

Expectations For the Economy and Trade

Annual Convention



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

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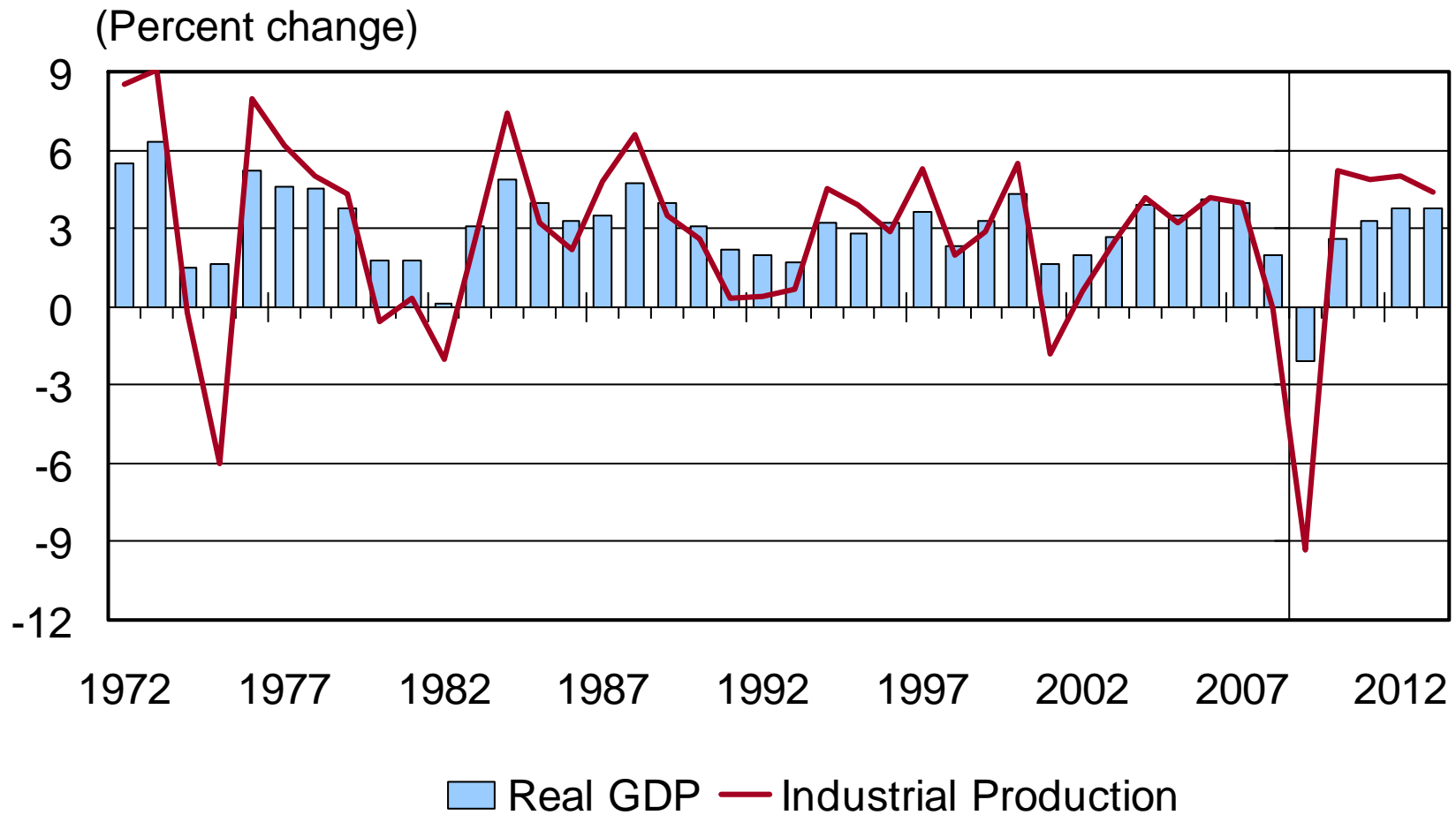


**GLOBAL
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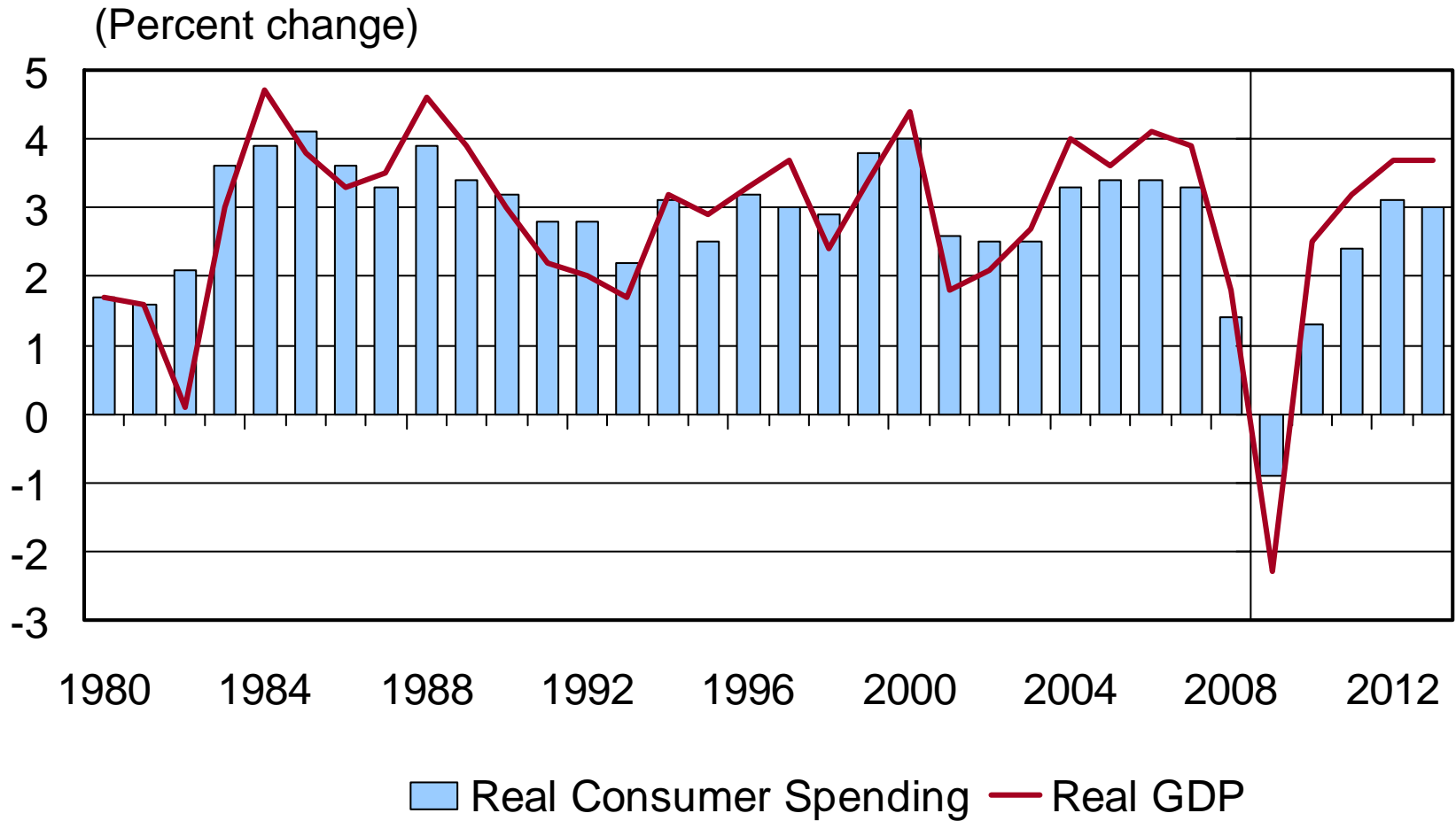
The Global Recession Is Ending

