

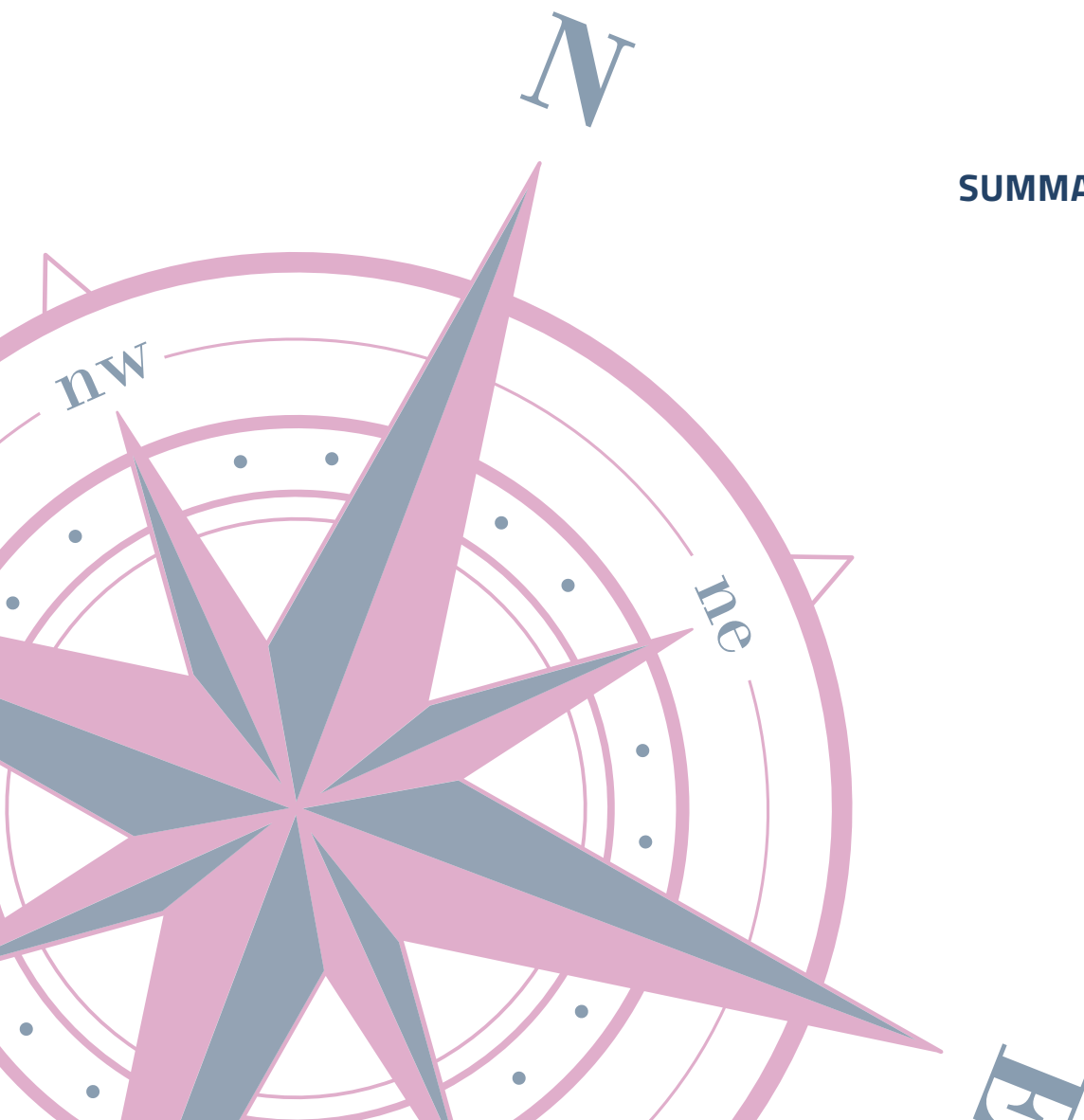


ITALIAN MARITIME ECONOMY

China, Energy corridors, ports and new routes:
geomaps of a changing Mediterranean

Presentation of the 5th Annual Report
Naples, 5th June 2018

SUMMARY OF THE REPORT



Maritime transportation keeps playing a key role in global commercial exchanges; growth is expected in the future. There is a rise in the global fleet

Positive growth rates but still slightly lower than 3%.

Rising estimates for the period 2017-2022.

