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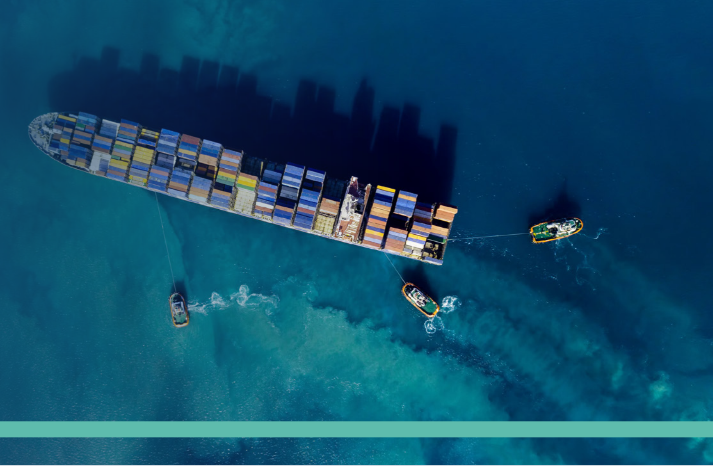


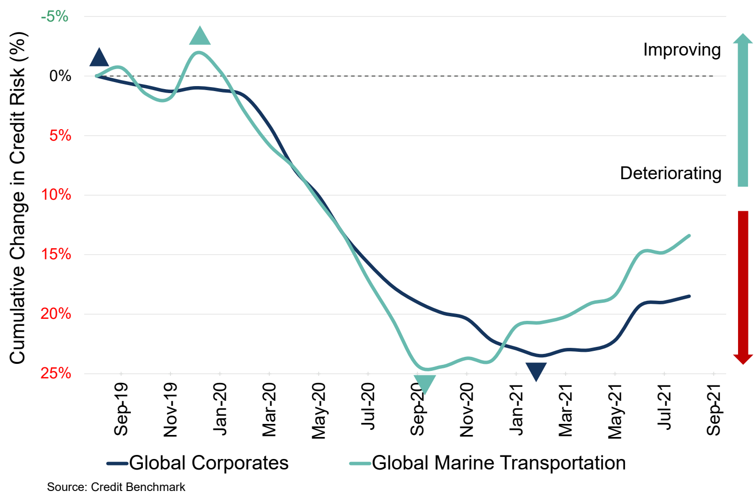
Marine Transportation: Turning the Credit Tide?

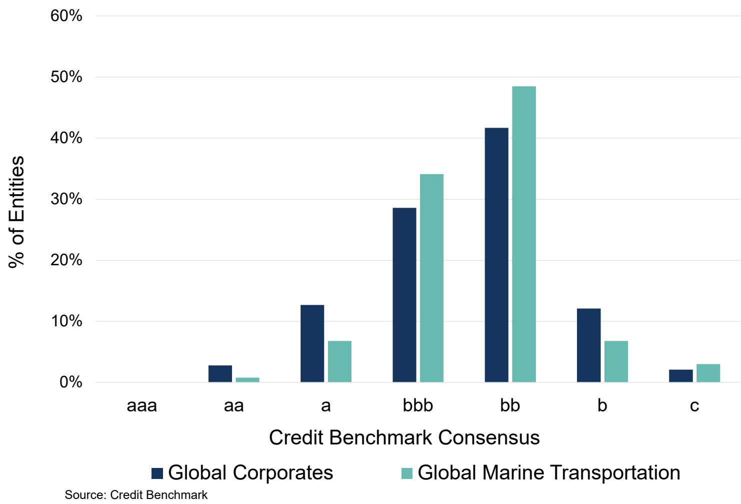
September 2021

The Economist [reports](#) that container unit costs have risen 4 to 6 times in the past 18 months while delivery times have nearly doubled. Local Covid outbreaks have resulted in temporary port closures around the globe, while changing consumption patterns have disrupted trade flows. These challenges have been compounded by deliberate capacity reductions at the start of the pandemic.

Figure 1 shows the trend and credit distribution for the Global Marine Transportation aggregate (131 firms) over the past two years compared to Global Corporates.

Figure 1: Credit trend and distribution for Global Marine Transportation vs Global Corporates





The steady decline from January 2020 is a noticeably early reaction to the Covid outbreak, pushing credit risk up by 25%. Recovery began in September 2020 – also earlier than many of the other industry aggregates. This suggests that the global Marine Transportation aggregate may be a leading indicator for overall credit risk.