- 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. started, and Europe lagging
- Bottom Line: deep recession ends 2009, modest recovery in 2010, and a stronger rebound in 2011-2012

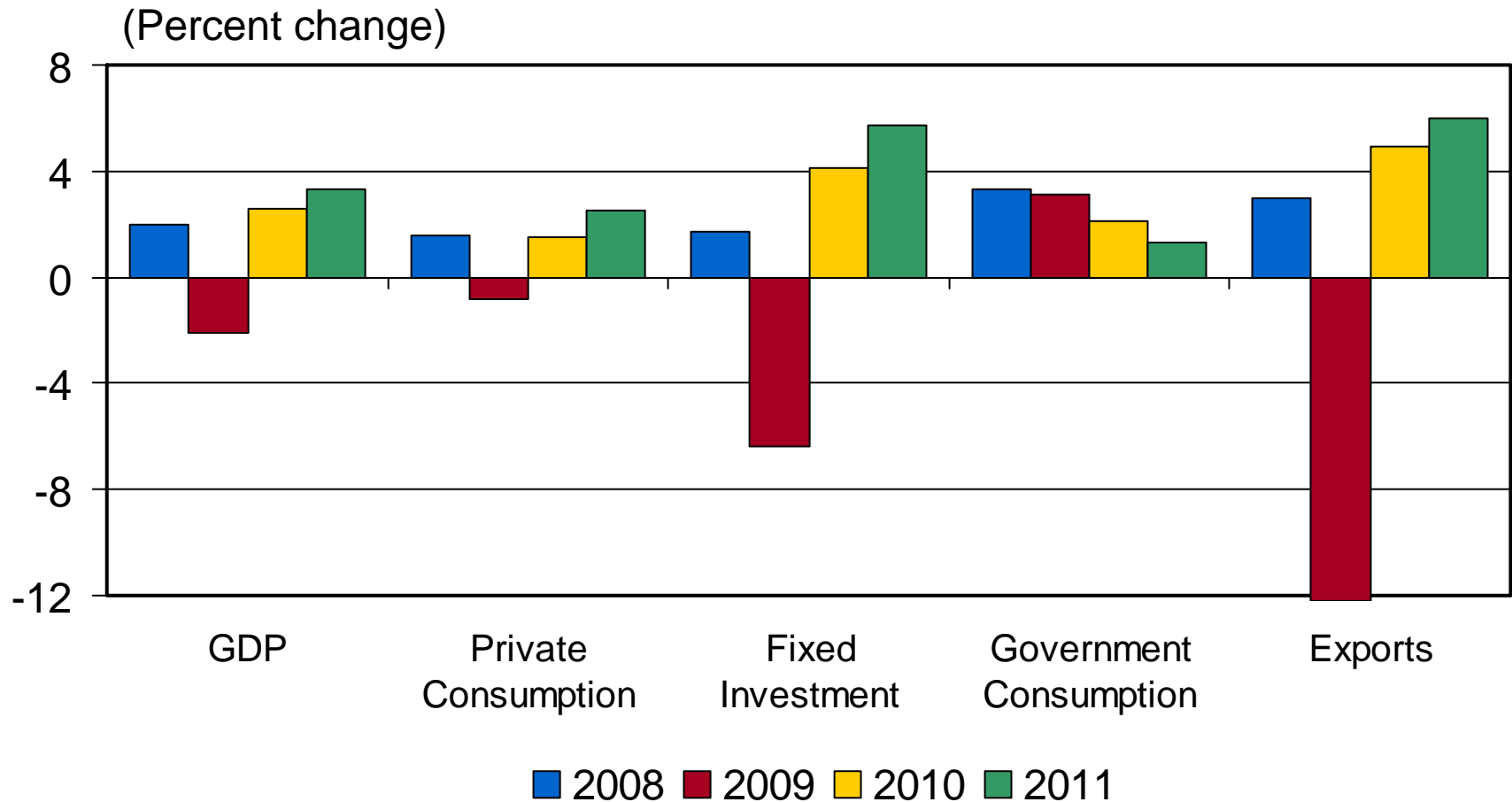
The World Economy Has Suffered the Worst Recession Since World War II



