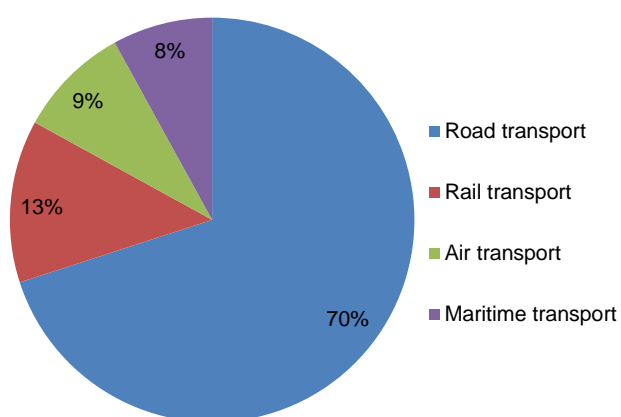
- Evolution of the global economic growth rate
- Development of service-related activities to improve profitability levels
- Ability for (road) transport companies to pass rising fuel prices on to customers
- Soaring environmental constraints impacting transport companies' margin growth

Global trade recovery is meant to boost the growth in transportation activity

World trade growth appears to be the main driver for transportation of any kind whatsoever, although the requirements of people transportation strongly differ from these of goods transportation. In volume terms, world trade growth amounted to +4.3% on a yearly average in 2017 while it amounted to half as much as +2.1% in 2016. The good news is that we expect the global trade growth to hit +3.9% in 2018, in other words a supportive background for the second consecutive year despite a poor outlook across the Middle East.

Because of its flexibility, road transport is usually used to carry goods nationwide and takes the lion's share (around 70%) of the transportation market as a whole. However, trucking companies have to pay attention to higher costs associated with retaining truck drivers and rising fuel prices that might cut margins eventually. The bigger the country, the most favored rail transport is. So railroad traffic shall profit from same uptrends as road transport, in addition to soaring demand in raw materials across America and Eurasia. Air transport enjoys the surge in air passenger travel even if some big players start complaining about low-cost airlines' fierce (and new) competition over long-haul routes. The better outlook for maritime transport has still to contend with slack capacity, rising fuel costs and tighter regulations to ensure margin increases.

Share in the global transportation market

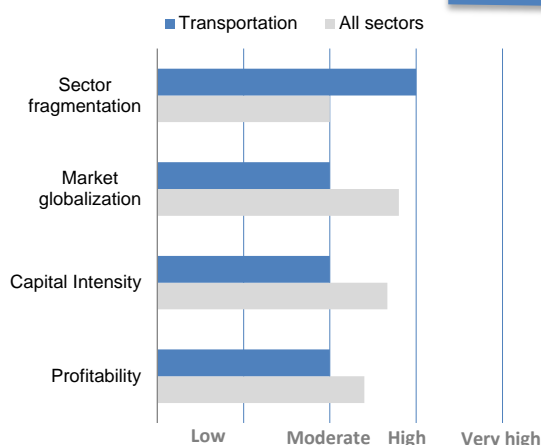


Sources: Oxford Economics, Euler Hermes (value) estimations

Key Players

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

ID Card



Strengths

- Air transport boosted by the strong rise in (international) passenger traffic
- US airlines financially stronger than ever in spite of their fleet of ageing aircraft
- Maritime activity back on track due to world trade recovery

Weaknesses

- Tighter regulations dealing with environmental constraints penalizing transportation as a whole
- European air (and rail) companies coming to grips with nationwide restructurings
- High dependency on variations of fuel (i.e. diesel, gasoline or jet fuel) prices

Subsector-Insights

Road transport: High degree of fragmentation among road transport firms, especially in Europe

Rail transport: The bigger the country, the better for rail transport

Air transport: Low-cost airlines' competition spreading out over long-haul routes

Maritime transport: Stronger Chinese demand in bulk goods helping boost the marine sector

Recent Sector Risk Changes



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