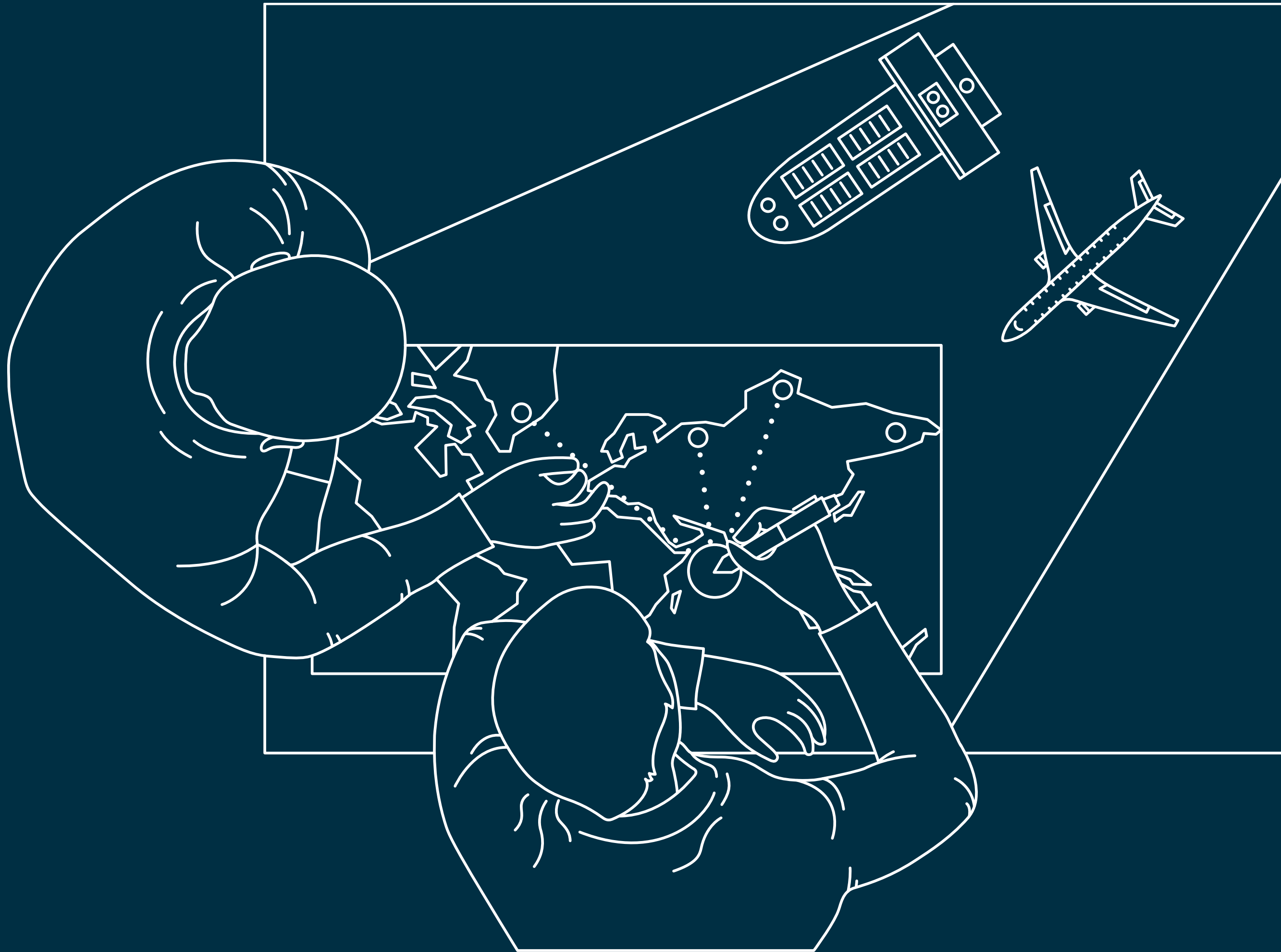
Mediterranean and European Port Economy 2025

Mediterranean Ports and Logistics 2025, Barcelona

May 21st, 2025



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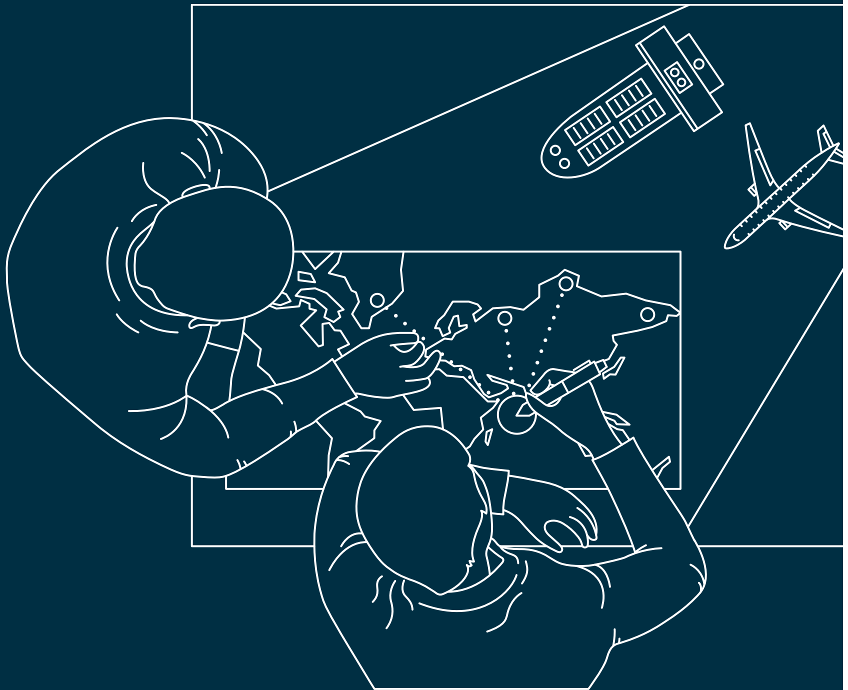