- Volumes of seaborne exchanges **have grown by 2.6%**, reaching 10.3 billion tonnes, which represents a higher growth rate than the one recorded in the previous year (1.8%). Nonetheless, this is still lower than the average 3% calculated in the previous four decades.
- Estimates in the medium-long term forecast an average annual increase of **3.2% between 2017 and 2022**, which will cover all segments of maritime transport and in particular, containerized traffic and solid bulk cargoes.
- **Emerging economies** continue to represent the most significant part of maritime transport by size, with a **59% share of exports and 64% of imports**; in particular, **Asia** accounts for 40% of exports and 61% of imports.
- The world fleet **increased by 3.1%, reaching 93,000 ships** equal to 1.86 billion dwt. In terms of vessel types, bulk carriers are in first place, followed by oil tankers.
- Over the last 5 years, global container traffic has grown at rates of between 1% and 4% annually. The 2017 final result showed an increase of around 5% on the previous year, reaching a total volume of **147 million TEU** handled.
- The mapping of the **main routes** shows the greatest growth of the Europe-Asia route, with an increase of 3.1% on 2016, followed by the **transatlantic** (+2.9%) and, finally, by the **trans-Pacific** (+1.2%) which still remains the busiest with 26.1 million TEU.

The Mediterranean increases its centrality thanks to Suez, Chinese investments and important plans developed in ports

Container traffic in the Med Area has grown dramatically over the last 20 years. Mediterranean ports play an increasingly important role.

Suez, after a period of stability in terms of traffic, recorded significant increases therefore demonstrating the effectiveness of the enlargement.

South Med ports are becoming fiercer competitors and the gap with North Med Ports has nearly disappeared.

- **Suez is showing record-breaking increase rates. The Canal handled 909 million transiting tonnes in 2017 and 17,550 ships (+11% on 2016).** North-South traffic has increased by 20% (this category accounts for 52.6% of the overall traffic of goods in the canal). Conversely, traffic in the opposite direction is stable (+3%).
- Along the North-South direction of the canal **South East Asia** is still the main destination for transiting goods, accounting for **27%** of the total. In the opposite direction, it is the region **North, West Europe & UK** that holds the first place with a **30%** share.
- A look at the origin of goods reveals the dominant position of **North, West Europe & UK** along the North-South direction with 21.6%, while in the opposite direction it is **South East Asia** to lead the ranking with 35.6%, followed by the **Gulf** with 34.8%.
- **Container traffic in the Mediterranean has grown sixfold over the last 20 years (+500%).** The top 30 Med ports have exceeded the 50 million TEU threshold (53 in total). This figure amounted to 9 million in 1995.
- **In the Mediterranean, 19 ports have exceeded the 1 million TEU threshold.** In the container market, South and North Med ports are increasing their importance compared to Northern Europe: since 2008 Northern Europe has lost 6 b.p. (current market share 40%) while the Med has gained 5 b.p. (current market share 41%).
- Since 2004, according to the *Liner Shipping Connectivity Index* of Unctad, South Med ports (North Africa and Turkey) **have considerably narrowed the competitive gap** with their North Med counterparts. This indicator shows a difference of 26 b.p. in 2004, a figure that today only accounts to 6. The gap has narrowed also compared to the Northern Range (from 50 to 28 b.p.).

The Belt and Road Initiative (BRI) is being implemented successfully and with big investment in Mediterranean ports and terminals

The investment plan involves the whole Mediterranean with significant initiatives in ports, in particular terminals and intermodal infrastructure. Spain has recently been involved after Greece, Turkey, Israel, Italy, Egypt, Belgium and the Netherlands.

- The **BRI** will activate about \$1,400 billion worth of investment in infrastructure in order to build and strengthen maritime, road, airport and railway works. Up to now, **\$41 billion** worth of projects have been detected, 20% of which in **ports**.
- **There will be new investments along the Silk Road.** Forecasts indicate that in 2020, thanks to these investments, China will reach an export of \$780 billion and an import of \$570 billion with the countries involved in the initiative.

- **Chinese investments in Mediterranean ports and terminals** have reached **€4 billion**. New investments in **2017**, amongst which there is **Valencia**, a remarkable keystone for the Chinese Dragon in the **Western Mediterranean**. This follows the operations **in the East (Piraeus)** and **in the North (Zeebrugge)**, especially important to the management of transshipment for goods directed to the UK and Scandinavian countries.

Naval gigantism is still a significant trend and alliances between carriers continue

New orders of megaships placed by big carriers who hold more than 50% of the main routes. The phenomenon of the alliances continues and now includes also Japanese liners.

