

The World and U.S. Economy and San Pedro Bay Container Trade Outlook Forecast Review

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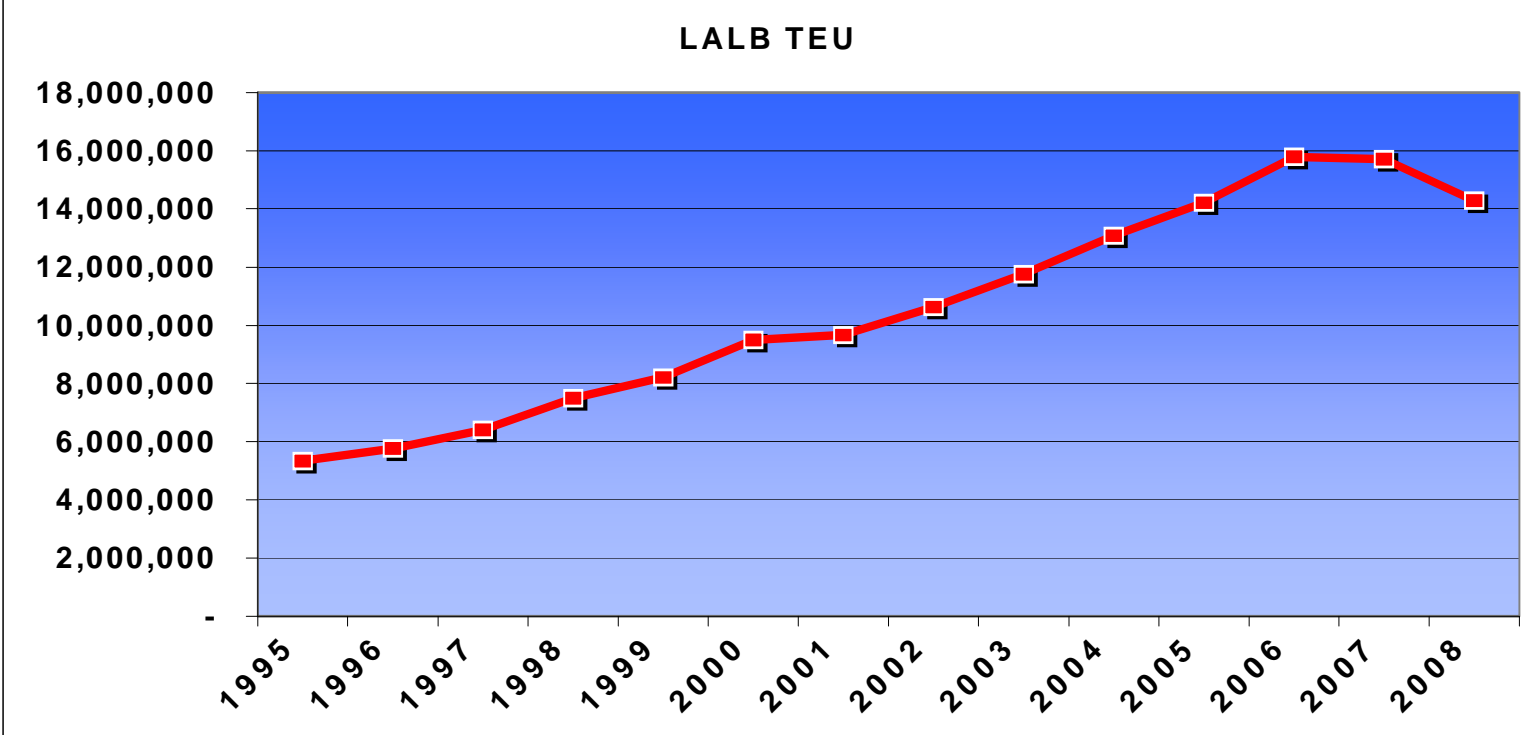
Review of 2007 Container Trade Forecasts

- A long-term San Pedro Bay maritime cargo forecast analysis was prepared for the Port of Long Beach and the Port of Los Angeles by Tioga Group and Global Insight in 2007
- The Port of Long Beach and the Port of Los Angeles asked for a review of those forecasts in February 2009
- Reason for review was because the world financial crisis in late 2008 and the depth of the global recession were not in the 2007 forecast
- The 2007 forecasts included alternative scenarios, including a low growth, low market share scenario but that scenario was not specific to a late-2008 global financial crisis nor the specific pattern of the global recession from late 2008 into 2010
- Review of the forecasts delivered this year examines only international container trade, not all maritime cargo through the ports



San Pedro Bay Container Volumes Started to Fall in 2007

(Annual Total San Pedro Bay Container Handling Volumes in TEUs)



Context for the Container Trade Forecast Review

- The current severe recession in the U.S. is the worst since World War II. The length and depth of the recession was not anticipated.
- U.S. and world-wide economic downturns have greatly affected containerized trade. Flat in 2007 and down in 2008, container counts have dropped about 20% in the first half of 2009 compared to 2008.
- The recession and international container trade are expected to have hit bottom in 2009, with modest growth resuming in 2010.
- Recovery will be slow with trade growth slower than before the recession, especially for containerized merchandise / consumer goods.
- The substantial government intervention to cope with the crises in the financial sector and the broader economy will have a lingering impact. The expanded deficits will act to dampen the recovery in consumer spending and trade growth.

