

Shifting International Trade Routes *A National Economic Outlook*



February 1, 2011

Today's Objectives

Endeavor to provide a broad context for today's program by briefly touching on:

- ✓ Some good news
- ✓ Some not so good news
- ✓ A few industry developments

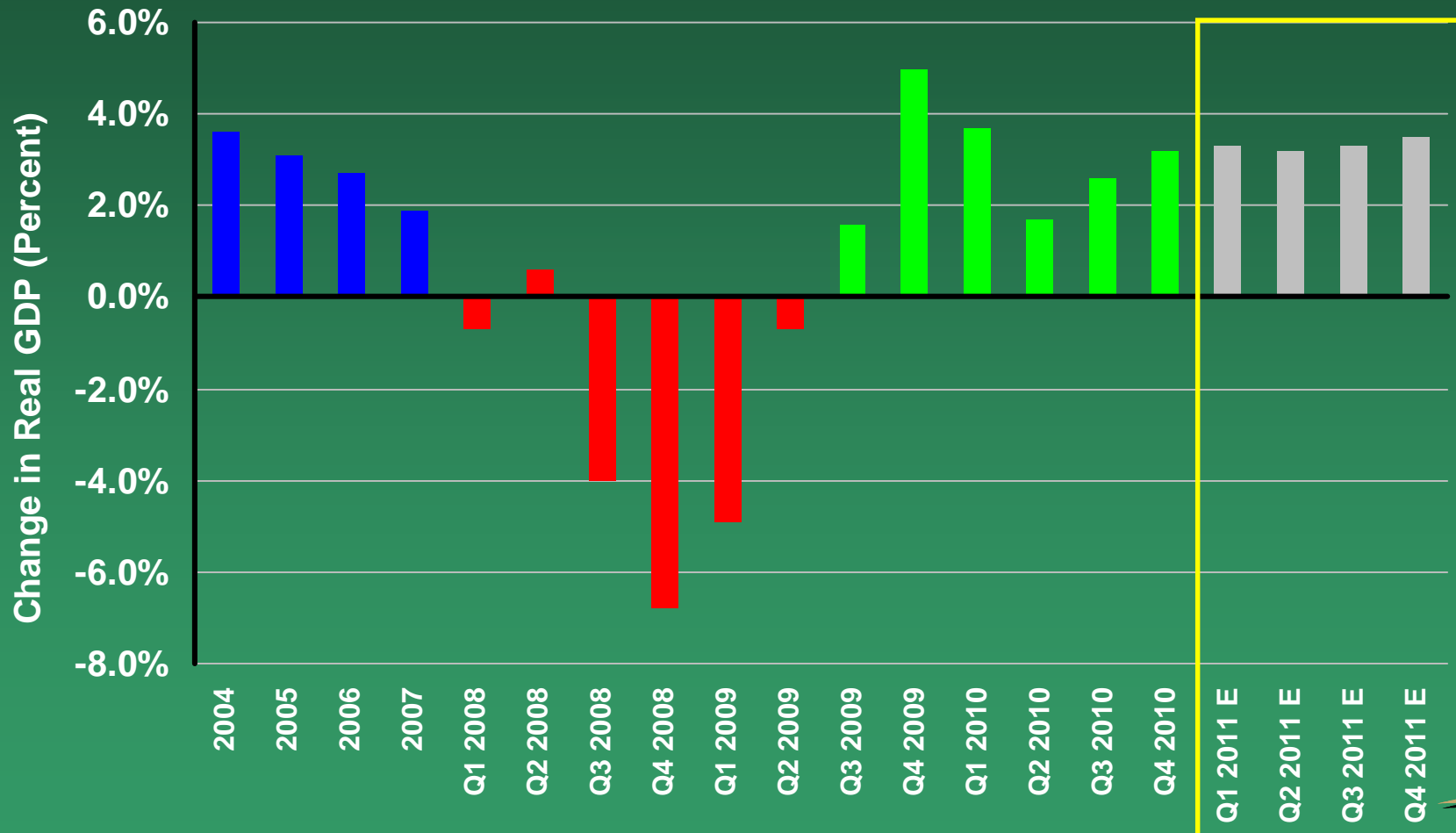
- ✓ **But most importantly, finish on time!**

Some Good News



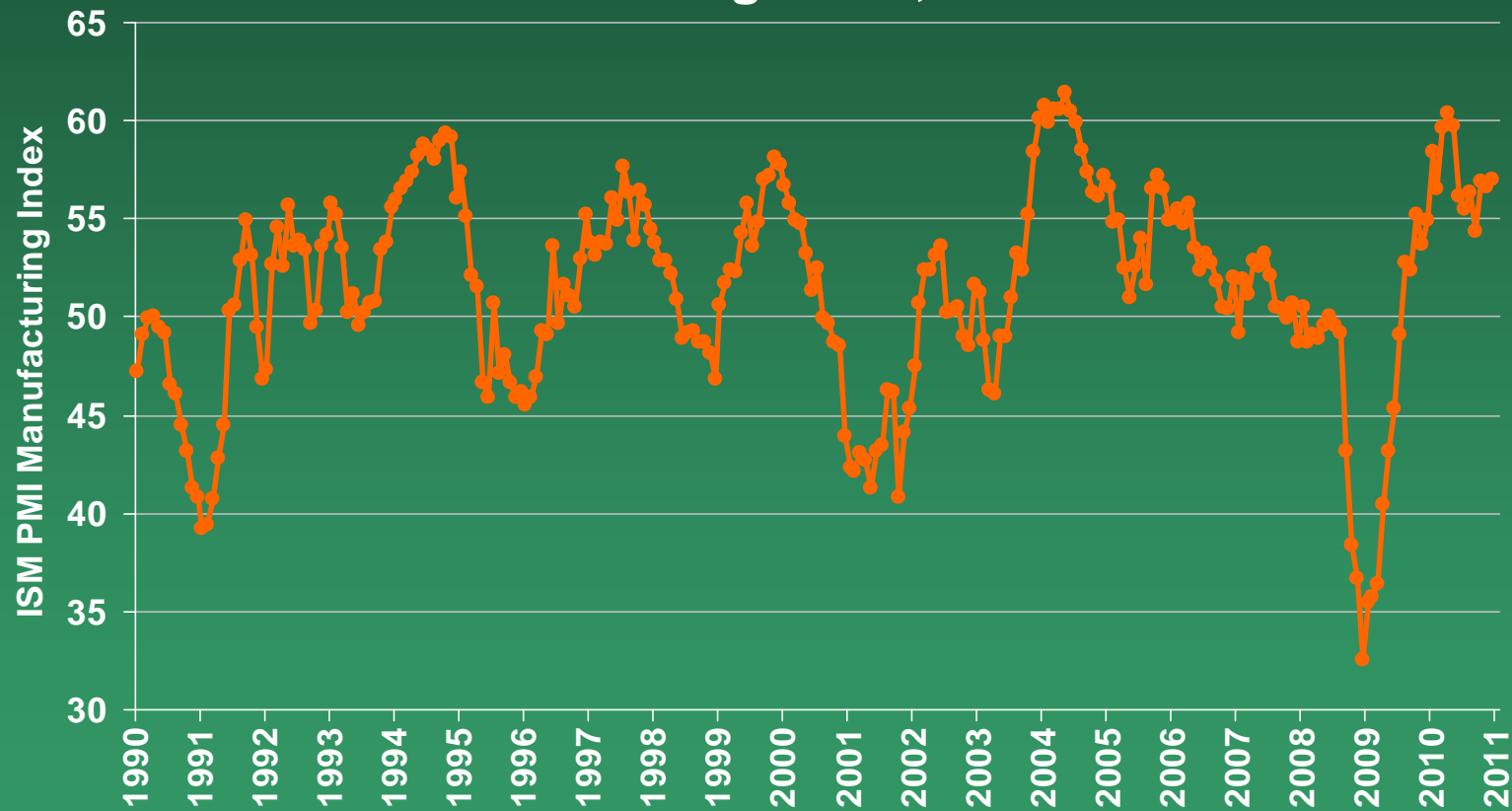
The US economy is projected to experience solid growth in 2011

United States Change in Real GDP: 2004-2011 (projected.)



US manufacturing sector is showing signs of improvement

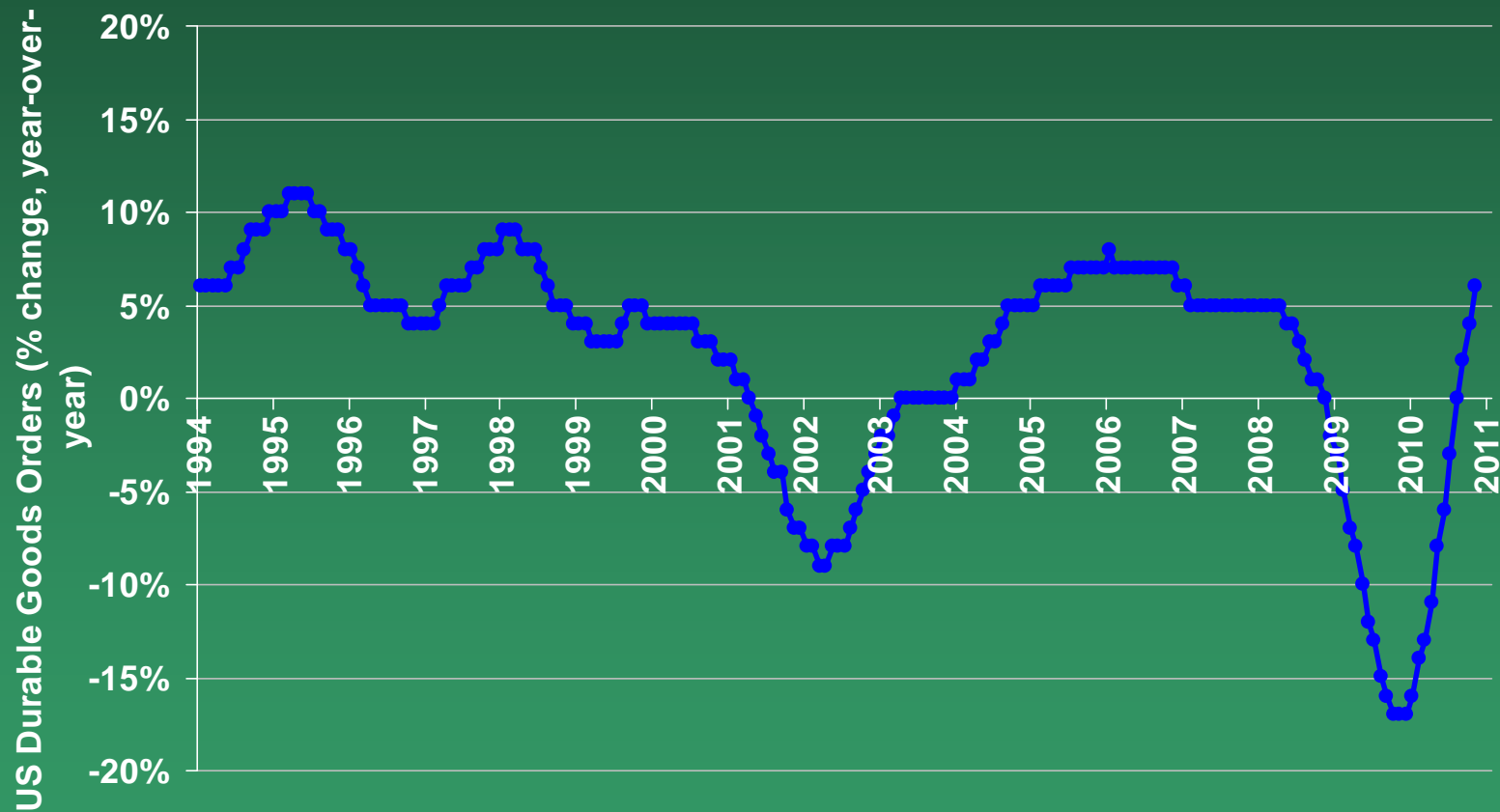
Institute of Supply Management (ISM)
Manufacturing Index, 1990-2011



