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Future Global Trade Trends - Risks & Opportunities

Pulse of the Ports: Peak Season Forecast March 21, 2013

June 2012

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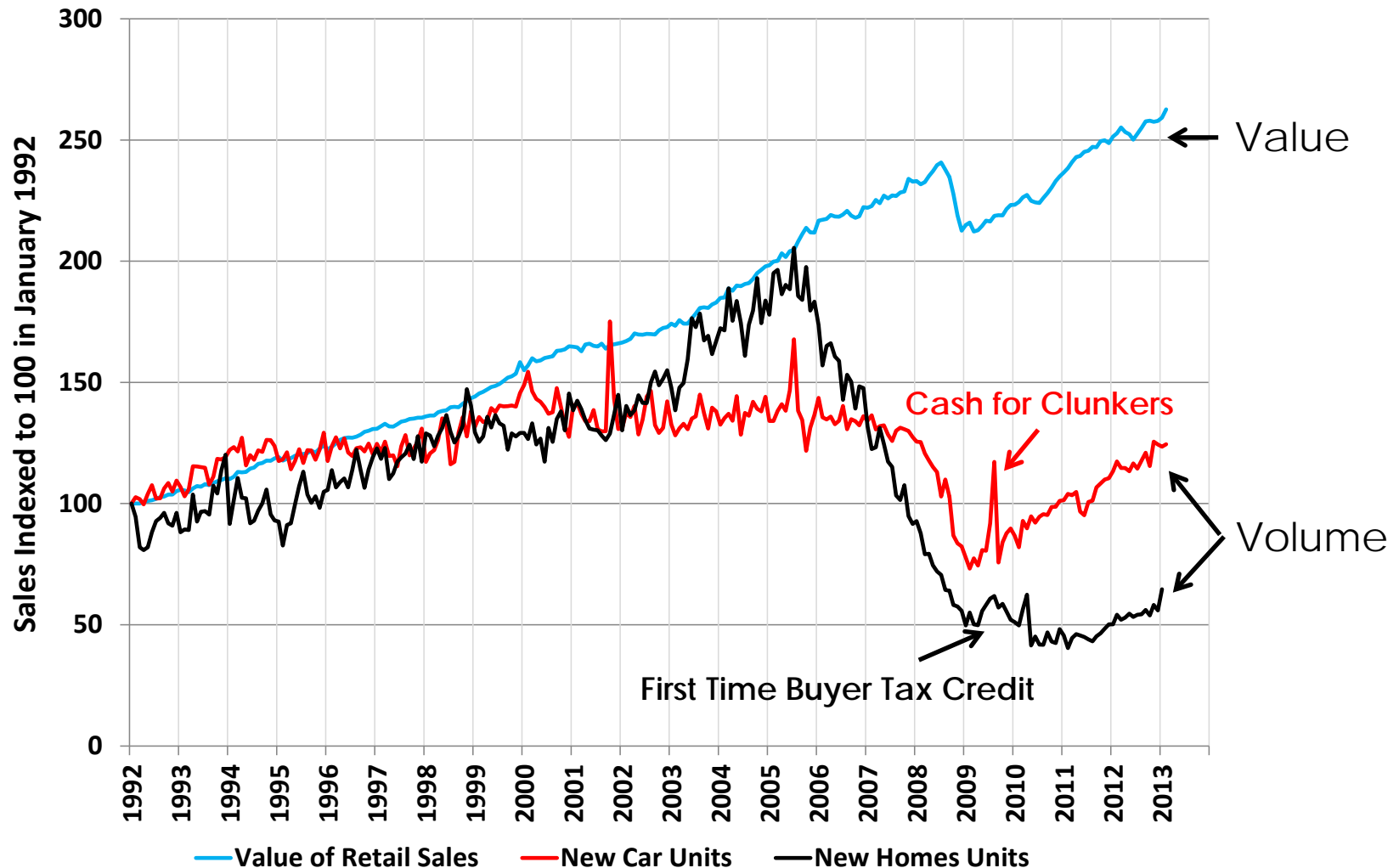
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Summary

