The Future of US-European Trade

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LA Chamber of Commerce
Port of Los Angeles
Outline

• U.S. Economy
• California & Region
• Goods Movement & International Trade
• Conclusion
U.S. Economy
Vital Signs of the US Economy

- Magic Number is 2%!!
- GDP Growth Rate: ~2%
- Growth Rate of Nonfarm Jobs: just under 2%
  - Unemployment Rate: mid 4% range
- Inflation Rate: about 2%
Policy Agenda

• Proposed By Candidate Trump
  – Tax Cuts
  – Investment in Infrastructure
  – Challenging the Status Quo in Trade
  – Immigration Reform
  – Repealing ACA (Obamacare)
Trade: Challenging the Status Quo

• Level the playing field OR Start a trade war?
• Importance of trade pacts
  – NAFTA
  – TPP
  – T-TIP
  – Multi-lateral and Multi-dimensional

• Truth about manufacturing jobs and trade
### US Manufacturing Output

#### Real VA Output

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>1988</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>1991</td>
<td>135</td>
<td>135</td>
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<tr>
<td>1994</td>
<td>155</td>
<td>155</td>
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<tr>
<td>1997</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>2000</td>
<td>195</td>
<td>195</td>
</tr>
<tr>
<td>2003</td>
<td>215</td>
<td>215</td>
</tr>
<tr>
<td>2006</td>
<td>235</td>
<td>235</td>
</tr>
<tr>
<td>2009</td>
<td>255</td>
<td>255</td>
</tr>
<tr>
<td>2012</td>
<td>275</td>
<td>275</td>
</tr>
<tr>
<td>2015</td>
<td>295</td>
<td>295</td>
</tr>
</tbody>
</table>

#### Growth in Real Output 1995-2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth 1995-2015</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Prod</td>
<td>126.0%</td>
<td>-9</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>78.5%</td>
<td>-353</td>
</tr>
<tr>
<td>Primary metals</td>
<td>43.9%</td>
<td>-240</td>
</tr>
<tr>
<td>Other transportation</td>
<td>33.6%</td>
<td>-111</td>
</tr>
<tr>
<td>Chemical products</td>
<td>28.1%</td>
<td>-160</td>
</tr>
<tr>
<td>Electrical eq</td>
<td>-3.1%</td>
<td>-205</td>
</tr>
<tr>
<td>Fabricated metal</td>
<td>-3.7%</td>
<td>-287</td>
</tr>
<tr>
<td>Printing</td>
<td>-5.6%</td>
<td>-372</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>-9.3%</td>
<td>40</td>
</tr>
<tr>
<td>Wood products</td>
<td>-9.8%</td>
<td>-240</td>
</tr>
<tr>
<td>Furniture</td>
<td>-19.9%</td>
<td>-271</td>
</tr>
<tr>
<td>Paper</td>
<td>-28.1%</td>
<td>-258</td>
</tr>
<tr>
<td>Textile mills</td>
<td>-46.4%</td>
<td>-396</td>
</tr>
<tr>
<td>Apparel</td>
<td>-62.6%</td>
<td>-527</td>
</tr>
</tbody>
</table>
Changes Not As Easy As Expected

• When Reality Sets In
  – Republican factions in Congress
  – Lessons from Schwarzenegger
  – Populist backlash
  – Back to the future: Gridlock in DC?
U.S. Outlook

• Continued US Economic Growth: 2017-18: 2%+
• Domestic Spending Intact
• Oil Prices: Steady
• Inflation: Low, But Rising
• Financial Markets: Volatility, Low Rates Despite Fed Actions, But With Upward Bias
California & Region
CA Adding Jobs Faster than U.S.

YTY % change in nonfarm jobs, seasonally adjusted

US: +1.5%  CA: +2.1
### California Among Fastest Growing States

#### 3 Year Change in Payroll Jobs by State

<table>
<thead>
<tr>
<th>State</th>
<th>Abs</th>
<th>Growth</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>792.8</td>
<td>3.3%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Utah</td>
<td>131.6</td>
<td>3.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Nevada</td>
<td>117</td>
<td>3.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Oregon</td>
<td>167.6</td>
<td>3.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Colorado</td>
<td>219</td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Washington</td>
<td>273.7</td>
<td>2.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Georgia</td>
<td>349.6</td>
<td>2.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>California</strong></td>
<td><strong>1309.1</strong></td>
<td><strong>2.8%</strong></td>
<td><strong>16.5%</strong></td>
</tr>
<tr>
<td>Idaho</td>
<td>52.6</td>
<td>2.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>150.7</td>
<td>2.6%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>211.9</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Texas</td>
<td>828.3</td>
<td>2.4%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Arizona</td>
<td>179.4</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>264.9</td>
<td>2.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Delaware</td>
<td>27.9</td>
<td>2.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>198.6</td>
<td>1.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Michigan</td>
<td>220.8</td>
<td>1.7%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

