

# **The Economic and Container Shipping Outlook: What It Means for North American Ports**

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## **Economic and Trade Outlook**

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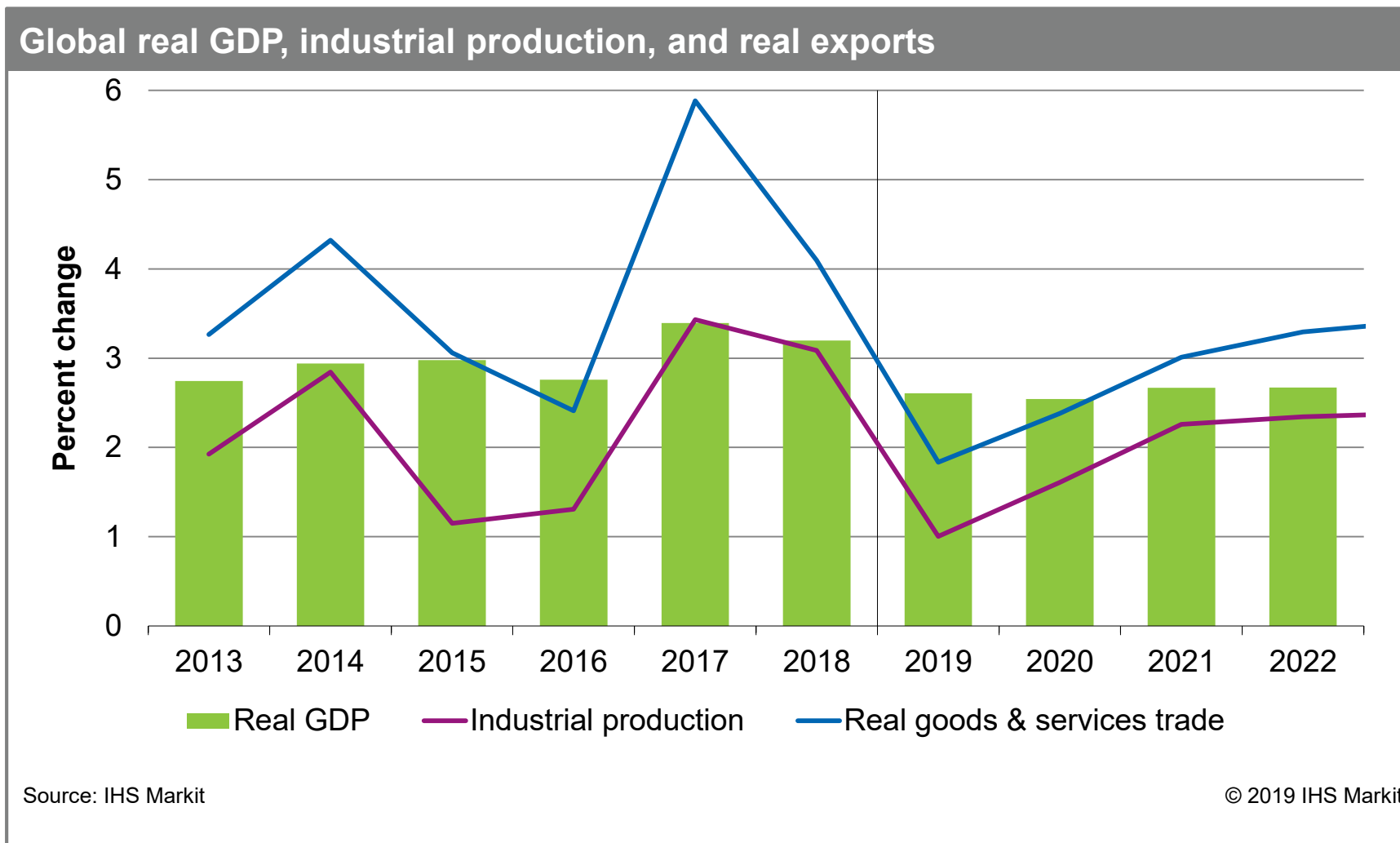
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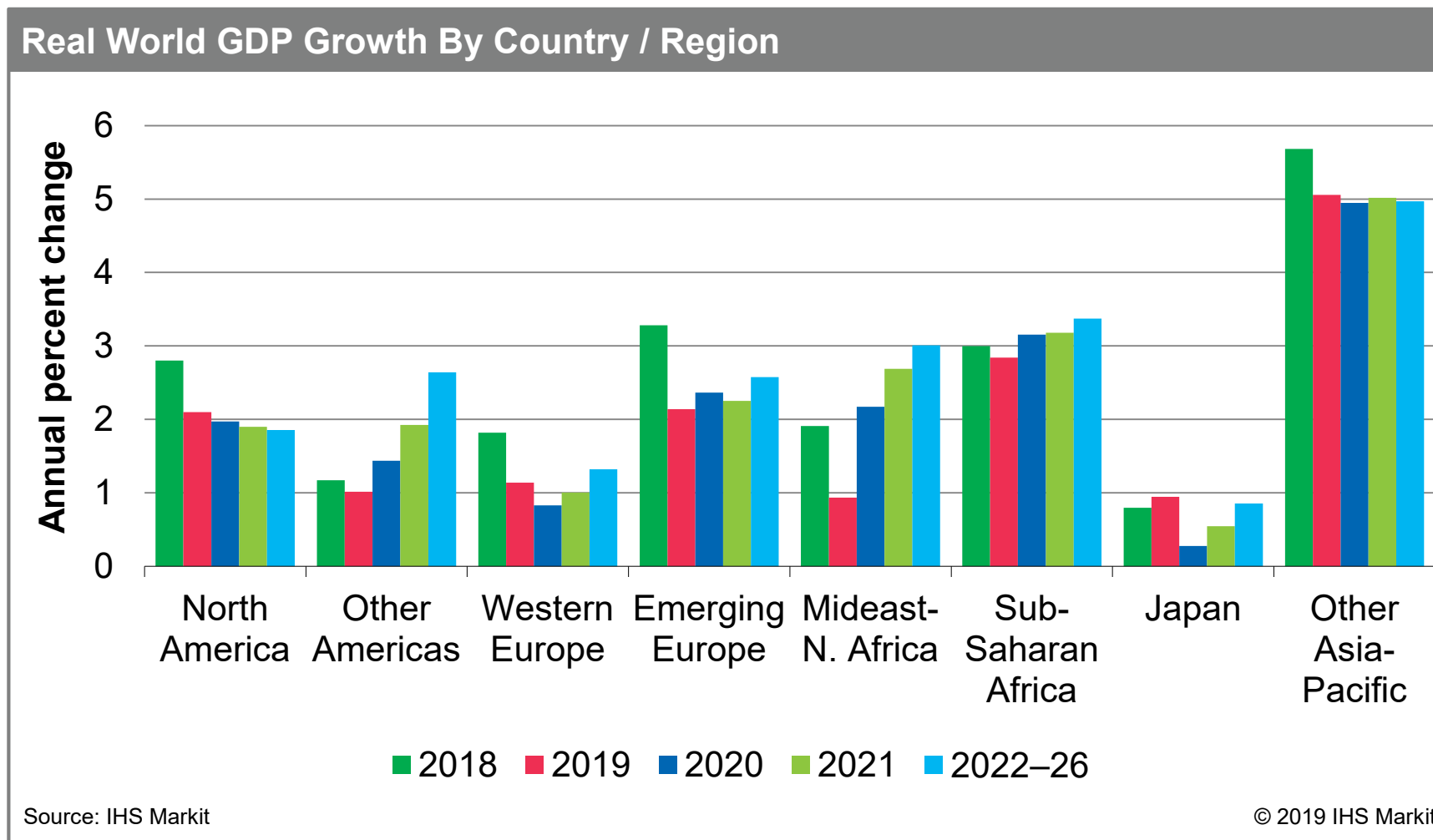
## U.S. and World Economic Growth Slightly Less in 2020

