



GLOBAL INSIGHT



Trade and Transportation Trends 2007

***AAPA Spring Conference
March 20, 2007***

Washington, DC

***Paul Bingham
Global Insight, Inc.***

Agenda

- **Global and U.S. economic outlook**
- **Implications for sea trade**
- **Conclusions**

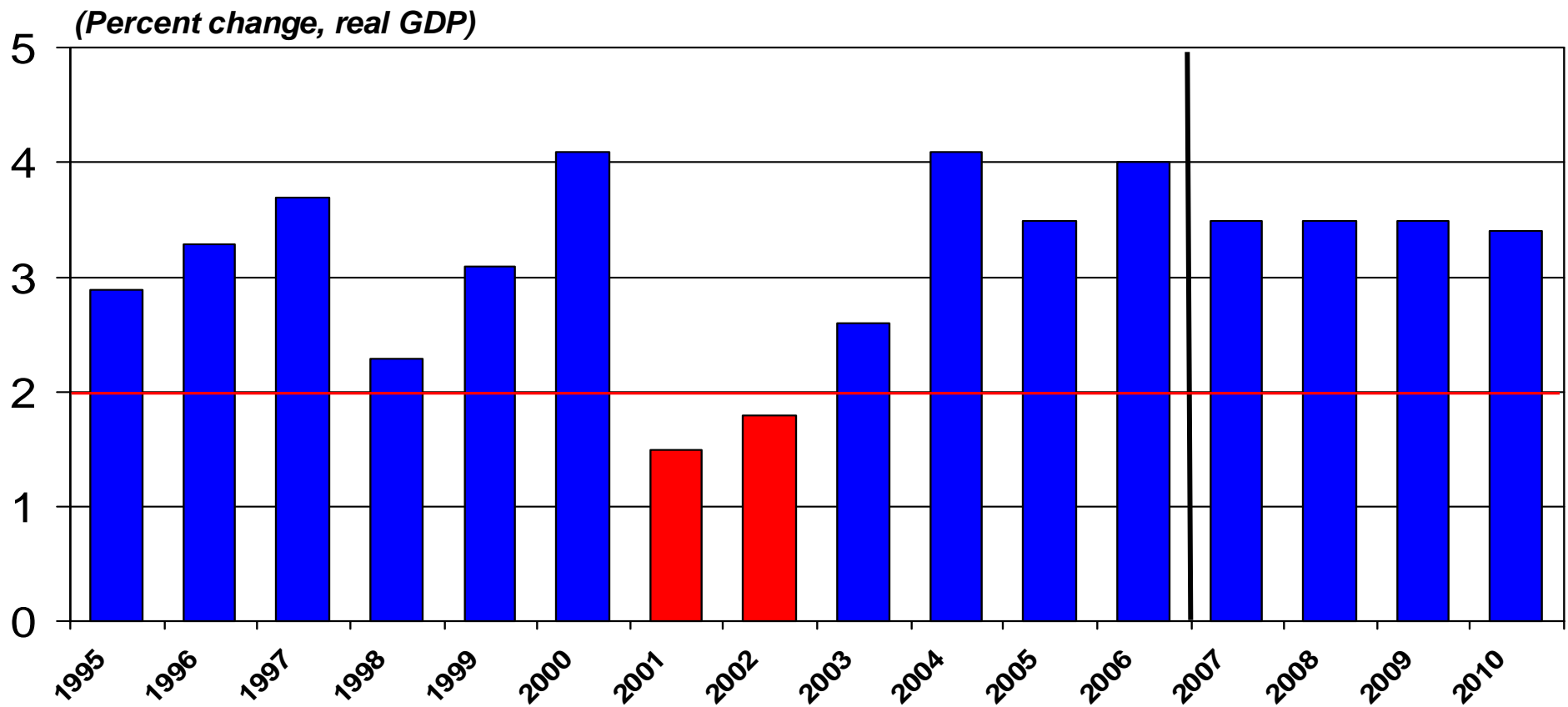
Key Global Issues and Trends



- **Will higher oil prices derail recovery?** **NO - Not at \$70-75**
- **Will the dollar crash?** **NO, but . . .**
- **China: Hard or soft landing?** **SOFT**
- **New and important players?** **YES, longer term . . .**

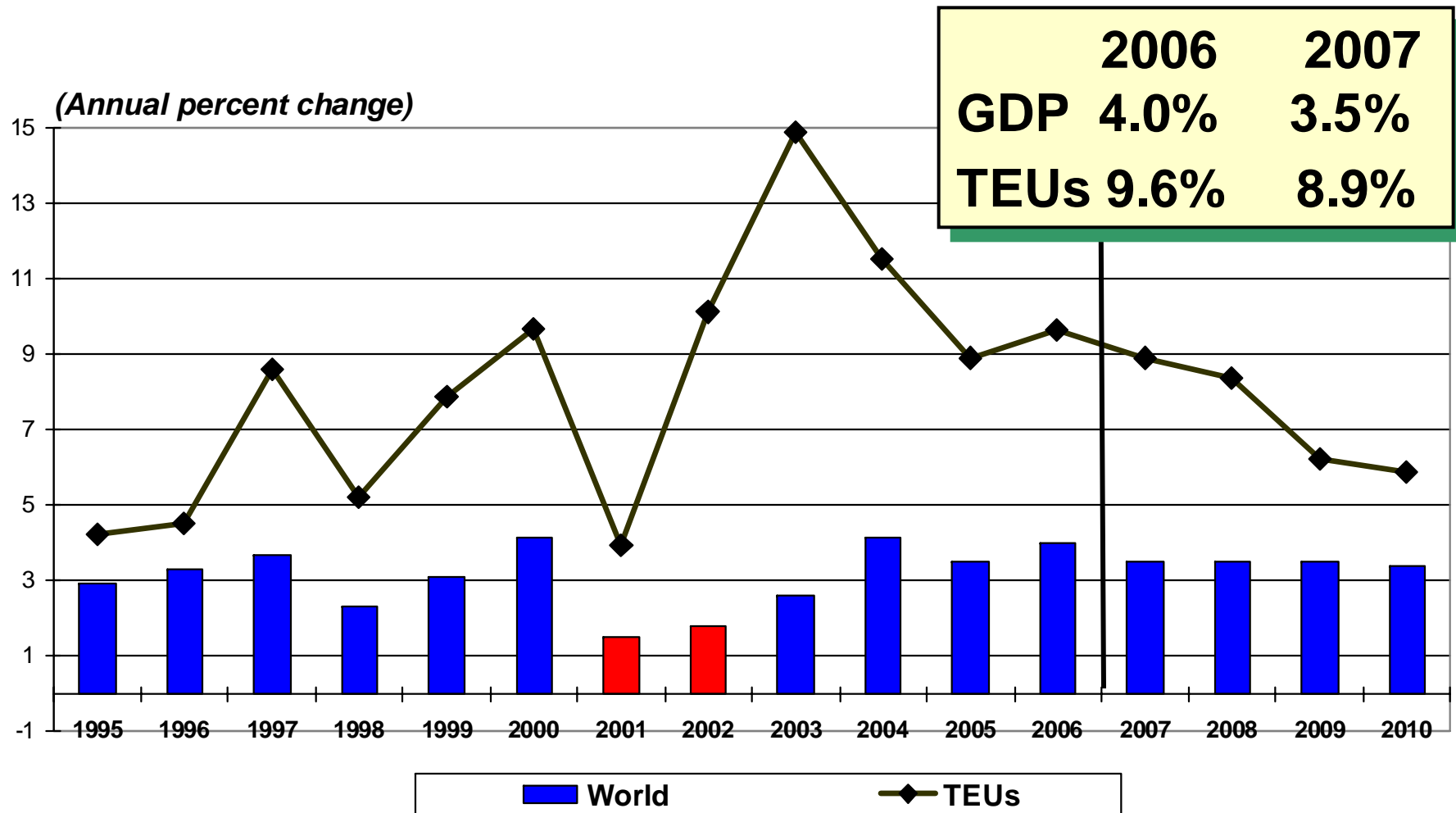
Has world economic growth peaked? -- yes, but...