- **Higher economic growth in 2013, possible recession in 2015**
 - Pent-up demand could drive GDP growth much higher in 2013.
 - Fed could reverse its extraordinary actions perhaps later this year.
 - Outlook is still policy-driven. eg., fiscal cliff overhang.
- **Peak season 2013 likely to be 5% higher than in 2012**
 - Range of outcomes is very wide, reflecting macroeconomic uncertainty
- **Other sustainable trends such as accommodating the growing global middle class are impacting freight movement**
 - Major shifts in equipment repositioning patterns
 - Imports to shift from North Asia to South Asia and also Mexico
 - Transportation shifts from oil fuels to natural gas

Consumer Spending Is Past The Worst Point

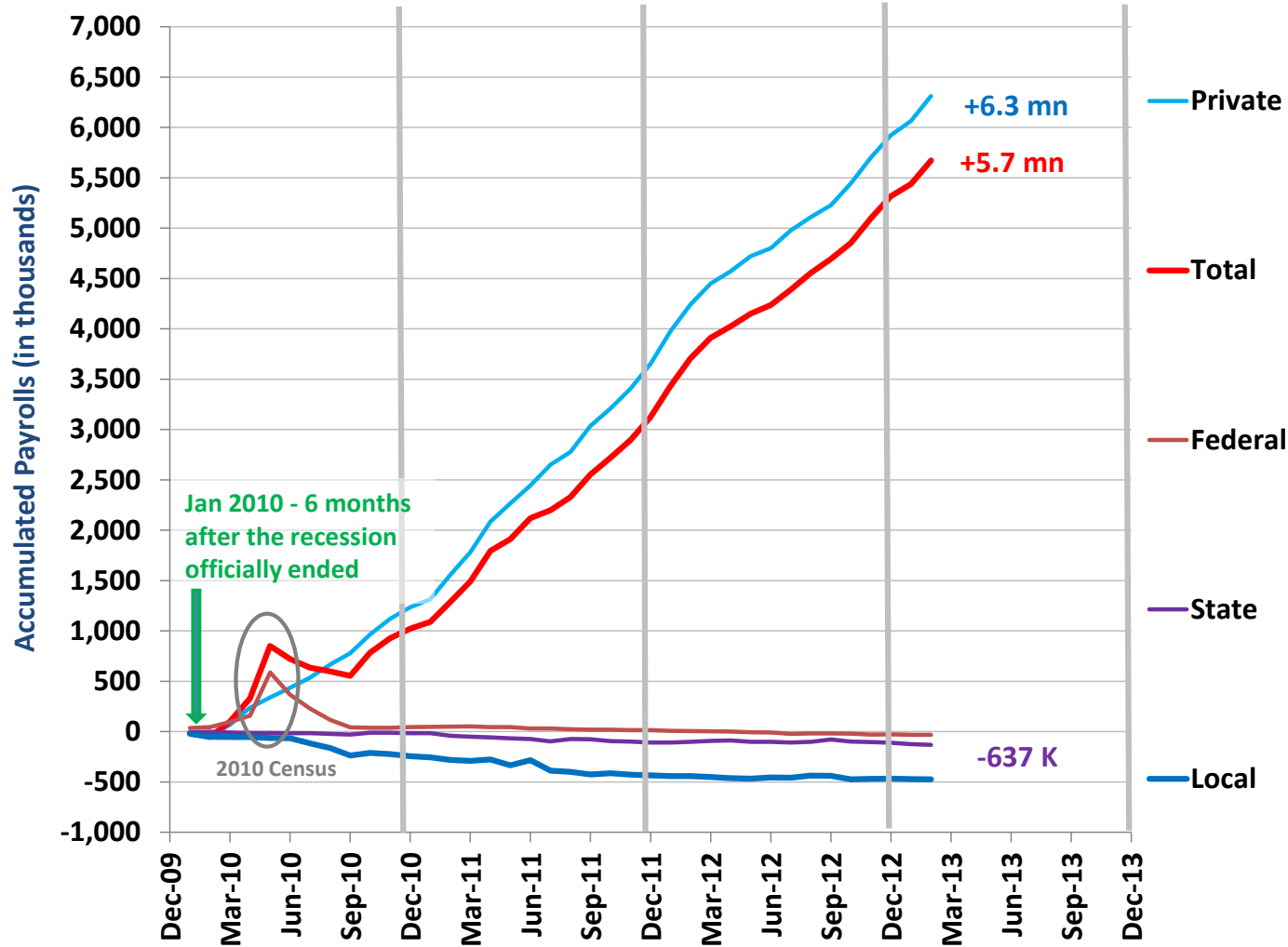
US Retail, Autos and Home Sales



- Sales are recovering but levels remain below trend... demand is pent up

Private Sector Has Led Employment Recovery

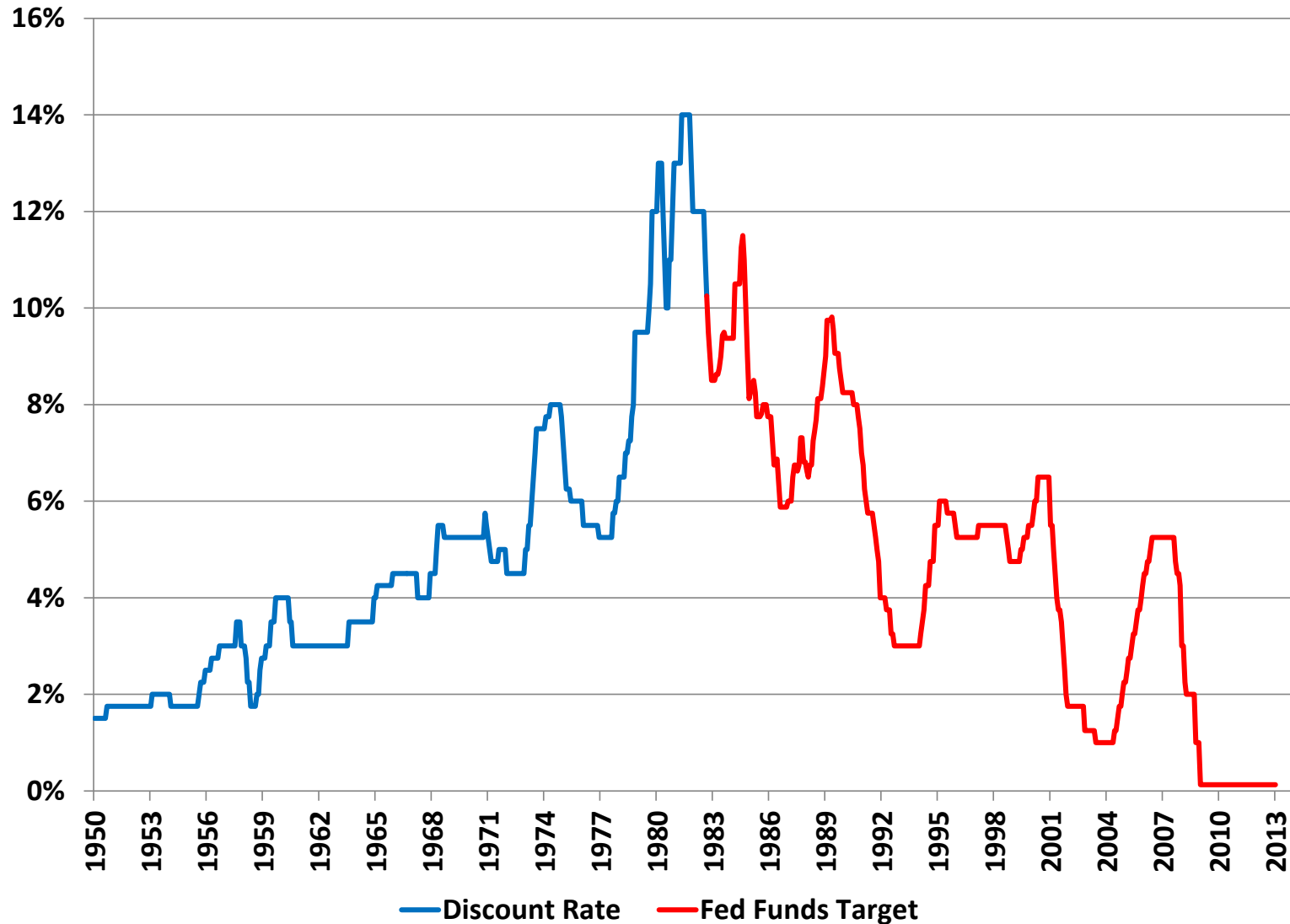
Changes In Employment Levels Since 2010 By Sector



- Private sector efforts were offset by public sector cutting 637K jobs since Jan 2010