Sharp Decline in Global Consumer Spending

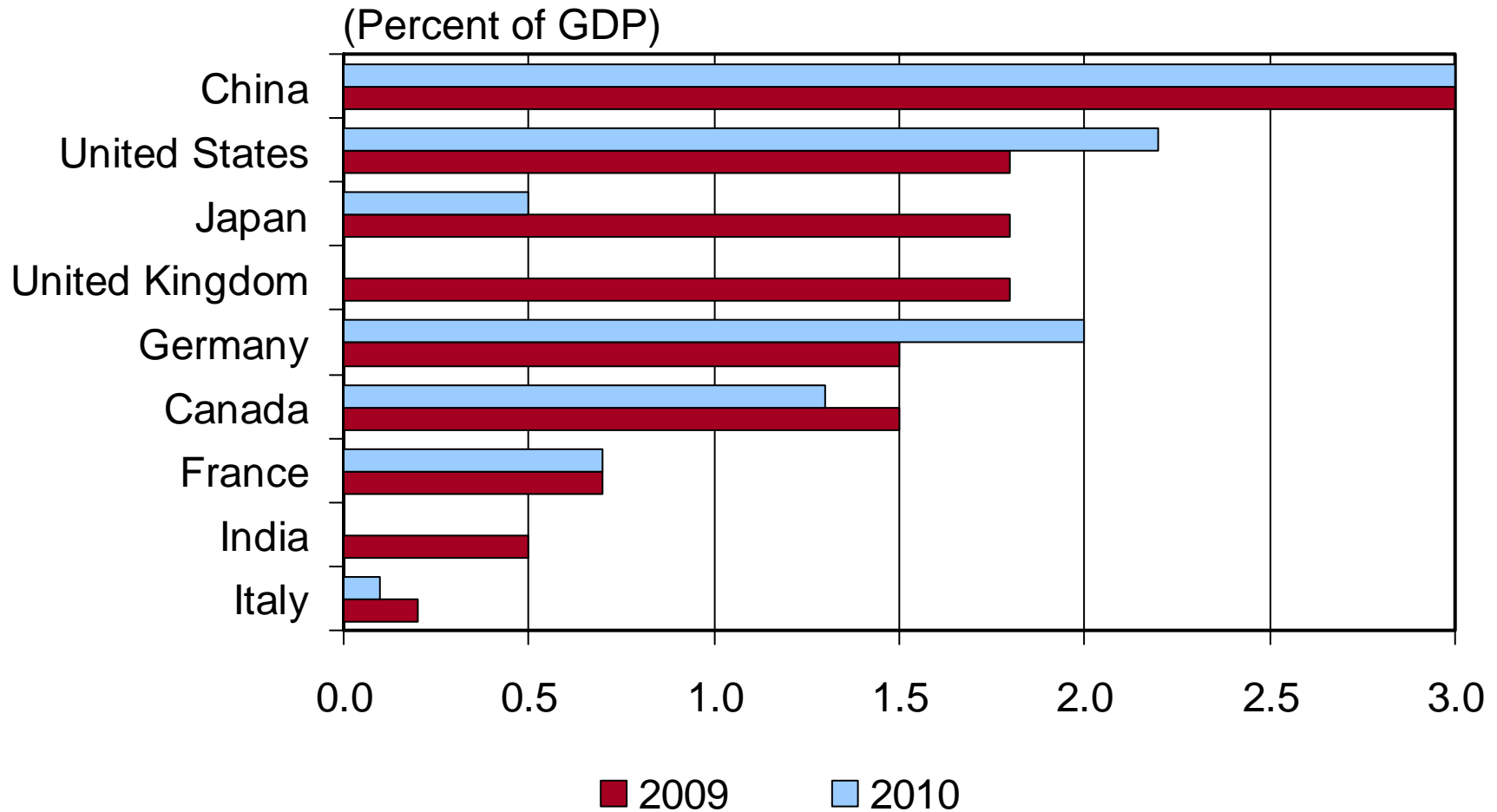


World Real Economic Growth by Sector Shows Trade Affected the Most; Government the Least



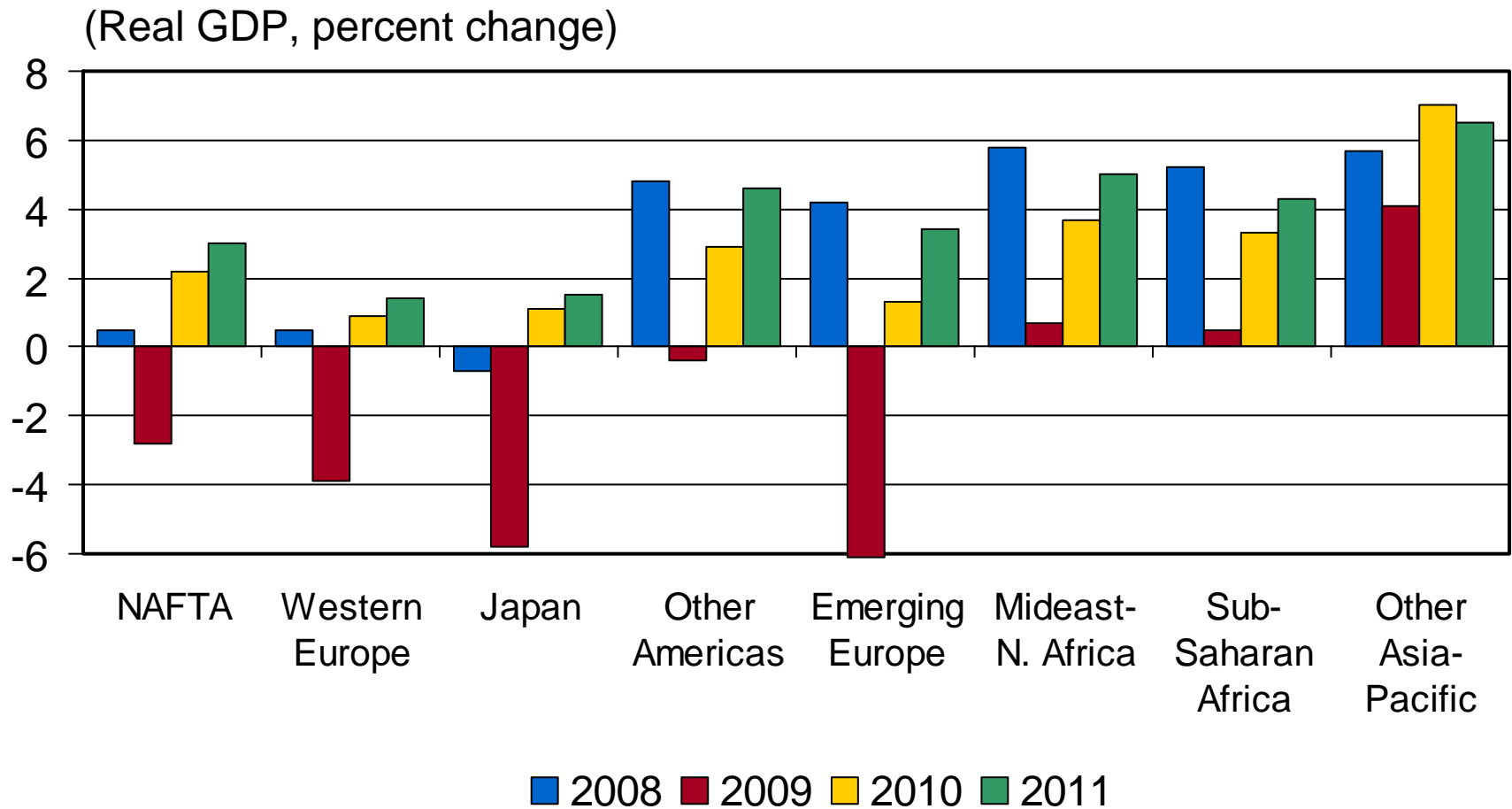
Source: IHS Global Insight

Government Fiscal Stimulus in 2009 and 2010



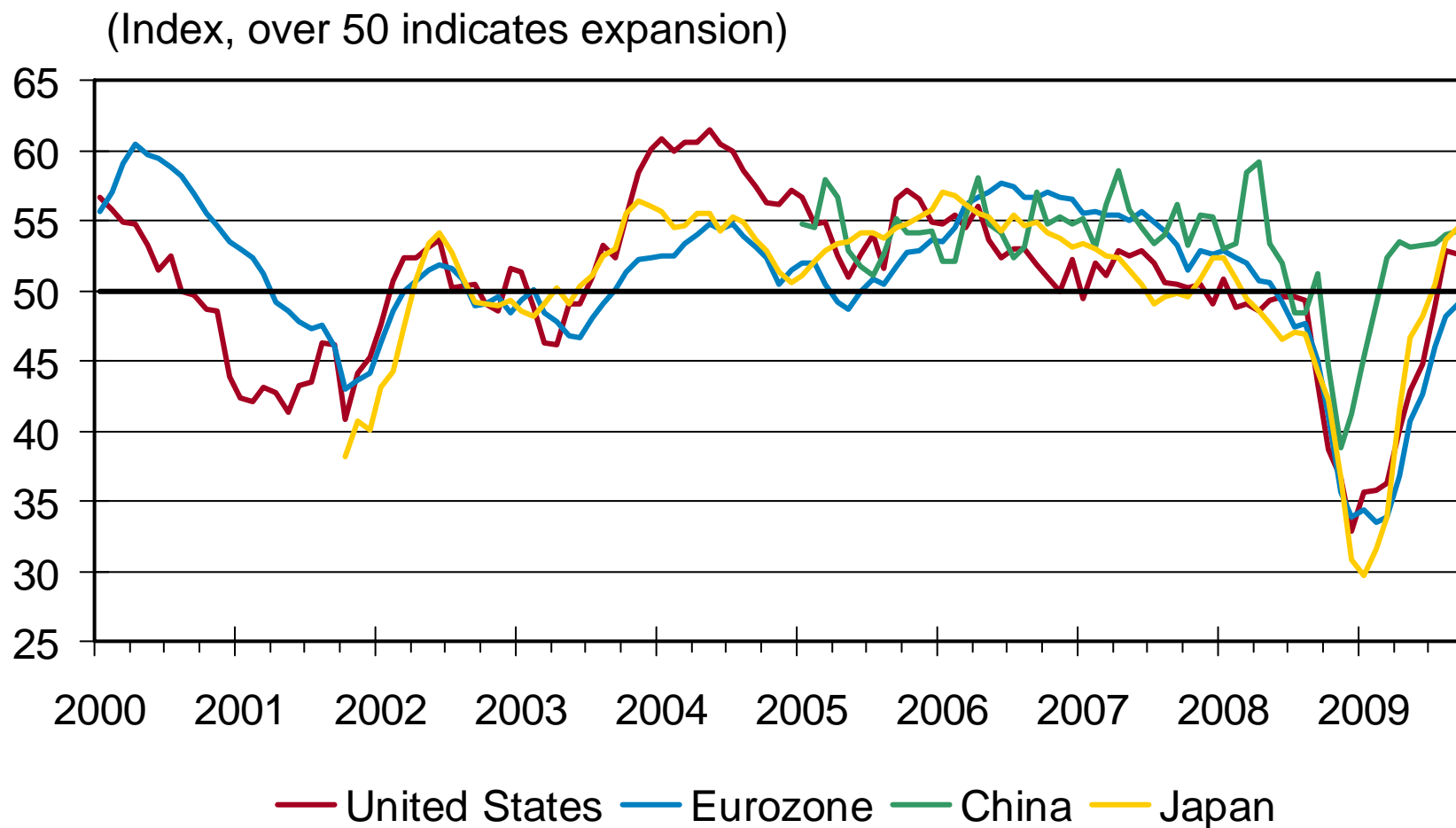
Sources: International Monetary Fund, IHS Global Insight

