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ECONOMIC INDICATORS – AUGUST 2010

EXPORT THE RECESSION OUT OF THE U.S.

BROOKINGS STUDY: How U.S. Metros Lead National Export Growth and Boost Competitiveness

- Increasing U.S. exports creates a significant number of good-paying U.S. jobs. In 2008 exports supported 11.8 million jobs nationally and 7.7 million jobs in the top 100 metro areas. These jobs account for 8.3% of the nation's employment and 8.1% of all employment in the largest 100 metros areas.
- The largest 100 metropolitan areas produce most of the nation's exports (estimated 64% of U.S. exports in 2008, including 62% of U.S. manufactured goods and 75% of services). The 10 metropolitan areas with the highest value of exports produced about 43% of all the top 100 metro areas' exports in 2008, even though they contain just 38% of the population.
- Strong manufacturing and patent producing metro areas generate more shares of exports. Metro areas that specialize in manufacturing tend to export the largest shares of their GMP. Export-oriented metropolitan areas are also significantly more innovative. This may be explained by existing evidence that more innovative firms are more likely to export internationally and that activity reinforces innovation through competition.
- Between 2003 and 2008 four metro areas doubled the real value of their exports: Houston through sales of chemicals, Wichita based on its powerful aviation cluster, Portland through computer and electronics, and New Orleans driven largely by oil refining.
- Export industries pay higher wages than domestic oriented industries. For every \$1 billion in exports of a metro area industry, workers in that industry earn roughly 1-2% higher wages.
- Future export growth will come increasingly from large emerging markets. U.S. exports to Brazil, India, and China have doubled in size between 2003 and 2008. These countries are expected to account for 1/5 of the global GDP in 2010 and surpassing the United States for the first time. Metro areas that produce U.S. exports to these countries are well positioned to take advantage of the growth.

Source: Brookings, July 2010

PORTLAND'S UNIQUE EXPORT PROFILE

- Portland's \$22 billion in total exports represents 20.6% of what the region produced and supported 125,626 jobs.
- Portland has experienced robust export growth by expanding 20.2%. The average wages in its largest export industry was \$91,535 and much higher than the U.S. average.
- Major export industries are Computer and Electronic Product Manufacturing, Royalties from Intellectual Property, Primary Metal Manufacturing, Machinery Manufacturing, and Transportation Equipment Manufacturing.

Source: Brookings, July 2010

	Seattle	Portland	Boise
Annual exports (billions)	\$24	\$22	\$3
Ranked among top 100 metros	10	12	77
Export-related jobs	196,000	125,626	30,549
Average wage in leading export industry	\$81,004	\$91,535	\$67,502
Metro's per capita personal income	\$50,471	\$39,436	\$35,296

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EMPLOYMENT/UNEMPLOYMENT

Unemployment rate steady since late 2009

- Oregon's seasonally adjusted unemployment rate at 10.5% and essentially unchanged in 8 months
- Government employment declined in June, due mainly to the ending of 2,600 temporary Census jobs; Professional and business services (-2,500 jobs) due to below-normal hiring; Trade, transportation, and utilities (+1,500 jobs) typical to seasonality; Financial activities (+300 jobs) and fairly constant in the first half of 2010; Educational and health services (- 2,400 jobs); Construction (+ 2,100) as it ramped up for the busy summer building season; Manufacturing (+2,200 jobs) though below its normal seasonal gain of 2,800

Source: Oregon Employment Department; Oregon Labor Trends

OTHER KEY INDICATORS

Housing: Home prices not reflecting signs of sustained recovery

- 10-City Composite is up 5.4% from May 2009 and positive month over month April/May 2010
- Housing market currently in a strong seasonal period for home prices, so positive gains largely expected
- Impacts from the homebuyers' tax credit will fade after June 30th 2010. It's important to watch how market reacts after temporary stimuli fades
- June's existing new home sales and housing starts data not reflecting real improvement. It's quite possible the housing market might bounce along the bottom for the foreseeable future

Source: S&P Case-Shiller Index

Oil: June crude oil prices hover in the high \$70's but rising in July

- Crude oil prices expected to be higher as crude PPB closes above \$78 in July 2010
- Prices projected to average \$81 per barrel over the fourth quarter of 2010 and \$84 in 2011
- U.S. Gas prices expected to average \$2.77 per gallon during 2010 and rise to an average of \$2.92 in 2011
- U.S. Diesel prices expected to average \$2.97 per gallon in 2010 and expected to rise to \$3.14 in 2011
- Source: Energy Information Administration

Indicators			
UNEMPLOYMENT RATE (Seasonally Adjusted)			
	U.S.	Oregon	Portland
Jun-10	9.5	10.5	10.0
May-10	9.7	10.6	10.3
Jun-09	9.5	11.6	11.0
Source: Oregon Employment Department			
EMPLOYMENT (Total Nonfarm - Seasonally Adjusted)			
	U.S.	Oregon	Portland
Jun-10	130,470,000	1,594,600	954,900
YOY Change:	-0.8%	-1.0%	-1.7%
MOM			
Gain/Loss:	-125,000	-3,600	-2,500
Source: Bureau of Labor Statistics			
HOME PRICES (Seasonally Adjusted)			
May			
	Monthly Change	Yearly Change	
San Francisco	0.7%	18.4%	
San Diego	0.6%	12.5%	
Los Angeles	0.8%	9.8%	
Phoenix	0.0%	7.2%	
U.S.	0.5%	5.4%	
Boston	0.3%	4.9%	
Portland	0.2%	0.7%	
New York	0.6%	-0.4%	
Seattle	0.5%	-1.4%	
Chicago	0.3%	-1.4%	
Source: S&P/Case-Shiller Home Price Indices			
CRUDE OIL - WTI (monthly avg. for WTI spot price, Cushing OK)			
	U.S. \$ ppb	Monthly Change	
Jun-10	\$75	2.2%	
May-10	\$74	-12.5%	
Apr-10	\$84	3.8%	
Source: Energy Information Administration			

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ECONOMIC INDICATORS – September 2010

ASIA ECONOMIC OUTLOOK: A Temporary Slowdown or Lingering Downshift?

