

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

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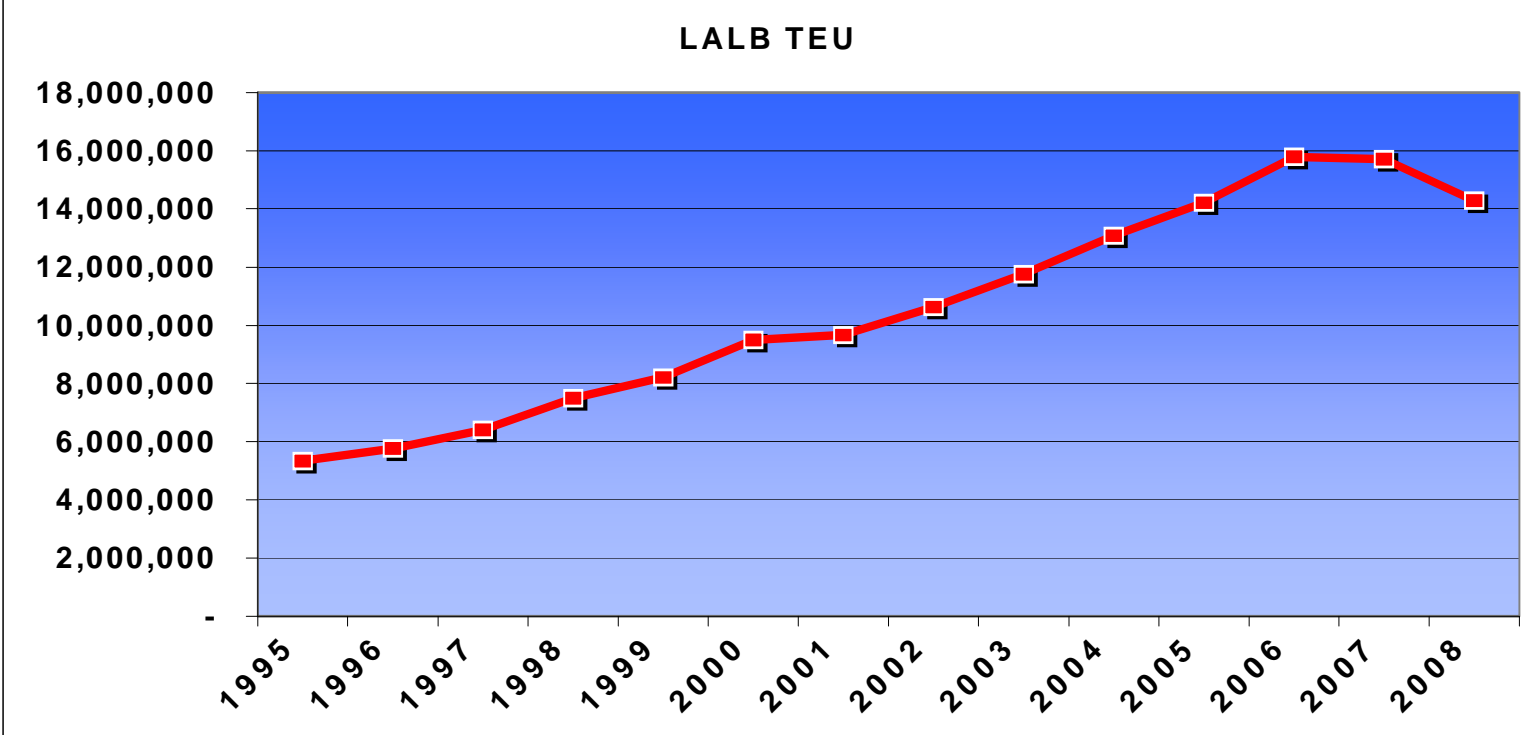
# Review of 2007 Container Trade Forecasts

- 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.

