

The Economy and Port Outlook



Board of Commissioners

Paul Bingham, Managing Director

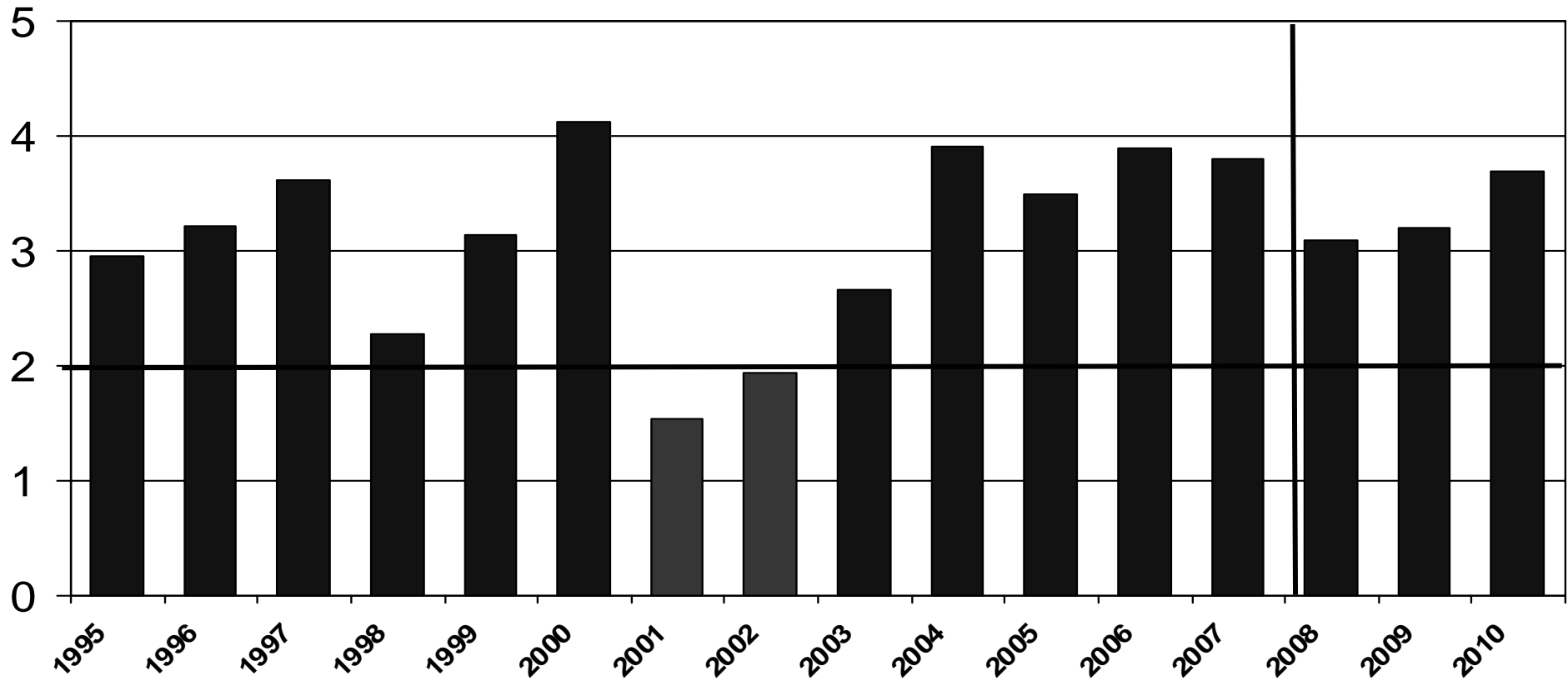
Global Trade and Transportation Practice

