

# Seminar for Members of Port Authority Governing Boards and Commissions

## The Global Economic Crisis – Its Impacts on International Trade and What It Means for the Future

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



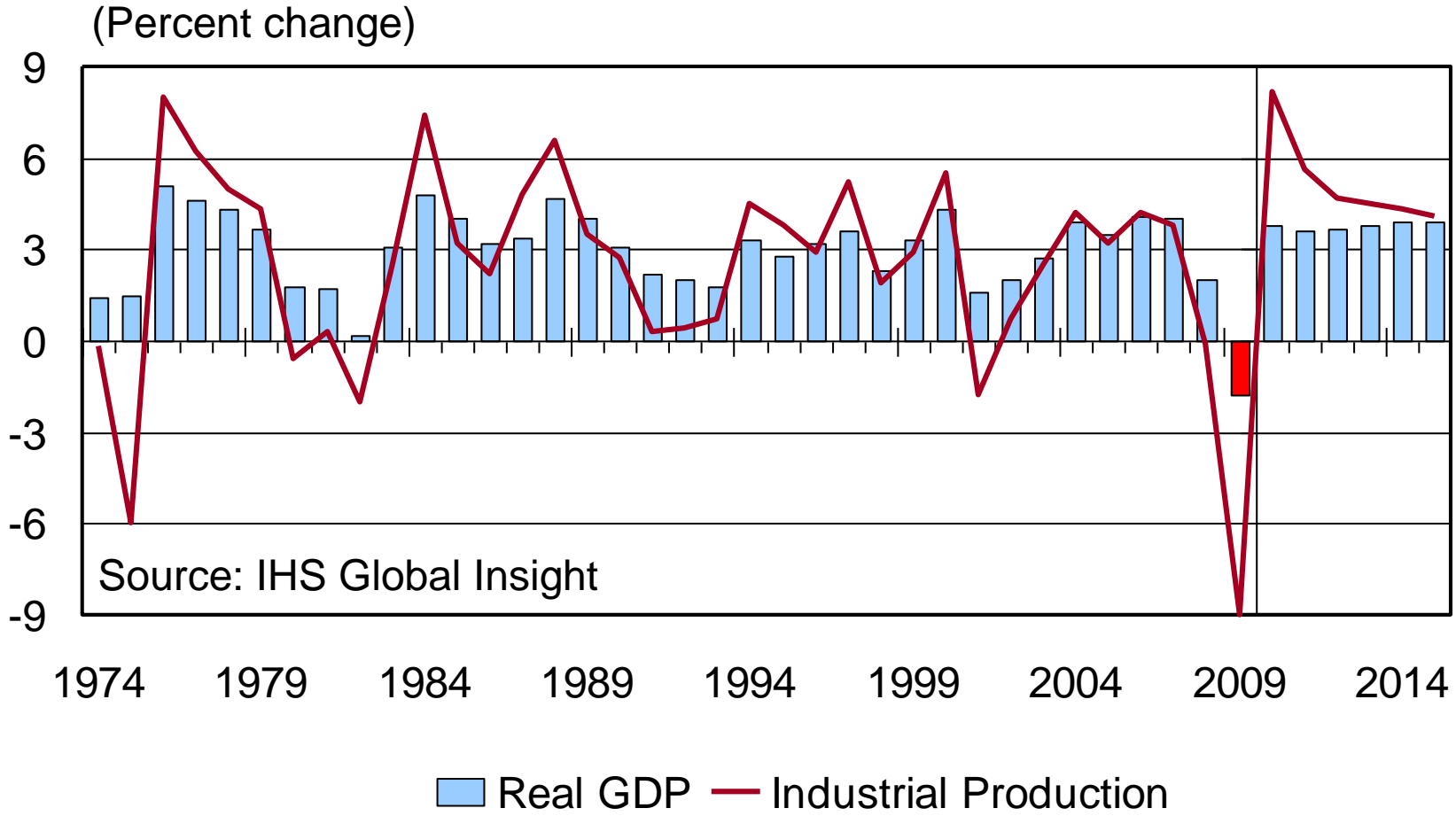
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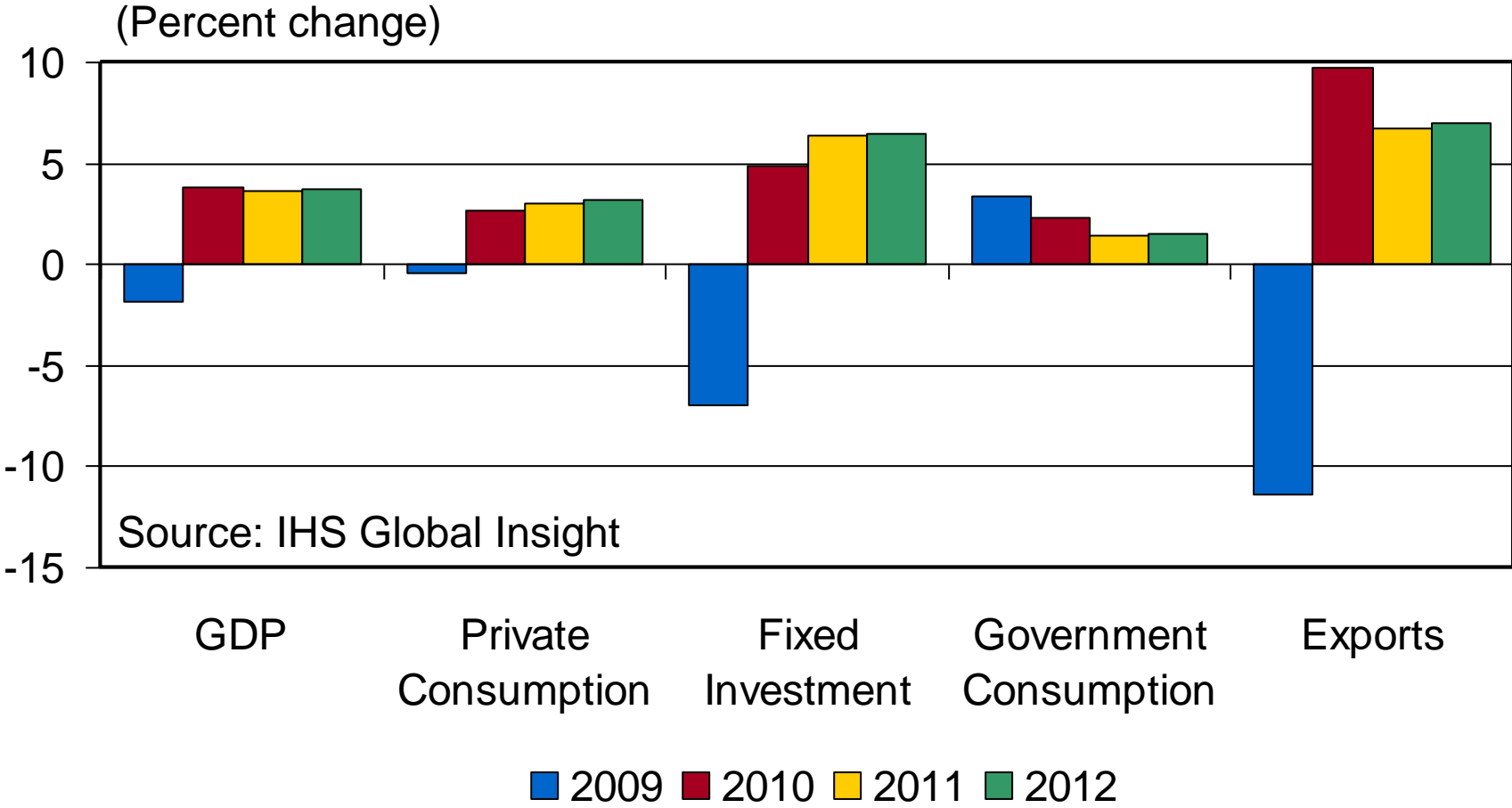
# Trade Demand Follows Recovery from Recession

- Trade demand recovery varies across a multi-speed world – Asia in the fast lane, Europe in the slow lane, and the Americas in between
- Debt levels influence the speed and shape of the recovery by region and country, most visible now in Southern Europe
- Asia is increasing its role in generating global growth and this is evident in patterns of Western Hemisphere and world trade
- The long-term downward pressure on the U.S. dollar exchange rate remains, even as it appreciates against the euro in the near term
  - Boosts U.S. export competitiveness; dampens import demand
- Near-term trade recovery will moderate after inventories are rebuilt; long-term trade volumes still grow faster than the economy

