

International Economic Outlook

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AAPA Shifting International Trade Routes Conference
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Strength of the World Economy is Fundamental to Trade Demand

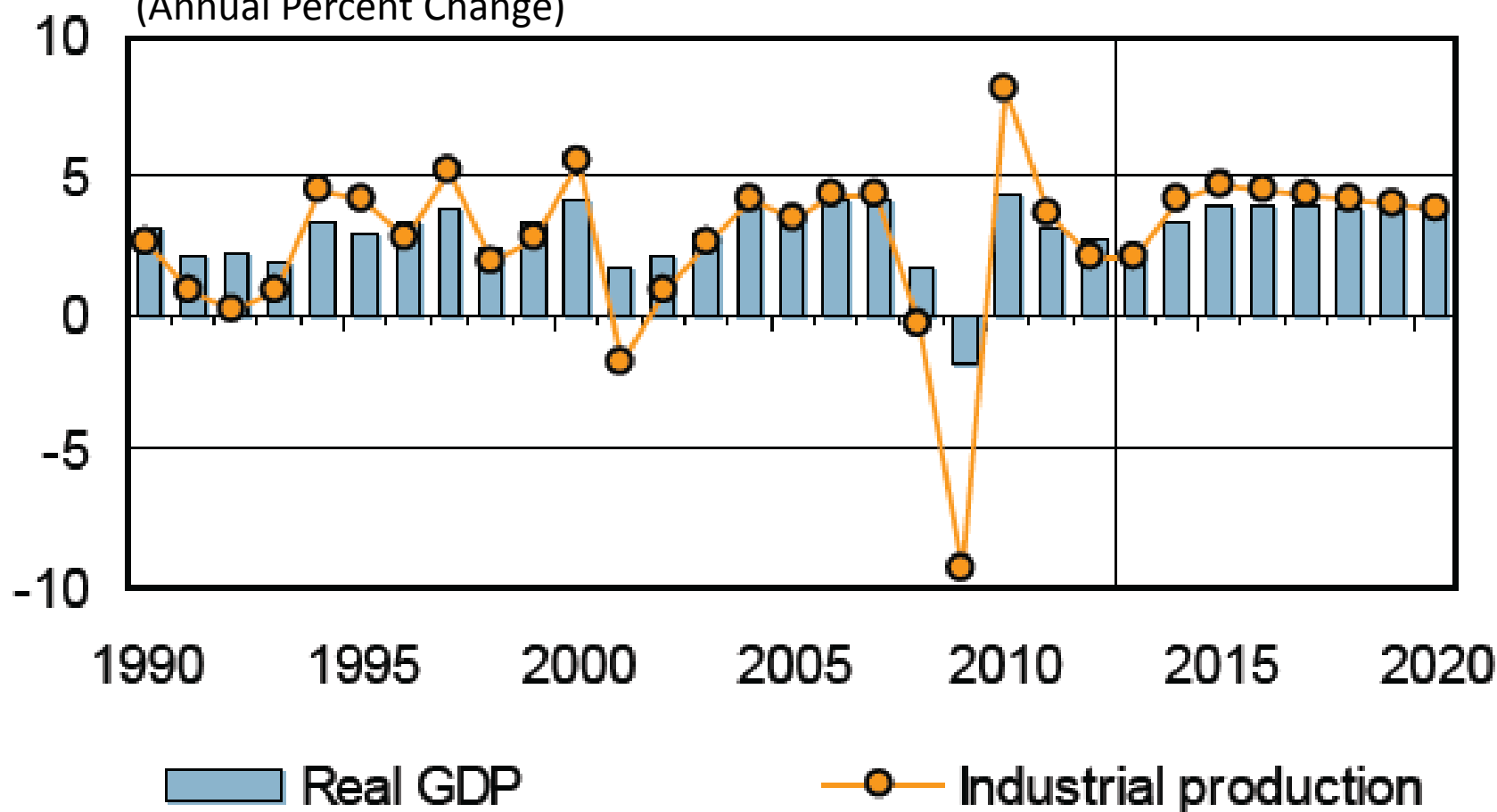
The 2014 Outlook is for Faster World Economic Growth

- **World 2014 economic growth to reach 3.3%, vs. 2.4% last year**
- **World 2014 trade growth forecast 4.7%, about double of 2013**
- **Emerging market weakness in 2013 is reversed, with continued mild growth, yet faster than growth of developed countries**
- **Commodity prices mostly moderate – inflation is not the problem in U.S. and the developed world, deflation is a risk**
- **European recovery helps world GDP growth and trade growth**
- **Spread of recovery to more sectors, more job growth and consumer and business strength yield higher growth in 2014**
- **Global monetary policy still providing stimulus in 2014**

Pace of World GDP Growth Increases From Now Into 2016 After Post-Recession Weakness

More volatile industrial production pace almost doubles in 2014 as manufacturing recovers in Europe + sees faster growth in Asia

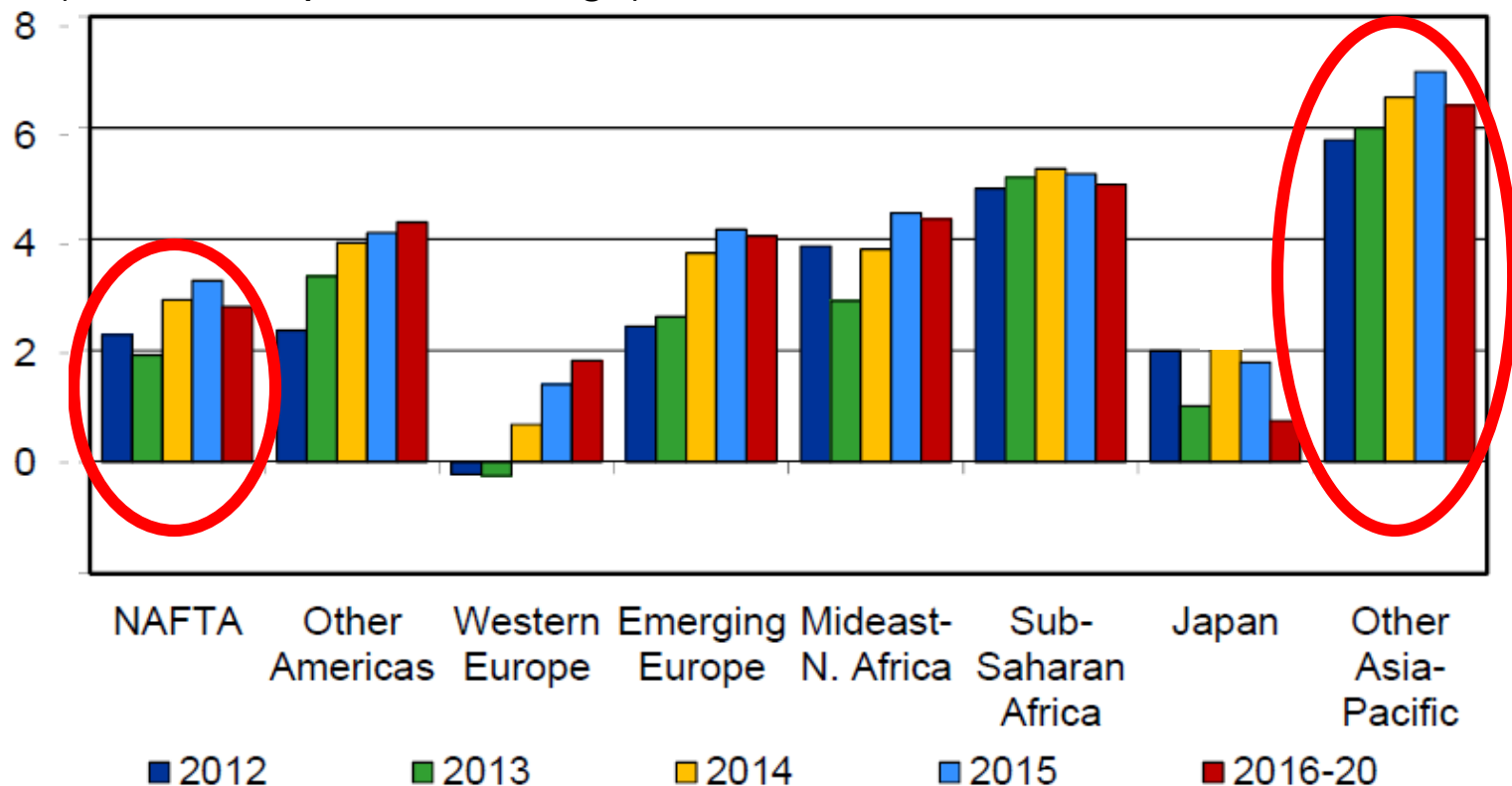
(Annual Percent Change)