Source: Institute for Supply Management

Likewise, US durable goods orders improved significantly in Q3 & Q4 2010

US Durable Goods Purchases, year-to-year percent change, 12 month rolling average



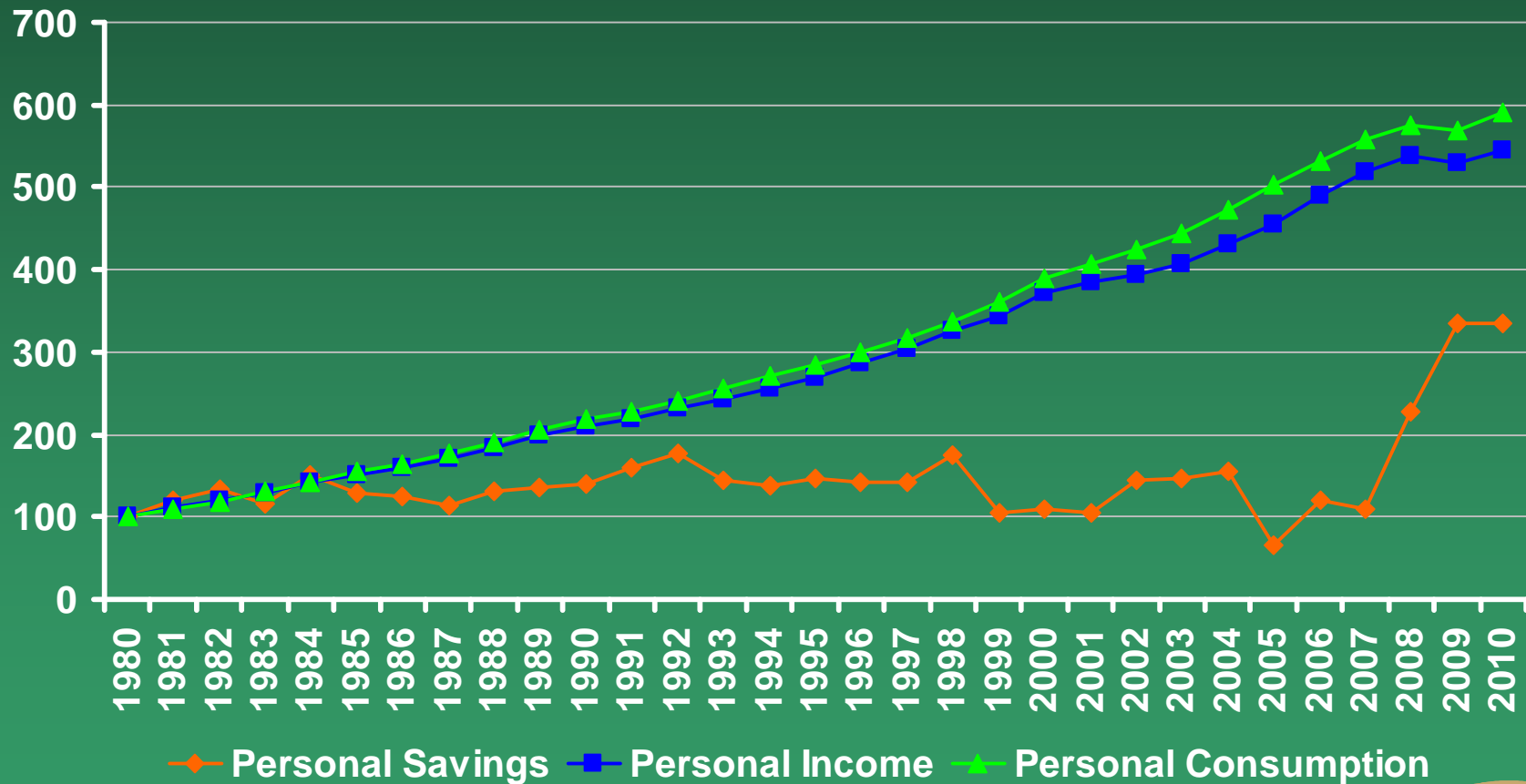
Business is modestly increasing investment

US Private Fixed Investment– Nonresidential (2000-2010)



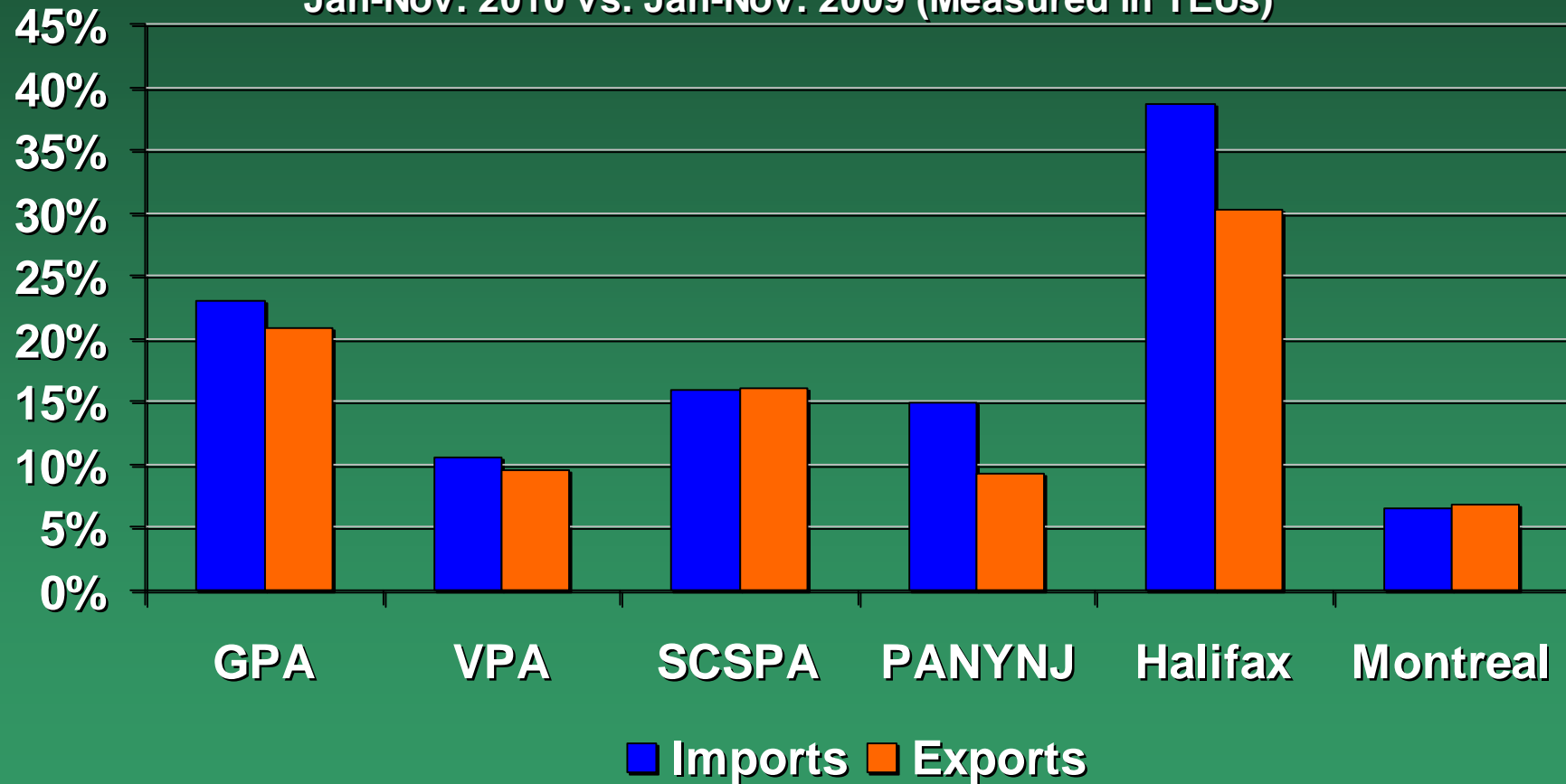
Consumers are still saving despite a holiday spending spree.

Index of US Personal Consumption, Personal Income, and Personal Savings (1980=100)



Atlantic Coast Port volumes rebounded in 2010.....