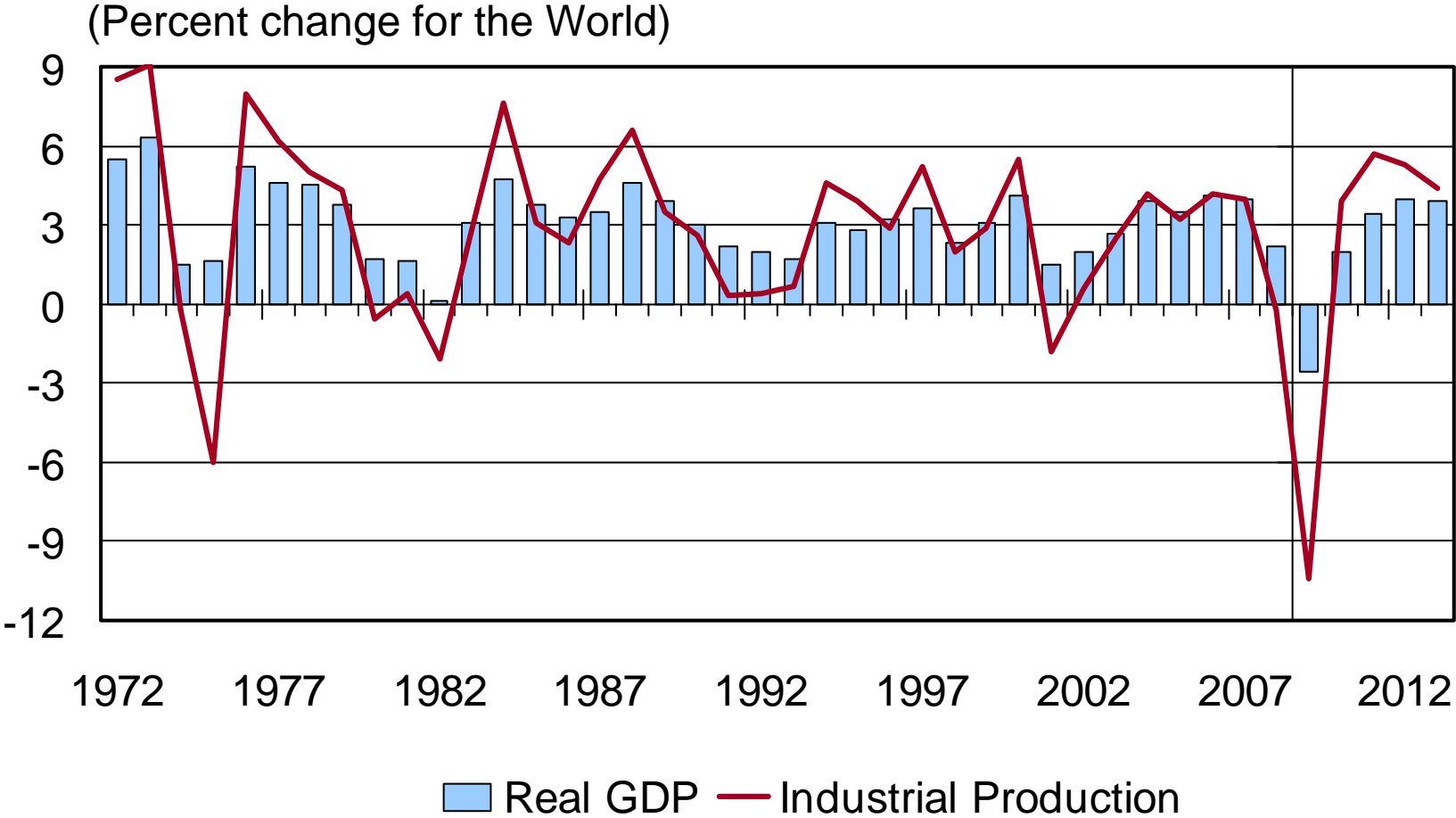
What happened to San Pedro Bay trade?

- With U.S. recession, consumers reduced spending and businesses drew down inventories so container trade began to decline in 2007, dropped further in 2008
- 2009 has been much worse; 2010 increase expected
- San Pedro Bay has lost market share as well as volume
- Steamship lines rationalizing services, laying up ships
- Rail intermodal container volumes are down
- U.S. container export boom in 2007 to mid-2008 ended

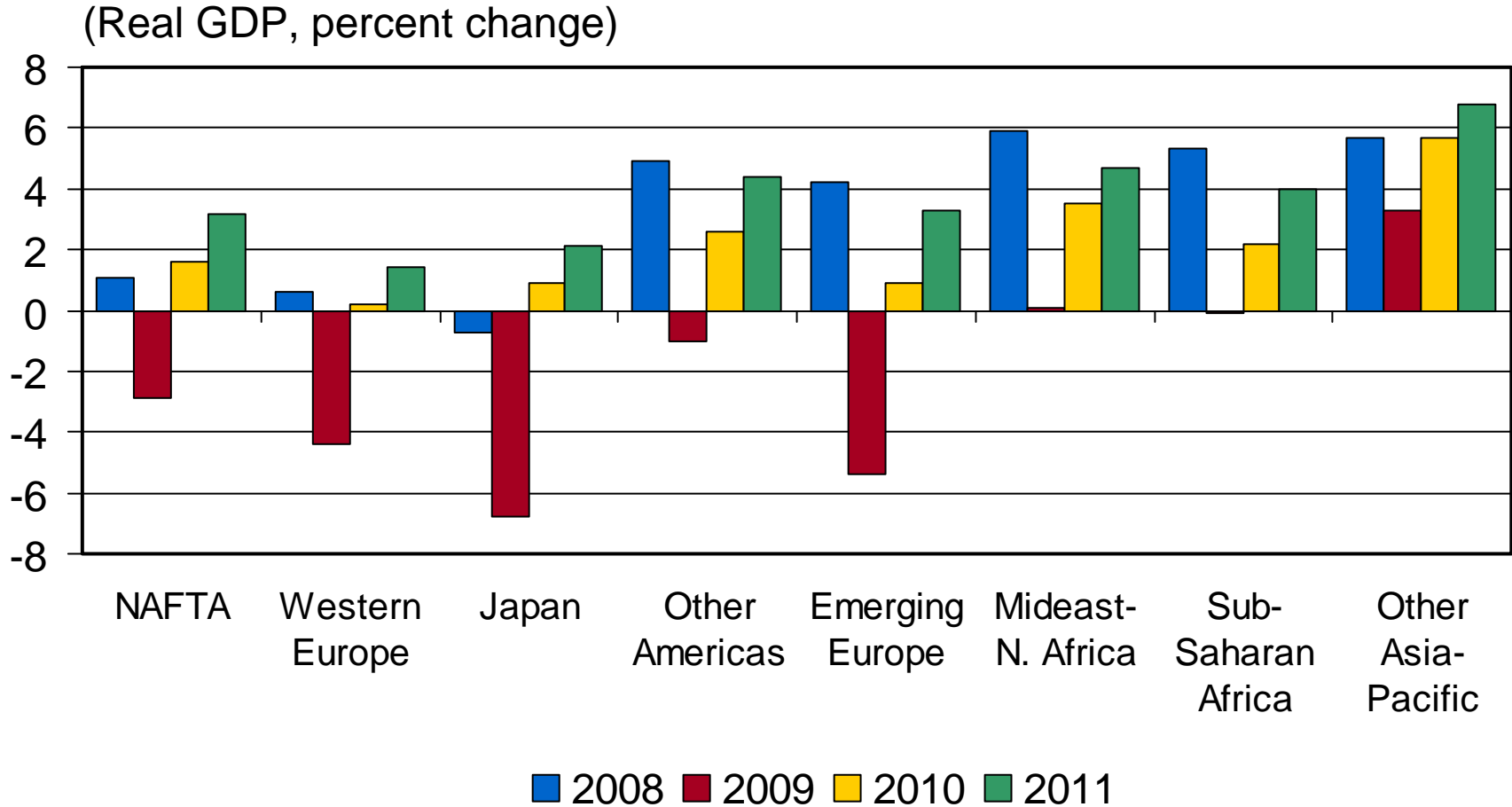
What's ahead? U.S. and World Recessions Ending