Summary of Global Economy and Trade

System Shocks

- New shipping alliances
- Red Sea Crisis
- Trump's Tariffs

Shipping Line Reaction

Long-term trends

Conclusions

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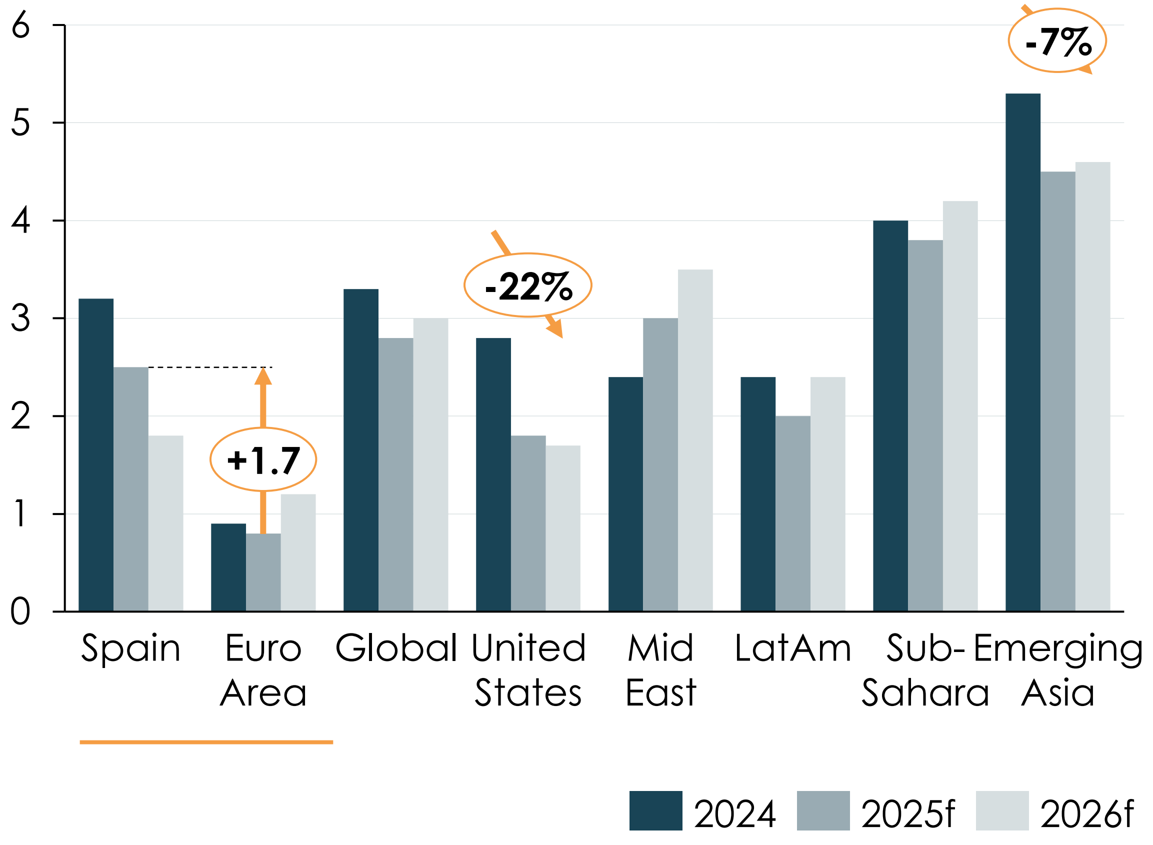
Spain’s momentum contrasts with the sluggish dynamics in the Euro Area – The tariff war -threat and reality- has specially impacted US and Asian forec.

Key points

- After 5 chaotic years, it seemed that finally the last straw from Covid, the highest inflation in decades, was going down and we were finally starting to hear whispers of *Stabilisation of the Global Economy*… But here we go again!
- Trump and its uncertain tariff policy has created headaches, forecasting work (lucky us!), and too many model scenarios – but it seems to have also destroyed vast forecasted global economic growth*
- Spain is spearheading the European Economy. The country economy has shown remarkable resilience despite the flooding events in Valencia. It is still unclear if the same will happen with the recent national black-out.

Real GDP Growth by Global Region 2024-2026f, in YoY %



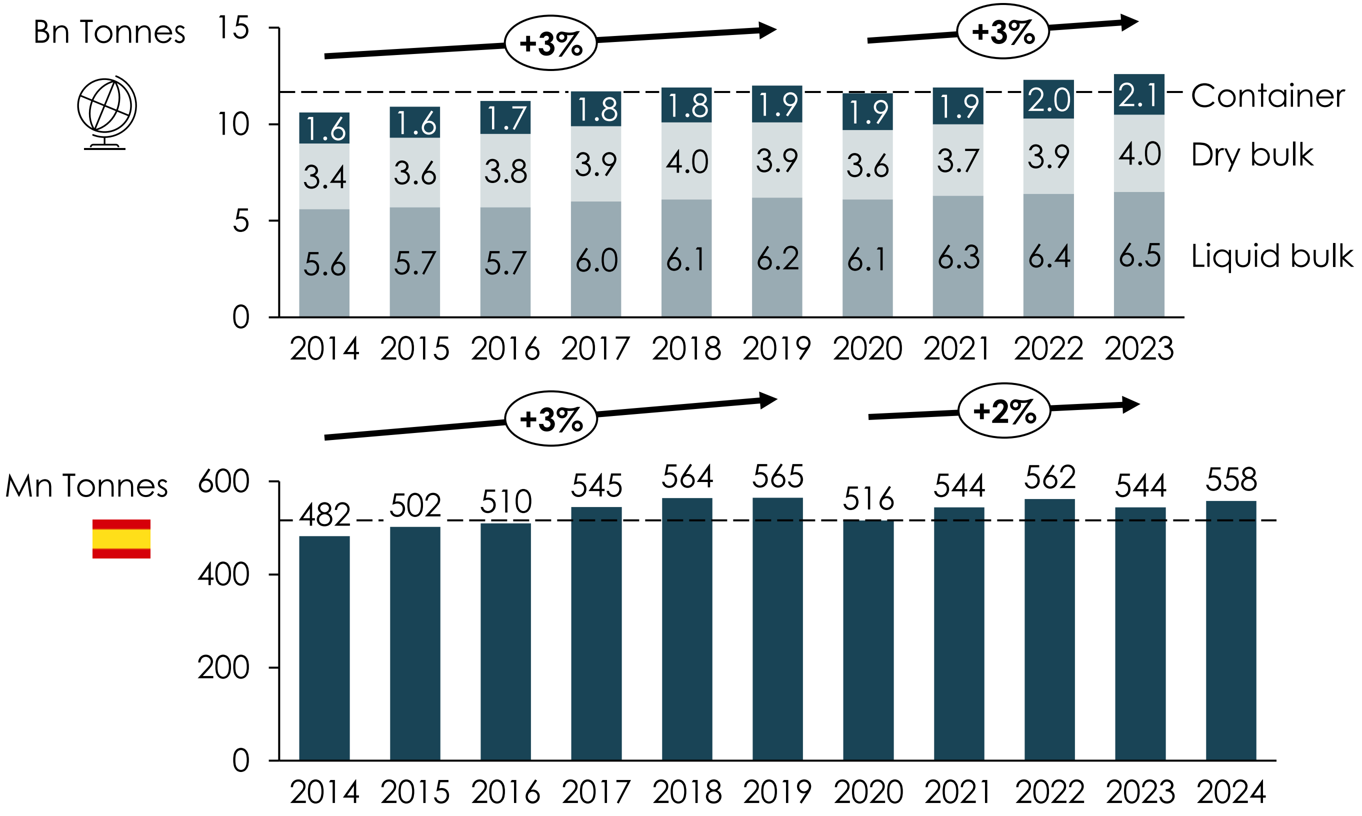
*Permanent disclaimer: Apologies for any errors or outdated insights - these days, policies, news and forecasts change by the hour!
Sources: IMF, World Economic Outlook, April 2025

