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## **Fitch Ratings: U.S. Transportation Growth Outweighs Rate Hikes**

Fitch Ratings-New York-18 October 2018: All three major U.S. transportation segments are looking at continued healthy growth in the coming months even with the prospect of further interest rate hikes, according to Fitch Ratings in its latest annual report.

Airports, toll roads and ports are all facing potential increases in borrowing costs should the Federal Reserve continue to increase interest rates (three increases this year to date). That, coupled with increasing capital improvement spending needs, has the potential to slow growth. That said, 'the transportation sector's high ratings, along with high rate of fixed-rate debt, should limit the effects of potential interest rate escalation,' said Fitch Director Stacey Mawson. This comes as all three segments continue to see healthy growth that is outpacing that of U.S. GDP so far this year. 'As the economy continues to expand, growth is felt across transportation sectors, although higher fuel prices are muting some of that affect,' said Mawson.

Enplanements for U.S. airports nearly doubled yoy, up a healthy 5% for the first six months of 2018 compared with 2.6% growth during the same period last year. Fitch expects a similar rate of growth for second-half 2018, with medium and small hubs having the potential to outperform. Strong medium and small hub performers include Rhode Island, San Jose, Cincinnati, Albuquerque and Burbank, while Ft. Lauderdale, San Diego, Tampa and Orlando have been leading the pack for large-hub airports.

Growth among U.S. ports has been solid through the first six months of this year (4.8%), though lower as compared with the robust performance seen in the first six months of 2017 (6.9%), though volume is still ahead of real U.S. GDP growth. There may be some more immediate volume shifts between ports with trade agreements still being renegotiated and steep tariffs imposed. Over time, however, any initial move in volume should level off.

Traffic and revenue growth for toll roads will stay on an upward trajectory. Facilities in the Southeast and Southwest recovered rather quickly following hurricane-related travel interruptions in the latter half of 2017 with year-to-date 2018 traffic growth averaging 5.0% and 3.8% respectively, easily ahead of toll roads throughout Northeast (1.5%). More people moving to the Southeast and Southwest will add to toll road traffic and revenue over time. As in past years, one factor that could temper growth for toll roads is a material increase in gas prices.

Fitch's 'U.S. Transportation Trends - Fall 2018' report is available at '[www.fitchratings.com](http://www.fitchratings.com)'

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