GDP Growth Rate Differences Affect Pace of Trade Growth, and Trade Volumes by Trade Partner

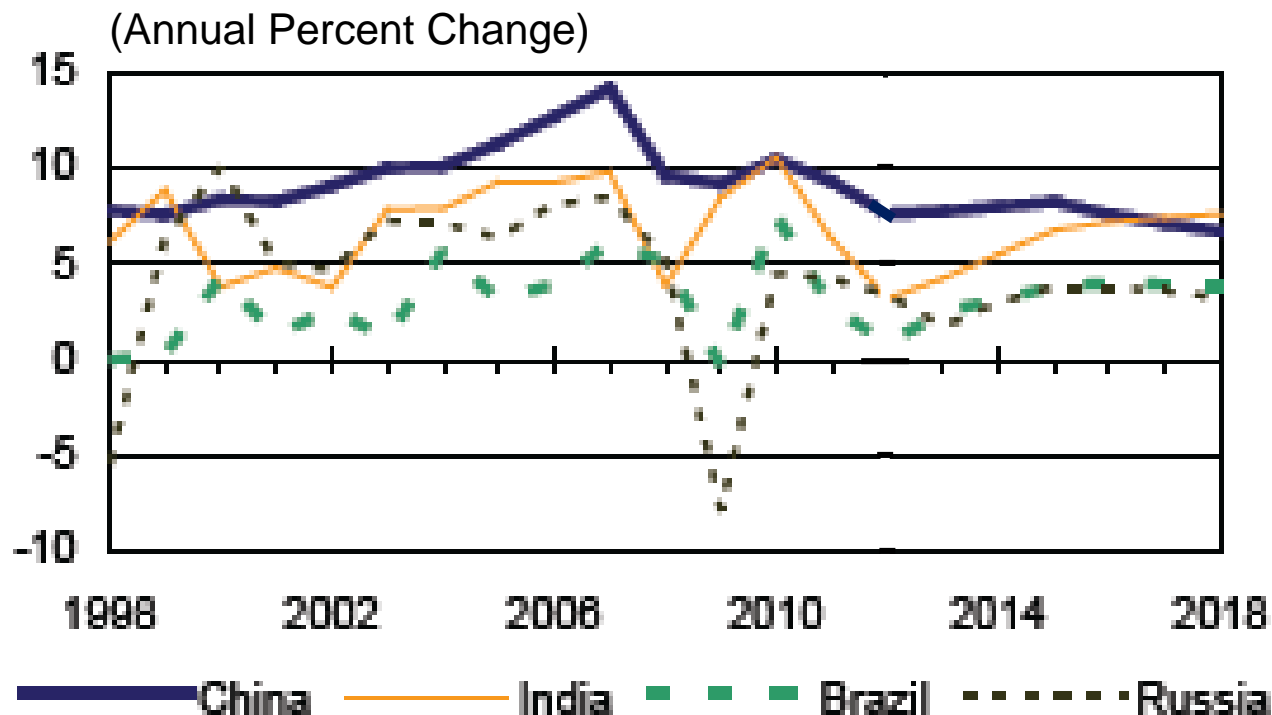
Geography of world production / consumption is shifting as emerging markets grow 6% on average over rest of the decade vs. 2% for advanced countries.

(Real GDP, percent change)



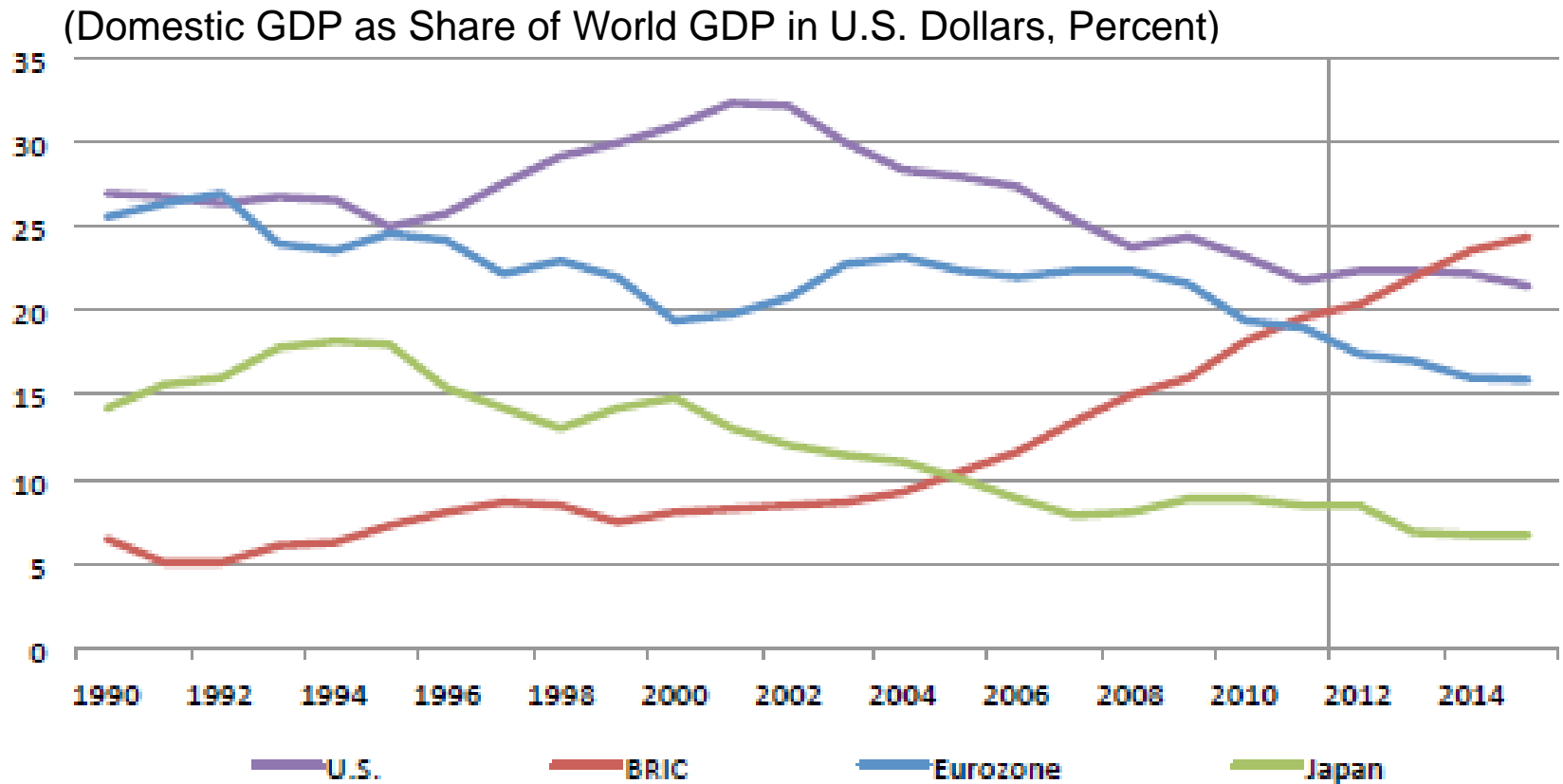
BRIC Economies' 2014 GDP Growth Is Stronger Yet Not Back to Their Pre-Recession Pace