YTD North American East Coast Port Volumes Increase/Decrease
Jan-Nov. 2010 vs. Jan-Nov. 2009 (Measured in TEUs)



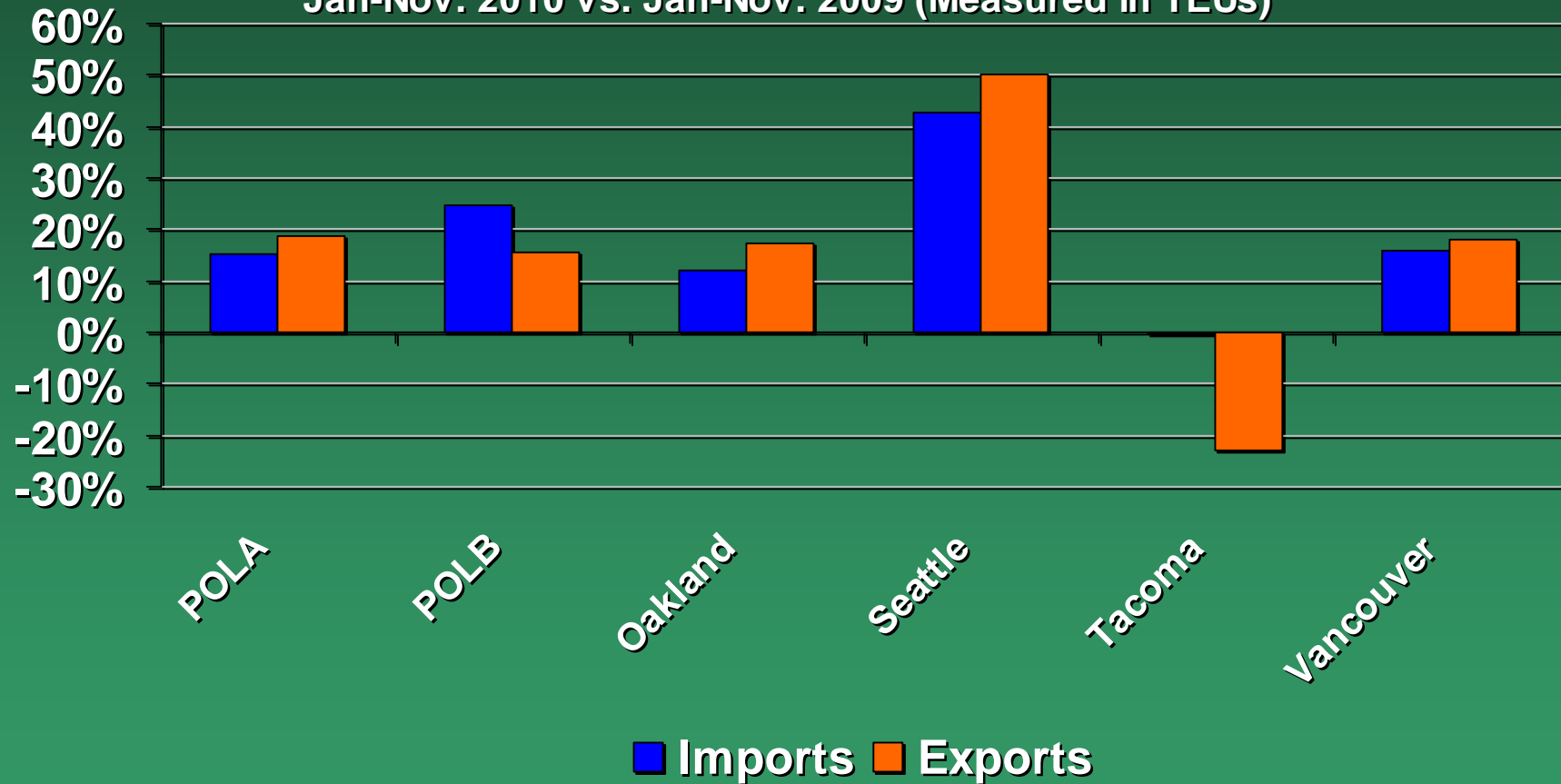
Note 1: PANYNJ is loaded only; PANYNJ data available through October

Note 2: Halifax data available through September

Source: Port Websites; Press Releases; Norbridge research

.....as did most Pacific Coast ports

YTD North American West Coast Port Volumes Increase/Decrease
Jan-Nov. 2010 vs. Jan-Nov. 2009 (Measured in TEUs)



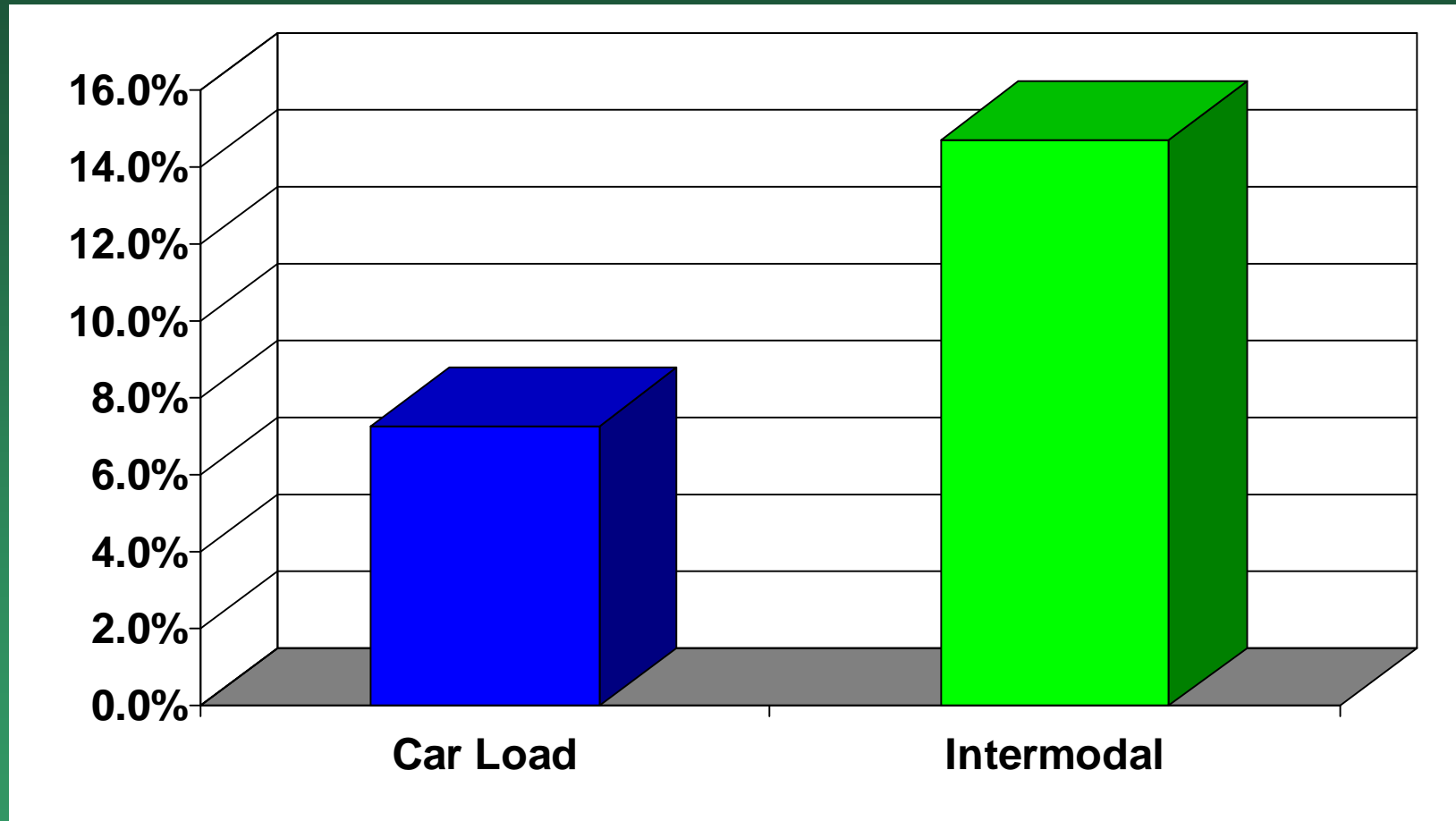
Note 1: POLB is loaded TEUs only

Note 2: Seattle is international TEUs only

Note 3: Tacoma is international loaded TEUs only

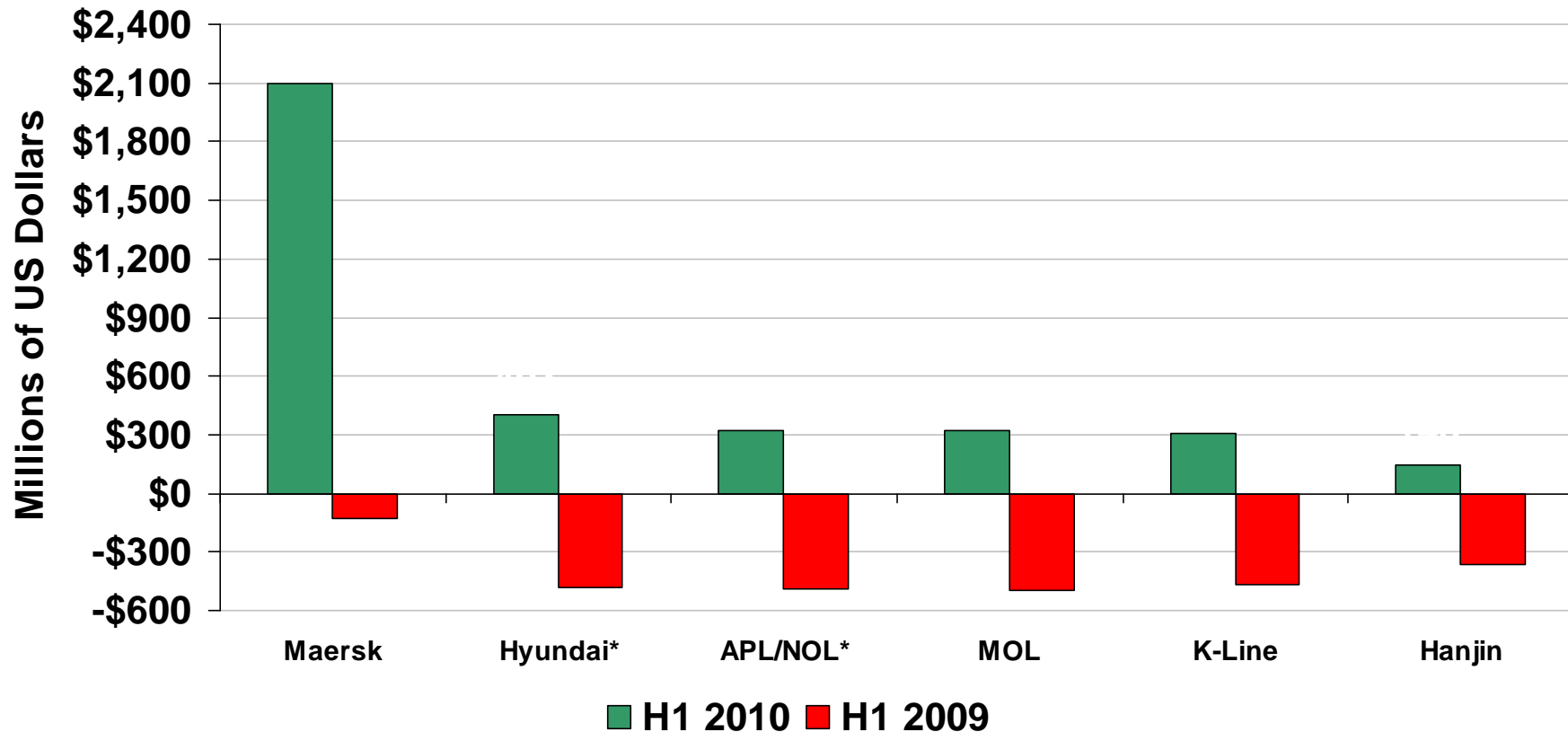
Source: Port Websites; Press Releases; Norbridge research

The North American Rail industry also experienced significant improvements



Container lines have achieved dramatic financial turnarounds during 2010.....

