

AAPA Facilities Engineering Seminar

Charleston, SC



“Welcome to the Joyless Recovery!”

Economist magazine, 10/29/09

**Some thoughts on what the future holds
for the Economy & our Ports**

November 17, 2009



**Bill Ralph
R. K. Johns
& Associates, Inc.**



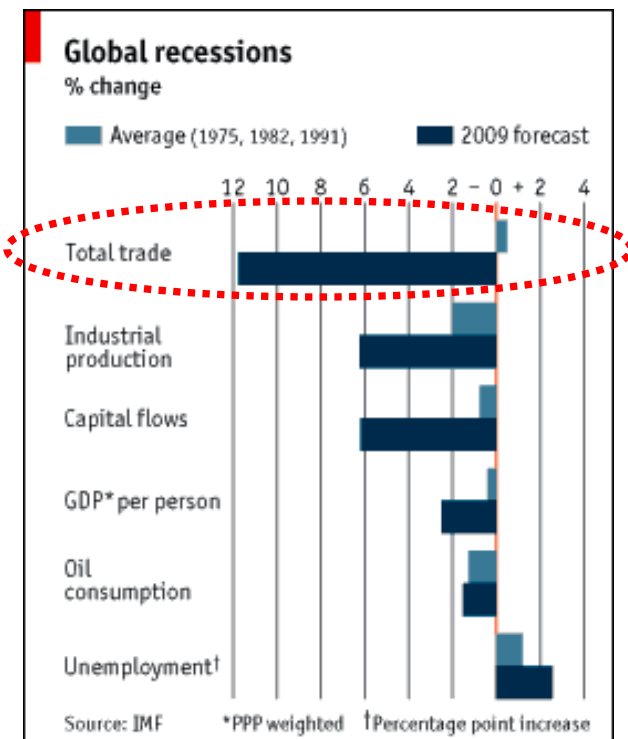
"It's very difficult to predict anything related to this economic cycle. Bad economic cycles do end. Given our track record, the odds are we're still underestimating it"

M. Zandi, Moody's Economy.com

"In April '07 I warned that the recession was coming, in April of this year I suggested that the worst was over, and now [Nov.] I'm convinced the recovery is underway ... our pedal is to the metal!"