Oakland California July 15, 2008

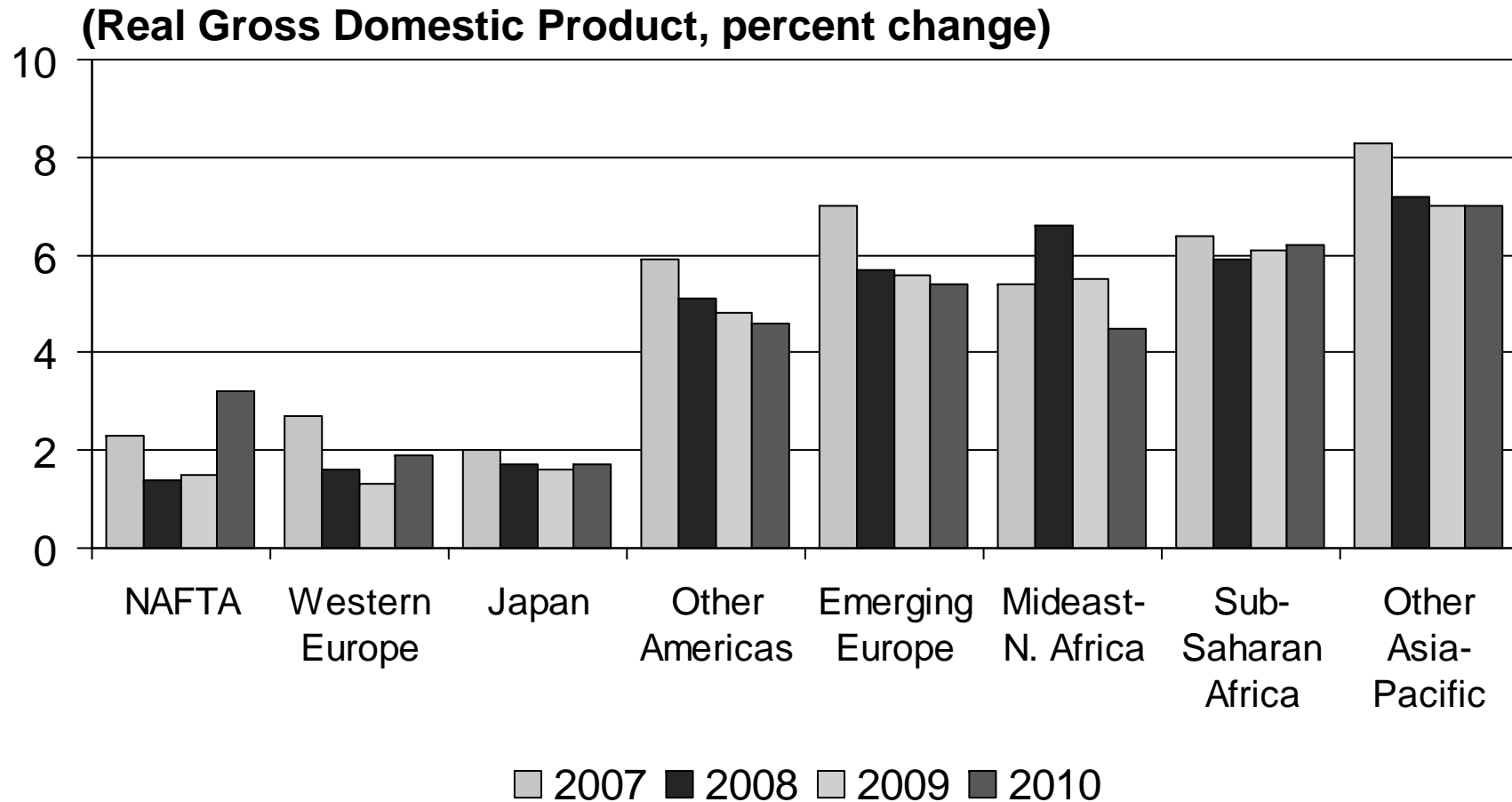
World economic growth is slowing but not in recession

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

(Percent change, real GDP)



Trade is linked to real economic growth - uneven across the world – where emerging markets grow fastest



