

# GLOBAL TRADE & TRANSPORTATION SEMINAR

8 OCTOBER 2008 • HARVARD CLUB OF NEW YORK CITY • NEW YORK, NY



## The World Trade Service Outlook for World Trade

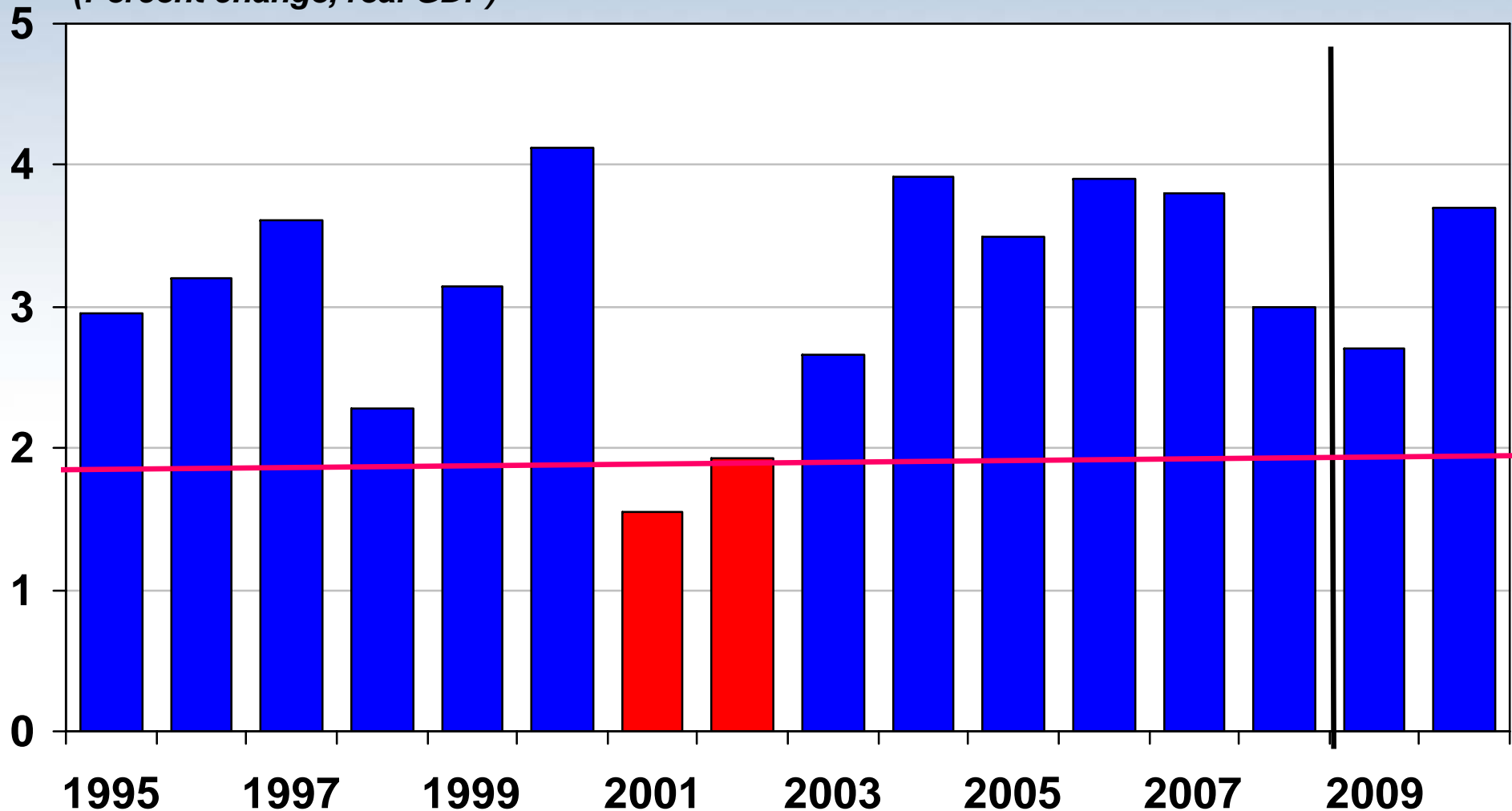
Paul Bingham  
Managing Director  
World Trade and Transportation Markets