J. Chambers, CEO Cisco

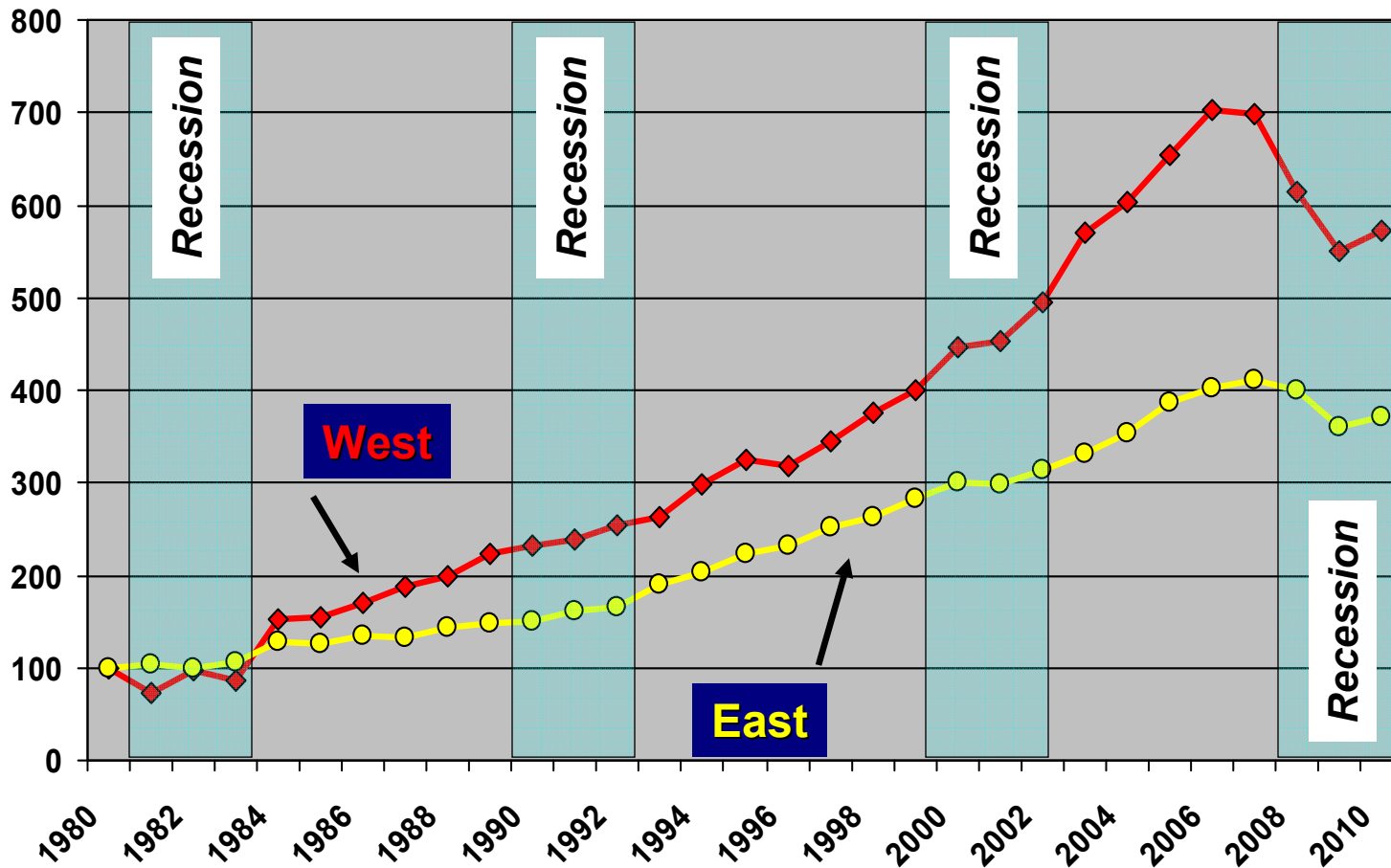
Are we Really There Yet?



- Technically, the 18-month recession probably ended in June
- In case you missed the turnaround – its government not private spending, foreign buying not domestic, and restocking not new sales
- De-leveraging takes years, not months (translation: economic hangover from too much debt & depleted wealth!)
- The media says less job losses sign of stability (or is it more accurate to say “not disastrous ... just terrible)
- Inventory liquidation/snapback has jump started almost every post-war recovery, but is enough credit available to retailers AND are consumers still too “mall-phobic”?
- When our “consumer nation” awakens, will the impulse buying habits return, or will frugality rule the aisles?

Coastal TEU Performance during Recessions

Indexed to 1980 = 100



Source: AAPA total port TEU, RK Johns forecast '09-'10

If Indeed We Hit Bottom ... How Soon, How Fast & What Kind of Recovery Lies Ahead?



US Forecast:	2008	2009	2010	2011
Real GDP	0.4%	-2.6%	2.3%	2.9%
Inflation (CPI)	3.8%	-0.4%	1.5%	2.0%
Unemploy'm't.	5.8%	9.2%	9.6%	8.9%