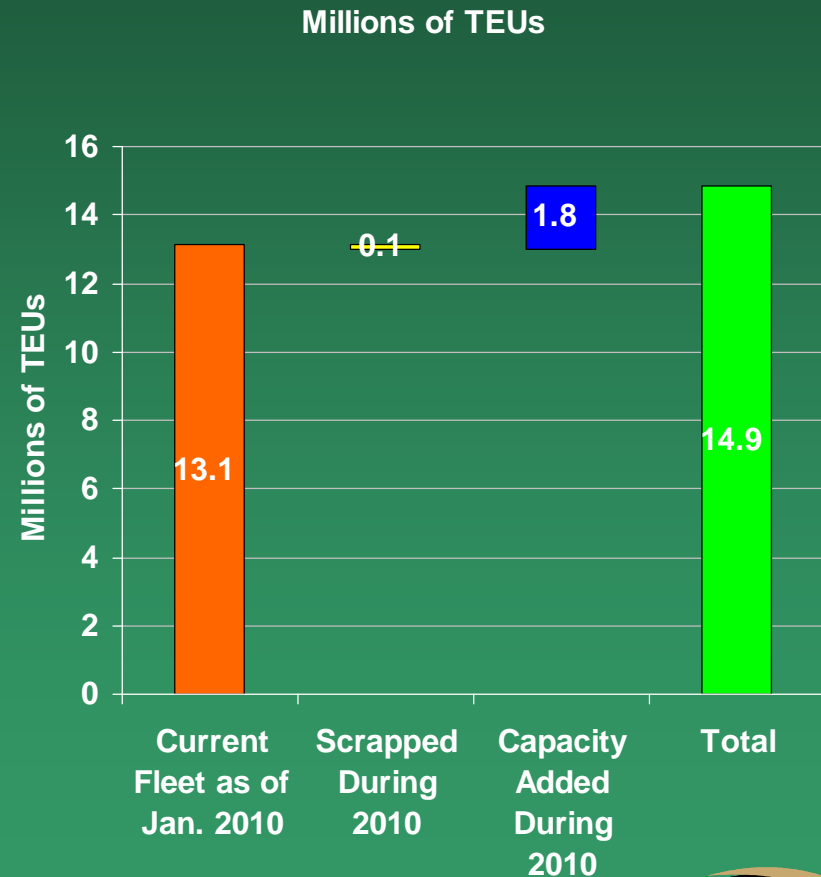
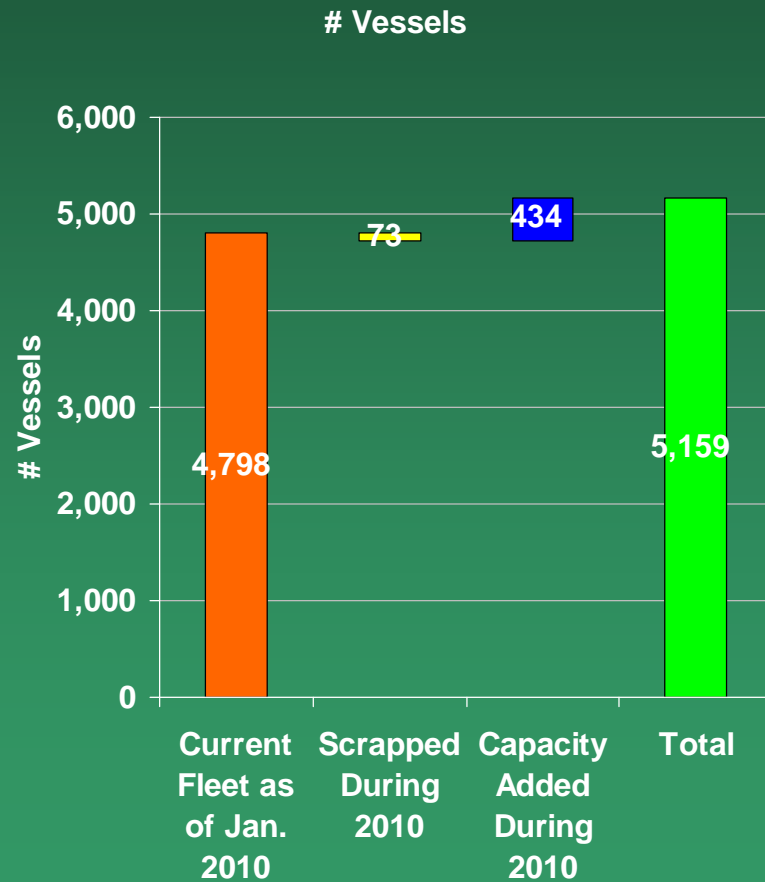
Container Carrier Operating Profit
1st half 2010 & 1st Half 2009



Hyundai and APL/NOL are through 3Q as the data was available
Source: Various publications; Containerization International; Norbridge Analysis

.....despite a 14% increase in capacity.