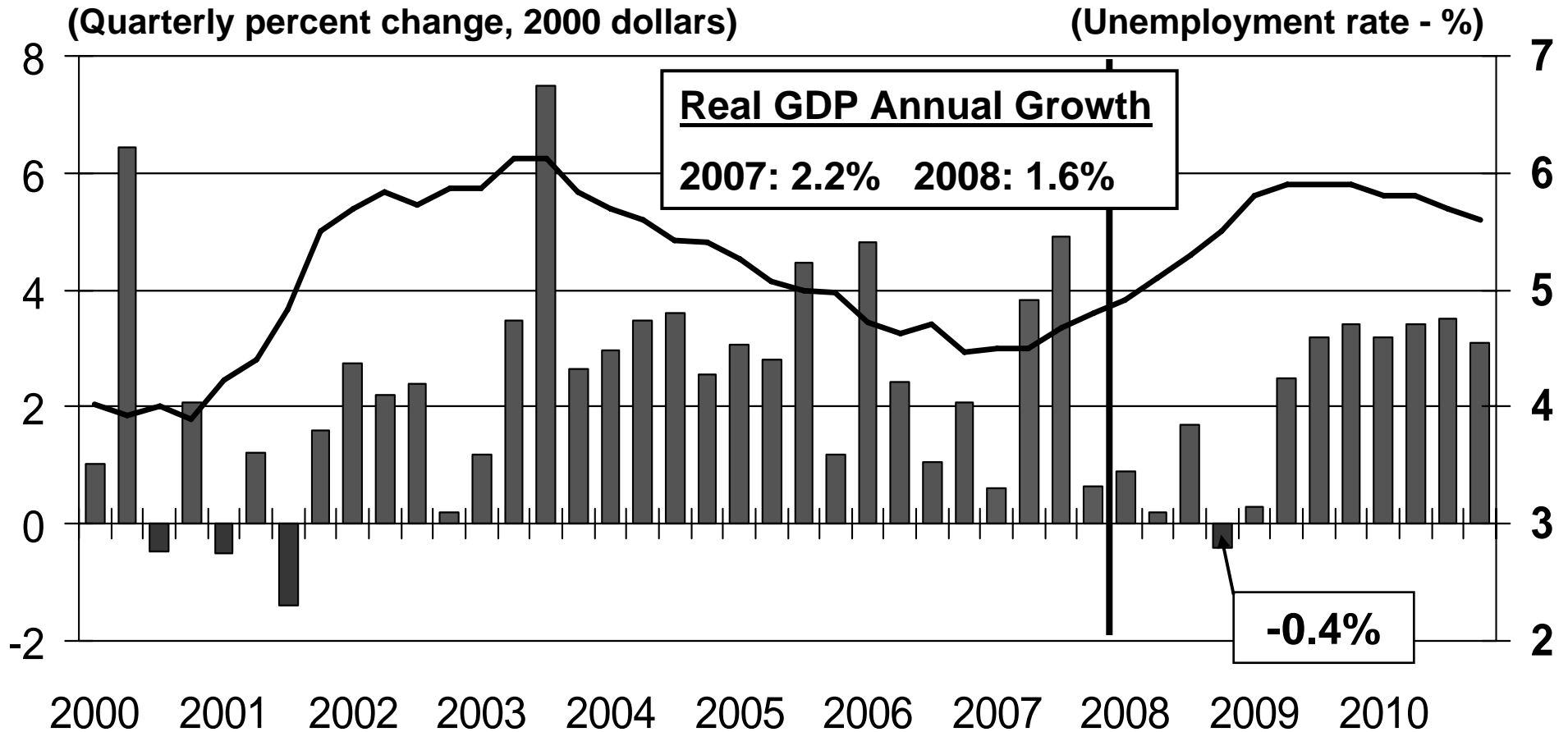
Source: Global Insight World Macroeconomic Forecasting Service

The U.S. Economy Near Recession at End of 2008

- **The housing crash, credit crunch, and high oil prices have stalled the U.S. economy: 2008 GDP growth 1.6%**
- **Home sales, prices, and construction will fall even further**
- **Consumers and businesses will spend cautiously**
- **Dollar decline drives import price inflation but boosts exports**
- **Bright outlook for exports prevents a deep recession**
- **Fiscal and monetary stimulus provide temporary support**