Short Term Interest Rates At Historical Low

Federal Reserve's Federal Funds Policy Interest Rate Target



- Interest rates are at the lowest levels in at least 63 years

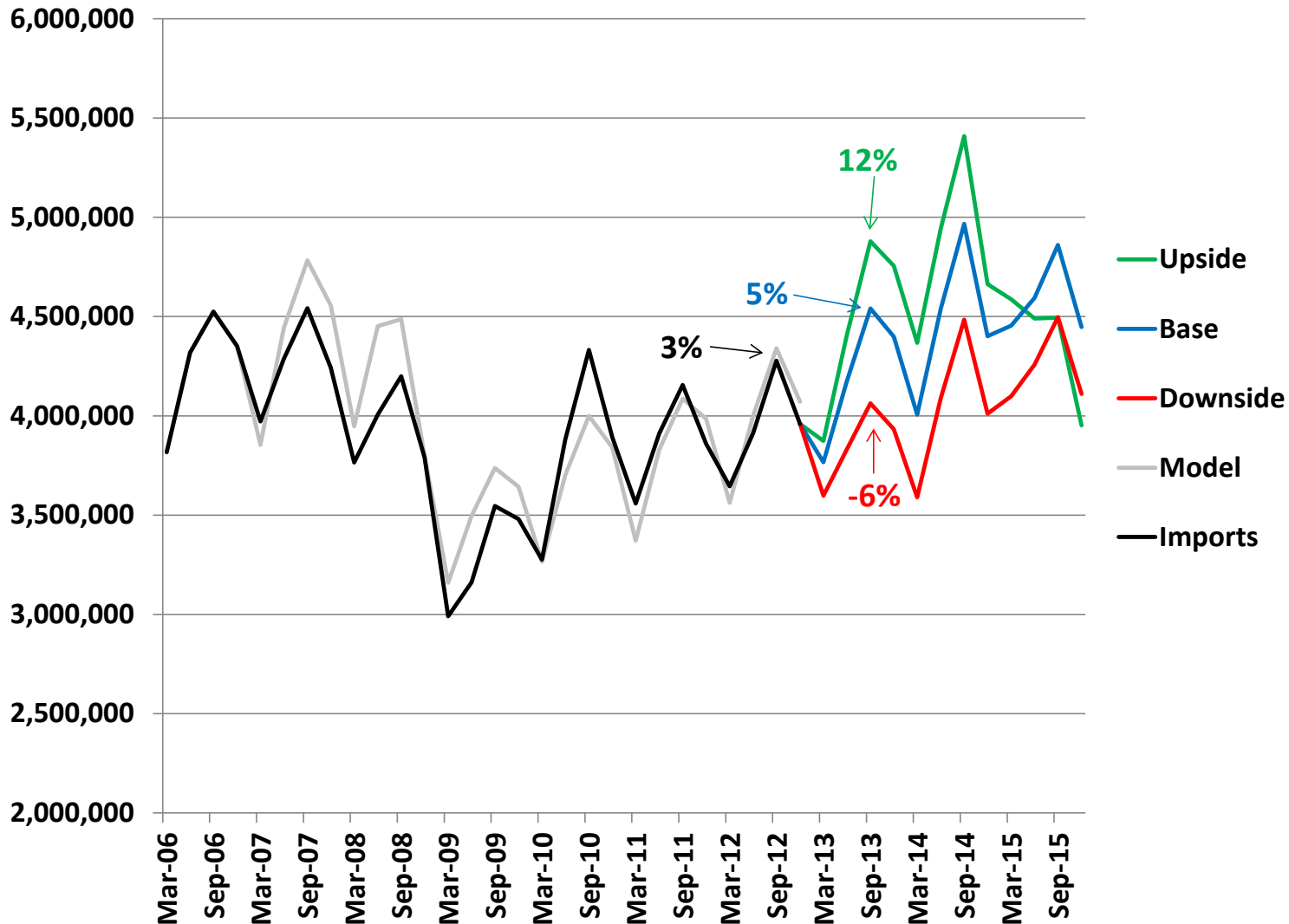
Scorecard: Higher GDP Growth in 2013, If...