- Forecast for 2020 sees world economic growth of 2.5%, slightly slower than 2019 pace of 2.6%.
- The weak global economy means overseas container volume growth potential is limited.
- Assumptions behind the economic forecast include overseas policymakers providing more economic stimulus, and trade policy conditions not deteriorating further from new tariffs and non-tariff trade barriers.
- Despite the resilience of the U.S. consumer, U.S. container demand has been hit by the decelerations in international trade and in manufacturing in 2019, as well as tariff impacts on demand.
- Trade growth in 2019 also affected by an inventory correction after 2018 beat-the-tariffs importing.
- The U.S. and world economy is forecasted to avoid 2020 recession as U.S. consumer finances and improved market conditions, supported by central banks, will sustain US real and world GDP growth.
- World trade growth in 2020 forecasted to increase to 2.4% vs. 1.8% in 2019, driven by the U.S. and developing country demand apart from China.

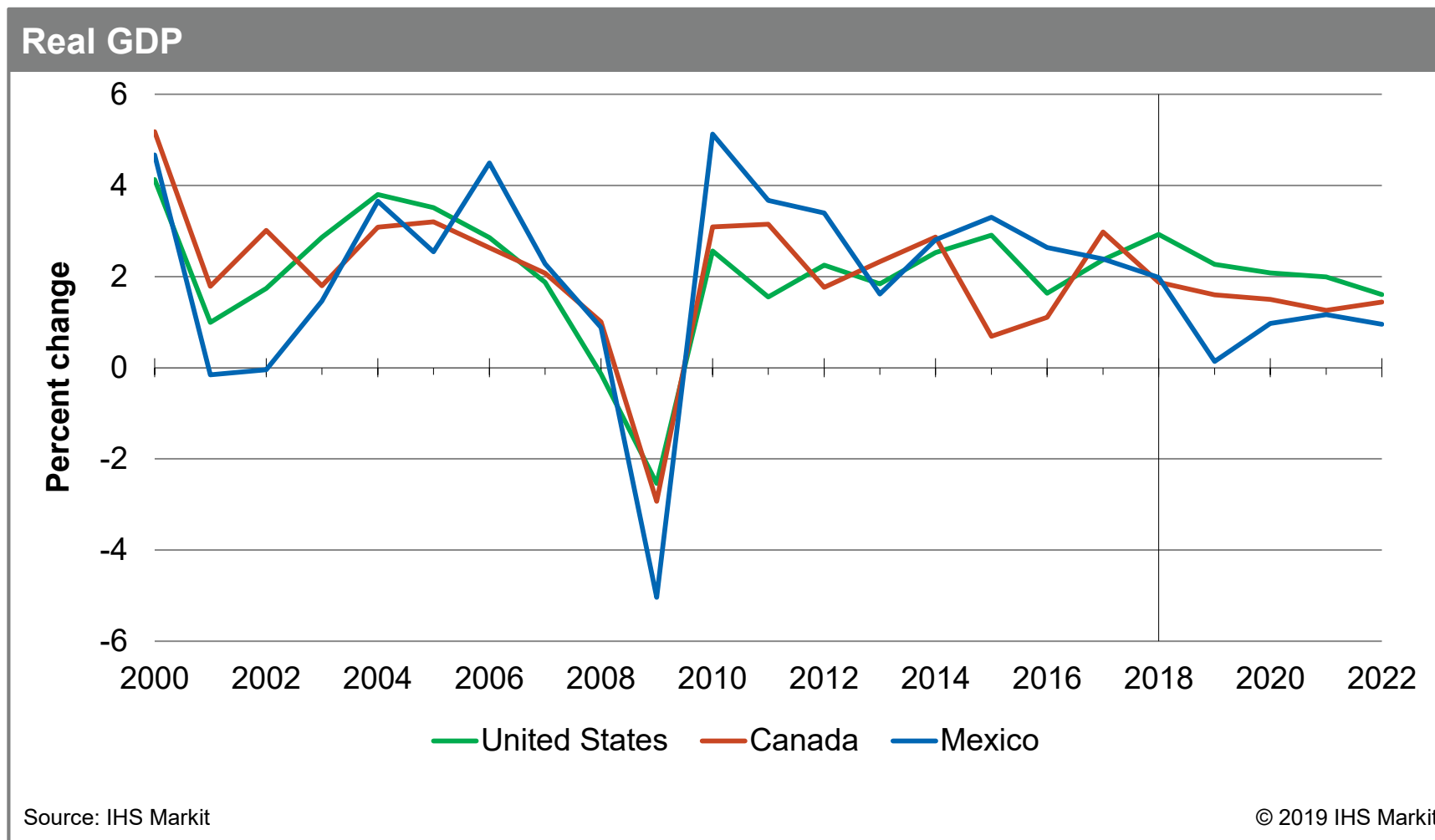
# The world economy, production and trade growth have slowed in 2019



# Container volume growth differences by trade lane reflect underlying economic growth by region for 2020



# Real GDP growth in North America has slowed in 2019 US and Canada growth slows further in 2020



## US economic growth is slowing to a 2% pace through 2021

- Real 2019 GDP slowed from 1<sup>st</sup> quarter's 3.1% annual rate to 2.0% in the 2<sup>nd</sup> quarter, 2.1% in the 3<sup>rd</sup> quarter and 1.6% in the 4<sup>th</sup> quarter.
- US trade policy and faded fiscal stimulus contribute to slower real GDP growth of 2.3% in 2019; 2.1% in 2020 and 2.0 in 2021.
- Continued US consumer spending is supported by gains in employment, real wages, and household wealth.
- E-commerce consumption is still increasing strongly, at about 8% growth in 2019, accounting for a larger share of retailing, now 21%.
- Capital spending has decelerated in response to trade policy uncertainty and a gradual slowdown in output growth.