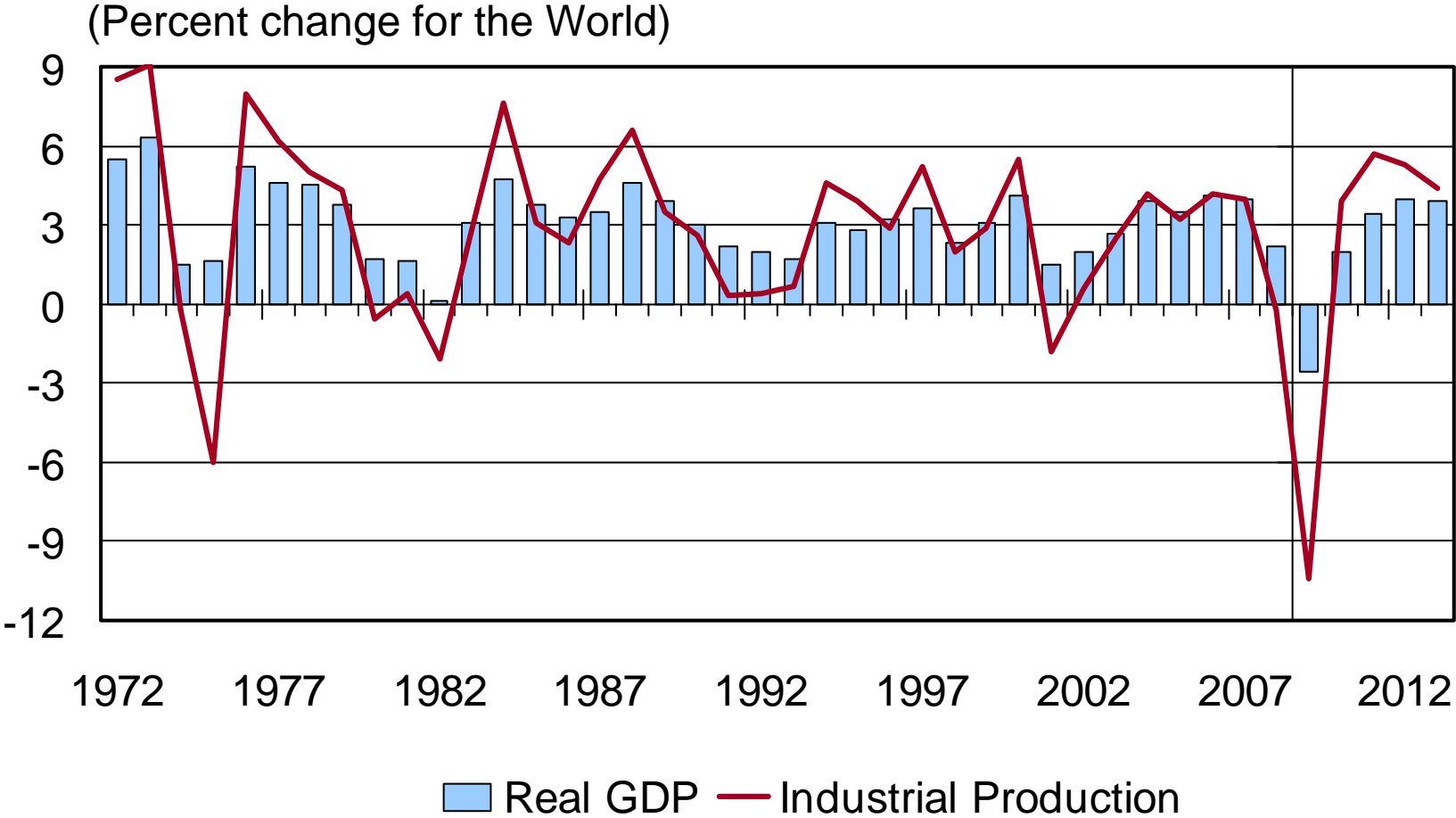
# What happened to San Pedro Bay trade?

- 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

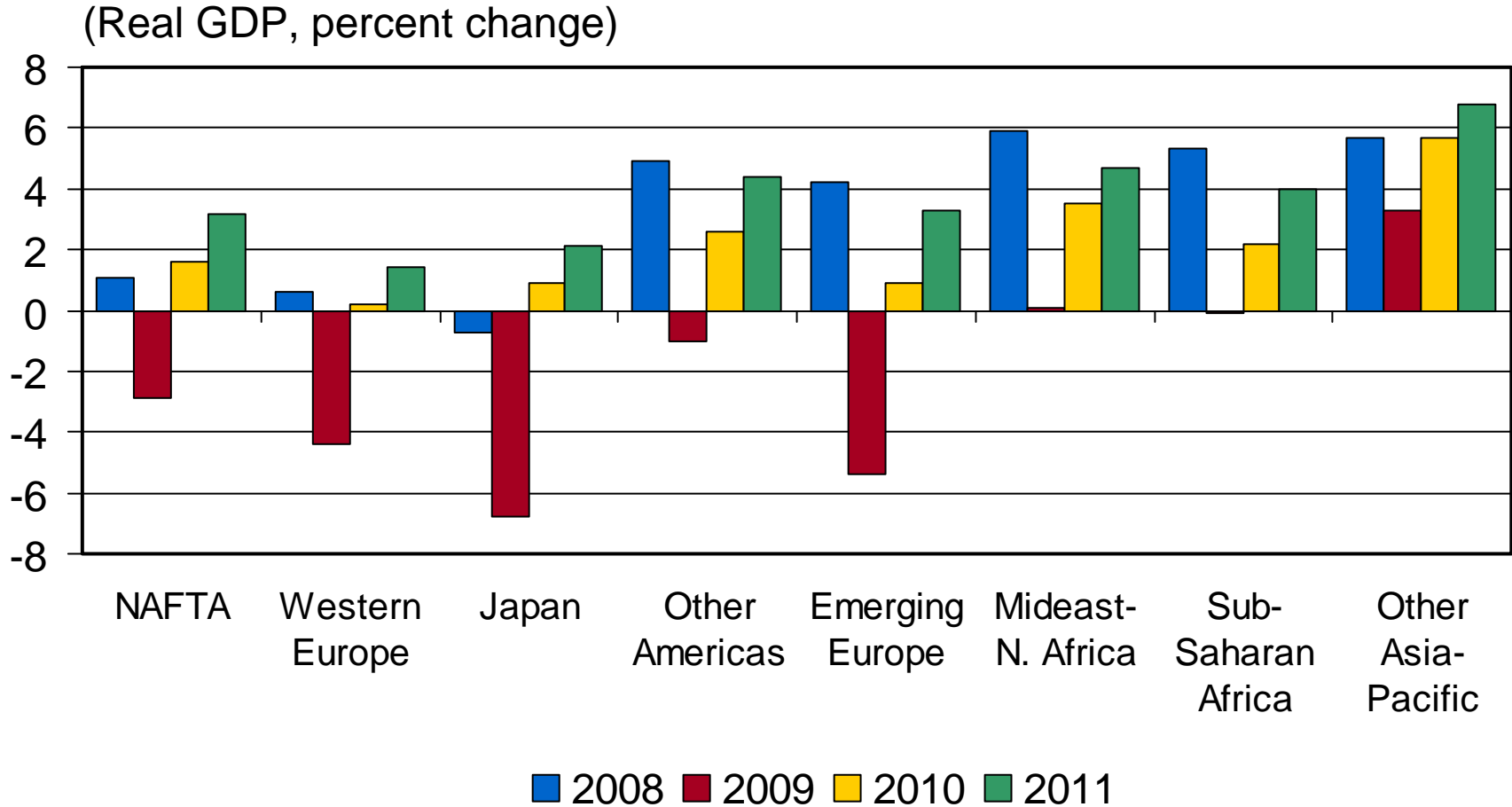
# What's ahead? U.S. and World Recessions Ending