# World Economic Growth Is Slowing But Not In Recession

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

*(Percent change, real GDP)*

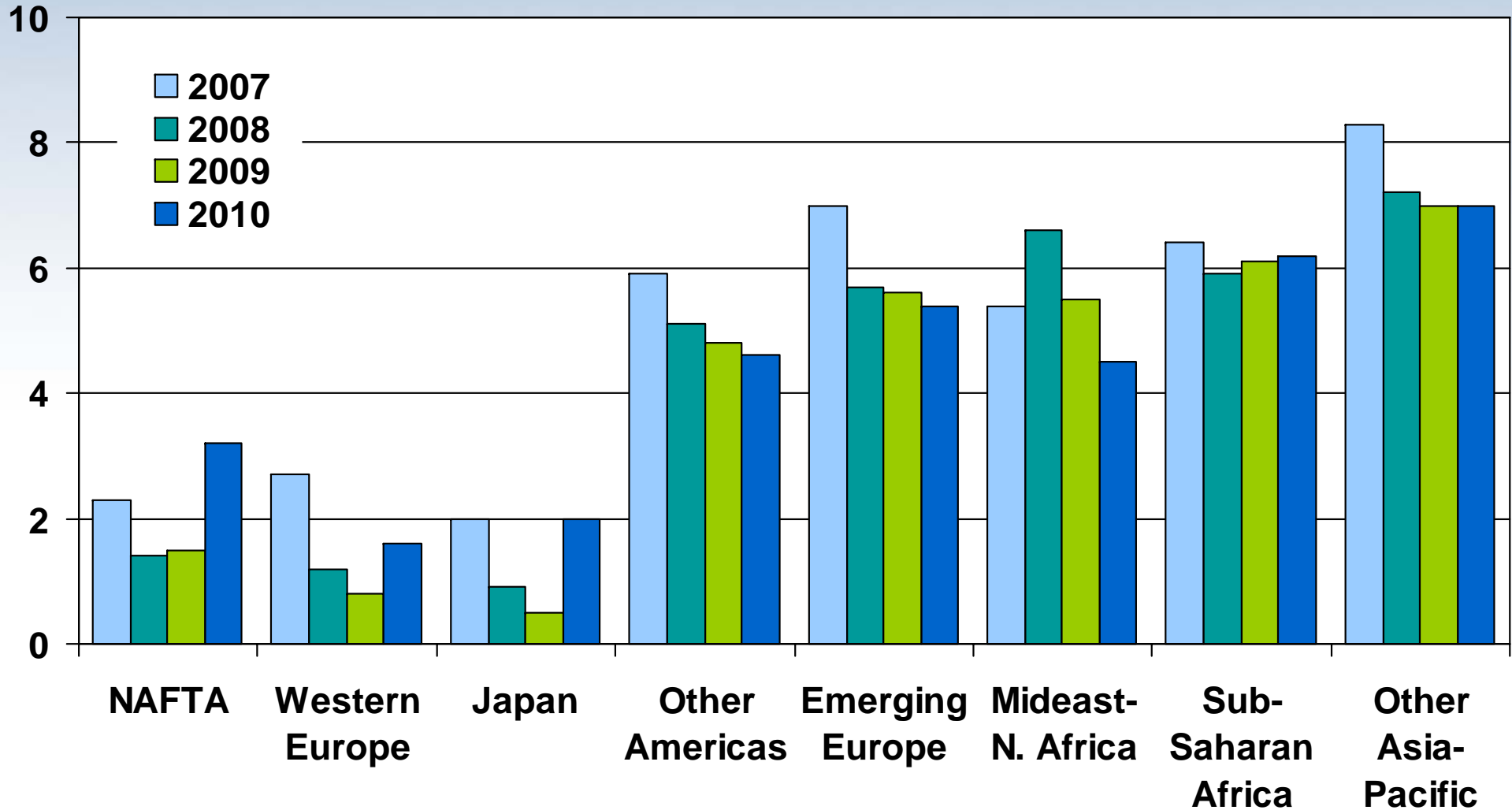


Source: Global Insight World Macroeconomic Forecasting Service



# Trade is Linked to Real GDP Growth

... uneven across the world – where emerging markets grow fastest  
(Real Gross Domestic Product, percent change)

