

Trade and Economic Trends

Marine Terminal Management Training Program



Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

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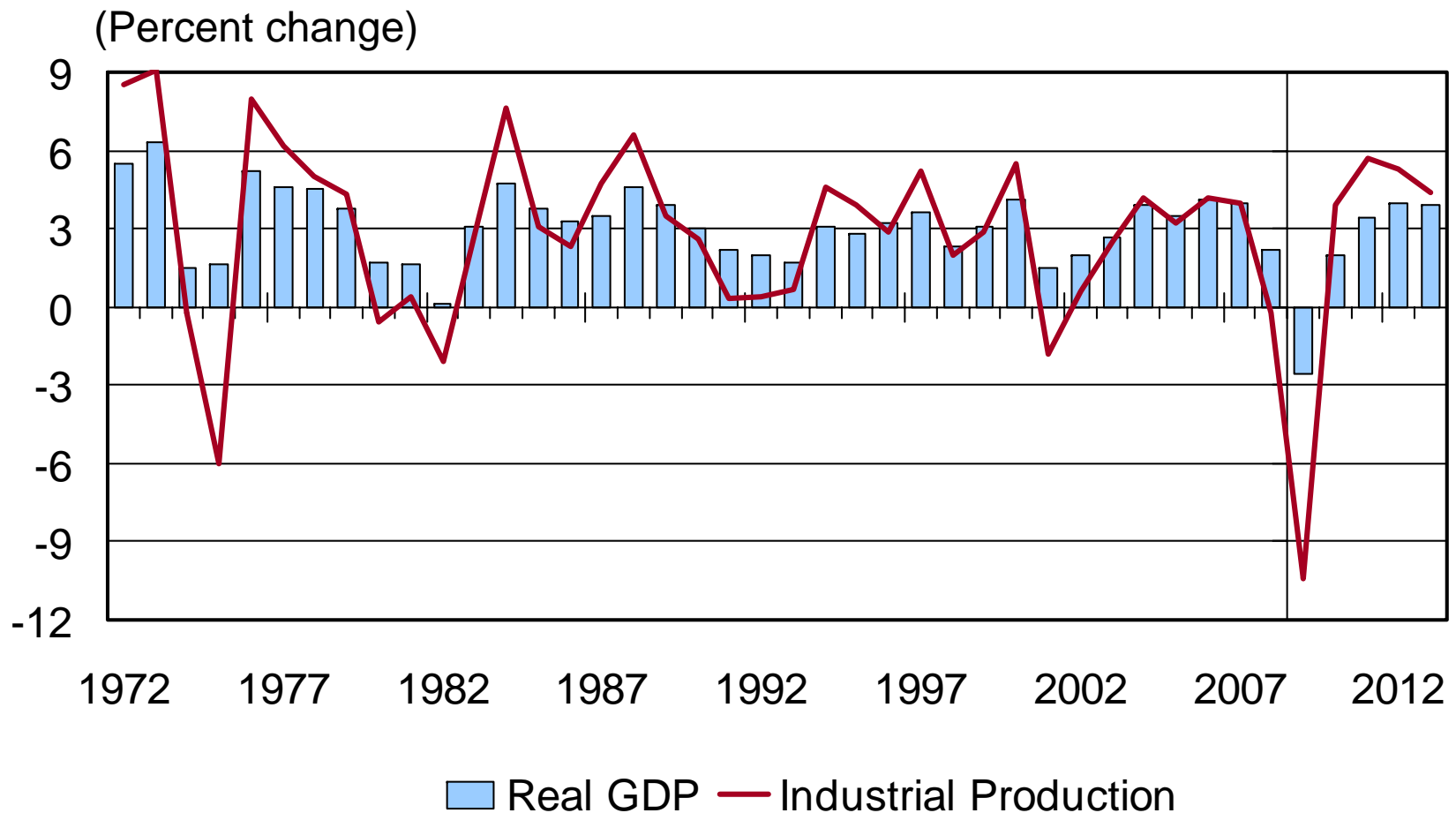


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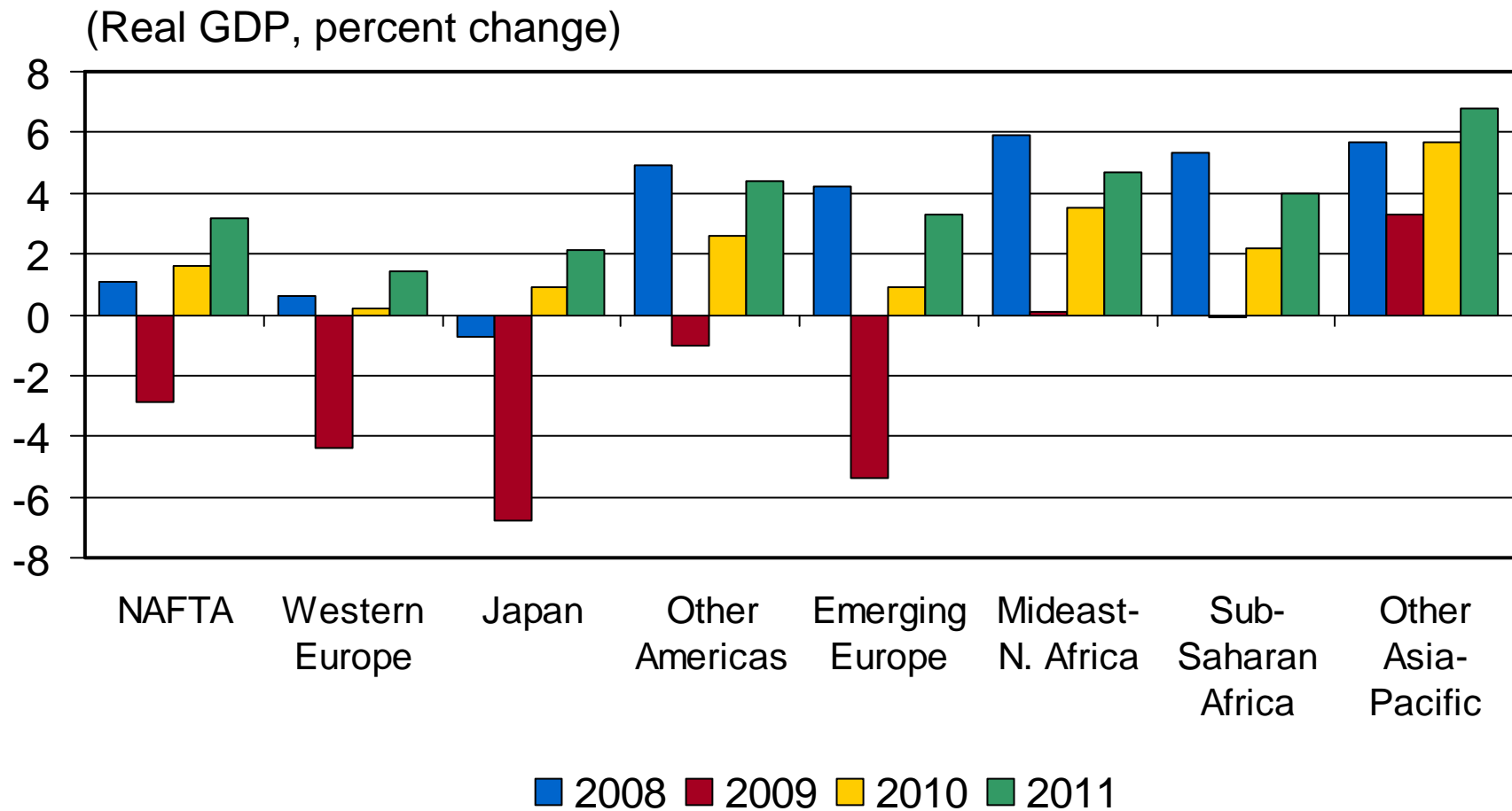
The Global Recession Is Ending

- Leading indicators are improving across regions
- The global inventory correction is winding down
- Massive and unorthodox U.S. and foreign monetary stimulus promoted growth
- Financial markets have stabilized though credit remains tight, limiting spending to satisfy pent-up demand
- The timing and speed of recovery will vary globally, with Asia leading, the U.S. coincident, and Europe lagging
- Bottom Line: deep recession in 2009, modest recovery in 2010, and a stronger rebound in 2011-2012