Real Gross Domestic Product Growth, China, India, Brazil and Russia



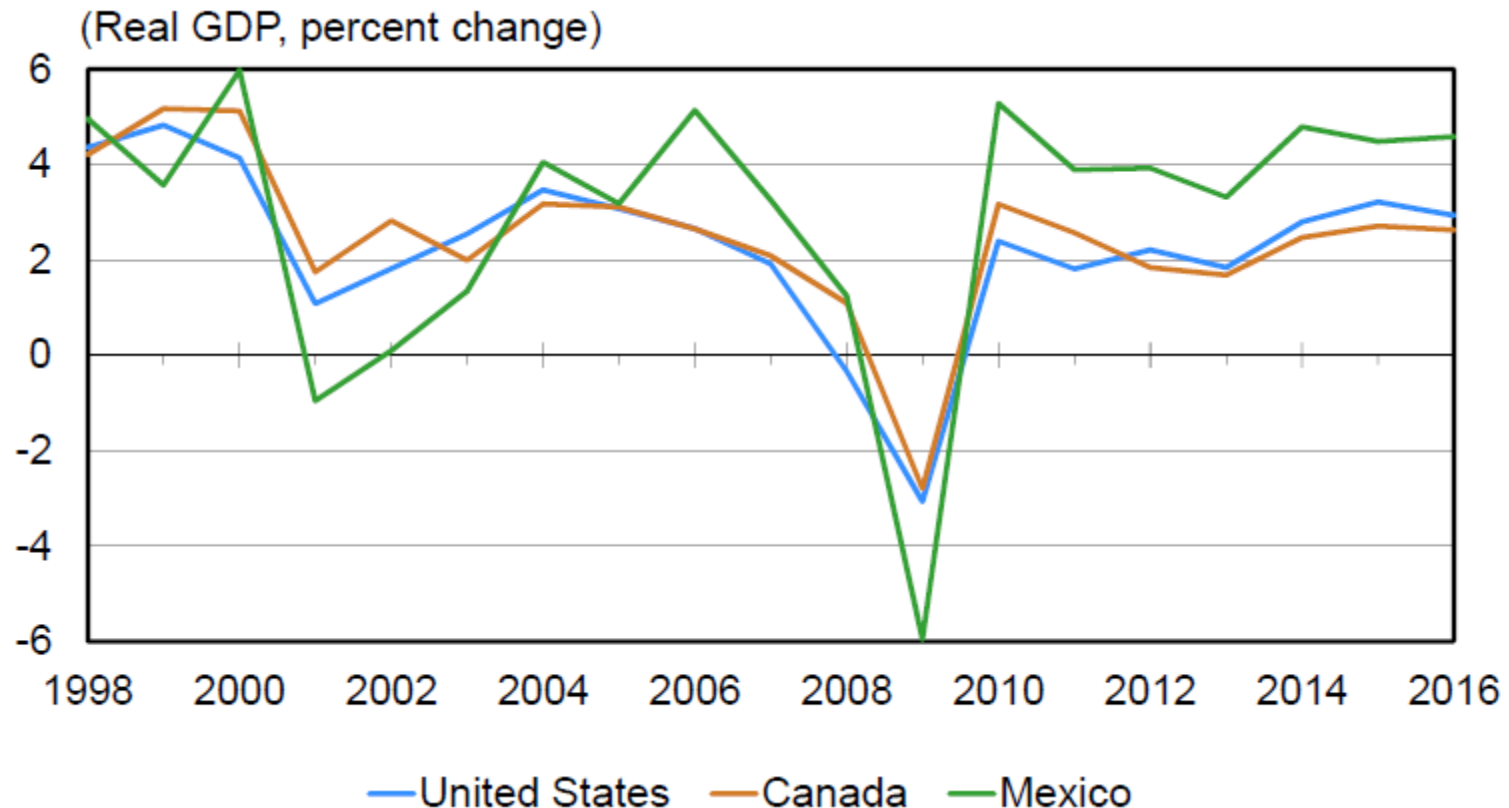
Trade Reflects World Economy Shifts in Share: Decline in U.S. Share Holding, as BRIC's Grows