Global Container Fleet Capacity Scrapped/Added During 2010



Source: Fairplay World Register of Ships. December 2010

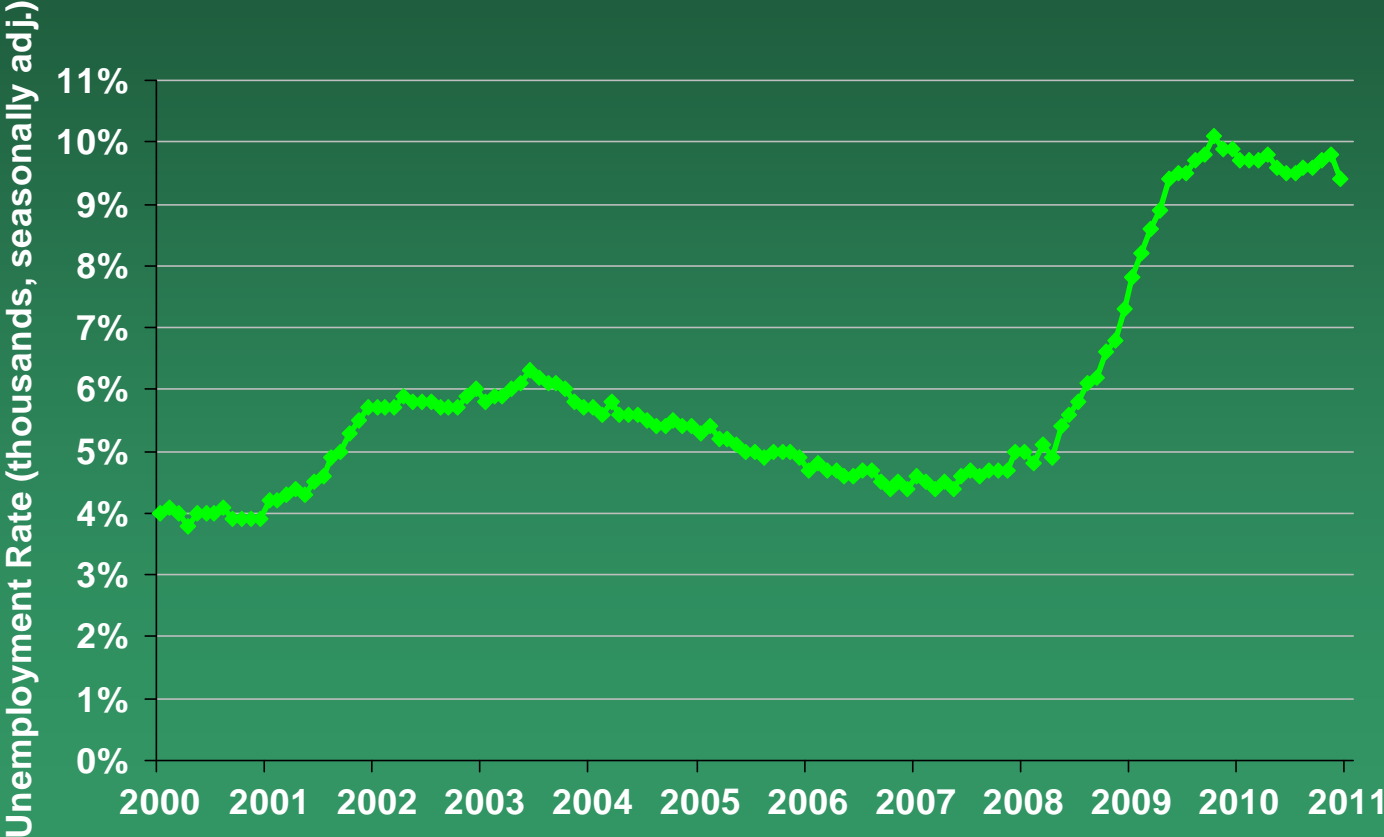


Some Not So Good News



US unemployment remains high

US Unemployment Rate, 2000-2010

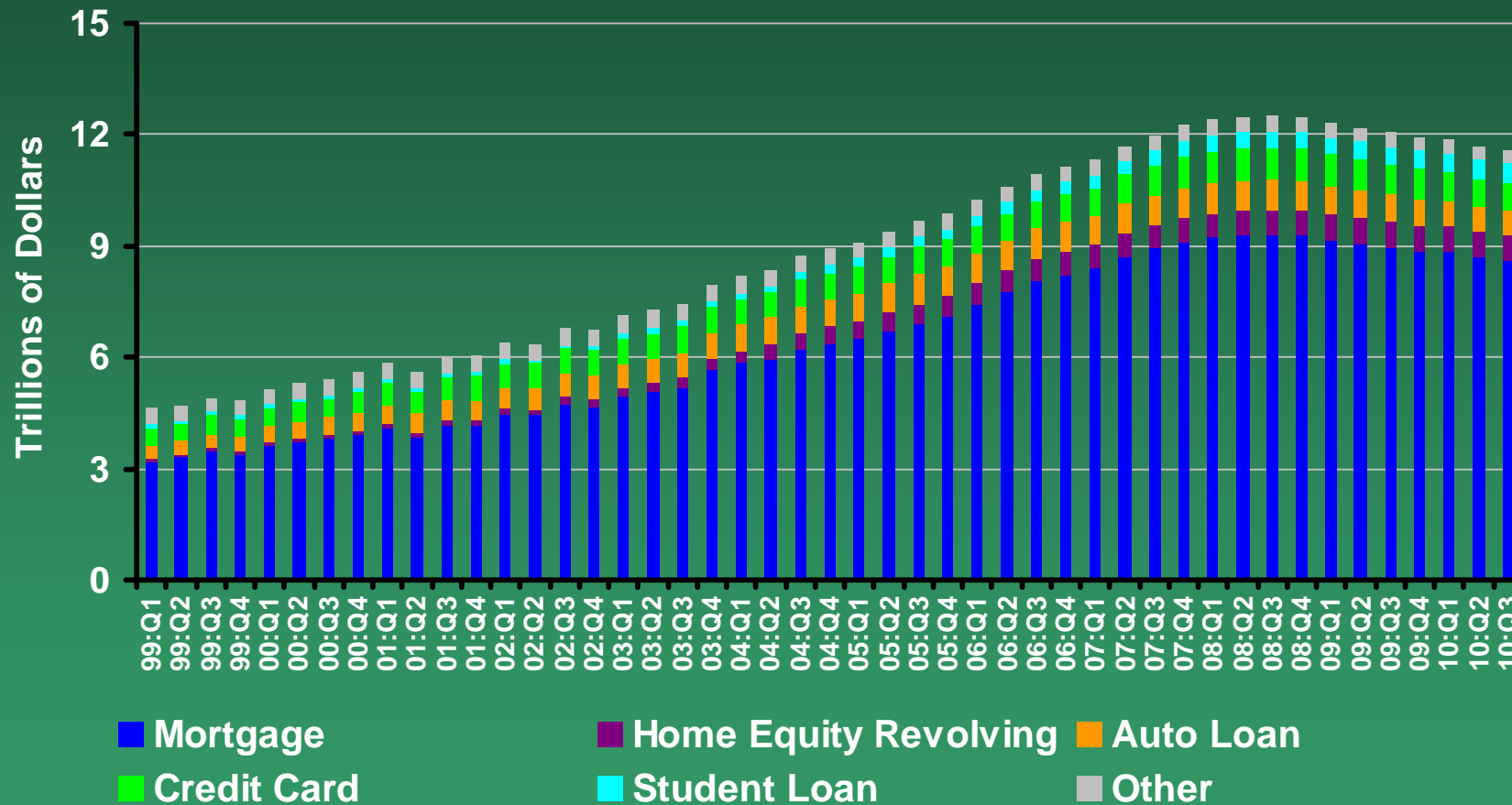


Source: US Census Bureau



While consumer savings has improved, consumer debt remains substantial

US Debt Balance and Composition

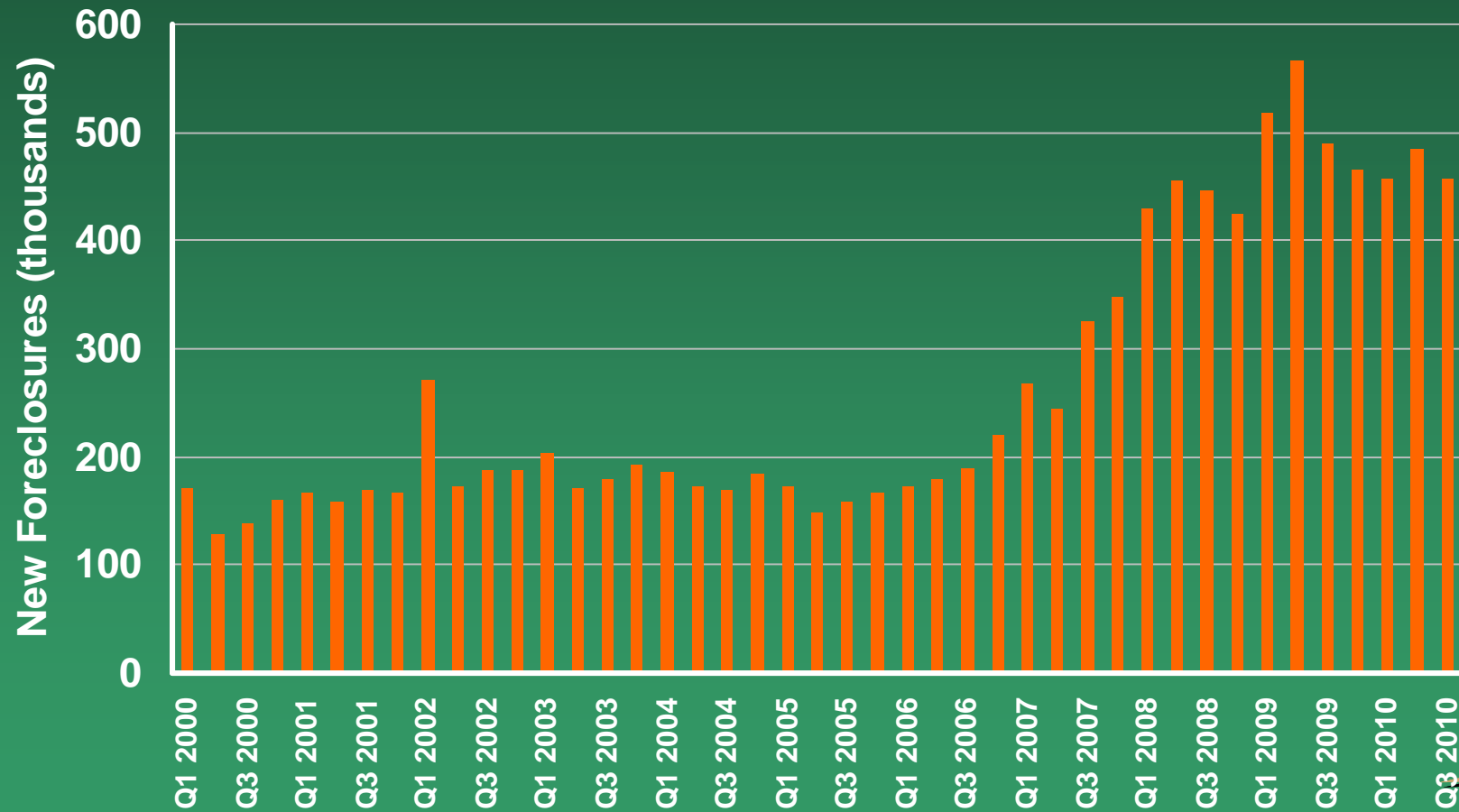


Source: BEA; Norbridge analysis

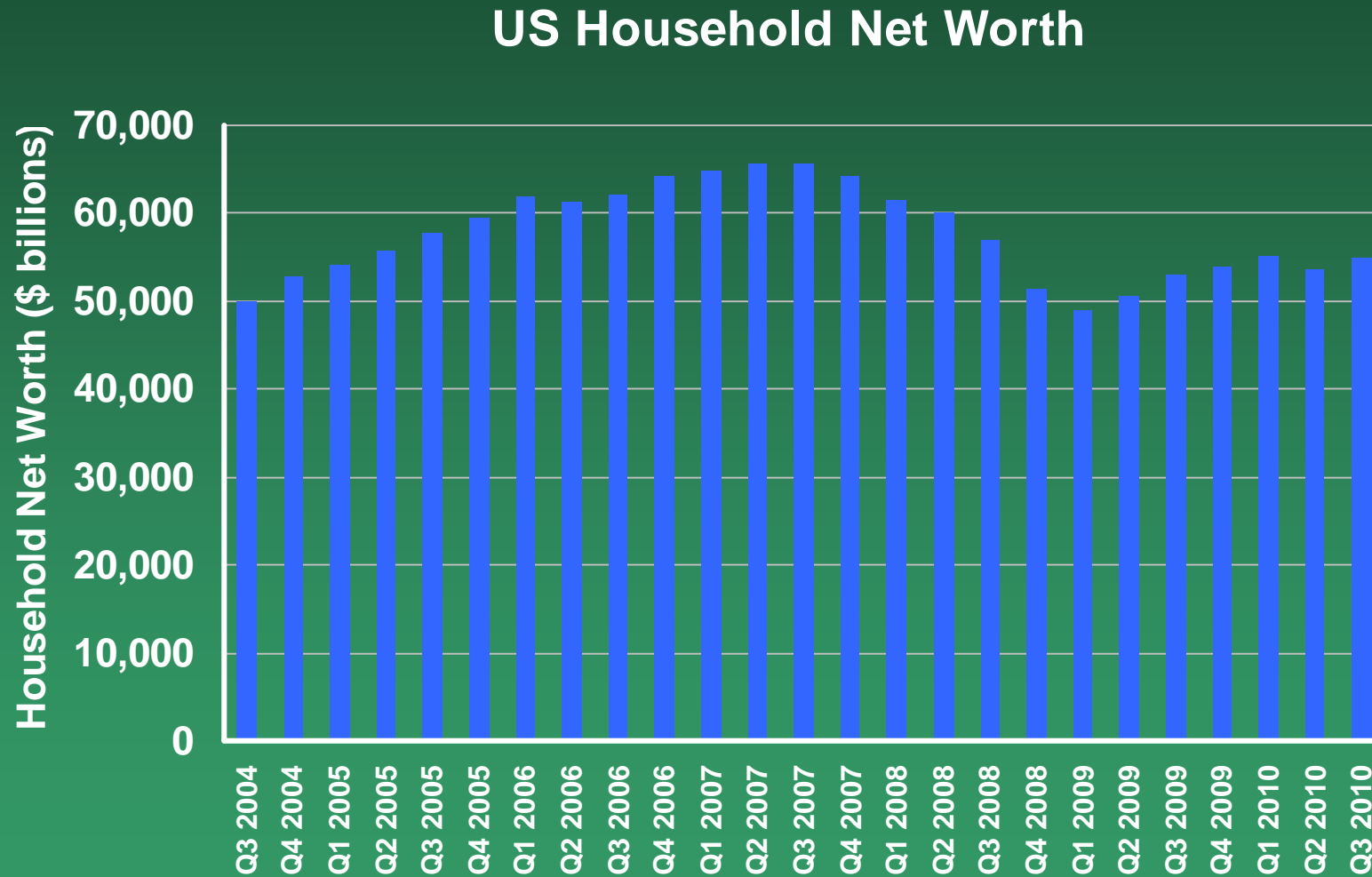


Foreclosures are a triple challenge: eroding household wealth, depressing housing prices & banks' balance sheets