- 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

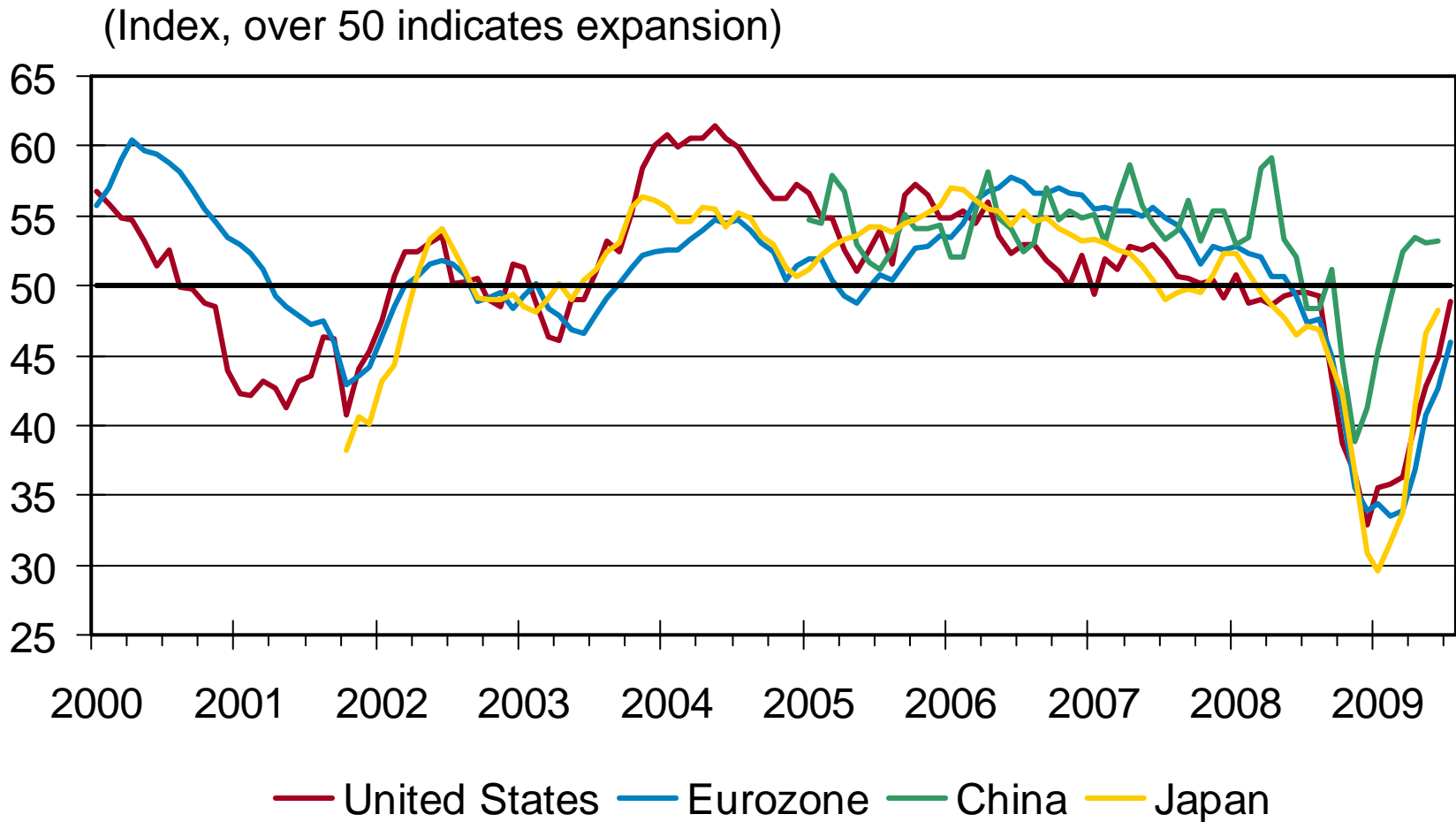
# The Worst Recession of the Postwar Era Hurt Manufacturing More than the Overall Economy



