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## **Fitch: Global Port Labor Issues Add to Bottlenecks, Limited Credit Effect**

Fitch Ratings-New York-21 July 2022: Labor issues at cargo ports could prolong shipping bottlenecks and temporarily reduce volumes, Fitch Ratings says. Global ports are sensitive to labor-related disruptions as they are still clearing residual pandemic-related backlogs with shippers entering their peak season. However, stable, contractually guaranteed revenues and robust liquidity will limit the effects on port credit profiles.

In the US, the International Longshore and Warehouse Union (ILWU) and Pacific Maritime Association (PMA) continue to negotiate a new contract following the expiration of their prior contract on July 1. Both parties announced that operations will continue, despite the failure to agree to a contract extension, but the risk of disruptions remain as long as an agreement has not been reached. Negotiations affect 29 West Coast ports, the largest of which are Port of Los Angeles (POLA) and Port of Long Beach (POLB), which together handle roughly 30% of US container volume. Major points of negotiation are salary increases and cargo handling automation. No end date for negotiations is set but market reports indicate a new contract may be in place by August or September.

Twenty-foot equivalent units (TEUs) at US ports remain elevated this year compared with 2019 and early 2020, and US port import volumes are expected to tick up as retailers stock up for back to school and holiday season sales. Stronger volume growth for East Coast ports beginning in 3Q21 was the result of shippers rerouting some cargo from the West Coast ports to avoid congestion and adjusting ahead of contract negotiations. East Coast and West Coast port TEUs were up 9.9% and 0.4%, respectively, this year through May 2022 versus the same period in 2021.

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