- Leading indicators are improving across regions
- The global inventory correction is winding down
- Massive and unorthodox U.S. and foreign monetary stimulus promoted growth
- Financial markets have stabilized though credit remains tight, limiting spending to satisfy pent-up demand
- The timing and speed of recovery will vary globally, with Asia leading, the U.S. roughly in parallel, and Europe lagging
- Bottom Line: deep recession in 2009, modest recovery in 2010, and a stronger rebound in 2011-2012

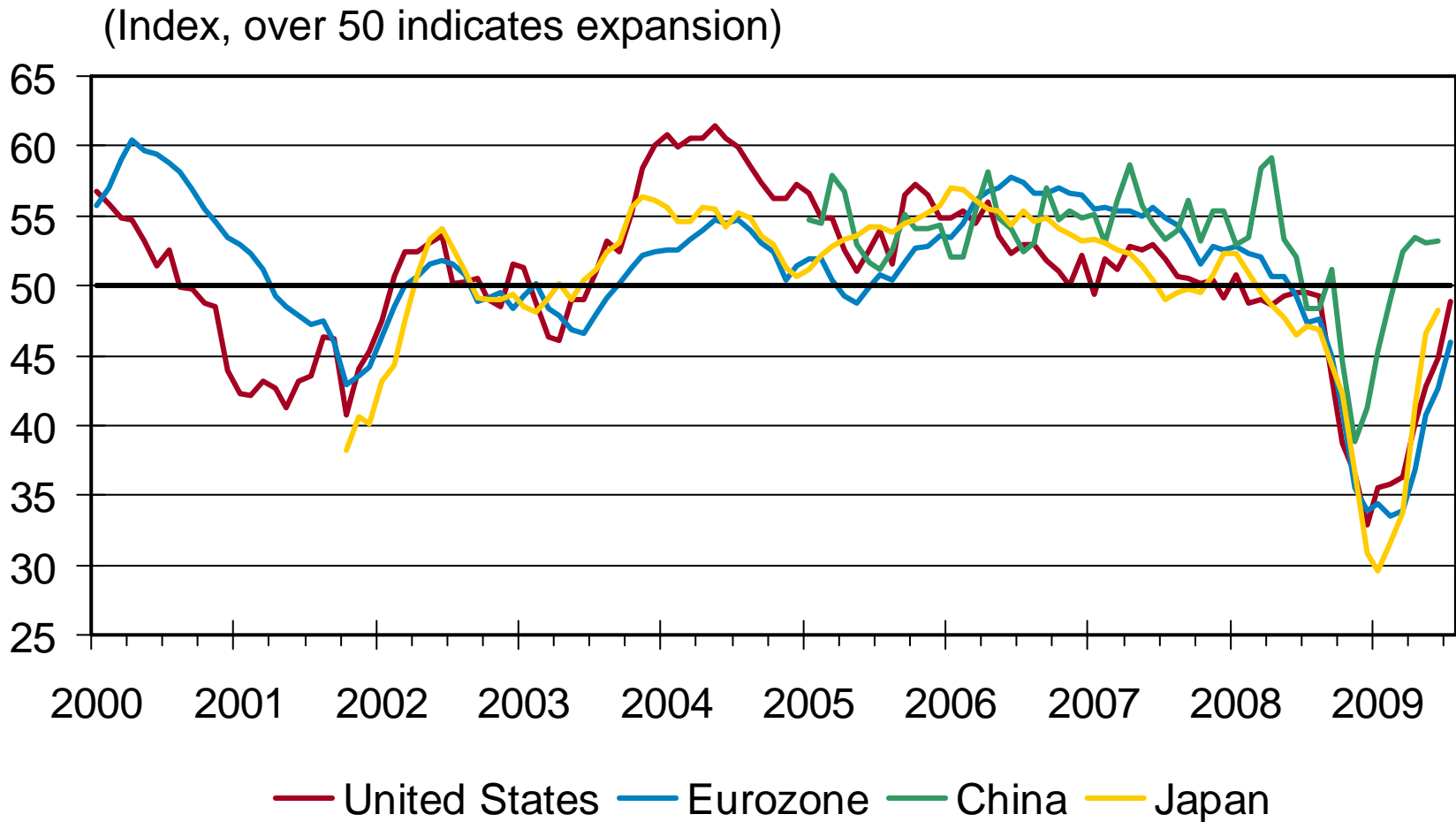
The Worst Recession of the Postwar Era Hurt Manufacturing More than the Overall Economy