Asia – Pacific Economic Growth Leads the World



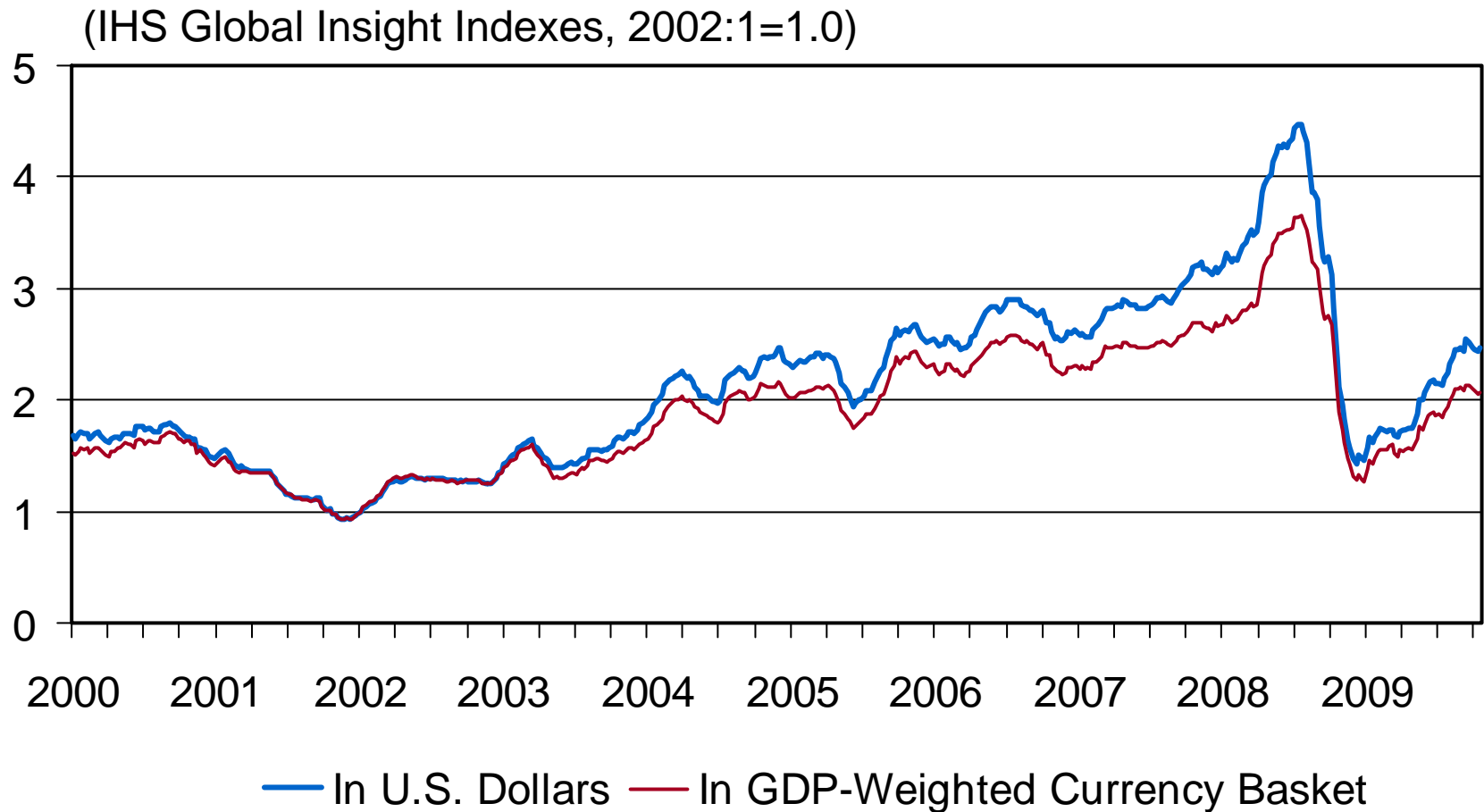
Source: IHS Global Insight

Purchasing Managers' Indexes for Manufacturing: Steady Improvement Towards Recovery



