

LOGISTICS REPORT

# Car-Shipping Giant Grimaldi Faces Tariff Headwinds

The Italian maritime leader says trade tensions are adding to economic worries and changing technology that are weighing on automotive transport



Export cars are loaded on a ship of Italian Grimaldi Group at a terminal in the port of Hamburg, Germany. PHOTO: FABIAN BIMMER/REUTERS

*By Costas Paris*

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Italy's Grimaldi Group, one of the world's biggest ocean-going car carriers and heavy equipment movers, expects stagnant demand over the next year as recession fears and trade disputes tamp down vehicle sales growth around the world.

"There is definitely a slowdown," Emanuele Grimaldi, a co-owner of the shipping giant founded by his father, said in an interview. "A lot has to do with recession fears, protectionism in the U.S. and Brexit."

The Grimaldi Group is a heavyweight in the international trade of automobiles, trucks, railcars and other vehicles. The privately held company runs 50 chunky, workhorse vessels known as car carriers specially built for the transport and has contracts to move Fiat Chrysler Automobiles NV autos, along with Ford Motor Co., Volvo AB and General Motors Co. brands.

Auto makers globally produced some 95 million new cars and commercial vehicles last year, according to industry data provider Statista, and a substantial number of those move in international trade on large cargo ships designed to carry vehicles. The European Union is the leading exporter, with 6.1 million cars worth \$154 billion shipped overseas last year, according to the European Automobile Manufacturers Association.

The U.S. is the main buyer of European cars such as Mercedes, BMW and Volkswagen, bringing in 1.2 million cars, followed by China’s import of 600,000 European vehicles.

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“We put them on ships that load 8,000 cars on a dozen decks, packed like Penn Station at rush hour,” said Yiannis Sgouras, a veteran captain. “They come from Germany, Italy and the U.K. to Texas, Georgia and New York. Drivers take them out and bring in Jeeps and Fords for the trip back to Europe.”

The business is flagging, however, amid slowing growth in developed markets and trade tensions that threaten to raise the cost of vehicles and dampen consumer sales.

Global car production fell 1% last year from 2017, the first annual decline since the 2009 financial

crisis, according to Statista.

“There will be no growth in our trade over the next months,” Mr. Grimaldi said. “Seaborne trade is falling and it has to do with this new protectionism in America. Tariffs hurt trade.”

**Seaborne trade is falling and it has to do with this new protectionism in America.**  
—Emanuele Grimaldi

The  
International  
Monetary Fund  
recently lowered

its forecast for world trade volume growth this year to just 1.1%, less than half the growth estimate of 2.5% in July. Any significant retreat in automotive shipping is likely to lead to retrenchment in the car-carrier trade.

Mr. Grimaldi said 10 of the ships his company operates are chartered and he will return some to the owners if demand weakens. He said he fears the tariffs on \$7.5 billion of European goods that the U.S. imposed on Friday could trigger another escalating trade row.

“U.S. tariffs with Europe will be a big challenge,” he said. “With China there is a chronic trade imbalance. It’s not the same with Europe, but I fear the trade tension may escalate.”

Trade disputes are mostly affecting car-carrier long-haul transports from China, Japan and South Korea to the U.S. and Europe.

U.S. automotive sales have slipped this year, albeit from very high levels, and declined 12% in September from a year earlier, according to industry analysis firm Edmunds. The U.S. Commerce Department said a 0.9% drop in sales at car dealerships and auto parts stores was a significant factor in declining U.S retail sales last month.

Mr. Grimaldi said Americans and Europeans are keeping their cars longer, waiting on a new generation of hybrid and electric vehicles to come to the market.

“There are expectations of big advances in terms of batteries. The diesel car market is becoming smaller and people are waiting for new hybrids and electric cars,” he said. “That market will eventually take off.”

Car makers like Volkswagen AG are investing heavily in joint ventures with battery makers in a push to create more electric cars. The German giant said in July it will invest \$56 billion in battery cells.

Mr. Grimaldi said sales of certain U.S. brands like Jeep are growing fast in Europe and Asia.

“They are iconic American cars that are very popular across the world,” he said. “Fiat has done a good job showcasing them at all dealerships across its network.”

Jeep global sales were up more than 12% last year, one of the fastest growing performers in the auto industry.

U.S. new car exports reached 1.8 million units in 2018, the lowest in four years, according to the U.S. International Trade Administration. The main export markets were Canada, China, Germany, Mexico and Saudi Arabia, according to industry data

Meanwhile, the U.S. imported 8 million vehicles last year, about the same as 2017. The imports came mainly from Mexico, Japan, Germany, South Korea, the U.K. and Italy.

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