Fed. Res. Philly Survey, August, 2009

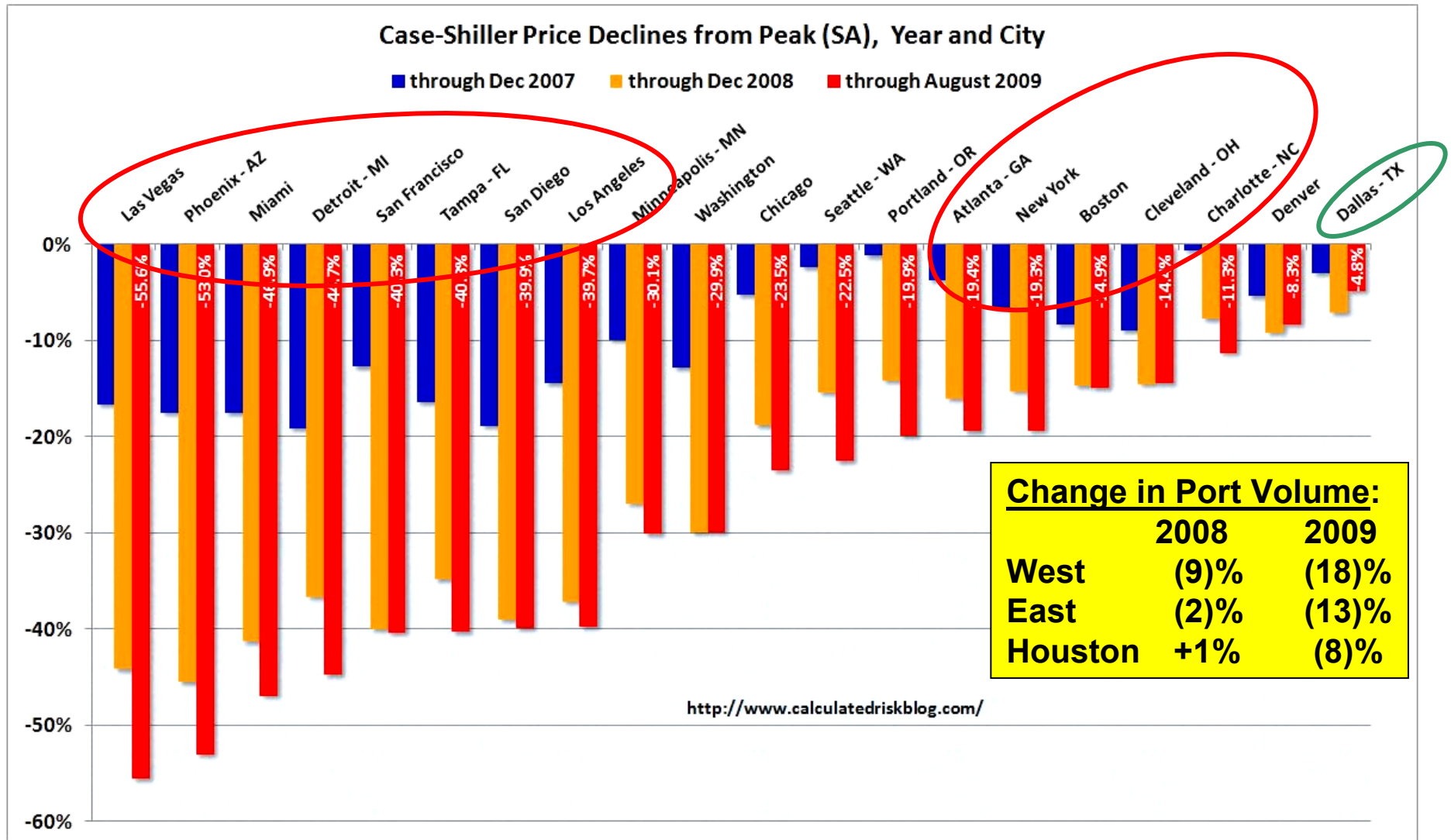
Signs we are climbing the recovery ladder:

- Employment is a lagging indicator, BUT temp hiring will signal a turnaround
- Sell off in housing inventory (need a fairly big cut in "month's supply")
- 6-9 consecutive months gain in home price index (S&P/Case Shiller)
- Slower increase in the savings rate could breath some life into consumer spending (frugal spending fatigue!)
- A shrinking in the TED-spread should loosen credit and pave the way for consumer spending (it measures how bankers view each other's risk)
- Continued uptick in the Economic Cycle Research Institute's long-leading & weekly indices (economic forecasters that get it right almost every time!)
- Check out www.recovery.gov to see if the gov't. spends \$5 billion a week