- The strategy of the great alliances - 2M, THE Alliance, Ocean Alliance - which now cover **81% of global capacity**, continues to be pursued. In particular, on East-West routes, these control **99% of total traffic**.
- **Naval gigantism era will continue in the future**. Until 2019, there will be 118 new mega containerships in the 10,000-23,000 TEU category, and **47 of these** will belong to the **18,000-23,000 TEU** class. **By 2020** there will be **582** operative giant ships.

Italian ports are growing, the reform has shown the first positive consequences and there is renewed awareness of a potential key role for Italy in the new geo-economic scenario

The international component of maritime transport is significantly growing.

In some sectors, traffic shows remarkable results. In Short Sea Shipping Italy keeps holding a leadership position in the Mediterranean.

Italy has the potential to become a strategic point for loading/unloading and as a logistic hub for the "Silk Ships" (vessels sailing the Silk Road).

- **In Italy, the international component of maritime transport is growing**. In 2017 our maritime import-export amounted to over €210 billion, showing a 12.4% increase on the previous year.
- **38%** in value of Italian import-export travels by ship. This share exceeds **70%** when we consider exchanges in terms of volume.
- **China is one of our main partners**. China is one of Italy's major partners in terms of maritime import-export, which accounted to nearly €30 billion in 2017.

- **In 2017 Italian ports exceeded half a million tonnes.** Outstanding results were shown in the RO-RO sector, recording 107 million and +8.5% on 2016, record-breaking figures compared to the last decade.
- A good performance is shown also in the liquid bulk sector, important proxy to **the energetic component of ports**. 188 million with a 3.3% growth. Other types of traffic are stable. As for containers, our country does not seem to be able to exceed the usual 10 million TEU threshold.
- **Italy keeps its leading position in Short Sea Shipping in the Mediterranean.** Italy is the first country in the EU28 in terms of goods transport by Short Sea Shipping in the Mediterranean, with 218 million tonnes of goods transported (market share 36%).
- **Italy, thanks to its geographic position and logistic and port infrastructure, can play a key role in the Belt & Road Initiative.** Several Italian ports are located along routes to/from the Middle and Far East. In particular, Italy also has 8 ports hosting big shipping alliances for a total of 29 liner services. 6 of these ports host the Ocean Alliance which boasts the presence of Cosco (Chinese state-owned liner).

The energy component (Oil&Gas) of ports may represent one of the new frontiers of development: LNG and LPG are the new paths to follow

Liquid Bulk is still the first type of goods handled by Italian ports.

New opportunities arise from the traffic of LNG (Liquified Natural Gas) and LPG (Liquified Petroleum Gas).

- **Liquid bulk traffic** accounts for over 30% of international maritime traffic. It mainly involves the transportation of oil and oil products, gas and chemicals.
- The seaborne transport of Oil and Gas in 2016 amounted to **3.1 billion tonnes**, 1.8 billion of which (60% of the total) are represented by Crude Oil and 1.2 billion (40%) are gas and petroleum products. In particular, 8.7% of the latter concerns transport of Liquified Natural Gas (268 million tonnes) while 2.9% refers to Liquified Petroleum Gas (LPG).
- New orders of vessels already comprise hybrid ships (different types of fuel) and ships using LNG. Another factor affecting shipowners' choice of a port could be the presence of LNG terminals.
- The straits of **Hormuz and Malacca, alongside Suez**, are the main nodes of global energy traffic accounting for 40% of the world's naval transits of oil.
- As for **Italy**, the main ports for liquid bulk handled 188 million tonnes between 2013 and 2017, which accounts for 37% of the total Italian traffic. Such category of goods is therefore confirmed as being the main one handled in our ports.
- **The top 5 ports account for 71% of the overall national liquid bulk traffic.** Trieste, with 43.7 million tonnes, keeps its leading position. Second and third positions are held by Cagliari and Augusta respectively. The latter port is third in terms of volume but it is also the most specialized one since 95.7% of its total handling was dedicated to liquid bulk in 2017.

- The Mezzogiorno accounts for 47% of the national oil traffic.

The Mezzogiorno is a potential port platform serving the local industrial system. It is necessary to activate SEZs – Special Economic Zones, to invest in intermodality and in port logistics integrated with the industrial processes

Ports of the Mezzogiorno continue to play a key role within national portuality.