Source: IHS Global Insight

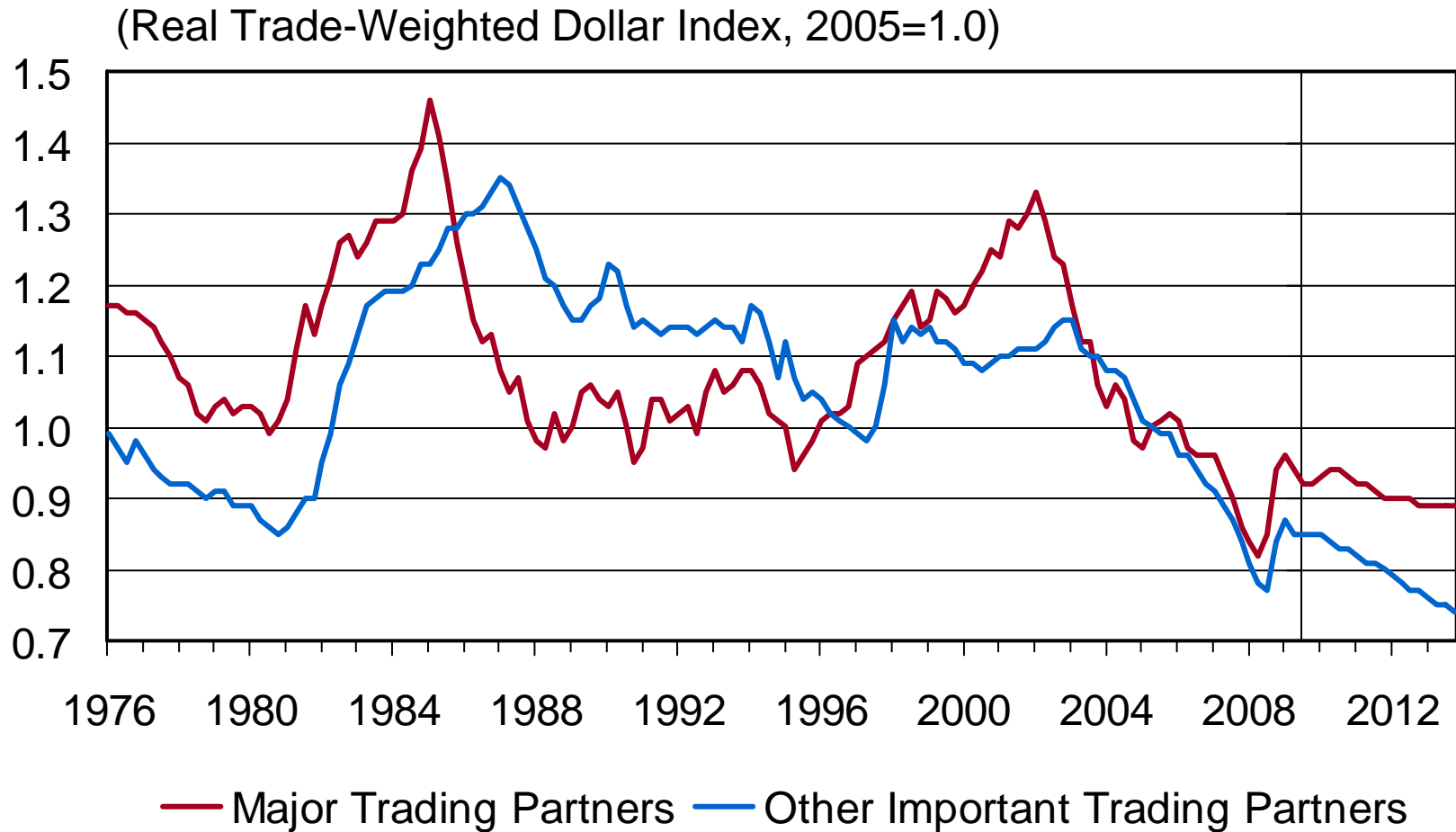
Industrial Materials Prices Are Recovering Though not to 2007 – 2008 Bubble Levels



Source: IHS Global Insight



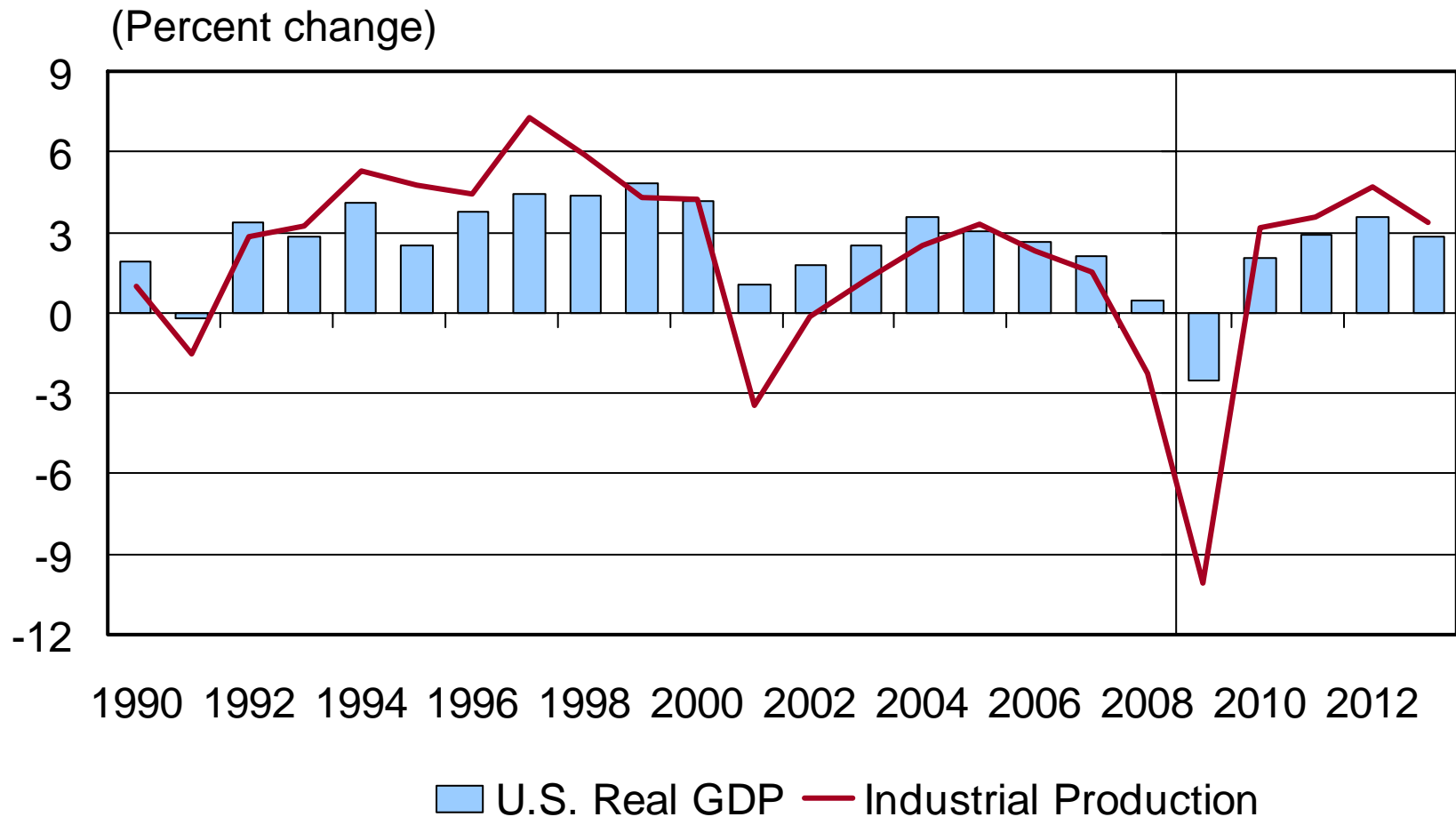
After a Rally, the U.S. Dollar Depreciates



The U.S. Economy Begins to Recover

- Initial growth spurt is driven by government and inventories
- This is followed by a growth slowdown in early 2010
- Housing and business equipment investment are beginning to recover, but nonresidential construction has much further to fall
- Consumers will spend cautiously
- Wage and price inflation will remain subdued
- Thus, the road to U.S. recovery will be a long one

U.S. Real GDP and Industrial Production Growth



Source: IHS Global Insight

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, especially in energy sector
- 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 in 2010

(Percent change)

	2008	2009	2010	2011
Real GDP	0.4	-2.6	2.1	3.4
Consumption	3.0	-0.3	1.6	2.6
Residential Investment	-2.7	-10.2	1.3	2.5
Business Fixed Investment	0.2	-15.5	-0.9	3.5
Government Consumption	3.7	2.9	4.1	3.1
Exports	-4.7	-15.6	2.3	5.9
Imports	0.8	-16.6	3.5	4.2