# Recovery for the World Economy from the Worst Recession of the Postwar Era is Well Underway



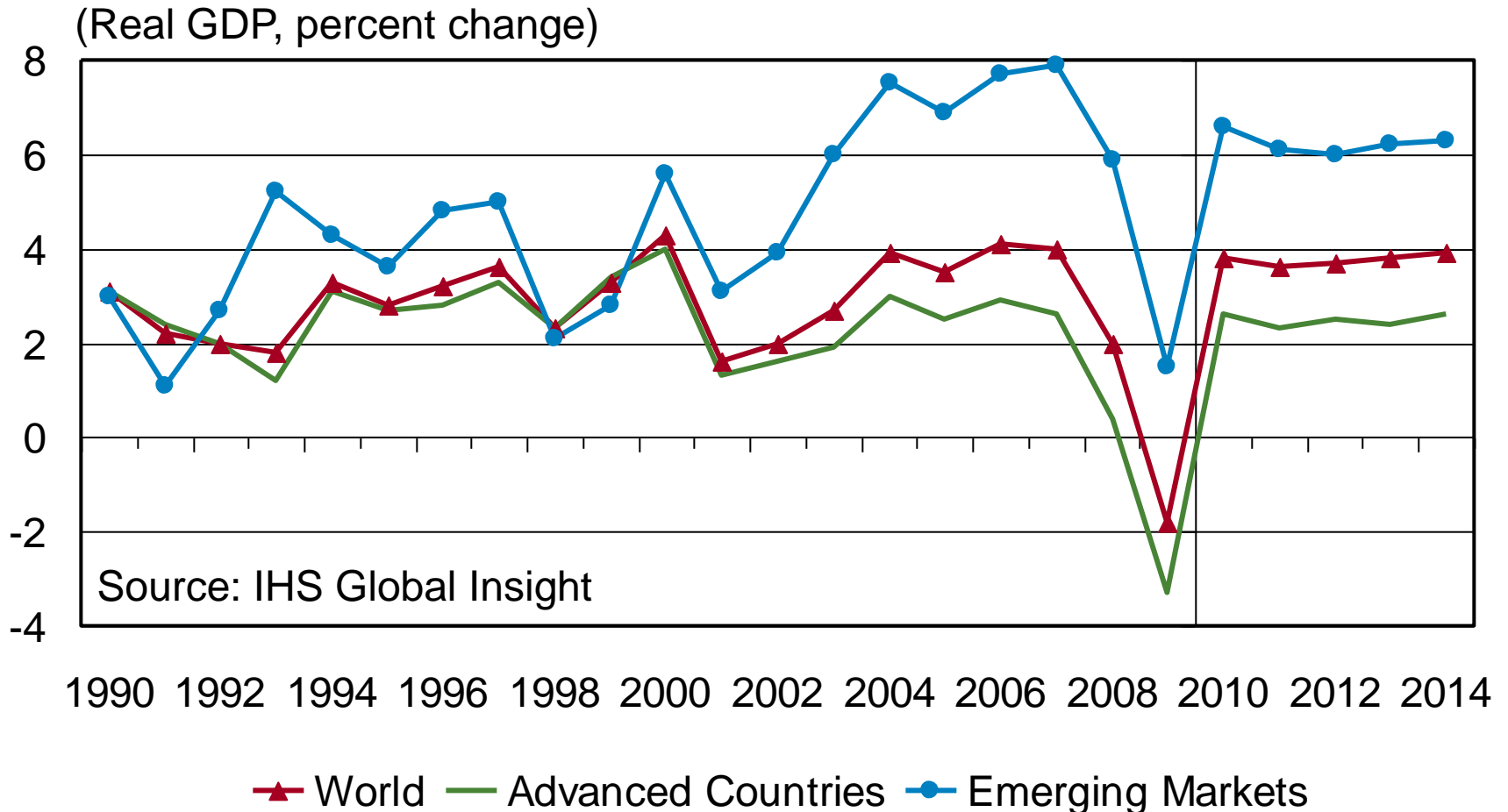
# In World Economic Growth by Sector, Trade Fell the Most and Comes Back Strongest