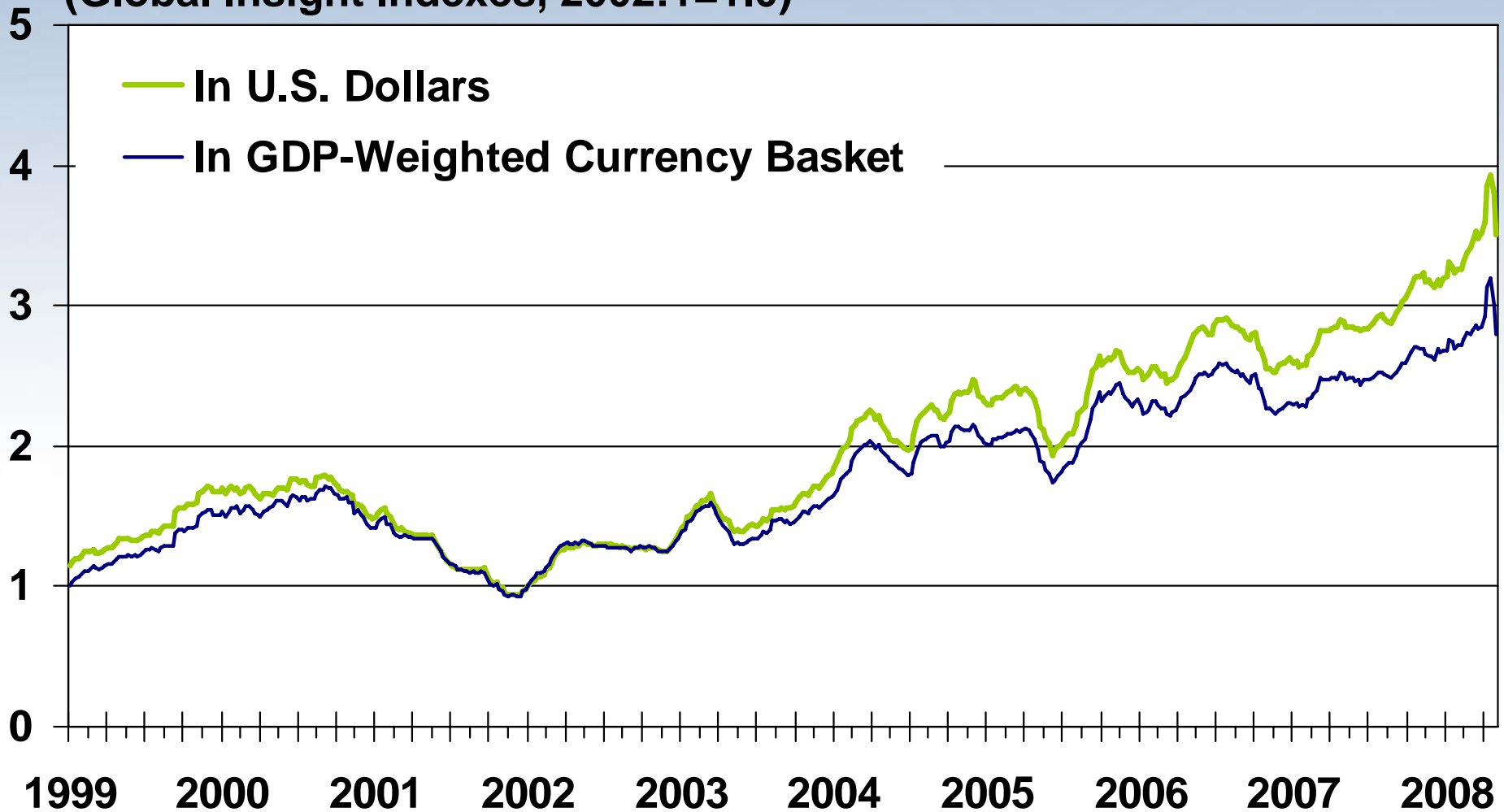


Source: Global Insight World Macroeconomic Forecasting Service



# World Commodity Boom Has Just Peaked

(Global Insight Indexes, 2002:1=1.0)



Industrial Materials Prices and Trade Prices Now Falling

Source: Global Insight World Macroeconomic Forecasting Service



## Forces That Drove Up Dollar Commodity Prices

- **Strong economic growth in emerging markets**
- **Lagging supply responses to higher prices**
- **Rapid money supply growth**
- **U.S. dollar depreciation (more later)**
- **Price controls and government subsidies**
- **Export restrictions**
- **Speculation**



## U.S. Economy Near Recession

- **The housing crash, credit crisis, and high oil prices have stalled U.S. economic growth: 2008 GDP growth just 1.5%**
- **Home sales, prices, and construction will fall further**
- **Consumers and businesses will spend very cautiously**
- **Dollar exchange rate has an impact on trade (more later)**
- **Bright outlook for exports helps prevent a deep recession**
- **Fiscal monetary stimuli and bailout provide temporary support**

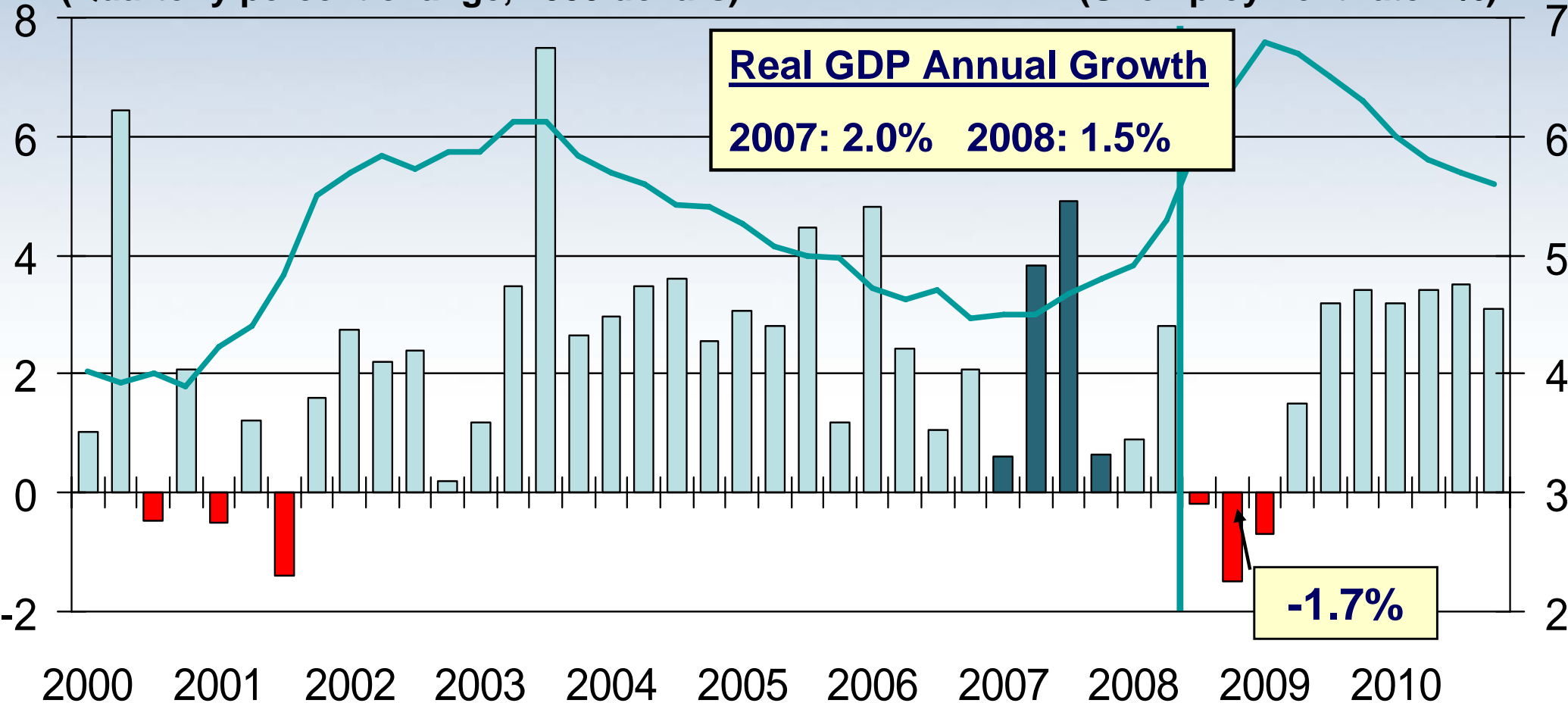
**Expect very weak U.S. economy in 2009**



# U.S. Recovery Not Until 2009; Employment Lags

(Quarterly percent change, 2000 dollars)

(Unemployment rate - %)



