

# World Economic and Trade Outlook Under Changes in Trade Policies

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AAPA Spring Conference

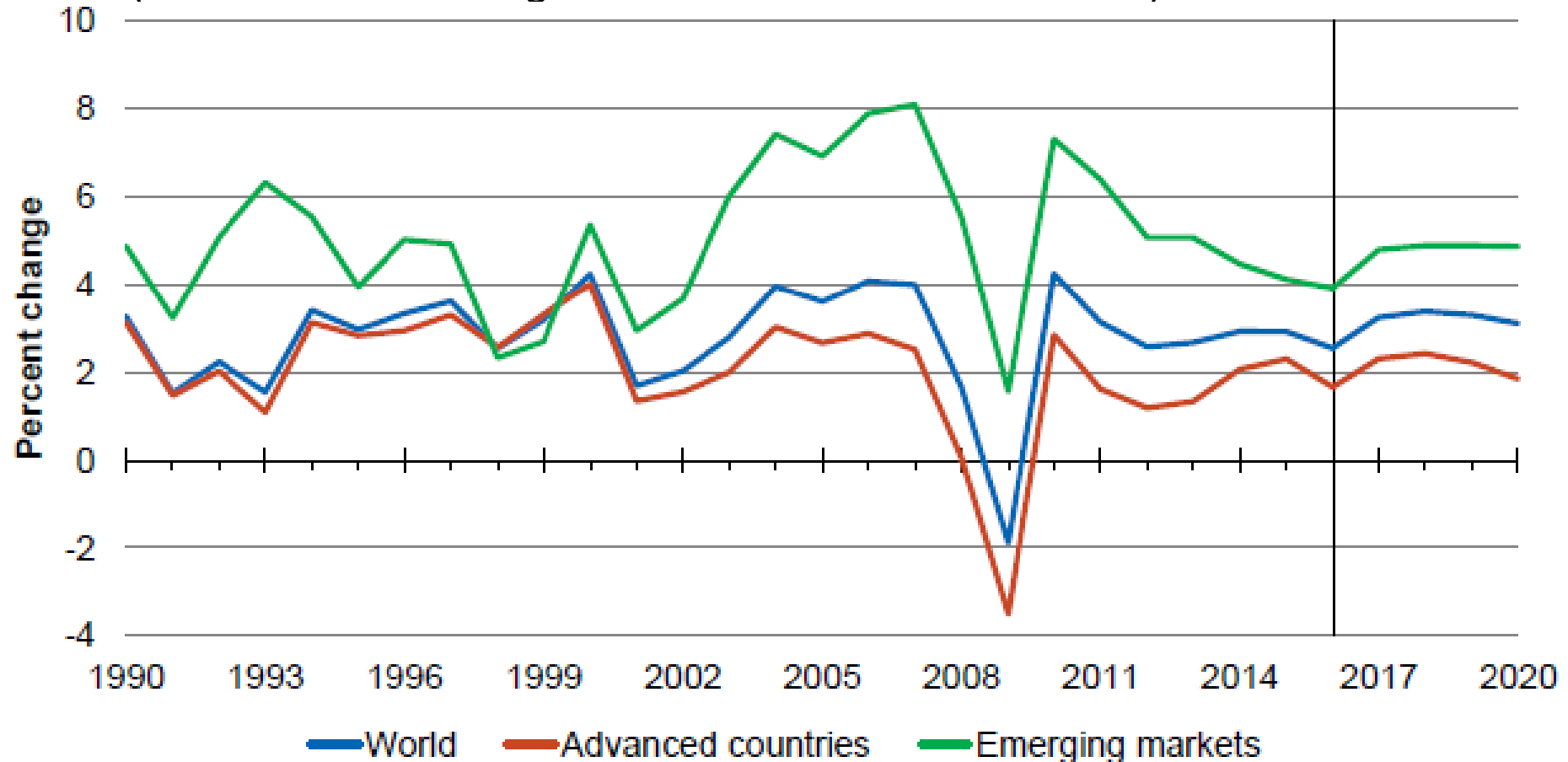


20<sup>th</sup> March, 2018

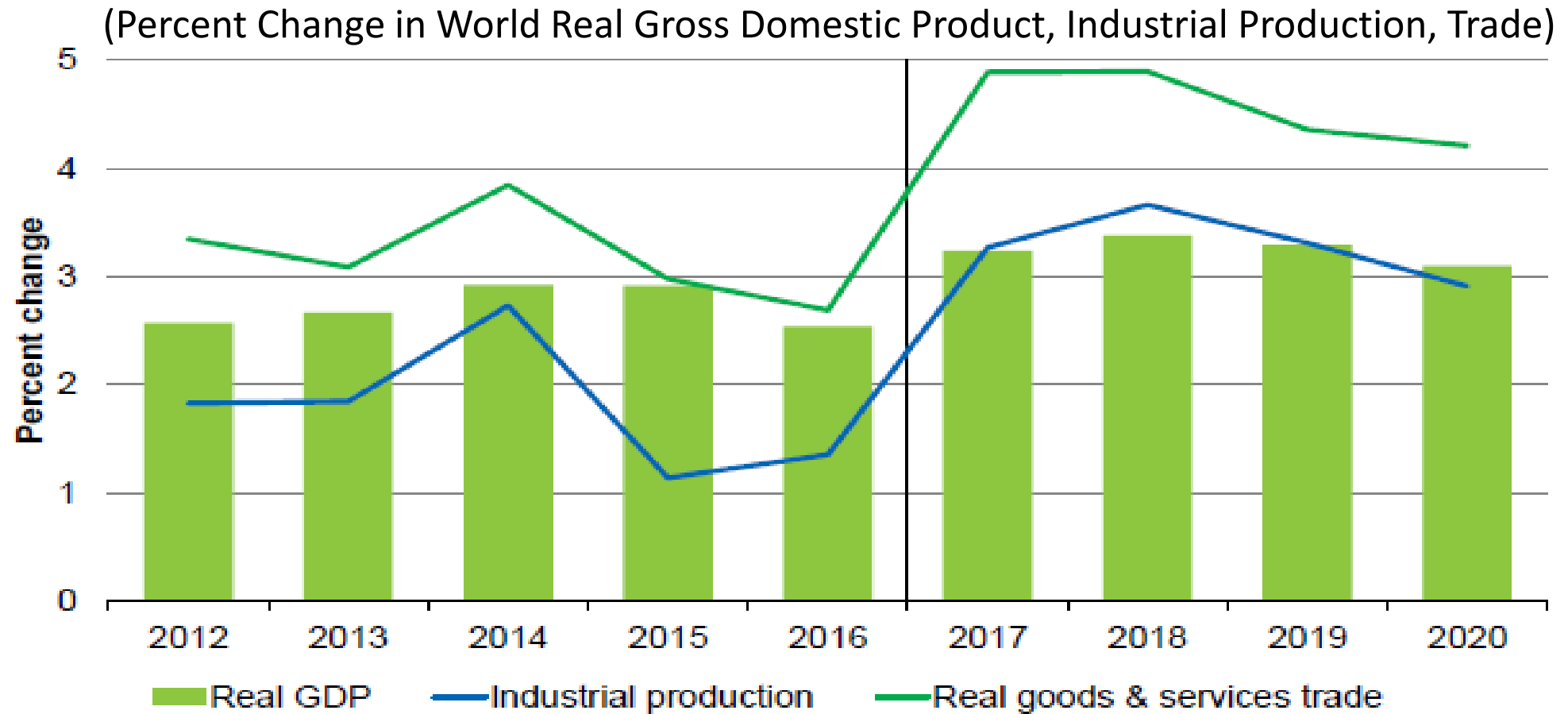


# World Economic Growth Increasing Emerging Markets Grow Faster

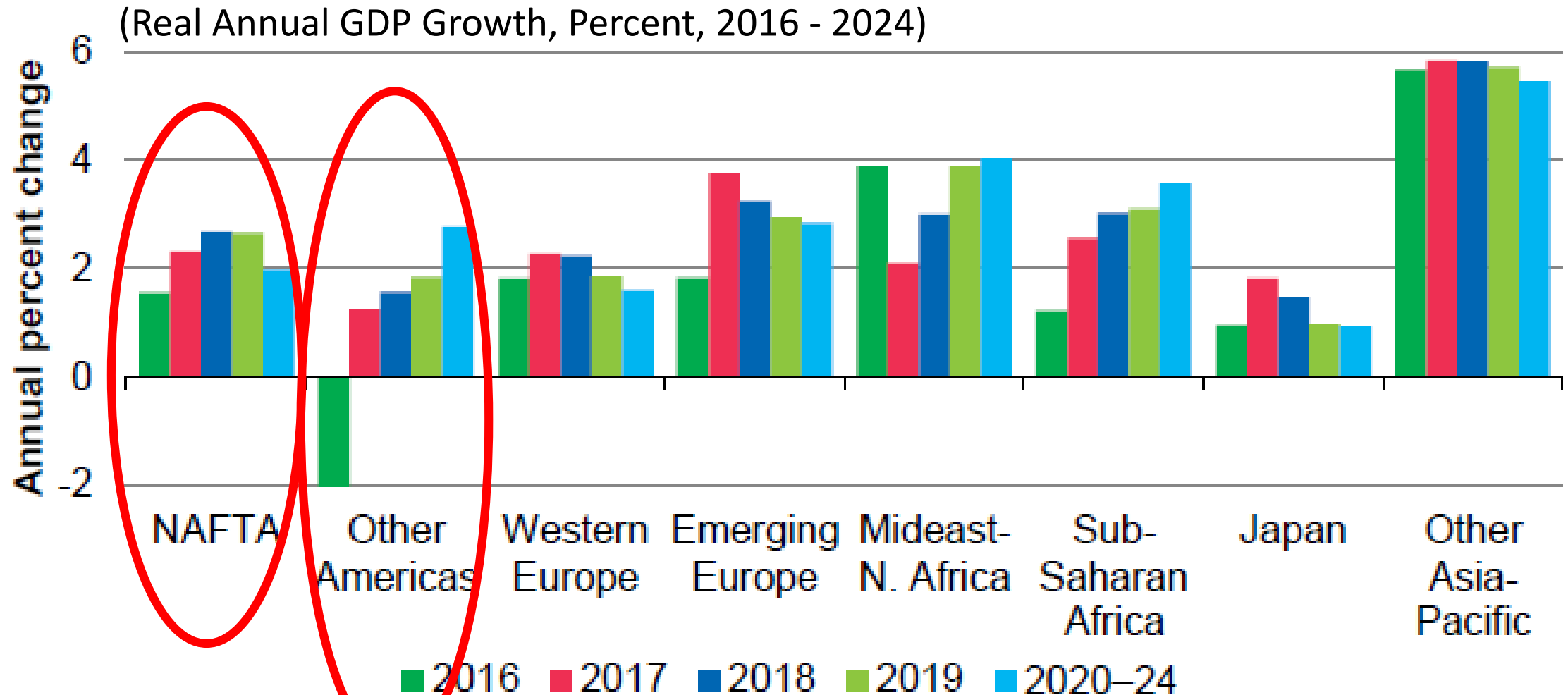
(Annual Percent Change in Real Gross Domestic Product)