Number of Consumers with New Foreclosures



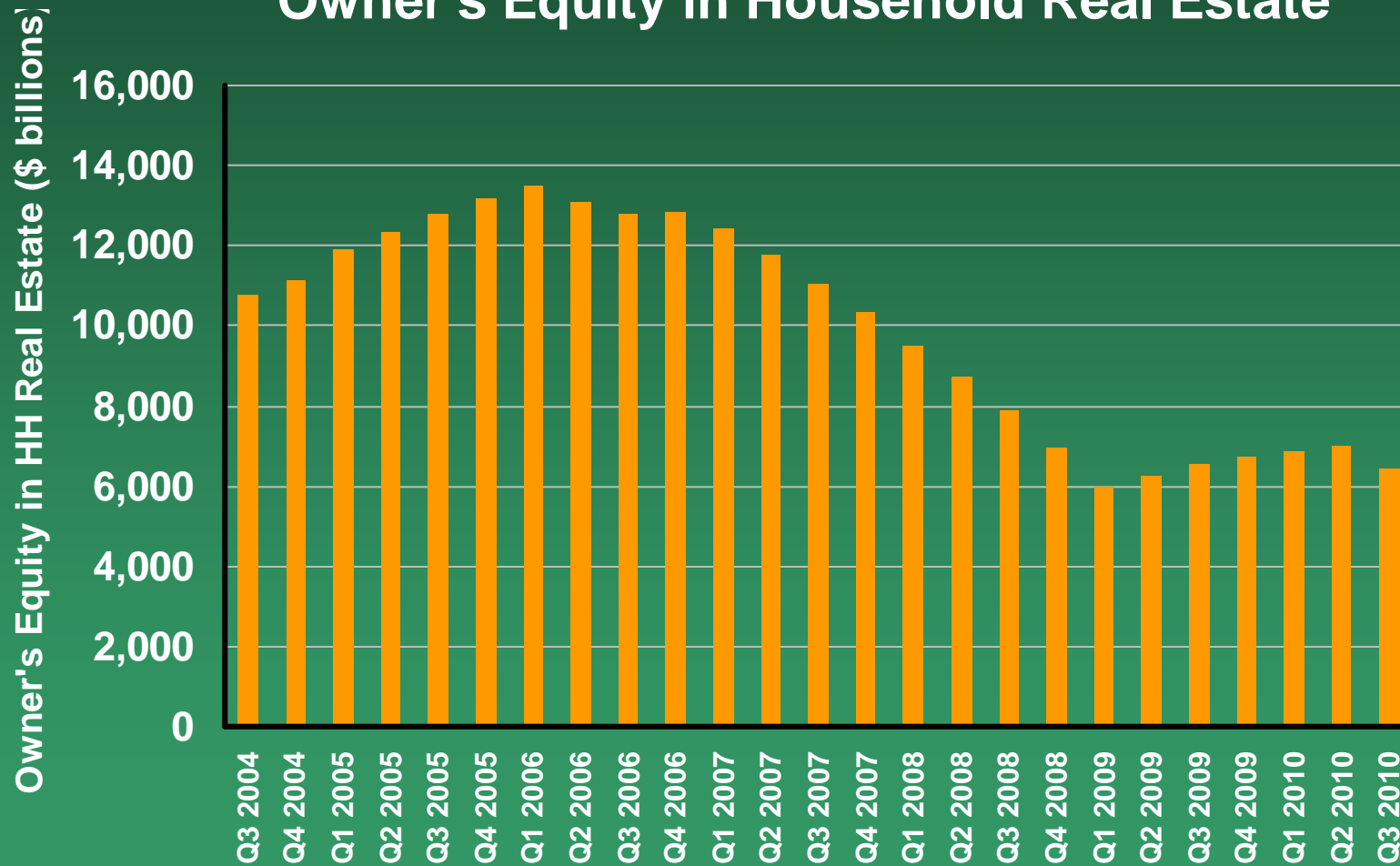
U.S. household net worth has declined by about \$10 trillion from the 2006/2007 peak



Source: Federal Reserve Flow of Funds Report

Driven in part by a significant erosion of homeowners' equity

Owner's Equity in Household Real Estate



Source: Federal Reserve Flow of Funds Report

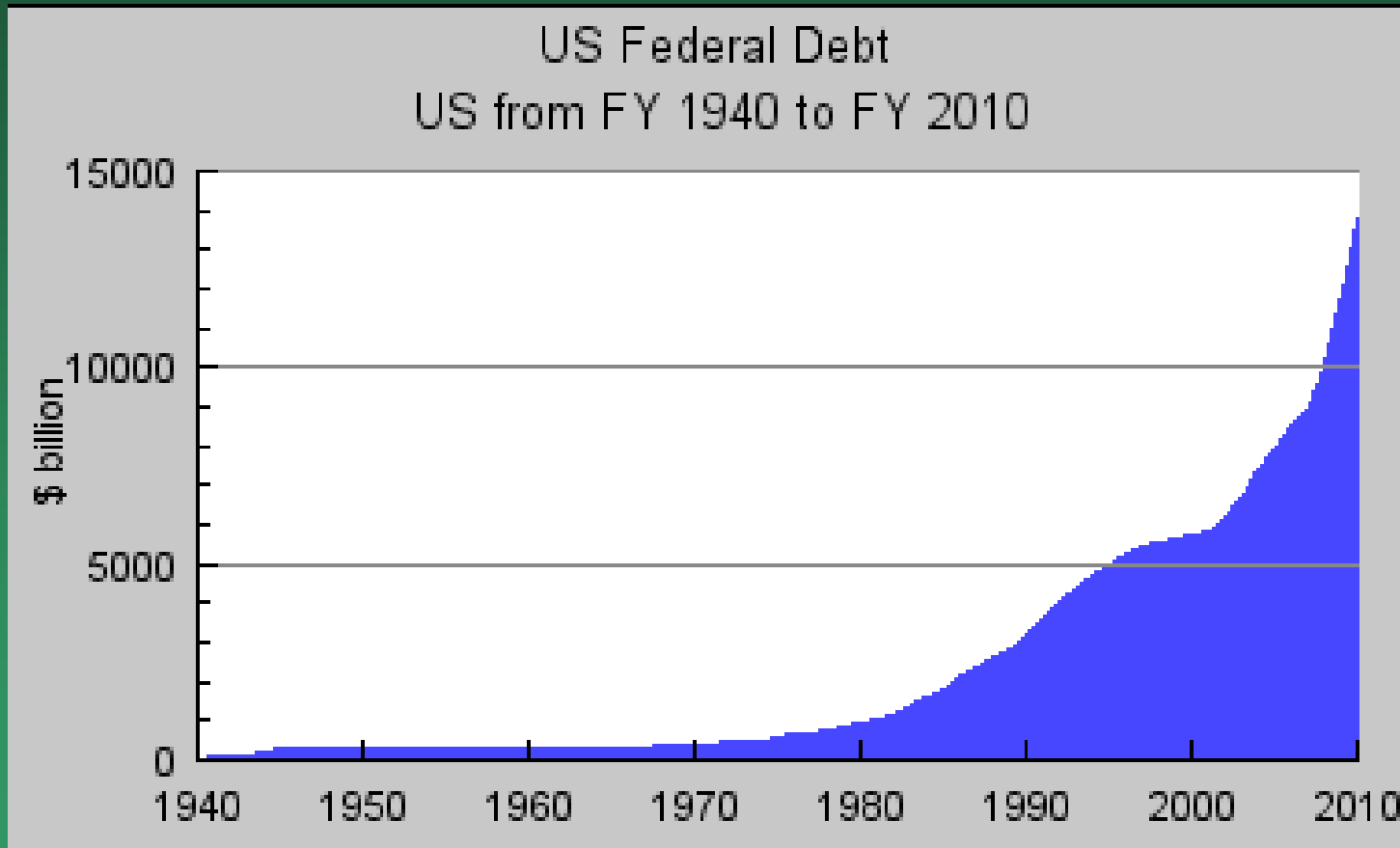


INFLATION



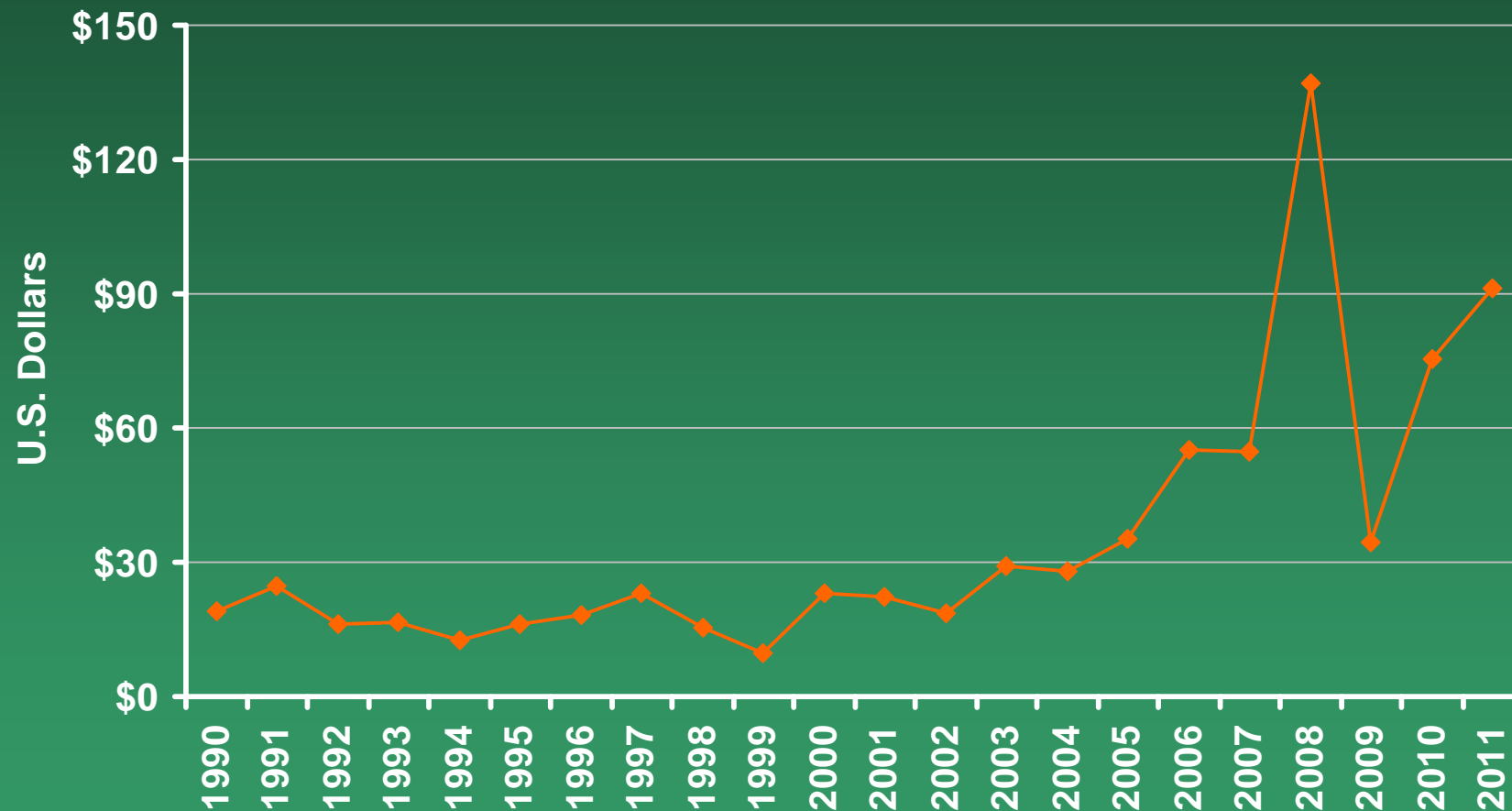
The gross Federal debt approximates \$14 trillion