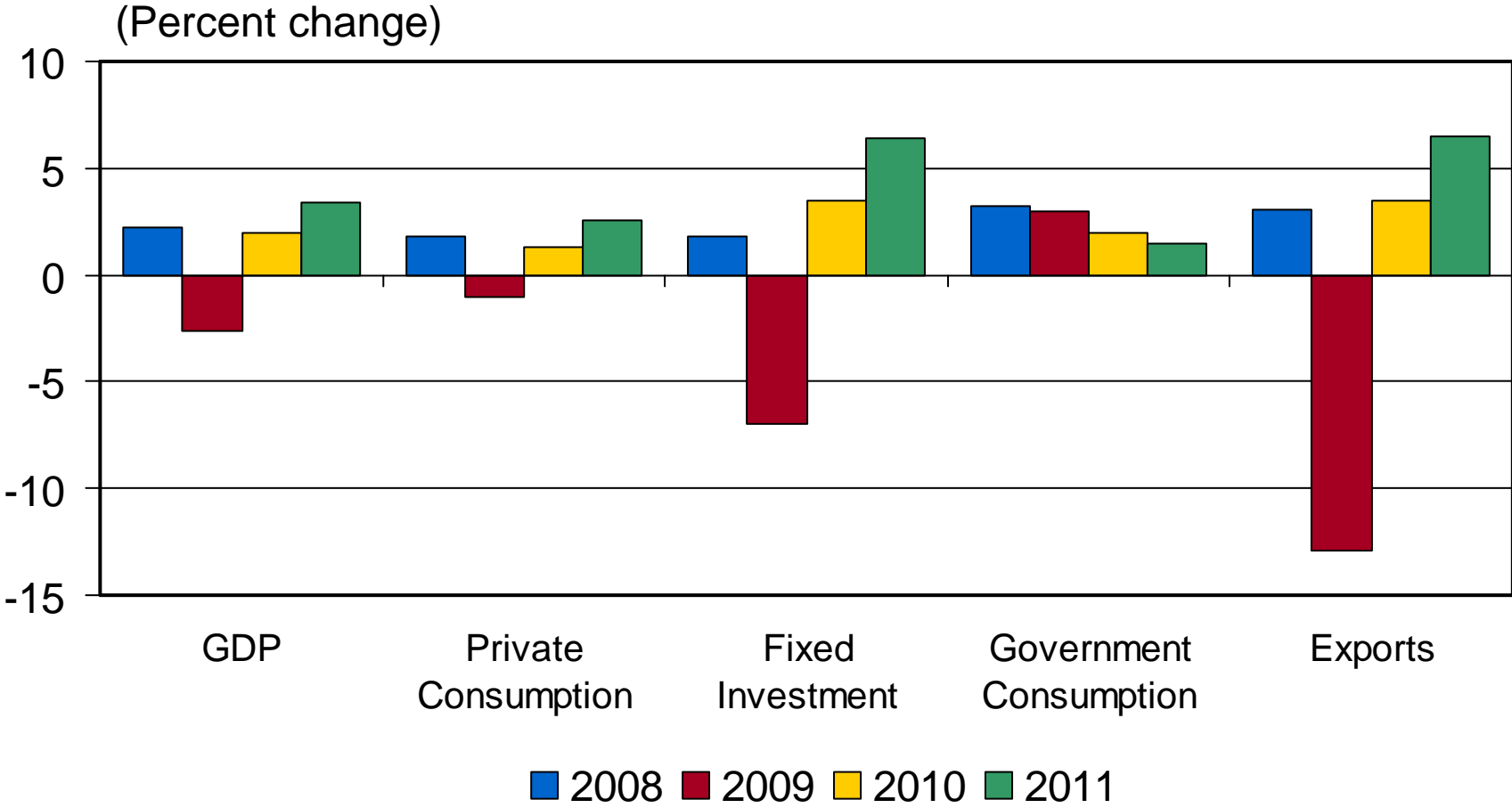
Regional Growth Varies around the World



Signs of Improvement Around the World: Purchasing Managers' Indexes for Manufacturing