# World Trade Growth of 4.9% Boosts 2018 Economic Growth; Manufacturing Strong as Industrial Production Up 3.6%

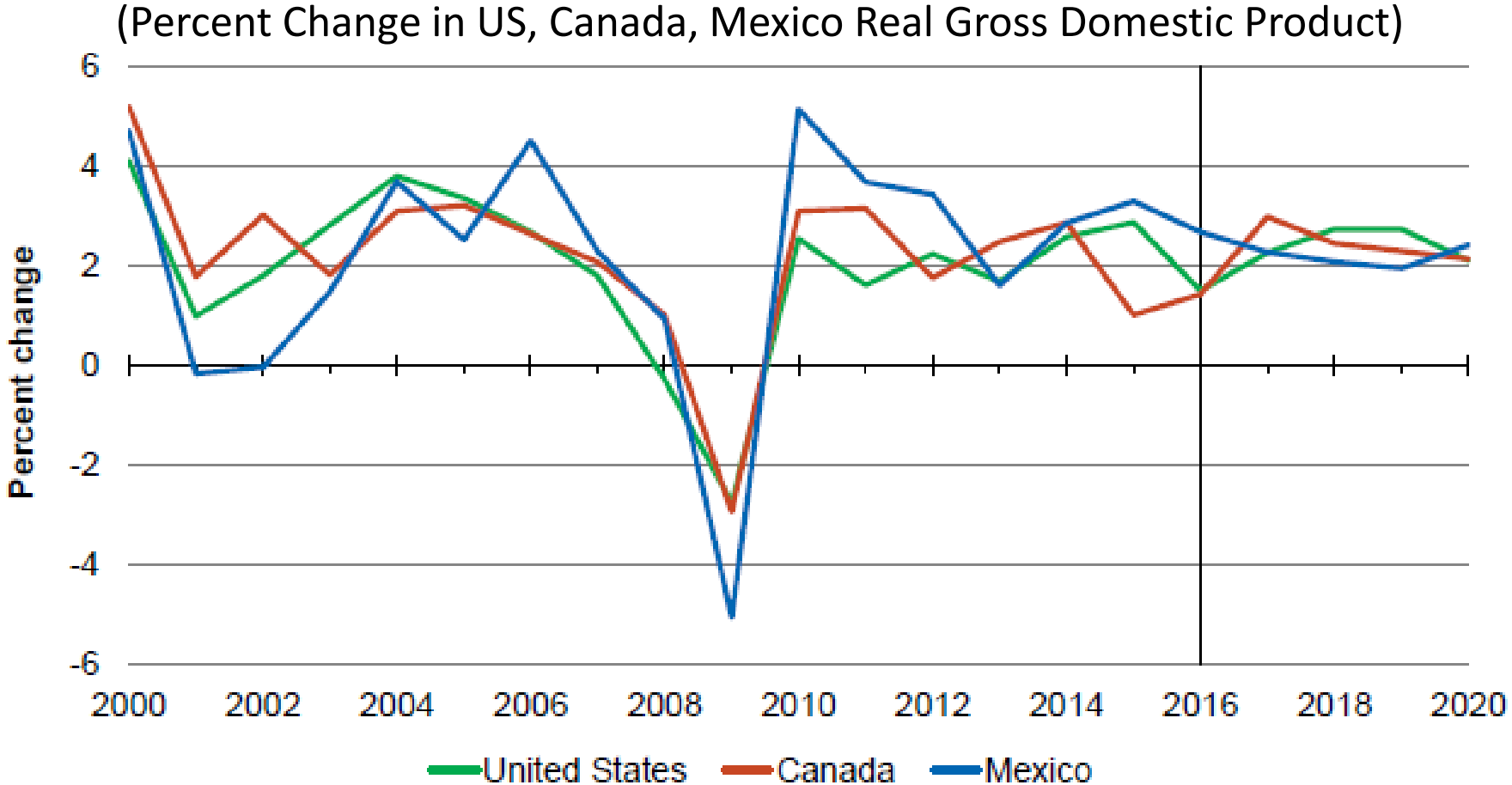


# World GDP Growth Rate Differences Affect Trade Growth



Source: IHS Markit

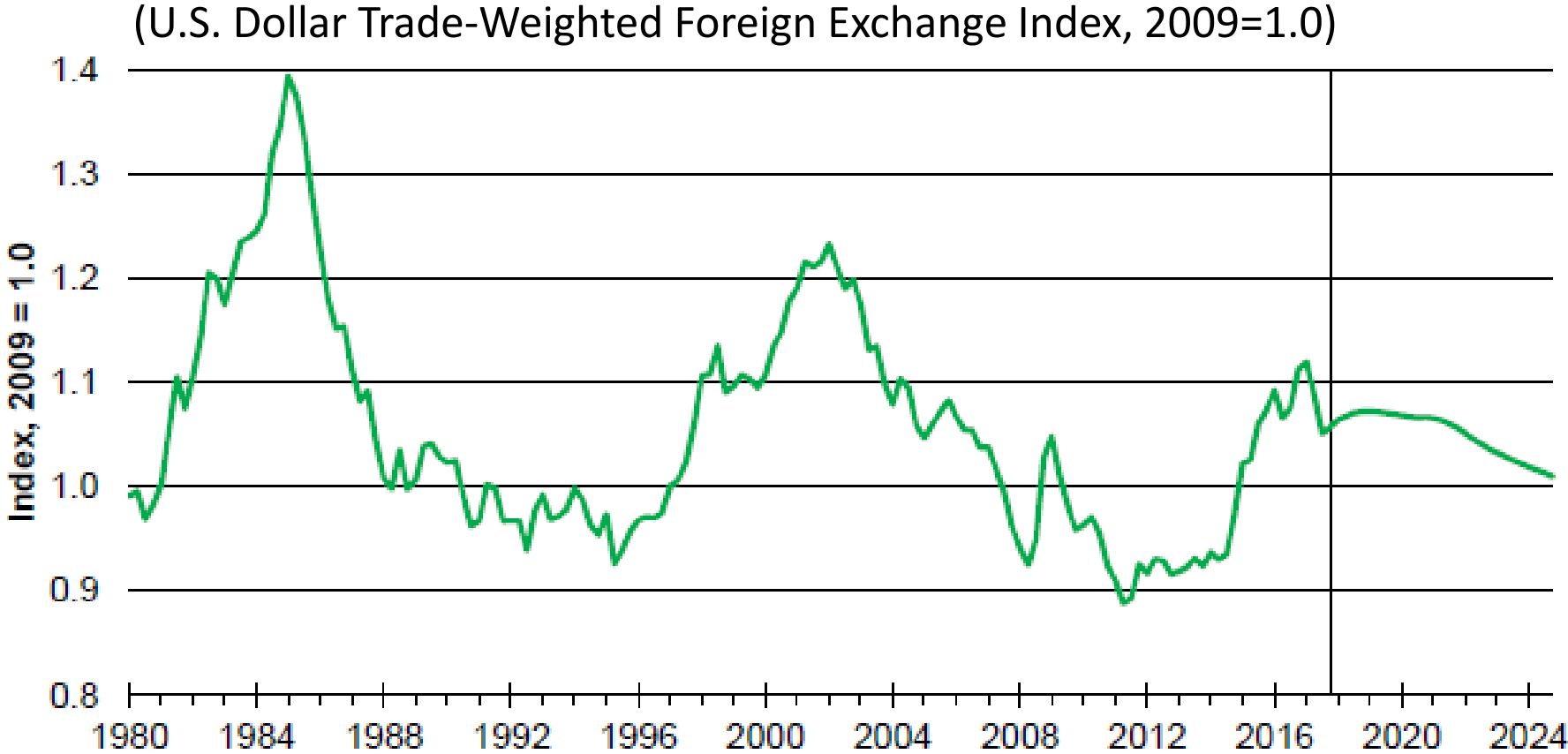
# North American Economies Growing Together Despite NAFTA Renegotiation