The world economy is in recession when real GDP growth is below 2%



Source: Global Insight World Service

World container trade normally grows faster than the world economy, and 2006 saw healthy growth in both



	2006	2007
GDP	4.0%	3.5%
TEUs	9.6%	8.9%

Source: Global Insight World Service and World Trade Service

Trade growth is influenced by factors beyond the underlying demand for consumption goods



- **Global logistics sourcing by industry**



- **Emergence of global trading blocks**



- **Growth of regional trade facilitation**



- **Harmonization of trade and regulatory policies**



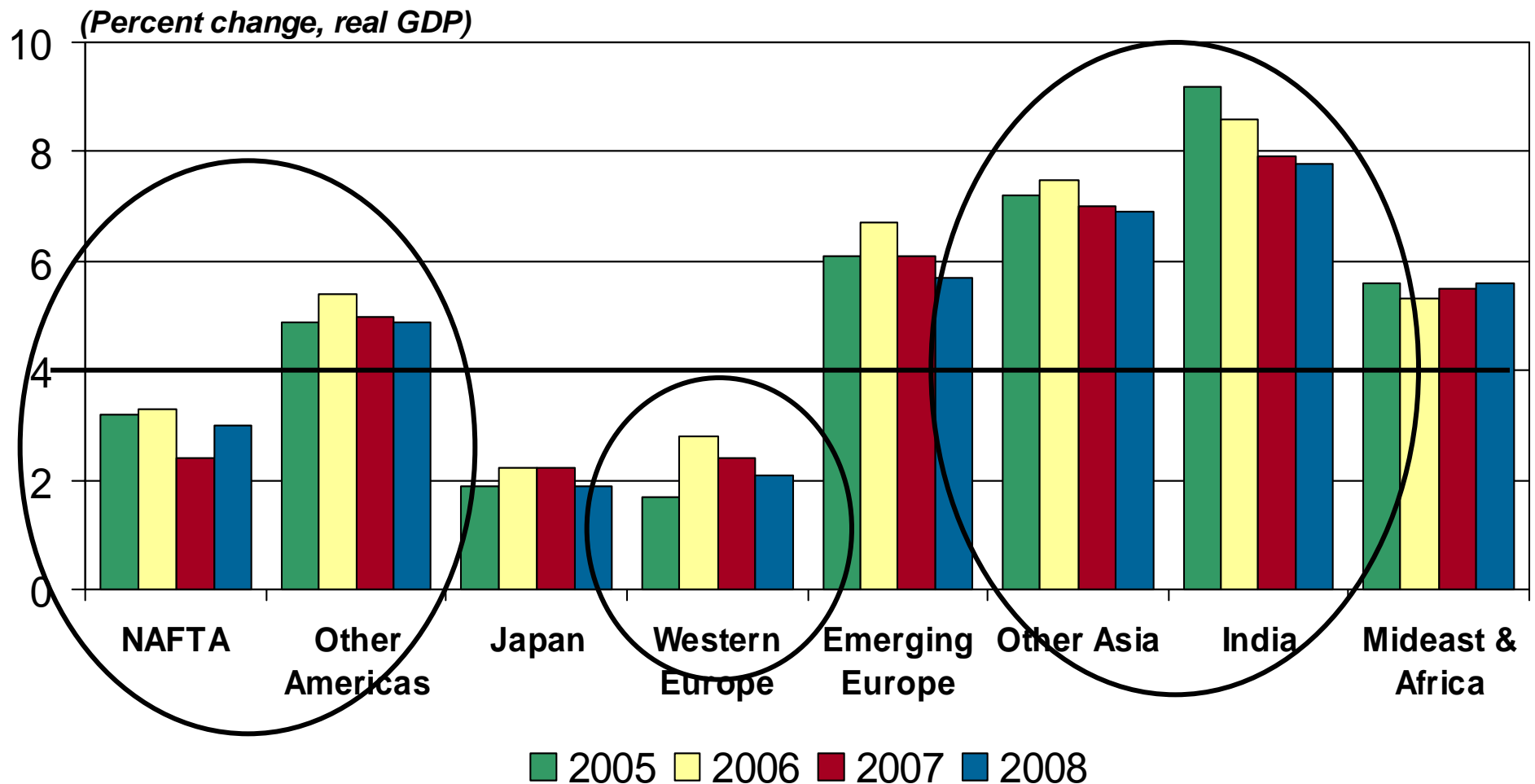
- **Trade security standards and information flows**



- **Increasing freight traffic and congestion along trade corridors and at ports and border crossings**

**While all regions have increased trade,
growth is uneven**

Trade is linked to GDP growth – though uneven across the world; emerging markets are growing fastest



Source: Global Insight World Service

Growth is not uniform: Market shifts are coming and will affect U.S. trade and transportation

(Country GDP Rank in Billions of Real (2003) U.S. Dollars)

2000	2010	2020	2030	2040	2050
U.S.	U.S.	U.S.	U.S.	U.S.	China
Japan	Japan	China	China	China	U.S.
Germany	Germany	Japan	Japan	India	India
U.K.	U.K.	Germany	India	Japan	Japan
France	China	U.K.	Russia	Russia	Brazil
Italy	France	India	U.K.	Brazil	Russia
China	Italy	France	Germany	U.K.	U.K.
Brazil	India	Russia	France	Germany	Germany
India	Russia	Italy	Brazil	France	France
Russia	Brazil	Brazil	Italy	Italy	Italy