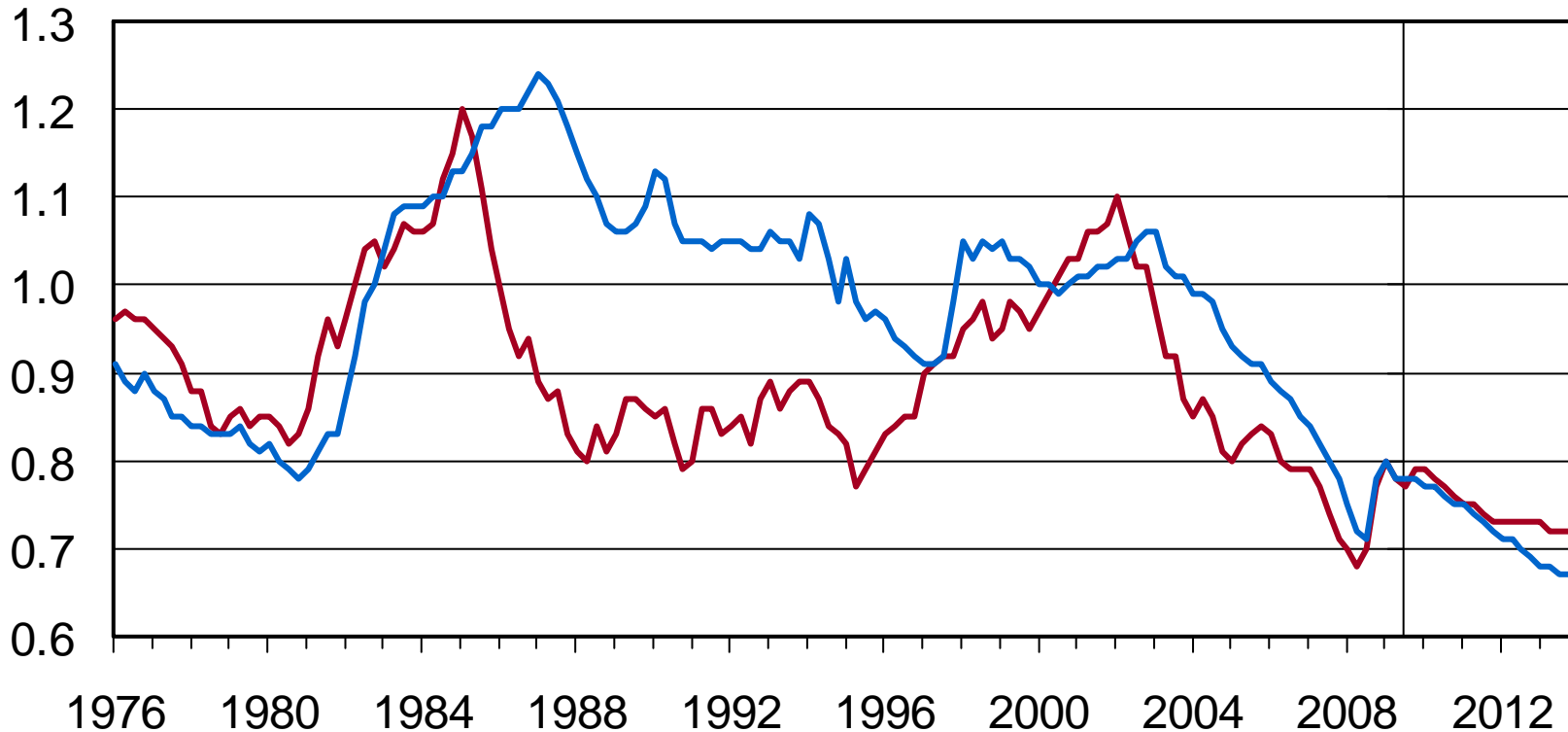


World Real Economic Growth by Sector Shows Trade Affected the Most; Government the Least



After 2008 Rally, the Dollar Depreciates Long-term

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



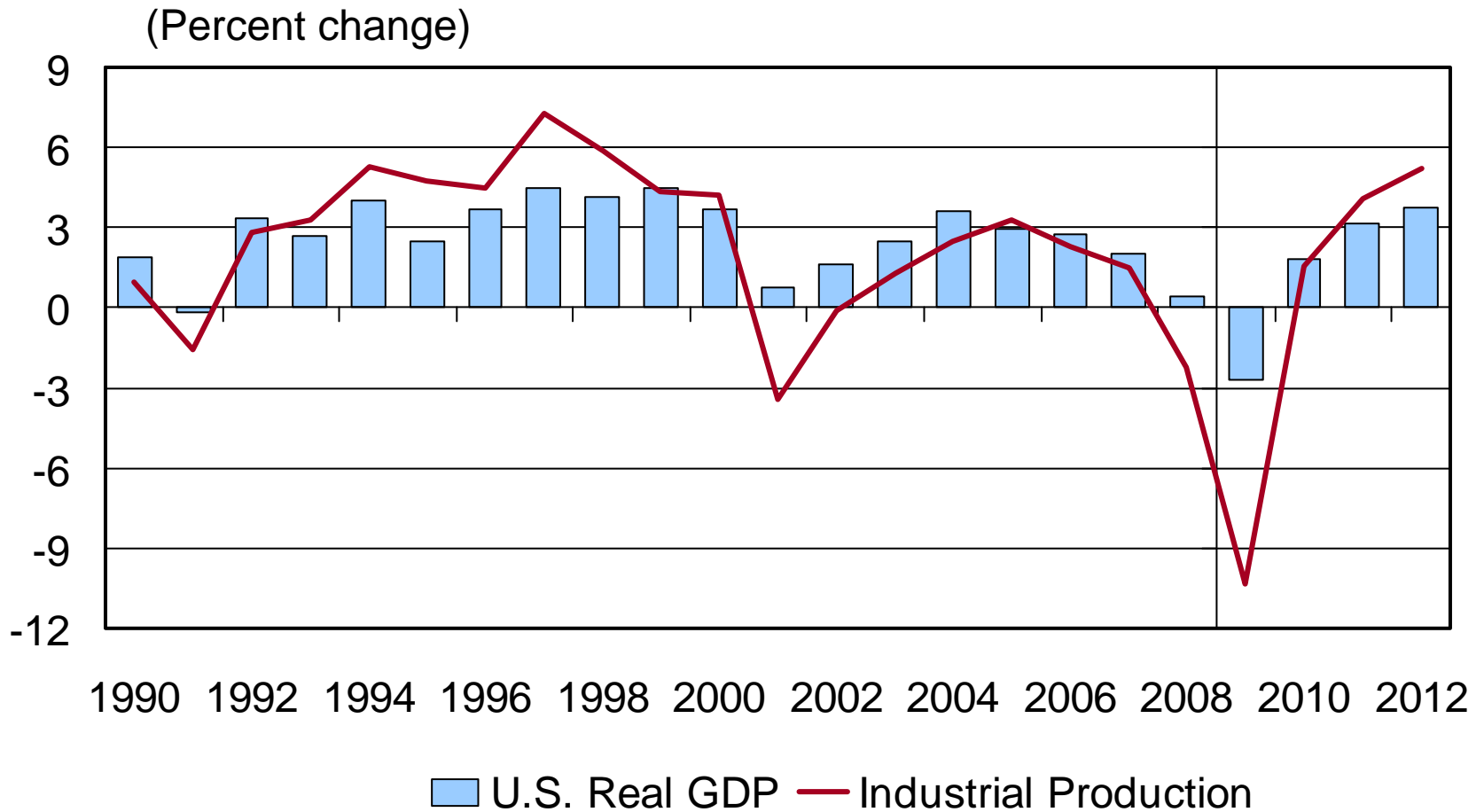
— Major Trading Partners — Other Important Trading Partners