Source: IHS Markit

# U.S. Dollar Exchange Rate Has Fallen Since Late 2016

U.S. Dollar Decline Boosted U.S. Export Competitiveness in 2017

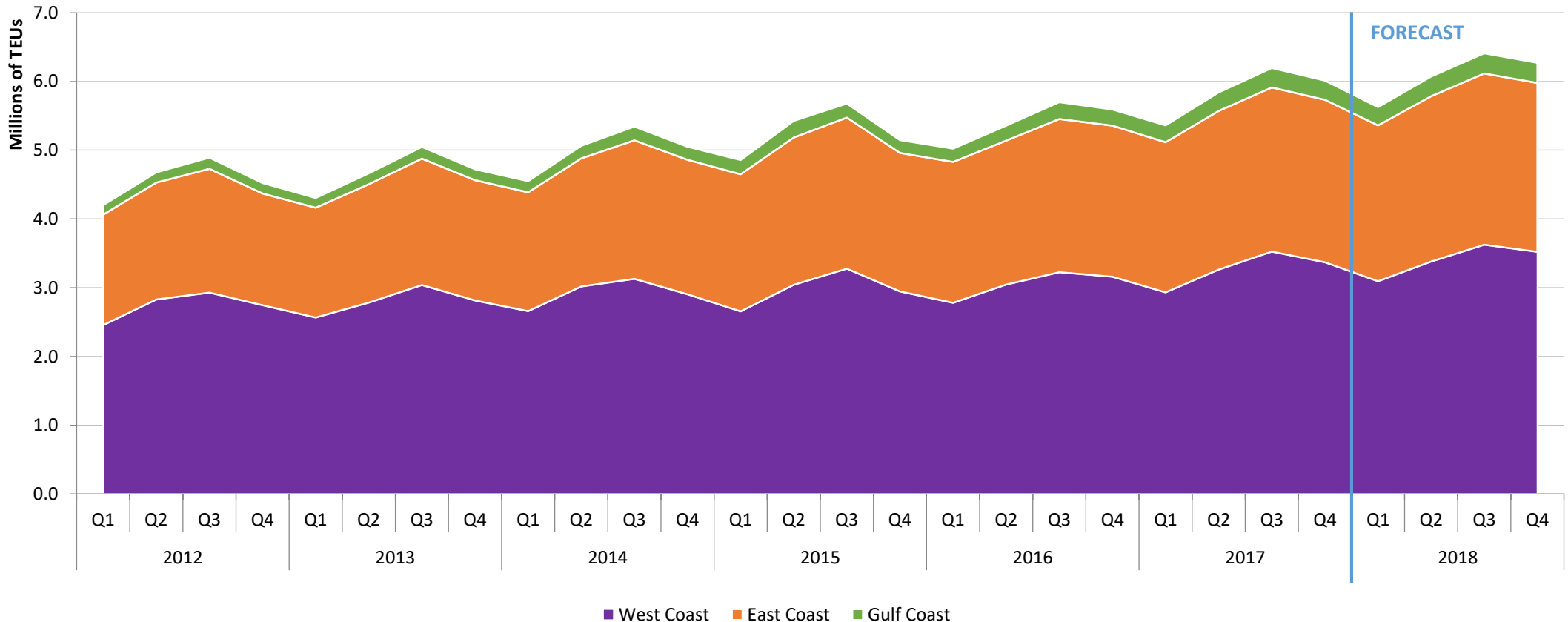


Source: IHS Markit

# Trade Volumes Boosted by Strong Demand Moderate Commodity Prices & Inflation

- Commodity price inflation forecast to be slower in 2018 in Latin America, except for Venezuela's hyperinflation.
- Commodity prices globally are forecast to rise much more slowly in 2018, following 50% increase in 2016 and a 17% rise in 2017
- U.S. faces higher inflation, off a low base, with wages up and tight supply situations with tax cuts and fiscal stimulus.
- Consumption driving developed economy imports and resource exporting economy export volumes.
- Dry & liquid bulk, breakbulk, Ro/Ro and project cargo volumes all forecast to see volumes increase in 2018.