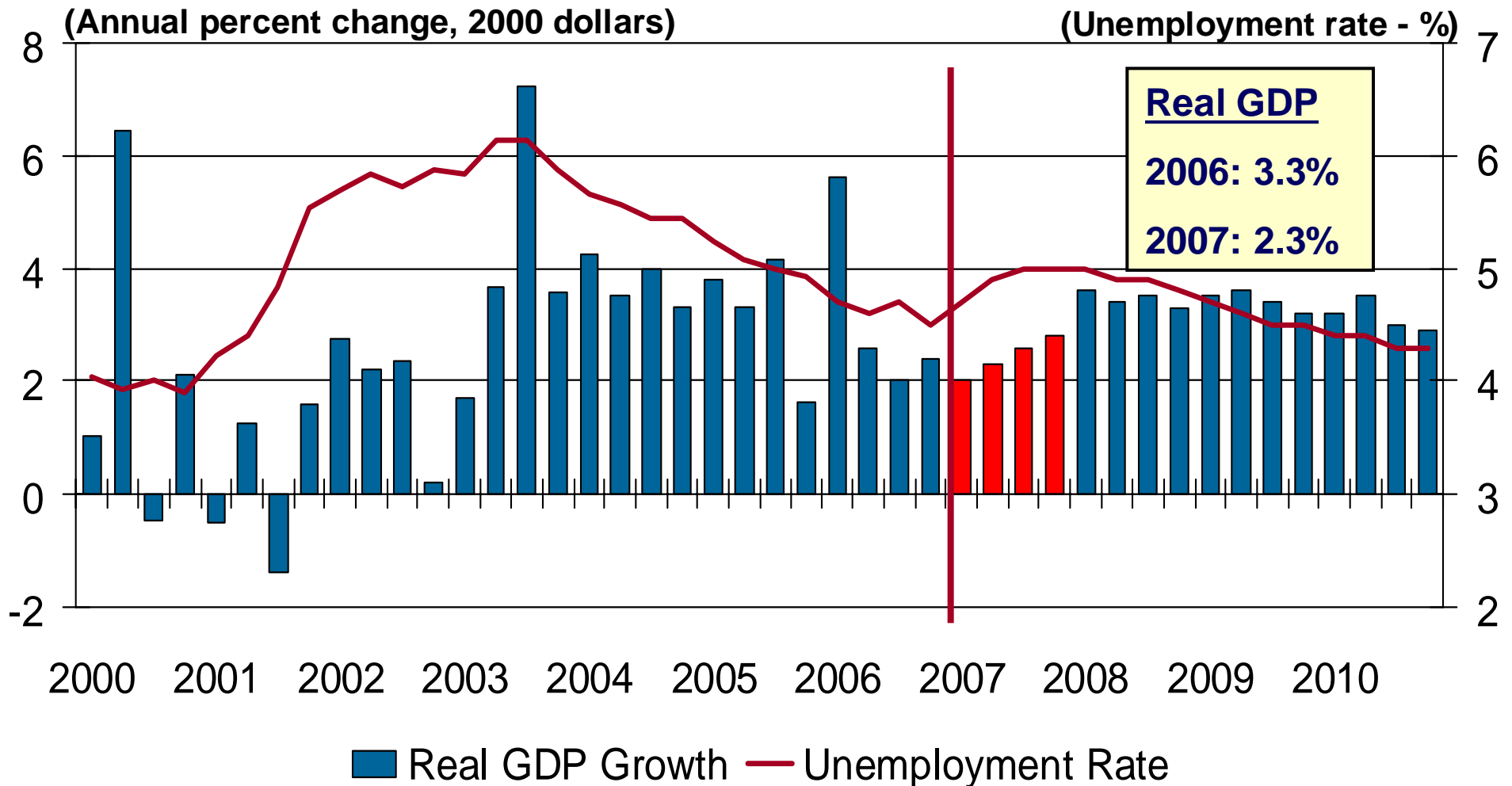
Source: Global Insight World Service and Goldman Sachs

The U.S. economic expansion is in a new phase – the U.S. started to slow down in 2006

-  • The U.S. economy started 2006 with strong momentum
 - 5.3% in the first quarter 2006
 - Fell to just 2.4% by the last quarter of 2006
-  • Real GDP growth in 2007 will slip to 2.3% (below 3% trend)
-  • Home sales and construction are declining as affordability deteriorates; hurricane rebuilding will still cushion the fall
-  • Business investment is now leading the economy, supported by record profits and global market growth, especially Asia
-  • Non-residential construction is poised to grow
-  • Further dollar depreciation is expected, so exports will improve

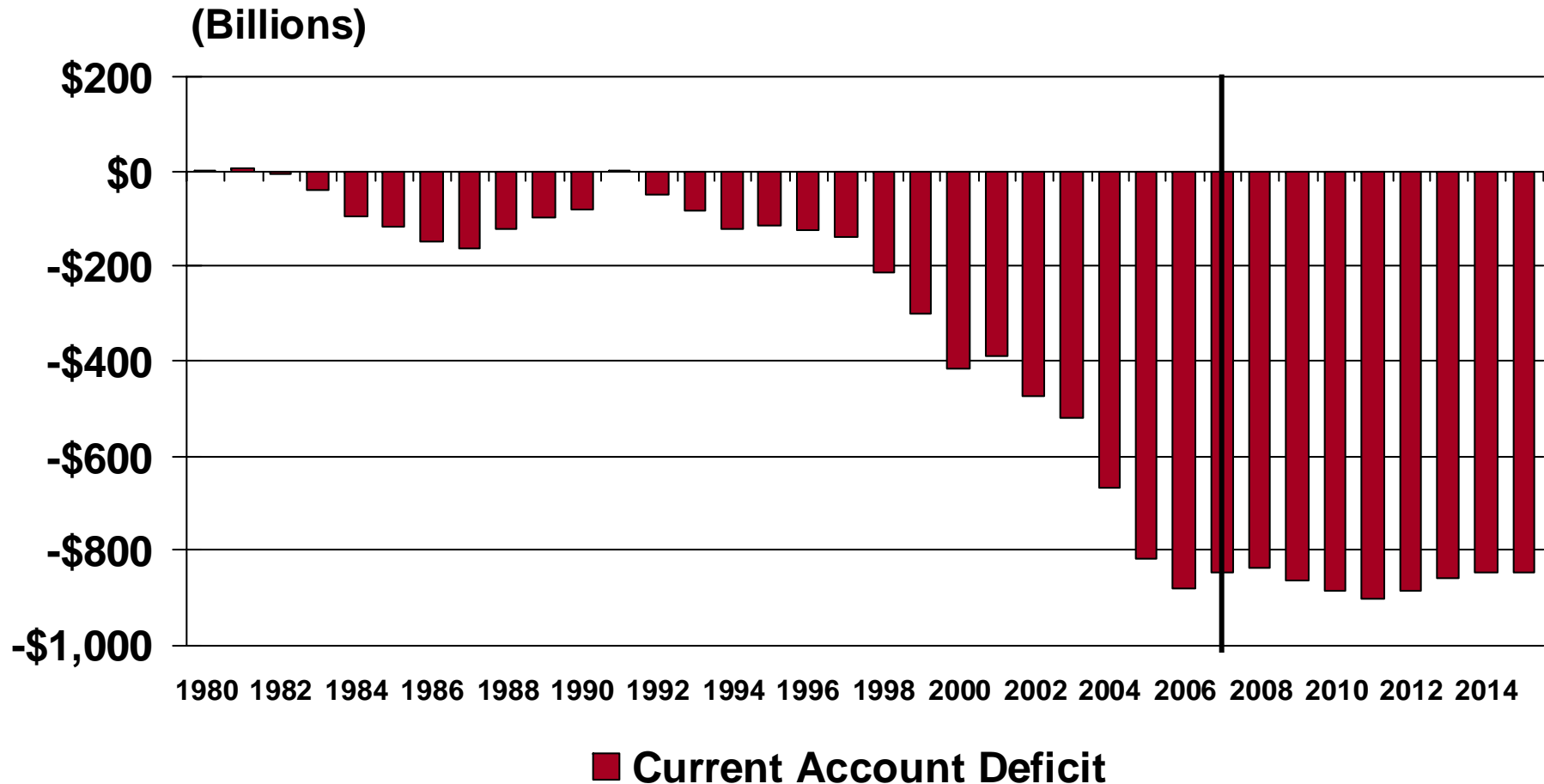
A weak start and a faster finish in 2007

After the 2006 U.S. GDP slowing we'll see modest improvement in 2007 – though slower than the world