The Drop in the Dollar Boosts U.S. Export Competitiveness; Dampens Imports

The U.S. Recession Is Bottoming Out

- Signs of stabilization in consumer and housing markets support view that the economy is turning up in 2nd half 2009
- But employment is expected to decline further this year
- Consumers are still focused on saving rather than spending
- The downturn in lagging nonresidential construction is just beginning and will be severe
- Thus, the road to recovery will be a long one
- Consumption will remain subdued for several years

U.S. Real GDP and Industrial Production Growth



U.S. Economic Outlook: Trade Recovery is Higher Rate than Overall Economy, but Not Double Digits

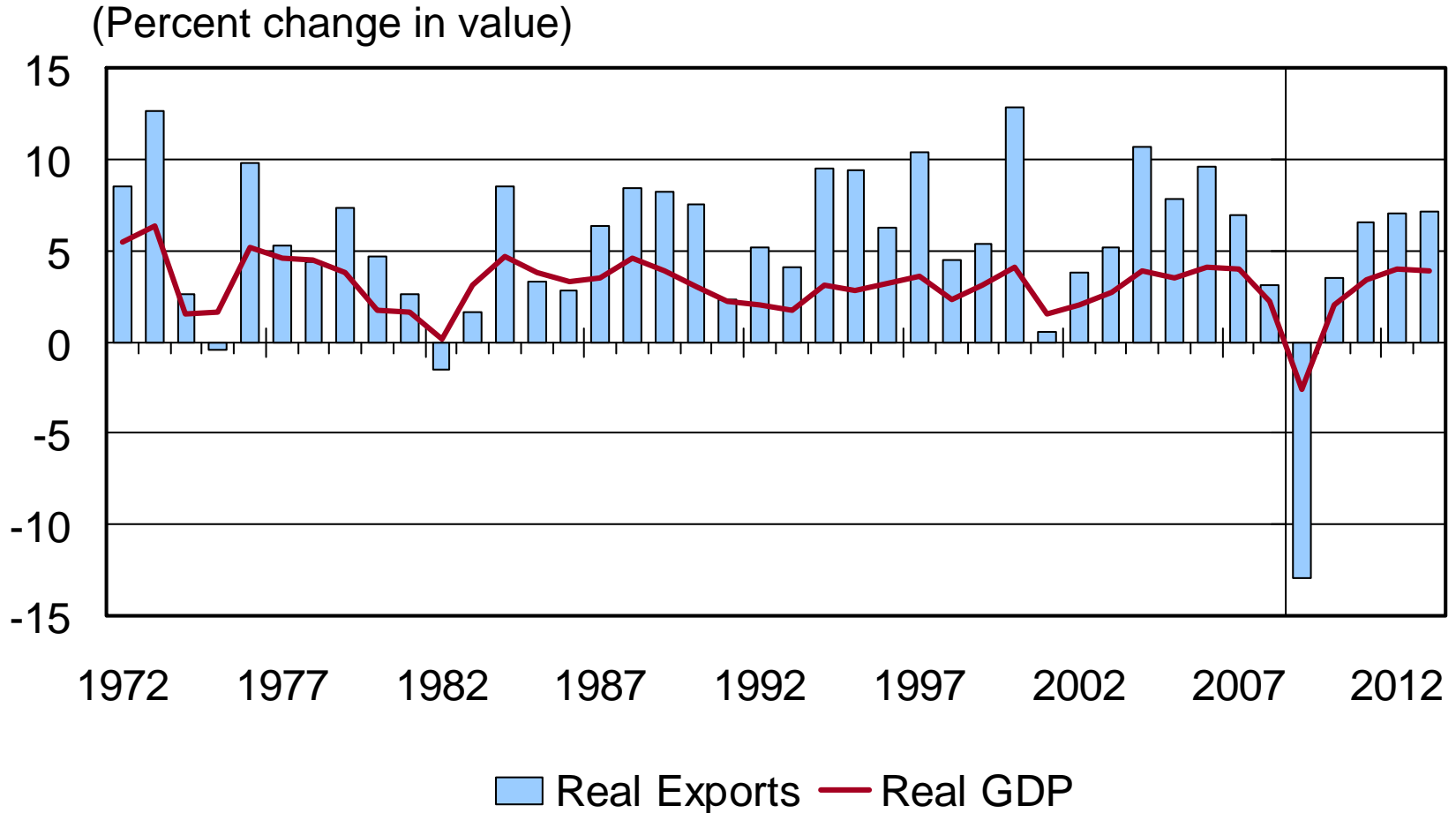
(Percent change in value)

	2008	2009	2010	2011
Real GDP	0.4	-2.7	1.8	3.1
Consumption	0.2	-0.6	1.6	2.0
Residential Investment	-21.0	-23.0	9.5	28.8
Bus. Fixed Investment	1.6	-18.3	-0.1	12.6
Federal Government	6.0	4.5	1.3	-3.7
State & Local Govt.	1.1	-1.0	0.0	-0.3
Exports	6.2	-14.3	3.7	9.3
Imports	-3.5	-15.2	8.5	6.9

