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October 2016
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01
ECONOMIC CONTEXT
# Economic Situation in Eurozone and Rhine Countries

## Rate of Change in Real Gross Domestic Product in the Eurozone (in %)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (e)</th>
<th>2017 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone</td>
<td>-0.9</td>
<td>-0.3</td>
<td>1.0</td>
<td>1.6</td>
<td>1.6</td>
<td>1.7</td>
</tr>
</tbody>
</table>

*Source: OECD Economic Outlook (June 2016)*

*(e: expectations)*

## Rate of Change in Real Gross Domestic Product in the Rhine Countries (in %)

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (e)</th>
<th>2017 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.6</td>
<td>0.4</td>
<td>1.6</td>
<td>1.4</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.2</td>
<td>0.0</td>
<td>1.3</td>
<td>1.4</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>France</td>
<td>0.2</td>
<td>0.6</td>
<td>0.6</td>
<td>1.2</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-1.1</td>
<td>-0.4</td>
<td>1.0</td>
<td>2.0</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.1</td>
<td>1.8</td>
<td>1.9</td>
<td>0.9</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>-0.8</td>
<td>4.4</td>
<td>4.1</td>
<td>4.9</td>
<td>3.7</td>
<td>3.8</td>
</tr>
</tbody>
</table>

*Source: OECD Economic Outlook (June 2016)*

*(e: expectations)*
OECD June 2016 forecasts are lower than OECD November 2015 forecasts for Rhine countries.

New forecasts for Germany, Belgium, France, the Netherlands and the eurozone are on average 0.2 percentage points lower than those of November 2015.

On the other hand, the June 2016 forecasts for Switzerland and Luxembourg are respectively 0.1 and 0.9 percentage points higher.

According to the IMF, a decline in world trade and a drop in industrial output explain this downward revision in GDP forecasts.

Slowdown in China is impacting world trade and industrial output in Europe and the United States.
# Economic Situation in Danube Countries

## Rate of Change in Real Gross Domestic Product in The Danube Countries (in %)

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (e)</th>
<th>2017 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>0.7</td>
<td>0.3</td>
<td>0.5</td>
<td>0.8</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Hungary</td>
<td>-1.7</td>
<td>2.0</td>
<td>3.6</td>
<td>3.0</td>
<td>1.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1.5</td>
<td>1.4</td>
<td>2.5</td>
<td>3.6</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Romania</td>
<td>0.6</td>
<td>3.5</td>
<td>3.0</td>
<td>3.7</td>
<td>4.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.2</td>
<td>1.3</td>
<td>1.5</td>
<td>3.0</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>-2.2</td>
<td>-1.1</td>
<td>-0.4</td>
<td>1.6</td>
<td>1.9</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Sources: OECD Economic Outlook (June 2016) and IMF World Economic Outlook (April 2016) (e: expectations)

**+0.4%**

Average growth rate of industrial production in the manufacturing sector in Rhine countries for the period 2005-2015

**+3.1%**

Average growth rate of industrial production in the manufacturing sector in Danube countries for the period 2005-2015
Expected economic growth is higher for Danube countries than for Rhine countries.

Expected GDP growth in Rhine countries in 2016 is between 1.2% and 1.7%.

Expected GDP growth in Danube countries in 2016 is between 1.3% and 4.2%.

Catch-up phenomenon has propelled Danube countries for several years.

Their increasing industrial output derives in part from relocations of Chinese activities and direct investments in a number of eastern and south-eastern European countries.
02
DEMAND FOR INLAND WATERWAYS TRANSPORT
TRANSPORT PERFORMANCE IN EUROPEAN UNION BY COUNTRY

TRANSPORT PERFORMANCE IN IWT IN THE NATIONAL TERRITORY OF EACH COUNTRY IN THE EUROPEAN UNION

Share of the country’s tkm in total transport performance of the EU

Belgium: 37.6%
France: 5.8%
Germany: 7.2%
Netherlands: 33.0%

Luxembourg: >30%

Poland: 0.1%
Romania: 8.9%
Bulgaria: 3.8%

Countries with <1% share: Austria, Hungary, Croatia.
• Share of Germany and Netherlands in European Union IWT transport performance in 2015: 71%.