Mexico's Economy Faces a Slow Recovery

- Manufacturing was hard by the U.S. recession and is now beginning to recover
- Fiscal and monetary policies will support growth
- Currency adjustments have improved competitiveness
- Swine flu epidemic hurt tourism the most
- Declining oil production is a serious problem
- Port traffic affected by weak demand

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

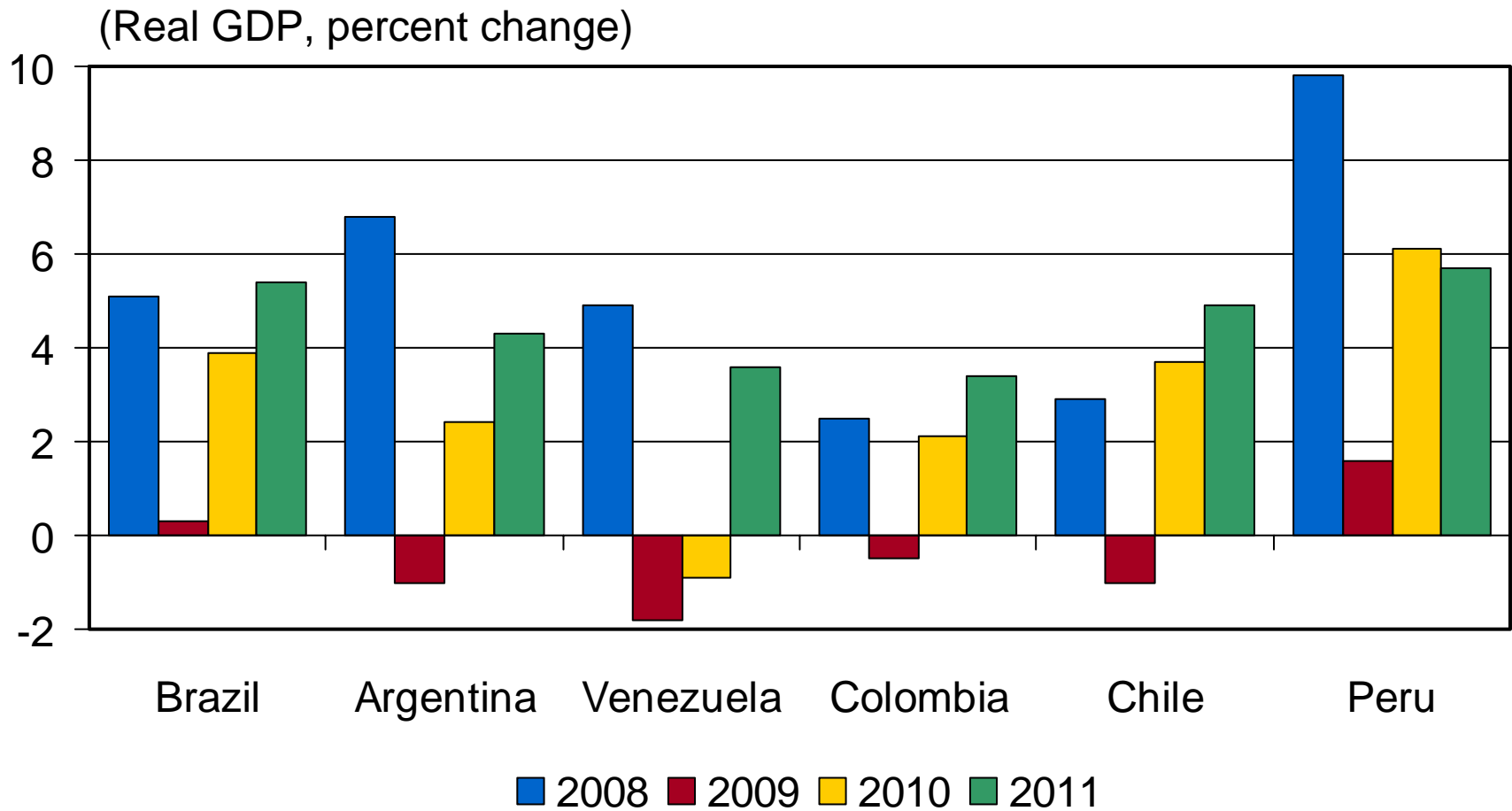
(Percent change)

	2008	2009	2010	2011
Real GDP	1.4	-7.5	3.3	3.2
Private Consumption	1.6	-6.5	1.8	2.1
Fixed Investment	5.0	-7.9	5.3	5.3
Government Consumption	0.6	2.1	1.7	1.6
Exports	1.4	-15.4	6.1	6.5
Imports	4.3	-16.2	7.5	8.1

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



Source: IHS Global Insight

Western Europe's Recovery Will Be Uneven

- The recession has ended in most countries, but recoveries will be slow to develop
- 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. have burst; home prices are falling across Europe
- Weak public finances limited the scope of fiscal stimulus
- The strong euro will hurt export competitiveness

Japan: Recovery From Deep Recession Begun

- Recovery began in the 2nd quarter of 2009, led by an inventory swing, upturn in exports, and government stimulus
- Collapse in exports and capital spending sent Japan into the deepest recession among the G7 countries
- Consumer spending and capital investment remain weak
- Deflation persists; nominal GDP is at its 1993 level
- Japan's population and workforce has entered a long-term decline