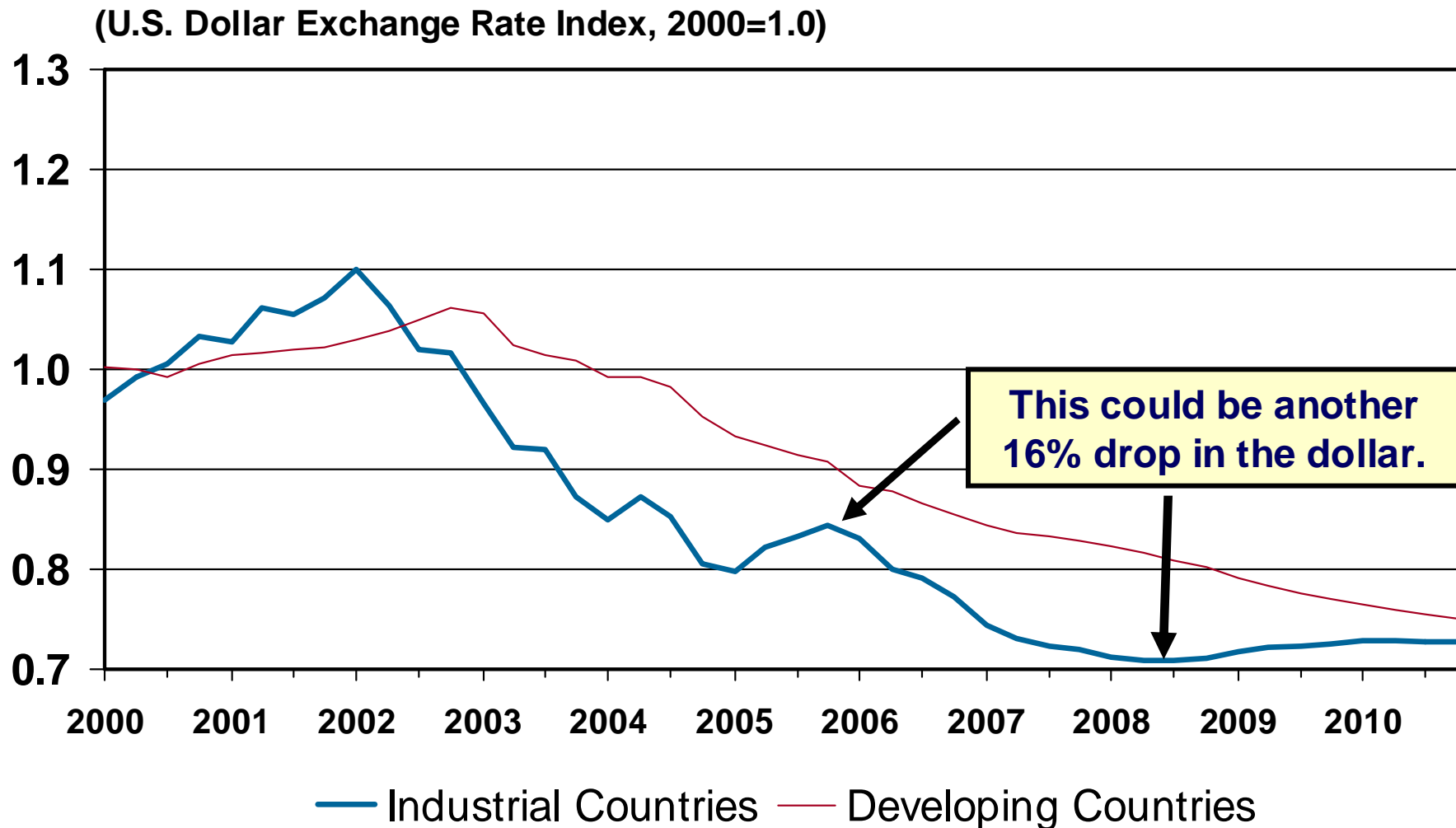
Source: Global Insight U.S. Macroeconomic Forecast Service

Huge U.S. Current Account Deficits Continue



Source: Global Insight U.S. Macroeconomic Forecast Service

The U.S. dollar will depreciate further – steady declines through 2008, due to the current account deficits



Source: Global Insight U.S. Macroeconomic Forecast Service

The U.S. was the engine of world growth, but in 2006 this shifted to Asia, which is now supporting the world economy

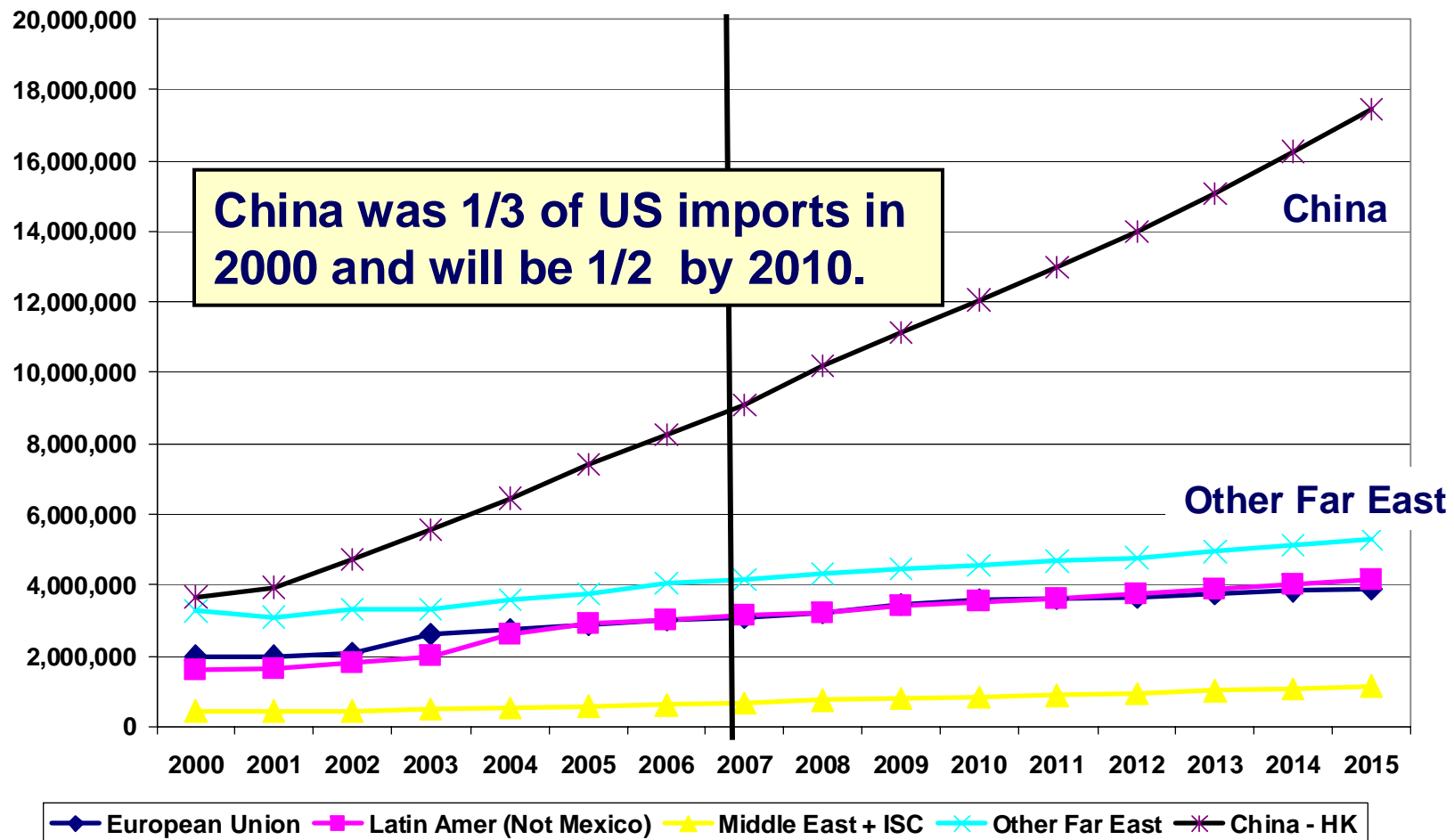
- **Inflation remains under 4% in most of Asia (exceptions include Indonesia, India, and the Philippines)**
- **High saving rates mean Asian economies will continue to be capital exporters – and potential investors in ports and transportation infrastructure**
- **China's economic boom will have a soft landing**
- **1/3 of the world's container trade is now intra-Asian**