Indicator	Score	Outlook
Monetary Policy	Positive	Low interest rates, ample liquidity (QE3)
Inflation	Positive	Maybe too low , but commodity prices are volatile due to non-US demand
Fiscal Policy	Negative	Budget/debt resolution overshadows near term fiscal policy outlook
Financial Sector	Positive	FDIC's watch list declining, consumer credit more available, slight rise in bond defaults but mostly in stagnant industries
Causes of Last Recession	Positive	Residential real estate sector has already begun the long process of recovery
Leading Industries	Positive	Industries likely to lead growth in this cycle are identifiable and have been investing
Production Costs	Positive	Low interest rates, wages, commodity prices
Labor Markets	Positive	Employment rising in expected industries
Global Economy	Neutral	European debt crisis stabilizing, Emerging Markets deploying expansionary policies

- ... if US can get past fiscal budget/debt ceiling
- Modest recession risk in 2015 as Fed begins to raise interest rates

Container Volume Imports Still Below 2007 Peak

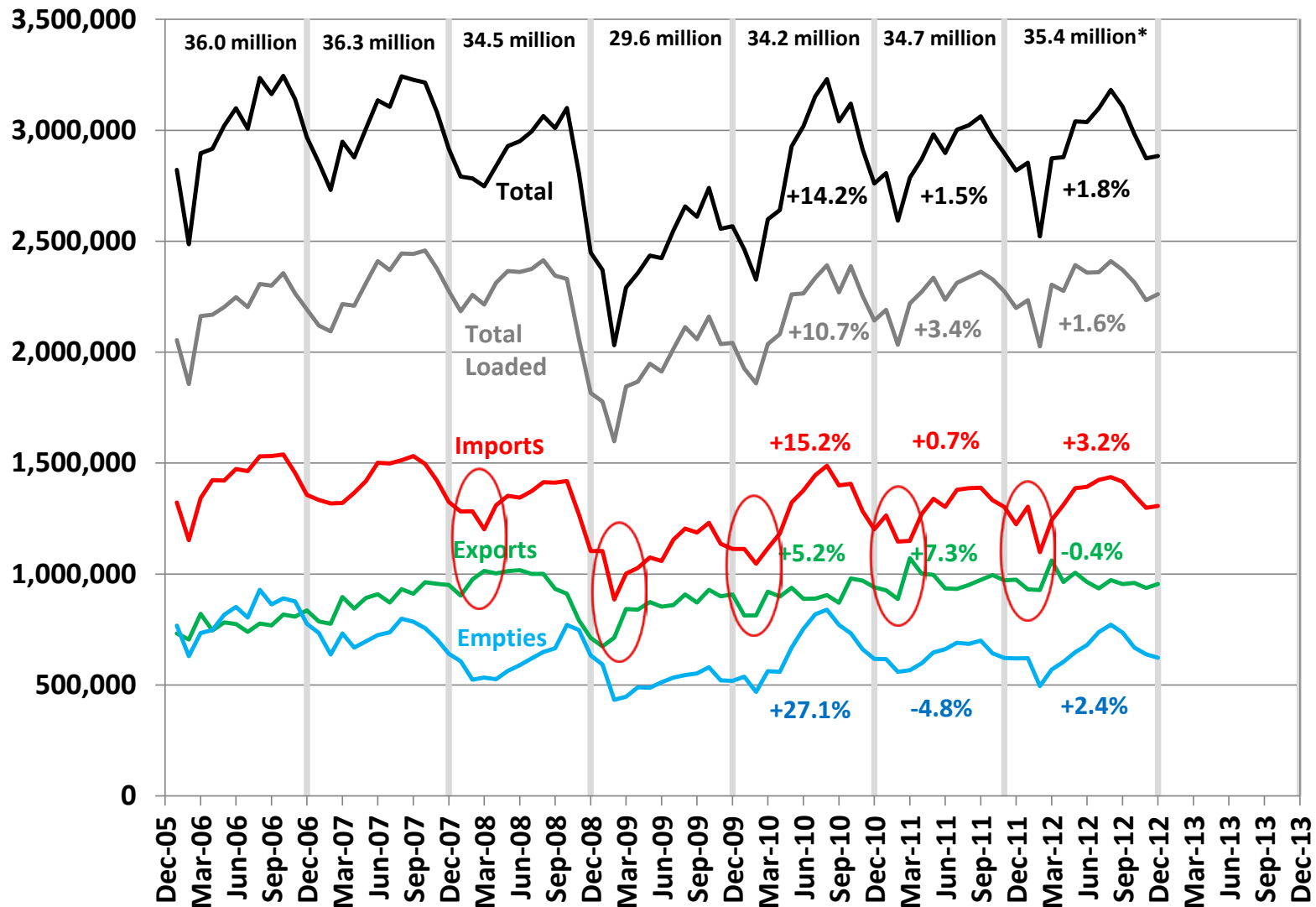
Import Volumes (TEUs) For 15 Largest US Container Ports