- **All data of traffic** show a significant presence of Southern Italy in our maritime trade, with big percentages of the national total around 45/50%. Strengths are also represented by the presence of hub ports, multipurpose ports and key players in the passenger and cruise sectors.
- Companies in the Mezzogiorno carry out **63% of their import/export via sea**, and this amounts to **€53 billion**.
- **All of the three big shipping alliances** call at Mezzogiorno's ports.
- Ports in the South of Italy can play a **key role in the international projection of Southern Italy's industry**, in particular in the so called 4As sectors (Agrofood, Apparel, Aerospace, Automotive) and in the Bio-Pharmaceutical. **These export €20.6 billion worth of goods all over the world**.
- **In terms of export, the weight of these sectors on the Southern manufacturing economy is about 46.4% while the national one is 35.5%**.
- These industries mainly use containers and other naval means – tankers and RO-RO – to transport their goods to the markets of the Mediterranean, the Far East and the US.
- Ports of the Mezzogiorno offer added value to the economy of the South amounting to **€2.5 billion**. Also, they generate a positive impact on the whole country equal to **€5.4 billion**.

SRM's Geo localizations continue on naval routes. These have recently been expanded to include small and medium container ships and Ro-Ro vessels. Some of the main data

Container Traffic

- Since 2012 the presence of container ships in the Mediterranean bigger than 13,000 TEUs **has increased by 37%**, while that of the category 3,000-7,000 TEU has decreased by 18.7%.

- The number of ships transiting through the Mediterranean and bigger than 3,000 TEUs which call at least one Italian port **has increased by 8% (since 2012)**, and that of ships over 13,000 TEUs has grown by 56%.
- Overall presence of ships in the three main Italian container ports has remained stable: -3% (Gioia Tauro, Genoa, La Spezia). The presence of ships bigger than 7,000 TEUs has grown by 86.4%.

The 3 big alliances (2M, Ocean Alliance e The Alliance)

- Since 2012 the presence in the Mediterranean of ships bigger than 13,000 TEUs belonging to the 3 big alliances has increased by 54.4%. if we consider vessels bigger than 3,000 TEUs transited in the Mediterranean the trend accounts to -10.2%. The number of ships bigger than 13,000 TEUs that transited through the Mediterranean and belonging to the Ocean Alliance has increased by 341.4%.
- Overall presence of ships bigger than 3,000 TEUs in the Greek port of Piraeus, recently involved in Chinese investments carried out by Cosco, has grown by 47% whereas that of vessels bigger than 7,000 TEUs has increased by 75%.

Ro-Ro Traffic

- SRM has detected 70,000 daily positions of Ro-Ro ships in the Mediterranean (year 2017). Since 2012 the **number of Ro-Ro ships** in the Mediterranean has increased by 7.4%.
- Since 2012 the **number of Ro-Ro ships** transited in **the Tyrrhenian Sea** (Genoa, Leghorn, Naples-Salerno and Gioia Tauro-Messina) has increased by 15.4%.
- Since 2012 the number of Ro-Ro ships transited in **the Adriatic Sea** (Trieste and Venice) has increased by 39.2%.

- The Mediterranean continues to play a pivotal role in global maritime trade traffic. Chinese investments, the renewed centrality of the Suez Canal, aggressive strategies of portuality enabled by the presence of Free Zones, are all factors contributing to making the Med increasingly important for maritime operators of enterprises and infrastructure.

- Chinese investments in ports and logistics included in the Belt & Road Initiative continue to shape the Mediterranean area. After Piraeus in the East and Istanbul in the Black Sea, Valencia is appointed as a hub for the West Med. Special Economic Zones can represent a new incentive for Italy in the process of competitive recovery in terms of attractiveness to investments.

- The energy sector, both Oil&Gas and new fuels for ships, is one of the sectors where efforts and attention will be focused in the future mainly due to the lack of energetic independence of our country. In this context, a key role is played by open-sea maritime corridors, the routes for the supply of energy commodities via sea. Amongst these LNG (Liquified Natural Gas) and petroleum are particularly important. In particular, 9.5% of LNG imported in Italy and 100% of petroleum arrive via maritime corridors.

- Italian ports are beginning to show quite significant performances in some specific goods sectors. The container sector does not have enough importance to impact our national ports; bulk and Ro-Ro show good trends.

- A new phase of portuality has begun, a new 5.0 perspective where the port must be able to implement strategies aimed not only at attracting traffic but also at innovating and internationalising the territory. Other aims must include the support and collaboration with research and training; the development of intermodality and logistics connections with the manufacturing thanks to the support of SEZ –Special Economic Zones.

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