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The impact of Coronavirus in the carriage of goods and passengers by sea

Europe is not isolated from the effects of the world's second largest economy's decrease in terms of the production of goods. The last EU forecast predicts that the EU27 economy grew a 1.5% in 2019 and is expected to grow a 1.4% in both in 2020 and 2021. However, the EU has not included the "Covid-19" coronavirus impact on its forecast.

The supply chains are being affected by the outbreak. Longer than expected factory shutdowns by the Chinese lunar new year and other restrictions imposed by authorities, have cut production. The Chinese Government extended the lunar new year Holidays and Chinese factories were not opened until the 3rd of February 2020. A large number of provinces and towns extended the holidays until the 9th of February. Others until the 13th and the 17th of February, respectively.

Car producers such as Hyundai and Nissan temporarily suspended production in their plants in South Korea and Japan. The measures to contain coronavirus have resulted in reductions of 15 to 40 per cent in output across key industrial sectors. China's carbon emissions have dramatically dropped in the last two months along with the demand for coal and oil.

Important shipping companies such as A.P. Møller – Mærsk A/S, CMA CGM SA or Evergreen Marine Corp have reduced or cancelled sailings. The effects of coronavirus on EU-China trade flows are acute in containerised, dry bulk and tanker trades.

Cruise ship bookings for all regions are weak and the first three major cruise operators, Carnival, Royal Caribbean International and Norwegian Cruise Line are suffering losses of profit. Royal Caribbean expects a 12 per cent fall in earnings this year and Carnival may cancel its Asian trips until May.

China represents a soaring market for the shipping cruise industry. The Cruise Lines International Association estimated that the Asian market rose from 1.2 million of passengers in 2013 to 4.2 million in 2018 of which more than the half are Chinese. Chinese outbound travellers spent \$277 billion in 2018 according to the UN World Tourism Organisation. Most insurance commercial premiums do not cover epidemic outbreaks and the premiums are very high. The costs will have to be absorbed by the P&I Clubs.

However, there is room for optimism: New vaccine trials are underway and the volume of goods carried between Europe and China will be back to previous levels once the epidemic is eventually brought under control.