• Danube countries have increased their share in EU inland navigation from 9% to 16% over the last 10 years.

• Slight upward trend in European IWT: between 2005 and 2015, the overall IWT transport performance in the EU increased by around 7%.

Source: Eurostat and CCNR calculations.
TRANSPORT PERFORMANCE IN EUROPEAN UNION BY TRANSPORT TYPE

INLAND SHIPPING TRANSPORT PERFORMANCE IN THE EU (QUARTERLY DATA - M TKM)

Source: Eurostat
• Share of container transport within the EU has increased slowly but steadily, reaching 10.3% in 2015 in inland navigation transport performance.

• The proportion is even higher in some countries: 14.7% in Belgium, 13.7% in the Netherlands, 11% in Germany.

• In all Danube countries, however, container transport still plays a minor role, due to bottlenecks in the transport infrastructure, a lower demographic and industrial density and the lack of a mainport for container handling.
DEMAND FOR TRANSPORT IN MAIN IWT COUNTRIES – RHINE COUNTRIES

INLAND SHIPPING TRANSPORT PERFORMANCE IN GERMANY AND THE NETHERLANDS

Source: Eurostat and CBS

INLAND SHIPPING TRANSPORT PERFORMANCE IN BELGIUM AND FRANCE

Source: Eurostat
Transport performance in Rhine countries was higher during the first quarter of 2016 than during the last quarter of 2015 (mainly because of rebound following period of low water levels), but transport performance has not yet reached the performance level observed during the first quarter of 2015; recovery is ongoing.

- Decrease between Q1 2015 and Q1 2016 is mainly explained by decrease in transport of steel industry related products (iron ore, coal, metals).

- Despite a decrease for the overall transport performance, some segments have experienced growth during the first quarter of 2016 (compared with Q1 2015): mineral oil and chemical products in Germany and the Netherlands, building materials in France.

- Sand, gravel and construction material transport increased by 13% during the first quarter of 2016 in France.

- Chemical products transport increased by 14% during the first quarter of 2016 in the Netherlands.
DEMAND FOR TRANSPORT IN MAIN IWT COUNTRIES – DANUBE COUNTRIES

INLAND SHIPPING TRANSPORT PERFORMANCE IN BULGARIA AND ROMANIA

Source: Eurostat

INLAND SHIPPING TRANSPORT PERFORMANCE IN AUSTRIA AND HUNGARY

Source: Eurostat
Both the Upper Danube (Austria) and the Lower Danube (Romania and Bulgaria) experienced different results during the first quarter of 2016. The Lower and Middle Danube have been strongly impacted by bad harvest results in 2015.

- Grain transport on the Lower Danube was divided by 5 during the first quarter of 2016 (compared to first quarter of 2015).

- 12% transport performance increase in Austria was strongly driven by an increase in transportation of iron ores and metals.

Source: Eurostat
DRY BULK, LIQUID BULK AND CONTAINER TRANSPORT

QUARTERLY EVOLUTION OF TRANSPORT PERFORMANCE FOR DRY BULK, LIQUID BULK AND CONTAINERS IN THE NETHERLANDS (IN M TKM)

Source: CBS
Germany and the Netherlands account for 86% of European liquid bulk transport performance, and for 66% of dry bulk transport performance.

For Germany, the Netherlands, and the Rhine in general, the liquid cargo segment has recovered more quickly from the losses in autumn 2015 than the dry cargo segment.

The dry cargo segment experienced severe losses in autumn 2015, which were not fully compensated for at the beginning of 2016 in Germany and on the traditional Rhine.

Container transport was also heavily impacted by the low water period, and was starting to recover at the beginning of 2016.
DETAILED RATES OF GROWTH IN TRANSPORT PERFORMANCE BY SEGMENT IN THE NETHERLANDS AND GERMANY
(Q1 2016 COMPARED WITH Q4 2015)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry Cargo</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Liquid Cargo</td>
<td>27%</td>
<td>12%</td>
</tr>
<tr>
<td>Containers</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>20%</td>
<td>8%</td>
</tr>
</tbody>
</table>

(Chart showing the percentage growth in transport performance for Dry Cargo, Liquid Cargo, Containers, and Total for Germany and the Netherlands.)
All goods segments have witnessed growth in the first quarter of 2016, when compared to the immediate past (fourth quarter of 2015).