US Gross and Public Debt: 1940-2010



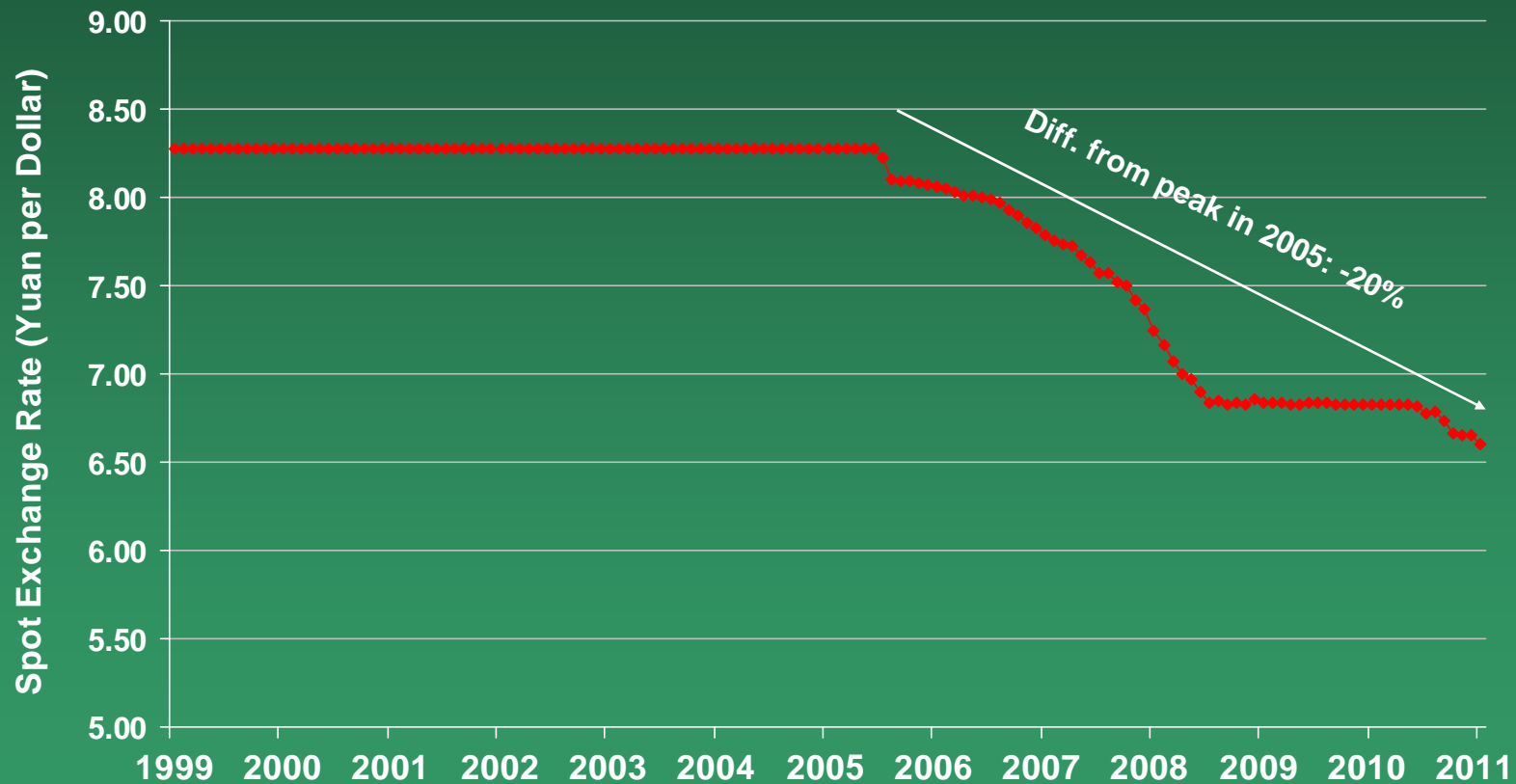
Crude oil prices have increased dramatically as Asia economies recover & political volatility remains. As of Monday (1/31) it surpassed \$100

World Crude Oil Prices 1990-2011 (US\$/Barrel)



The Dollar has declined nearly 20% against the Yuan, despite the Chinese governments currency policies

U.S. Dollar vs. Chinese Yuan Exchange Rate 1999-2010



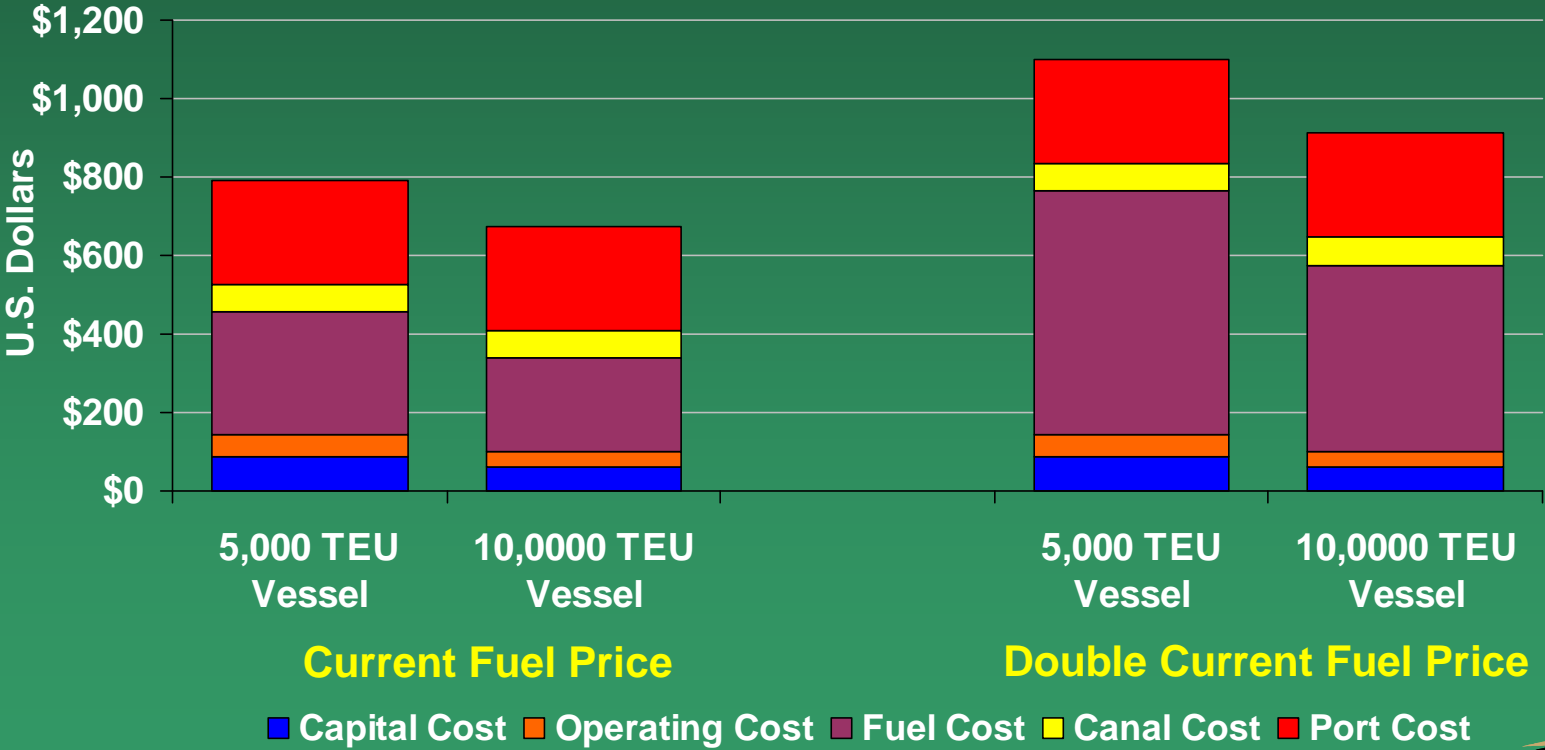
Source: U.S. Federal Reserve

A Few Industry Developments



Very large container ships: it is all about fuel savings

Estimated Delivered Cost per TEU: China Market to NATL US Port: Current Fuel Price vs. Double Current Price