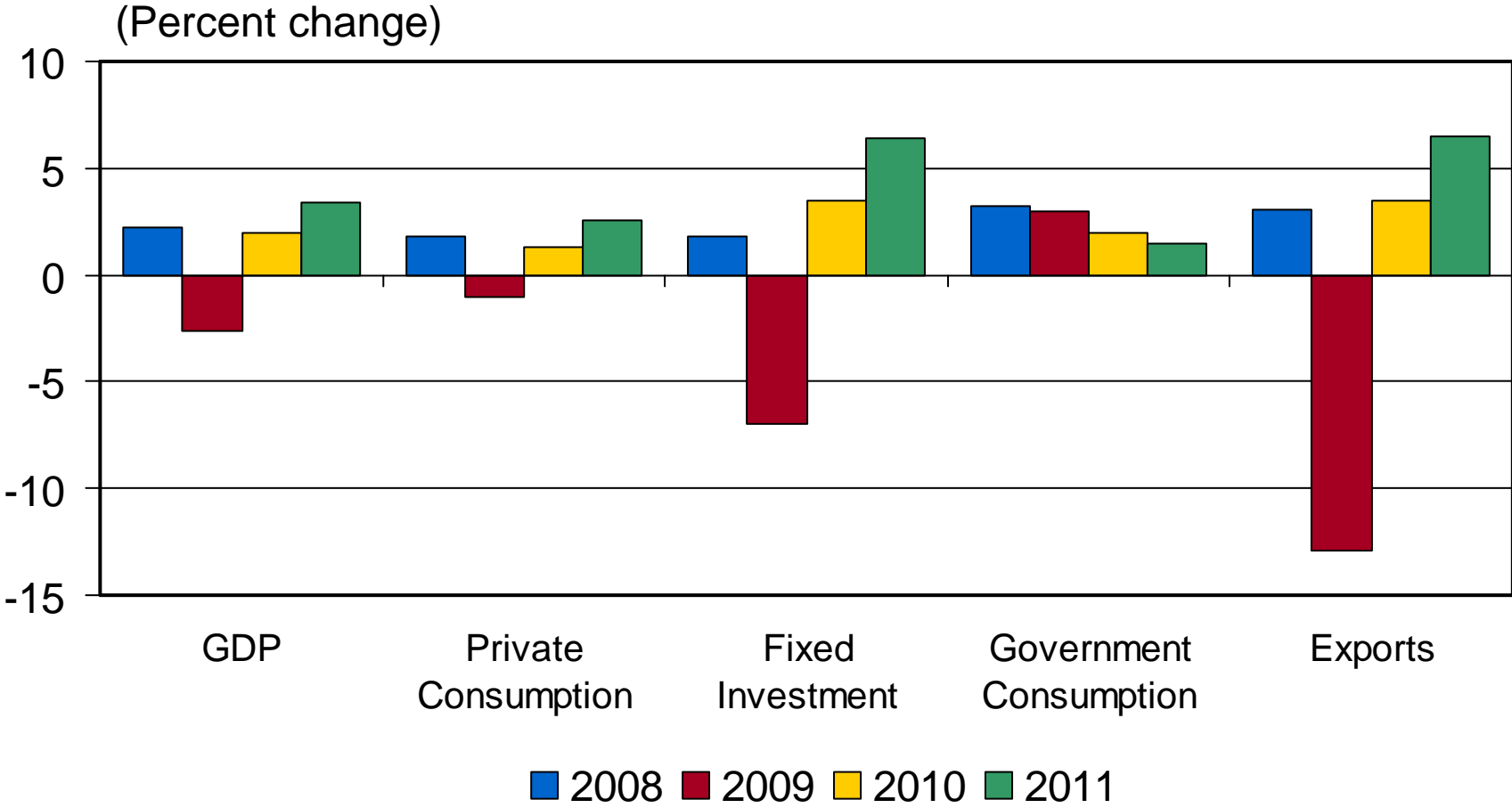
# Regional Growth Varies around the World