Expect subpar U.S. economy into mid-2009

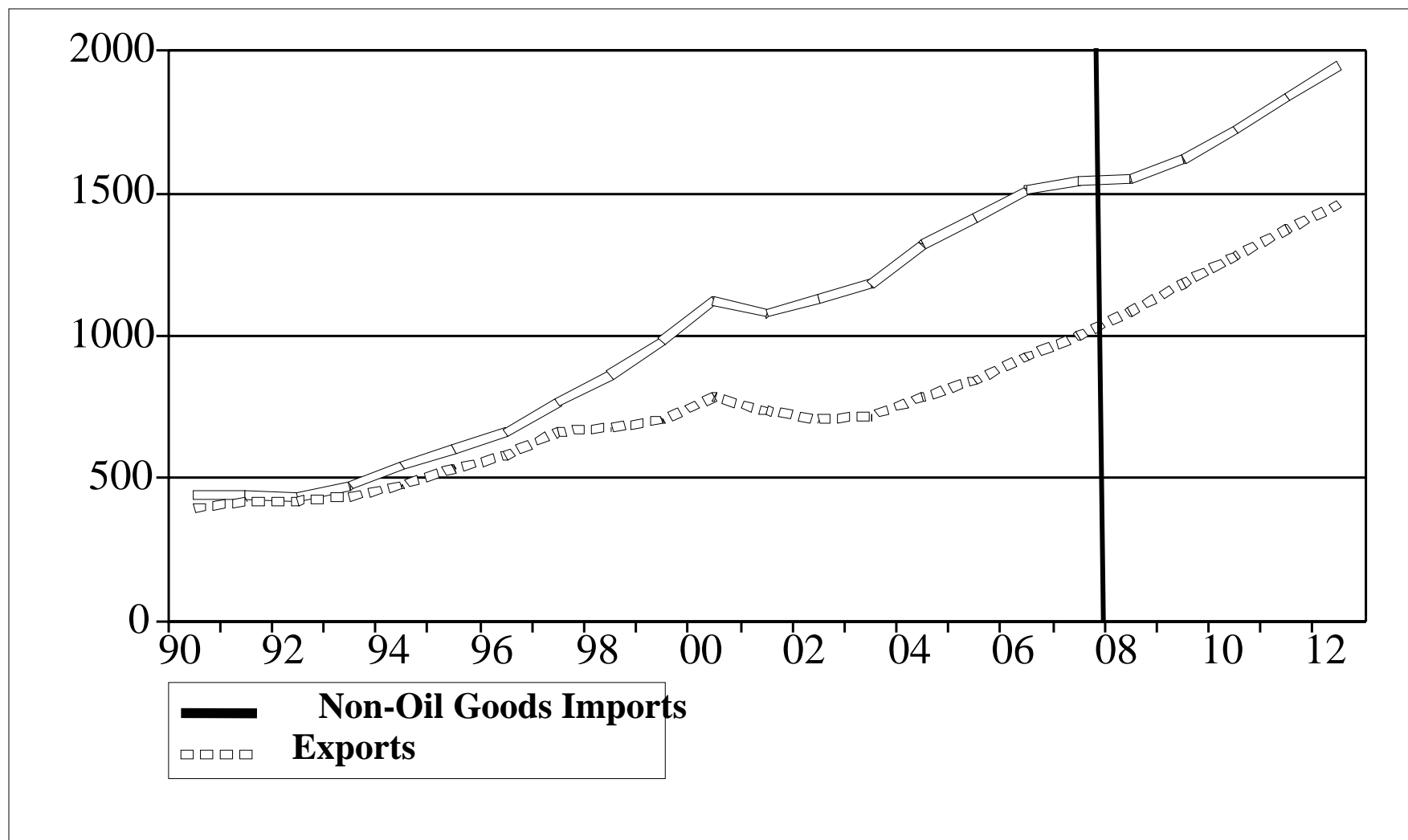
U.S. Recovery Not Until 2009; Employment Lags