Long-Term Economic Outlook

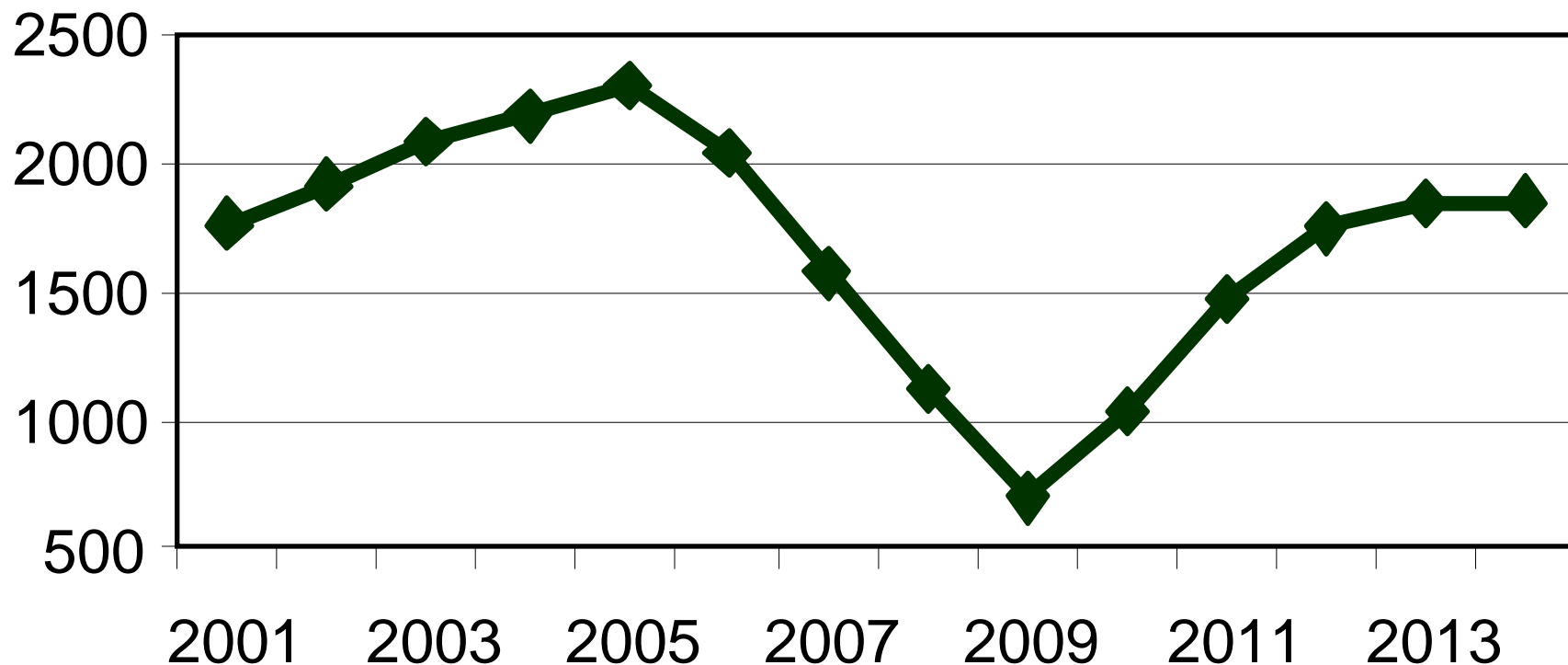
- U.S. recovery sees peak year growth of 3.7% in GDP in 2012. World trade growth rebound peaks at 10.7%, less than 2/3 of 2006 boom year trade growth.
- Changes in credit and financial markets affect recovery and trade.
- Length and depth of recession has caused **permanent loss** to economy from unused potential output. Delayed investment and consumption is not recovered in sense of getting back to same base line forecast trend.
- Instead, population, productivity and income growth result in growth in the economy and consumption back to previously forecast *levels*, but delayed by several (4 to 6) years, and influenced by underlying long-term trends (increased average age, mix of consumption toward services instead of goods, lower population and workforce growth.)

World Trade Outlook: Export / Import Trade Recovers in 2010 from Dramatic Decline in 2009



Drivers of Shipping: U.S. & Canadian Housing in Recovery After 2009 as Four-year Decline Ends

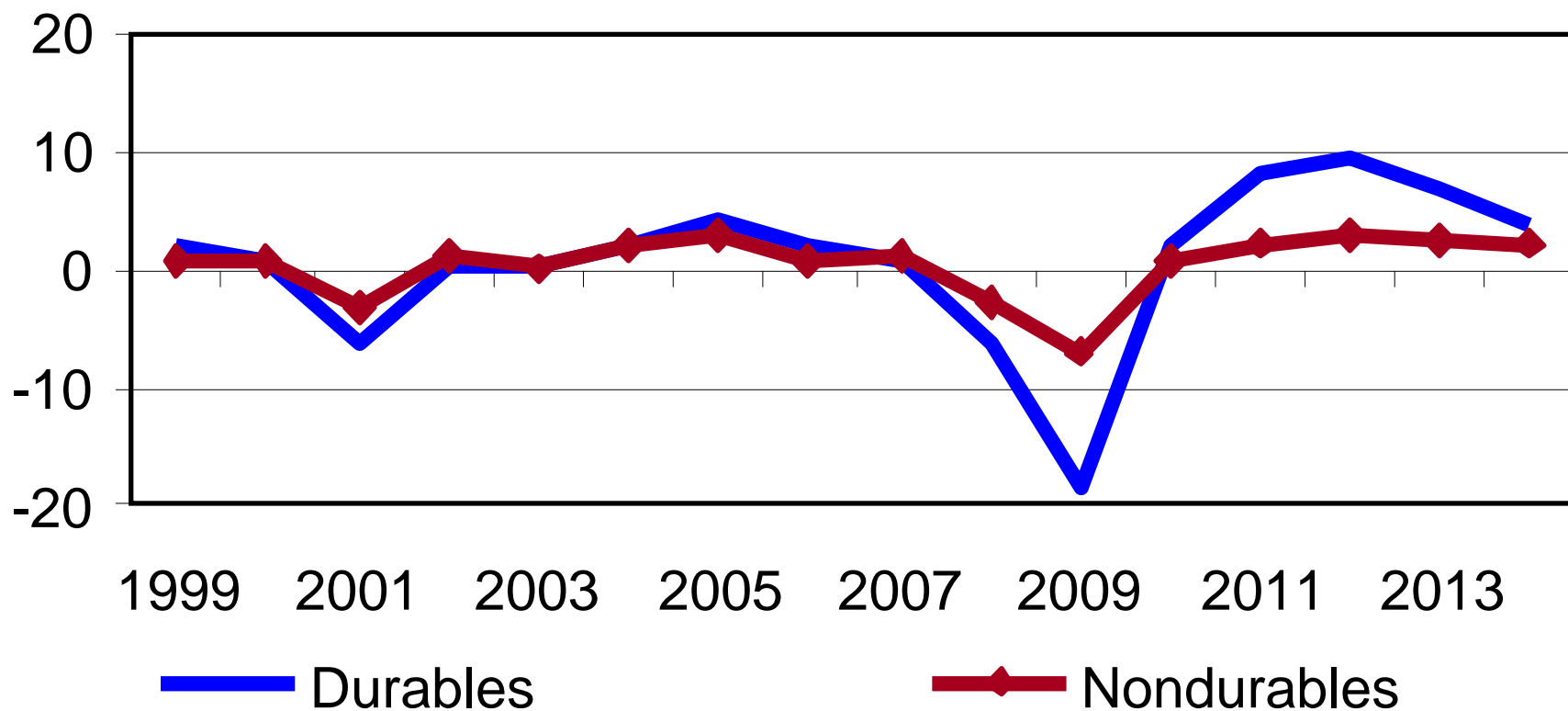
(Housing Starts, Millions of units)