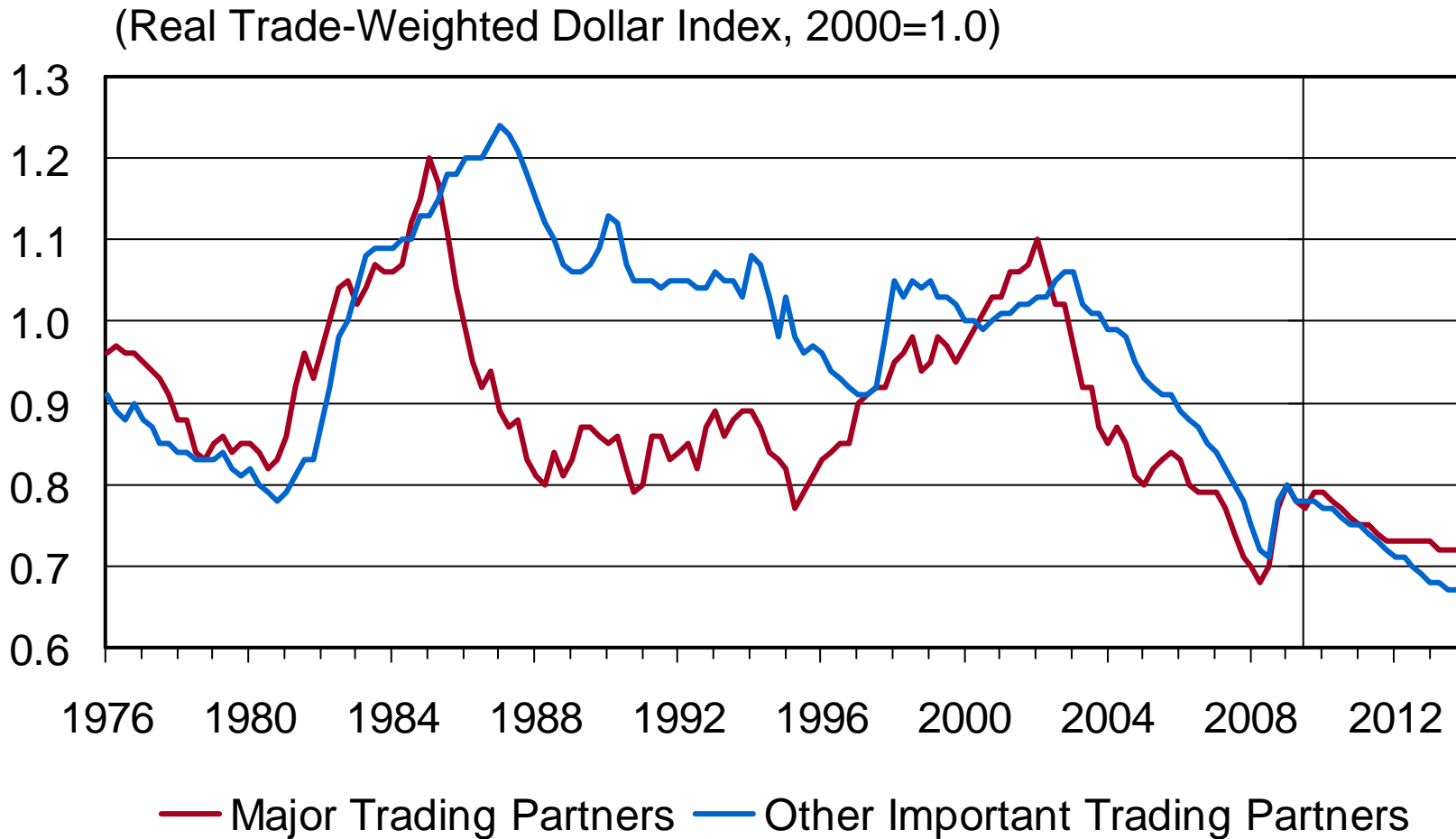
# Signs of Improvement Around the World: Purchasing Managers' Indexes for Manufacturing