- 2013 GDP growth forecasts underlying the import forecasts range between 0.4% and 4.4% due to policy uncertainty

US Container Volumes Still Below 2007 Peak

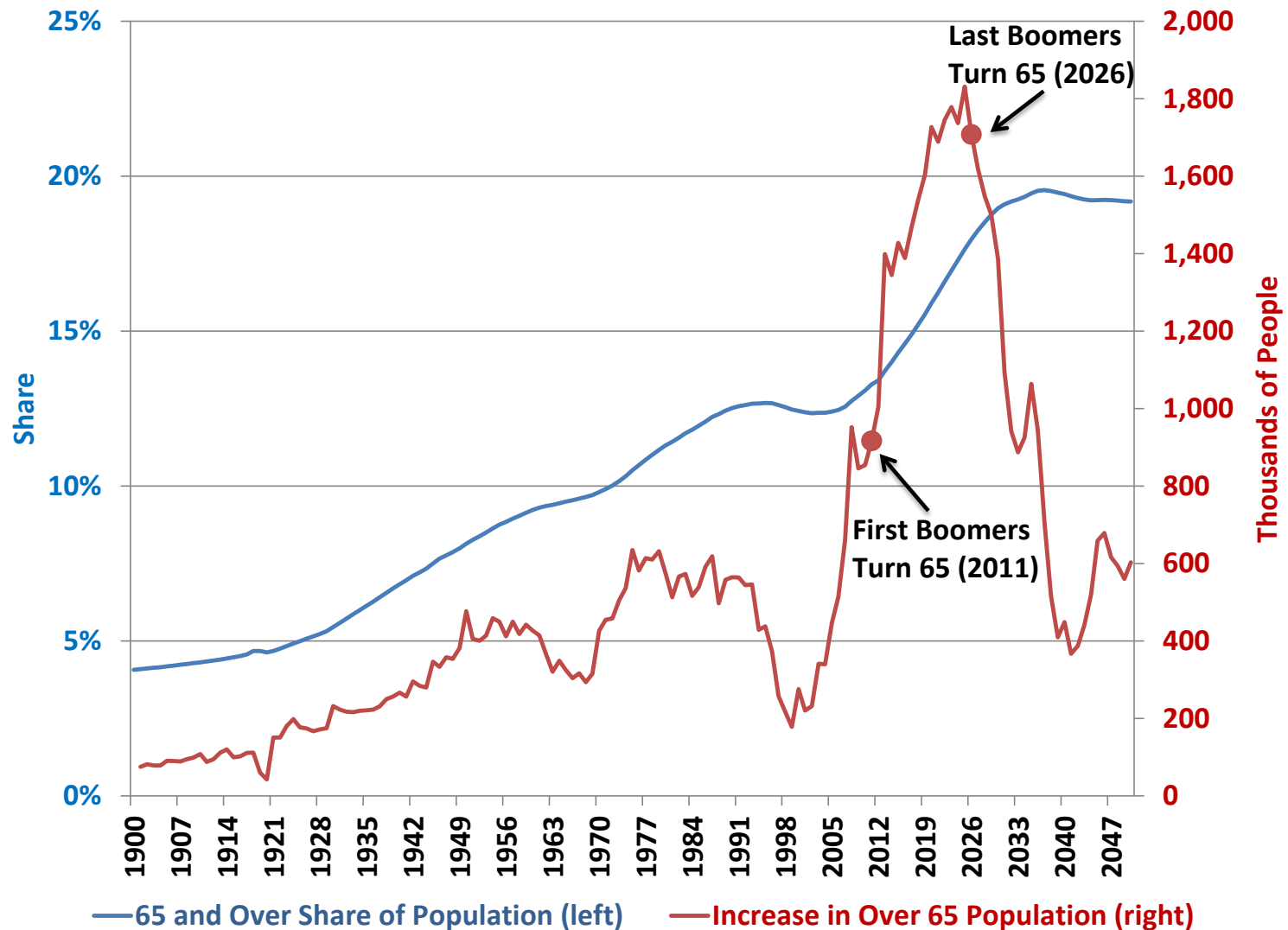
US International Container Volumes By Type