U.S. Share Peaked in 2002; Eurozone in 1993; Japan in 1995



NAFTA Trade Partner Economies Still Generally Growing In Sync

Mexico grows faster with near-shoring and broad trade growth

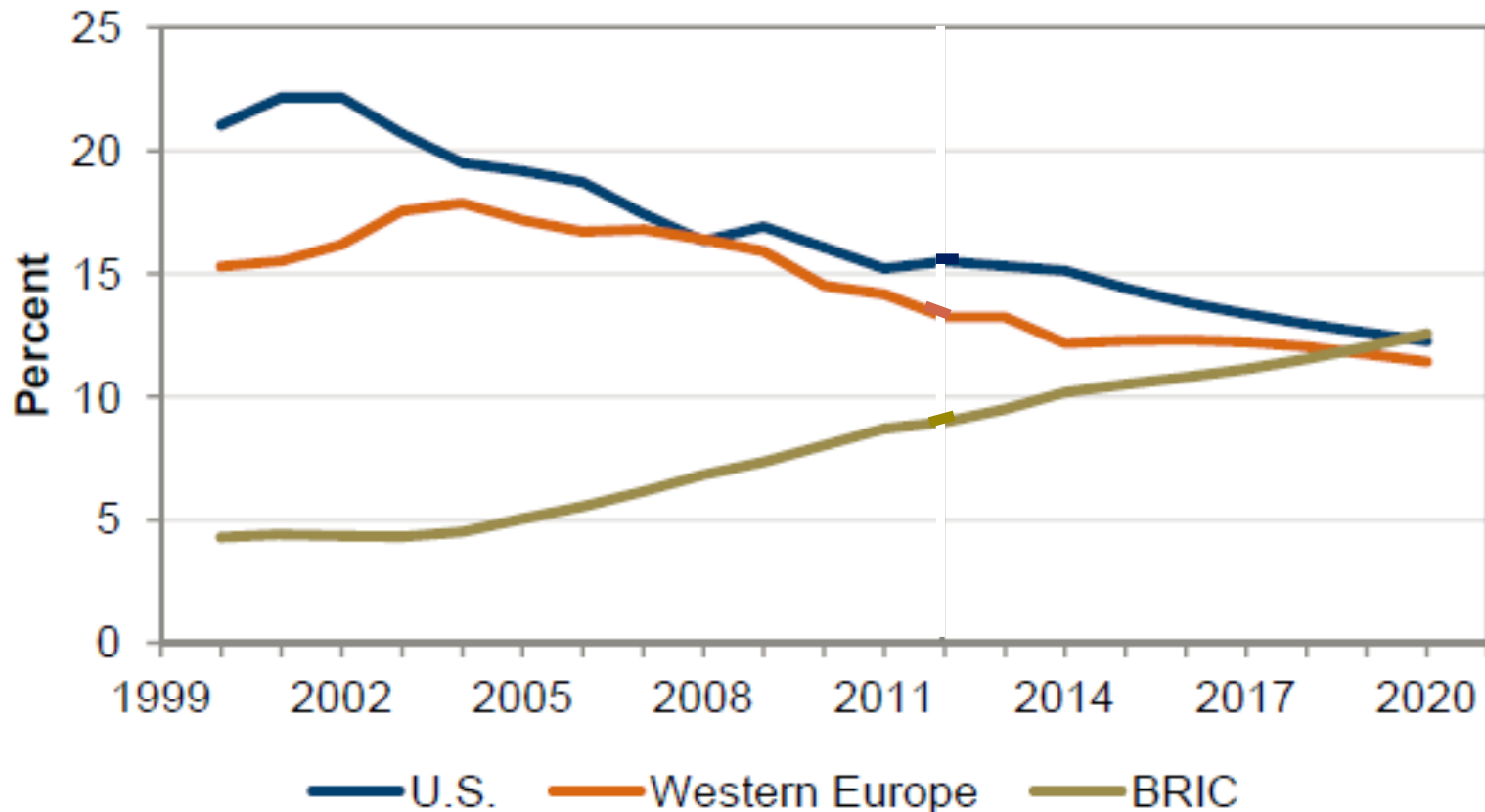


Consumption in Developed Economies Still Key to Global Demand But Less Each Year

- **Trade demand depends on business and household goods demand, part of consumption spending (about 70% of U.S. economy; and 58% of Western Europe's economy.)**
- **China's policy is to increase their 35% consumption share of GDP; the share from trade to decrease, though challenge to shift employment from export focus to domestic focus**
- **China consumption growth post recession averaging over 5.5% annually compared to 2.1% growth in the U.S.**
- **U.S. consumption share of world GDP peaked at 22% in 2001. W. Europe's share reached almost 18% in 2004.**
- **IHS projects U.S. + Western European consumption share of world GDP falls to 27% by 2015 from 38% in 2002.**

Developed Country Consumption Less Important to World GDP

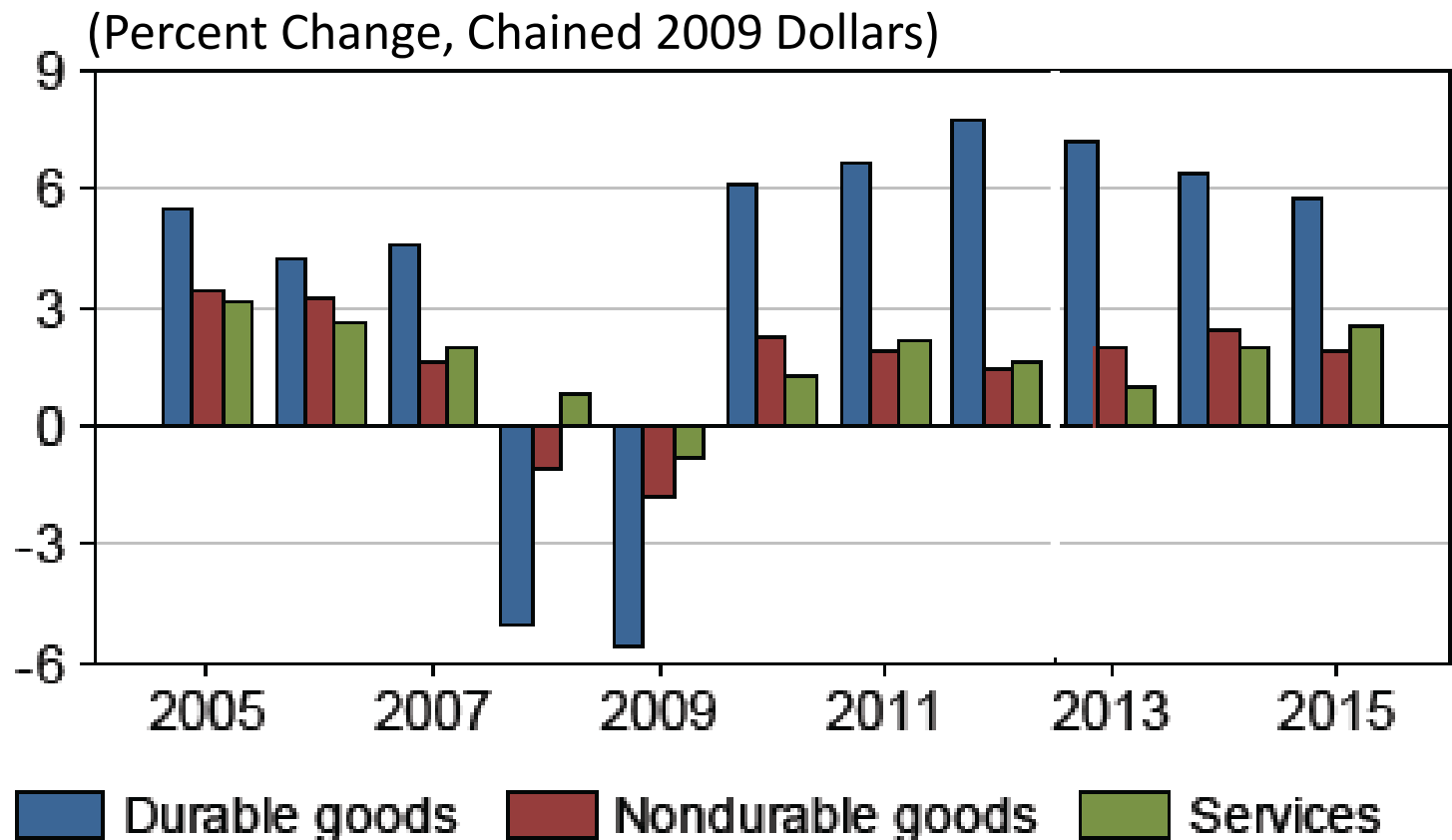
Domestic Consumption Shifts by Region as Share of World GDP



(BRICs are Brazil, Russia, India and China)