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



# After 2008 Rally, the Dollar Depreciates Long-term

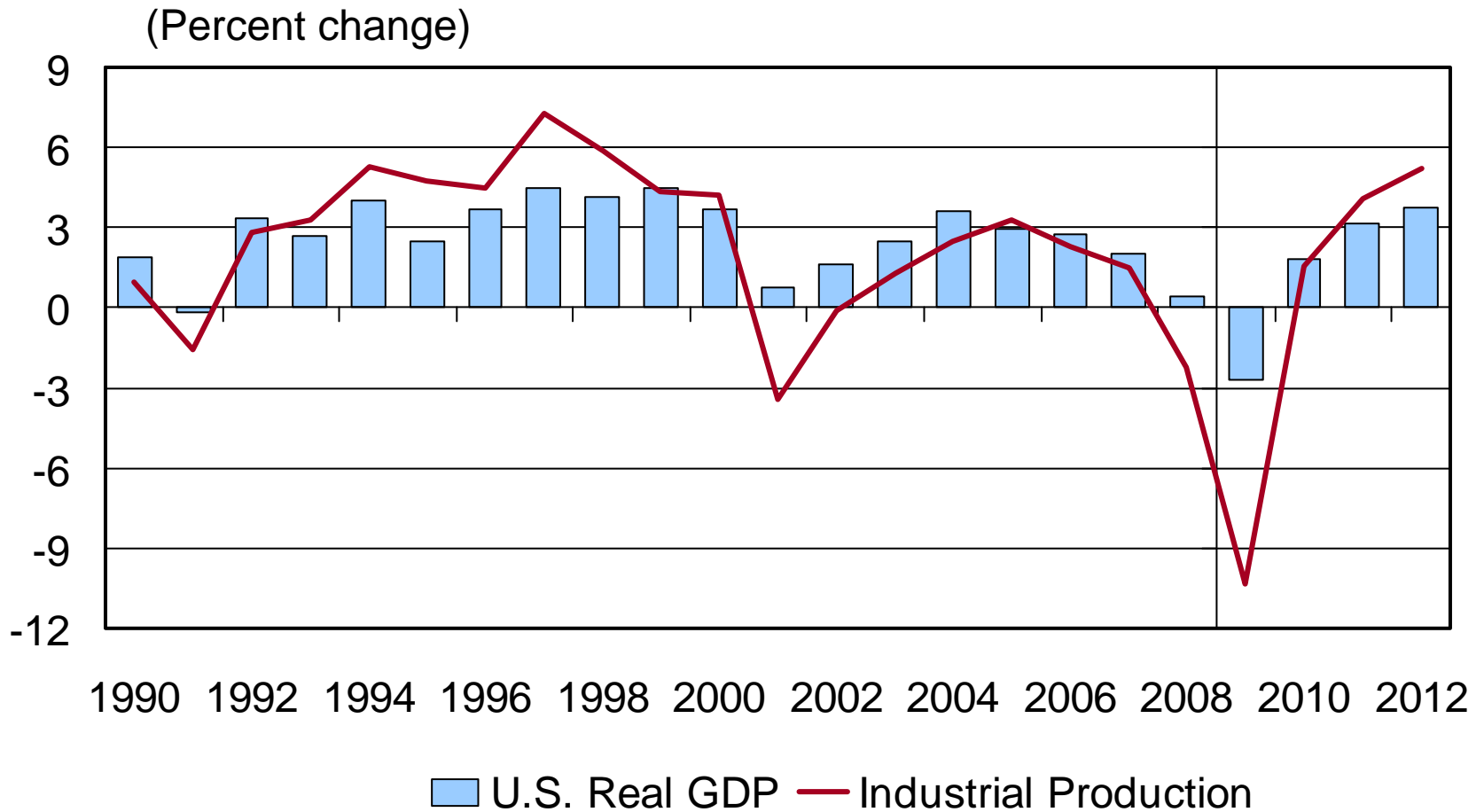


The Drop in the Dollar Boosts U.S. Export Competitiveness; Dampens Imports

# 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

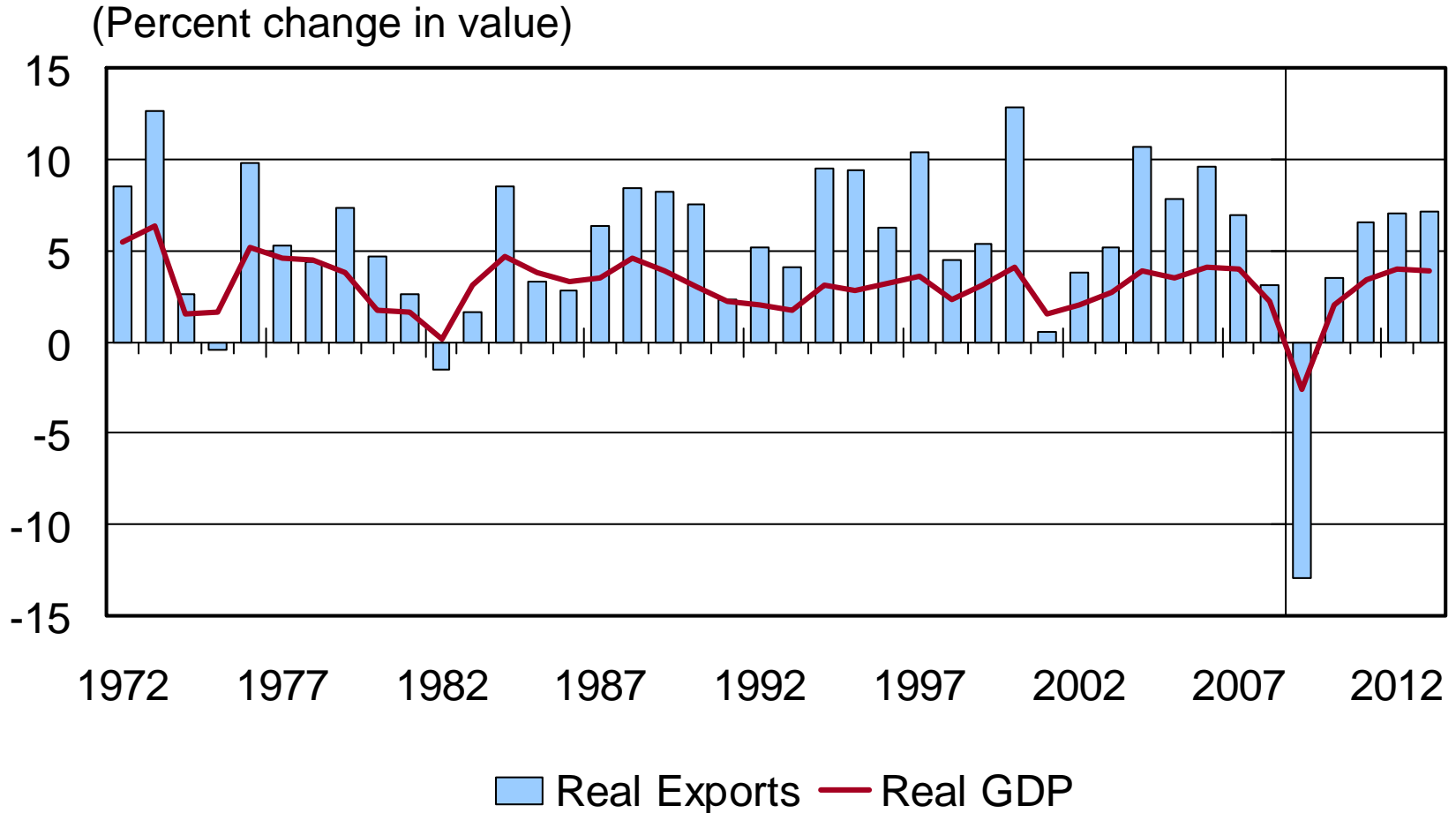
(Percent change in value)