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Coincidence or Correlation: Housing may be best indicator of future import trends



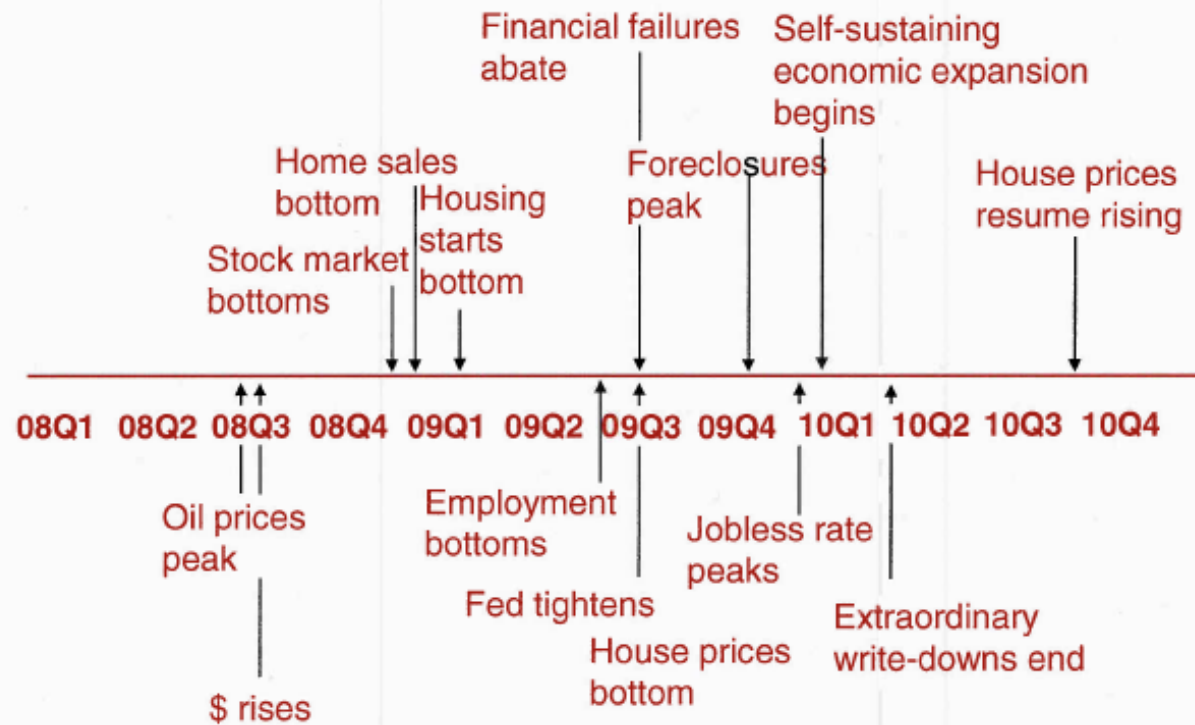


Christmas Bargains Plentiful, But Consumers More Likely To Window Shop