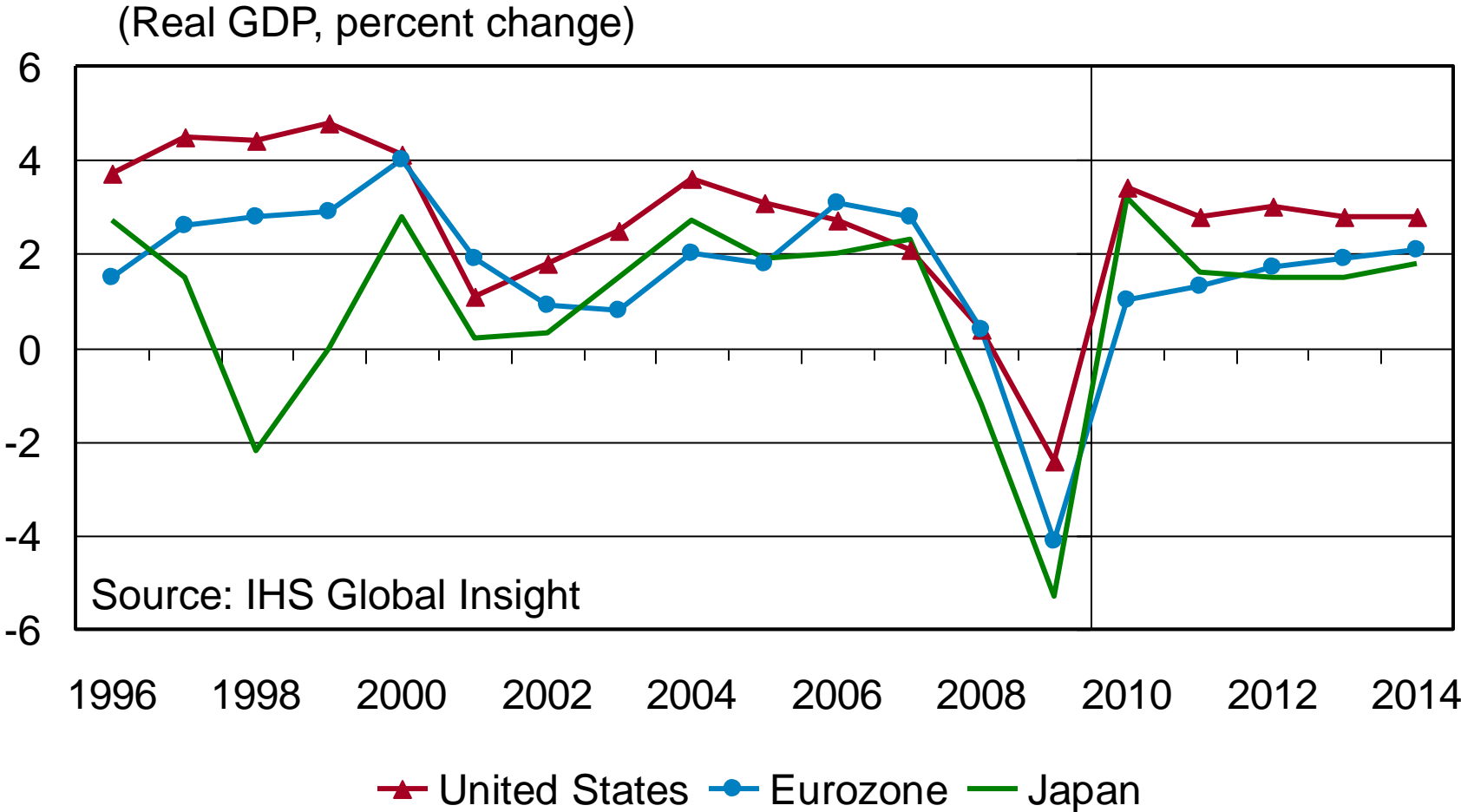
Source: IHS Global Insight



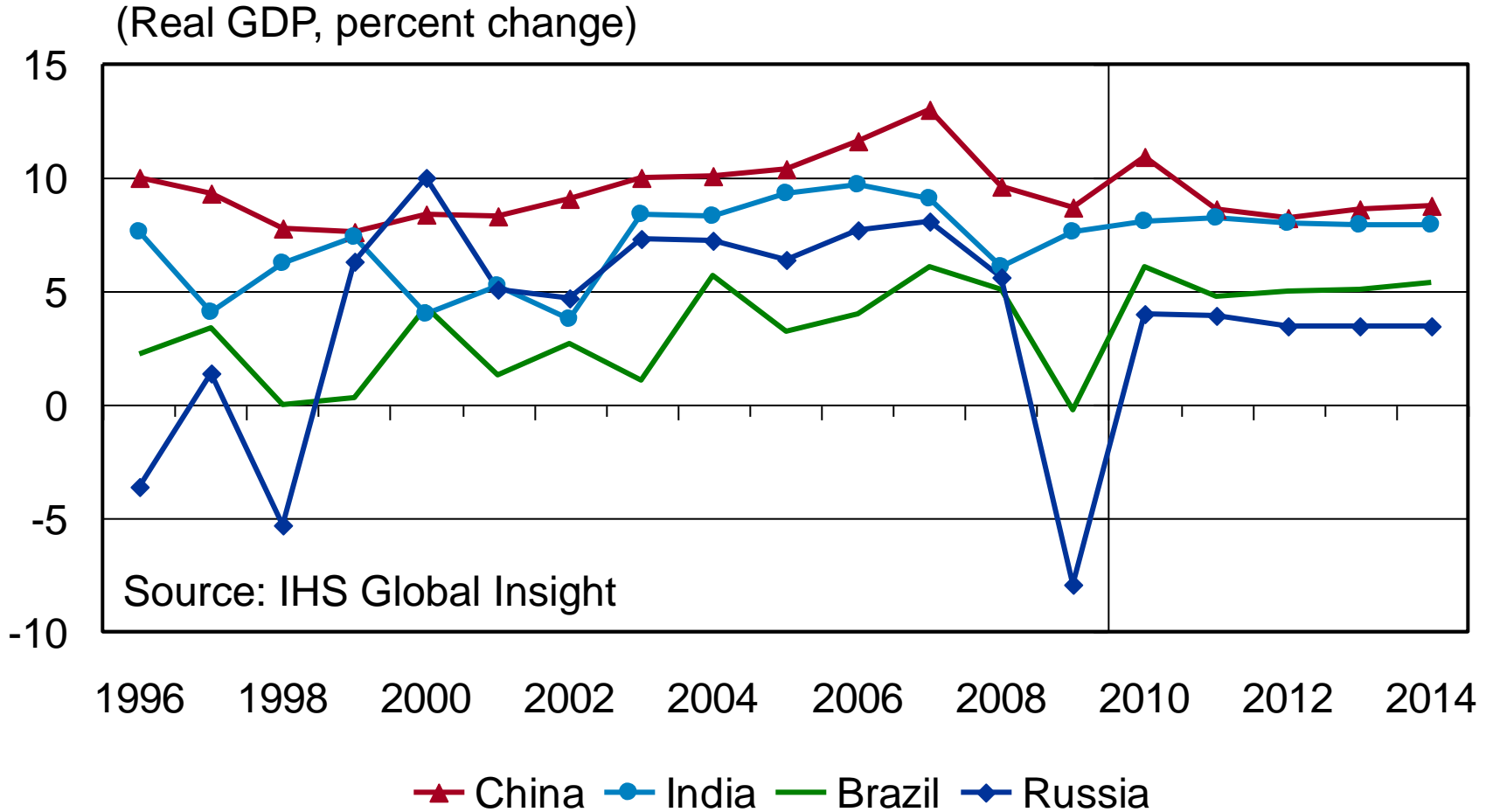
# Emerging Markets Lead the Global Recovery



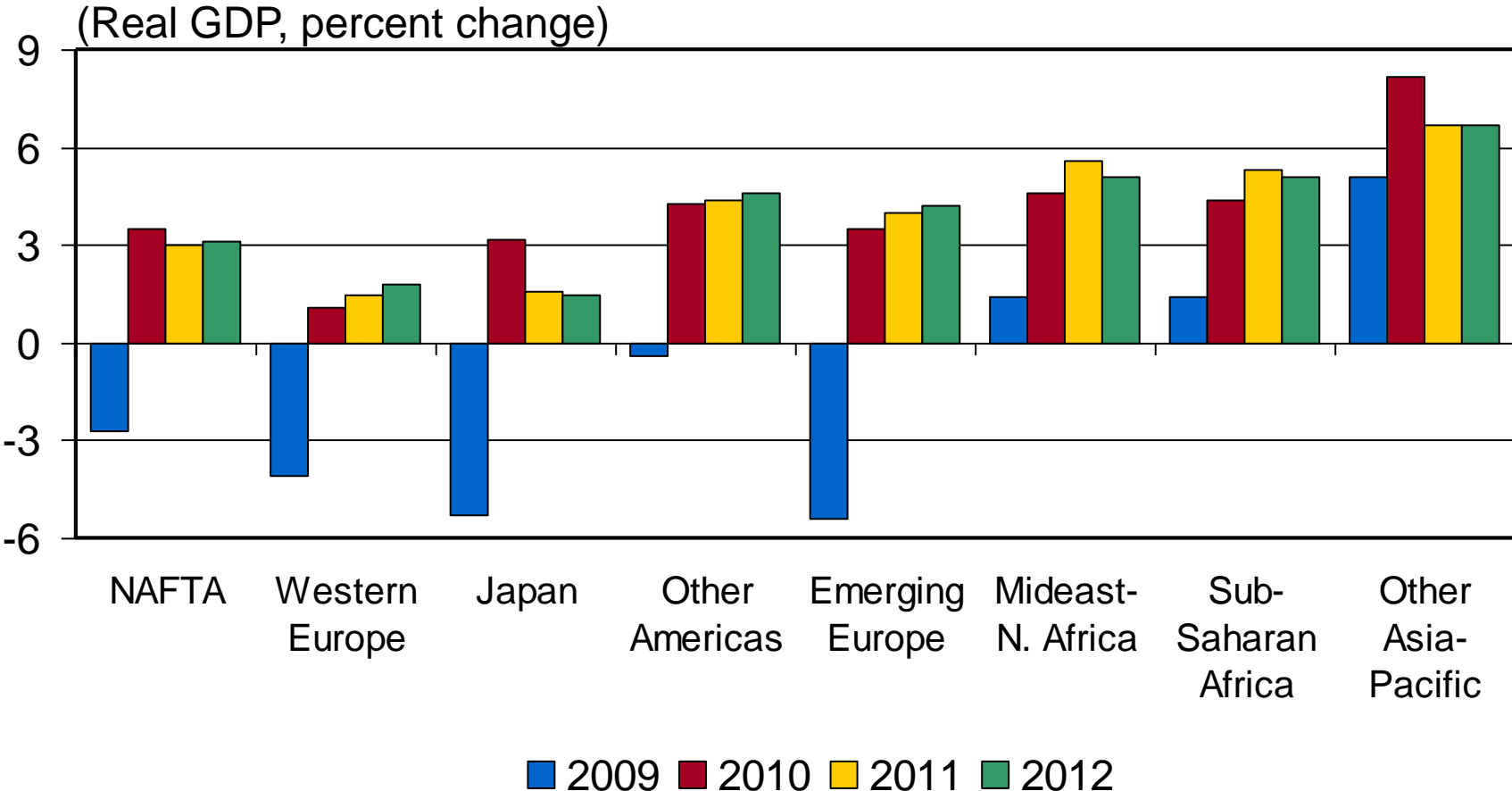
# The United States Outpaces Europe and Japan



