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PRESS RELEASE

Economic importance of the Belgian ports: Flemish maritime ports and Liège port complex - 2004 report

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The National Bank of Belgium publishes an annual update of the study of the economic importance of the Flemish maritime ports –Antwerp, Ghent, Ostend and Zeebrugge- and the Liège port complex. For the first time, the findings for these five ports have been collected together into one publication.

Each port's contribution to the national economy is estimated on the basis of the analysis of its economic, social and financial situation over the period from 1999 to 2004. The three variables concerned in the main developments are value added (VA), employment and investment. This study also highlights the port sector's indirect effects on the economy of the country in terms of VA and employment. The social balance sheet is summarised in two sections: one covering the Flemish maritime ports and the other the Liège port complex. The analysis of the financial results of the sectors under review is supplemented by application of a bankruptcy prediction model.

2004 was a very good year for the progress of cargo handling in the Flemish maritime ports[1] and the Liège port complex. The structural growth of container transport remained the main engine of that expansion.

As regards the economic activity taking place in the ports and upstream, the picture is more mixed: while VA did increase overall, there were divergences in the trend in employment, investment and the financial health of the firms included in the study.

The direct VA of the four Flemish maritime ports increased in 2004 against the previous year at an average of 13.3 p.c. at current prices, or +10.7 p.c. at constant prices. This growth is well above that seen in the national economy as a whole. Ghent recorded the most sustained expansion, particularly in its two main industries, metalworking and car manufacturing. Antwerp, which represents almost 65 p.c. of wealth creation in these four ports, also saw a large increase in its contribution to GDP, particularly in the chemical sector. The Antwerp and Ostend shipping companies and the Zeebrugge shipping agents and forwarders also participated in this growth. Indirect VA, generated by all the activity taking place on the part of suppliers and subcontractors upstream of the firms in the population, mirrored that trend. The total VA of the Flemish maritime ports, being the sum of the direct and indirect VA, thus amounted to almost 25 billion euro in 2004, or the equivalent of 15.1 p.c. of the GDP of Flanders and 8.7 p.c. of Belgian GDP. In the Liège port complex, direct VA increased by 17.6 p.c. at current prices between 2003 and 2004, an increase of 14.9 p.c. at constant prices. Energy and metalworking recorded the most significant increases. Indirect VA followed the same trend, so that total VA exceeded the 2.2 billion euro mark, at a level corresponding to 3.3 p.c. of Wallonia's GDP and 0.8 p.c. of Belgian GDP.

Direct employment expanded by 0.6 p.c. in the Flemish maritime ports in 2004, a figure corresponding to the growth of Belgian domestic employment. The strongest rise occurred at the port of Ghent, mainly on account of recruitment in car manufacturing. A small increase was recorded at Antwerp, which employs over 58 p.c. of the workforce of the four ports. Redundancies in industry at Ostend and in the Zeebrugge maritime cluster account for the decline in the workforce at those two ports in that year. Part-time working expanded once again, as did hired temporary workforce. Recruitment in the Flemish maritime ports focused mainly on graduates, especially in the heavy industries and other logistic services, while less time was devoted to training. Total employment, which also includes indirect employment –i.e. the staff of the suppliers and subcontractors serving the firms considered– exceeded 242,000 FTEs in 2004. These four ports thus

[1] For further economic-maritime information concerning the Flemish maritime ports, please refer to the website of the Flemish ports commission: www.serv.be/vhc.

represented 11.3 p.c. of domestic employment in Flanders and 6.5 p.c. of Belgian domestic employment. In the Liège port complex, direct employment continued the decline which had begun in 2002, dropping by 8.1 p.c. from 2003 to 2004. The largest fall was recorded in metalworking, a sector which is undergoing major restructuring, but there was also a decline in construction. The same finding concerning the growth of part-time working and hired temporary workforce applies to the Liège basin. For female workers, the labour situation was not as good as in 2003, with a reduction in recruitment and in the time devoted to training. Indirect employment, which was more stable, also declined in Liège in 2004. As a result, total employment at the port complex dropped below 27,000 FTEs, which was equivalent to 2.7 p.c. of Wallonia's domestic employment and 0.7 p.c. of Belgian domestic employment.

The year 2004 brought a substantial decline in investment in the Flemish ports, with cuts averaging 7.1 p.c. at constant prices compared to the previous year. A notable fall occurred in metalworking and car manufacturing in Ghent, in the Ostend chemical sector and in the electronics industry in Zeebrugge. The port of Antwerp, accounting for 77.5 p.c. of the funds invested in the four ports in 2004, was the only one to resist this trend, thanks to the energy, oil and shipping sectors. Taking all the Flemish maritime ports together, investment came to just over 2.6 billion euro in 2004. After contracting for two years, investment in the Liège port complex gained 15.2 p.c. at current prices from 2003 to 2004, a rise of 14.3 p.c. at constant prices, metalworking and energy being the main sectors concerned. This meant investment in the port complex of 138 million euro.

In 2004, the ports of Antwerp and Ghent enjoyed a marked improvement in return on equity after tax, so that the average profitability of firms based in the Flemish ports was above the national average. Conversely, average net working capital became negative at Antwerp, thus depressing the average liquidity in the broad sense below 1 in 2004 at the Flemish ports, in contrast to the national average. There was also a decline, on average, in solvency, attributable to Antwerp and Zeebrugge. The average solvency of Antwerp firms fell short of the national figure in 2004, whereas in the other three ports it was higher. However, the proportion of firms facing financial problems declined in the Flemish ports, in the case of both large companies and SMEs. On average, the three ratios increased in the Liège port complex in 2004, exceeding the figures recorded at national level. Moreover, the proportion of firms potentially experiencing financial problems diminished there in that same year, as Liège SMEs made substantial improvements to their financial situation.

Taken together, these findings lead to one conclusion: the growth of traffic does not necessarily generate a corresponding increase in value added, nor is it always matched by job creation. By encouraging projects aimed at improving their accessibility and capacity, and developing high value added activities, the Belgian ports are endeavouring to strengthen their competitive position on the international scene in order to ensure growth and employment.

Communication
National Bank of Belgium Ltd.
boulevard de Berlaimont 14
BE-1000 BRUSSELS
phone + 32 2 221 46 28
www.nbb.be
VAT BE 0203.201.340
RLP Brussels