Freight rates are notoriously volatile; unsuitable vessels are pressed into service when rates are high, and capacity rapidly disappears when rates are low. Successful shipping firms have the experience and balance sheet strength to navigate this, but even the largest firms show surprising differences in credit quality.

Figure 2 shows credit quality for 10 of the largest shipping firms in the world.

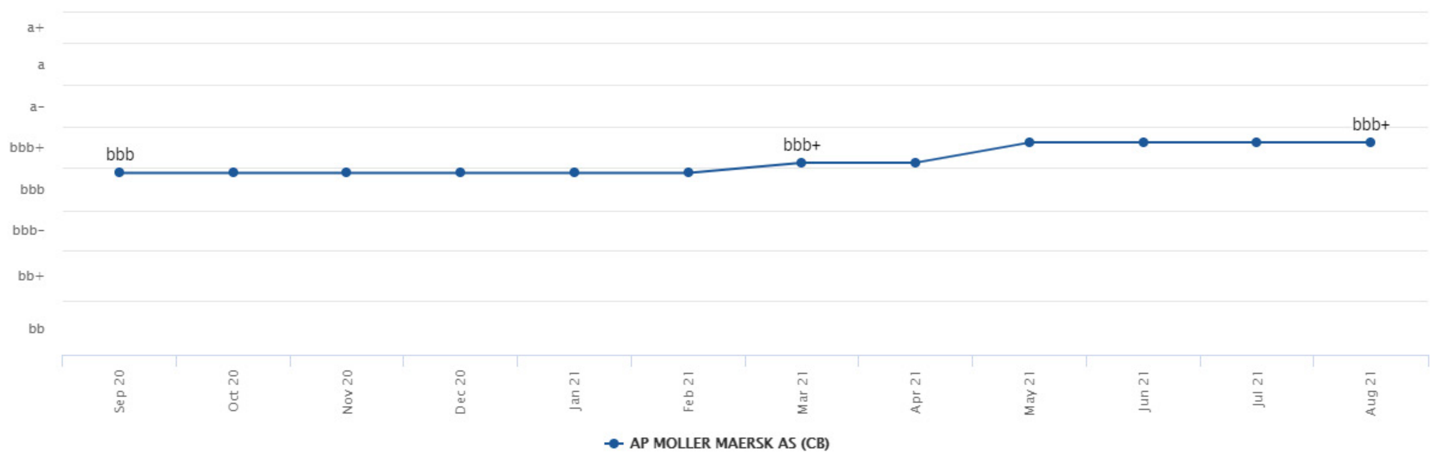
Figure 2: Credit Quality of Marine Transportation majors

Investment Grade (bbb or better)	AP MOLLER MAERSK AS KIRBY CORP KUEHNE & NAGEL INTERNATIONAL AG
Crossover (bbb- or bb+)	MATSON INC
Non-Investment Grade (bb or worse)	COSCO SHIPPING HOLDINGS CO LTD HAPAG LLOYD AG KAWASAKI KISEN KAISHA LTD MITSUI OSK LINES LTD NYK LINE JAPAN LTD ORIENT OVERSEAS CONTAINER LINE LTD

Of these 10 companies, 3 are in the investment grade category, six are in the non-investment grade category, and one – Pacific-focused Matson – is in the crossover zone. On the more detailed 21-category scale – not shown here – all 10 are within a six credit notch range.

Most of these 10 are now showing gradually improving credit profiles. For example, Figure 3 shows the detailed credit trend for Denmark-based AP Moller Maersk – the world's largest shipping firm – over the past year.

Figure 3: AP Moller Maersk Credit Trend, 21 category scale



The consensus rating moved from **bbb** to **bbb+** in March 2021, and is now close to the **a-** boundary. (S&P show a steady BBB throughout this period).

Premium subscribers on Bloomberg can now access 21-category consensus ratings and additional analytics for the 10 firms listed here as well as the 131 firms in the global Marine Transportation aggregate.

About Credit Benchmark

Credit Benchmark brings together internal credit risk views from 40+ of the world's leading financial institutions. The contributions are anonymized, aggregated, and published in the form of entity-level consensus ratings and aggregate analytics to provide an independent, real-world perspective of risk. Consensus ratings are available for 60,000 financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 90% of the entities covered are otherwise unrated.

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