■ Real GDP Growth — Unemployment Rate

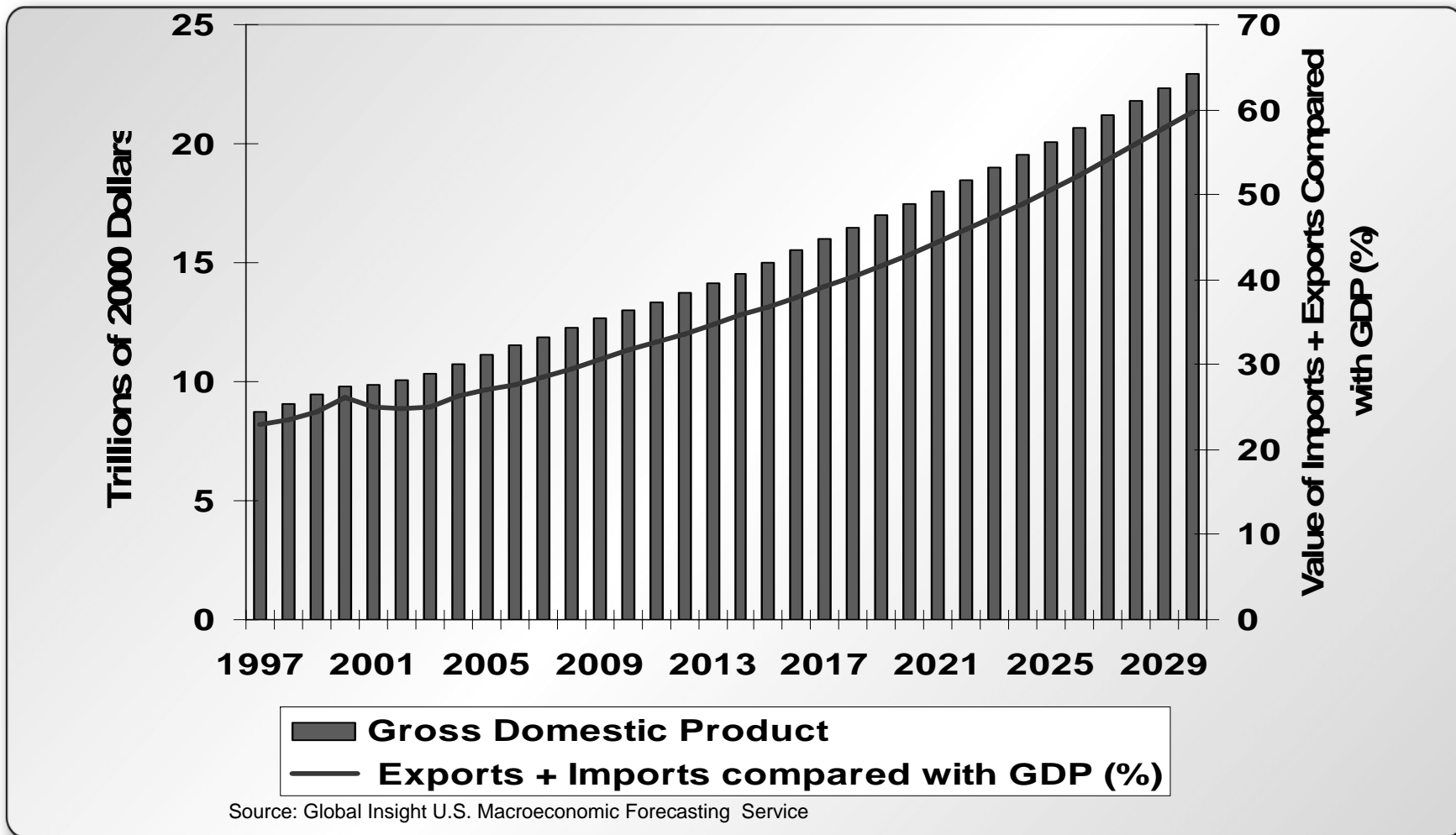
Source: Global Insight U.S. Macroeconomic Forecasting Service