Total global seaborne trade continues to increase, both globally and in Spain, covid related slowdown was quickly forgot

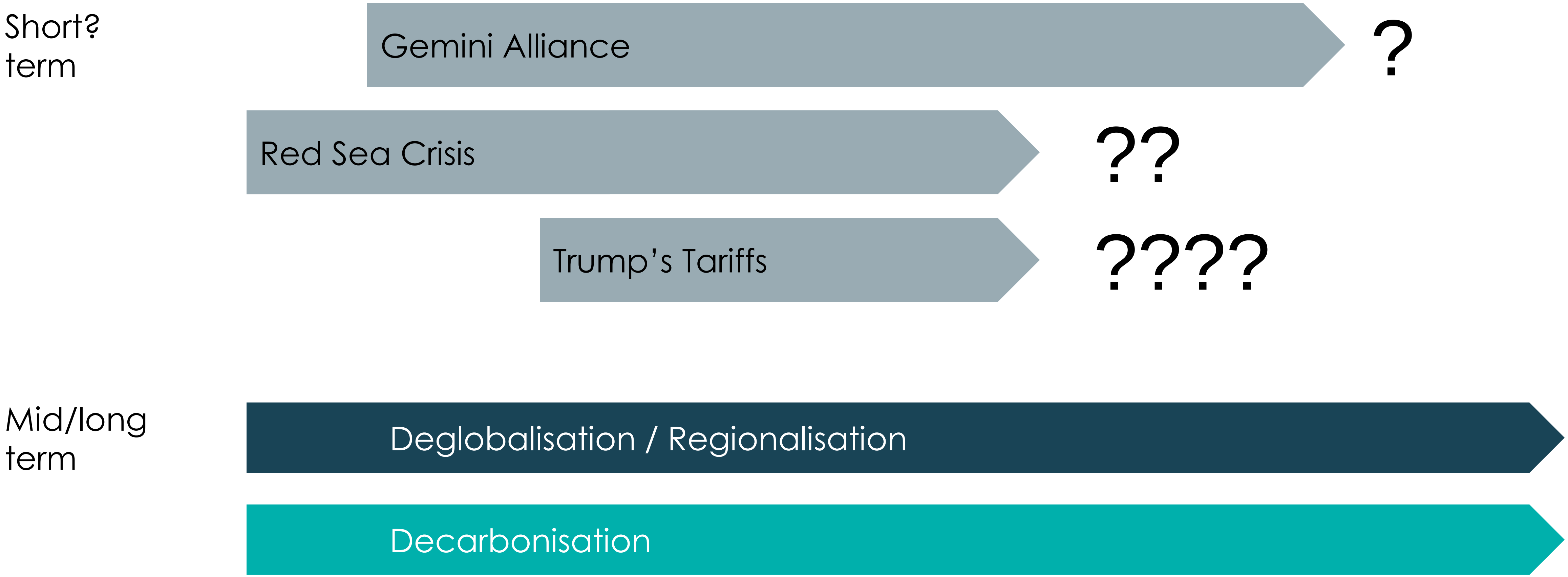
Key points

- Global seaborne trade reached 12.6bn tonnes in 2023, reflective of continued growth over the past 10 years – dry bulk, liquid bulk and containers have all contributed to the increases.
- Iron ore and coal are the largest two individual dry bulk commodities, with oil and oil products the major liquid bulk goods shipped.
- The impact of the COVID-19 pandemic in 2020 was soon overcome in 2021 and annual growth resumed thereafter.
- Spain followed a similar trade growth trend to the global average but has slightly lagged behind post-COVID.

Global and Spanish Seabourne Trade



Current System Shocks by expected timeframe

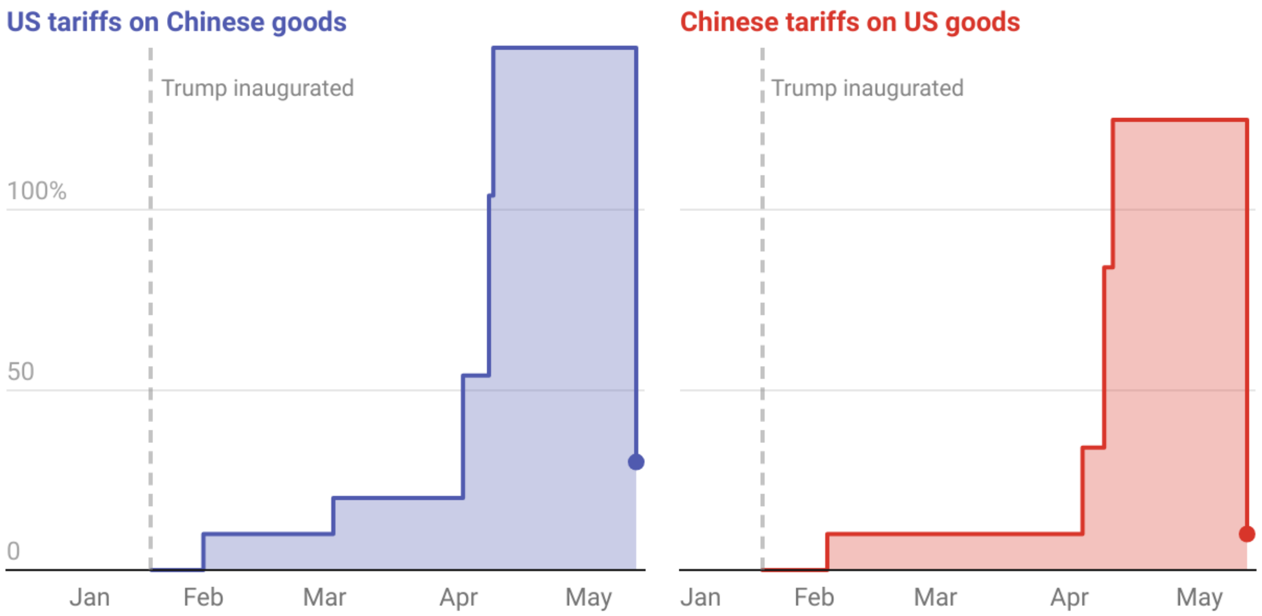


Note: for illustrative purpose – out of scale

US import tariffs are expected to impact services especially from China to USA, but are unlikely to impact any services to Europe / Barcelona