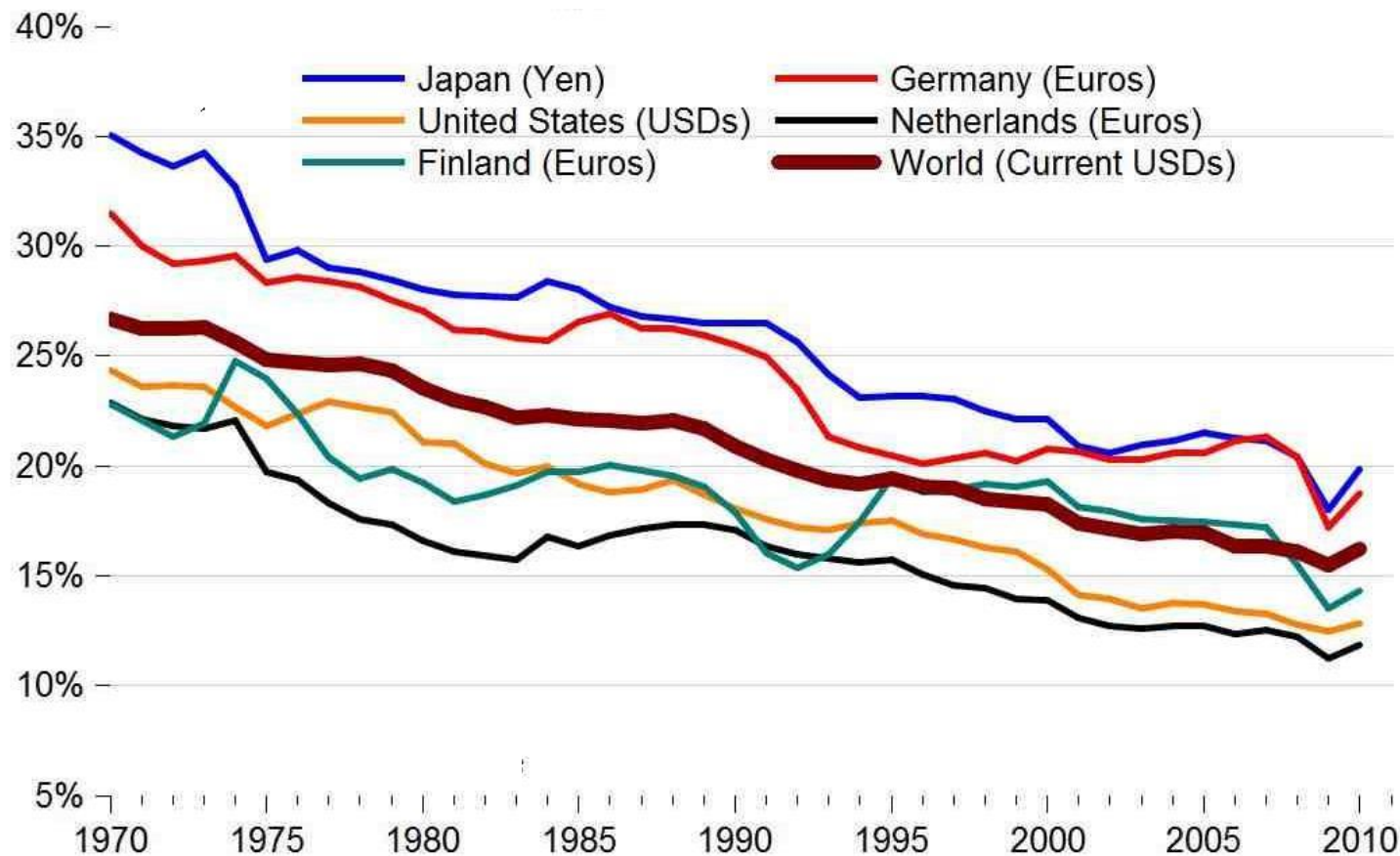
U.S. Consumption of Durables Slowing As Pace for Nondurables Grows

Imports much less important for Services, the largest category

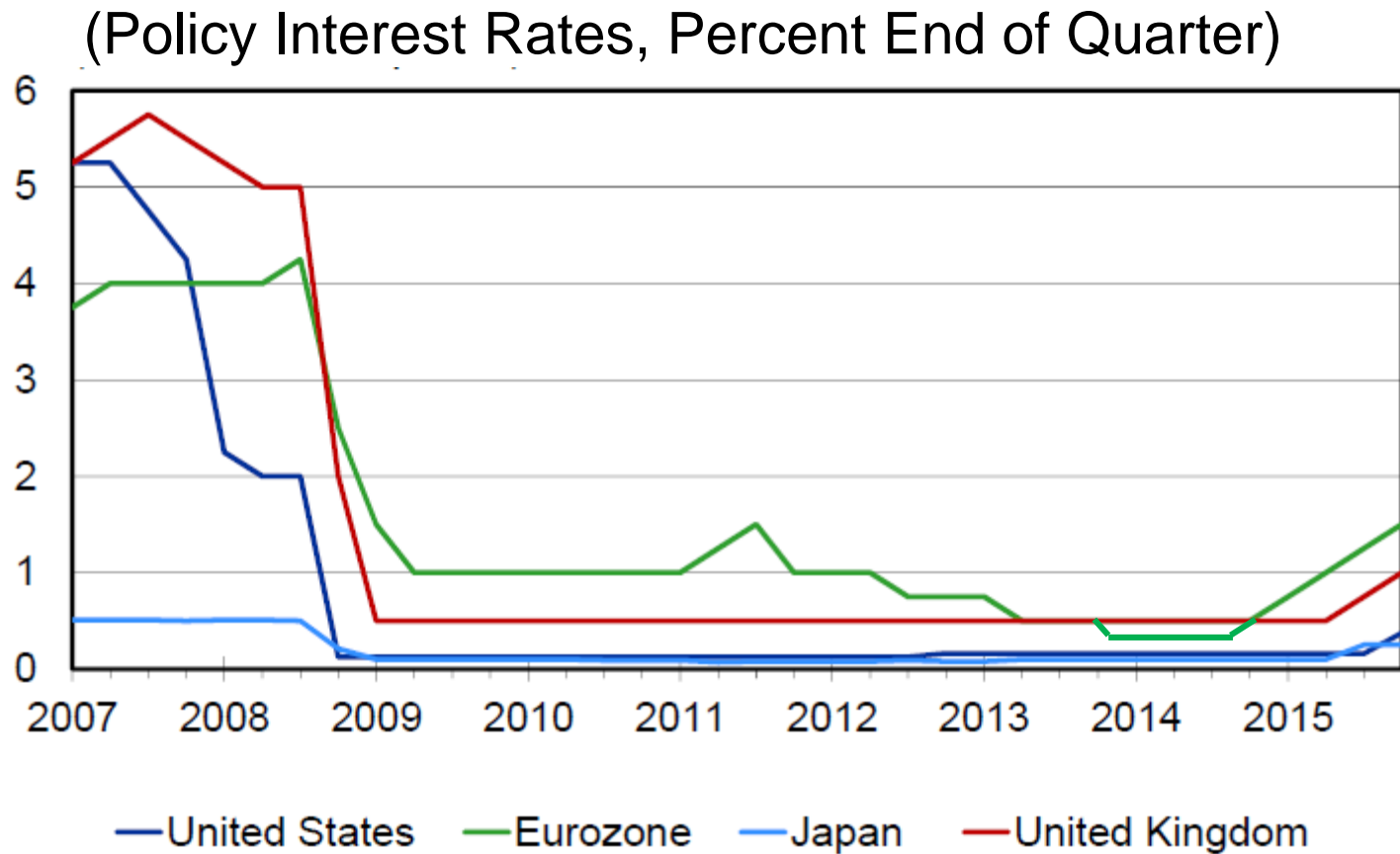


Manufacturing Decline Long-term in Share of the World Economy as Services Grow

(Manufacturing as Share of GDP, National Currency Units)

