

Economic News Briefing

Week Ending May 9, 2008

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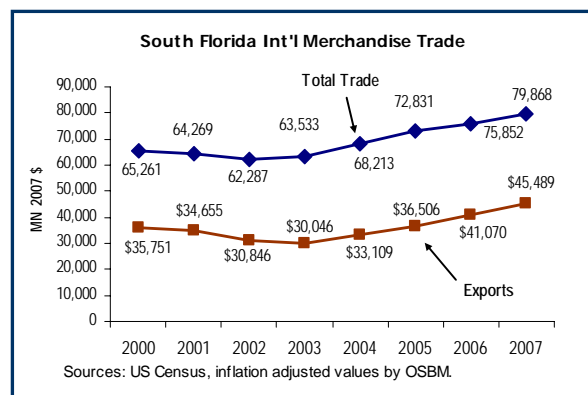
U.S. Trade in March

The U.S. Department of Commerce reported on Friday (5/9/08) that export sales of goods and services decline by 1.7% in March from February's level, representing the first monthly decline in exports since February of 2007. U.S. exports of goods fell by 2.4% in March (by 4.3%, after adjusting for price inflation). Exports sales have been providing economic support to U.S. businesses in the past year as domestic demand has weakened. If the decline in exports registered in March represents the beginning of a trend, then this would be trouble for U.S. manufacturers. Despite the decline in exports, however, the U.S. trade deficit narrowed by 5.7% as total imports declined by almost 3%, reflecting the general decline in U.S. demand. The reduction in imports was led by declines in purchases of crude oil, vehicles, and consumer goods.

International Trade in 2008 Important for Local Economic Outlook

International trade is an important sector of Miami-Dade's economy. A recent study concluded that international trade accounted for approximately 7.6% of total employment in Miami-Dade County in 2006 and workers directly employed in this activity typically earned 31 percent more than the average annual compensation for all workers in the county.¹

Merchandise trade serviced through South Florida airports and seaport (Customs District 52) has grown rapidly since 2003, supporting local employment and income growth. The gains in international trade are an important reason why the County's economy has held up reasonably well over the past year despite the significant contraction in the local real estate market. Total international trade in 2007 increased by 5.3 percent over 2006, after accounting for rising prices, reaching nearly \$80 billion. The recent growth in



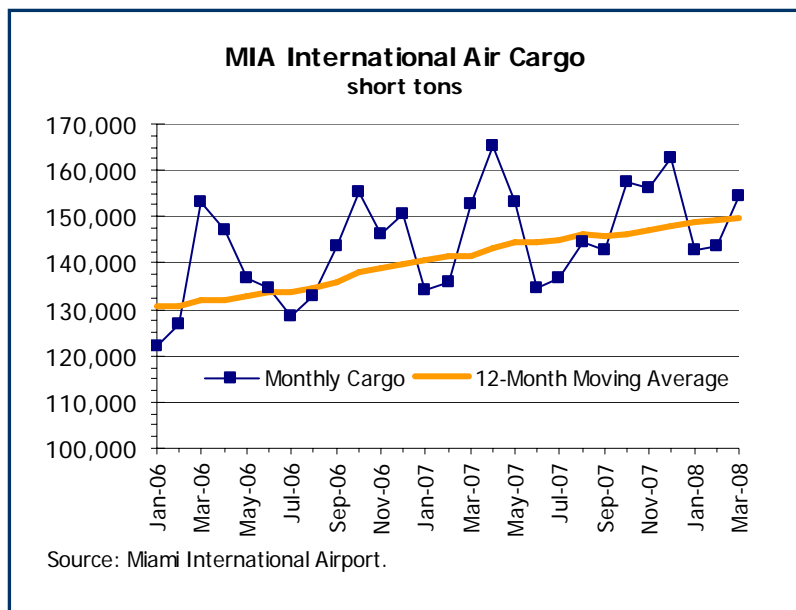
¹ *The Economic Impact of International Merchandise Trade in Miami-Dade County*, StratInfo (Dec. 2006), The Jay Malina International Trade Consortium. The estimate of 105,000 jobs attributable to international trade includes persons directly or indirectly employed by international trade activity, and compensation includes both salaries and employer provided benefits.

foreign trade activity was led by the increase in exports, which rose by nearly 11 percent in 2007. Exports to Brazil led the strong expansion in exports, growing 24 percent even after accounting for price inflation. Exports to several other Latin American countries, especially Colombia (+16%) and Argentina (+17%), also experienced robust growth. Brazil, Colombia and Argentina accounted for 45% of the total rise in South Florida's merchandise exports. Imports serviced through South Florida airports and seaports decreased slightly in 2007(-1.1%), after accounting for price inflation.

Looking forward over the next 6 to 12 months, the outlook for continued growth in exports to the major countries of South America (with the exception of Venezuela) looks quite positive. South Florida's major international export destinations have benefited from the general rise in the prices of key commodity exports and that trend is expected to continue in the near term. The depth and duration of a U.S. recession is, of course, the principal risk to this outlook.

International Cargo Activity at Miami International Airport and the Port of Miami

International cargo shipped via Miami International Airport (MIA) continued along a positive trend path through the first three months of this year. Both outbound (exports) and inbound (imports) freight tonnage increased at a strong pace over the past year, although outbound tonnage grew at a modestly faster pace than inbound. The pace of expansion in international freight, however, did decelerate somewhat in the first three months of 2008. Cargo activity at MIA has demonstrated considerable variation in year-over-year growth rates, and, therefore, April and May cargo data will help to better discern whether the recent moderation in growth marks a change in the trend or just a temporary variation from the trend.



Cargo activity at the Port of Miami has experienced a negative trend since approximately the end of 2004, but that steady decline appears to be at or near an end. The number of cargo containers loaded or unloaded at the port was virtually unchanged from February to March at approximately 68,000 TEUs (20-foot equivalent units) and slight up from January (+5%). This is certainly an important development as we move into the summer, and help to sustain local economic growth.

Energy Prices Continue to Climb

The average retail price of gasoline in the U.S. reached a new high of \$3.61 per gallon according to the federal Energy Information Administration (EIA). This was the 6th consecutive weekly increase in retail

gasoline prices. Average gas prices have now risen 56 cents a gallon since this past December (+18%) and we have yet to enter into the peak driving season. EIA forecasts an additional increase of 10 cents per gallon in the average price in the July-September quarter, even as gasoline consumption is expected to fall. Rising gasoline prices are reportedly leading to increased ridership for mass transit systems across the country. South Florida Tri-Rail ridership was up 28% last month compared to April 2007 ridership and the commuter system has been achieving record breaking ridership for several months now. (Miami-Dade Transit has yet to see a similar increase in ridership.)

World oil prices reached \$121.82 per barrel on May 9th, and increased above the \$125 mark this week. World oil prices have risen approximately 25% since clearly breaking the \$100 per barrel threshold in early March. While short term fluctuations in oil prices are very sensitive to speculative pressures, the longer term trend in prices reflect fundamental supply and demand pressures. The positive trend in oil prices since the 2003 reflect growth in demand outpacing the growth in supply. Barring a significant world economic recession (that diminishes energy demand), the demand/supply imbalance should keep prices on a positive trend in the near term. There are early signs, however, that higher prices are beginning to change energy consumption behavior, but those changes should not be expected to change the underlying price dynamics for some time.

Rising energy prices themselves pose a risk to economic growth, but the world economy has continued to expand in the face of higher energy prices. If world oil prices sustain their present levels or rise further, positive growth momentum will be very difficult to maintain.

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