- **December 2024 was a strong end of year for FE-Europe trade**, with a total year in 2024 of 18.3m TEU, including 1.7m TEU of imports from Asia, a y-o-y increase of 10.4%. Total volumes up 11.9% on 2023.
- **Uncertainty is the name of the game**.
- **Tariffs announcements accelerated imports from China to the US in Q1**.
- The suggestion is that:
  - The Chinese economy has already been stagnating and the t**ariff change will not have much impact on Europe's Sea trade**.
  - There has been **increased growth from India, Vietnam, South Korea, Thailand and Japan to cover Chinese stagnation**.
  - Although vessel services may cease to offer as many Chinese calls to Europe they will still offer them.
  - **Additional potential calls are likely from the above countries with strong growth**, meaning vessels will continue to arrive full in Europe.

A timeline of US and China tariffs

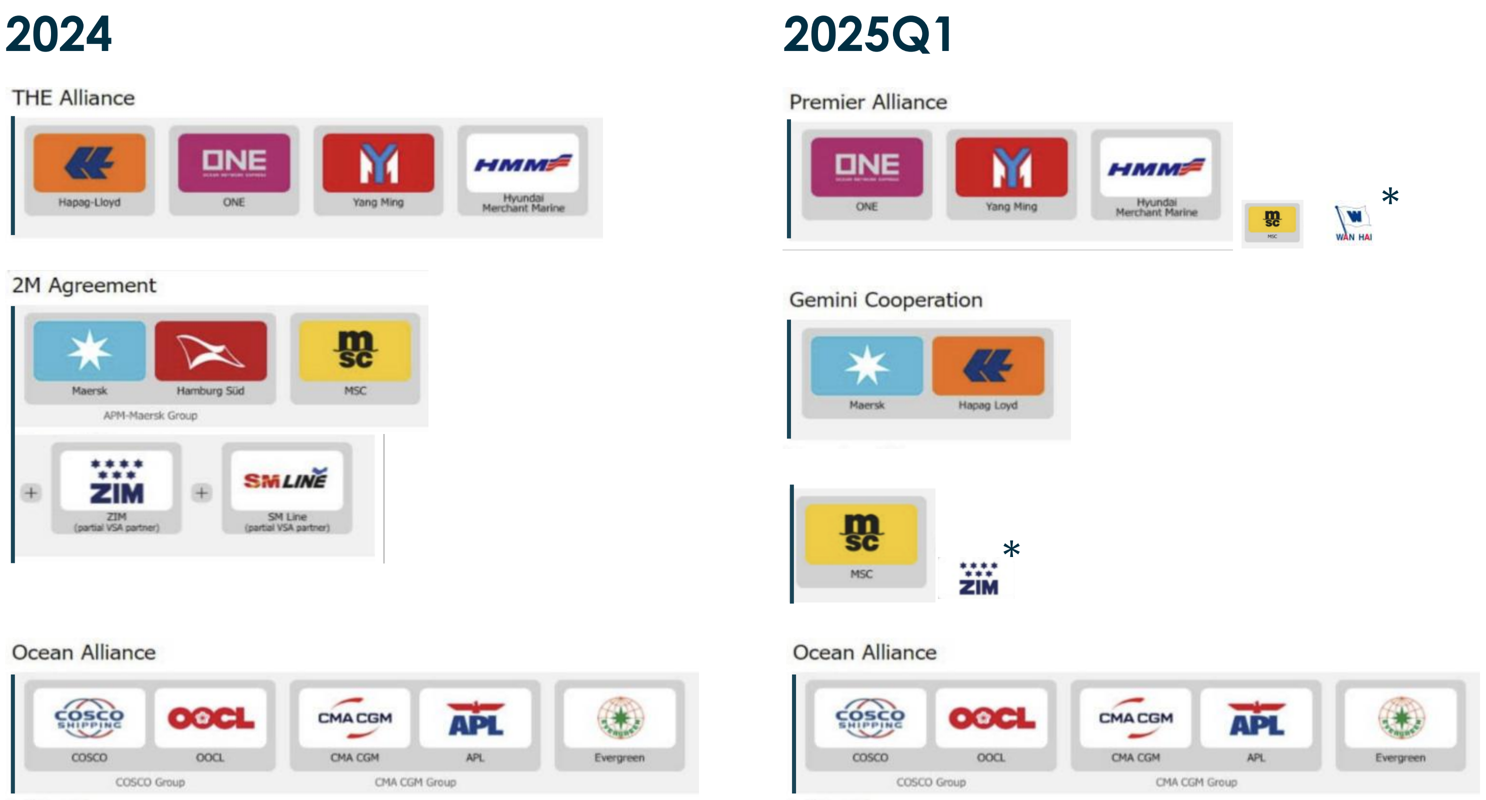


Source: New York Times

From 2M to Gemini – MSC as the first standalone Shipping Line, Gemini moves towards hub and spoke operations, rather than as many direct port calls

- In 2023, the world's two largest container shipping companies, Maersk and MSC, announced that they would not be renewing their alliance come the **end of their 10-year vessel sharing 2M agreement** in 2025.
- A new alliance has formed from former 2M alliance partner Maersk, and leading German carrier Hapag-Lloyd. The **Gemini Cooperation started at the end of Jan 2025. It's objective, to reach a 90% schedule reliability.**
- THE Alliance members of Ocean Network Express, HMM and Yang Ming need to fill the gap Hapag-Lloyd has left. The **renamed Premier Alliance has reached VSAs with MSC and Wan Hai** for certain routes.
- This confirms the view that **no line is yet big enough to fill the ULCS units alone**, MSC has formed a VSA with the Premier Alliance, to ensure that its ULCS ships can be filled sufficiently to take advantage of the economies of scale.
- **Further port rotations still likely be refined**, with different route versions for Red Sea Crisis and "normal" routing, although fundamentally the global locations of demand will still need to be served, regardless of by which shipping line and on which service.

