Economic Outlook and Ports

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The Outlook for Trade Depends on Goods Demand

- Integrated international supply-chains offer efficiencies but increase interdependencies between economies
- Globalization increased business-cycle synchronization
- The increased importance of trade as a share of economies increases vulnerability of economies to outside forces
- Import and export trade is affected by the current global recession. Weak U.S. import demand has slowed foreign economies which, in turn, are reducing demand for U.S. exports
World Trade Share of Economic Activity: Declines in 2009 with Prices and Goods Demand

Long-term trend towards increased trade will reassert itself in recovery in 2010
The Worst Global Recession in Six Decades

- North America, Europe, and Japan are facing severe downturns
- Growth in emerging markets will slow dramatically
- The financial crisis ended the U.S. export boom
- A Great Depression or Japan-style lost decade is unlikely
- Huge fiscal and monetary stimuli will help to spark recovery
- Base line forecast: deep recession in 2009, modest recovery in 2010, and a stronger rebound in 2011
The World Economy Faces the Worst Recession of the Post-World War II Era, then Recovers

(Percent change for the world economy)

Real GDP  Industrial Production

Economic Performance Varies Widely by Region

(Real GDP, percent change)

NAFTA  Western Europe  Japan  Other Americas  Emerging Europe  Mideast-N. Africa  Sub-Saharan Africa  Other Asia-Pacific

2007  2008  2009  2010
The U.S. Economy Still in Deep Recession

- This recession in the U.S. will be long and deep, comparable to the worst in the postwar era
- The global financial crisis has ended the U.S. export boom
- Consumers, businesses, and state & local governments are restraining spending as their finances deteriorate
- Federal fiscal stimulus and lower energy prices will help to spark recovery beginning in late 2009
- Stimulus bill spending is spread broadly across many sectors leaving U.S. transportation infrastructure needs unmet
U.S. Recovery in 2010; Unemployment Up Longer

(Annual percent change, 2000 dollars) (Percent)

Real GDP Growth

Unemployment Rate
# U.S. Economic Growth by Sector

(Percent change in value)

<table>
<thead>
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<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Real GDP</td>
<td>2.0</td>
<td>1.2</td>
<td>-2.7</td>
<td>2.7</td>
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<tr>
<td>Consumption</td>
<td>2.8</td>
<td>0.3</td>
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<td>Residential Investment</td>
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<td>-21.0</td>
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<td>Bus. Fixed Investment</td>
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<td>-15.2</td>
<td>-1.3</td>
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<tr>
<td>Federal Government</td>
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<td>2.9</td>
<td>1.4</td>
<td>0.9</td>
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<tr>
<td>State &amp; Local Govt.</td>
<td>2.3</td>
<td>1.2</td>
<td>0.4</td>
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<tr>
<td>Exports</td>
<td>8.4</td>
<td>6.5</td>
<td>-9.4</td>
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<tr>
<td>Imports</td>
<td>2.2</td>
<td>-3.3</td>
<td>-11.8</td>
<td>7.0</td>
</tr>
</tbody>
</table>
U.S. Dollar Recovery is Brief

(Real Trade-Weighted Dollar Index, 2000=1.0)

Major Trading Partners
Other Important Trading Partners
Canada and Mexico are also in Recession

- Real GDP is expected to decline through mid-2009 in both
- Exports and investment are declining, while consumer spending has stalled
- The global financial crisis and falling commodity prices and equities prices have affected business in both countries
- Sectors that will be hit hard in 2009 include petroleum, construction, mining and transportation equipment
Total World Seaborne Trade Tonnage Falls in 2009
Total World Container Trade Volume Drops in 2009
U.S. East-West Container Export Boom over in 2009

Percent Change

Far East - - Europe + Med
U.S. East-West Container Imports Still Down in 2009

The graph shows the percent change in container imports from the Far East and Europe + Med from 2001 to 2014. The imports from the Far East have been consistently down since 2007, while imports from Europe + Med have shown a slight recovery in 2010 and 2011 before declining again.
China Export Growth has Slowed Most with U.S.

(Merchandise exports 6-month moving average, percent change from year earlier)
Implications for Ports

• Short-run has port customers mostly in survival mode, with the strong positioning for higher market shares when recovery takes hold.

• Long-term, rebounding and increasing U.S. trade volume eventually adds new traffic through smaller port gateways and on secondary traffic lanes. Big ports run up against capacity limitations, eventually.

• Trade growth through ports affected by inland transport rail & truck mode portions of shipments. These are under pressures from energy, environmental and labor dimensions over the long-term.

• Port cash flow and access to financial markets are now critical.
Thank you!

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