#### Real GDP Growth (Y-o-Y)

![Real GDP Growth Chart](chart.png)
CA Unemployment Rate Falling Quickly

Unemployment Rate, Seasonally Adjusted

- CA: 4.9%
- US: 4.5%

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Unemployment Rates

- California
- Inland Empire
- Los Angeles (MD)
- Orange County
Job Changes by Industry - LA

YTY % Change (March'17)

-6% -4% -2% 0% 2% 4% 6% 8%

-6%: NR/Construction
-4%: Leisure and Hospitality
-2%: Admin Support
0%: Total Nonfarm
2%: Wholesale Trade
4%: Management
6%: Government
8%: Financial Activities

Prof Sci Tech: 1.7%
Goods Movement and International Trade
US-EU Trade Growth

Exports from US to EU

Imports from EU to US

United Kingdom
Germany
Netherlands
Belgium
France
Rest of EU

Germany
United Kingdom
France
Italy
Rest of EU

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US' Largest Trading Partners

**Top US Import Partners, 2016**

- China: $462.8
- EU Total: $416.7
- Mexico: $294.2
- Canada: $278.1
- Japan: $132.2
- United Kingdom: $114.2
- Germany: $54.3
- France: $46.8
- Ireland: $45.5
- Italy: $45.2
- Switzerland: $36.4

**Top US Export Partners, 2016**

- EU Total: $270.3
- Canada: $266.0
- Mexico: $221.0
- Japan: $158.8
- United Kingdom: $63.3
- Korea: $55.4
- Germany: $49.4
- Netherlands: $40.4
- Belgium: $32.3
- France: $30.9
- Switzerland: $22.7

Analysis. Answers.

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CA Trade Tracks US Closely

- Exports-CA
- Imports-CA
- Exports-US
- Imports-US

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Trade Sector is Important to CA

- Trans & Warehousing plus Wholesale Trade
  - 1.25 million jobs in 2016
  - 7.6% of CA jobs in 2016

- 7.9% of Gross State Product in 2015

- CA: 11% of US Imports, 18% of US Exports
  (Note: CA was 14% of US GDP in 2015)
CA Imports What it Exports

Largest Categories of Imports/Exports as % of Total

<table>
<thead>
<tr>
<th>Category</th>
<th>Imports '16</th>
<th>Exports '16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Machinery, Sound Equip, Tv Equip</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery, Including Computers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optic, Photo Etc, Medic Or Surgical...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft, Spacecraft, And Parts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nat Etc Pearls, Prec Etc Stones, Pr Met...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edible Fruit &amp; Nuts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plastics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat And Edible Meat Offal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What’s US-made and what’s foreign-made?
CA’s Largest Trading Partners

**Top CA Import Partners, 2016**

- #1 China: $204.4
- #2 Japan: $51.8
- #3 Mexico: $38.8
- #4 S. Korea: $21.6
- #5 Taiwan: $18.8
- #9 Germany: $11.7
- #14 U.K.: $4.8
- #16 Italy: $3.9
- #19 France: $2.8
- #21 Ireland: $1.9

**Top CA Export Partners, 2016**

- #1 China: $29.8
- #2 Mexico: $24.6
- #3 Japan: $21.8
- #4 S. Korea: $15.3
- #5 Hong Kong: $12.0
- #10 Germany: $4.6
- #11 U.K.: $4.6
- #12 Switzerland: $4.1
- #15 Netherlands: $3.9
- #17 France: $2.5

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CA-EU Trade Growth

Exports from CA to EU

Imports from EU to CA

- Germany
- United Kingdom
- Netherlands
- France
- Belgium
- Rest of EU

- Germany
- United Kingdom
- Italy
- France
- Ireland
- Rest of EU
CA-European Trade Flows

**Top Imports from EU to CA**
- Vehicles And Parts: 56%
- Industrial Machinery, Including Computers: 15%
- Optic, Photo, Med/Surgical Instruments: 10%
- Beverages, Spirits And Vinegar: 10%
- Pharmaceutical Products: 9%

**Top Exports from CA to EU**
- Aircraft, Spacecraft, And Parts: 23%
- Electric Machinery; Sound Equip; Tv Equip: 21%
- Pharmaceutical Products: 20%
- Aircraft, Spacecraft, And Parts: 20%
- Edible Fruit & Nuts: 16%
LACD: Top Customs District

- Los Angeles
- New York
- Laredo
- Detroit
Container Throughput San Pedro
Ports on Track for Record Year

Mar ‘17 YTD %
Total: + 6.5%
Inbound Loaded: - 3.8%
Outbound Loaded: +10.0%
LA County Transportation & Warehousing Employment

Ventura County  Orange County  Los Angeles  Inland Empire

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Top Sources of Foreign Owned Enterprises in CA-2014

1. Japan (120,500 jobs)
2. United Kingdom (98,200 jobs)
3. Germany (69,600 jobs)
4. Switzerland (68,300 jobs)
5. France (68,000 jobs)
Conclusion
Conclusion

• If a country by itself, California would be in top 10 globally
• California outpacing US growth
• Strong ties between Europe and California
• California as source of
  – market opportunities
  – Investment opportunities
• California as exporter

Thank You!
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