Alliance Group Transition – 2024 to 2025



*Asia-Europe slot chartering
Alphaliner

The Gemini Cooperation is based on a strong hub & spoke model – it's planned superhubs in Europe do not include Barcelona

Gemini Cooperation

Maersk Hapag Loyd

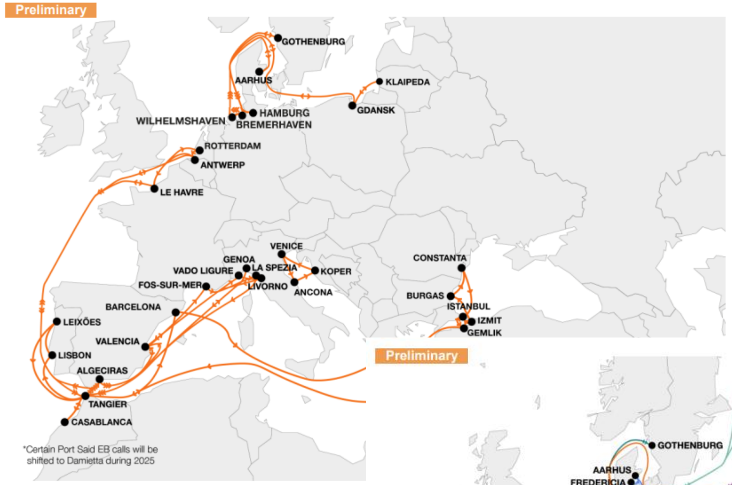
- **Gemini Alliance plans on further implement a hub & spoke model**, using efficient and reliable ports as hubs, which is **believed to improve schedule reliability**.
- Currently, there is **no Spanish Port on the list of selected "superhub" ports** – even Algeciras is out in favour of terminals in Tanger Med.
- Although direct calls are maintained, a **reduction of transshipment cargo would be expected** for Barcelona Port* in the mid-term, at least from Gemini.

***However… the Red Sea Crisis is still affecting the main trade lane and routes** (Far East – Mediterranea). Rerouting around Cape of Good Hope benefits Western Mediterranean ports, and the final definition of Gemini routes and hubs will not be definitive until coming back to "normal" –if that exists anymore.

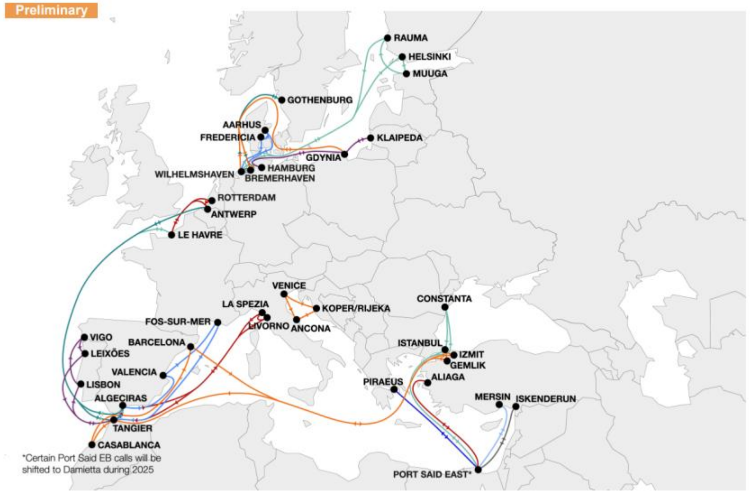
- It remains unlikely that vessel sizes will progress much beyond the largest 24,000TEU size we have today and so **it remains just a matter of time before one or more of the major alliance groups (probably MSC) decides to abandon the alliance system altogether** to be in complete control of their services. This will also give shippers more alternatives, which can only be a good thing for consumers.

Europe Shuttle & Feeder Services

Gemini Alliance Network, via **Suez Canal**



Gemini Alliance Network, via **Cape of Good Hope**



Shipping challenges in the Red Sea and the Suez Canal remain, "benefiting" western med ports and increasing the appeal of alternative inland corridors

- Challenges in the Red Sea remain for ocean carriers and shippers.
- The same choice is available in 2024, namely:
  - A longer transit time (8-10 days) if Suez Canal and Red Sea deemed unsafe or unsuitable – hence use the Cape option.
  - For shippers that choose to use the "safer" option of the Cape of Good Hope, then cargo time delays can occur due to the longer sailing times.
- The **current timescales for and end to issues in sailing through the Red Sea and Suez Canal are unknown**.
- Ultimately, there is an increased cost of shipping goods and this is passed to the end consumer.
- The Red Sea **ceasefire at the beginning of the year did not result in a return to the Suez Canal** for all vessels. It's short duration and instability have decreased the confidence on a soon resolution. New "Trump" Ceasefire?

Route Options for Ocean Carriers & Shippers

DATE: **16.05.2024**

Red Sea diversions create Western Mediterranean port congestion

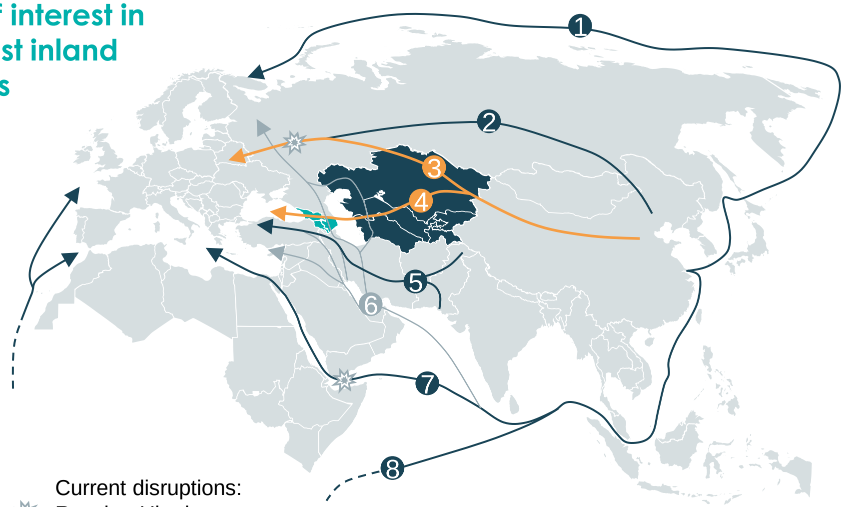
Congestion or reduced traffic?