In Germany, growth between Q1 2016 and Q4 2015 was stronger than in the Netherlands, reflecting mainly catch-up effects, as losses of cargo on German waterways were considerable in autumn 2015.

Total transport performance during the first quarter of 2016 has not yet reached 2015 first-quarter levels in Netherlands and Germany (except for the liquid cargo segment), but in the Netherlands it regained this level during the second quarter.
03 OPERATING CONDITIONS
TURNOVER DEVELOPMENT IN EUROPE

TURNOVER DEVELOPMENT IN THE NETHERLANDS
(MAINLY A CARGO-TRANSPORT COUNTRY) – INDEX: 2010 = 100

Source: CBS and CCNR estimation

TURNOVER GROWTH IN FIRST QUARTER 2016 COMPARED WITH FIRST QUARTER 2015 WAS +0.5%
Due to low water levels and the subsequent raise of freight levels, turnover increased by almost 9% in the second half of 2015 in the Netherlands.

IWT turnover evolution in the Danube countries is heavily impacted by the fact that they are mainly passenger transport countries.

Immense seasonal variations are to be observed: high activity in summer and autumn, and almost no activity in winter.
In the second half of 2015, the low water levels led to a sharp increase in transport prices. In the first half of 2016, freight rates returned to levels which can be regarded as typical or average for the time period 2012-2015.
The IWT cost situation will continue to be influenced by rather low oil prices in 2016 and 2017 because of a growing surplus of oil supply and a brake on demand for oil.
04
OUTLOOK
FOCUS ON CHEMICAL INDUSTRY

RATE OF CHANGE IN CHEMICAL PRODUCTION IN GERMANY AND RATE OF CHANGE IN DEMAND FOR TRANSPORT OF CHEMICALS ON THE RHINE (YEAR-ON-YEAR CHANGE)

Source: CCNR and destatis
3rd

The German chemical industry is the third largest chemical industry in the world, after the USA (ranked 2nd) and China (ranked 1st).

- 17% of the transport generated by the German chemical industry is carried by river, 23% by rail, and 60% by road.
- Strong correlation between chemical production in Germany and the transport of chemicals on the Rhine.
FORECAST MODEL AND RESULTS

TRANSPORTS OF CHEMICALS ON THE RHINE AND ECONOMETRIC FORECASTING MODEL

MODELS RESULTS

• Growth of chemical transport between 3.8% and 4.1% in 2016 (compared to 2015), and between 0 and 2.5% in 2017 (compared to 2016).

• Catch-up effects associated to low water levels in 2015 explain higher growth rates in 2016.
Source: CCNR

MACROECONOMIC AND NATURAL INDICATORS EXPLAINING EXPECTED GROWTH IN 2016 AND 2017

- Recovery in world trade
- Slight increase in chemical production
The container throughput index is based on data from 81 world container ports covering approximately 60% of worldwide container handling.

The throughput index is a reliable early indicator of the development of international merchandise trade and has been increasing in 2016.
TRENDS IN DEMAND FOR TRANSPORT IN 2016/2017

<table>
<thead>
<tr>
<th>Main driver(s)</th>
<th>Trends in demand for transport in 2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>Harvest results</td>
</tr>
<tr>
<td>Iron ores</td>
<td>Steel production</td>
</tr>
<tr>
<td>Metals</td>
<td>Steel production</td>
</tr>
<tr>
<td>Coal</td>
<td>Weather &amp; Energy policy</td>
</tr>
<tr>
<td>Containers</td>
<td>World trade</td>
</tr>
<tr>
<td>Mineral oil products</td>
<td>Oil prices</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Chemical production</td>
</tr>
</tbody>
</table>

Source: CCNR based on Eurostat, WTO, IEA, RWI, ISL, VCI, Stahl Online


- Outlook for iron ores, metals and coal has changed from stable to decreasing; this is due to the worsening position of business activity in the steel industry.
- Outlook for agriculture products has changed from increasing to decreasing; this is due not to lower demand but to bad harvest results.
- Outlook for containers, mineral oil products and chemicals has remained on an upward trend.
The Market Insight of European inland navigation is a common project of the CCNR and the European Commission

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