Agenda

- **Global and U.S. economic outlook**
- **Implications for sea trade**
- **Conclusions**

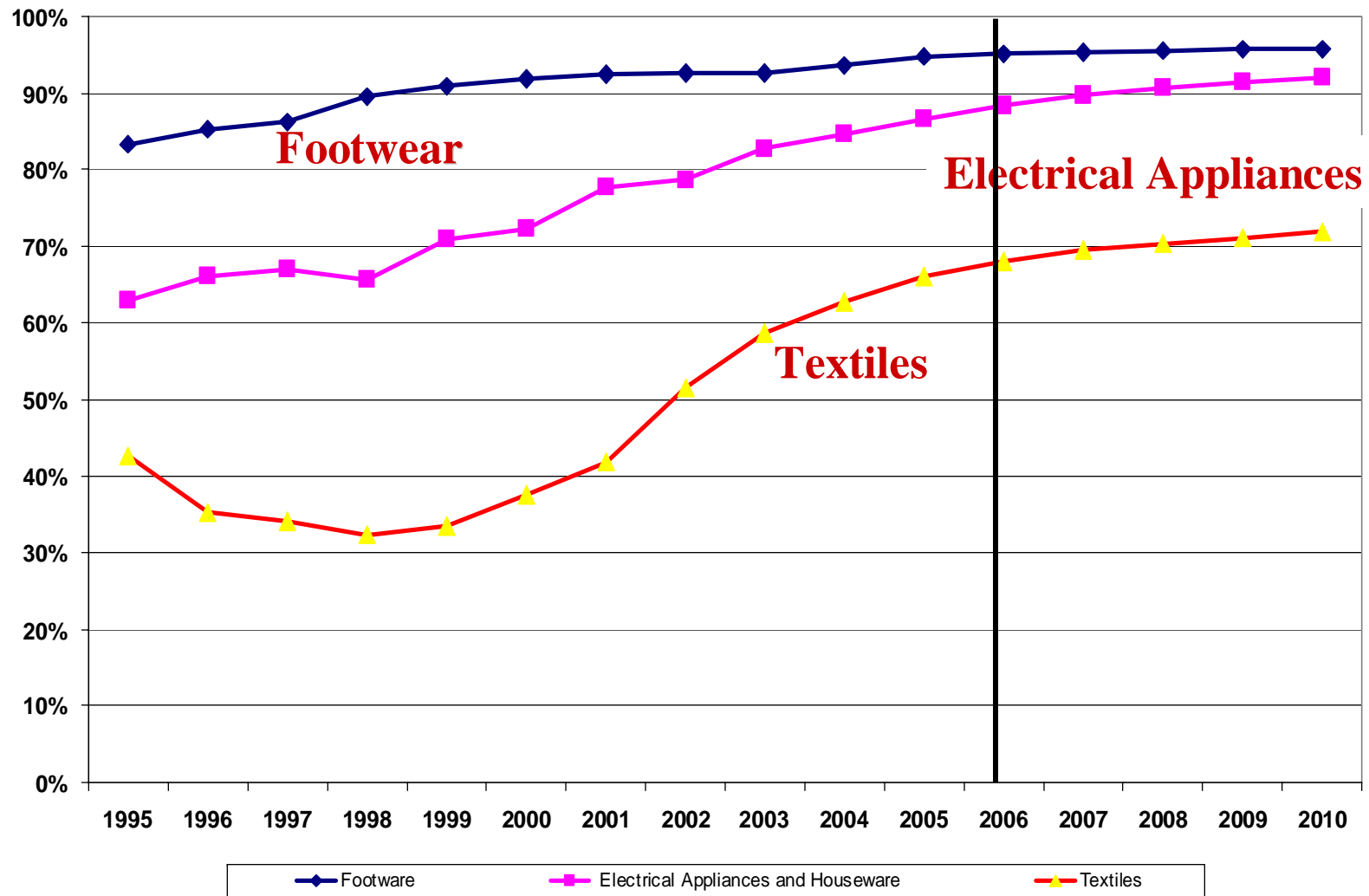
U.S. TEU imports will slow to 6.3% in 2007, and 8.3% in 2008. Chinese imports will grow fastest (10% on average).

US TEU Imports



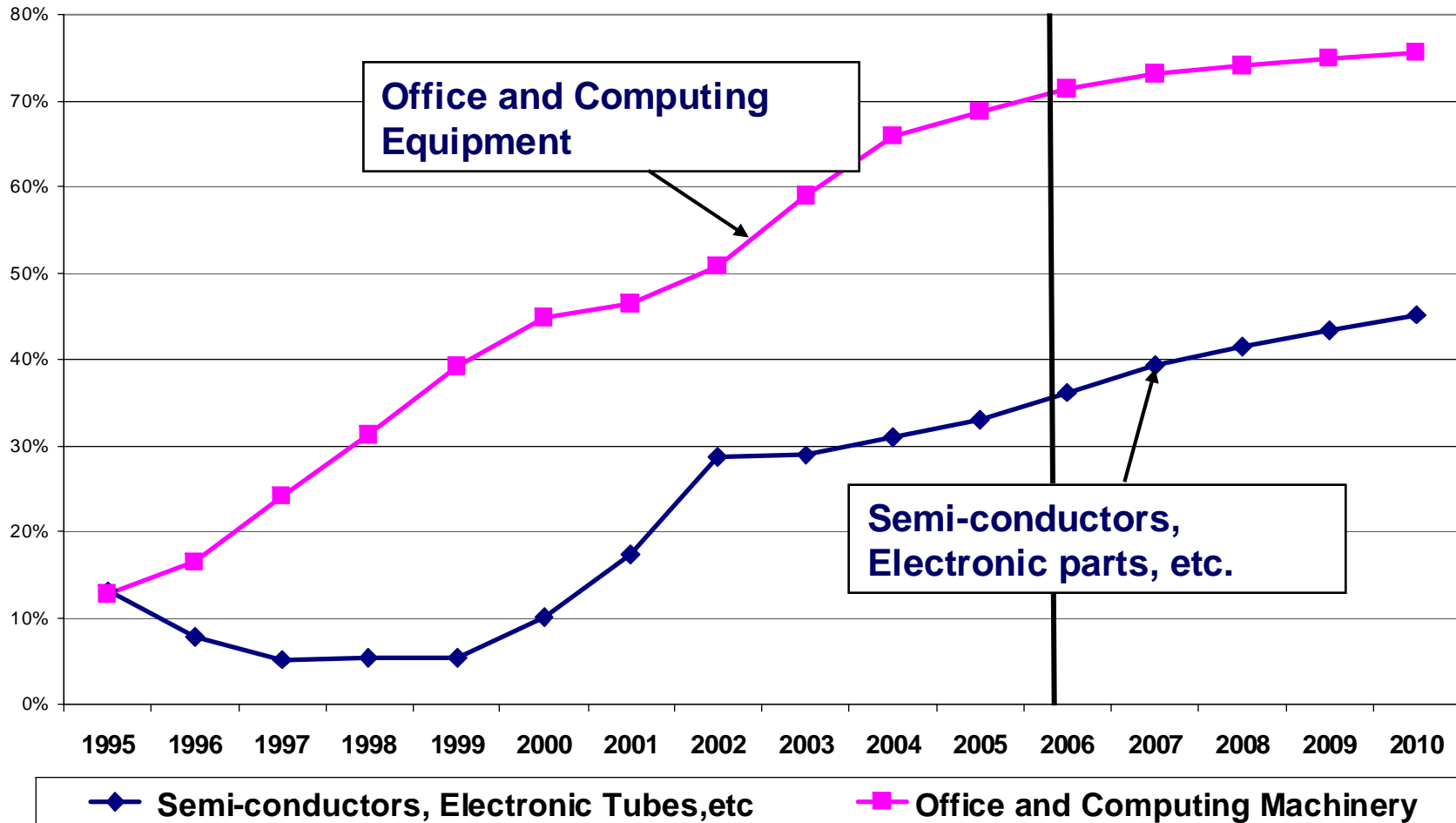
Source: Global Insight World Trade Service

