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Fitch: "Healthy" Rest of 2017 Awaits U.S. Transportation Infrastructure Sector.

Fitch Ratings-New York-17 July 2017: The outlook for U.S. transportation infrastructure remains quite healthy for the rest of this year despite a lack of clarity around the Trump administration's plans for beefing up infrastructure spending, according to Fitch Ratings in its midyear outlook report.

Fitch views near-term U.S. economic trends favorably with modest 2.1% GDP growth this year even amid slower-than-expected first-quarter growth and fiscal easing. Low fuel prices should keep travel costs affordable, while large transportation enterprises will still need to borrow debt at least for the foreseeable future in order to help provide congestion relief and serve ongoing infrastructure renewal needs. Longer term, however, in just what manner U.S. economic and fiscal policies materialize make the outlook more uncertain.

Growth in passenger traffic at U.S. airports remains solid though it will level off somewhat in the coming months. "Large-hub airports are still the strongest performers in the aggregate, though smaller regional airports are now showing stronger performance as well," said Seth Lehman, Senior Director. Volume growth should continue to mirror that of GDP for U.S. ports for rest of the year. That said, "shipping company mergers, changing alliance structures and fluctuating freight rates will shift volumes, which could alter contractual protections for select ports," said Emma Griffith, Director.

The growth outlook is more moderate for U.S. toll roads for the second half of 2017. Inflationary toll increases should lead to stronger revenue growth, with much of the greenfield development still emanating from managed lanes. "Toll roads still face political risk, including federal funding uncertainty and state tolling opposition," said Tanya Langman, Director. A more cautious growth trajectory remains in the cards for public private partnerships (P3s) as well. More state and local governments are exploring P3 financing models, though "there remains a scarcity of funding and a lack of understanding around the P3 structure, meaning most infrastructure needs will continue to be financed via more traditional means," said Scott Zuchorski, Senior Director.

Fitch's '2017 Midyear Outlook: U.S. Transportation Infrastructure' report is available at www.fitchratings.com.

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