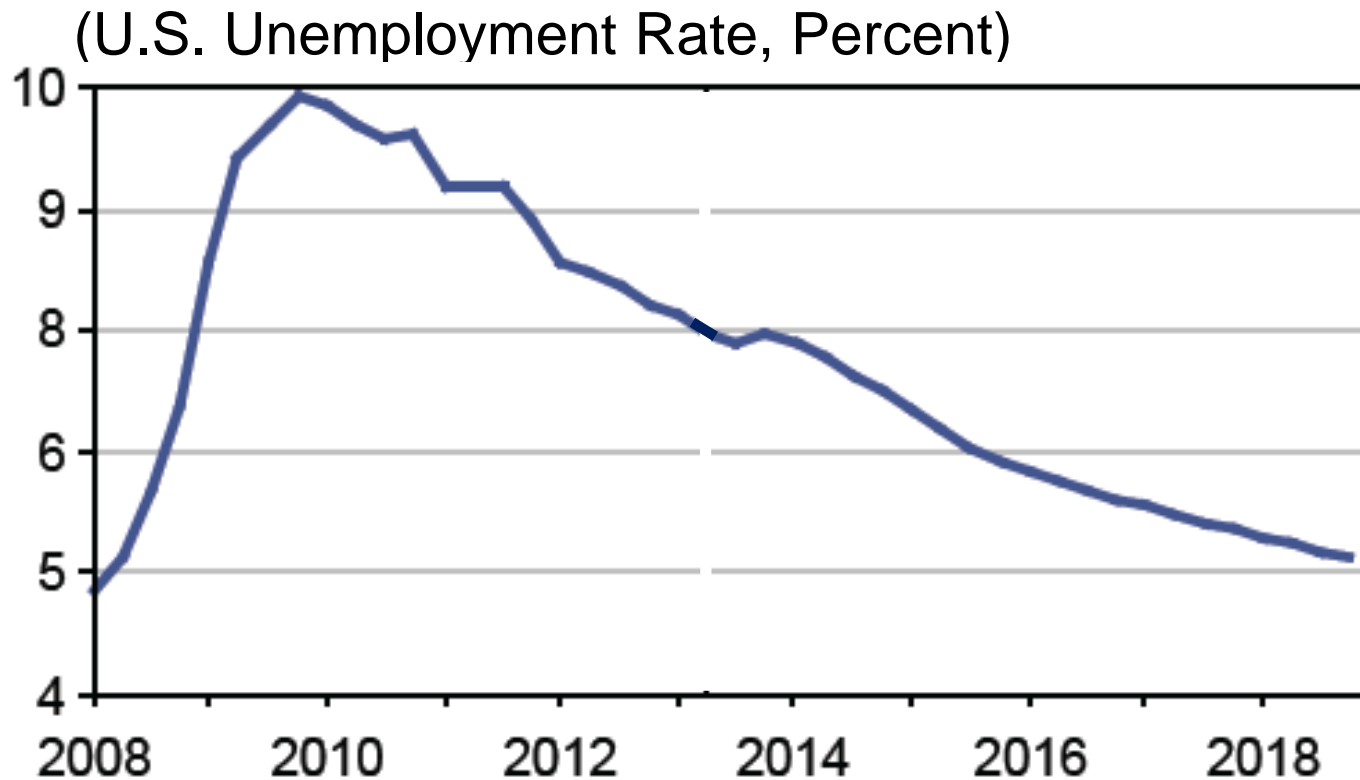


Monetary Policy Remains Loose Throughout the Developed World



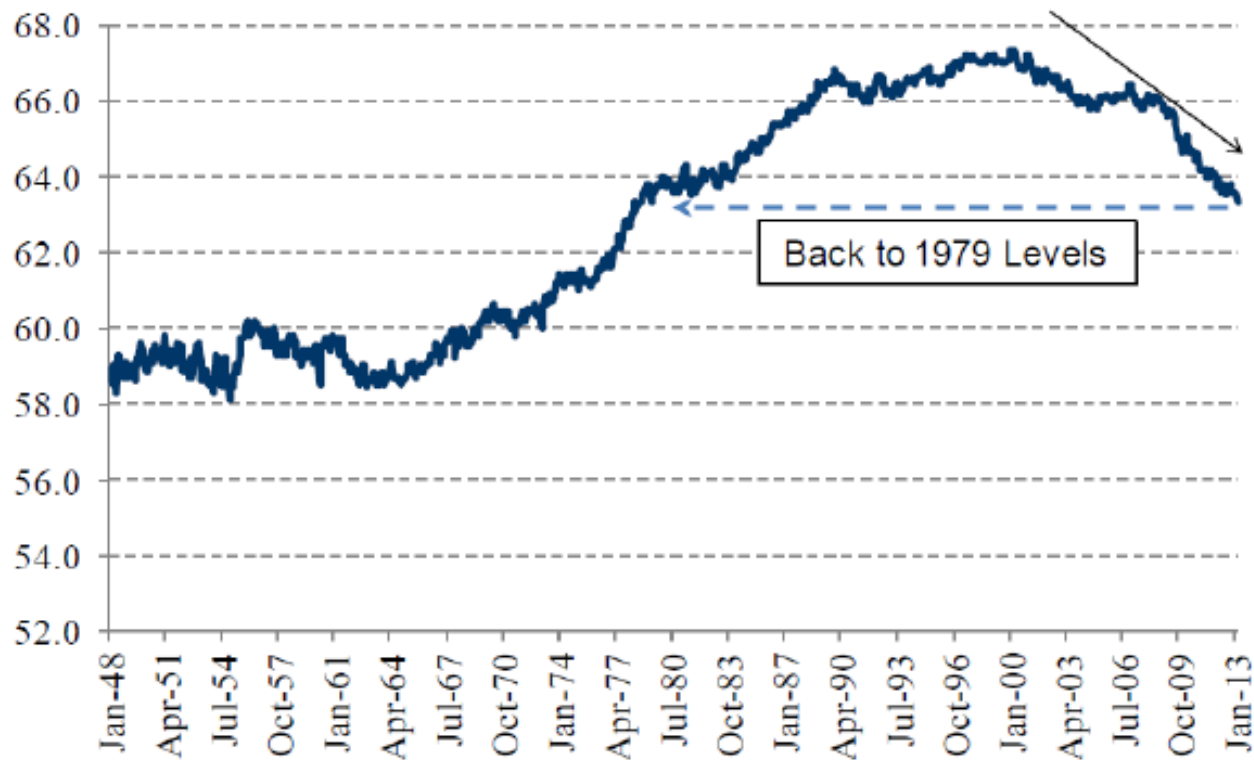
U.S. FRB 'tapering' is coming before interest rates increase