Asia-Pacific Region Leads the Global Recovery

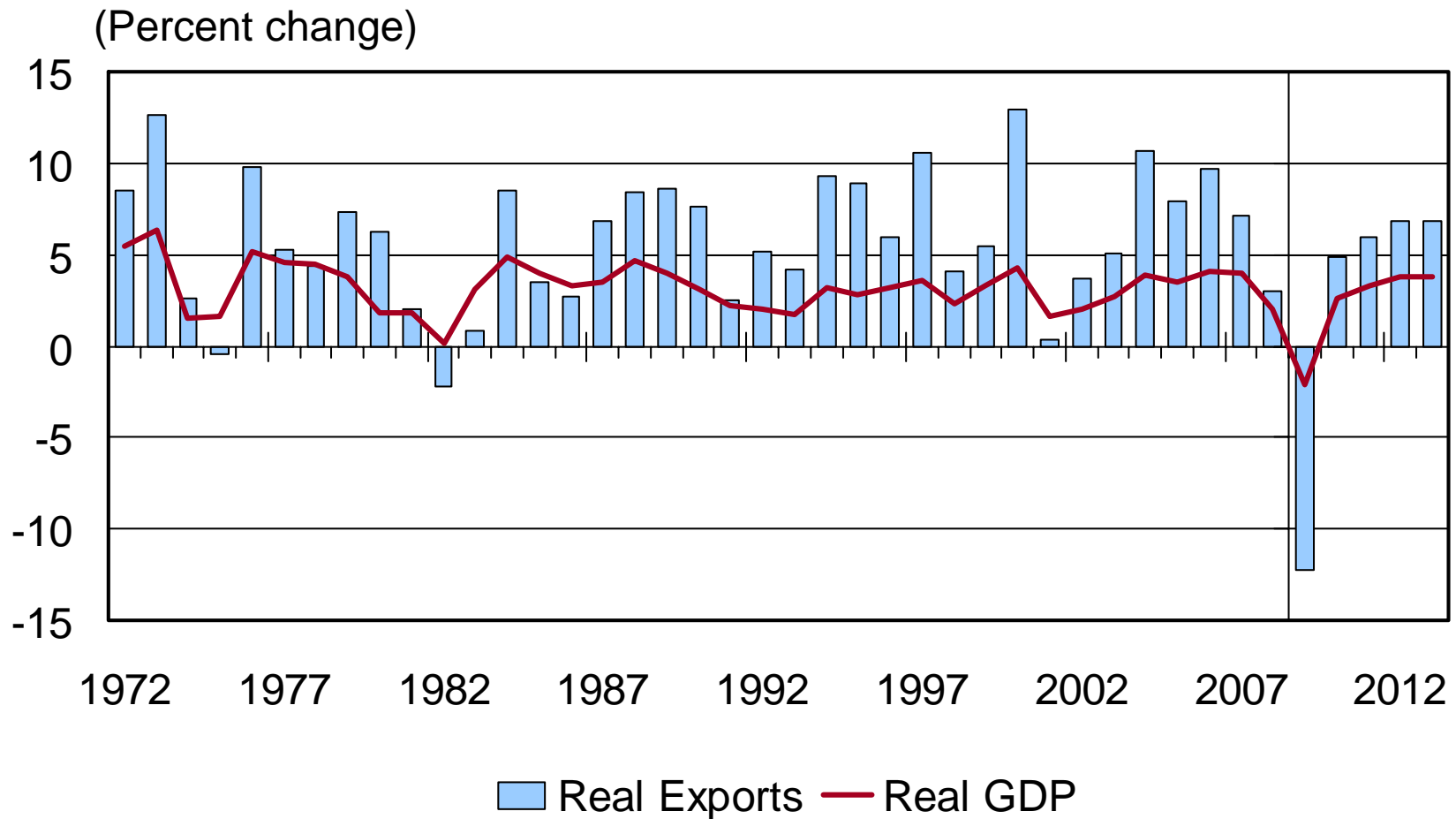
- The region weathered the financial crisis better than most
- Fiscal and monetary stimuli have sparked recoveries
- Countries that suffered sharp declines in exports in late 2008 and early 2009 are now rebounding
- Domestic demand is resilient, especially in China and India
- Asia will be the strongest performer among regions in recovery

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

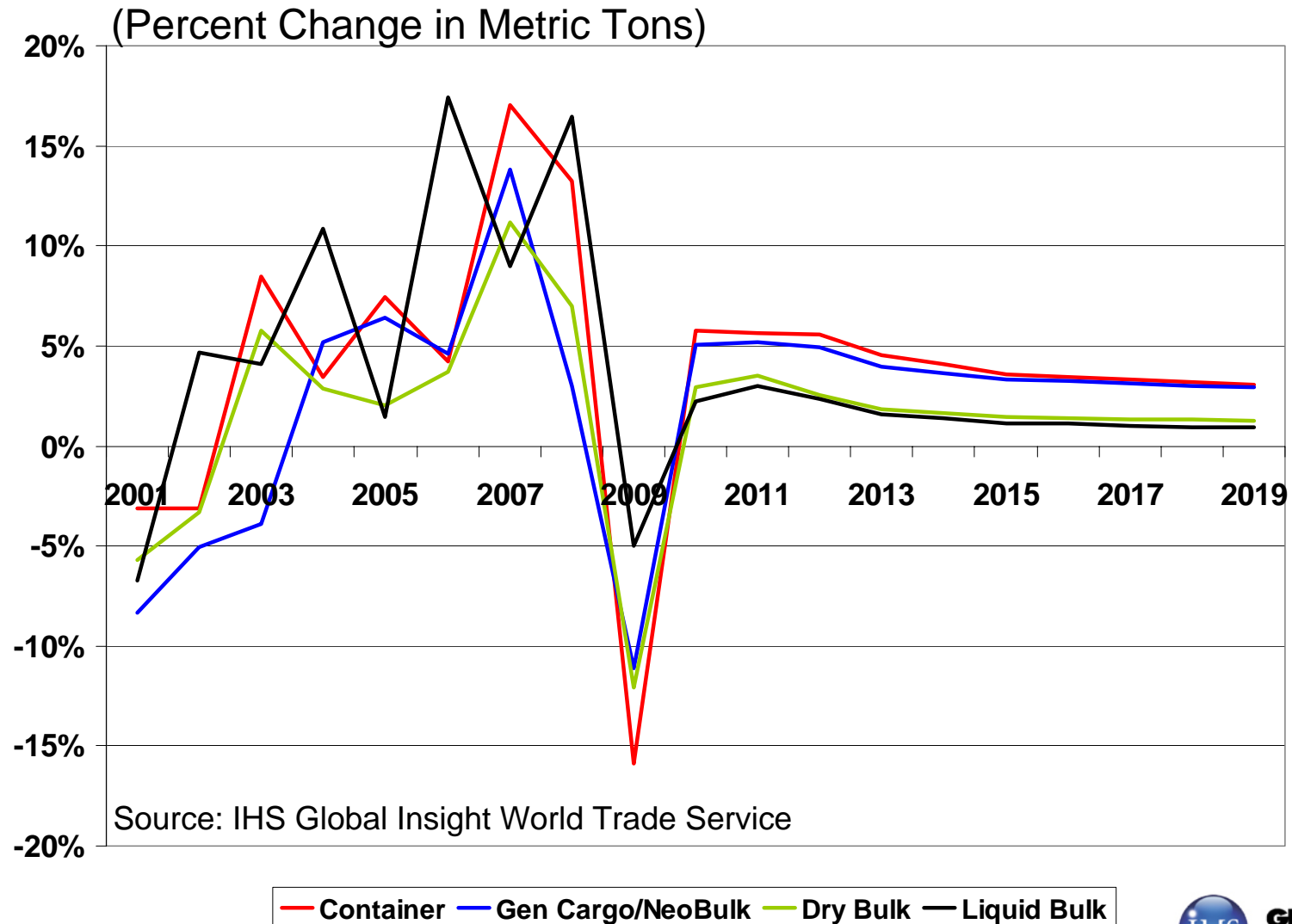
Future U.S. Trade Patterns Will Be Influenced By Trade Partner Growth Capacity