Real GDP Growth — Unemployment Rate

Source: Global Insight U.S. Macroeconomic Forecasting Service



# U.S. Economic Growth by Sector

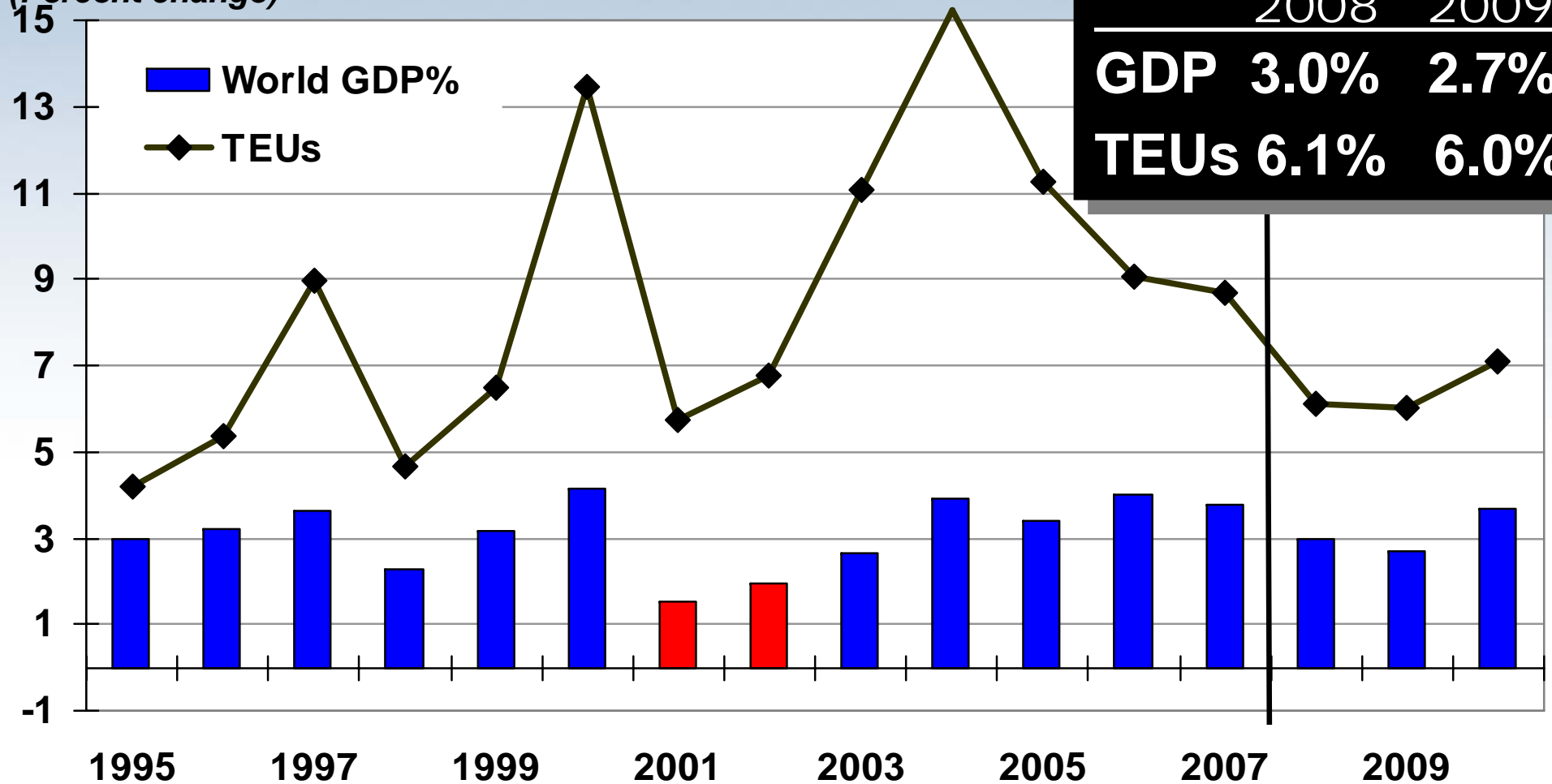
(Percent change)	2007	2008	2009	2010
<b>Real GDP</b>	2.0	1.5	0.2	2.4
<b>Domestic Demand</b>	1.4	0.3	0.3	2.9
<b>Consumption</b>	2.8	1.0	0.9	2.6
<b>Residential Investment</b>	-17.9	-21.2	-7.6	18.3
<b>Business Fixed Investment</b>	4.9	4.0	-1.7	2.5
<b>Government</b>	2.1	2.3	-0.2	-0.9
<b>Exports</b>	8.4	9.5	6.6	7.2
<b>Imports</b>	2.2	-1.6	0.8	6.3