- Slowing global economic growth and the 2012 national drought negatively impacted US exports

Unprecedented Grey Tsunami

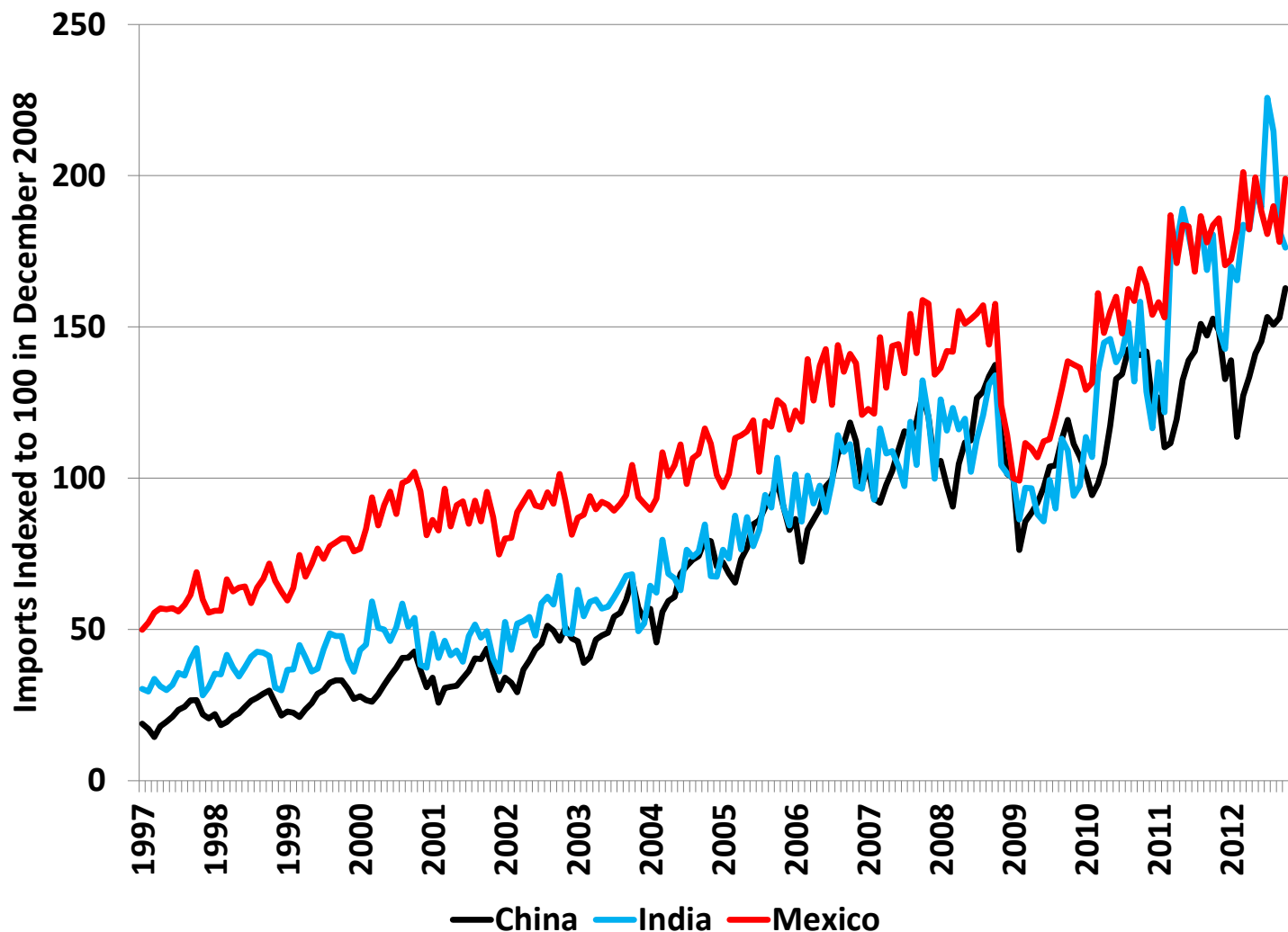
Number of People Turning 65 and Share of US Population: 1900 - 2050



- US has no policy to deal with the economic and financial implications of the Grey Tsunami