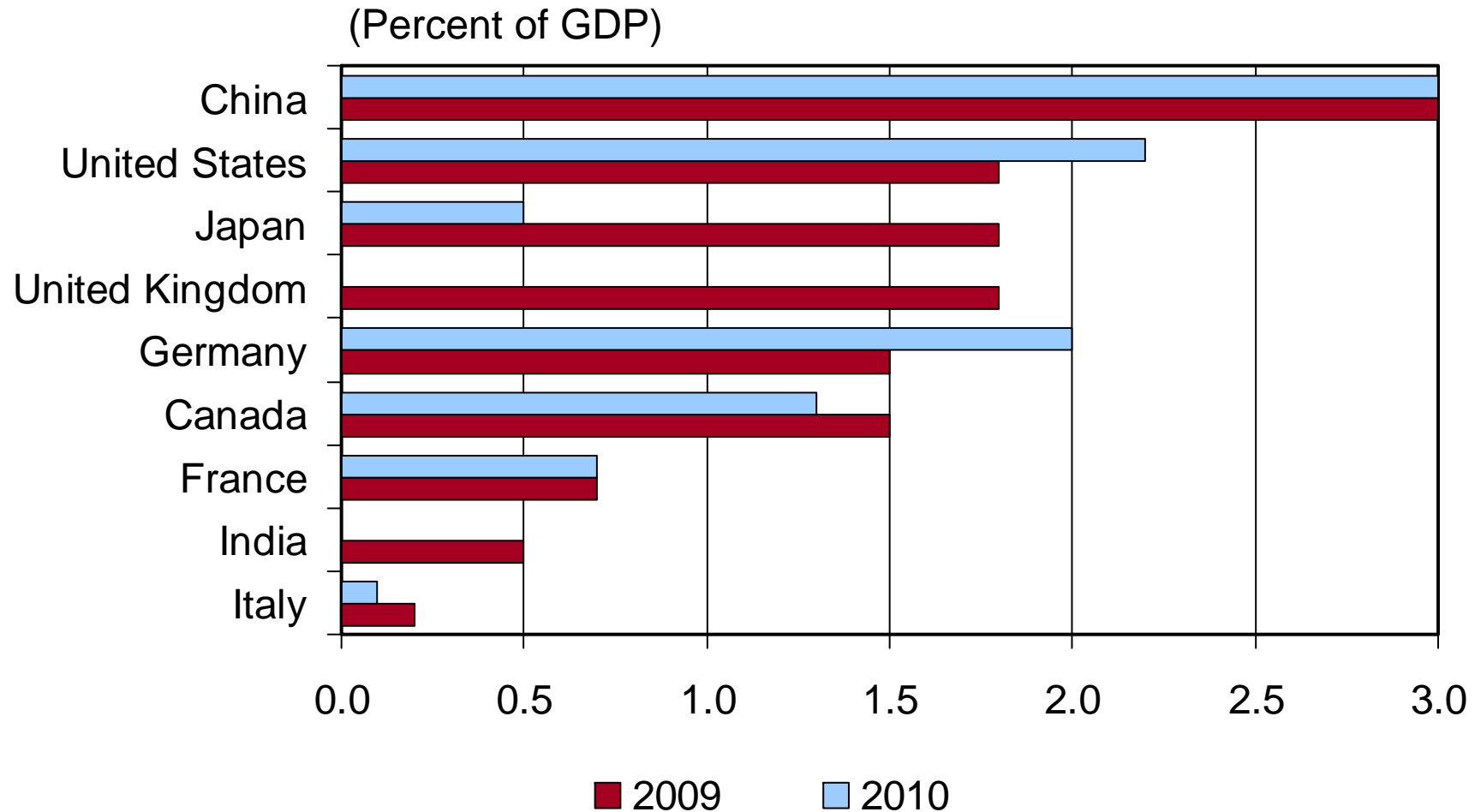
The World Economy Has Suffered the Worst Recession of the Postwar Era



