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News Release

FOR IMMEDIATE RELEASE: Wednesday, May 13, 2009

LAEDC Report Sees Continued Unfavorable Trends for Southern California's Important International Trade Industry in 2009

**Key measures of activity will decline again in 2009,
but a modest recovery will get underway in 2010, according to the LAEDC**

LOS ANGELES — Southern California's key international trade industry will see more declines in activity during 2009 after a dismal performance in 2008, according to the *International Trade Trends & Impacts* report prepared annually by the Los Angeles County Economic Development Corporation (LAEDC).

“The number of containers moved at the ports of Los Angeles and Long Beach in 2009 will drop by 13.5 percent, while the total value of two-way trade through the Los Angeles Customs District should fall by 15.8 percent to \$300 billion,” said Nancy Sidhu, Ph.D., the LAEDC's chief economist.

“2008 was a year full of unhappy surprises for the international trade industry,” continued Sidhu. “The industry saw employment fall by 9.3 percent, or 46,000 jobs, while industrial vacancy rates spiked up to 9.9 percent at year-end 2008 in the Riverside-San Bernardino area.” The latter had been a hotbed of new construction, much of it on speculation that international trade in the region would continue to boom. Both the ocean shipping industry and railroads have been hammered by the downturn with a lot of equipment pulled out of service.

Some of the key findings of the LAEDC report include:

- The Los Angeles Customs District retained its number one ranking in the U.S. in trade value in 2008 with an increase of 2.5 percent to \$356.1 billion. However, the number two district New York saw a more robust gain of 9.3 percent to \$353.6 billion.

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- The number of containers handled at the ports of Los Angeles and Long Beach in 2008 totaled 14.3 million TEUs, a decline of 8.9 percent. New York, the nation's second largest port, saw a modest drop of 0.6 percent to 5.3 million TEUs.
- Despite the decline in container traffic in 2008, the Los Angeles/Long Beach port complex was able to maintain its number five ranking among the world's top ports.
- China easily retained its position as the top trading partner for the Los Angeles Customs District in 2008. Total two-way trade value came to \$186.6 billion. Japan was a distant number two with a 2008 value of \$59.3 billion.
- The top export commodity out of the Los Angeles Customs District in 2008 was computers, peripherals, machinery, appliances and parts with a value of \$17.3 billion.
- The top import commodity to the Los Angeles Customs District in 2008 was electrical equipment, TVs and electronic parts with a value of \$58.2 billion.

Sidhu observed that while all the data in the report was for goods, the Los Angeles area has a robust international trade activity in services. Some good examples of this include the motion picture/TV industry with an estimated 2008 international rental receipts of \$16.1 billion and international tourism with 2007 spending of \$4.3 billion.

"Despite the barrage of bad numbers, there were some positive events for international trade during 2008," Sidhu pointed out. Expansion projects are moving again at the ports. At Los Angeles, work is underway on both the Transpacific Terminal and the China Shipping Terminal. At Long Beach, there is Pier G and the completion of the environmental impact report (EIR) for the Middle Harbor project. There are other projects either in the EIR process or awaiting funding. "There will be a two-part impact from these projects," said Sidhu. "Jobs will be created and capacity will be increased."

"The international trade outlook for 2009 and beyond faces several challenges," said Jack Kyser, founding economist for the Kyser Center for Economic Research at the LAEDC. "The global economic downturn is a huge challenge, with the economies of four of the Los Angeles Customs District's top trading partners expected to record declines."

Another challenge is environmental remediation, but here a lot of progress has been made. "The ports of Los Angeles and Long Beach can claim to be the greenest ports in the nation," continued Kyser. Many of the solutions (including on-dock rail, use of low sulfur diesel, and low-emission trucks and diesel locomotives) are being closely watched by other ports.

"Capacity at the local ports has been a concern, but expansion plans are moving again," said Kyser. In the meantime, both railroads serving Southern California are increasing their track capacity. The Federal government's economic stimulus package should also help fund key highway and bridge project in the area.

"Being number one, the ports of Los Angeles and Long Beach always have a lot of competitors nipping at their heels trying to get business," observed Kyser. Other ports claim that charges for moving containers at the local ports are the highest in the nation. "Many of these fees can be avoided or will phase out, but competitor ports do not make fine distinctions," noted Kyser. Out in the future (roughly in year 2014) is the expansion of the Panama Canal so it can handle the largest ships.

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“International trade activity in Southern California will start growing again in 2010, an increase of 1.6 percent in the number of containers moved,” said Kyser. “But we can no longer assume that growth will come automatically to Southern California.”

As a follow on to the foreign direct investment report released last year, the LAEDC and the World Trade Center Association Los Angeles/Long Beach also released results of a survey of foreign-owned and affiliated companies with operations in the Los Angeles area to learn why they chose to invest in the region. Some of the key attractions were the size of the regional consumer market, availability of skilled labor, proximity to industry clusters, and international access such as local airports and seaports. The 2008 report had previously identified 4,521 foreign-owned and affiliated business establishments in LA County, or 1.8% of all private-sector establishments.

The *International Trade Trends & Impacts* report contains data not only for the Los Angeles Customs District, but for the San Francisco and San Diego districts as well, and for the state of California.

About the LAEDC: The LAEDC, the region’s premier business leadership organization, is a private, non-profit organization established in 1981 under section 501(c)(3). Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped attract or retain more than 152,000 jobs, providing \$7.5 billion in direct economic impact from salaries and \$128 million in annual tax revenue benefit to local governments and education in Los Angeles County. Visit www.laedc.org or call (888) 4-LAEDC-1.

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