	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

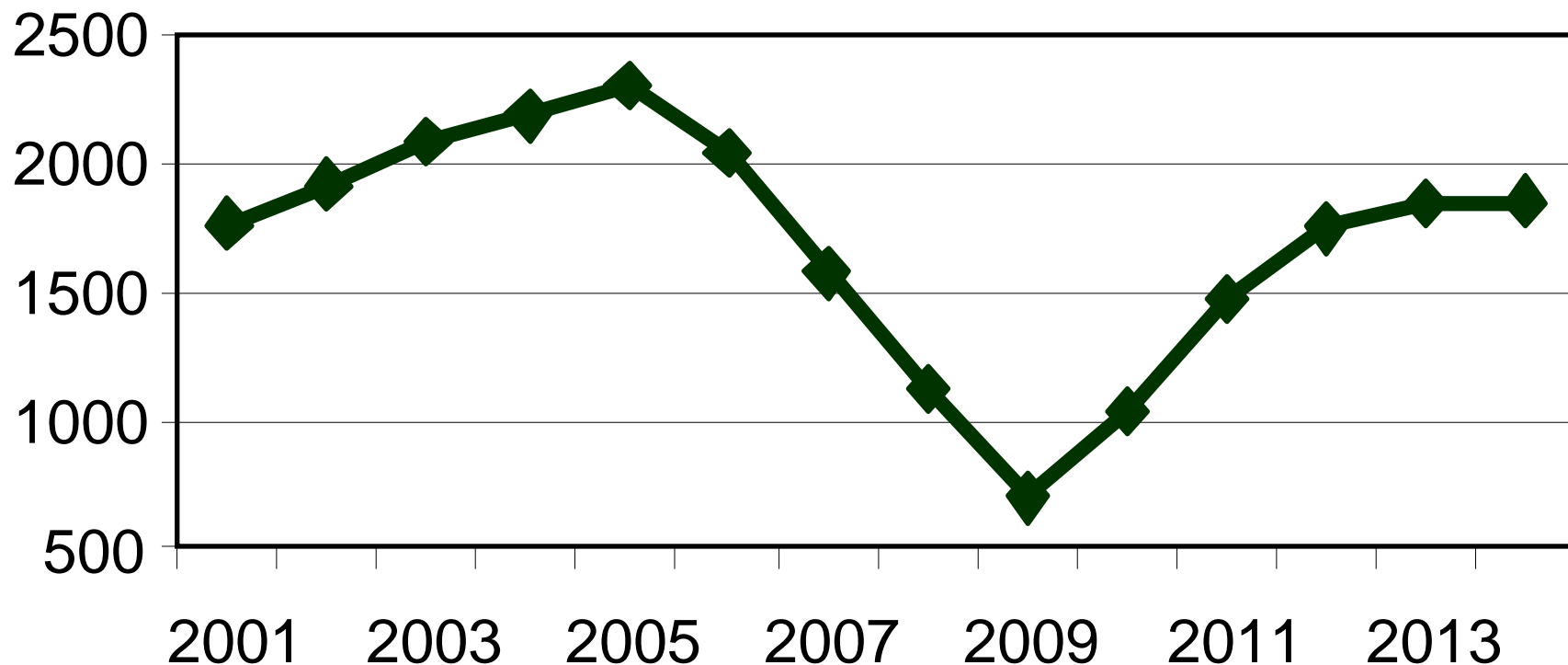
- U.S. recovery sees peak year growth of 3.7% in GDP in 2012. World trade growth rebound peaks at 10.7%, less than 2/3 of 2006 boom year trade growth.
- Changes in credit and financial markets affect recovery and trade.
- Length and depth of recession has caused **permanent loss** to economy from unused 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

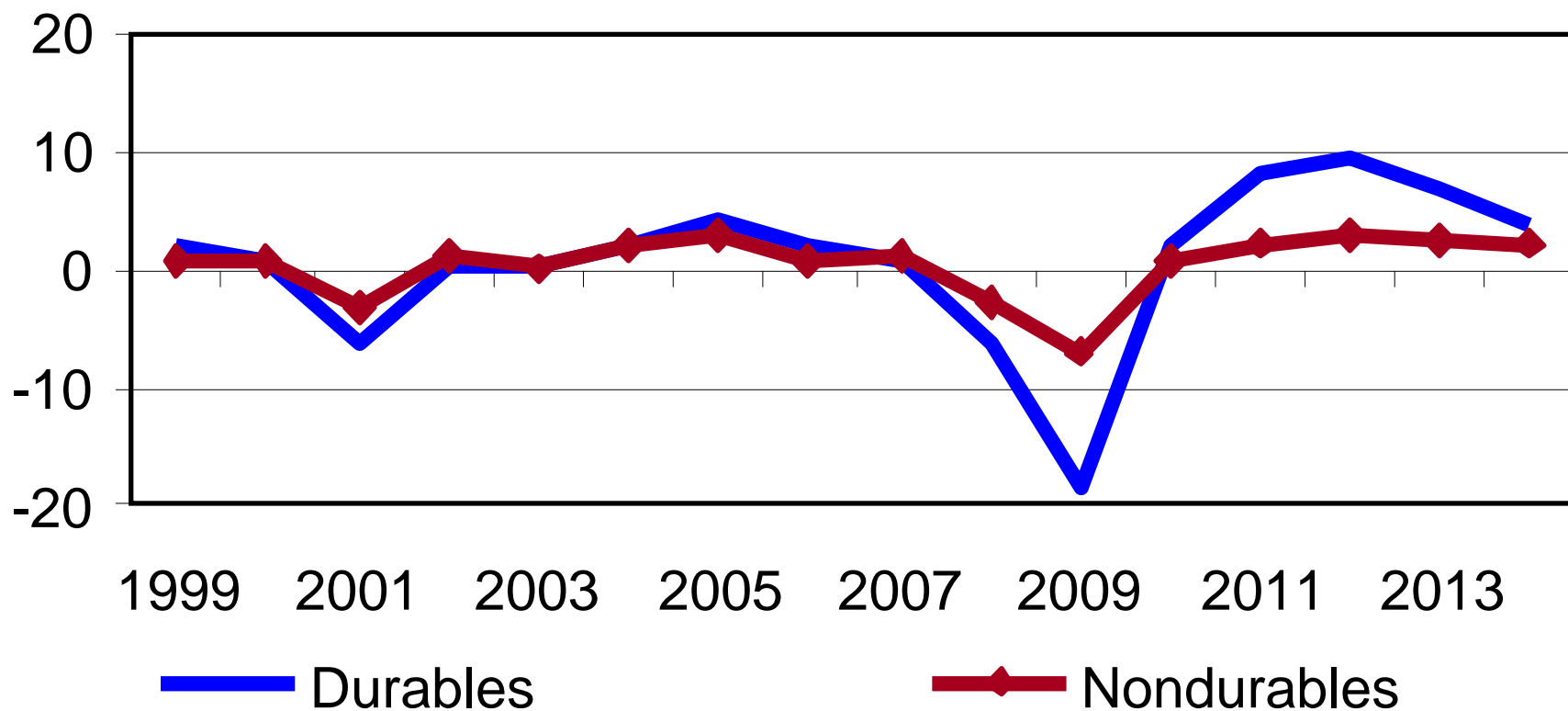
(Housing Starts, Millions of units)