Asia – Pacific Economic Growth Leads the World

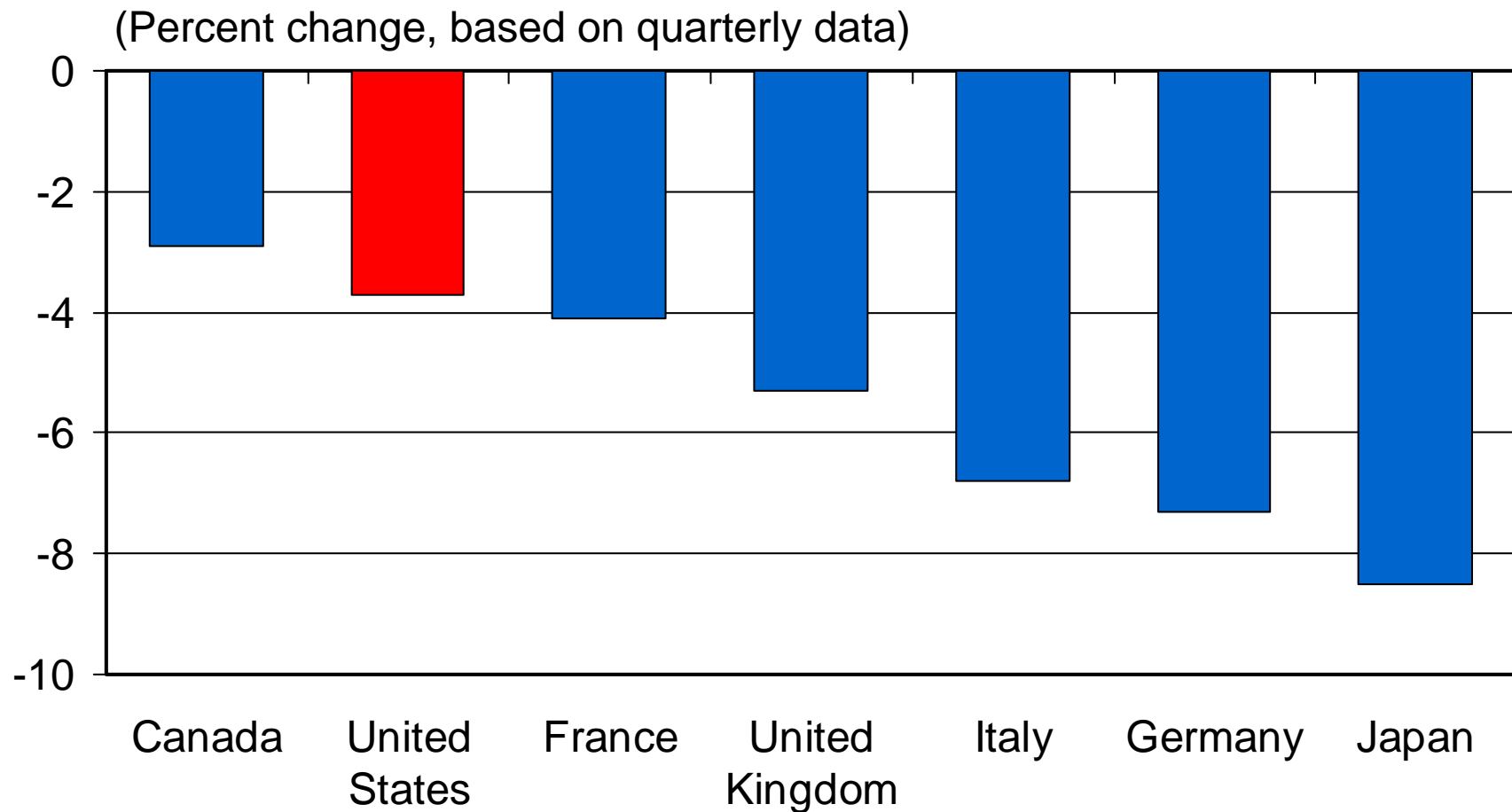


Government Fiscal Stimulus in 2009 and 2010

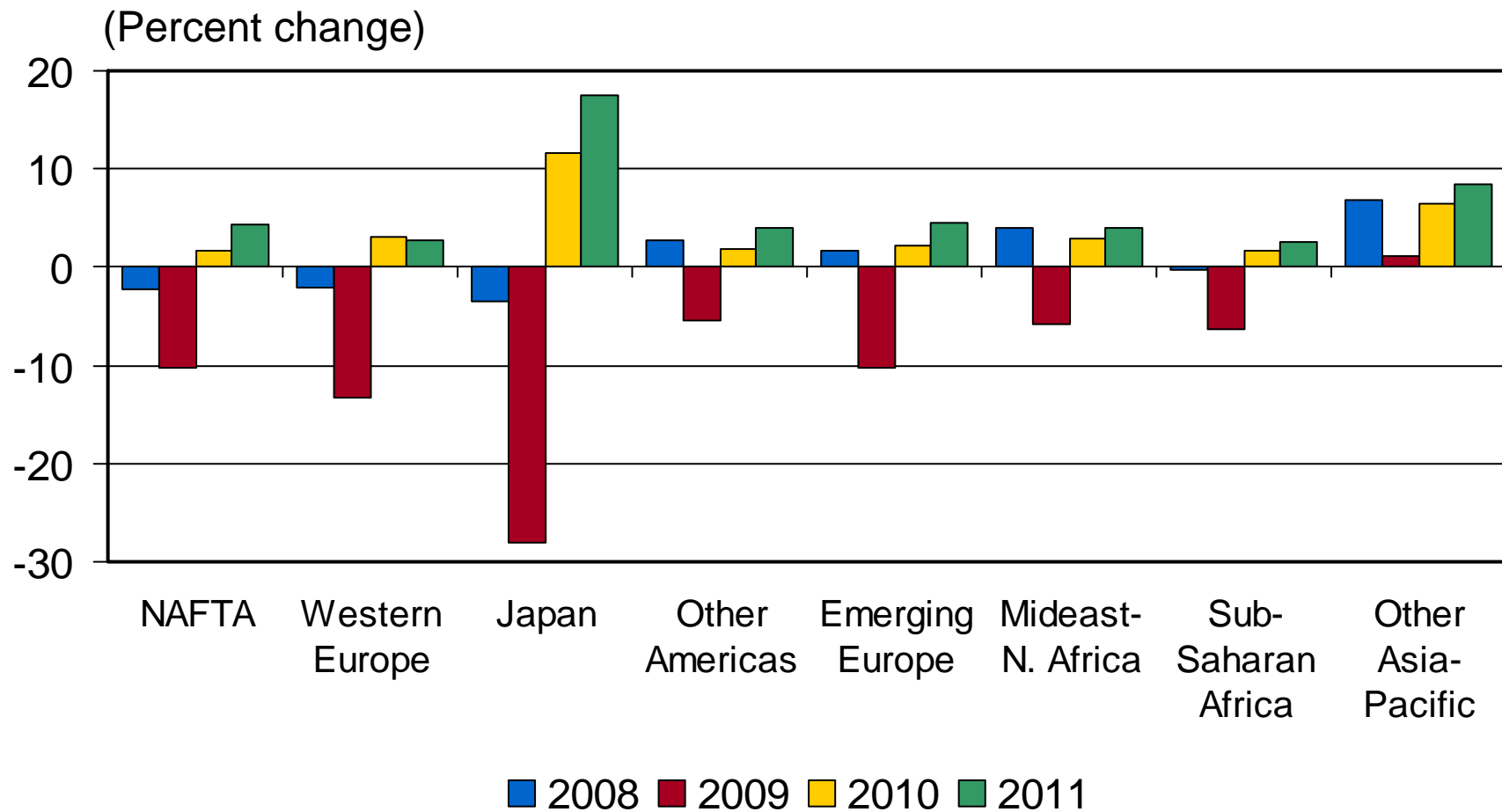


Sources: International Monetary Fund, IHS Global Insight

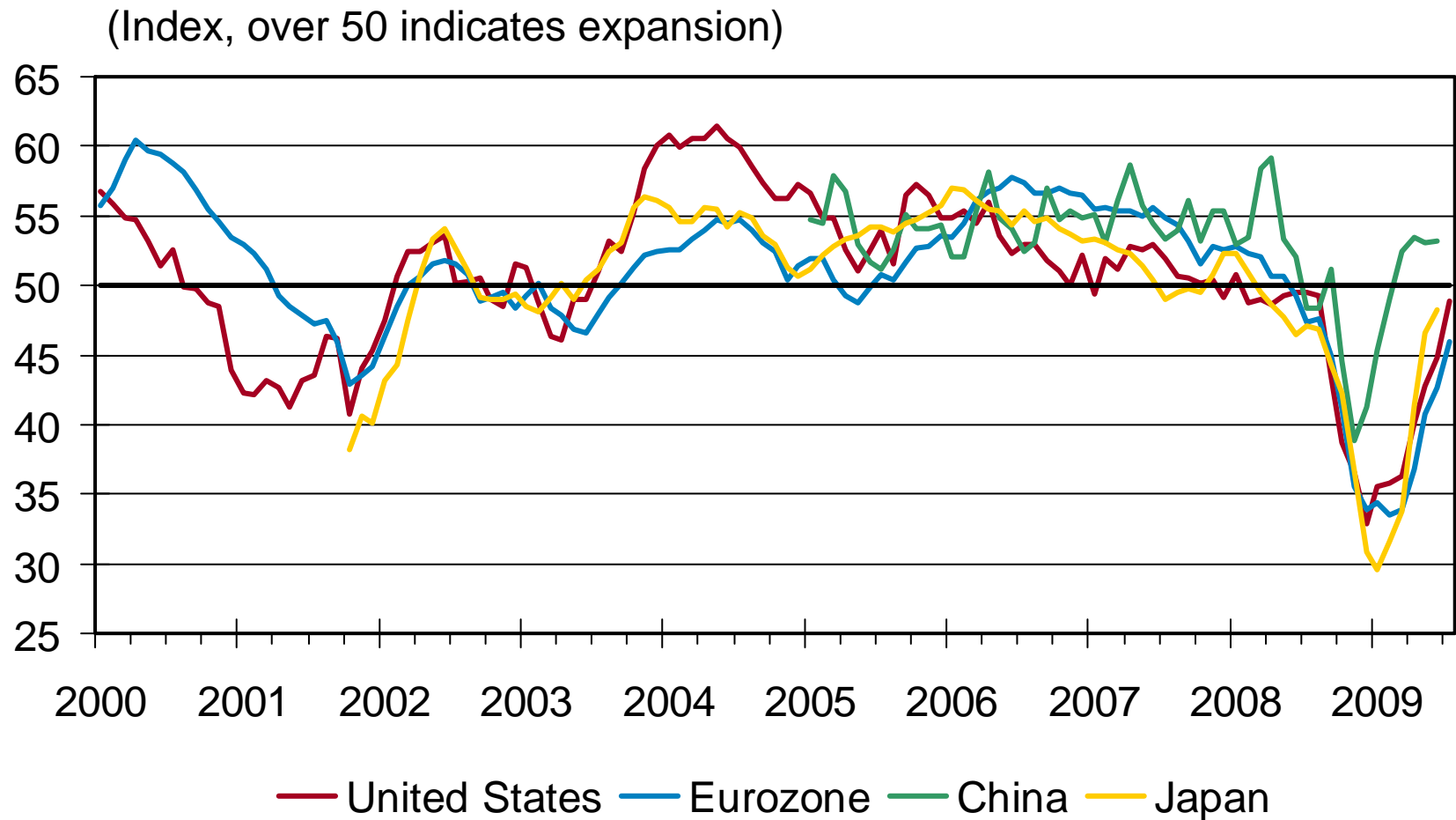
U.S. in Perspective: Peak-to-Trough Declines in Country Real GDP in the Current Recession



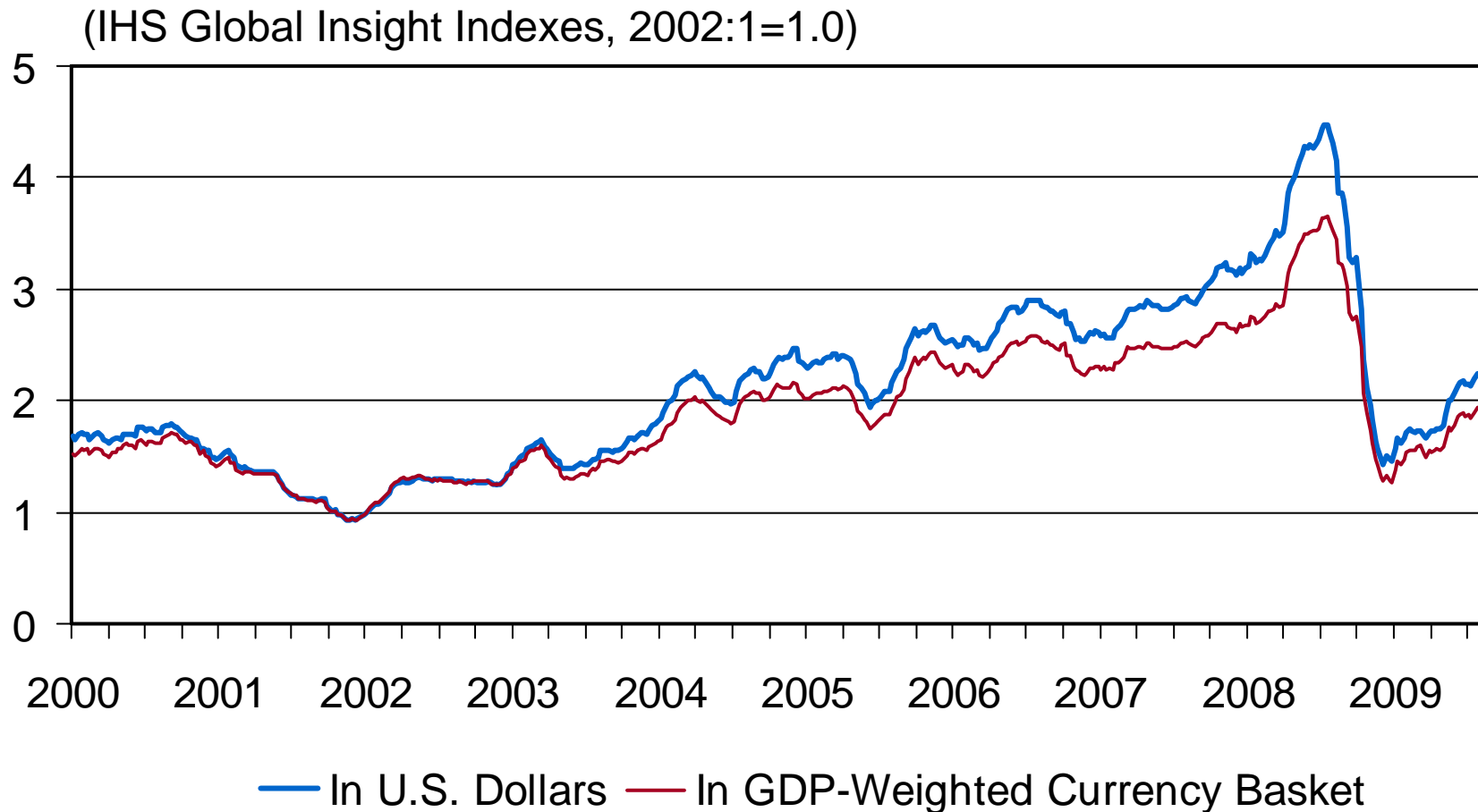
Industrial Production Down in Most All Regions



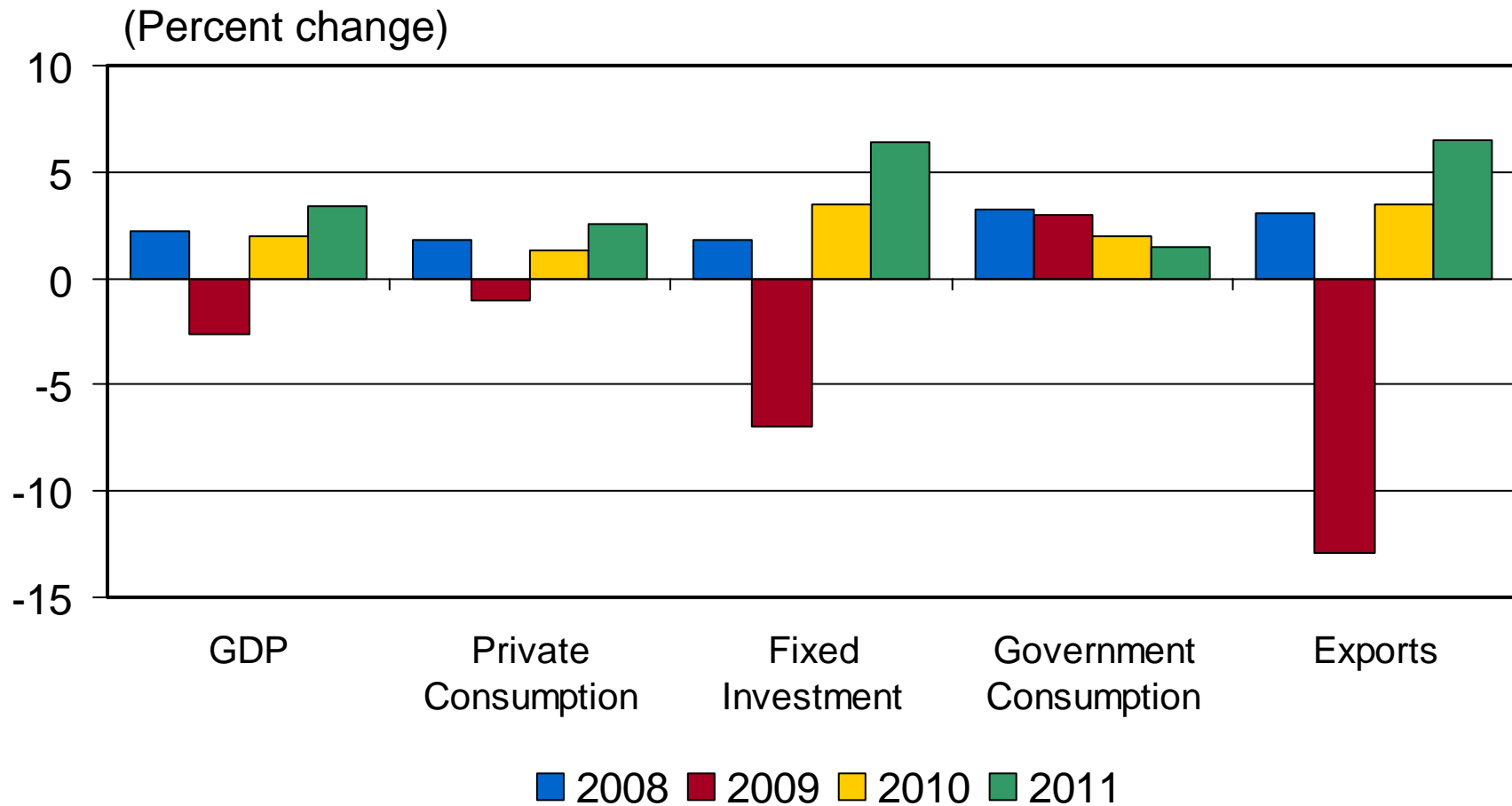
Purchasing Managers' Indexes for Manufacturing: Some Signs of Improvement Around the World