Recovery Boosts TEU Imports of Furniture, Fixtures, Household Furnishings

Drivers of Shipping: U.S. Traditional Manufacturing Recovery Draws in Parts Imports; Creates exports

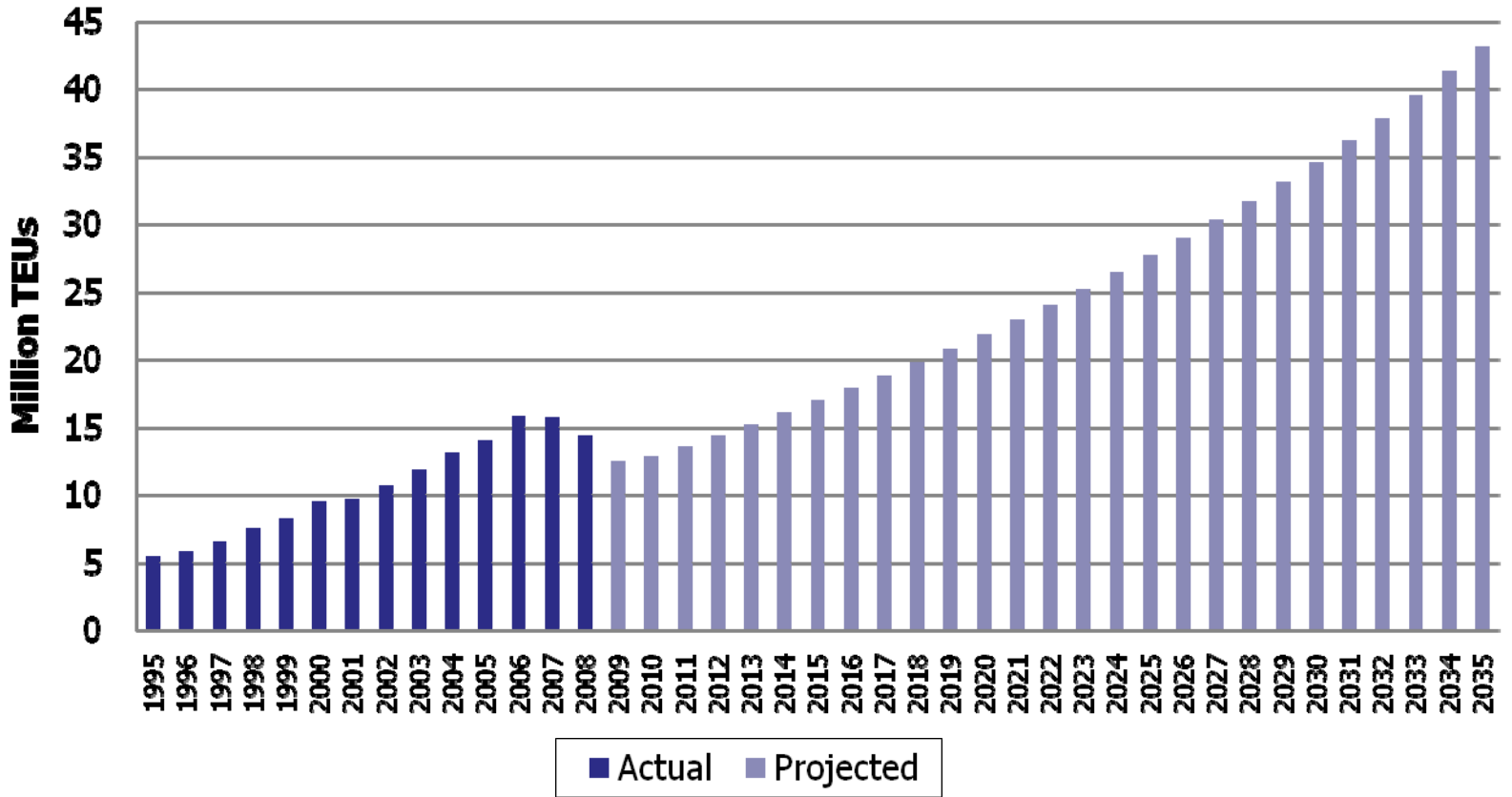
(Manufacturing Output, Percent change from a year earlier)



Recovery in Durables Demand drives Rebound in Their Shipment Activity

New Outlook is for Recovery from Lower Base Level (No Timing of Future Business Cycles is Attempted)

(Annual Total San Pedro Bay Container Handling Volumes)



Annual Growth Rate in Recovery Averages Around Five Percent

Thank you!

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