China's U.S. market penetration in some sectors is reaching saturation ...



Source: Global Insight World Trade Service

China has additional U.S. commodity market segments yet to penetrate

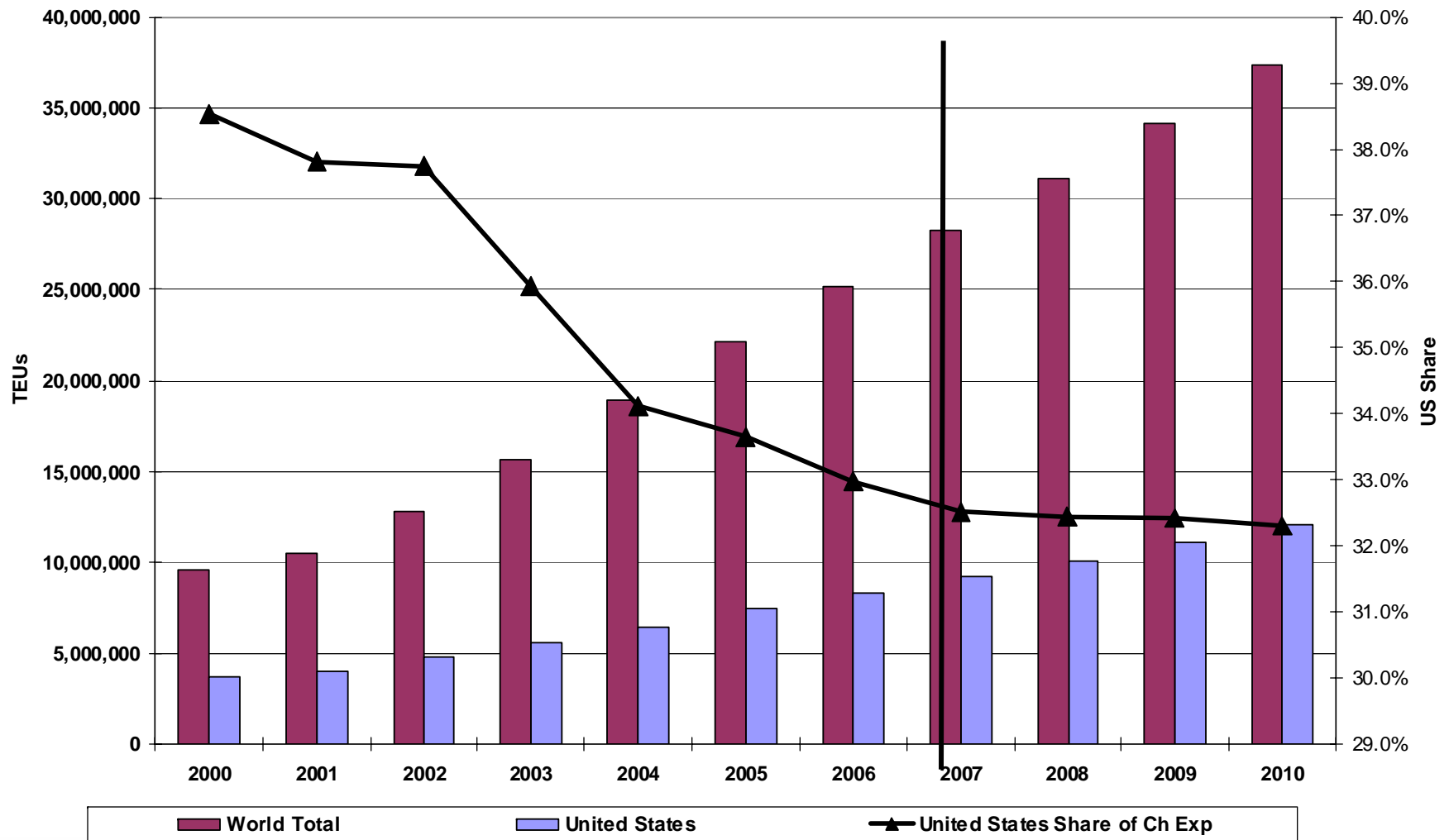


Source: Global Insight World Trade Service

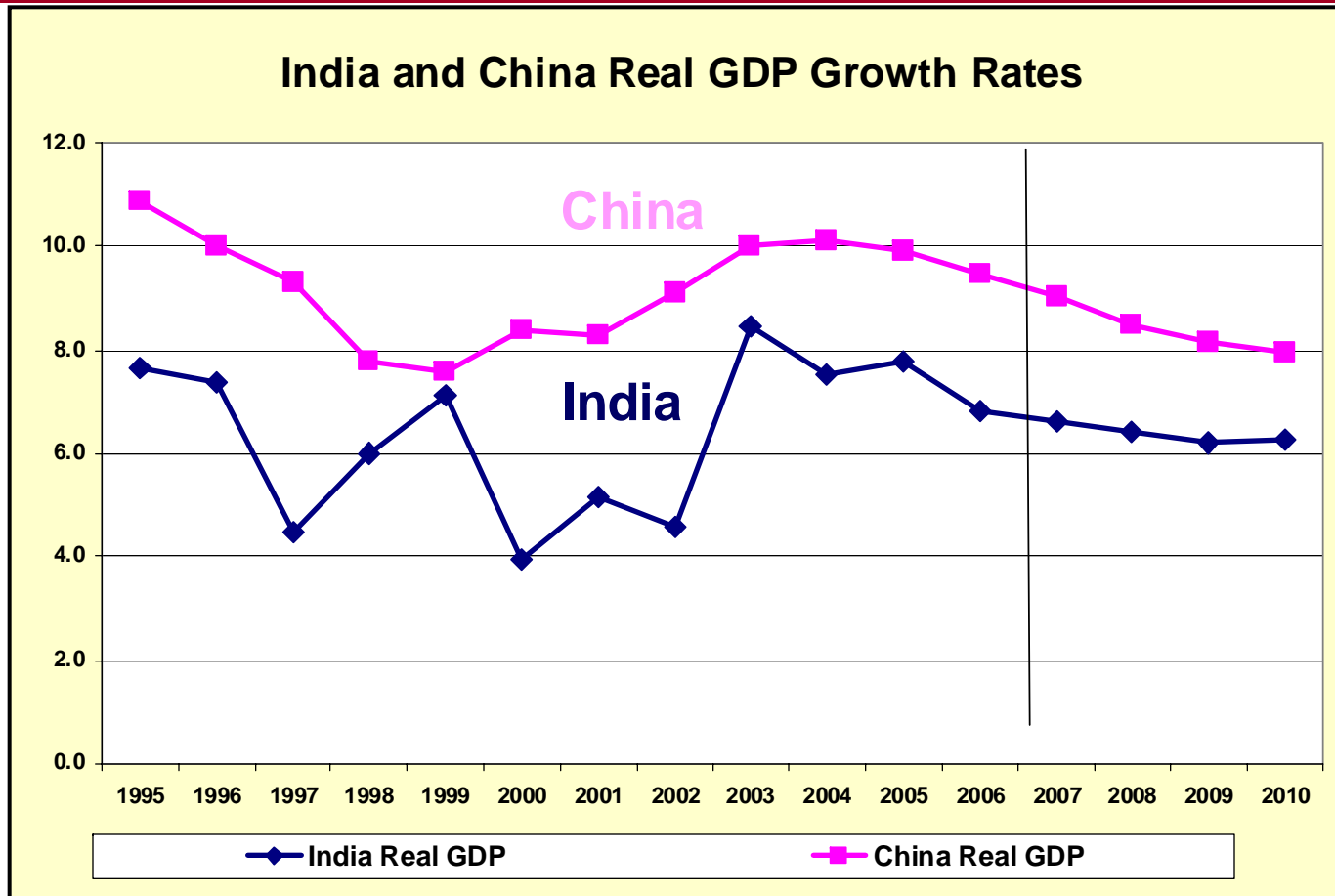
As China broadens its markets, the U.S. becomes less important, even while U.S. - China trade volume triples