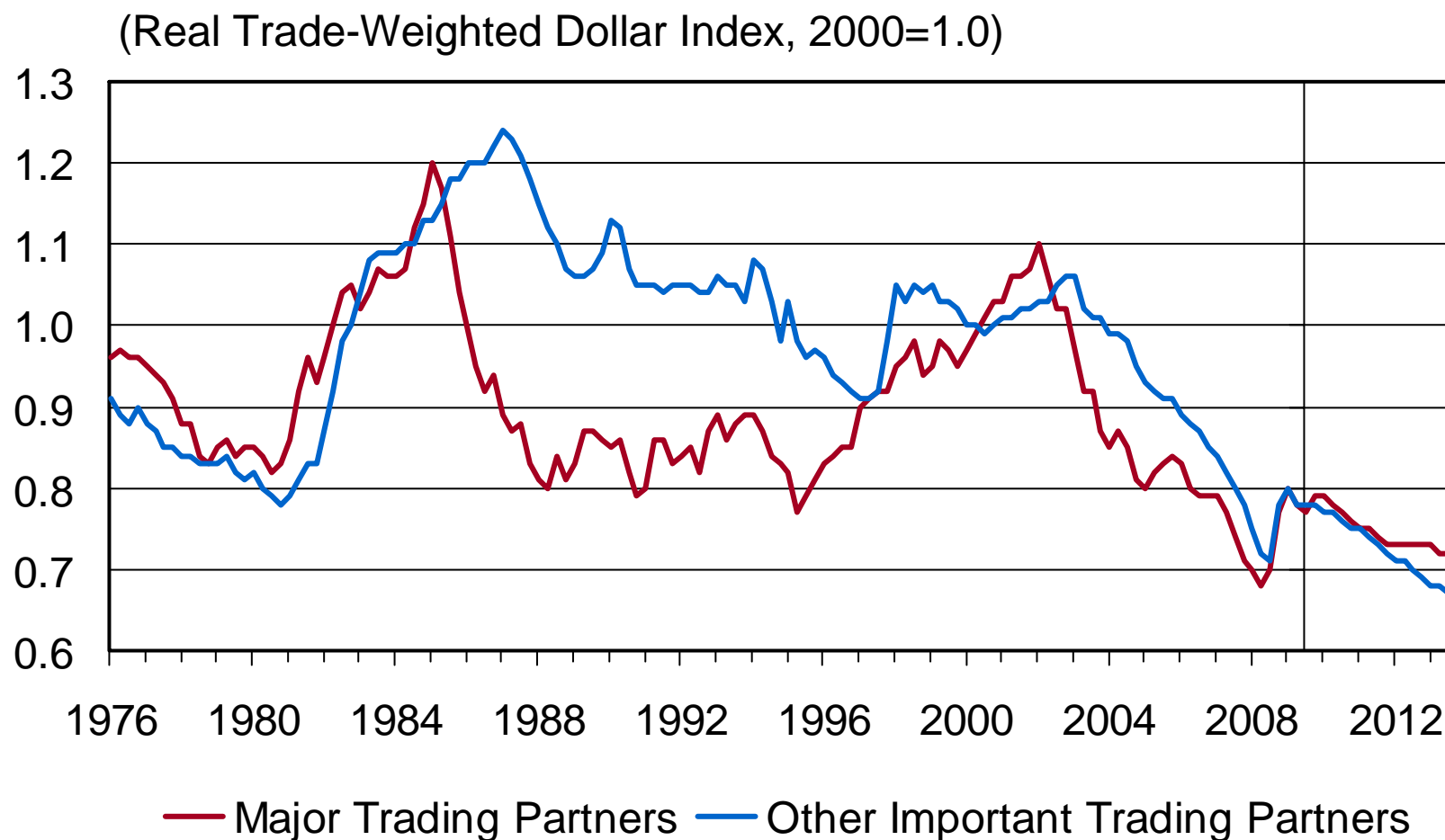
Industrial Materials Prices Are Recovering Though not to 2007 – 2008 Bubble Levels



World Real Economic Growth by Sector Shows Trade Affected the Most; Government the Least



After Rally, the U.S. Dollar Depreciates Long-term

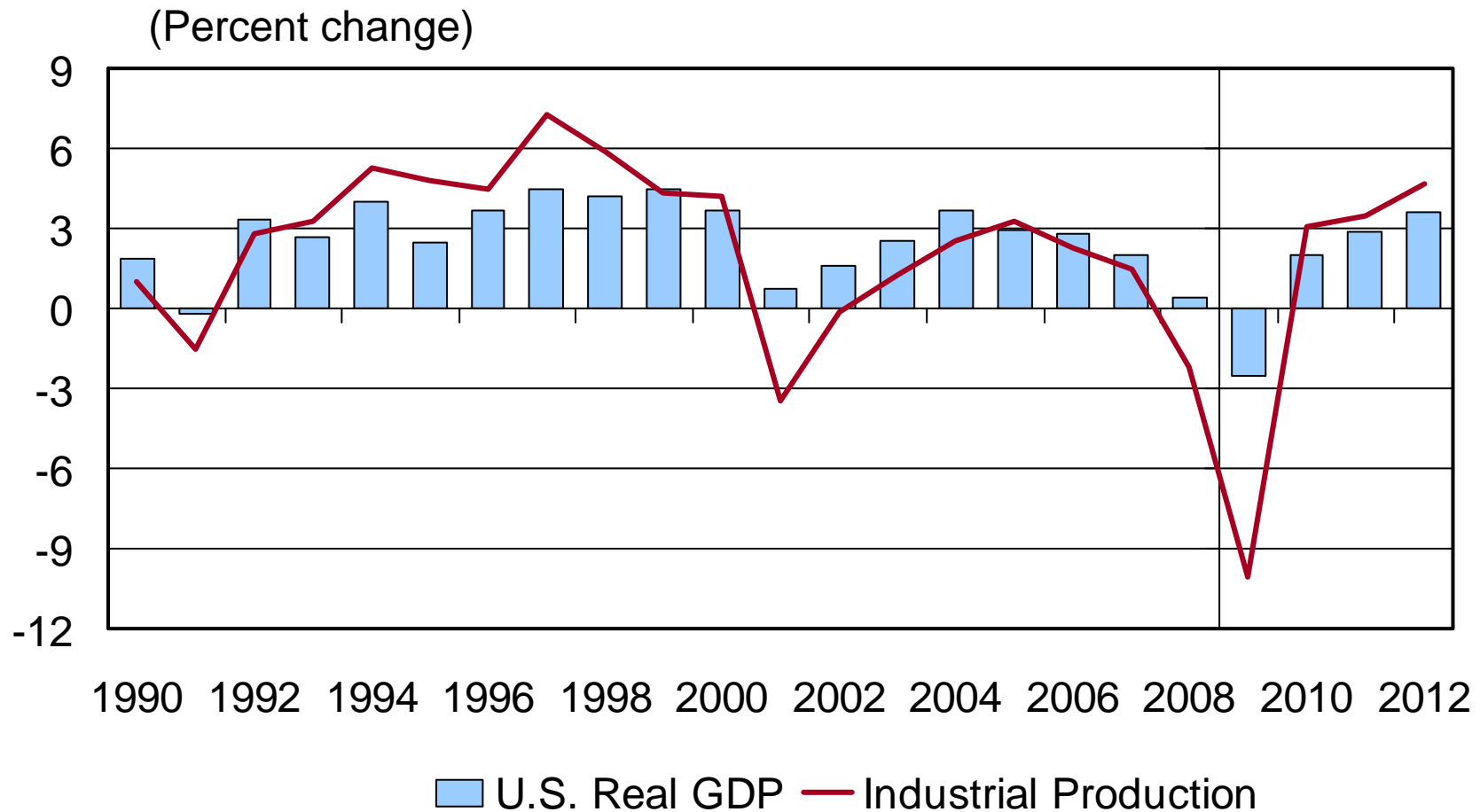


The Drop in the Dollar Boosts U.S. Export Competitiveness; Dampens Imports

The U.S. Recession Is Bottoming Out

- Signs of stabilization in consumer and housing markets support view that the economy is turning up in 2nd half 2009
- But employment is expected to decline further this year
- Consumers are still focused on saving rather than spending
- The downturn in lagging nonresidential construction is just beginning and will be severe
- Thus, the road to U.S. recovery will be a long one
- Wage and price inflation will remain subdued for several years

U.S. Real GDP and Industrial Production Growth



U.S. Economic Outlook: Trade Recovery is Higher Rate than Overall Economy, but Not Double Digits

(Percent change)