Source: Global Insight U.S. Macroeconomic Forecasting Service



# World Container Trade Growth Outpaces World Economy

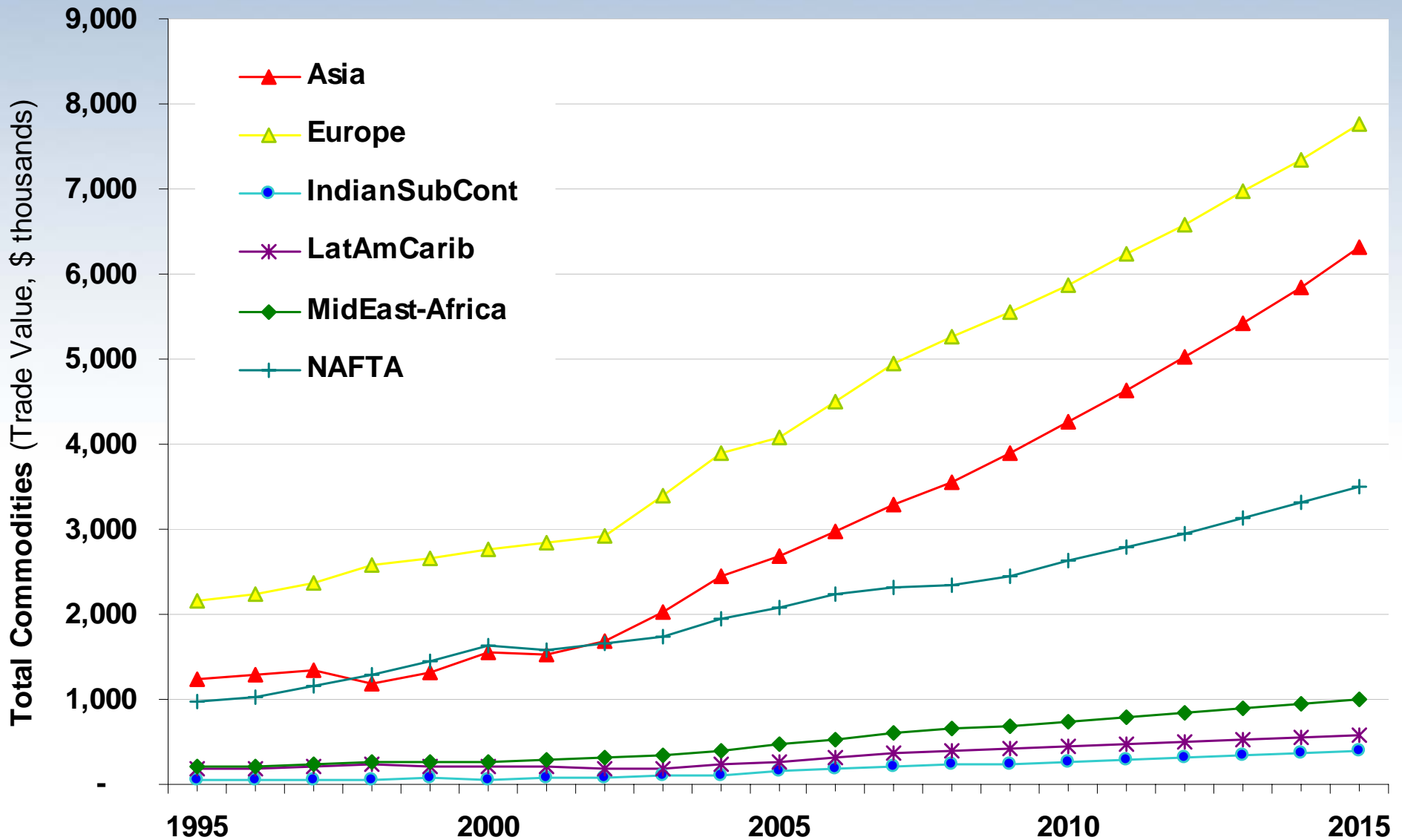
(Percent change)



