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Fitch: Inflation Could Disrupt Steadier U.S. Transportation in 2022

Fitch Ratings-New York-01 December 2021: U.S. transportation infrastructure is likely to see a firmer upward trajectory next year, though Fitch Ratings' 2022 outlook report for the sector says the path of inflation could be disruptive for some sectors.

Higher inflation will cause net income to rise as long as revenues grow at the same pace as O&M. This stands to benefit most toll roads in particular as many of them apply automatic annual rate increases indexed to inflation. Conversely, some toll roads that do not have the economic, legal, or political flexibility to raise revenues in line with inflation may experience some financial impairment.

"Seaports and toll roads have benefitted from a rapid and robust recovery in 2021, laying the groundwork for a return to more normalized growth next year," said Lehman. "Airports and cruise-focused ports still have further room for traffic recovery as remaining travel restrictions ease as expected through next year."

Airports continue to see relief of late thanks to improved leisure traffic. However, international traffic is still down by more than half as compared to pre-pandemic, while business travel is also lagging. As a result, full recovery will come quickly in some markets but also remain elusive for a segment of airports until 2024, per Fitch's projections.

Toll roads, by contrast, are much closer to full pre-pandemic recovery. Fitch expects commercial traffic to continue rising, though passenger traffic remains below 2019 levels largely due to telecommuting.

Ports will be contending with congestion challenges well into 2022. Disrupted supply chains continue to challenge operational efficiency at gateway ports, with bottlenecks leading to shipping delays exacerbated by strained logistics networks and ongoing labor shortages.

'2022 Outlook: U.S. Transportation Infrastructure' is available at 'www.fitchratings.com'.

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