	2008	2009	2010	2011
Real GDP	0.4	-2.5	2.0	2.9
Consumption	0.2	-0.8	1.6	2.3
Residential Investment	-22.0	-21.2	10.6	25.3
Bus. Fixed Investment	1.6	-17.5	0.9	11.3
Federal Government	7.7	5.3	2.1	-3.9
State & Local Govt.	0.5	0.2	0.9	0.2
Exports	5.4	-11.3	5.8	7.1
Imports	-3.2	-14.1	8.9	6.6

Canada's Economy in Recession

- The drop in energy and other commodity prices from 2008 peaks undermined investment.
- Canada's recovery is expected to begin in the 4th quarter of 2009, led by government stimulus and consumer spending
- The Canadian dollar will appreciate, but it is not expected to return to parity with the U.S. dollar
- Western provinces will lead Canada's long-term growth; Ontario, Quebec and Atlantic provinces will lag

Canada's Real Economic Growth by Sector Reveals Weak Recovery in Trade Until 2011

(Percent change)

	2008	2009	2010	2011
Real GDP	0.4	-2.3	2.2	3.5
Consumption	3.0	-0.9	1.4	2.6
Residential Investment	-2.7	-13.9	-0.7	2.5
Business Fixed Investment	0.2	-13.0	-0.7	3.5
Government Consumption	3.7	3.7	4.5	3.1
Exports	-4.7	-16.3	0.4	5.9
Imports	0.8	-18.9	1.8	4.2

Mexico's Economy in Recession

- Manufacturing and remittances are hit by the U.S. recession
- Fiscal and monetary policies will support growth
- Currency adjustments have improved competitiveness
- Declining oil production is a serious problem
- Swine flu has hurt the tourism sector the most
- Port traffic affected by weak demand

Mexico's Real Economic Growth by Sector Reveals Trade Growth Recovers Significantly by 2010

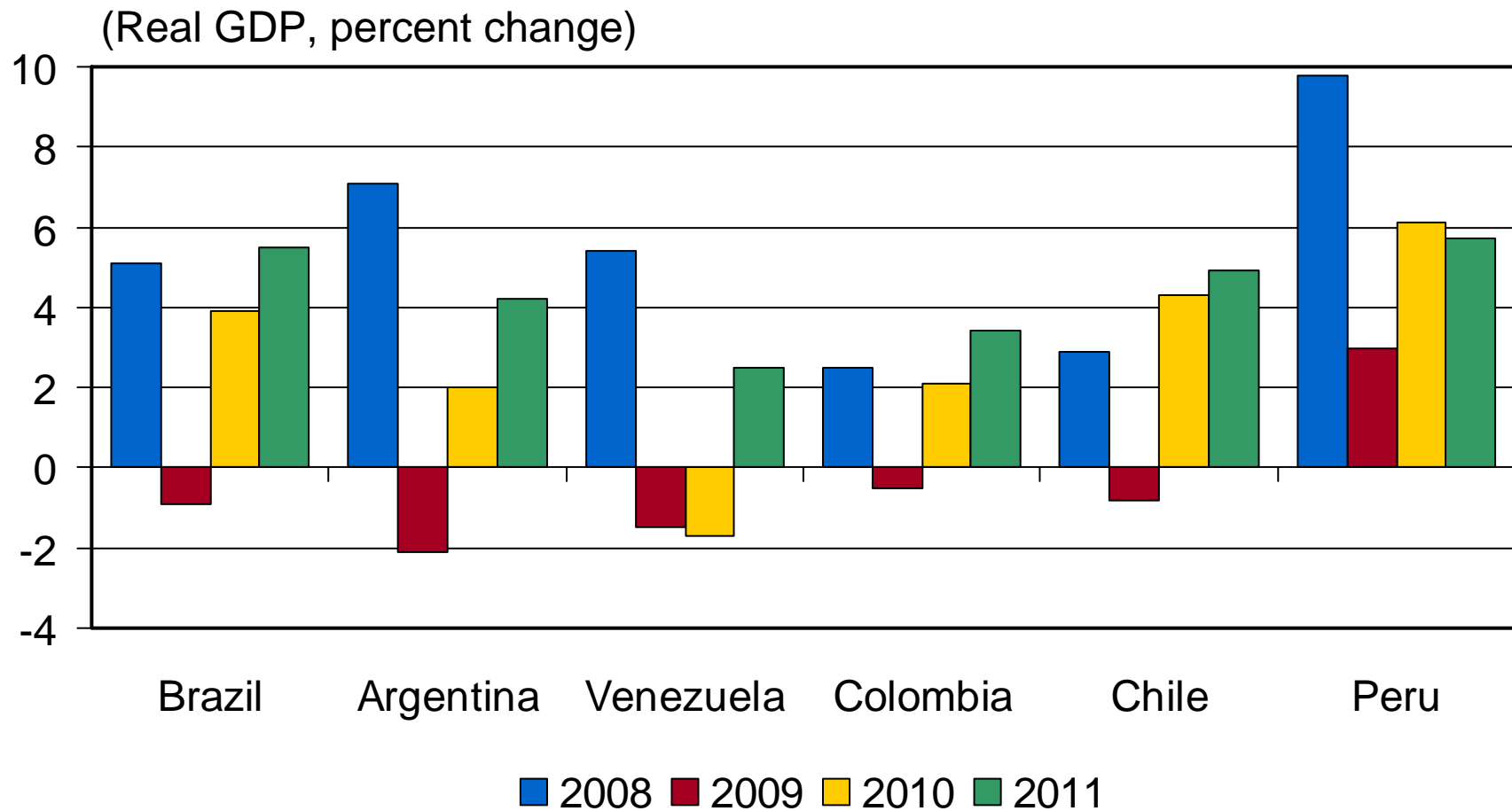
(Percent change)

	2008	2009	2010	2011
Real GDP	1.4	-6.0	2.4	3.0
Private Consumption	1.5	-5.7	2.0	2.8
Fixed Investment	5.0	-6.6	6.5	5.4
Government Consumption	0.6	0.8	1.9	3.0
Exports	1.4	-16.8	6.2	6.5
Imports	4.3	-18.0	7.0	7.4

South and Central America: A Temporary Setback

- The global recession has affected exports, capital inflows, and remittances; current accounts have moved into deficit
- Compared with previous crises, Latin America enjoys relative economic stability; debt profiles have improved substantially
- Long-term prospects are bright for countries attracting foreign investment, including Brazil, Chile, Peru, and Colombia
- Policy mismanagement and resource nationalism will take a toll on Argentina, Venezuela, Bolivia, and Ecuador

Mild Recessions in South America



Overseas: Western Europe's Recovery Will Lag

- The recession is moderating, but only a little
- The financial crisis has hit the region hard, due to banks' high leverage and exposure to Eastern Europe
- Housing market bubbles in Spain, Ireland, and the U.K. burst
- Exports and business investment have plummeted
- Weak public finances limit the scope of fiscal stimulus
- Europe's recovery will be slower than elsewhere

Japan: A Recession of Epic Proportions

- Collapse in exports and capital spending sent Japan into a deep recession—the deepest among the G7 countries
- Deflation persists; nominal GDP is at its 1993 level
- Consumer spending remains weak
- Industrial production and real exports are recovering
- More policy stimulus is in the pipeline
- Japan's population has entered a long-term decline

Asia-Pacific Region Hurt by Falling Exports

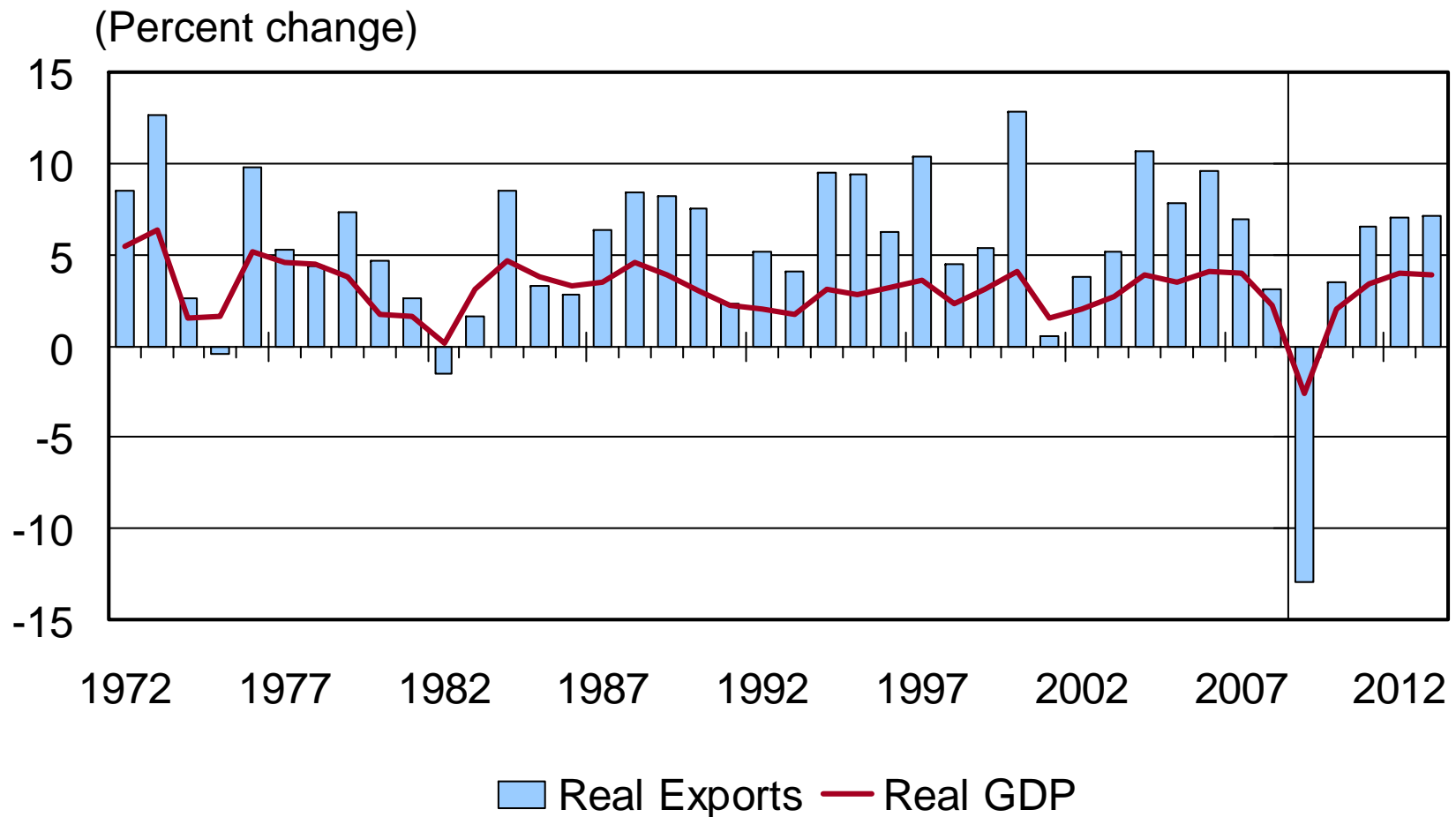
- While finances are strong, export dependence is a problem
- Capital inflows are diminishing, dampening private investment
- Japan, South Korea, Taiwan, Hong Kong, Singapore, Malaysia, and Thailand are lagging coming out of recession
- Domestic demand is resilient in China and India
- Except for Japan, Asia will lead world growth, including trade