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

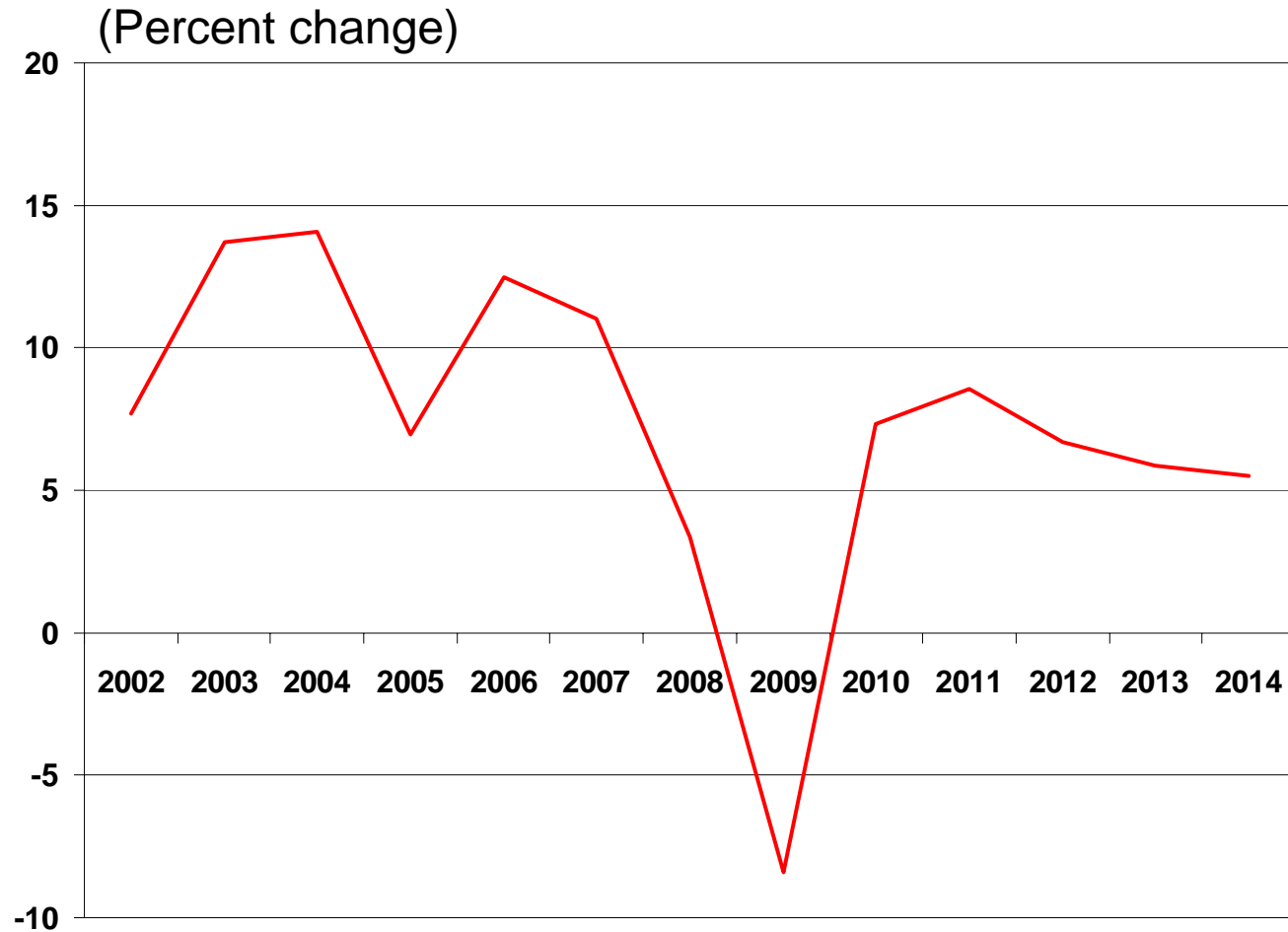


Source: IHS Global Insight

U.S. Maritime Trade By Vessel Service: Bulk Tonnage Grows Slower in the Weak Recovery



World Growth in Loaded Ocean Container Volume

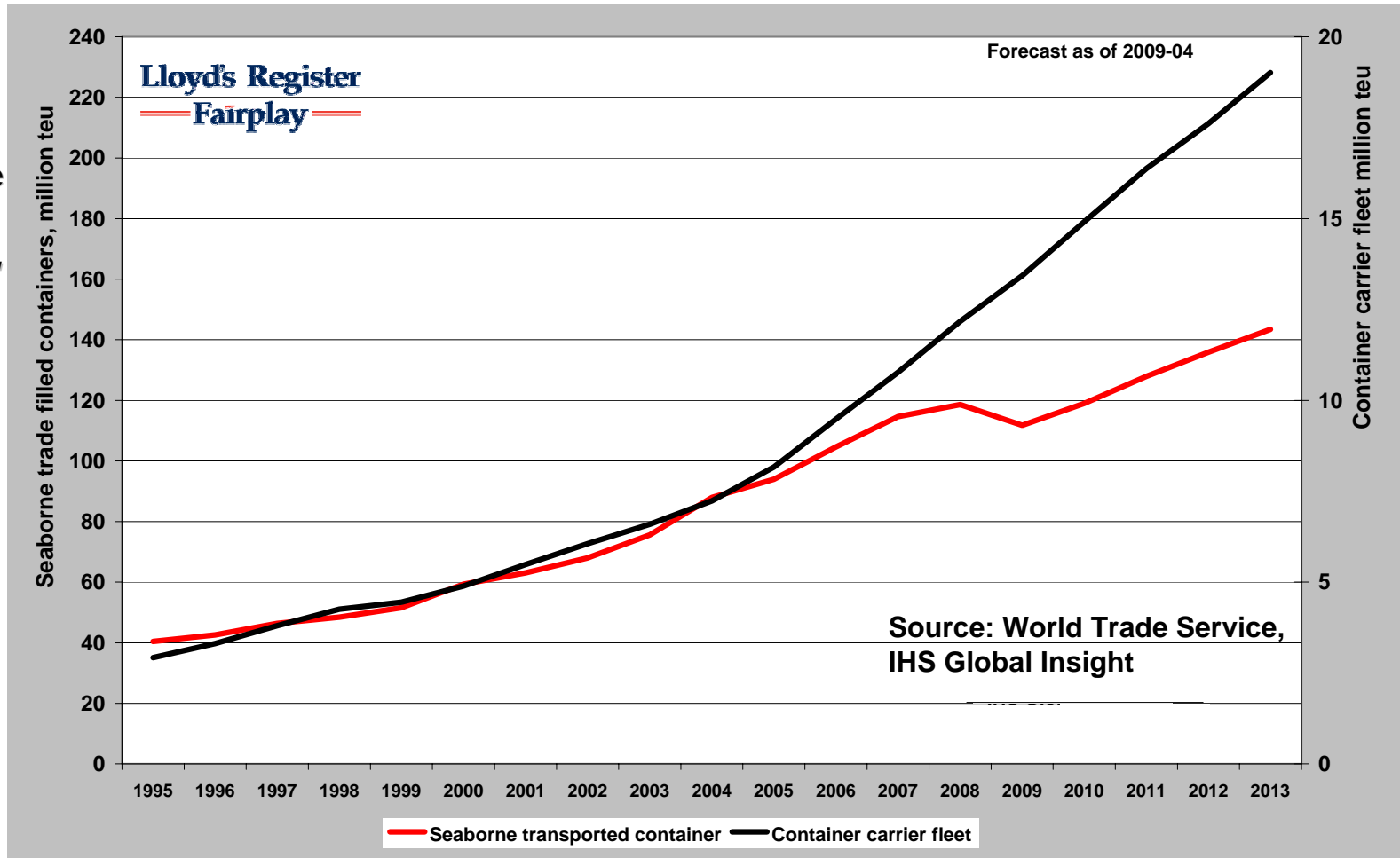


World Container Trade Growth Recovery not Double Digits

Source: IHS Global Insight World Trade Service

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

Bottom Line

- Prepare for recovery as it is upon us
- World economic growth and trade growth is returning, but the pace of recovery is weak
- Long-term hemispheric trade growth will still be dominated by Asia
- Pressures from growth in container traffic on capacity return in a few years as trade continues to outpace growth in the U.S. overall economy; Carrier investments limited due to weak finances
- Providing adequate infrastructure and productivity to handle return to growth in volume will remain a challenge.

Thank you!

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