Seatrade Maritime News

Red Sea crisis hits volumes at port of Piraeus

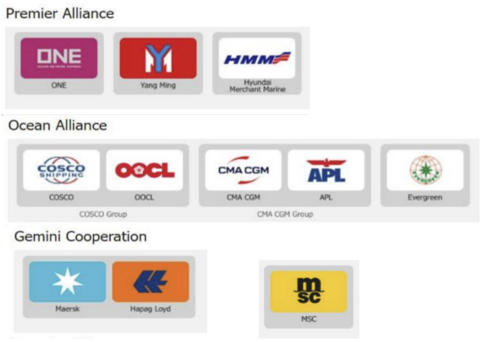
Greece's largest port of Piraeus has recorded a drop in container traffic in the due to the Red Sea crisis.

Spark of interest in East-West inland corridors



Current disruptions: Russian-Ukraine war & Red Sea crisis

But - Ultimately, the big winners of the Red Sea Crisis are the Shipping Lines



Shipping Lines Perspective – avoiding Suez Canal transit	An "Alternative" View
Great Public Relations – avoiding "war zone" to protect everyone's goods.	Shipping lines need to utilise "spare" tonnage.
Save $'000s (c.$0.5 million) by not transiting the Suez Canal – off-set with some additional fuel costs etc. ($1 million) of longer transit.	Tankers and bulkers are still transiting the Canal.
Able to use more "spare" tonnage that lines have created with latest round of newbuild purchases on the back of big profits.	Geo-politically not acceptable to continue avoiding Red Sea due loss of Trade in region.
Charge additional surcharges for additional emissions and/or peak surcharges (PSSs) – extra revenue.	Surcharges and higher spot rates will all contribute to additional revenues.
Artificially reduce available capacity.	Rate increase in time for Chinese New Year expected surge in demand.
Increase sea freights on spot markets.	CMA CGM have continued to use the Suez Canal for Levant services, but these are "one off" changes to services
Possibility of extra calls in South African ports to "top up" volumes to Europe and to bunker.	

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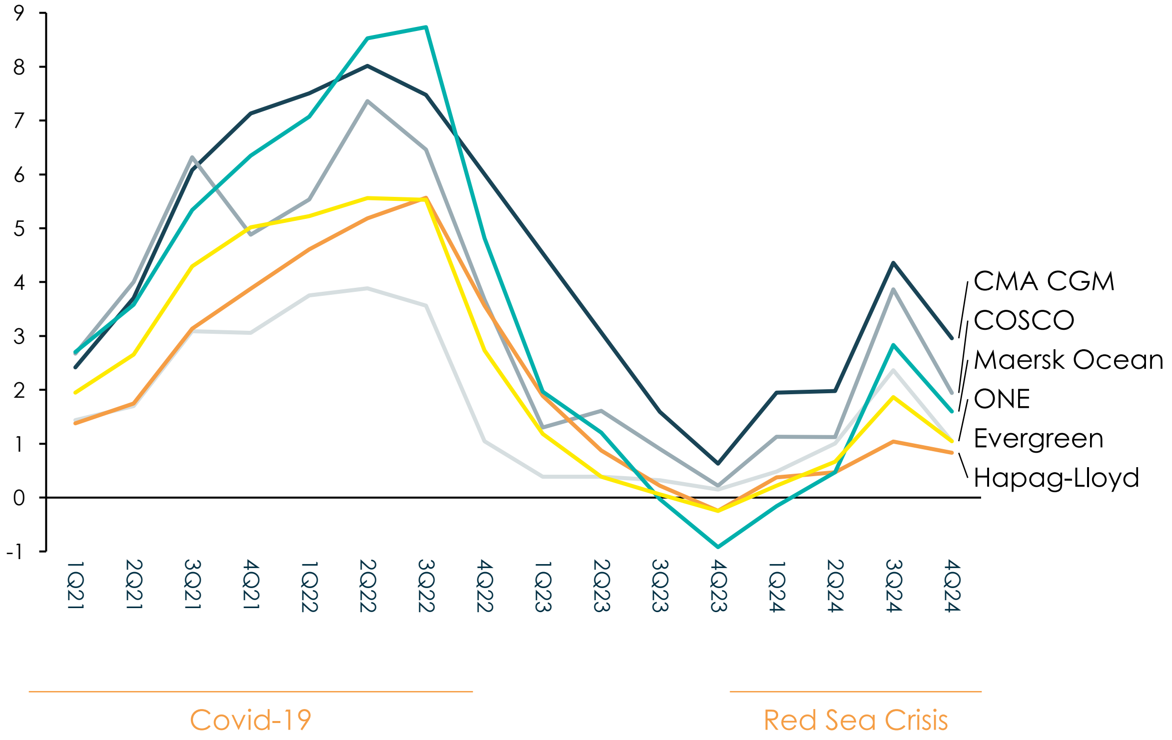
Diversión means 'fun' in Spanish – apologies to the non-Spanish speakers for the bad pun!