Comparison of Key Emerging Markets & U.S., 2008

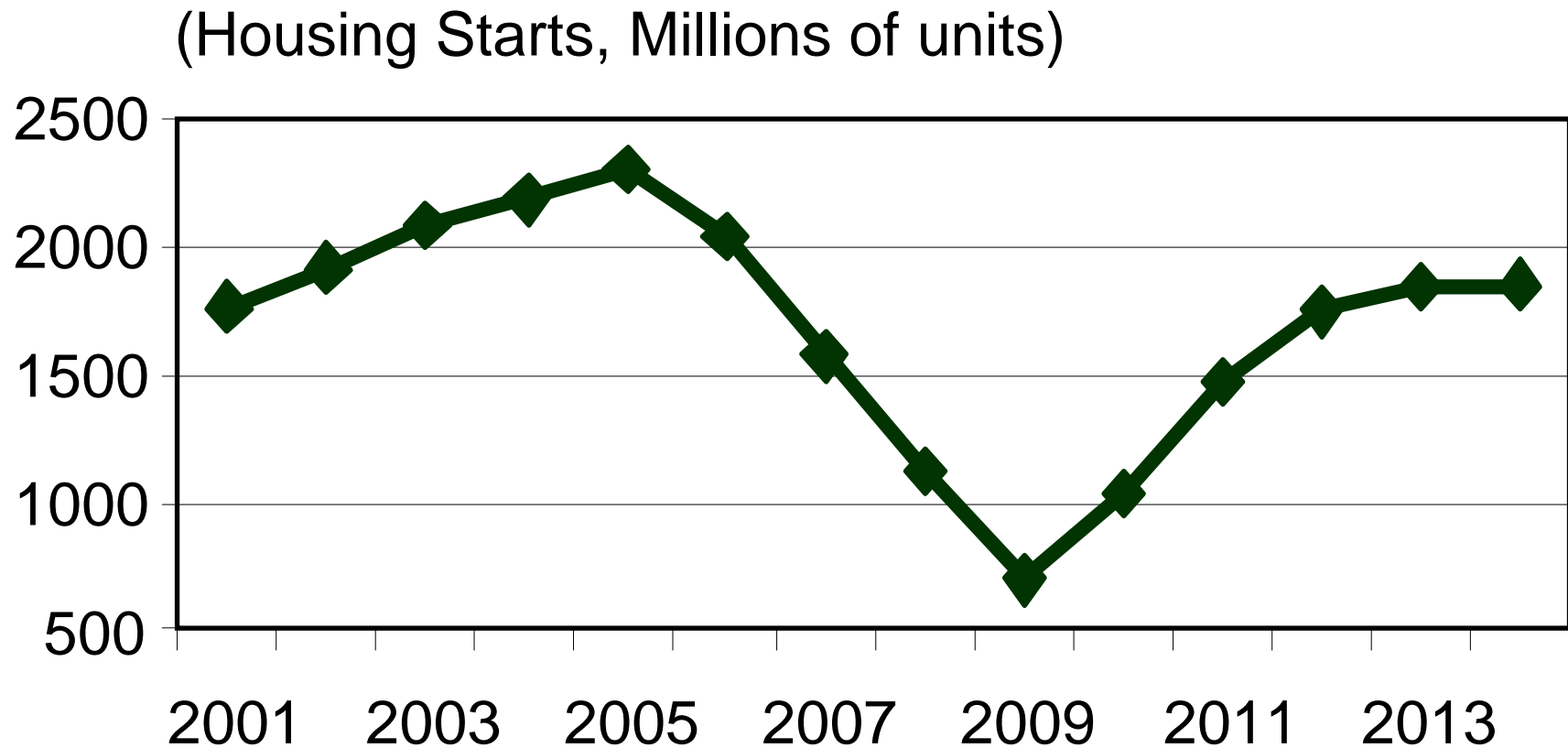
	GDP (\$Billions)	Population (Millions)	GDP per Capita (\$)	Real GDP Growth (%)
China	4,326	1,328	3,258	9.0
India	1,223	1,186	1,031	6.0
Brazil	1,574	195	8,062	5.1
Mexico	1,086	106	10,203	1.4
Russia	1,677	142	11,826	5.6
Turkey	726	76	9,575	1.1
U.S.	14,265	305	46,713	0.4

Future U.S. Trade Patterns Will Be Influenced By Trade Partner Growth Capacity

World Trade Outlook: Export / Import Volumes Recover in 2010 from Dramatic Decline in 2009

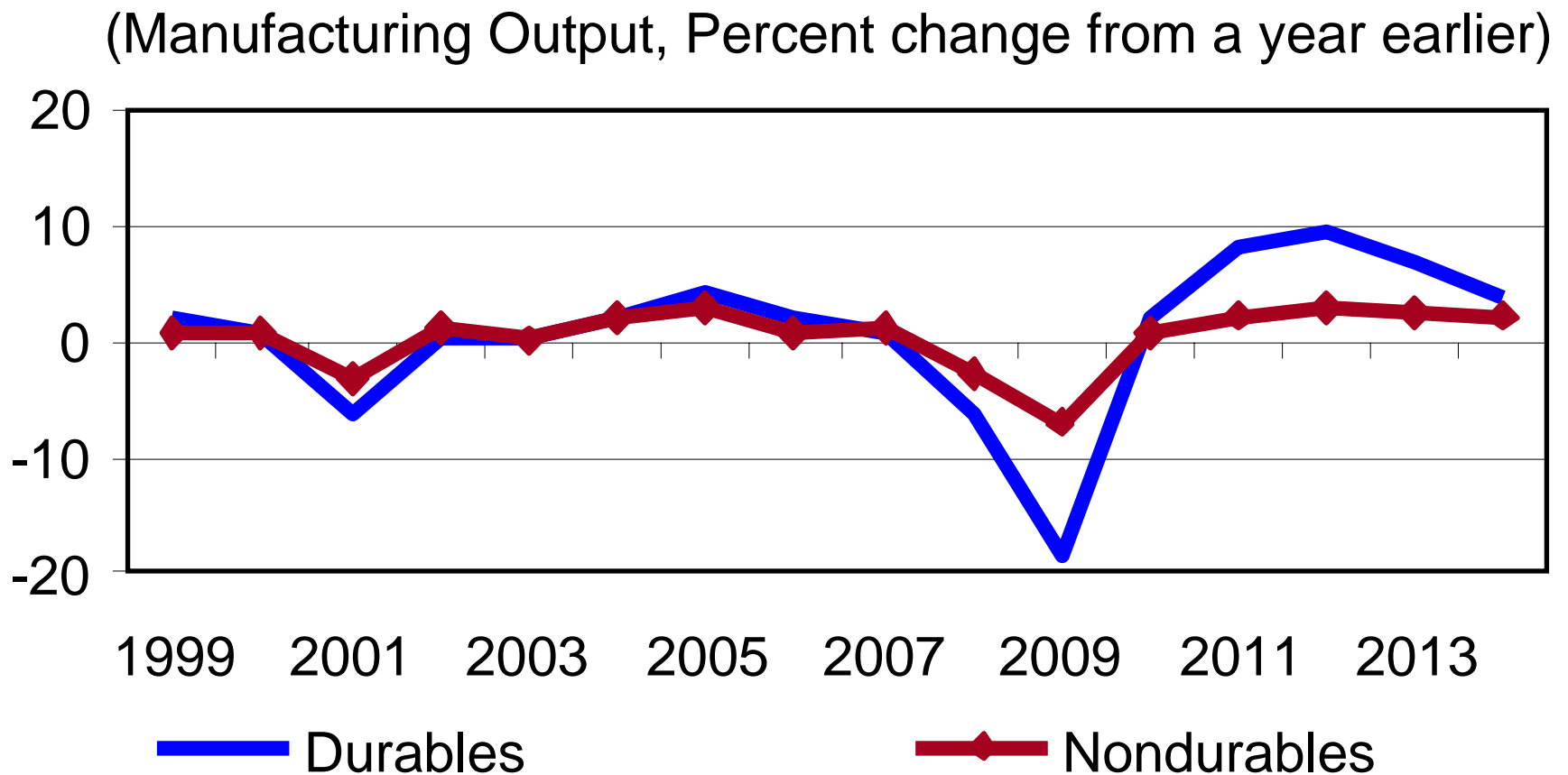


Drivers of Trade: North American Housing in Recovery After 2009 as Four-year Decline Ends