China Is Losing Share of US Imports

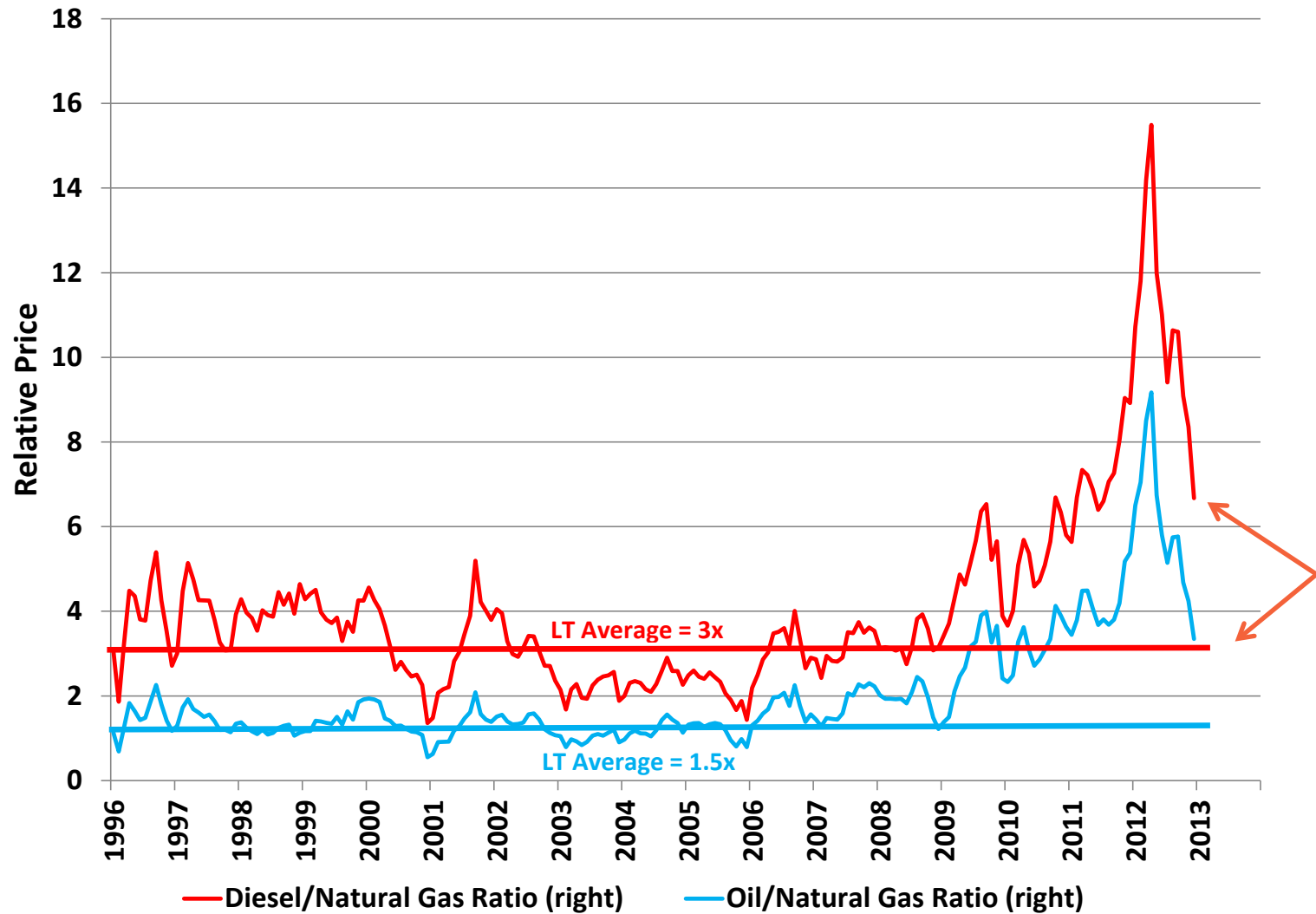
Index of Value of US Imports From China, India and Mexico



- Rising wages in China make other locations more attractive for outsourcing
- Automation could offset outsourcing trends

Energy Consumption Patterns Will Change

Natural Gas Spot and Relative Prices Per 1 Million BTU



- Horizontal drilling has significantly changed energy price dynamics
- Several companies are installing natural gas fuel stations across the US

In Summary...

- Higher economic growth and peak season volumes in 2013
- Imports shifting from North Asia to Mexico and South Asia
- Major shifts in equipment repositioning patterns and fuel

- Thank you for your attention

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