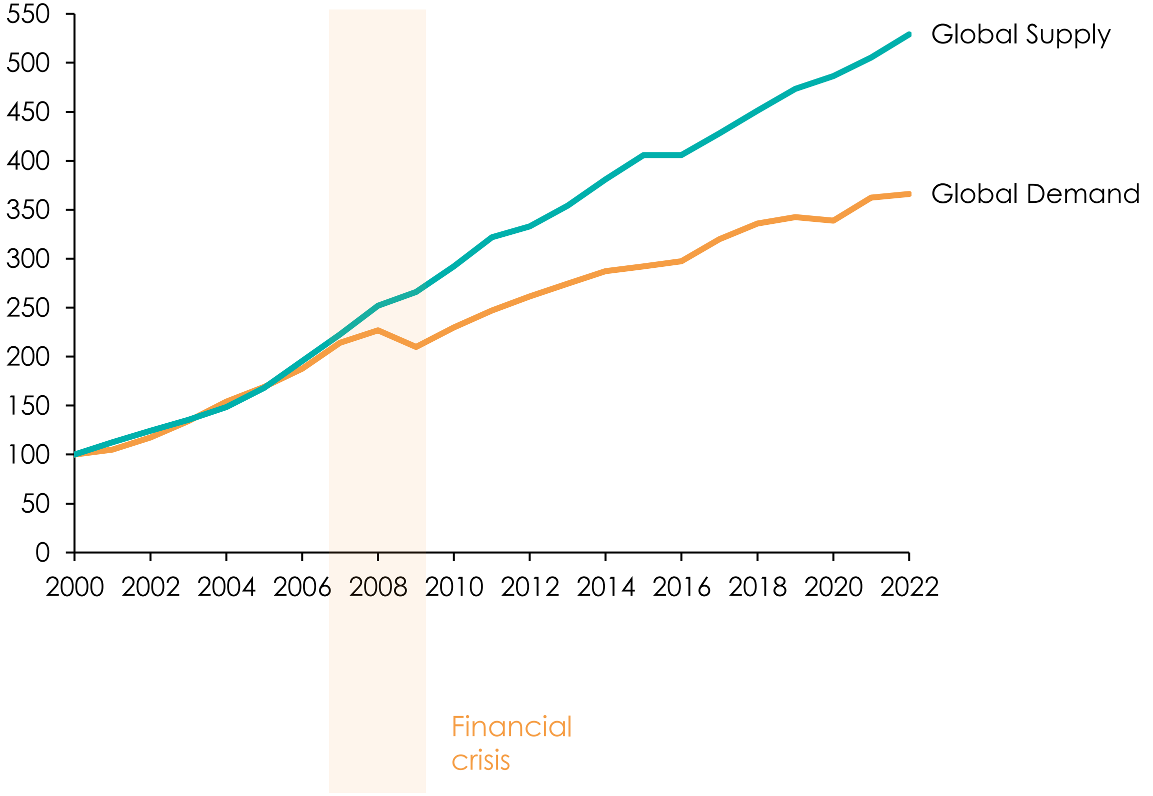
Shipping lines saw high profits in 2021 and 2022 due to capacity constrains post-Covid – Currently a similar but lesser effect is observed with the Red Sea

New ULCSs orders due to huge profits at same time global demand stagnates

Top Shipping Lines* EBIT, Bn USD, 1Q21 – 4Q2024



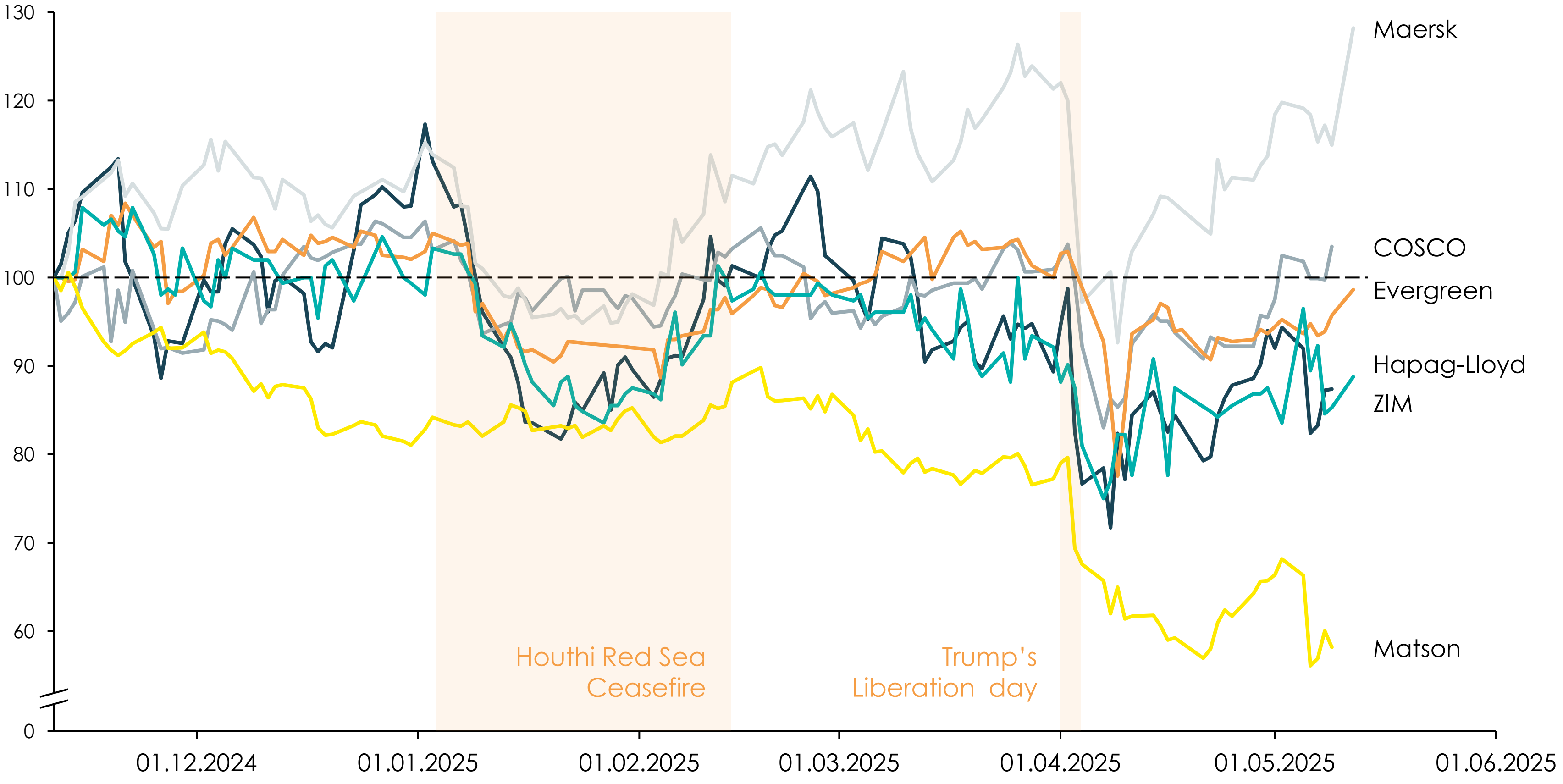
Global Container Supply v Demand Growth, 2000-2022



*MSC missing as private company is not required to publish financial figures
Source: Main Shipping lines Quarterly results

The impact of Trump Tariffs have not been shown yet in Shipping Lines financial figures, but can be seen in is trading price

Shipping Lines Market Cap, Base 100, 11/2024 – 05/2025



Red Sea Crisis

- A clear positive correlation is seen between the Red Sea crisis and the performance of shipping lines.
- The ceasefire announcement initially led analysts to downgrade company valuations, but as it became evident that the ceasefire was not holding, investor confidence and valuations recovered.