# China and India Lead Growth in Emerging Markets



# Uneven Economic Growth Affects Trade Potential

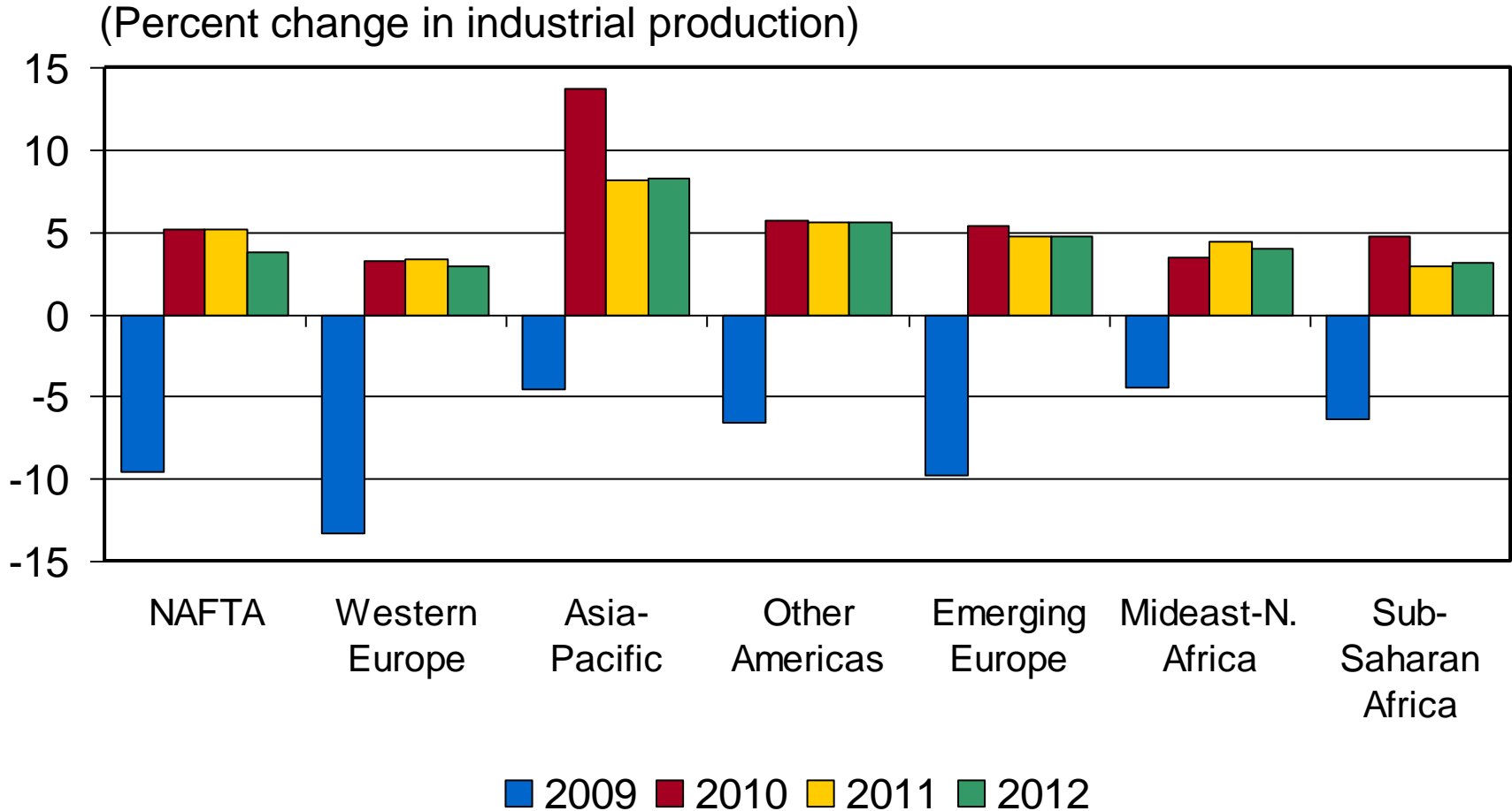


Source: IHS Global Insight





# Trade Shifts Vary with Industry Output by Region

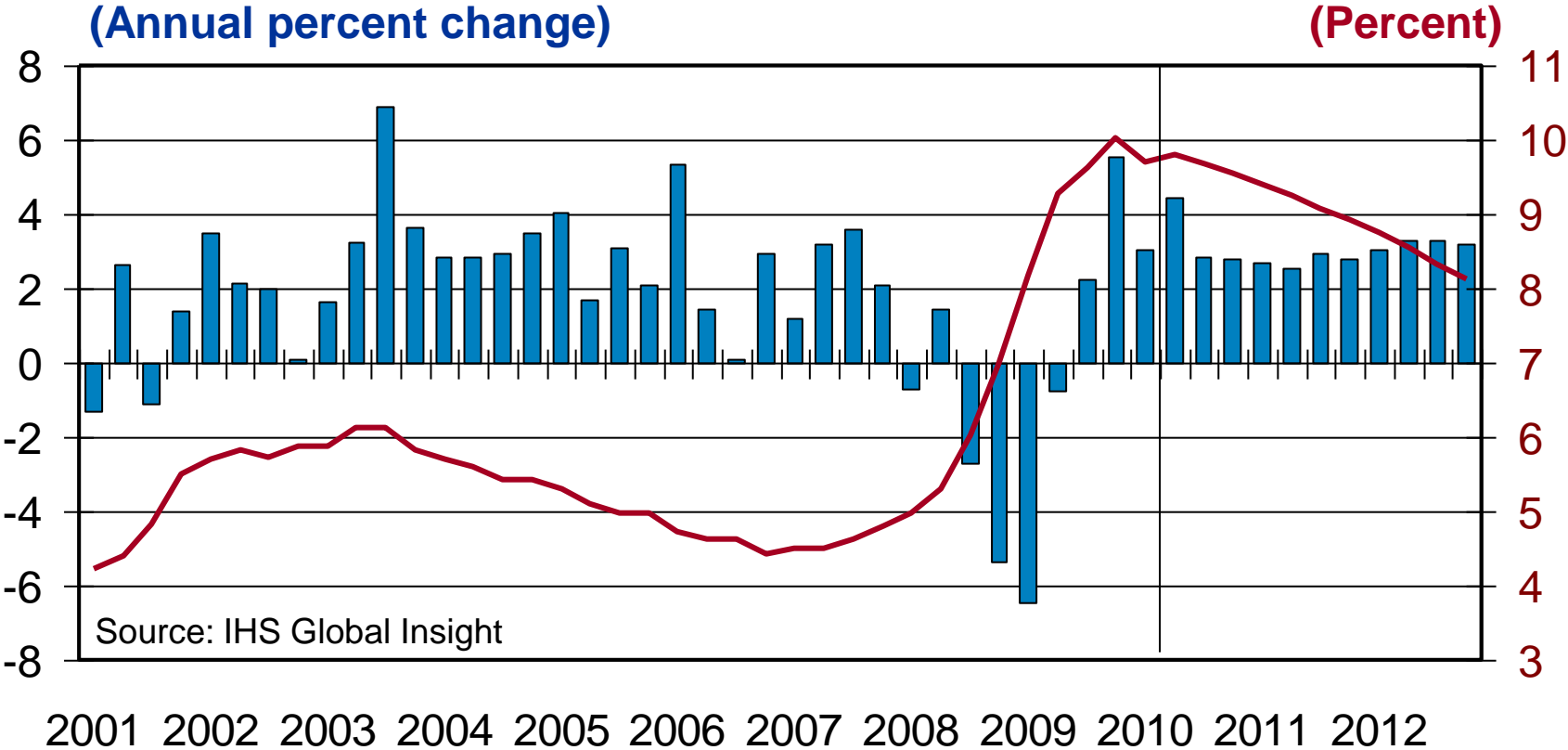


Source: IHS Global Insight

# The U.S. Recovery: Picking Up Steam

- Underlying 2010 U.S. GDP growth forecast 3.4%
- Steep recoveries usually follow steep recessions, but recoveries after financial crises are usually slower
- Consumer spending growth faces the headwind of still-high unemployment, but spending is now the strongest in three years
- Business spending on equipment (and services) and inventory rebuilding are boosting growth, as seen in 2010 trade volumes so far
- Non-residential construction and state-and-local spending will be a drag on the recovery of the economy into 2011
- Housing construction will struggle to get off the bottom
- Excess capacity will generally restrain wage and price inflation