U.S. Imports Weak in 2008; Exports Strong



Source: Global Insight forecasts

Long-term: U.S. International Trade Grows in Importance in the Overall Economy



U.S. GDP of \$20 Trillion by 2025 Built on Doubling Trade Role in the Economy

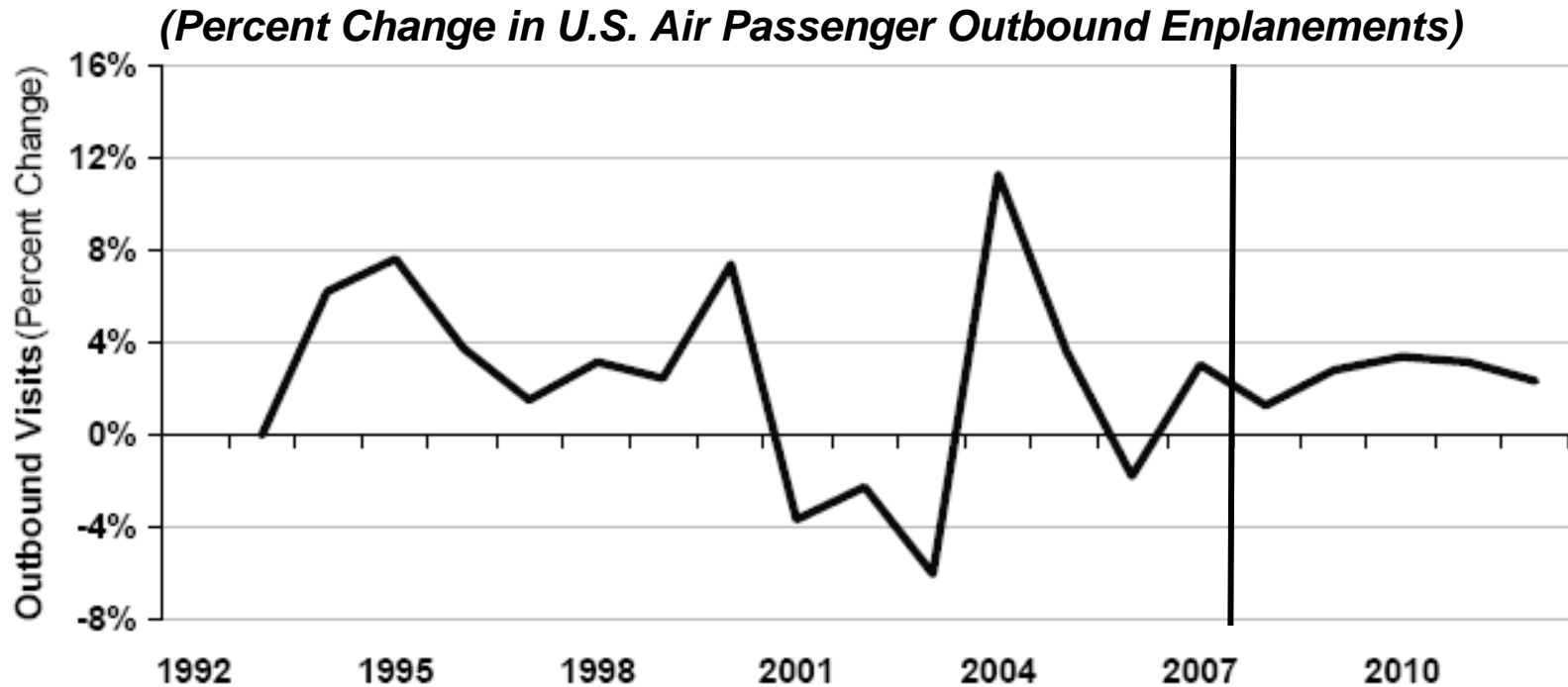
World Containerized Trade Forecast by Region

(Thousands of TEUs)

	2008	2010	2015	2008-2015 CAGR (%)
Transatlantic	9,925	10,895	13,295	4.3
Transpacific	24,615	28,360	39,129	6.8
U.S. Atlantic/Asia	5,380	6,161	8,379	6.5
Europe/Asia	22,287	25,964	35,449	6.9
Intra-Asia	29,255	34,049	46,903	7.0
Total	117,837	137,074	185,120	6.7

Transpacific Trade to Grow Slightly Faster than World Average

Weak U.S. Air Passenger Traffic Growth Outlook



2009 Recovery in U.S. Air Travel Limited by High Fuel Prices

Source: Global Insight World Travel and Tourism Service

Take Aways

- **U.S. economy in slowdown; recovery starts during 2009**
- **The short-run will be difficult for the U.S. and the port**
- **Long-term port cargo growth greatly affected by trade**
- **Goods trade growth with Asia is most important**
- **Asian trade will grow but some trade will be captured by East Coast gateways via Suez and expanded Panama Canal; yet there will be long-term growth in port traffic**
- **Long-term port business demand depends on underlying economic growth, commodity prices and development trends**



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Thank you

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