US Share of China Exports

Source: Global Insight World Trade Service



India's Growth Lags China's, though Still Strong



- India's annual population growth is 1.5%; Real GDP 6.8% in 2006
- India's container trade TEU growth averages 8% through 2010

U.S. Import Growth Within the Hemisphere

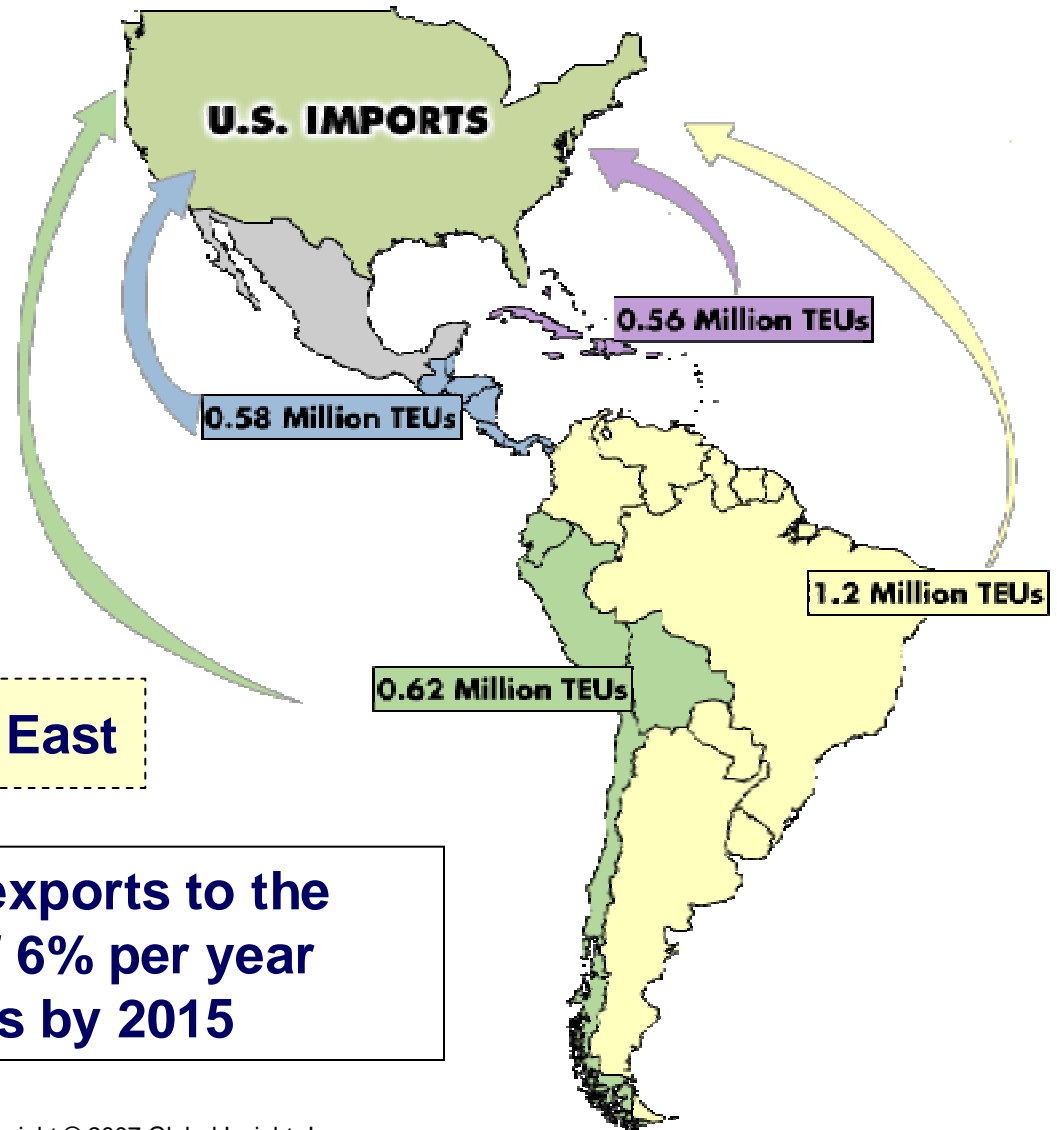
2007 3.2 million TEUs

2015 4.2 million TEUs

U.S. sees almost 4% average annual growth from Latin America

Far East

Compare to Latin American exports to the Far East averaging growth of 6% per year and reaching 1.4 million TEUs by 2015