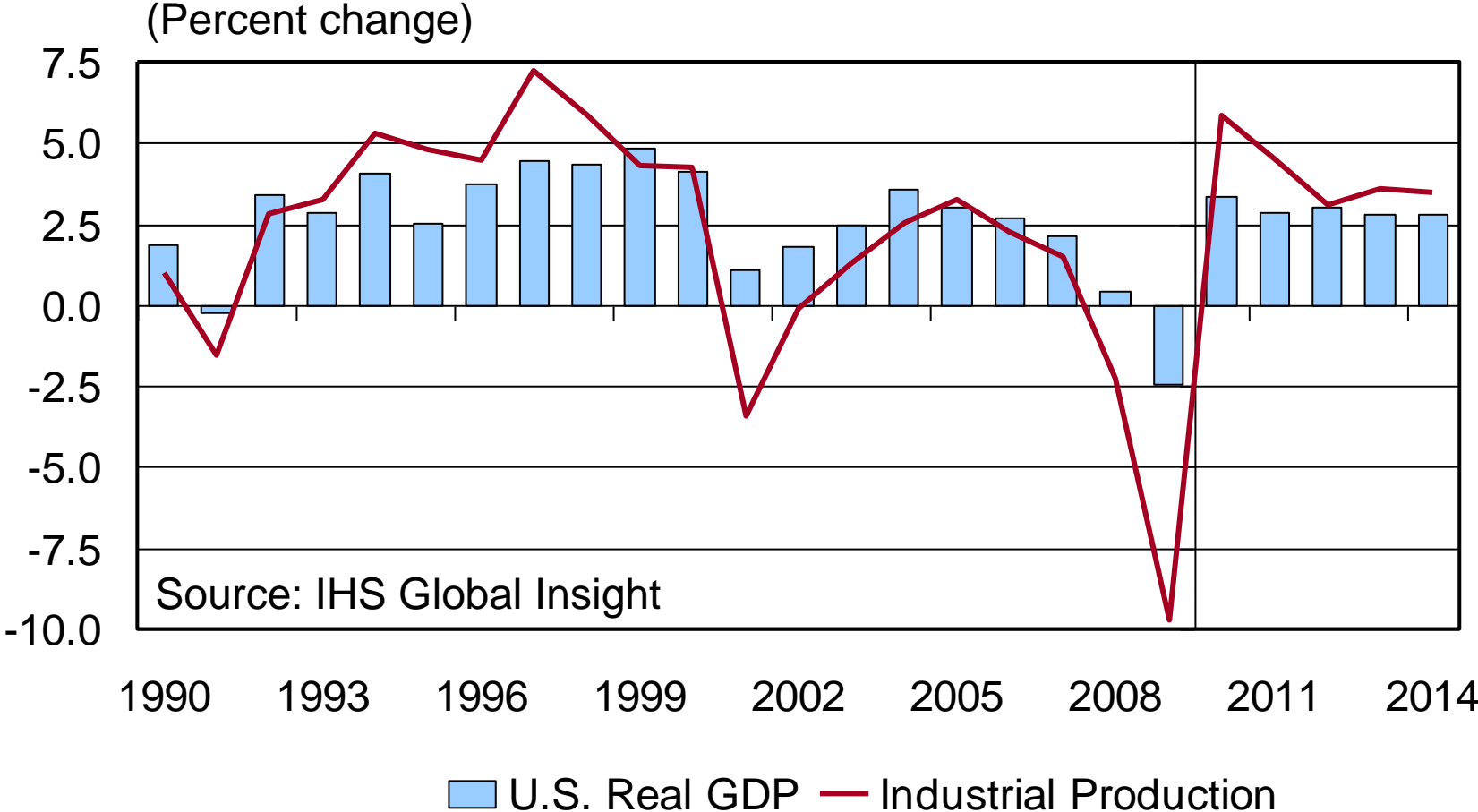
# The U.S. Economic Recovery Advances Employment Still in Slow Recovery



■ Real GDP Growth (Left scale)

— Unemployment Rate (Right scale)

# U.S. Industrial Production Outpaces Real GDP



# U.S. Economic Growth: Trade Fastest Growing Sector in 2010 Yet Slowing Already by Year-end

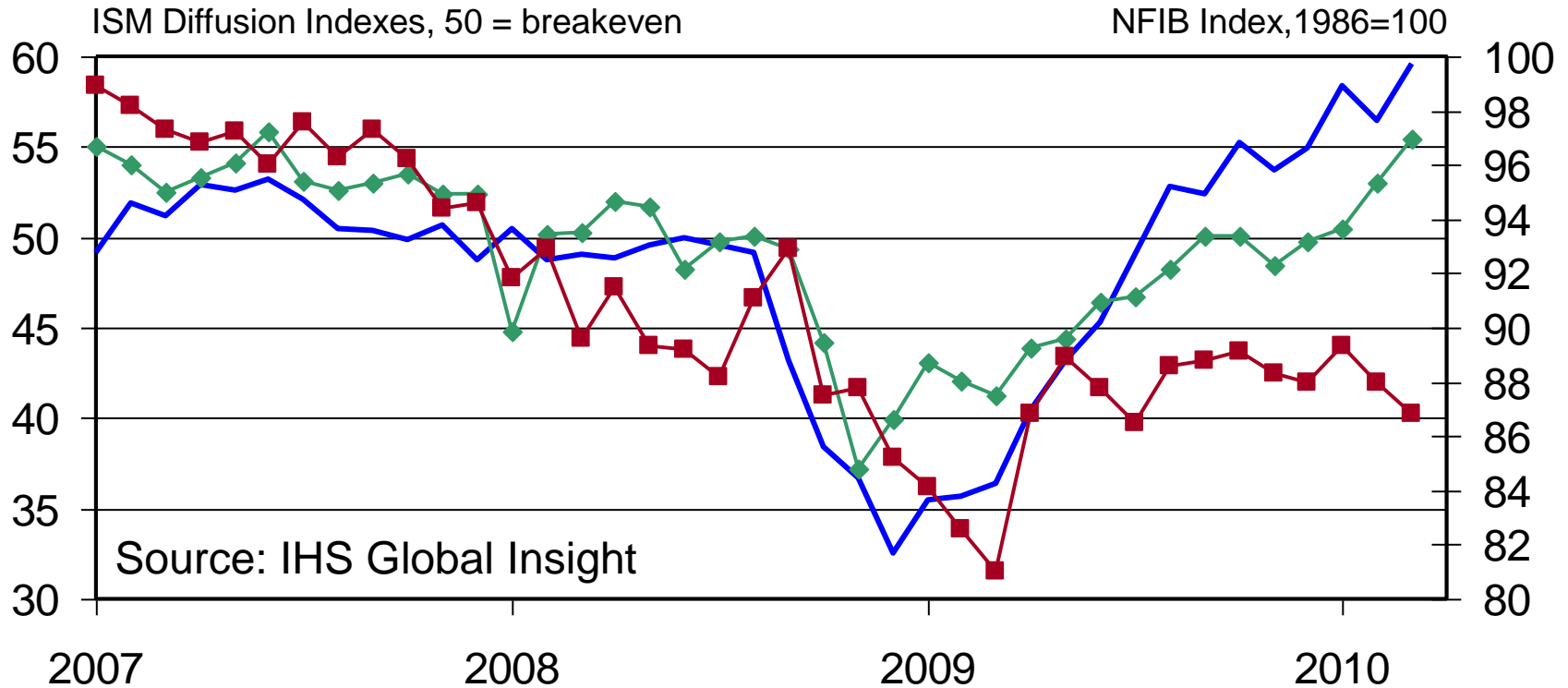
(Percent change in value)

	2009	2010	2011	2012
Real GDP	-2.4	3.4	2.8	3.0
Consumption	-0.6	2.7	3.0	2.4
Residential Investment	-20.5	3.1	23.1	23.7
Business Fixed Investment	-17.8	3.3	7.7	10.1
Federal Government	5.2	3.6	-2.2	-3.8
State & Local Govt.	-0.2	-0.8	0.5	0.4
<b>Exports</b>	<b>-9.6</b>	<b>12.0</b>	<b>6.7</b>	<b>6.8</b>
<b>Imports</b>	<b>-13.9</b>	<b>12.0</b>	<b>8.5</b>	<b>5.5</b>