## Risks to trade forecasts are many, mostly on the downside

- New trade policy changes such as:
  - NAFTA replacement USMCA further delayed slowing trade-related investment
  - Increased U.S. tariffs against China; new U.S. tariffs against other countries
  - More retaliatory tariffs on U.S. exports further hitting farm and manufacturing exporters
  - More U.S. trade / financial sanctions for military / political / policy reasons
- Sharp European and/or Asian recession (e.g. BREXIT, Hong Kong confrontation)
- Unexpectedly high diesel fuel price spike with global IMO 2020 low sulfur marine fuel regs
- Crash in world oil/gas prices leading to rapid drop in U.S. exploration, production and shipping
- Financial market disruption followed by consumer spending drop from reverse wealth effect



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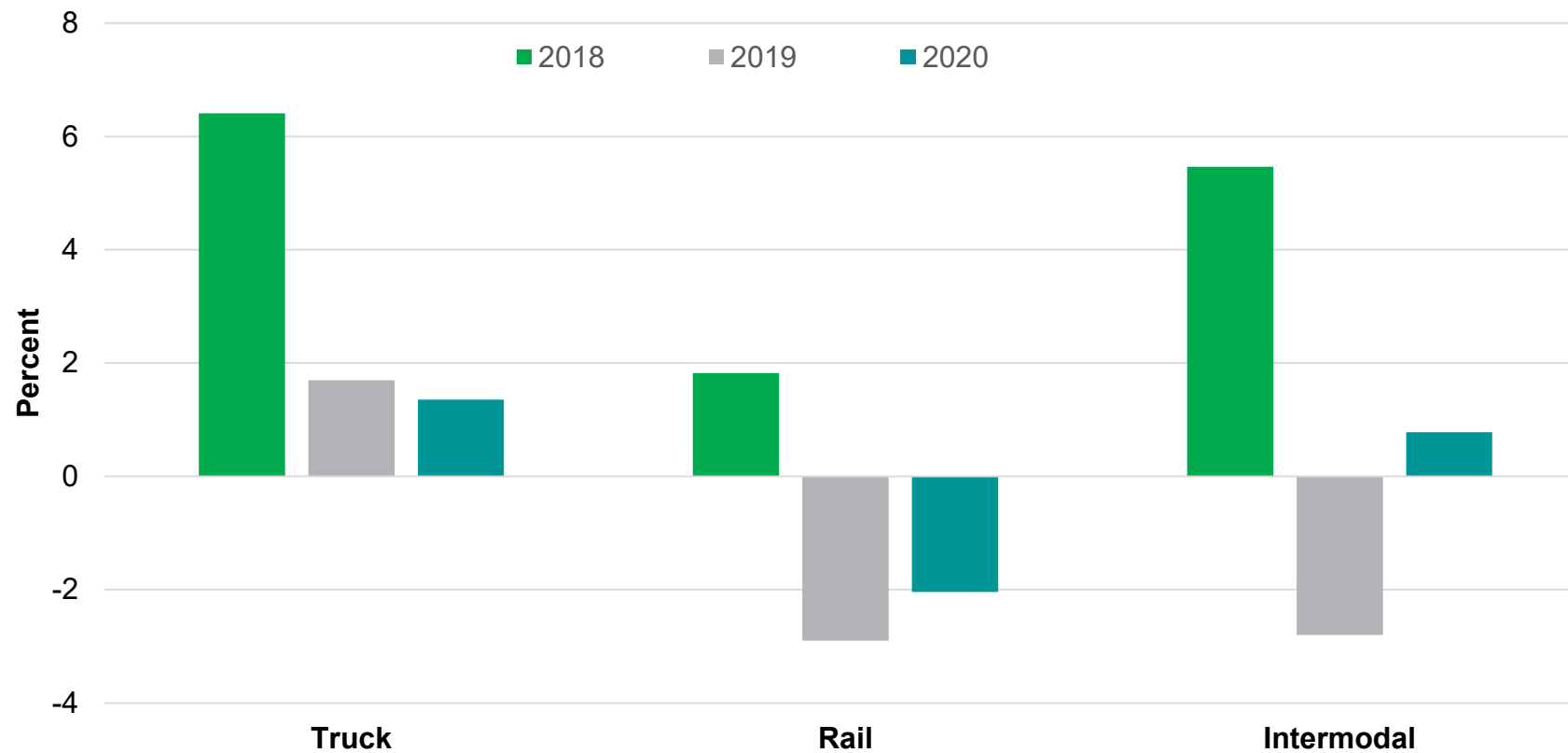
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# Modal freight tonnage growth remains weak in 2020

Forecast Modal Tonnage Growth 2018 - 2020



Source: IHS Markit

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