The “take-away”
message: don’t
count on a trade
recovery until
2011

A Potential Timeline to Recovery

Source: TTX Company

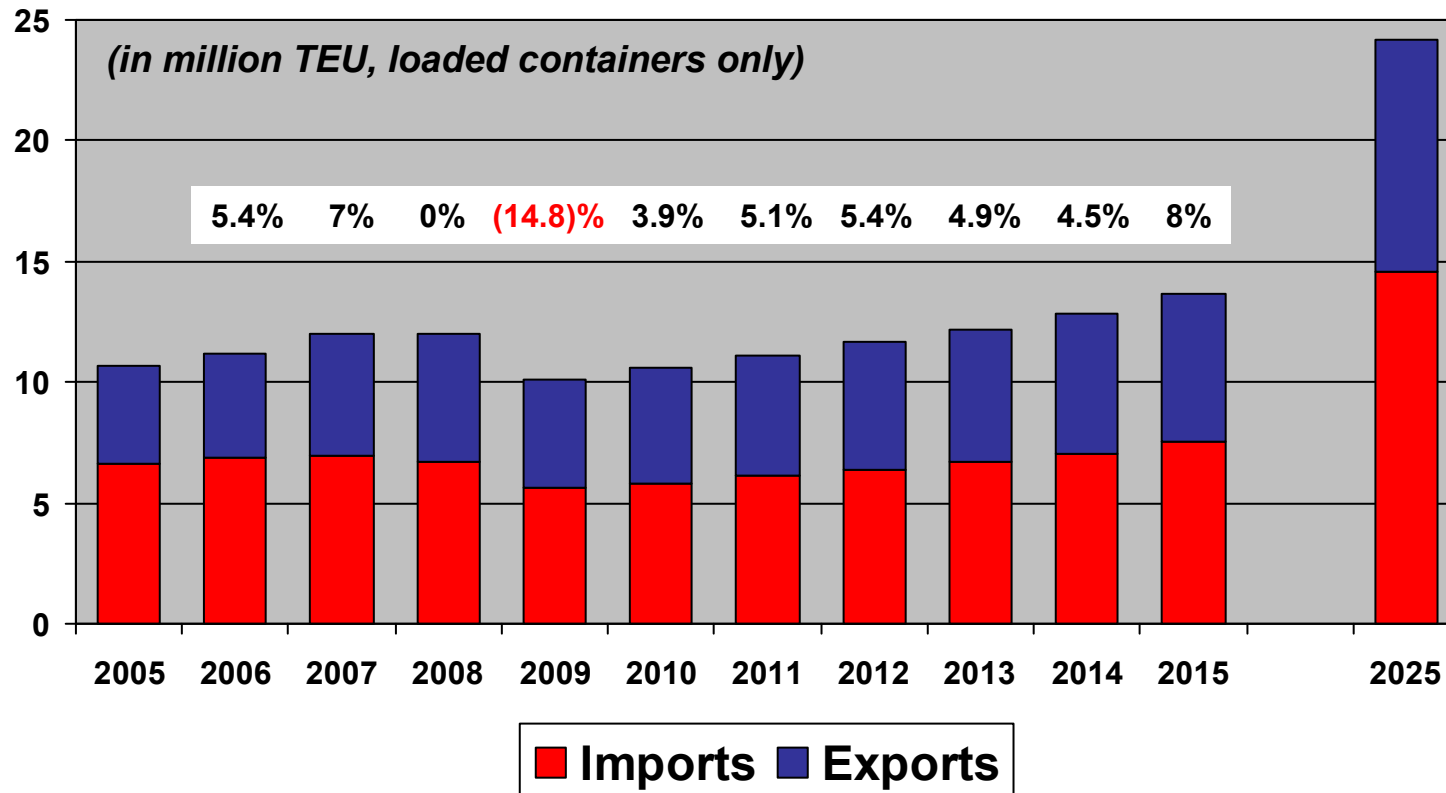


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AAPA American Association
of Port Authorities