ASIA SUMMARY

- Recovery is well advanced though near term 2011 GDP forecast scaled back
- 2010 growth supported by: net exports, inventory cycle, domestic demand recovery
- Asia still grew strongly in 2010 because of net exports and an increase in domestic consumption
- Business sentiment softening and external demand for net exports slowing
- Medium outlook- slowdown but no double dip expected in Asian economy; GDP to bottom out Q1 2011
- Housing bubble (particularly China) a potential risk. Appreciating home prices outpaced medium income, only upper class incomes have kept pace with house prices. Bank exposure to real estate sector could be understated - available data to study is limited and murky at best.

China

- Slowdown has begun and a soft-landing is most probable
- Government engineered deflation and dispersed investments will soften housing bubble blow
- External demand for Chinese products is staggered and not an all out collapse
- Local consumer demand rising and will soften blow of decreased external demand

Japan and Korea

- Japan posed for slow GDP recovery (2013) while Korea has already recovered
- Contributing factors: Japan's economy greatly affected by net exports (goods are typically high value goods); Changes in global demand for net exports greatly reduces demand for Japanese exports, whereas Korea's GDP growth is affected mostly by domestic growth and an increasing demand for imports.
- Global economy is slowing - reduces demand for exports

Japanese exports

- Very sensitive to overseas demand
- Slow growth abroad causes exports to stagnate

Korean exports

- Moderately sensitive to overseas demand
- Can still generate 2-3% real export growth even if global economy is flat

India

- India still looking strong
- Positive GDP growth of 8%
- Strong business confidence
- Great domestic demand and growing investments
- Inflation is a possible threat though tightening of monetary fiscal policy in effect

Vietnam

- Did not experienced double digit growth like other Asian countries; lost luster as foreign investment pulled out
- Soft recovery expected, though well positioned for competitive long term growth due to low wages and availability of labor

Source: IHS Global Insight, Asia Economic Outlook Presentation, August 2010

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ECONOMIC INDICATORS – September 2010

EMPLOYMENT/UNEMPLOYMENT

Unemployment rate flat

- Portland's seasonally adjusted unemployment rate remains flat at 10.4%, though down from 11% a year ago.
- Government sector largely responsible for July's losses (-12,200 in Portland) as Census continues to shed jobs and public schools wind down in June/July
- Portland's private sector added 2,200 jobs in July, an improvement over July 2009, but weak compared to typical July growth. All broad sectors added jobs – with the exception of seasonal losses in private educational and health services – but gains were smaller than typical.

Source: Oregon Employment Department; Oregon Labor Trends

OTHER KEY INDICATORS

Housing: Q2 Home prices show modest improvements, though future uncertain

- 20-City Composite up 3.9% from June 2009
- California cities have moved from the hardest hit to leading cities based on YOY gains
- Housing prices rebounded from crisis lows though other housing indicators point to ominous signals as incentives end and foreclosures continue
- Upcoming July data reflects weak new home sales and troublesome inventory. This could spell trouble for prices if weak demand continues

Source: S&P Case-Shiller Index

Oil: Q4 Crude forecast to average \$77 per barrel as economy sputters into 2011

- Forecasted 2011 world oil-consumption-weighted real GDP growth rate lowered to 3.3% from the 3.6%. US 2011 forecasted GDP outlook down to 2.3% from 2.7%
- Prices projected to average \$82 per barrel in 2011 - a down shift from the \$84 ppb previously forecasted.
- Even though crude PPB forecast is downgraded, expect prices at pump to edge upward as excess global refining capacity is shutdown
- U.S. Gas prices expected to average \$2.72/gal 2010 and \$2.90/gal in 2011. U.S. Diesel prices expected to average \$2.93/gal in 2010 and \$3.10/gal in 2011

Source: Energy Information Administration

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Jul-10	130,242,000	1,597,000	951,500
YOY Change:	0.2%	-0.7%	-0.6%
MOM			
Gain/Loss:	-131,000	-3,000	-5,200
Source: Bureau of Labor Statistics			
HOME PRICES (Seasonally Adjusted)			
June			
	Monthly Change	Yearly Change	
San Francisco	-0.6%	15.0%	
San Diego	-0.3%	11.6%	
Los Angeles	0.0%	9.2%	
Phoenix	-0.6%	6.7%	
U.S.	0.3%	3.9%	
Boston	-0.1%	3.4%	
Portland	-0.1%	0.3%	
New York	0.7%	-0.5%	
Seattle	-0.8%	-1.0%	
Chicago	1.2%	-1.3%	
Source: S&P/Case-Shiller Home Price Indices			
CRUDE OIL - WTI (monthly avg. for WTI spot price, Cushing OK)			
	U.S. \$ ppb	Monthly Change	
Aug-10	\$77	0.4%	
Jul-10	\$76	1.3%	
Jun-10	\$75	2.2%	
Source: Energy Information Administration			