Trump's Tariffs

- Analysts had clearly anticipated that the proposed tariffs would negatively impact shipping lines. However, market capitalisations have partially or almost fully recovered following a series of announcements reversing the tariffs declared on Liberation Day.
- The market capitalisation of the US-flagged shipping line Matson also reacted negatively to Trump's tariff threats and related announcements.

ECB: “The past decade has been characterised by a trend towards nearshoring. Yet, trade data provide no clear evidence that recent events – e.g. pandemic and war – have accelerated this trend. The data also do not indicate reshoring of production chains to Europe.”

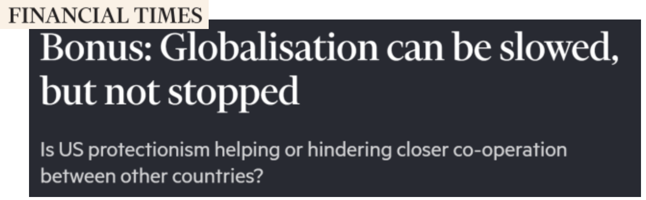
- One of the most important developments of the last century has been the integration of national economies into a global economic system. This process of integration, often called **globalisation, has resulted in a remarkable growth in trade between countries**.
- **This globalisation now appears to be at a tipping point.**
- Deglobalisation is a movement towards a less connected world, characterized by powerful nation states, local solutions, and border controls rather than global institutions, treaties, and free movement.
- Another area of interest involves energy. **Energy is a key sector of relevance to both globalisation and deglobalisation**.

Deglobalisation

Nearshoring

Onshoring?

- *ECB “If firms **restructure their production chains** to source inputs from countries that are geographically closer, rather than those that are more efficient, their production costs could experience an increase that would eventually be **reflected in the final prices charged to consumers**”*
- Maersk produced several key conclusions and quoted industry specialist, which adds further insight into the subject, including:
  - **Geopolitics won’t end international supply chains because they’re just too competitive and profitable** to end. There’s no country today that can really make anything on a competitive basis, a globally competitive basis, by themselves.
  - However, there are steps businesses can take to help add more resilience to their supply chains, including **diversifying their supply chains and implementing regionalisation** to their overall logistics.


FINANCIAL TIMES

Bonus: Globalisation can be slowed, but not stopped

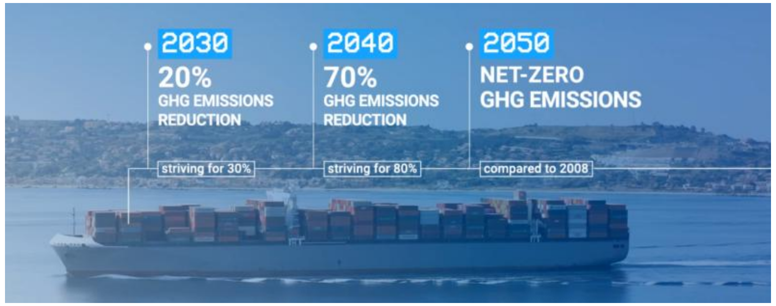
Is US protectionism helping or hindering closer co-operation between other countries?

Sources: Deglobalisation: risk or reality? (ECB, 2023), Exploring Regionalisation and Globalisation Dynamics in 2024 (Maersk)

The Maritime industry has agreed to a mandatory carbon price and clean fuel standard, setting on a path to net zero – New Med ECA comes into effect

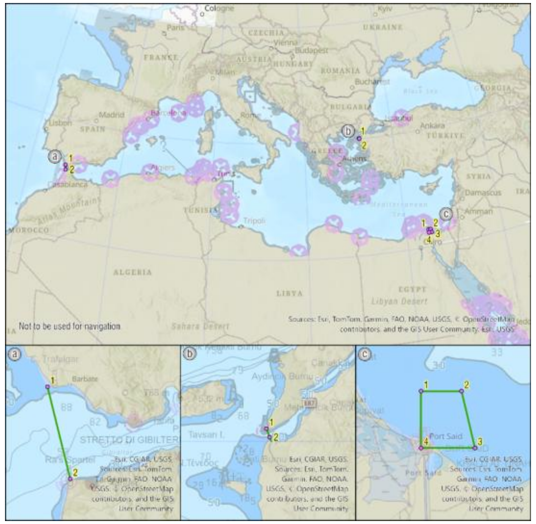
IMO approves *net-zero* regulations for global shipping

- Draft regulations will set **mandatory marine fuel standard** and GHG **emissions pricing for shipping** to address climate change.
- These measures, set to be formally adopted in October 2025 before **entry into force in 2027**, will become mandatory for large ocean-going ships over 5,000 gross tonnage
- Still working on its definition, but one of the main points is to **create an IMO Net-Zero Fund**. The Fund will be established to collect pricing contributions from emissions. These revenues will **then be disbursed to reward low-emission ships and support the transition** to net zero.



New sulphur emission limits enter into effect in the Mediterranean

- The Mediterranean Sea officially became an Emission Control Area (ECA) under MARPOL Annex VI on **1 May 2025**
- It is estimated that more than 17% of worldwide cruises and 24% of the world fleet navigate the Mediterranean Sea.
- The **Med SOx ECA is the fifth designated Emission Control Area under MARPOL** Annex VI:
  - Baltic Sea area
  - North Sea area
  - North American area
  - US Caribbean Sea
  - Mediterranean Sea



Conclusions - Future Outlook for the West Mediterranean Region

1. Global economy seemed to be stabilizing after recent black swan events (the Pandemic, Ukraine War) – but here we go again!
2. The full impact of the reshuffling of alliances remains unclear due to overlapping factors such as the Red Sea crisis and Trump-era tariffs. The "Gemini Alliance", however, appears to be shifting transhipment focus to regional superhubs over Spanish ports – a good price to pay for increased gateway schedule reliability?
3. We are getting closer to services being operated by individual lines – vessels are not getting any bigger (24,000TEU) and lines want more control – great news for consumers with more services to choose from
4. The timeline for resolving the Red Sea and Suez Canal disruptions remains uncertain. While global freight rates and consumer prices are impacted, shipping lines are not much worried about it…
5. Significant amount of uncertainty surrounding Trump's tariffs. Less reliance on China is likely to mean growing opportunities for trade with growing economies of India, Vietnam, South Korea, Japan, or Thailand
6. Decarbonisation of the maritime industry is indeed happening – deglobalisation is not that clear, although nearshoring continues to gain momentum

Thank you

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