Recovery Boosts TEU Imports of Furniture, Fixtures, Household Furnishings

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

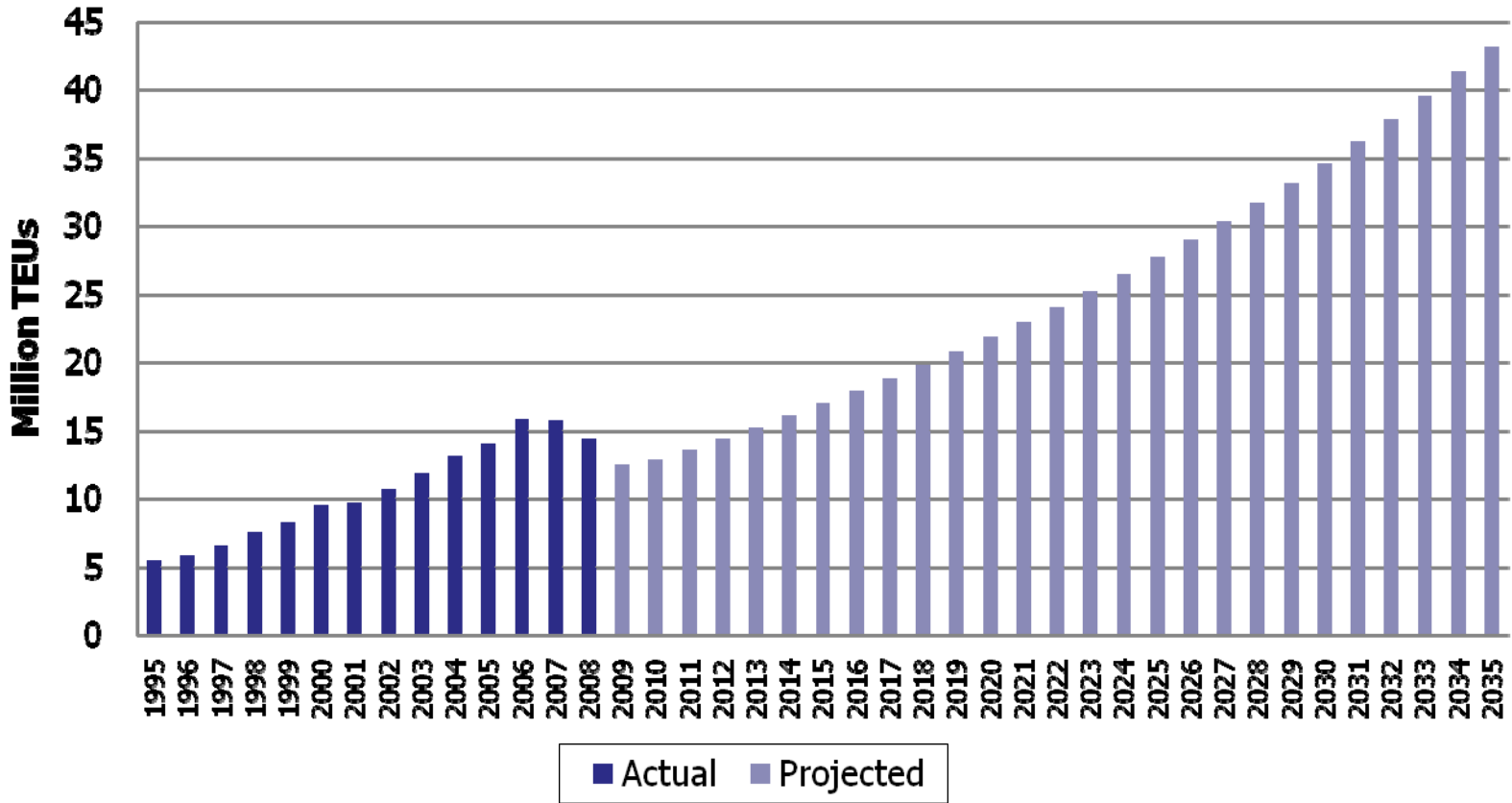
(Manufacturing Output, Percent change from a year earlier)



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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