Source: IHS Global Insight

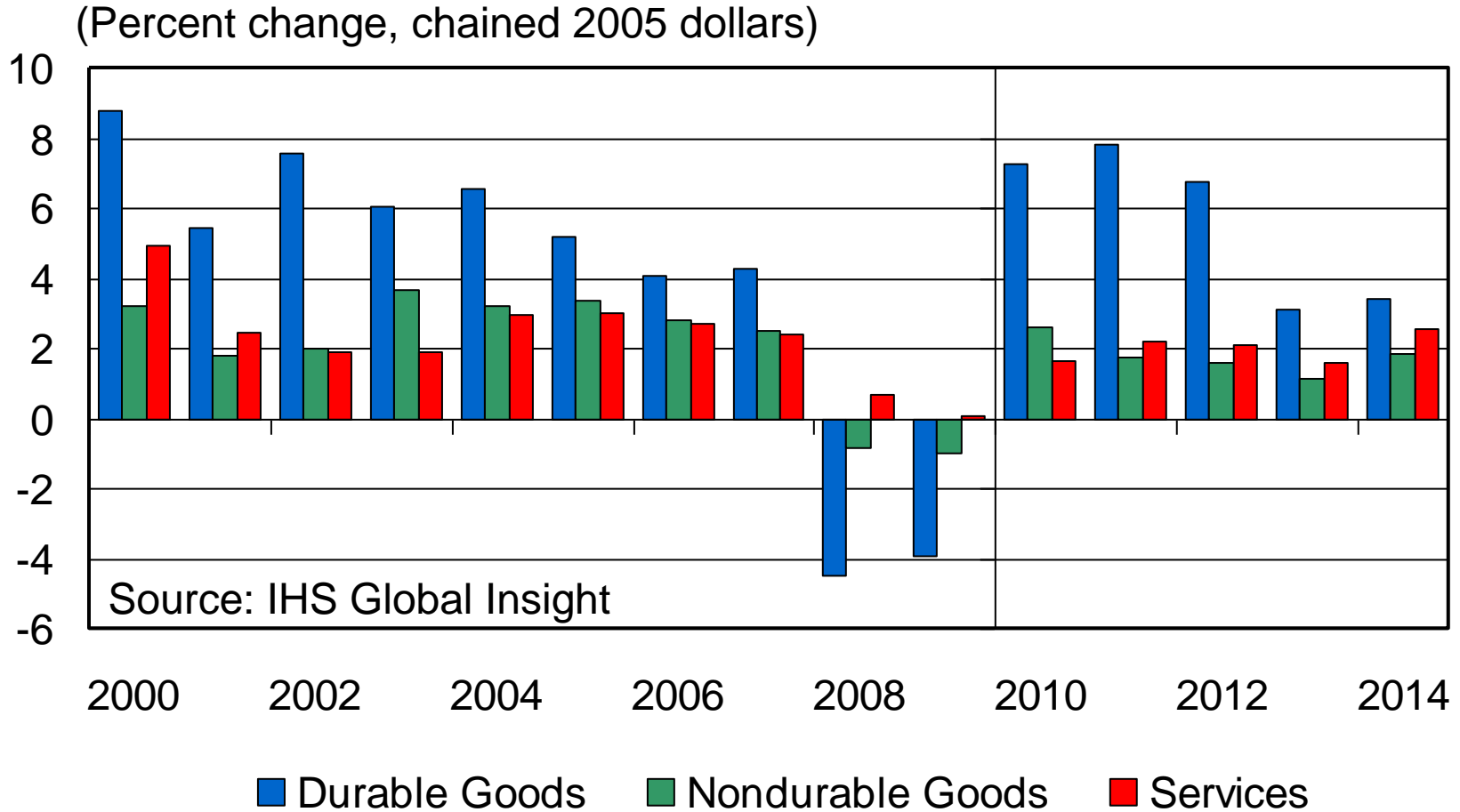
# Recovery Pace Varies by Business Size

## Cyclical Indicators Rising; Small Business Lagging

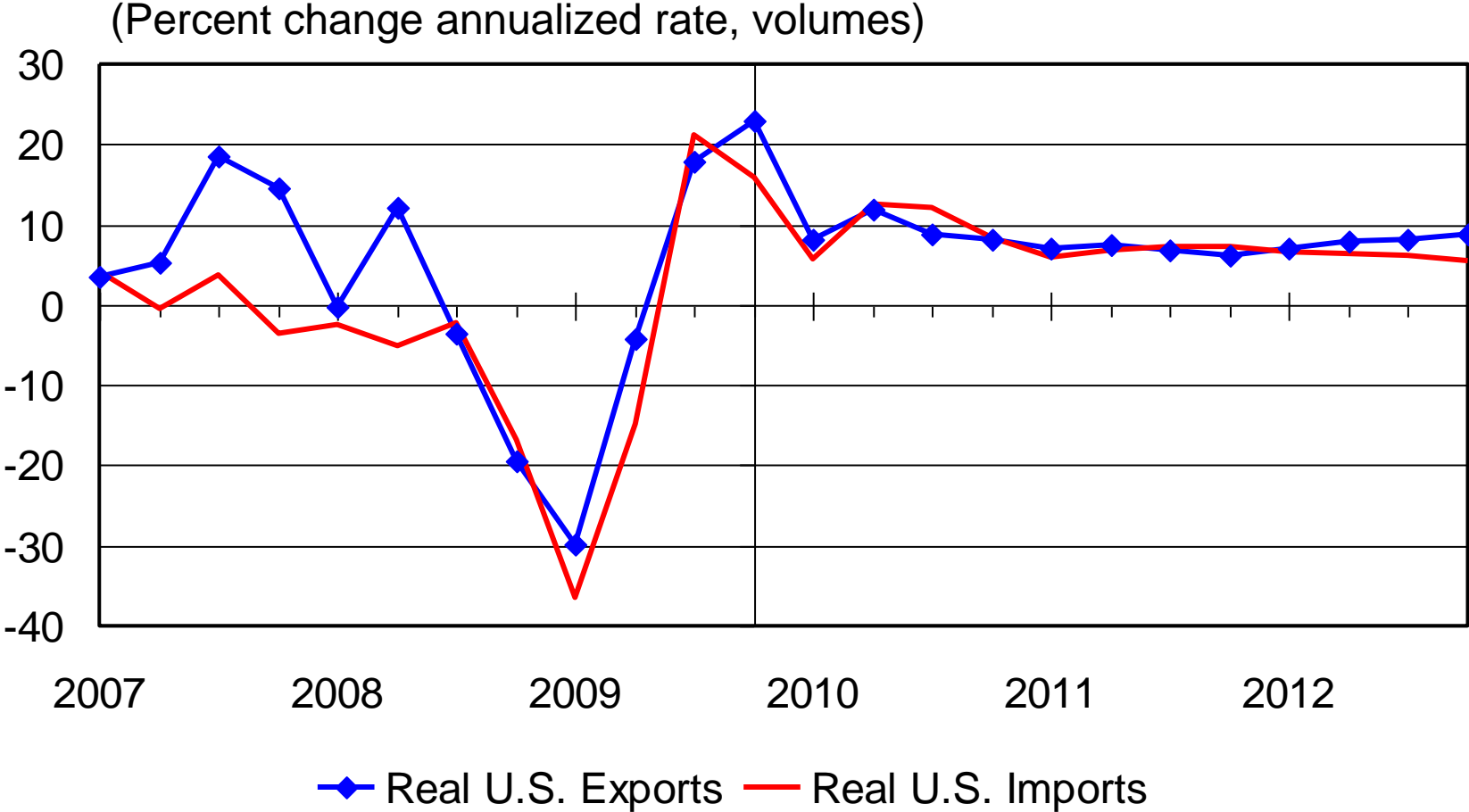


— ISM Manufacturing —◆— ISM Non-Manufacturing —■— NFIB Small-Business

# U.S. Consumer Spending Growth: Durable Goods Most Volatile, Strong Influence on Trade Volumes



# Inventory Cycle Boosts U.S. Exports and Imports



Source: IHS Global Insight



# Canada's Economic Recovery Has Strong Exports

- Canada's economic recovery is broadly based
- Domestic demand is strengthening with gains in consumer spending, home-building, and business equipment investment
- Rising global demand for resources boost exports
- Western provinces will lead growth; Atlantic provinces will lag
- The Canadian dollar is expected to reach parity with the U.S. dollar in 2010, then retreat as U.S. interest rates rise