**...but double-digit growth is over.  
The world slowing down dampens trade in 2009.**

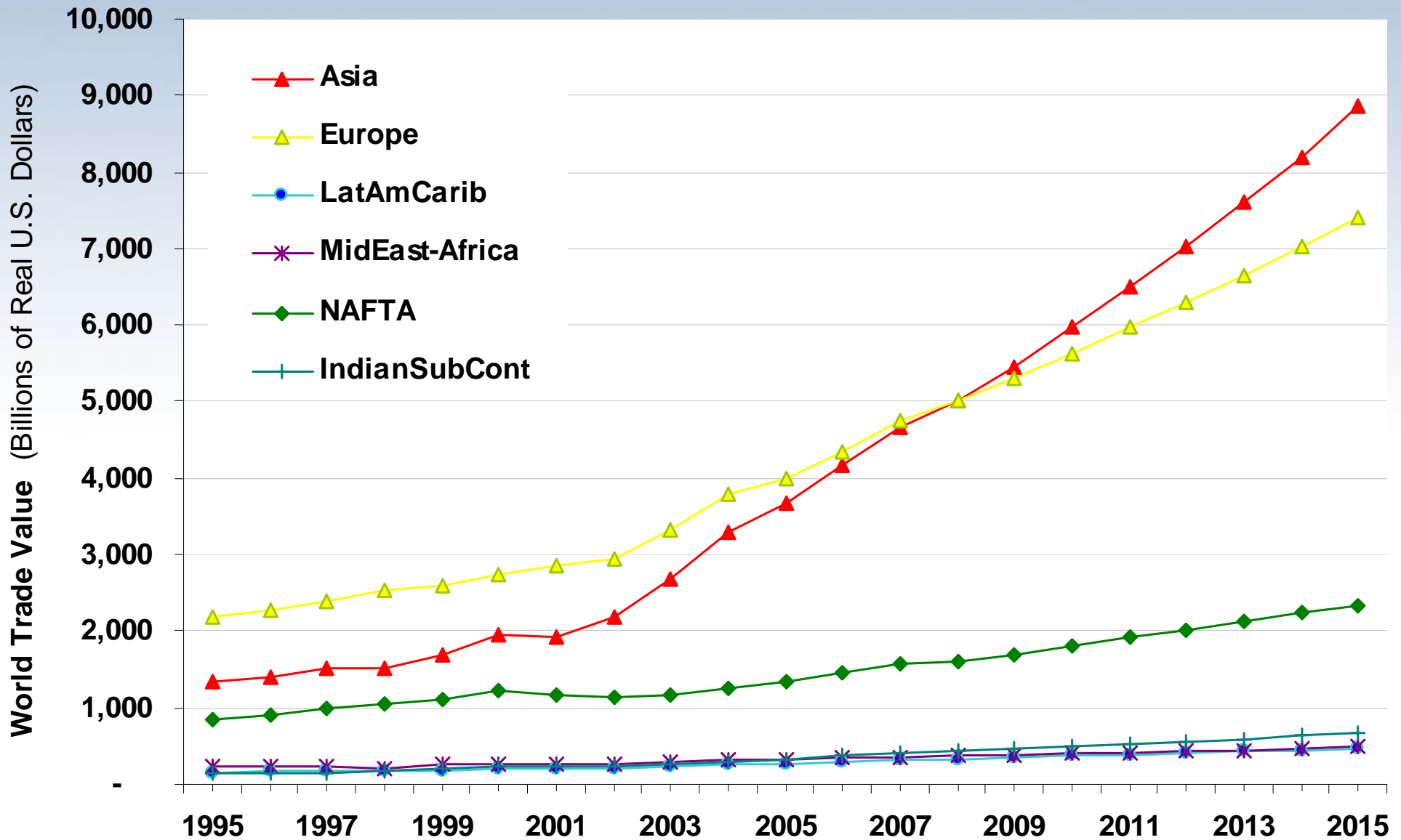


# Europe, Asia Dominate Import Value Growth by Region



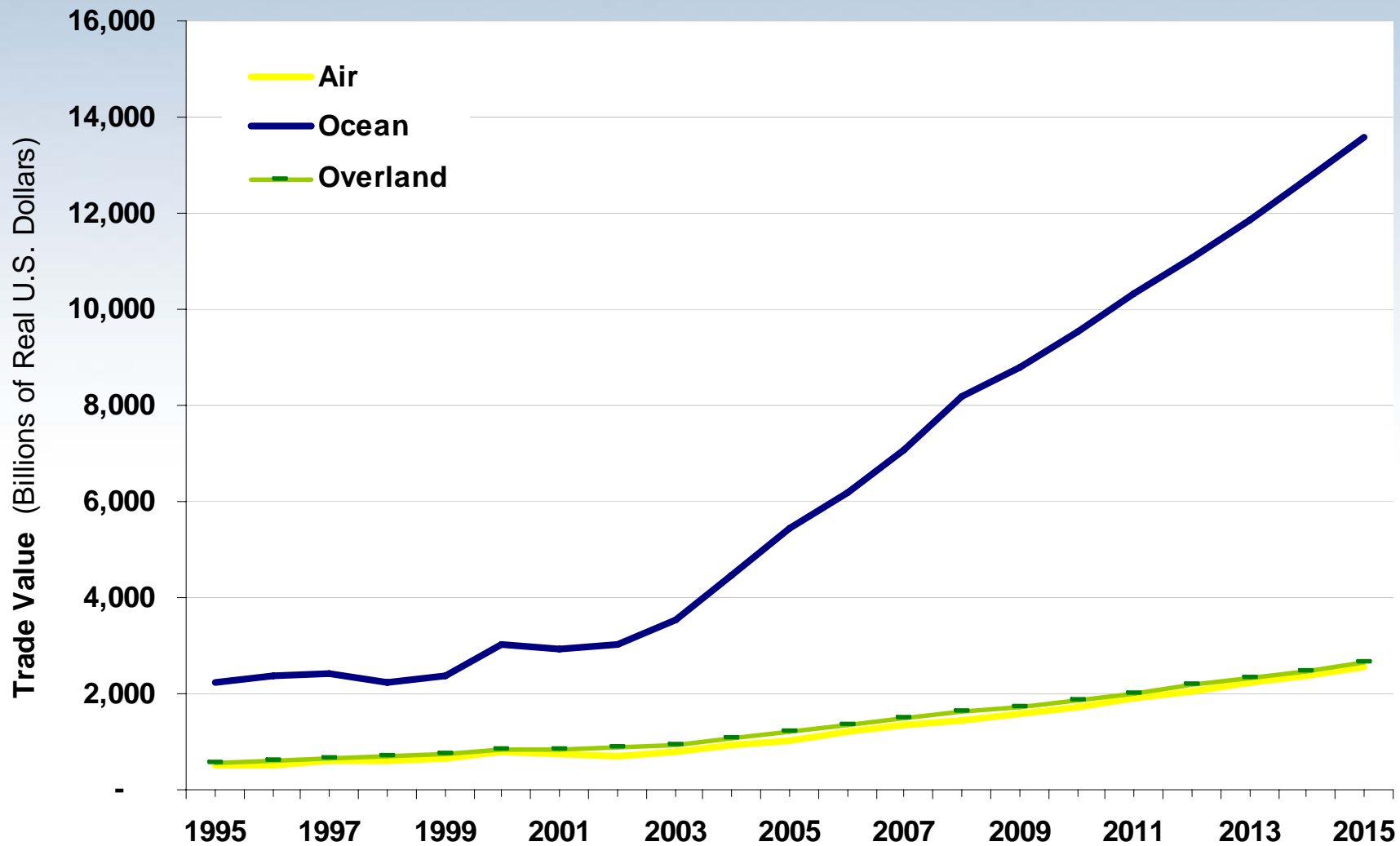


# Asia, Europe Dominate Export Value Growth by Region



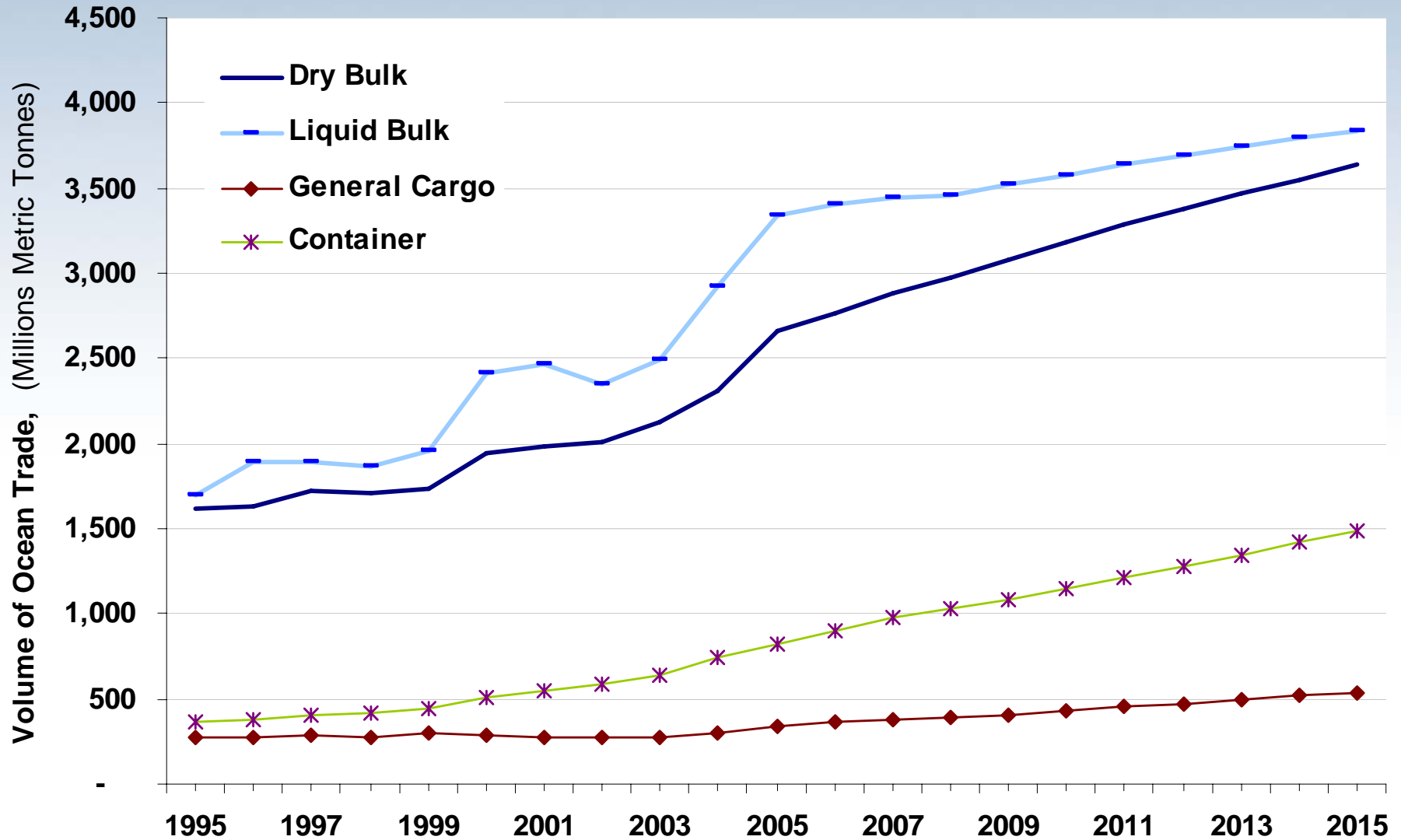


# Ocean Trade Dominates Trade Value Growth



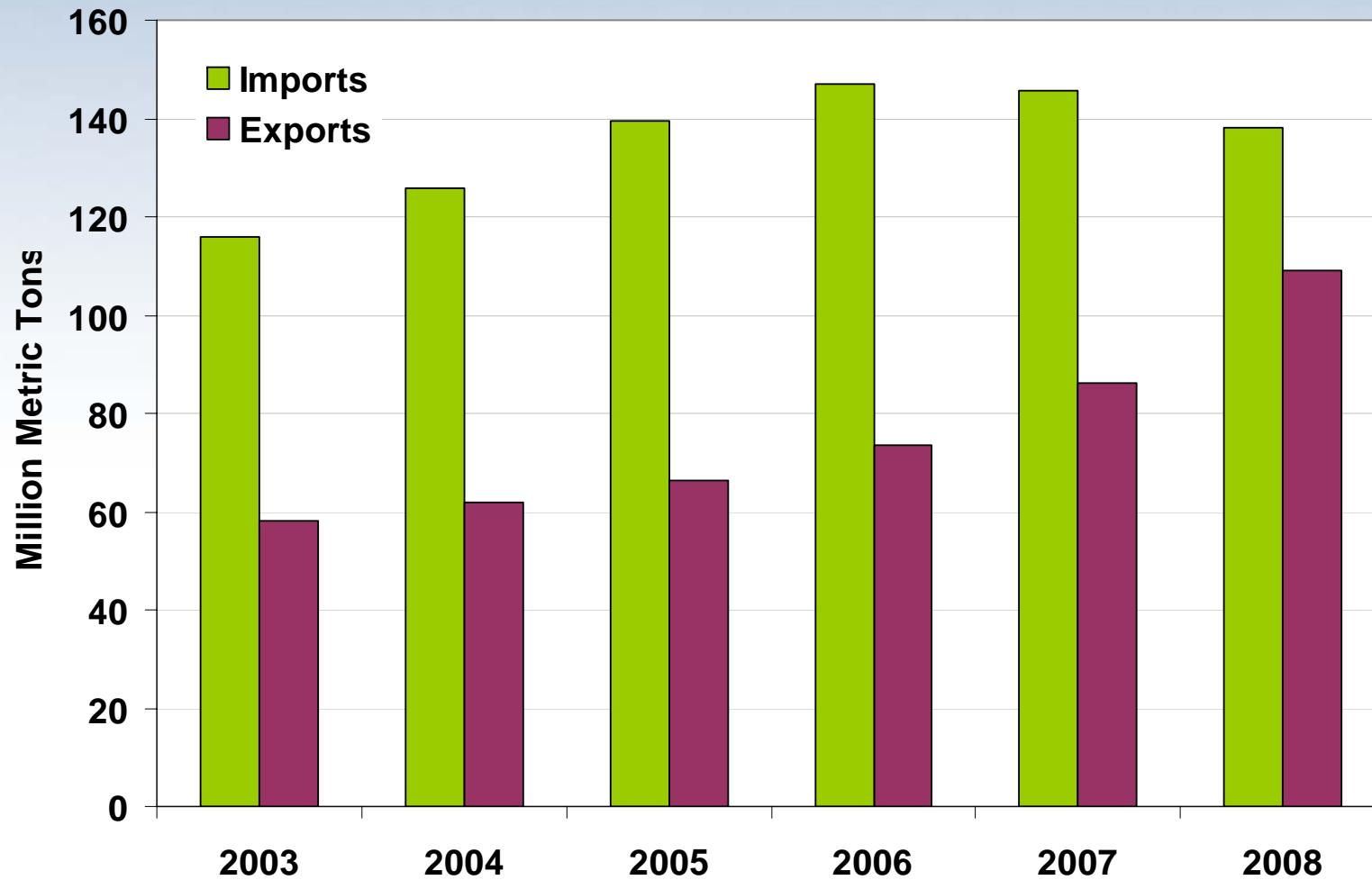