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

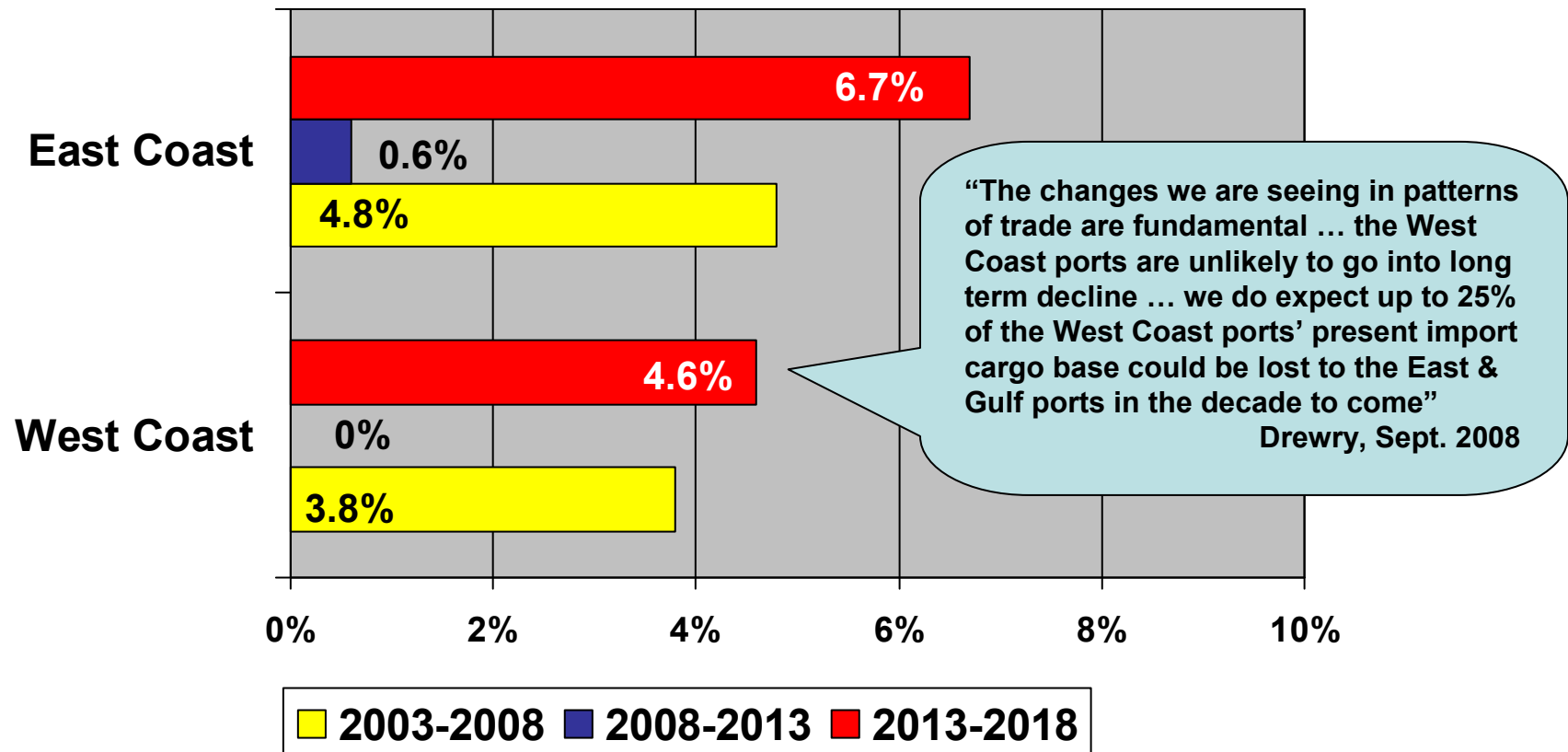
East Coast Container Trade Volume Forecast