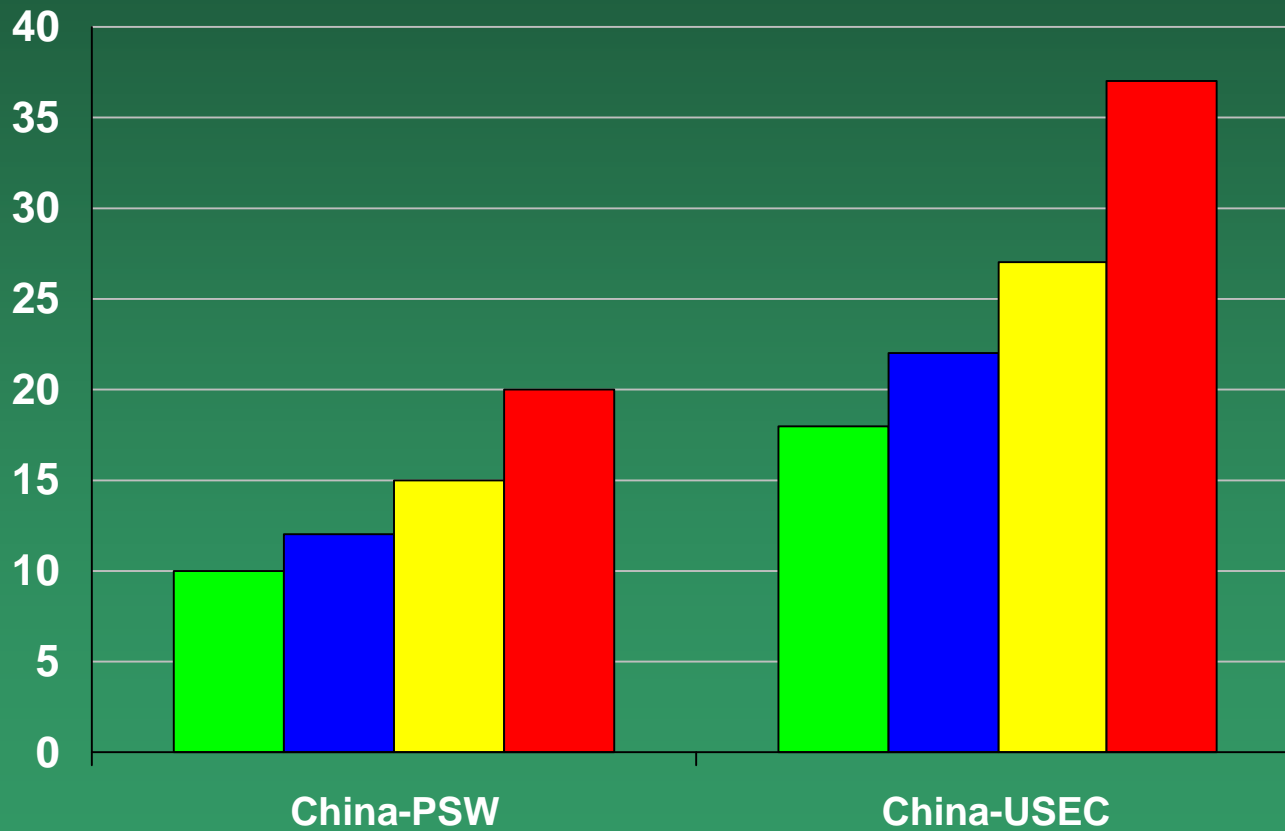


Source: Norbridge analysis

While slow steaming lowers fuel consumption at the expense of additional travel time....

Transit Time in Voyage Days by Ship Speed for China-PSW and China-USEC Routes

Transit time (days) between last port in China and first port in the US



Notes on the analysis:

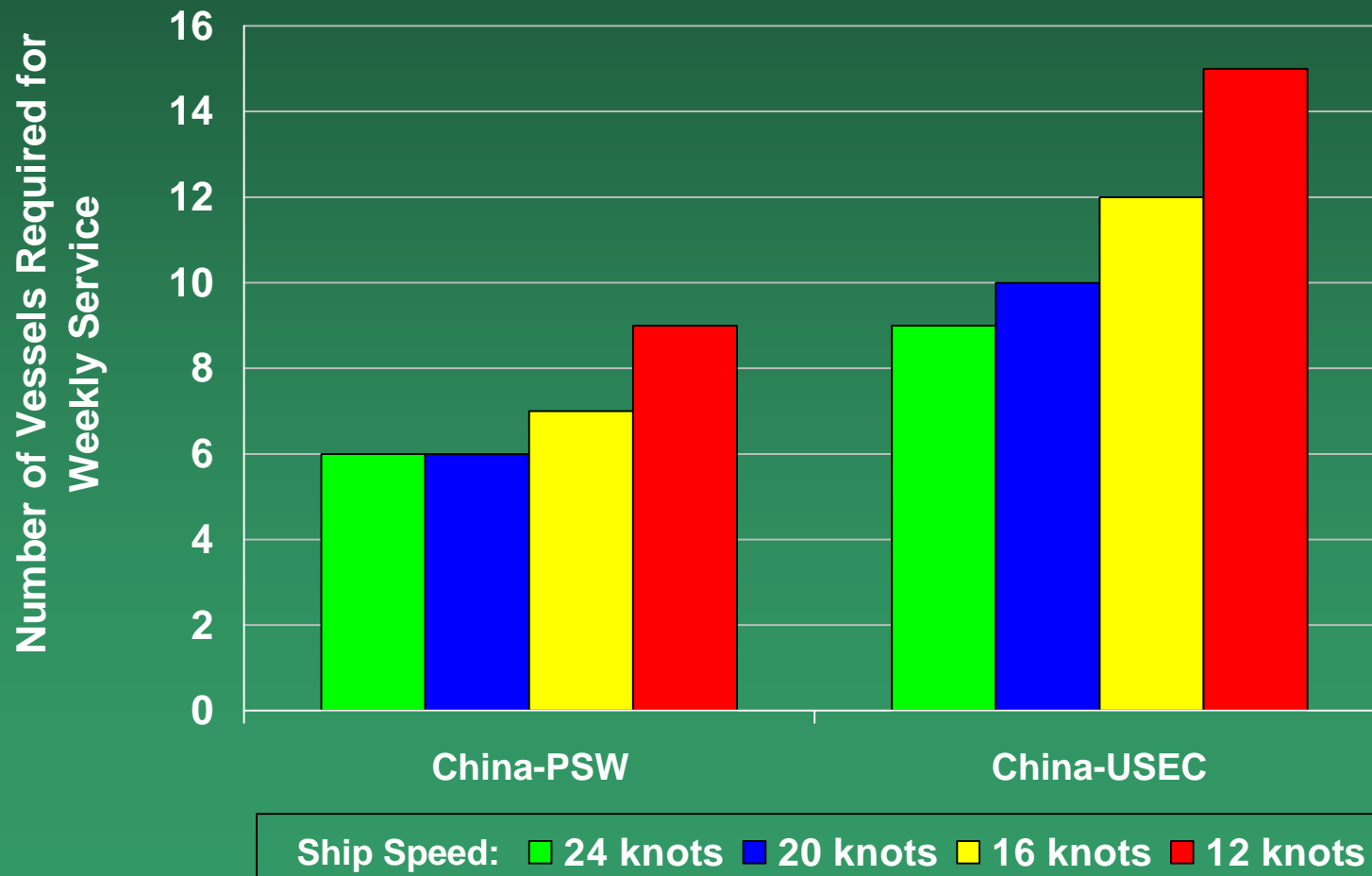
- Shanghai is the last port of call in China
- Long Beach is the first US port of call for China - PSW service
- New York is the first US port of call for China -USEC service

Ship Speed: 24 knots 20 knots 16 knots 12 knots

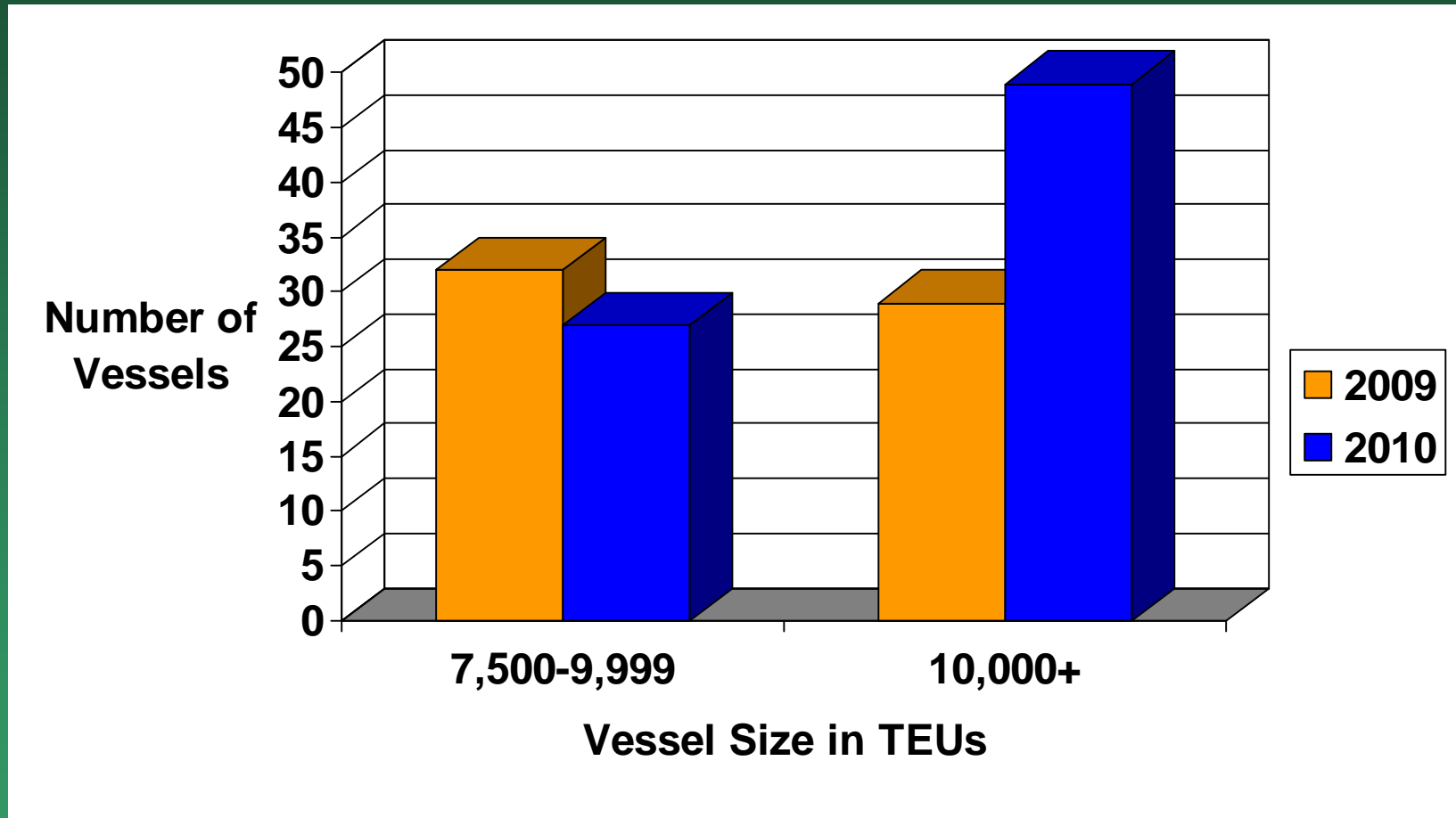


.....slow steaming absorbs significant amounts of excess capacity....

Number of Vessels Required for Weekly Service for China-PSW and China-USEC Routes



....which will be important given 2011 projected deliveries of very large containerships



Source: Alphaliner

2011 Shipping: An Outlook

Container

- Capacity challenged
- Demand remains a big question mark
- Slow steaming & extended routes
- Inflation and fuel prices will likely escalate
- Rates and profitability will likely face significant pressures

Breakbulk & Bulk

- Raw materials, agriculture products & project cargoes are strengths
- Project cargoes, driven by Asia (China) & Brazil are also positives
- Capacity will be fairly balanced
- Rates & profitability should continue to recover

Shifting International Trade Routes Conference *The International Economic Outlook*



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