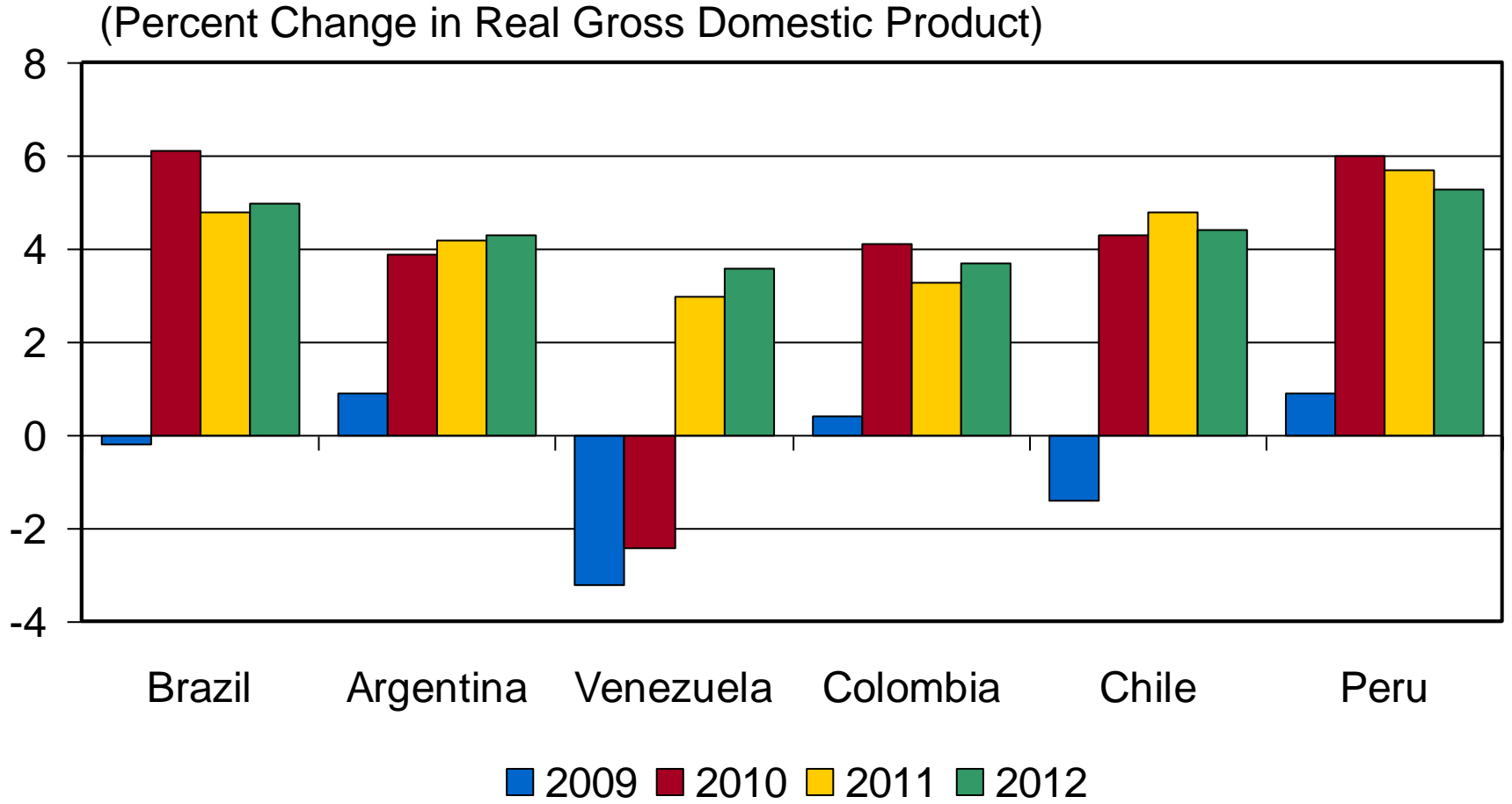
# Mexico's Economy Linked to U.S. Trade Growth

- Mexico will benefit from sustained growth in the United States, the destination for 80% of Mexico's exports
- Currency adjustments have improved competitiveness
- Manufacturing is rebounding but construction remains weak
- Drug-related violence has hurt consumer confidence and business investment, yet 2010 real GDP growth reaches 4.8%
- Declining oil production is a serious long-term problem

# South American Economies Are Resilient

- The global economic recovery is boosting exports, capital inflows, and remittances
- Compared with previous cycles, Latin America enjoys relative economic stability; debt profiles have improved substantially
- Fiscal and monetary stimuli are supporting growth
- Long-term prospects are bright for countries attracting foreign investment, including Brazil, Chile, Peru, and Colombia
- Policy mismanagement and resource nationalism will have consequences in Venezuela, Bolivia, Ecuador, and Argentina

# Brazil and Peru Lead GDP Growth in South America



Source: IHS Global Insight

# Europe's Recovery Path Will Be Uneven

- Greece's debt crisis exposed Euro currency zone's fault lines
- Labor cost trends created north / south competitiveness divide
- Credit conditions will remain tight for an extended period
- Inevitable fiscal tightening will be a drag on growth and trade
- High unemployment and weak wage gains will restrain consumer spending and housing investment and imports
- An improving global economy and weak euro will spark export growth as region's exports become more competitive abroad

# Japan's Growth Depends on Exports

- Japan's growth picked up in late 2009 and early 2010, with gains in exports, consumer spending, and capital expenditures
- Industrial production is rebounding from a sharp decline
- Yet, high unemployment will restrain household spending, while excess capacity limits the rebound in investment
- Deflation is a persistent threat
- The economy remains overly dependent on exports
- Japan's population has entered a long-term decline

# Asia-Pacific Region Leads the Global Recovery

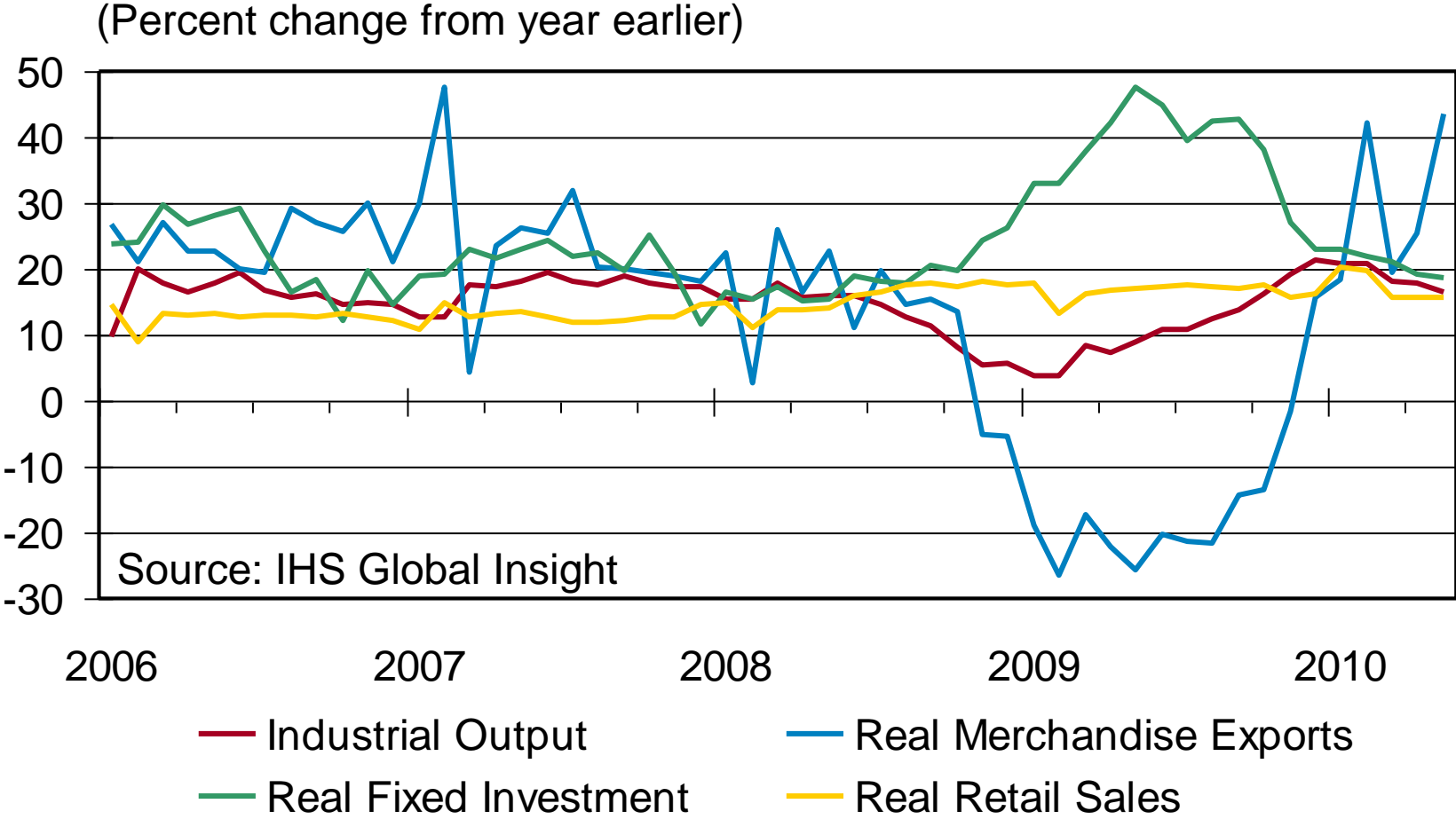
- The region weathered the financial crisis better than most
- Domestic demand is growing at a healthy pace
- Exports are rebounding from sharp declines
- Fiscal and monetary policies will gradually tighten
- Inflation is edging upward but should not be problematic
- Asset price bubbles are a real and significant risk