Slow Recovery in U.S. Employment Coming From Private Sector



U.S. Unemployment In Context: Less of the Population Is In the Workforce

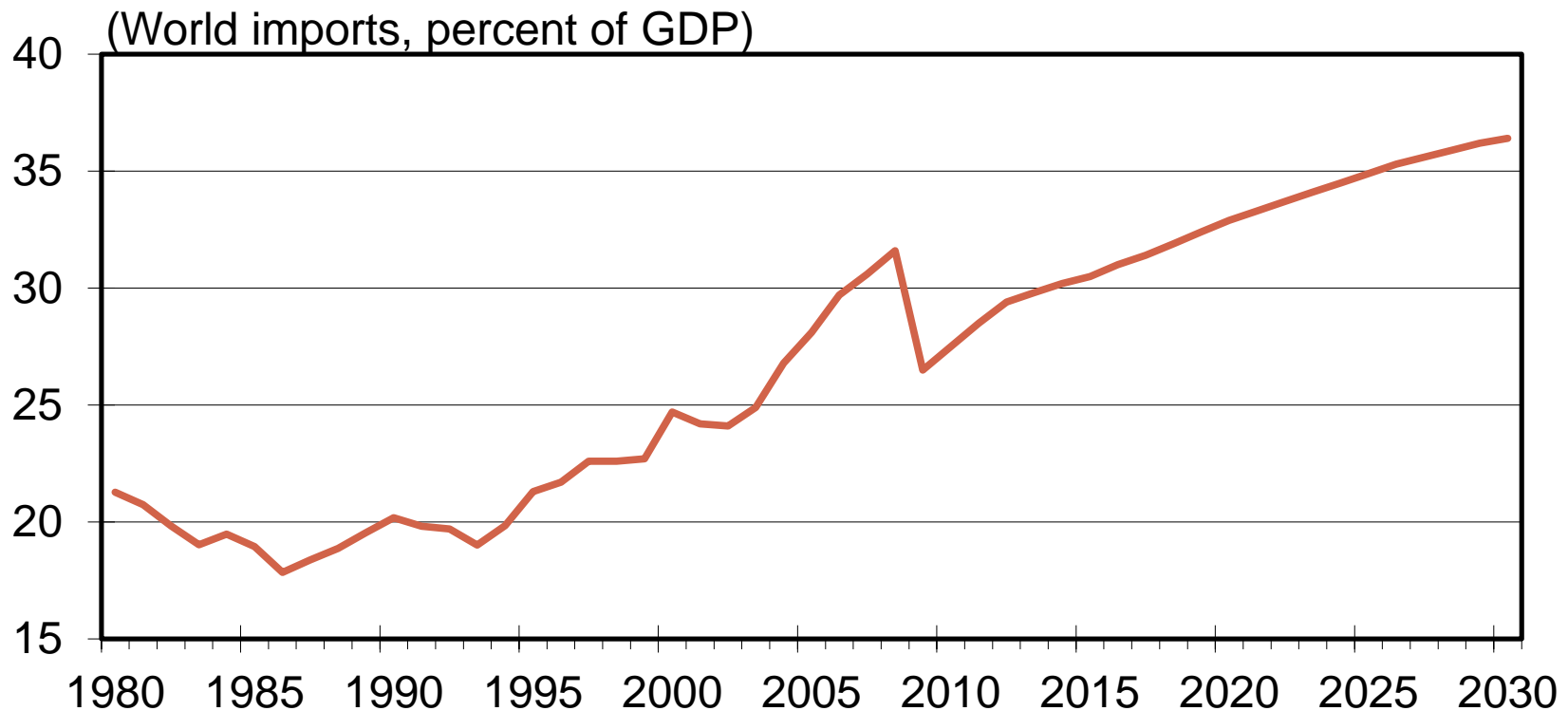
U.S. Workforce Participation Rate, Percent



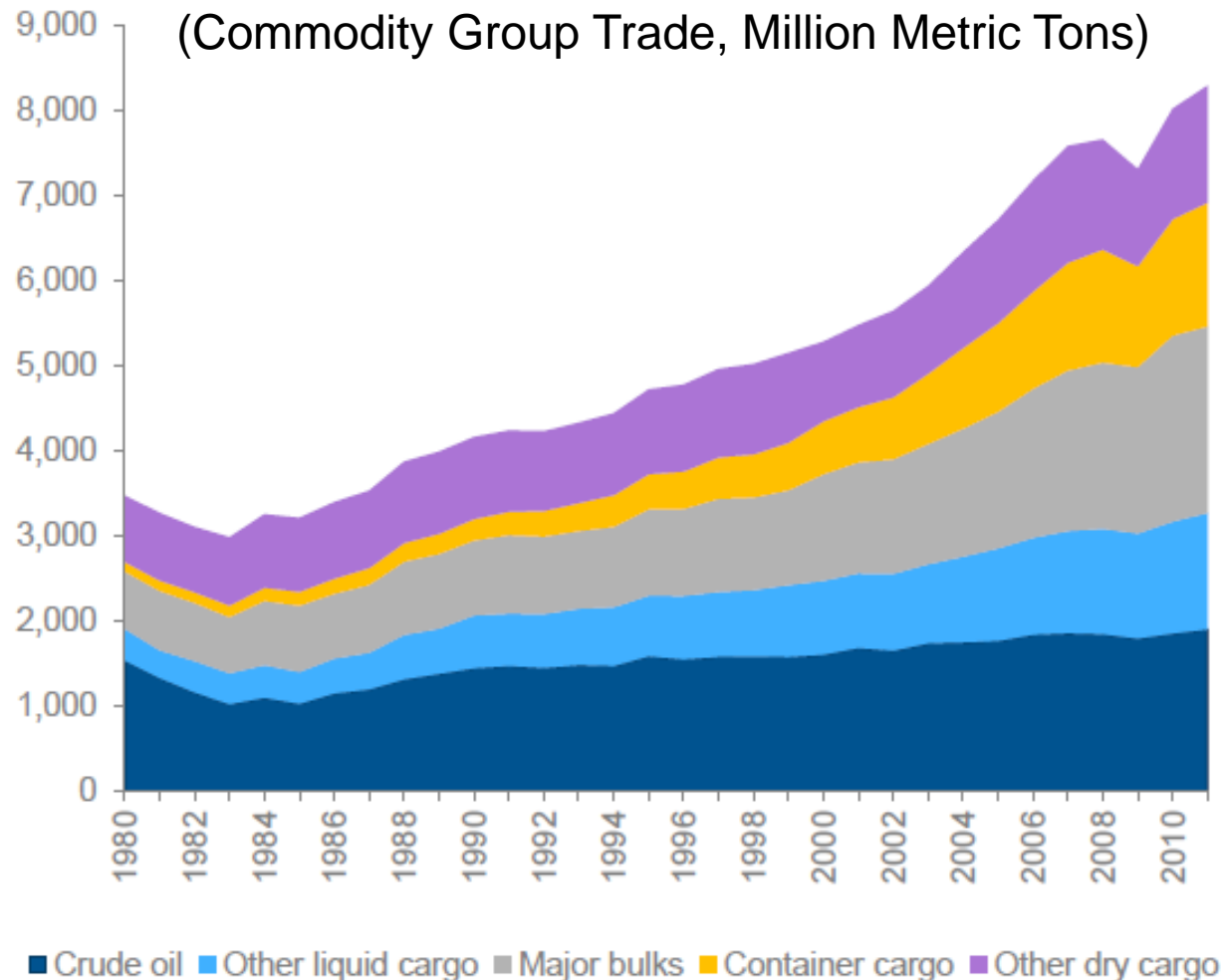
Overall U.S. Workforce Participation Rate Lowest in 34 Years

World Trade's Share of the Economy Grows Again After Decline in Recession

Globalization trend is shifting, not reversing, long-term.



Composition of World Seaborne Trade; Recent Growth Faster than in the 1980s



Double U.S. Exports in Five Years? Good Stretch Goal But Not Achievable

President Obama's **National Export Initiative** is four years old:

“So tonight, we set a new goal: We will double our exports over the next five years”

President Obama, State of the Union Address, January 27, 2010

Improve trade advocacy and trade promotion efforts on behalf of U.S exporters.

