Facilities Engineering Seminar

Panel I: North American Economic Trade Outlook for the Port Industry
Main Topics

- Global Economic and Trade Outlook
- Economic Perspectives in Latin America
- Implications for North America
- Conclusions
The World Economy is still recovering from the nightmare of 2008-09

Cargo trade demand reflects more volatile industrial production

(World GDP, Percent change)  Indust. Production, Percent change

Real GDP  Industrial Production

Source: IHS Global Insight
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.

Gap between emerging and advanced countries will shrink slightly.

Source: Global Insight, Worley Parsons
GDP growth rate differences affect the pace of trade growth and volumes by trade route

Geography of production / consumption is changing as emerging markets grow 6% on average over the next decade vs. 2.3% for advanced countries.

Source: IHS Global Insight & WorleyParsons
The World Economic Outlook - **Continued Slow Recovery**

- The U.S. economy has gained some strength - still bumpy – but will grow **faster than Europe** or Japan in 2011
- Emerging markets will slow a little, but still grow much more rapidly than the developed countries
- Commodity prices are increasing – inflation will not be a problem in developed economies (there is still a lot of slack), but are a growing concern in the emerging market countries
- Interest rates will remain low in the developed countries for a while longer, but keep rising in the big developing countries – demand pull (is Brazil an exception?)
World trade’s share of the economy grows again after a temporary decline

Globalization trend is *long-term* and has not reversed or stopped

Source: IHS Global Insight
World TEUs will soon exceed the 2008 numbers. However, the years of double digit growth ('03, '04, '06) are not to be seen again.
Asia – North America container TEU volume growth in 2011 of 8.8% eastbound and 9.1% westbound – Drewry (Feb 2011). Now, eastbound looks more like 0-2%.

With mew, big ships going into Asia-Europe trades and displaced ships moving onto other routes such as N-S trade, there could be reduced load factors, pushing for more containerization of additional trades.

This supply pressure in the containership sector will continue since the orderbook of new containerships for delivery still represents over 25% of world containership capacity already operating.
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In Latin America, most countries are expected to have solid economic growth in 2011.

Source: Data and tables from IHS Global Insight, CIA Factbook, OECD, Moody’s, Goldman Sachs
After the BRICs, it’s the CIVETS

Moderate size, dynamic governments open to foreign investment, looking for free trade agreements, building on an “export model”

Colombia
Indonesia
Vietnam
Egypt
Turkey
South Africa
China has increased world trade volumes
- Now China intends to change the logistics, too
- Lower import costs
- Improved logistics

- $7.6 billion
- A new city near Cartagena
- Chinese Development Bank
- Operator – China Railway Group
- Length – 221km (shorter than Nica)

Santos got what he wanted - FTA
There will have to be more inland infrastructure to connect the mines with the railway.
Short Sea Shipping in MesoAmerica

Countries
- Mexico (south)
- Belize
- Guatemala
- El Salvador
- Honduras
- Nicaragua
- Costa Rica
- Panama
- Colombia
- Dominican Republic
WorleyParsons is a subcontractor to INECON (Santiago, Chile) to study:

- The demand for “transporte maritimo de corta distancia”
- Existing port infrastructure in 45 ports in the region
- The best new services: routes and ships
- Streamlining the procedures: customs, port tariffs, etc. among the 10 countries
Transshipment in the Caribbean
More growth ahead

Caribbean Transshipment Triangle

At capacity

WorleyParsons
resources & energy

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$992 million by APM Terminals

90% domestic cargo only – 10% transshipment

Concession signed in August, 2011

It’s all about productivity

An interoceanic railway is not part of the deal.
For Asia-USEC, the All-Water route is still the cheapest. Even with transshipment the All-Water cost is still comparatively cheap.

After the expansion, the cost per TEU will be $123 lower than the current one-way cost.
For a typical Asia-USEC voyage, shifting to an 8000 TEU vessel expands the market reach of the USEC ports.

**Assumptions**
- $400/MT bunker
- Canal tolls based on new 2011 rates
- Ship charter rates, Dec 2010
- Inland move by rail

*Share of the US population reachable by rail*
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Economic outlook for U.S.

US Unemployment Rate

Nightmare

The future:

- flat
- horizontal
- unchanged
- neither worse nor better
Unemployment is not a problem.

- Unemployment is a symptom
  - Consumer fear
  - Investment fear
  - Government gridlock
  - Main street and Wall Street: uncertainty
  - Weak savings
North American import growth will be sluggish this year, and perhaps next

Stronger trade growth is with the emerging markets

After 2012, things should be more “normal”, heading into the Canal expansion opening (October 2014)

Transshipment will grow, as a necessity
Success!!