# North American Container Imports Outlook



## Forecast for 2018 Growth over 2017:

Total: +4.1%

East Coast: 4.0%

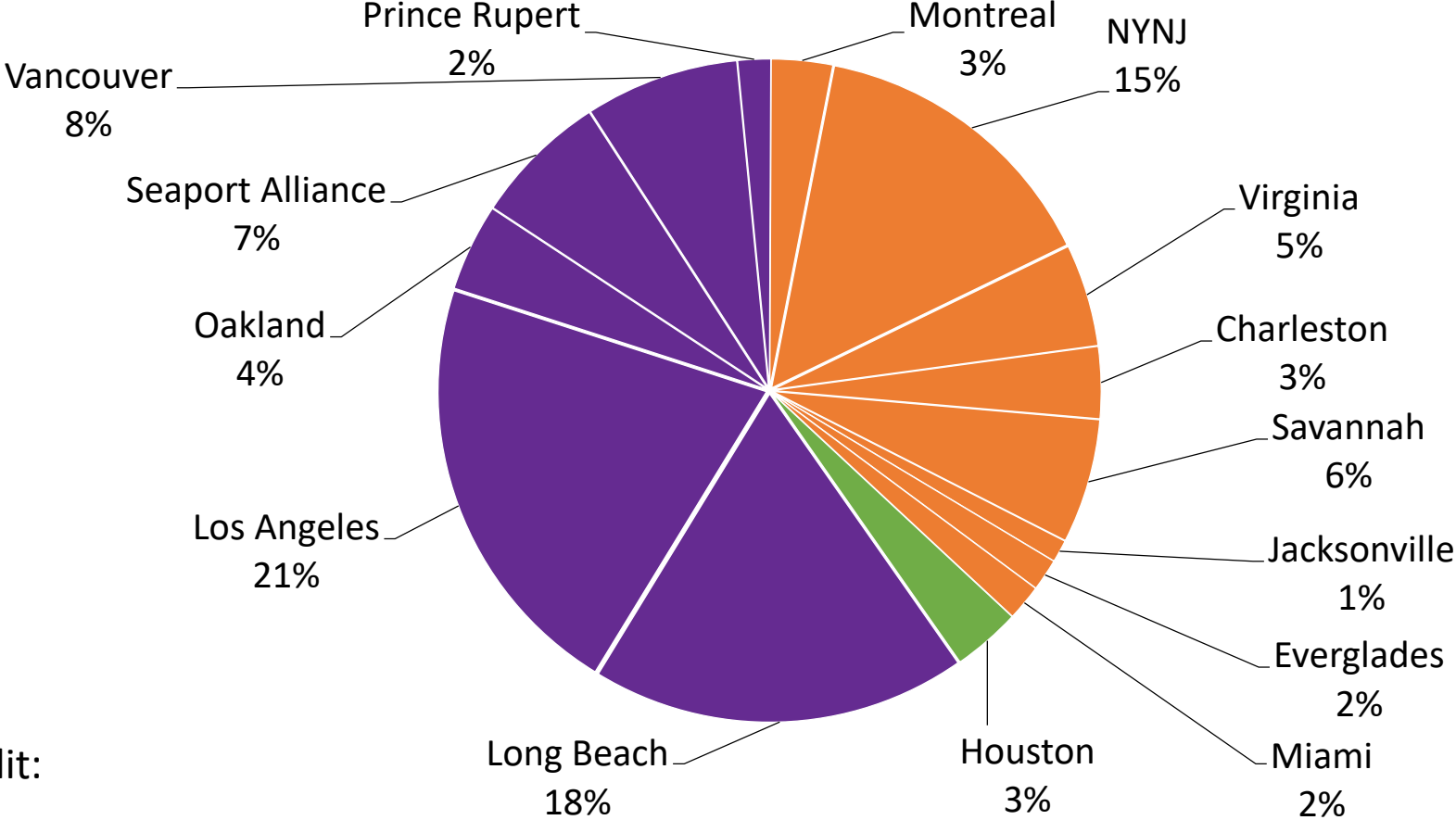
West Coast: 4.1%

Gulf Coast: 6.0%

Source: Hackett Associates Global Port Tracker



# N. American Container Imports: 2013



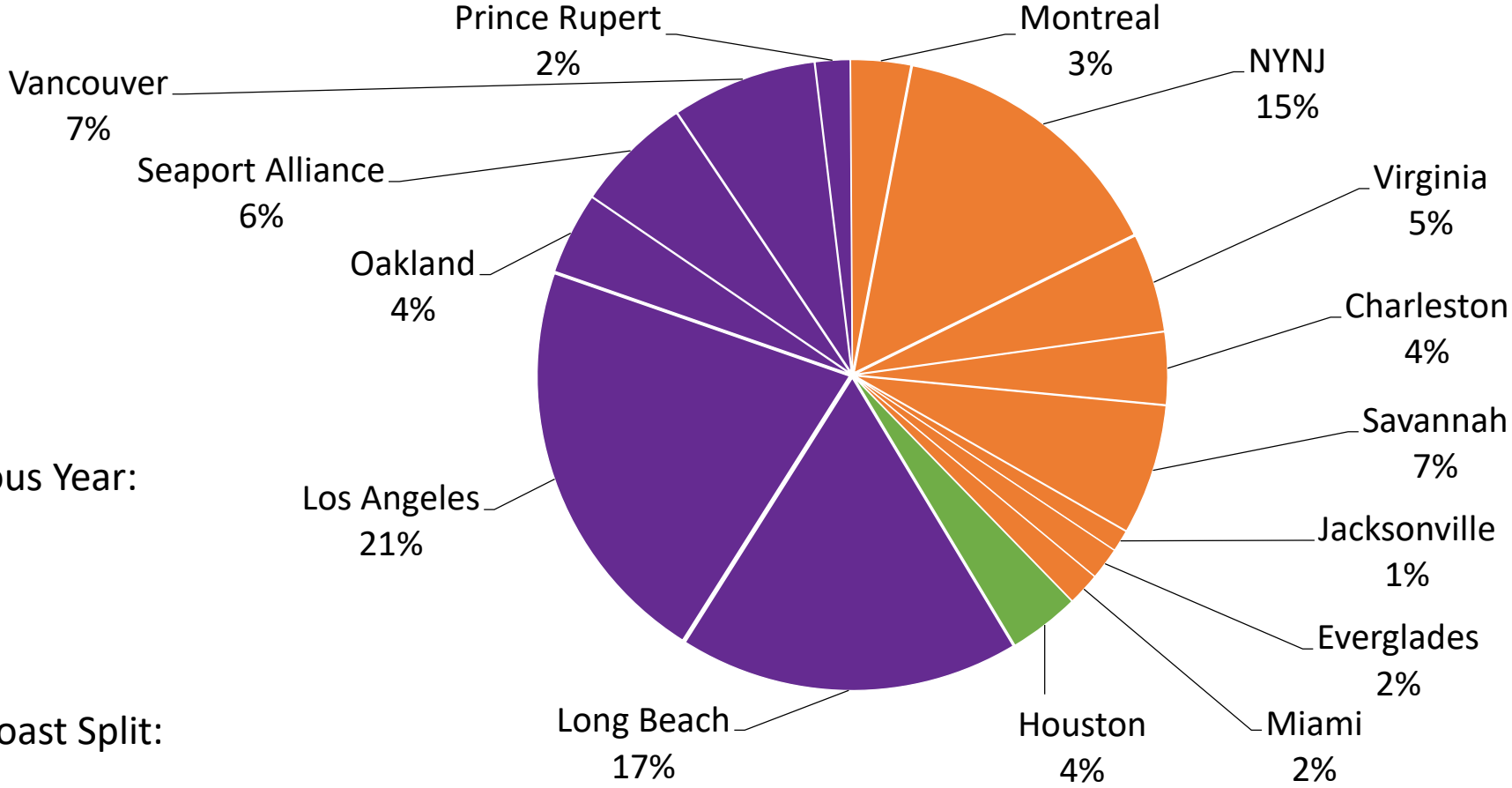
East Coast to West Coast Split:

38% - 62%

Source: Hackett Associates Global Port Tracker



# N. American Container Imports: 2014



Growth over Previous Year:  
+6.9%

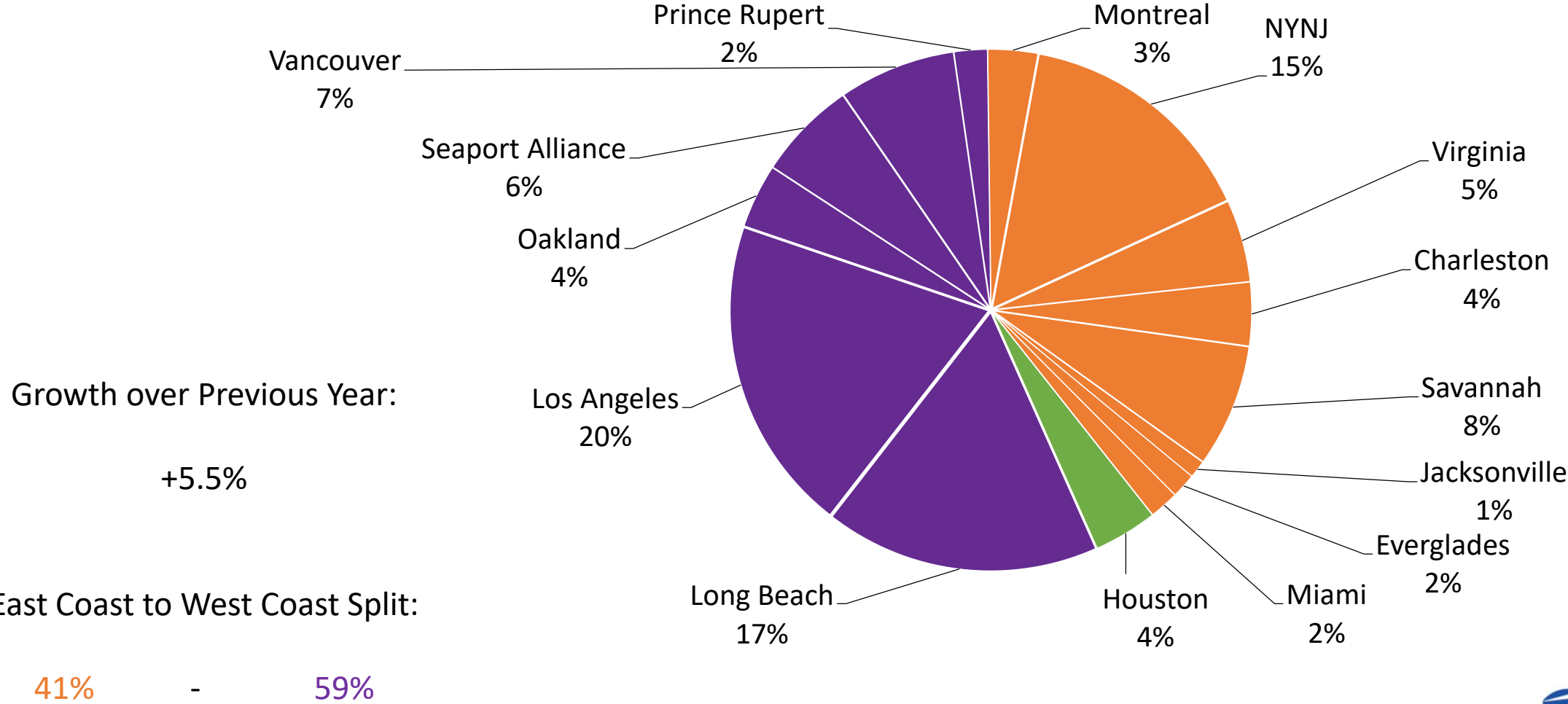
East Coast to West Coast Split:

39% - 61%

Source: Hackett Associates Global Port Tracker



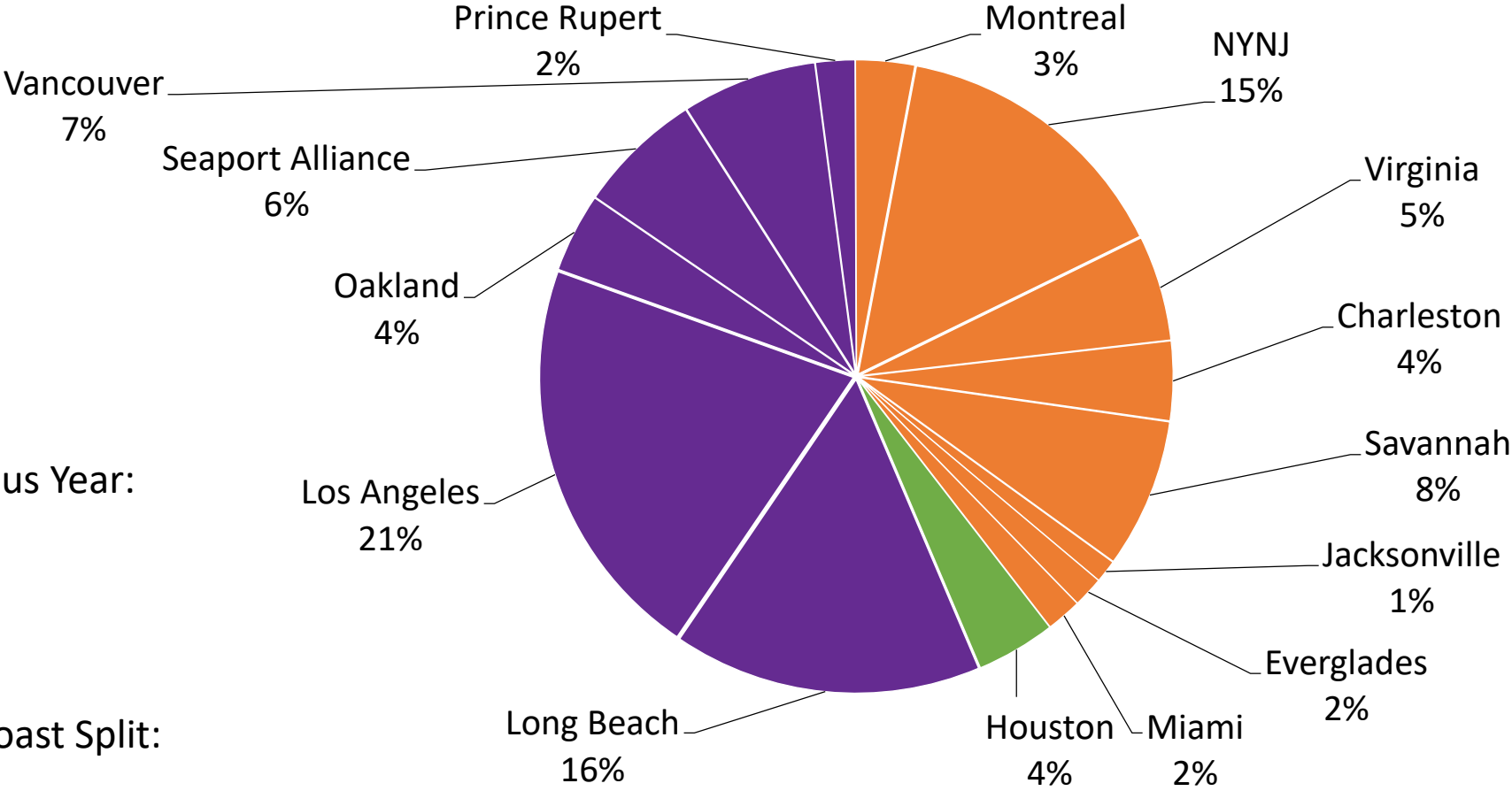
# N. American Container Imports: 2015



Source: Hackett Associates Global Port Tracker



# N. American Container Imports: 2016



Growth over Previous Year:  
+2.7%

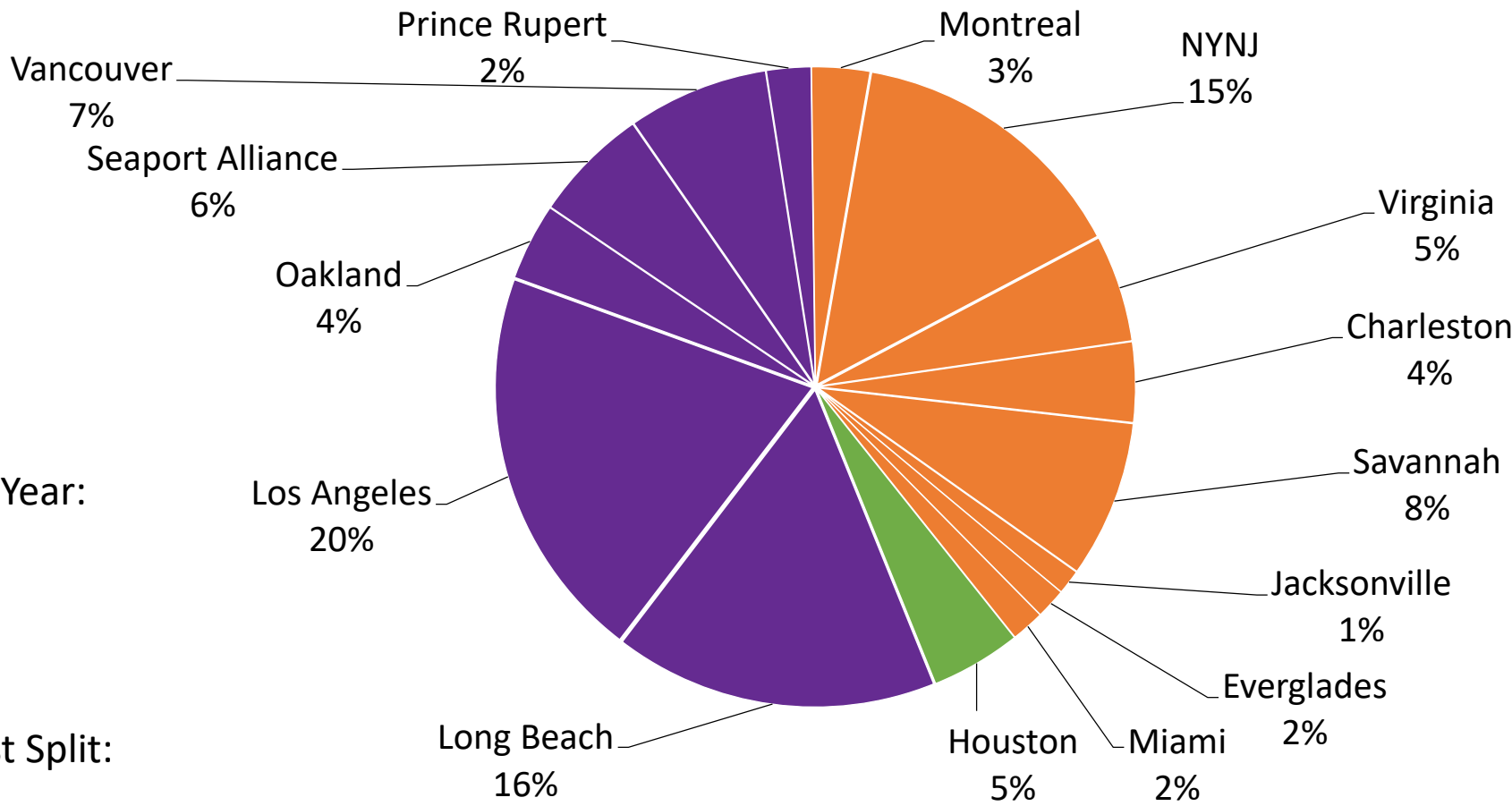
East Coast to West Coast Split:

41% - 59%

Source: Hackett Associates Global Port Tracker



# N. American Container Imports: 2017



Growth over Previous Year:  
+8.0%

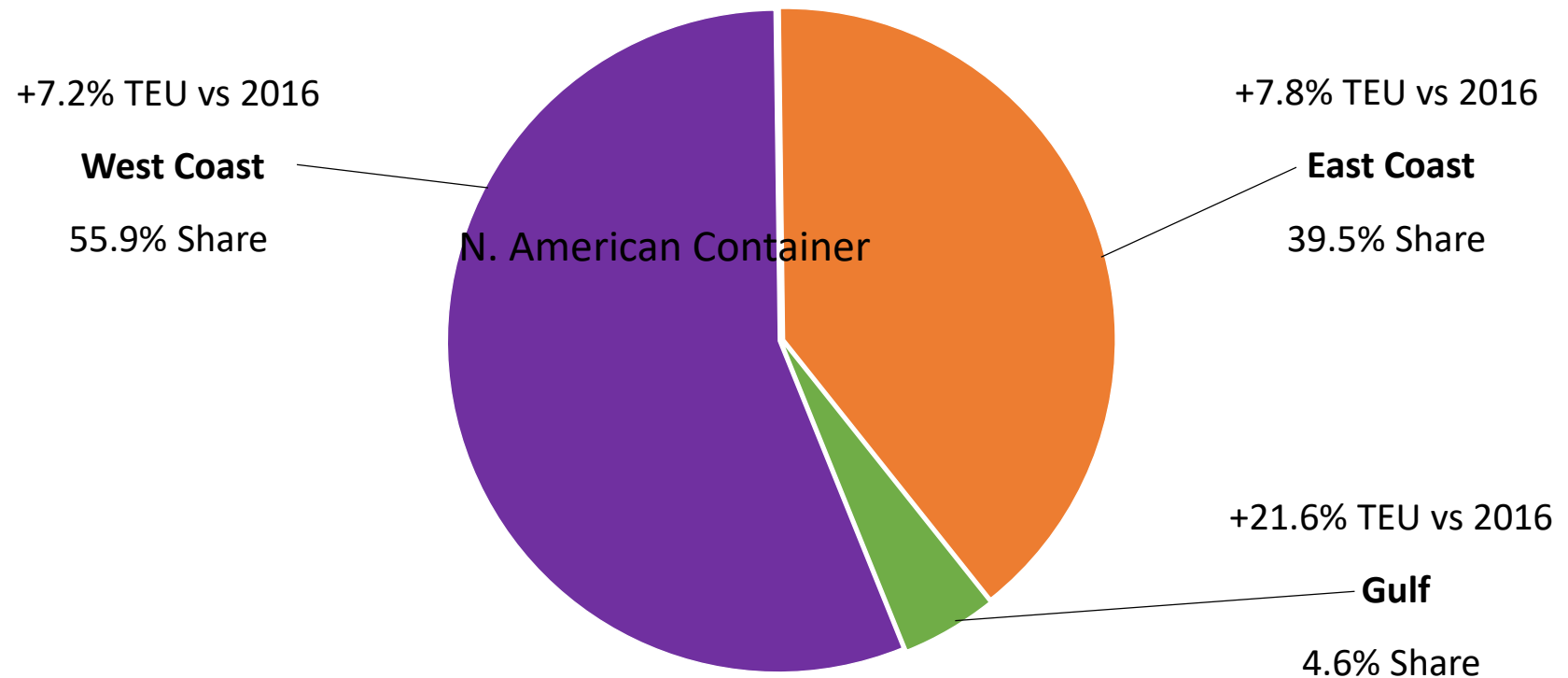
East Coast to West Coast Split:

41% - 59%

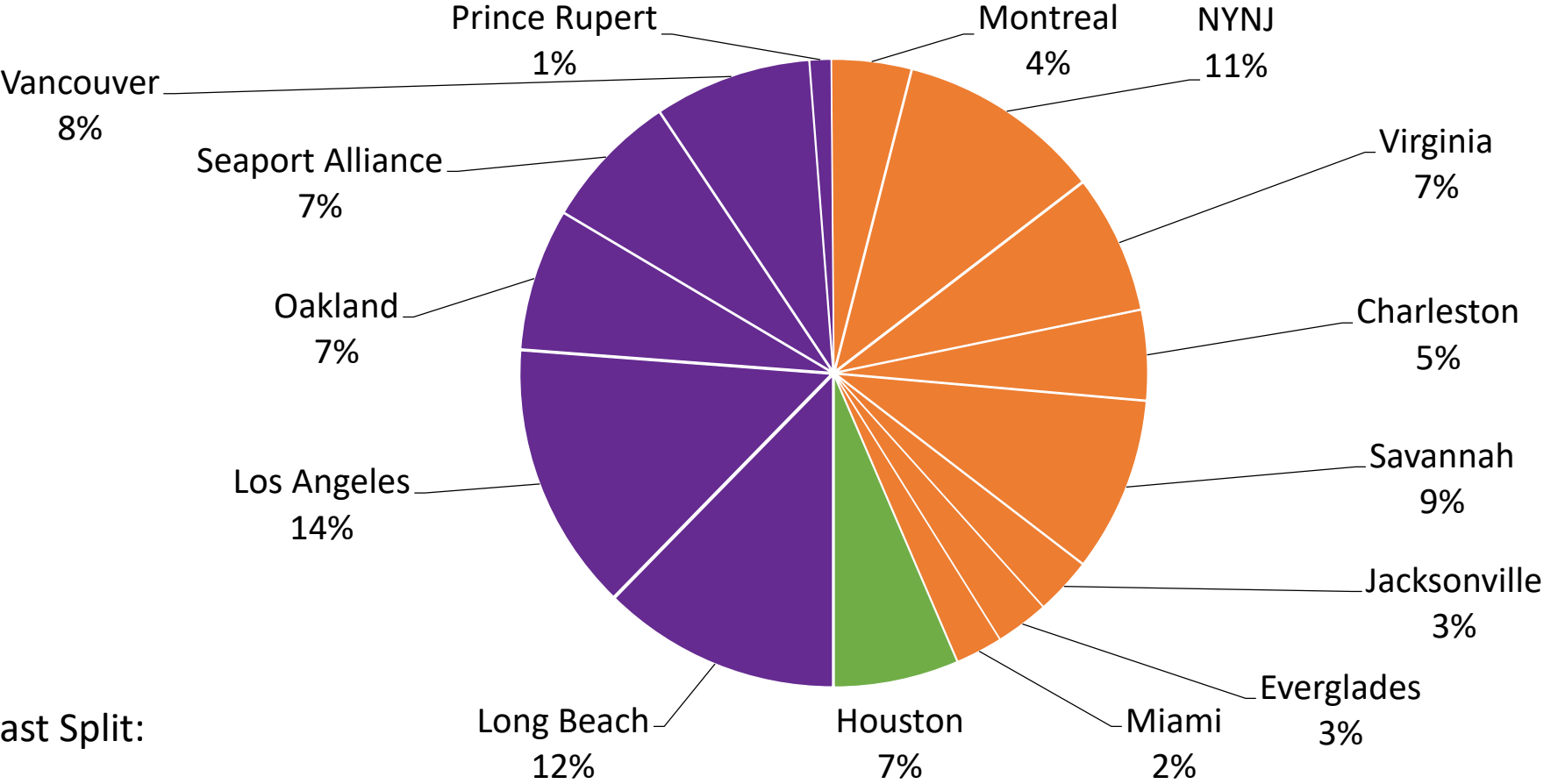
Source: Hackett Associates Global Port Tracker



# N. American Container Imports: 2017



# N. American Container Exports: 2013



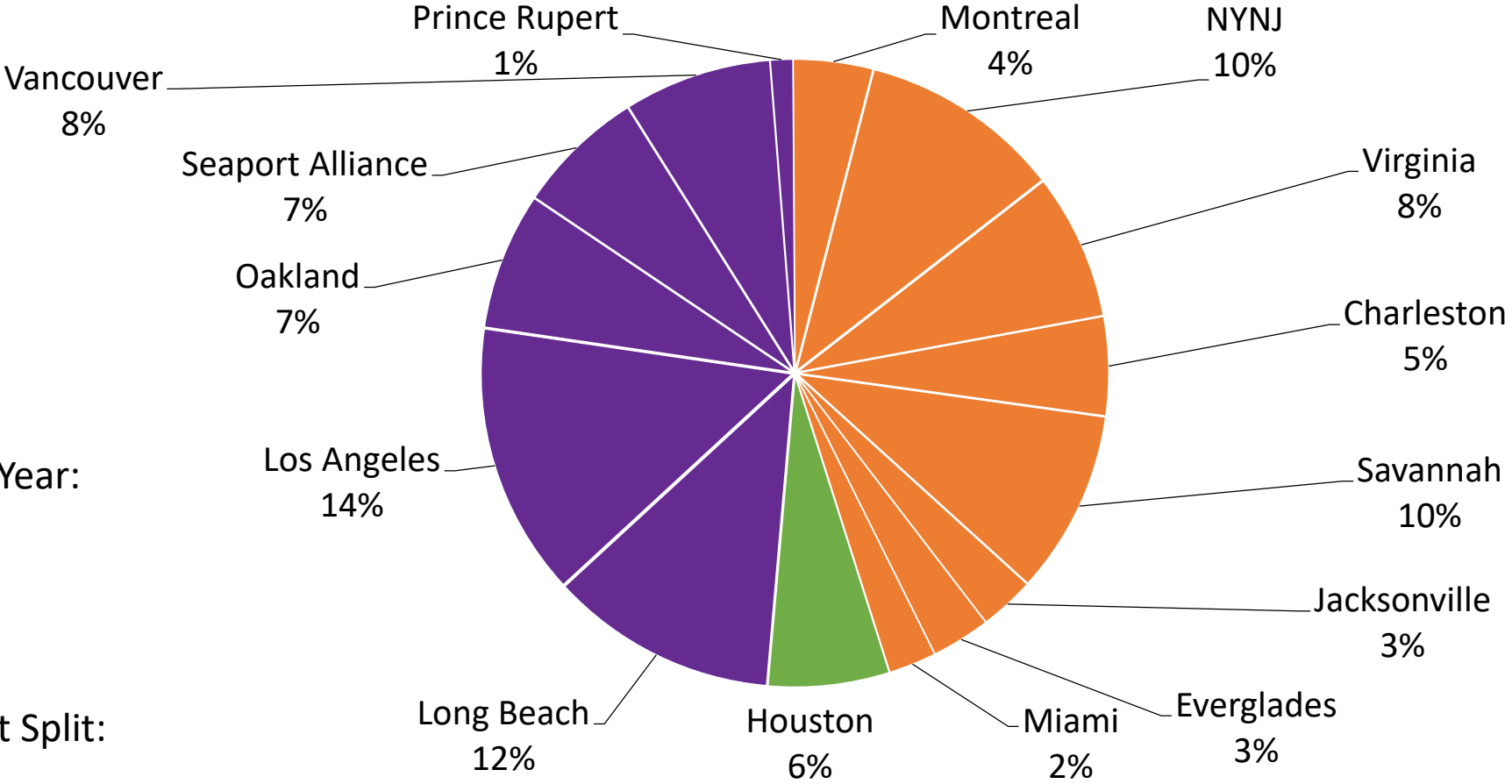
East Coast to West Coast Split:

47% - 53%

Source: Hackett Associates Global Port Tracker



# N. American Container Exports: 2014



Growth over Previous Year:  
-1.4%

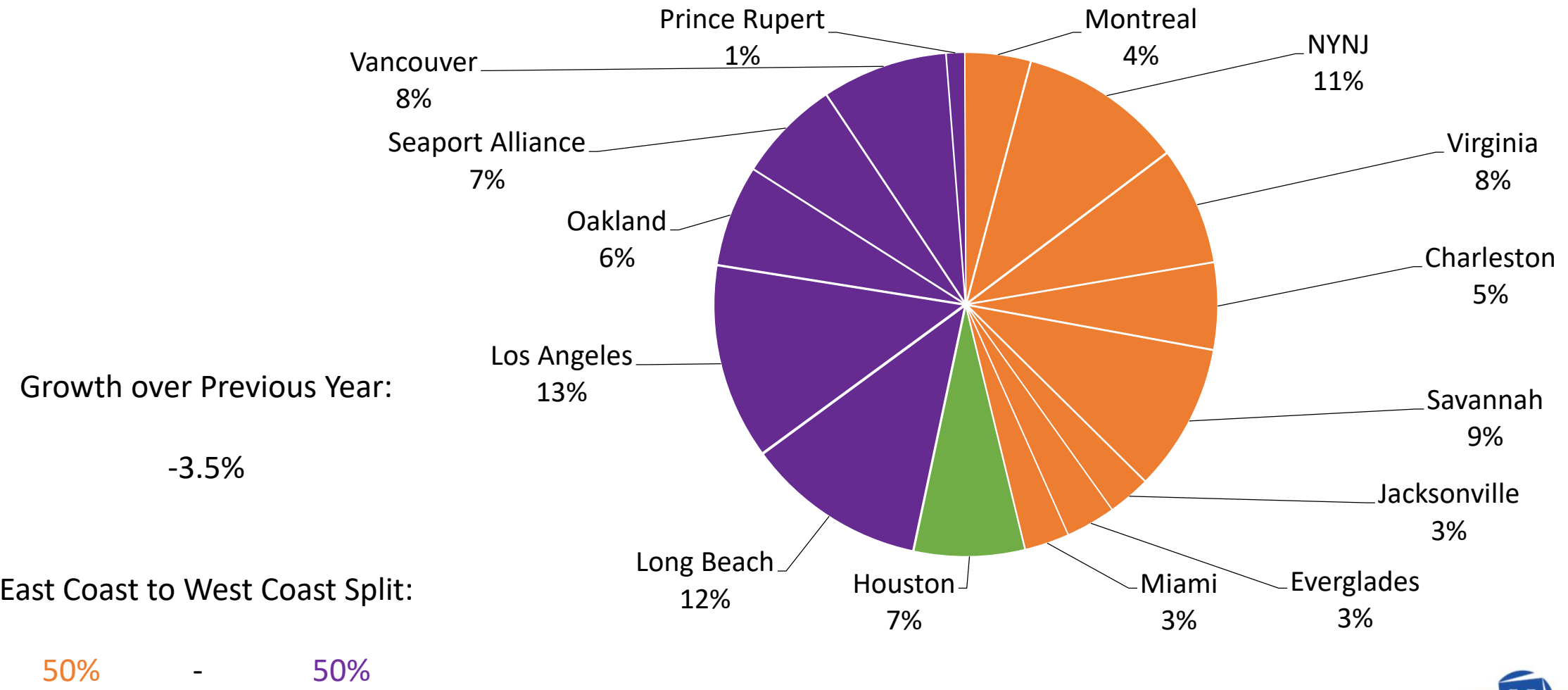
East Coast to West Coast Split:  
48% - 52%