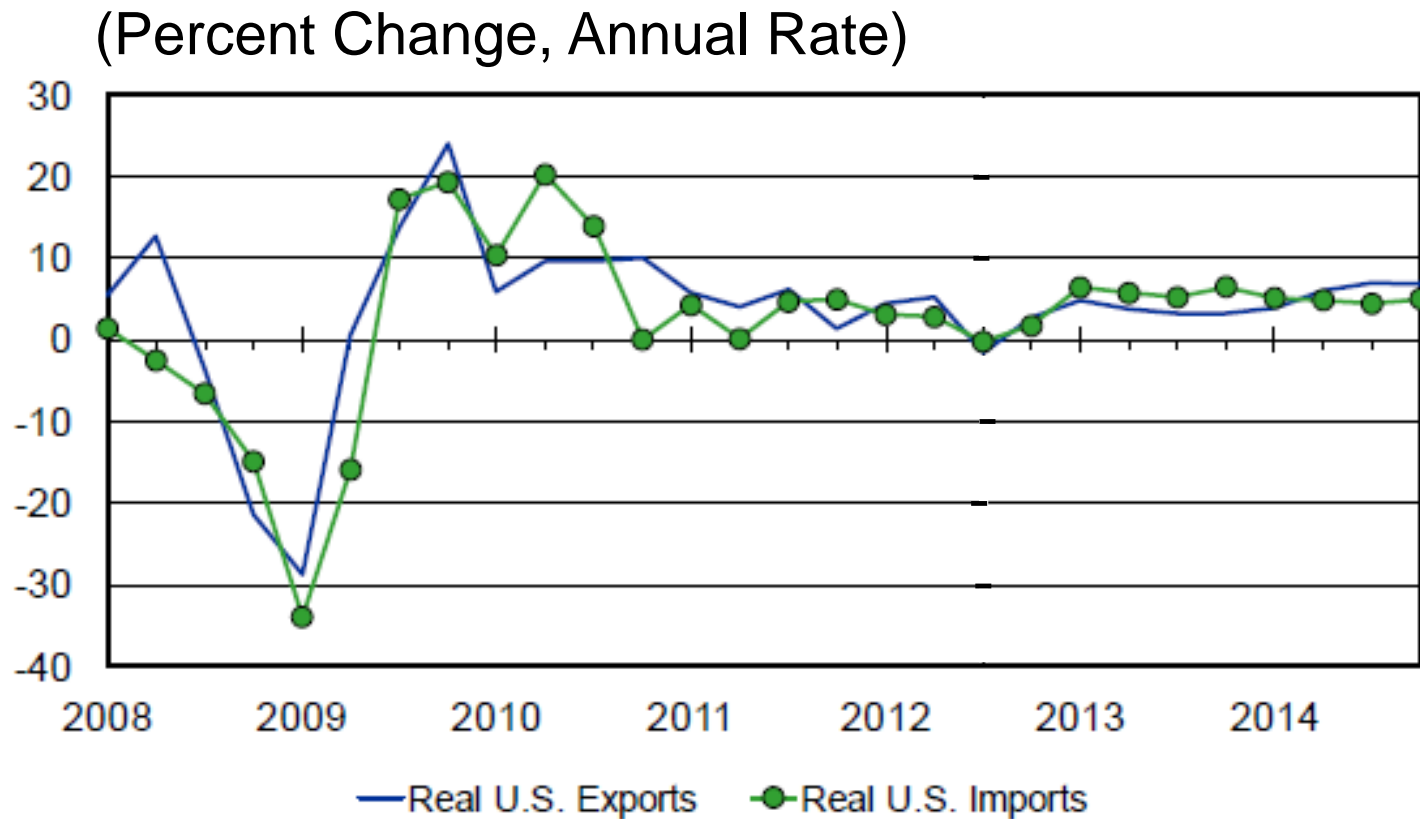
Increase access to export financing to ensure good opportunities do not fall through the cracks.

Reduce trade barriers in order to open as many new markets as possible.

Robustly enforce trade rules to ensure our trading partners live up to their obligations.

Promote policies that lead to strong, sustainable and balanced economic growth.

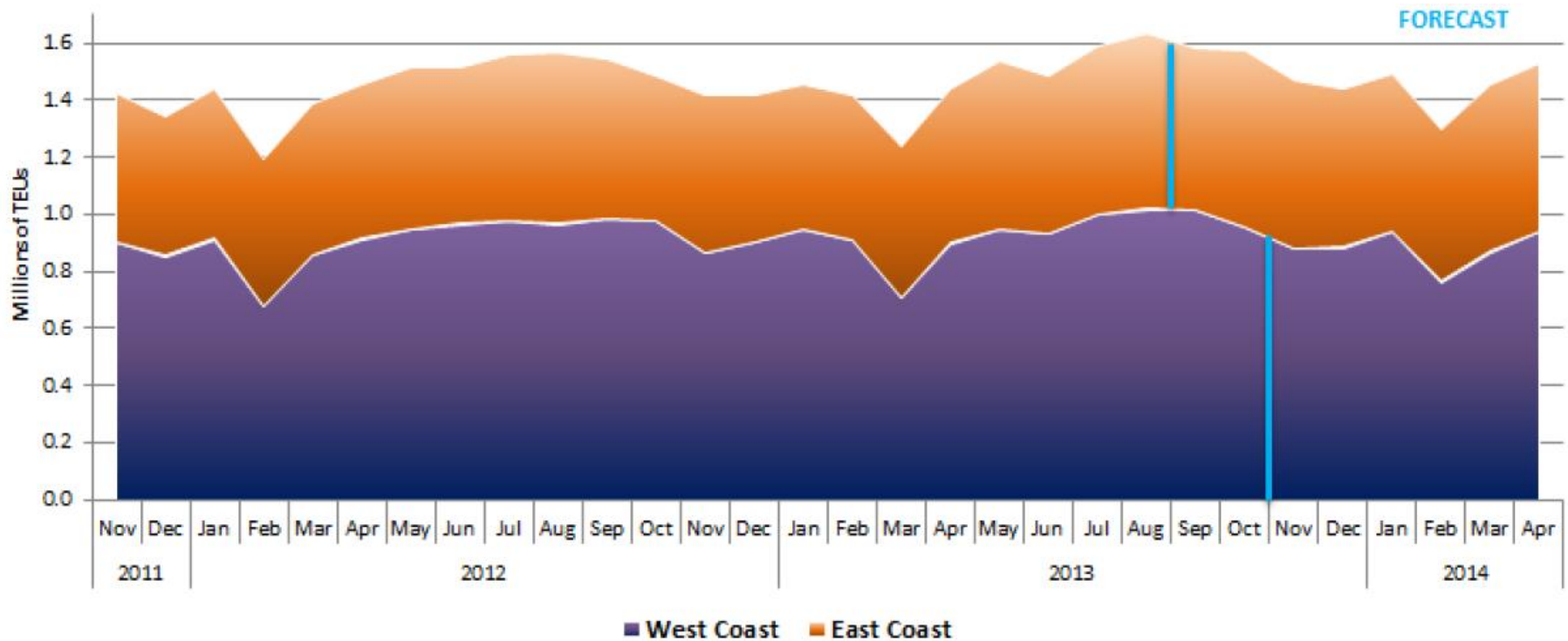
U.S. Export Growth Recovering From Slow Trade Partner Demand 2011-2013



U.S. Export Growth Forecast to Overtake Import Growth By End of Year

U.S. Container Trade: West Coast Still Dominates North American Import Container Trade

North American Container Import Volume, By Coast



Overall Market Shares of East Coast vs. West Coast Have Varied Little Recently

What Can We Conclude?

- **Economic conditions are still key to trade demand. Relatively faster Emerging Market growth continues. Imbalances shifting.**
- **U.S. consumption demand is key to imports.**
- **Supply chain sourcing and individual country competitiveness affect trade shifts**
- **Trade still grows faster than the economy as a whole, so trade increasingly important in the economy, of the U.S. and globally.**

Thank you!

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