# Tanker Trade Dominates Trade Tonnage



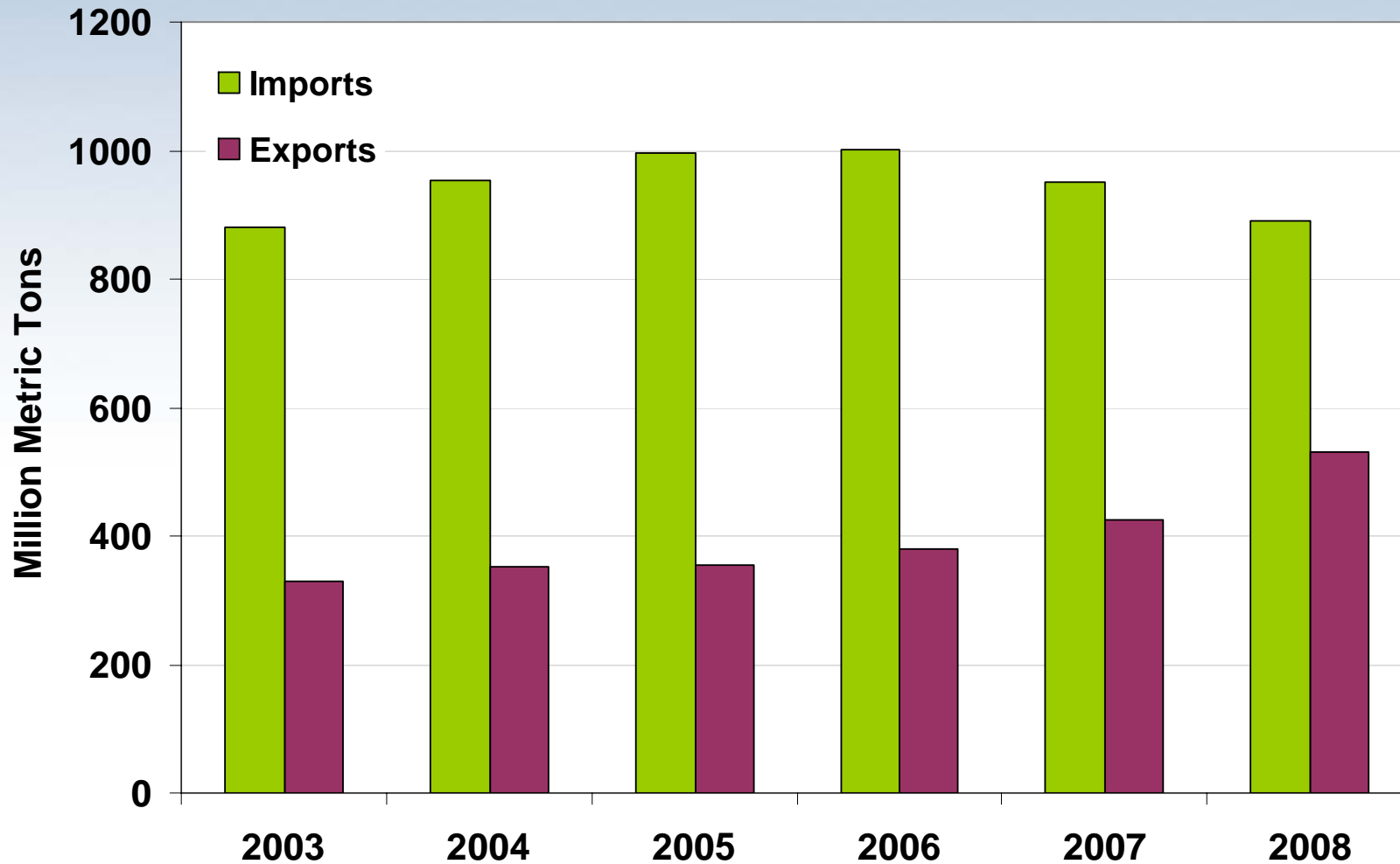


# U.S. Containerized Maritime Trade





# U.S. Maritime Trade – Narrowing Gap between Imports & Exports





## Outlook for U.S. Transportation from Trade

- Long-term, increasing trade volume eventually adds new traffic through smaller port gateways and on secondary traffic lanes.
- Trade growth increases average total length-of-haul, but inland U.S. transport rail & truck mode portions of these shipments are under pressures from energy, environmental and labor dimensions to be rationalized.
- The cost pressures work to the advantage of rail versus truck.
- *More on this next from Charles Clowdis.*

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## Thank You

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