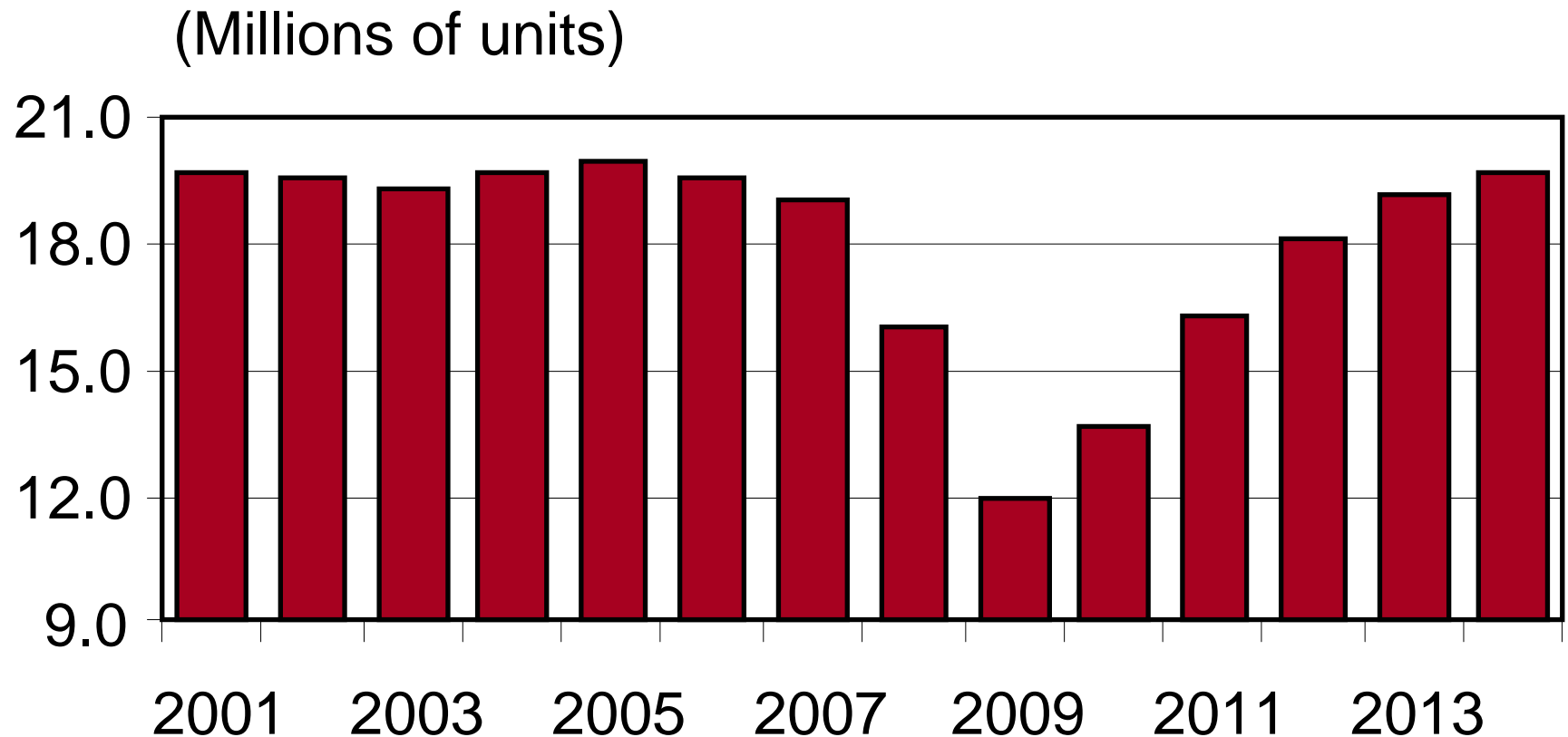
Furniture, Fixtures and Furnishings Trade Demand Recovery Depends on Housing

Drivers of Trade: U.S. Traditional Manufacturing Recovery Draws in Parts Imports; Creates exports



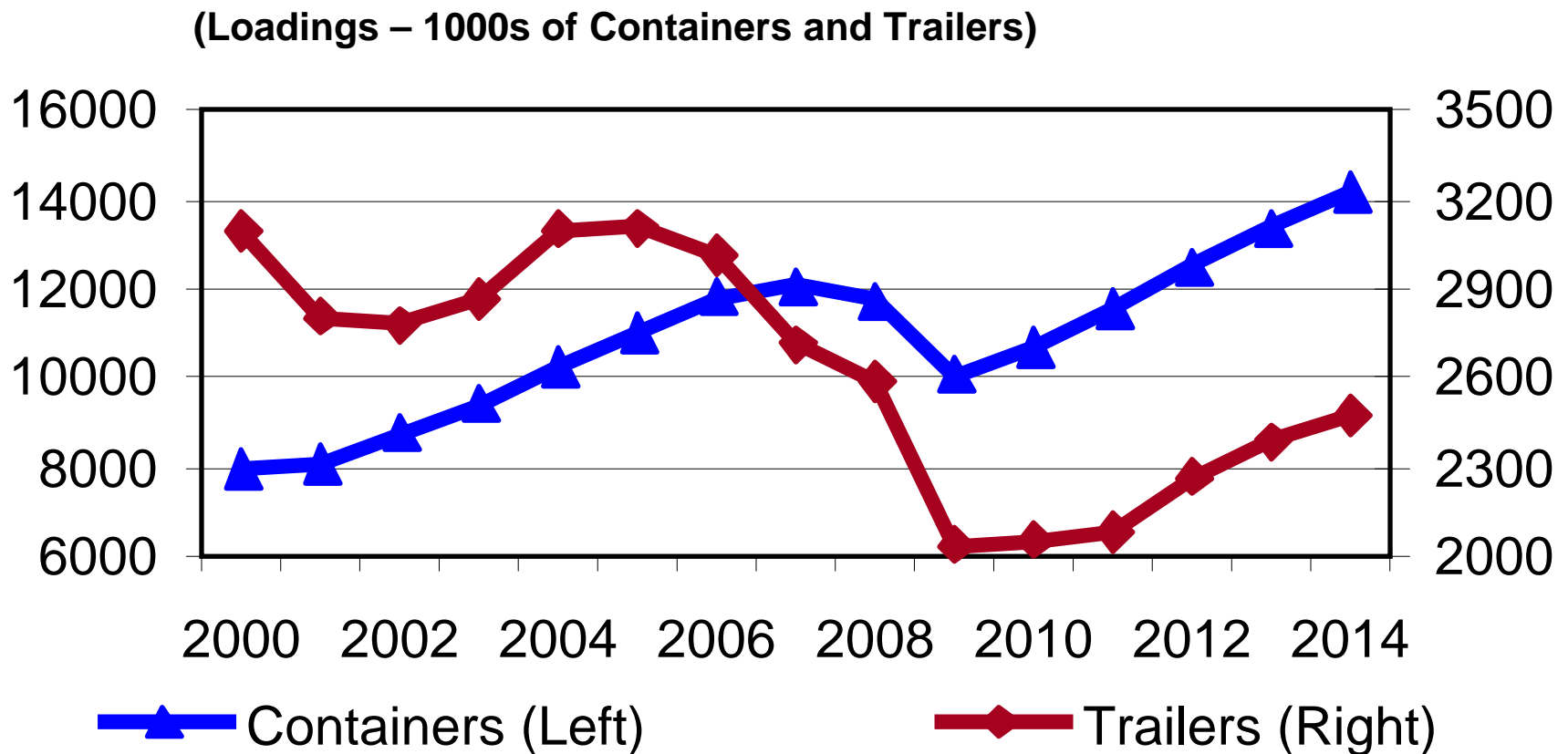
Recovery in Durables Demand drives Strong Rebound in Their Manufacture

N. American Light Vehicle Sales Boost From Cash-For-Clunkers Is Temporary; Still a Long Road Back



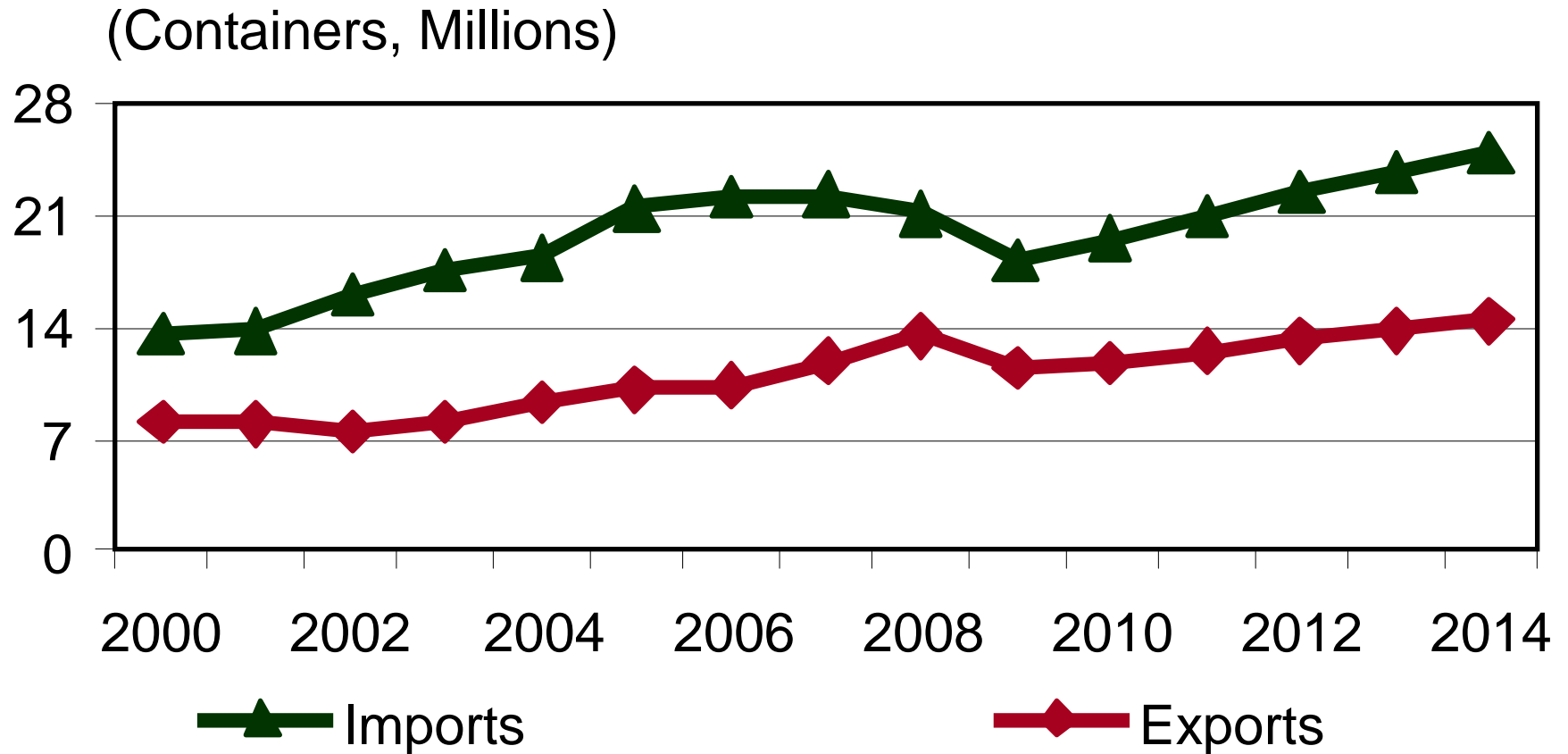
Autos and Parts Shipments Recovery will be Weak in 2010