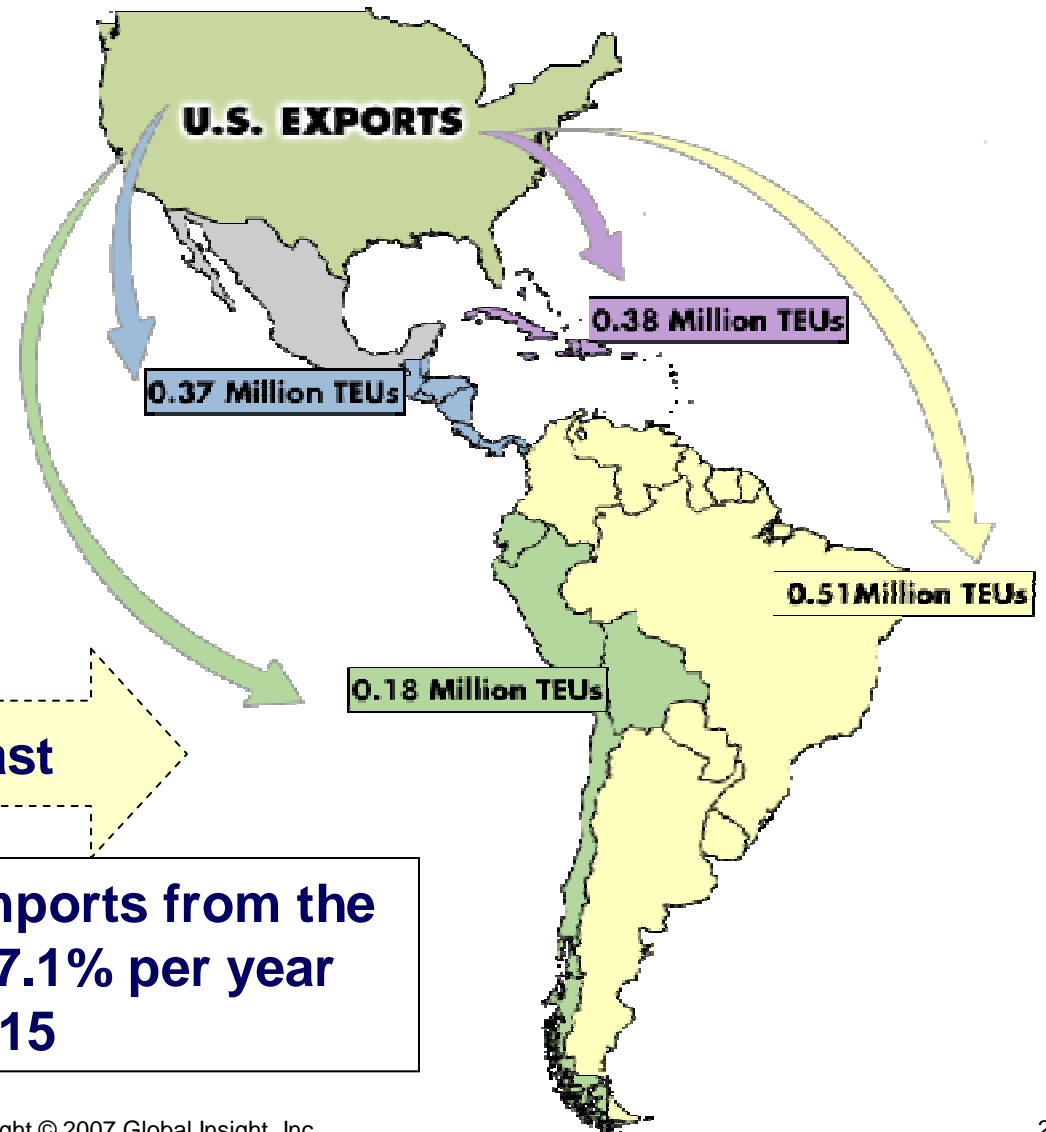


U.S. Export Growth Within the Hemisphere

2007 1.5 million TEUs

2015 2.0 million TEUs

U.S. averages 3%
annual export growth to
Latin America



Compare to Latin American imports from the
Far East averaging growth of 7.1% per year
reaching 2 million TEUs by 2015

Agenda

- **Global and U.S. economic outlook**
- **Implications for sea trade**
- **Conclusions**

Bottom Line

- **World economic growth peaked in 2006, and 2007 should see slower increases in growth, with the U.S. growth lagging the world**
- **Asia and Eastern Europe will experience the strongest growth; Western European and Japanese growth will be very slow**
- **U.S. trade will grow faster than in other developed countries, but slower than for the developing economies**
- **Pressures from continued growth in container traffic builds as it continues to outpace growth in the U.S. economy**
- **Ports benefit from increased exports and more balanced trade but providing the infrastructure and productivity to handle relentlessly growing trade will remain a significant challenge**



Thank You

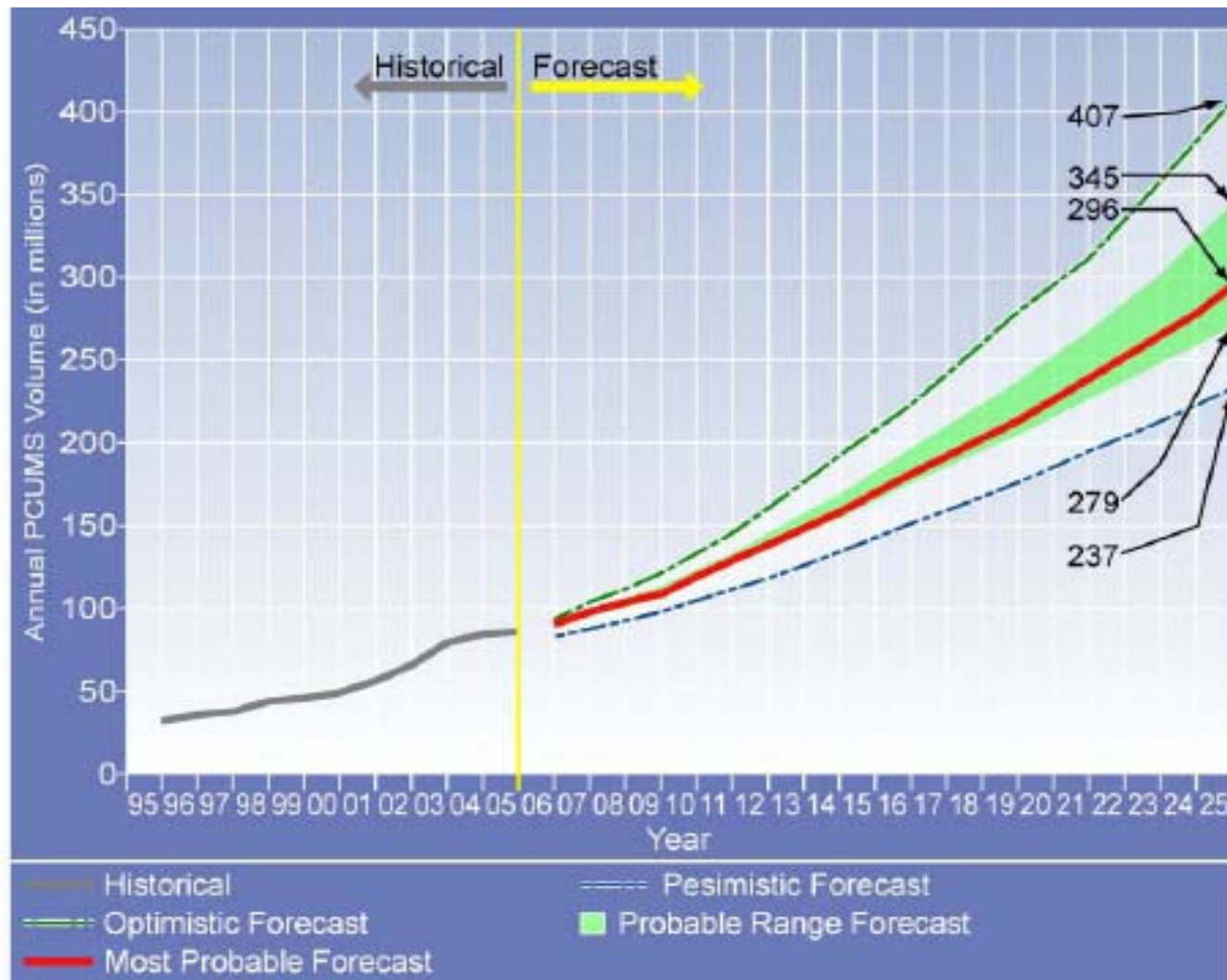
Paul Bingham

(202) 481-9216 / (202) 481-9301 (fax)

paul.bingham@globalinsight.com

www.globalinsight.com

Panama Canal Expansion Allows the Canal's Container Tonnage to Triple within 20 Years



Most probable

Container Share of Total Canal Tonnage Up from 34% to 59%

Source: ACP; Norbridge

Mexican Pacific port alternatives are being explored to feed the U.S. market as Asian trade growth continues