Source: Hackett Associates Global Port Tracker





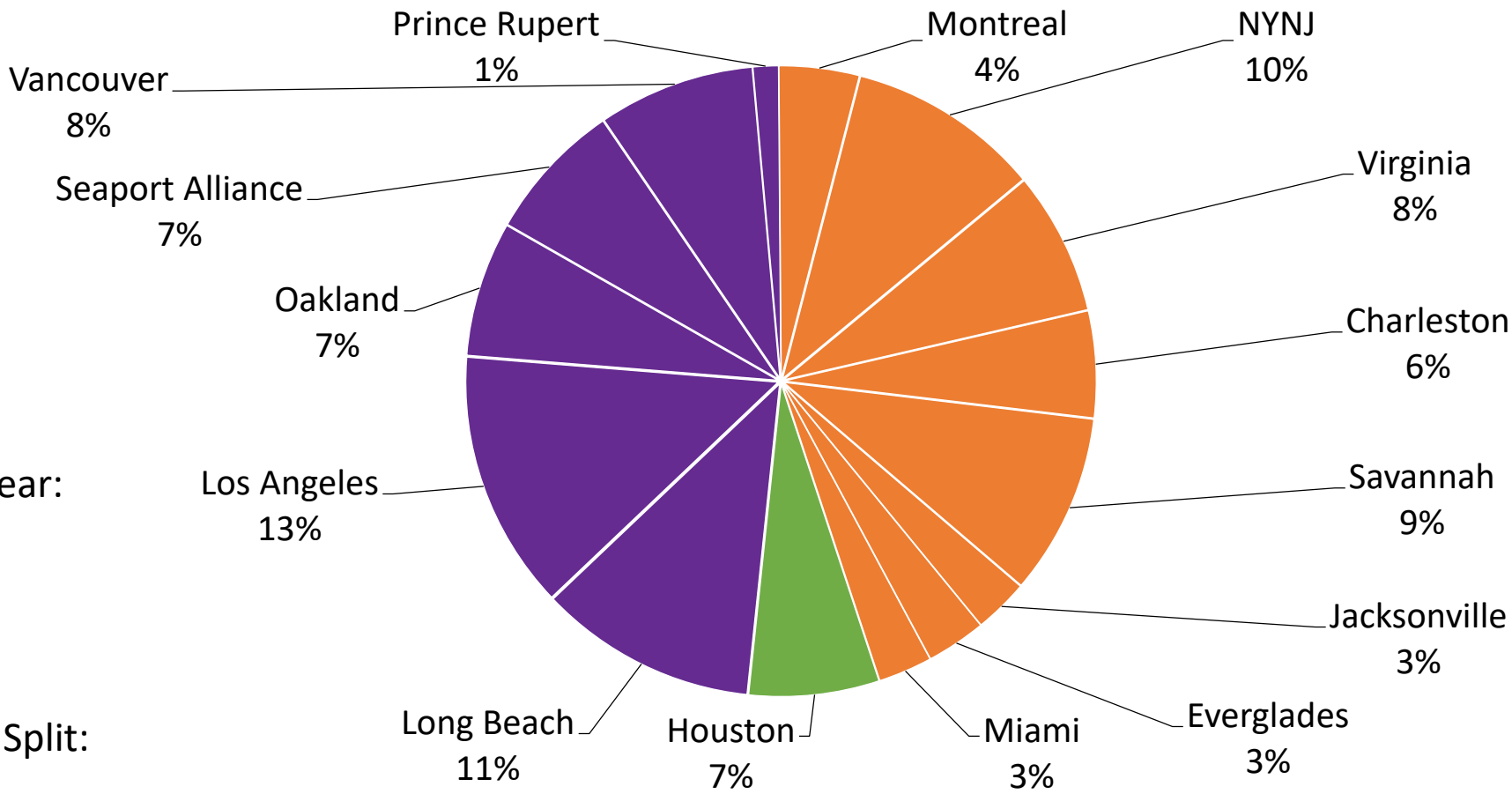
# N. American Container Exports: 2015



Source: Hackett Associates Global Port Tracker



# N. American Container Exports: 2016



Growth over Previous Year:  
+3.4%

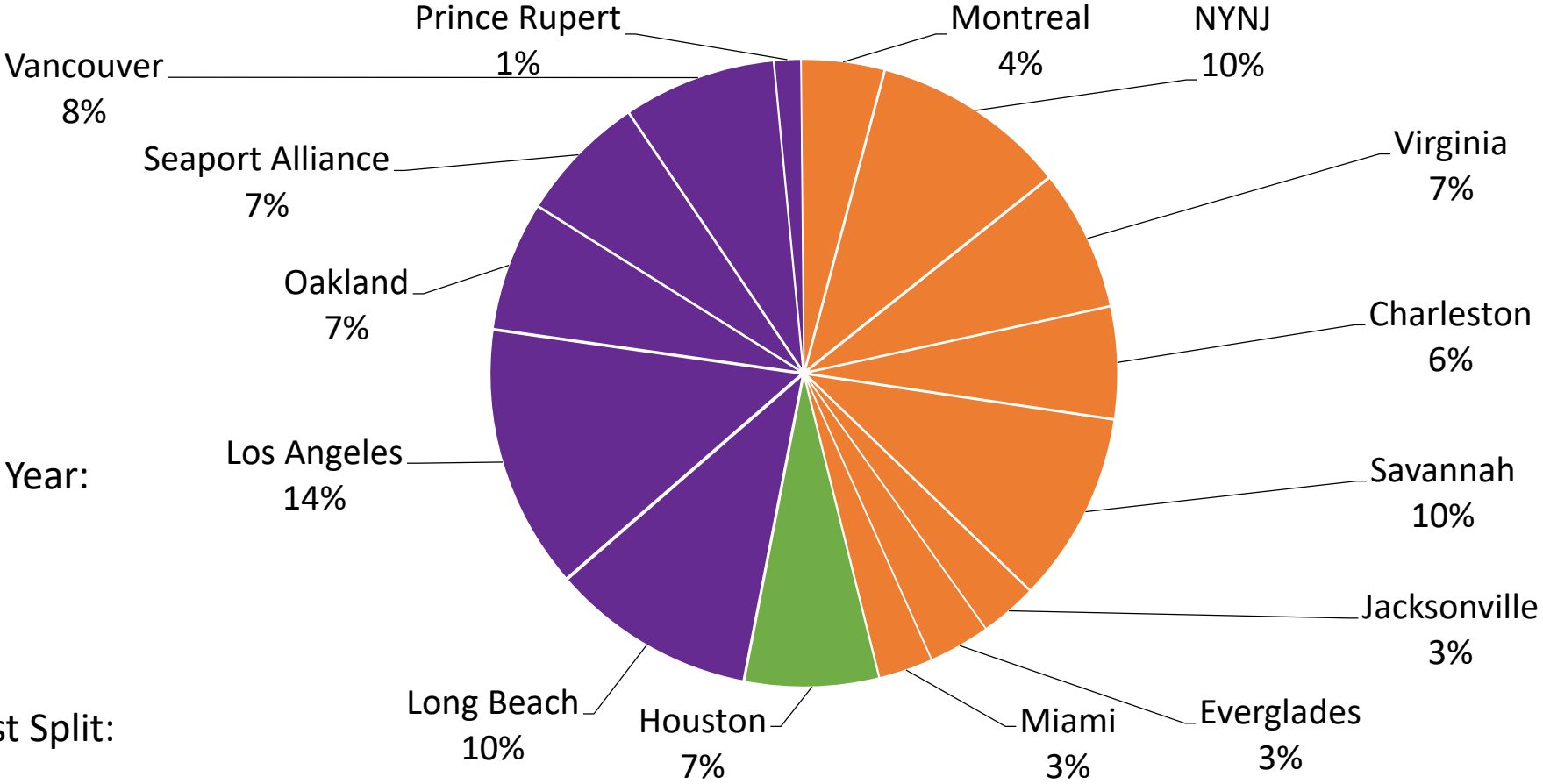
East Coast to West Coast Split:

48% - 52%

Source: Hackett Associates Global Port Tracker



# N. American Container Exports: 2017



Growth over Previous Year:  
+2.4%

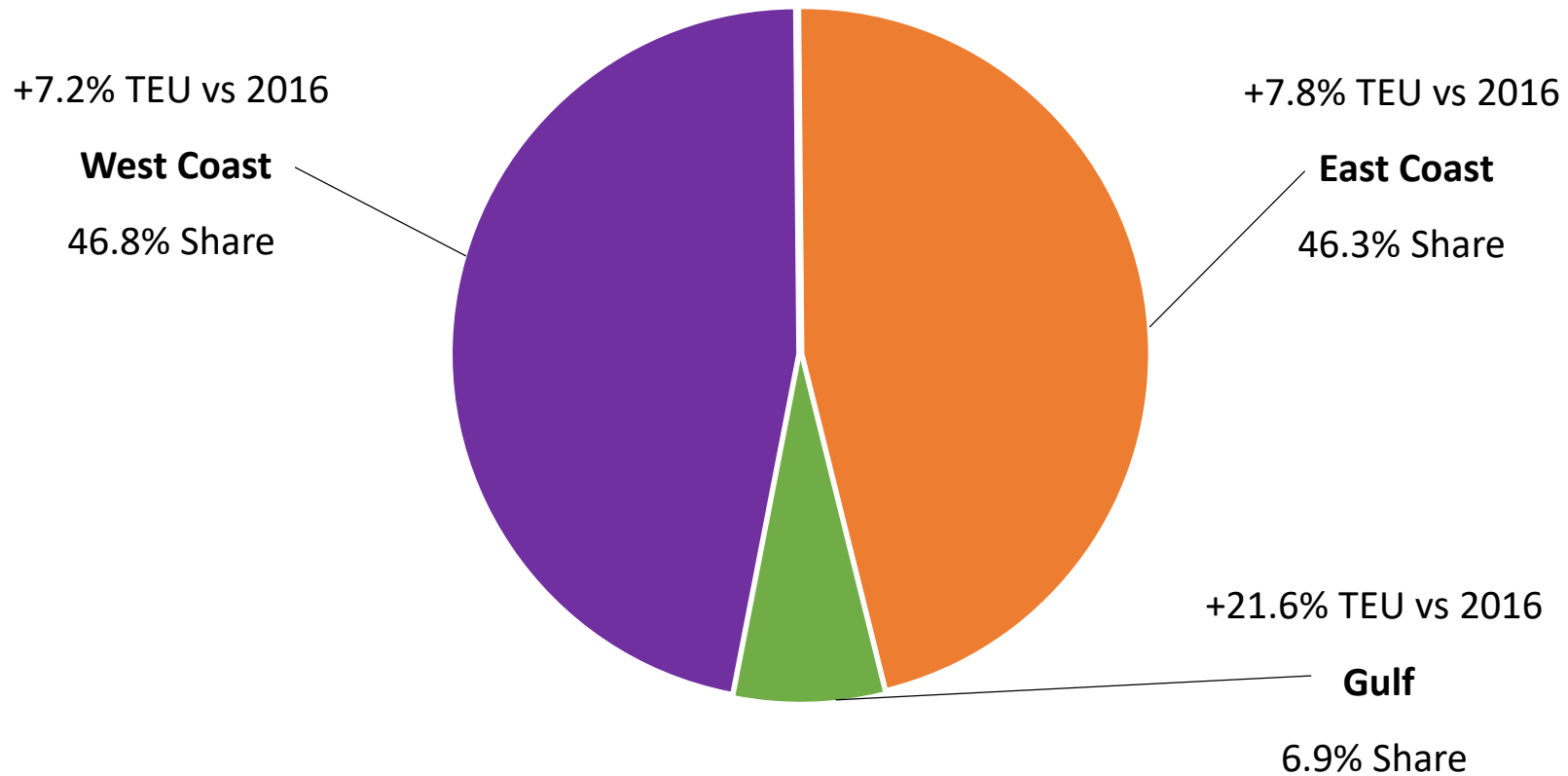
East Coast to West Coast Split:

50% - 50%

Source: Hackett Associates Global Port Tracker



# N. American Container Exports: 2017

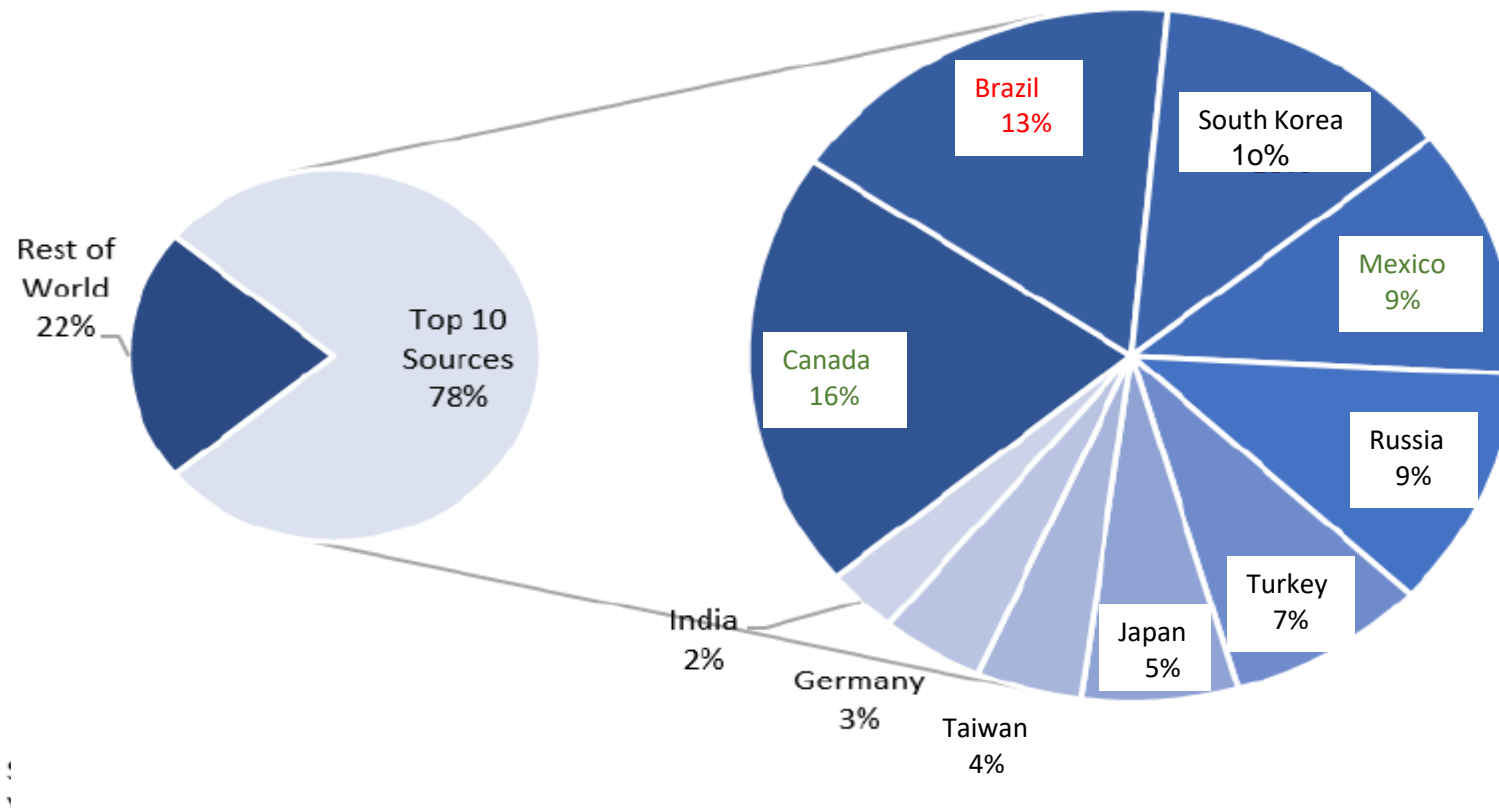


# Hemispheric Trade Liberalization Continues Outside the United States

- American Hemisphere countries pursuing trade agreements apart from the U.S.
- The new Comprehensive and Progressive Agreement for Trans-Pacific Partnership signed in Chile by 11 Pacific Rim countries replaces the TPP minus the United States
- Mercosur (Argentina, Brazil, Uruguay, Paraguay) in several trade negotiations now including with The Pacific Alliance (Chile, Peru, Colombia, Mexico), the European Union and with Canada

# U.S. Tariff Retaliation: China is Not the Most Affected by the New US 25% Steel Tariffs. **Brazil** is, after NAFTA Exemptions

(Top 2017 US Steel Import Source Countries, Percent of Volume)



# Tariff Retaliation Outlook

- Retaliation coming after U.S. national security justification used for steel and aluminum tariffs, and likely new China import tariffs
- American Hemisphere trade partner Brazil most affected by metal tariffs, after Canada and Mexico exemptions
- Retaliation by trade partners are typically against high profile U.S. export commodities significant in U.S. politics (e.g. agriculture)
- Which ports are affected partly depends on which commodities are selected for retaliation. Overall impacts on U.S. port trade volumes likely limited in 2018
- Further downside risk if U.S. expands import tariffs to other commodities in response to retaliation

# What Can We Conclude?

- Key drivers of port volumes, consumer and business import demand, are forecasted stronger in 2018 than 2017
- U.S. dollar exchange rates still below end-of-2016 peak, with little change in U.S. or trade partner trade competitiveness in 2018
- Strong consumer demand for imported finished products supports increases demand for trade in bulk and breakbulk intermediates and scrap.
- North American coastal container port shares nearly stable in 2018
- Retaliation against U.S. import tariffs unlikely to reduce Western Hemisphere port commodity volumes significantly in 2018
- Significant risks to the downside if trade retaliation increases back and forth, inflation prompts Fed to spike interest rates, and/or a sharp recession



Thank you!

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