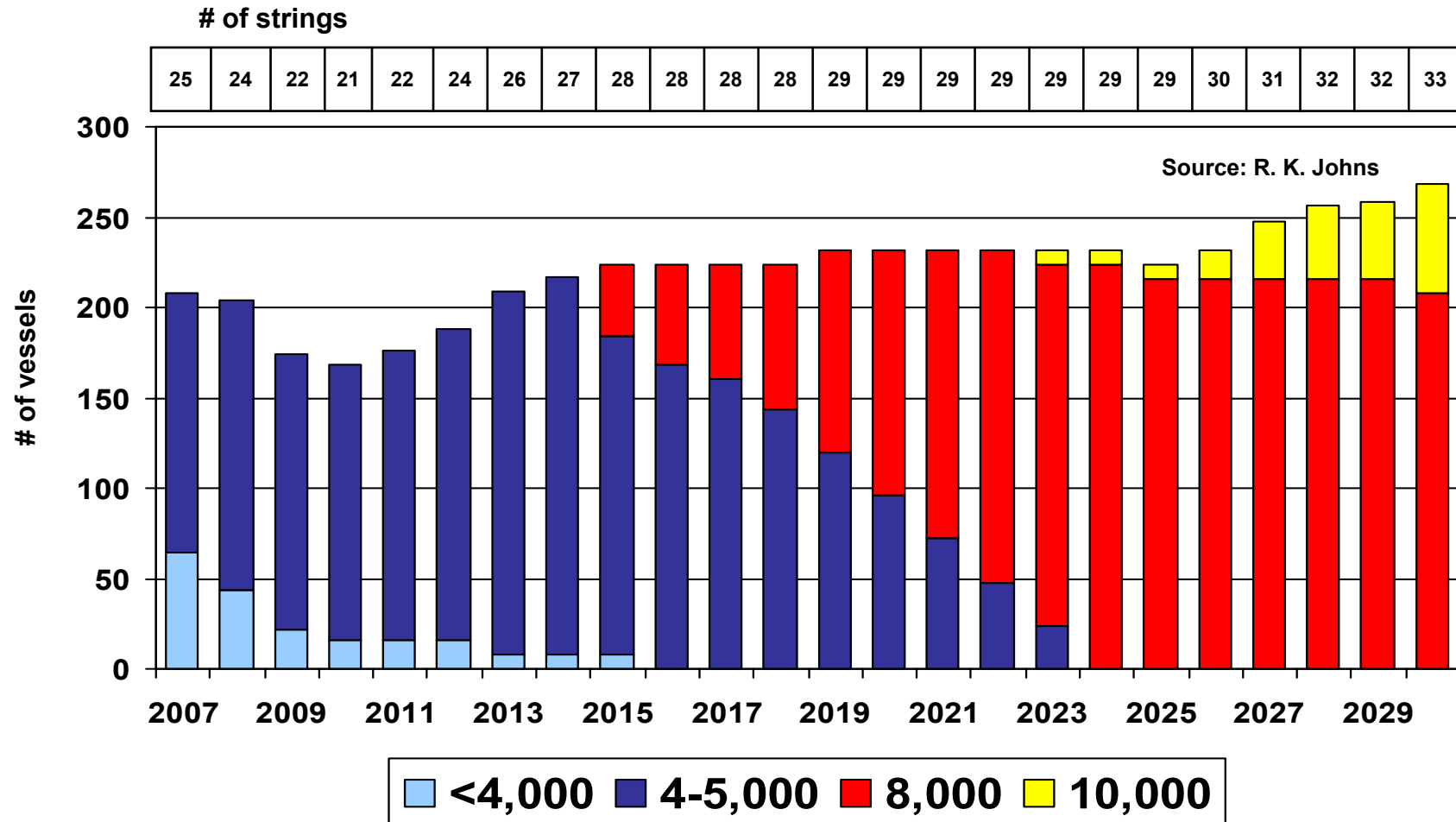
- Three tough years in 2008-2010, followed by a bounce-back
- Canal's expansion by 2015 provides another boost
- Volume doubled 1998-2008, next doubling will take 17 years

The Canal Boost for East Coast Imports from Asia

5-year Compound Annual TEU Growth Rates, Imports from Asia
Source: RK Johns forecast



Asia All-Water Services Forecast Fleet Deployment by Vessel Size



Assumption:

- each weekly vessel string deploys 8 ships, carriers attempt to minimize # of strings

Some Concluding Thoughts ...

- **The new economic buzzword ... “Patience”**
- **2010 the Year of the Exports**
- **Retail importer support for more all-water services will continue, but DC restocking will take time**
- **With only a return to moderate market growth projected, port competition will be intense (West Coast ports may still only be at 80% capacity by 2025!)**
- **East Coast ports need to take necessary steps to be “ready” for larger ships after Panama Canal expansion – DREDGING IS A CRITICAL COMPONENT, as is TERMINAL PRODUCTIVITY & NEW DEVELOPMENT**

Thank you !



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