Intermodal Rail Traffic Outlook for North America is for Weak Growth in Volumes in 2010



Full Rebound in Container Volumes Only After 2011

NAFTA Imports and Exports of Containers



Full Rebound in Container Trade Volumes Only After 2011

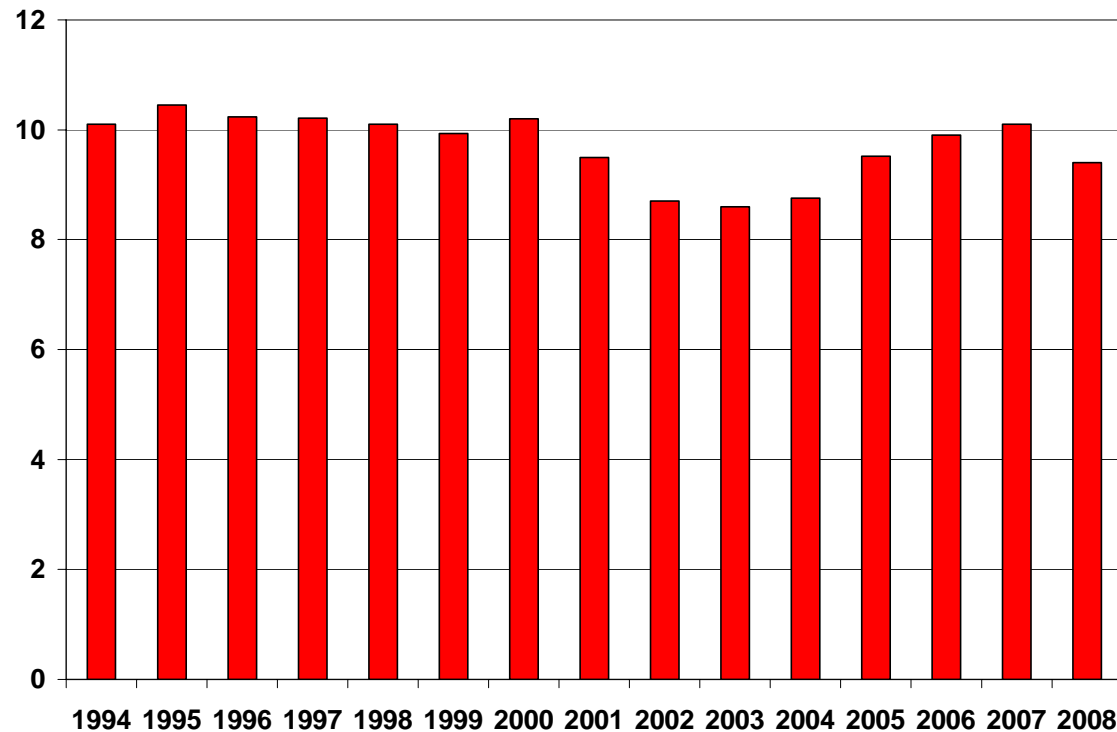
Port Development to Handle Cargo Demand

Demand on North American ports for additional cargo throughput capacity, and for the connecting network capacity will return following the recovery

- Economic geography, inside and out of the U.S., drives the geographic patterns of increased transportation system demand
 - affected by relative costs, performance and productivity of the available route & service options for delivering to end markets
- Supply chain demands affect gateway sea ports, inland freight corridors and warehousing / distribution center space needs
 - logistics choices are influenced by the combined efforts to minimize costs and risk and maximize reliability of delivery

Logistics Cost Trends Affect Sales and Trade

U.S. Logistics Costs as % of U.S. GDP



- Shippers manage logistics costs, not just transportation costs
- As % of GDP, logistics costs increased from 2003 until 2007

Source: CSCMP State of Logistics Report, 2009

Carrier's Reactions Due to Pre-Recession Trade Growth Have Not Reversed Except Vessel Orders

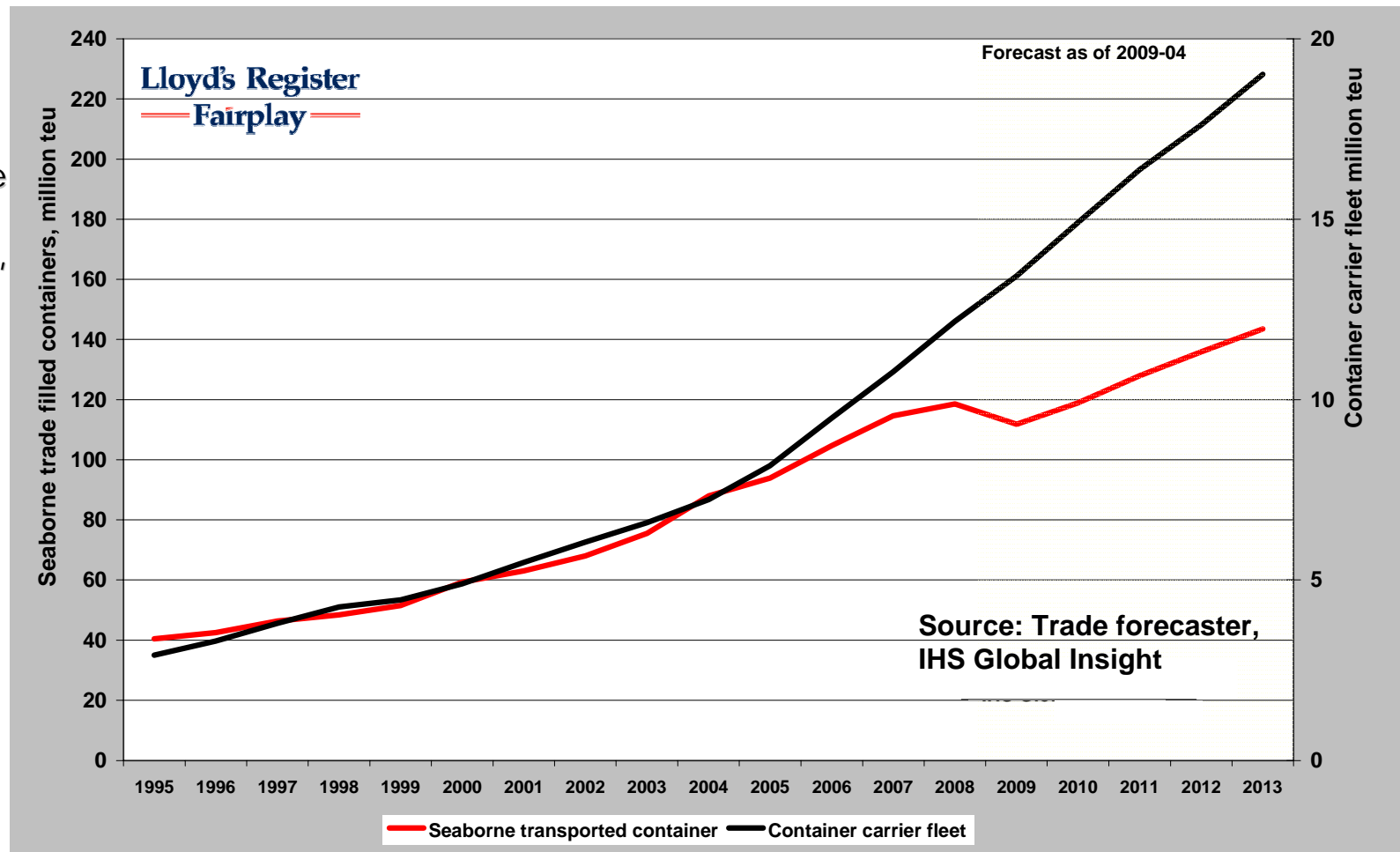


- Increased utilization of physical assets and people
- Increased energy consumption management
More optimization, emissions reductions
- Increased complexity of operations

Source: M. Turnquist, Cornell University

Containership Supply / Demand Has Huge Imbalance

Even with recovery in the economy, slow-steaming, new routes, and transport of empties the extra capacity is evident



Sustained financial pressures on carriers affect their terminals

Demands on Ports Competing for Trade

- Following recessionary down year in 2009, port traffic will resume expanding, but at lower rates than in first half of decade
 - Inland hinterland service via truck and rail remains differentiator in capturing discretionary cargo, including cross-border.
- Shippers are reconfiguring their logistics networks to adapt to carrier changes and to minimize costs
 - Location, inventory and transport decisions
 - Benefits some ports yet others lose share
- Coordinated decisions across the supply chain
 - Among firms, not just within firms
 - Sharing data, when possible without anti-trust concerns

Source: M. Turnquist, Cornell University

Bottom Line

- World economic growth and trade growth will return after recession, but not at the pace of growth of 2003-2006
- Developing countries in Asia will experience stronger growth; Western European and Japanese growth will be slower
- U.S. trade will grow faster than in other developed countries, but slower than for the developing economies
- Pressures from growth in container traffic return in a few years as it continues to outpace growth in the U.S. economy
- Ports benefit from more balanced two-way trade but providing the infrastructure and productivity to handle return to growth in volume will remain a challenge. The time is now to plan for the growth.

Thank you!

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