# China's Economy Begins to Decelerate as Inflationary Pressures Build

- China's growth is re-balancing, as exports are recovering and stimulus-led investment decelerates
- Consumer spending continues to grow rapidly, boosting imports
- Inflationary pressures and property bubbles are prompting a gradual tightening of fiscal and monetary policies
- Renminbi currency exchange rate appreciation is expected to resume later this year, dampening export competitiveness
- Real GDP is projected to increase 11% for 2010 and average 8% annually over the next ten years
- China's nominal GDP is forecasted to overtake Japan's in value this year and the United States' in 2022



# China's Domestic Growth Moderates as Exports Rebound



# China's Real Economic Growth by Sector

(Percent change)

	2009	2010	2011	2012
Real GDP	8.7	10.9	8.6	8.2
Private Consumption	7.7	8.5	8.9	9.1
Fixed Investment	17.0	15.6	8.0	7.7
Government Consumption	14.4	15.2	12.1	10.7
Exports	-14.0	14.2	10.1	12.6
Imports	-9.6	17.0	11.6	12.8

Source: IHS Global Insight

# India's Economic Growth Includes Trade



- Strong, broadly based growth will be sustained
- Capital inflows will strengthen with a new wave of economic reforms and further integration into the global trade economy
- Information technologies industries continue to expand rapidly
- Higher inflation will bring further monetary tightening
- The new government budget tackles fiscal consolidation and infrastructure issues, both lingering problems
- Demographic trends are favorable for trade; infrastructure is not

# Middle East and North Africa: Growing but Not as Dynamic as Asia

- Rising oil prices and demand have sparked economic growth
- Strong public spending and investment are leading recovery
- Businesses and households remain cautious
- Headwinds from weak property markets and banking problems
- Qatar, UAE, and Saudi Arabia are trying to diversify
- Young, growing populations enhance growth prospects
- Hazards: opaque counterparts, cultural resistance, politics

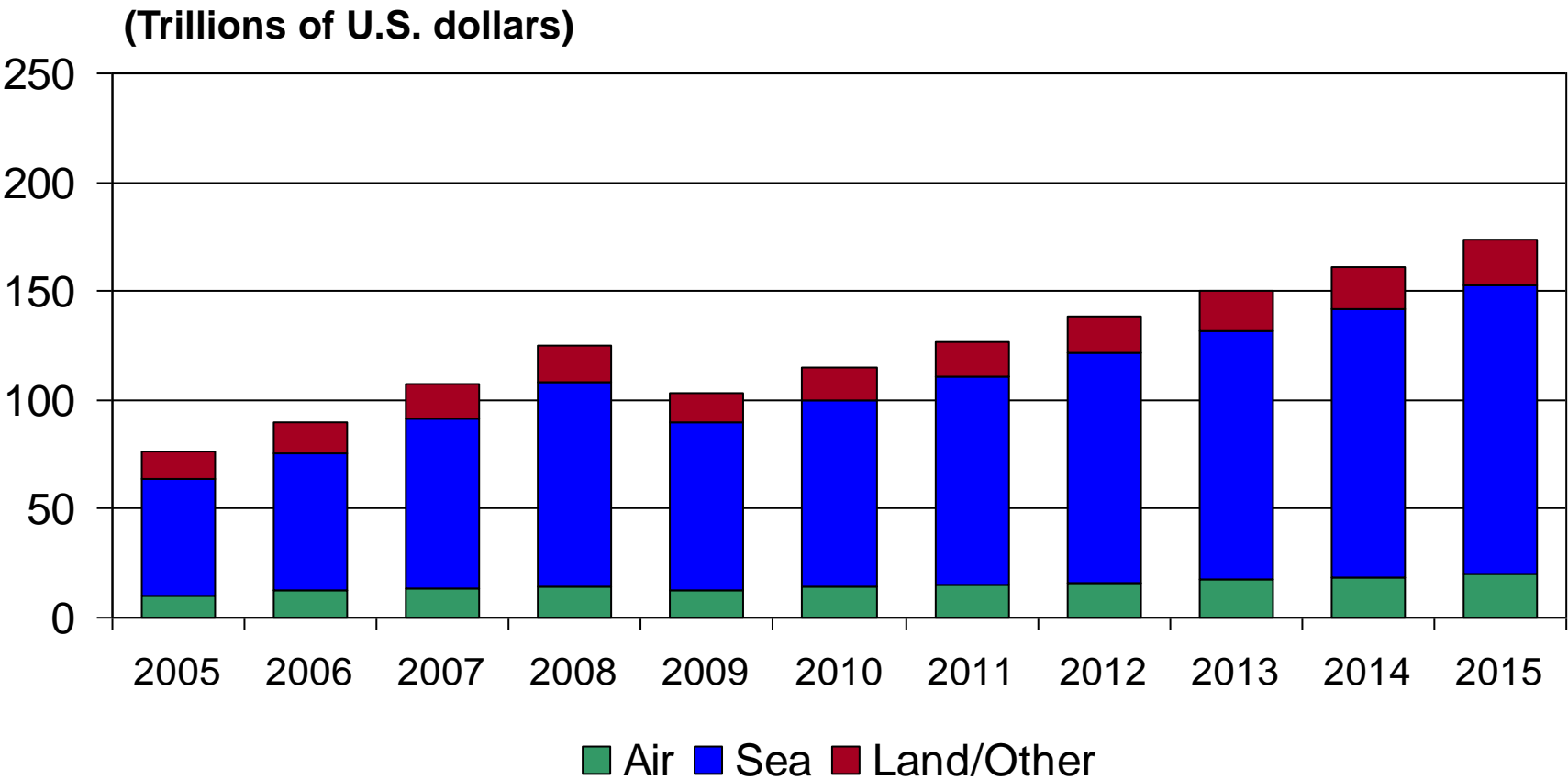
# Sub-Saharan Africa Faces Continued Economic Development and Trade Challenges

- Commodity price fluctuations continue to affect growth
- Exports to Asia and FDI from China are gaining importance
- The 14 countries that peg their currencies to the euro will benefit from improving export competitiveness
- The downsides of the Eurozone debt crisis are reduced trade, remittances, aid, and FDI from that region
- Poor infrastructure, political instability, and corruption will remain constraints on economic development and trade
- Management of mineral resources will be key to economic diversification and poverty reduction

# **World Trade Recovery by Commodity is Not Uniform, as the Stage of Recovery Varies By Industry Sector**

- **Manufacturing recovery best for Autos, Metals, Chemicals and Commodities**
  - **Output won't reach pre-recession levels for several years**
  - **Spiking commodity prices challenge sectors that use them**
- **Strong recovery for Information, Technology and Communications, recovering to former levels and above**
- **Banking / Finance stabilizes in U.S. (2010) and Europe (2011), but recovery is affected by bad loans and de leveraging**
  - **Commercial / consumer credit availability still constrained**
- **Construction and related trade faces disappointing markets**

# Global Merchandise Trade Recovers by Next Year Maritime Trade Remains Dominant in Global Trade



Source: IHS Global Insight World Trade Service

# Risks to the Global Economic and Trade Forecast

## Downside Risks

- Bursting of asset and/or commodity price bubbles
- Sovereign debt crisis
- Continuing financial stress
- Premature policy tightening
- Trade protectionism

## Upside Risks

- Stronger spending from pent-up demand
- Prolonged growth surge in Asia
- More rapid innovation and productivity growth



# Recession Impacts on Trade

Trade recession led to underutilized port system capacity across berths and terminals, as well as for related railroads, trucking, warehousing and labor. Providers reduced deployed capacity where they could.

Globalization of trade and capital flows means increased business cycle synchronization and ongoing risk from greater volatility

## Consequences:

- Trade recovery faces capacity bottlenecks; vessel cargo capacity not back to pre-recession levels, despite reduced size of idled ship fleet.
- Inland cargo captured by truck from intermodal rail during recession likely to shift back again, as rates and relative costs of trucking increase
- Continued evolution of trade gateways from shipper demands and carriers optimizing operations and services under tight conditions

# Thank you!

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