

**OUTLOOK FOR  
FLORIDA'S INTERNATIONAL TRADE**

**GOVERNOR'S COUNCIL OF ECONOMIC ADVISORS**

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**FLORIDA TRADE**

- ❑ International trade continues to be a drag on the State's economy.

Florida: Growth in the Value of Trade (%)

	<u>2001</u>	<u>2002</u>
		<u>January - June</u>
Exports	- 3.7 %	-15.1 %
Imports	- 3.9 %	-10.2 %

- ❑ During the first half of this year, exports to Brazil and Venezuela are down significantly, while exports to Argentina continue to contract. On a positive note, exports to Costa Rica and Guatemala are increasing, mostly due to assembly operations driven by a gradual pick up in demand in the U.S.
- ❑ Imports are down as a result of the U.S. recession.

## PRINCIPAL MARKETS

### LATIN AMERICA:

- ❑ The recession in the region is hitting harder than originally expected, mainly due to a slow recovery in the U.S. The economic difficulties have been compounded by political uncertainty in the major countries.

<b>Latin America</b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
GDP growth:	0.1%	-1.1%	3.5%

- ❑ Little progress in **Argentina**, as the economy is caught in a deep recession. Due to the government's failure to adequately address the crisis and to mounting social/political tensions, there is a possibility that the presidential elections would be brought forward from the original March 2003 date.
- ❑ The opinion polls in Brazil raise the possibility that leftist candidate Luiz I. Da Silva (Lula) will win in the first round. For that reason, the *real* is taking

a beating in the market. Investors are likely to stay on the sidelines longer in order to assess the impact of a Lula presidency.

- ❑ In **Colombia**, president Alvaro Uribe warns of difficult times ahead for the nation, as a result of the war effort.
- ❑ The **Dominican Republic's** economy grew and estimated 6.0 percent in the first half of this year, despite weakness in the free zones and in tourism.
- ❑ A prolonged drought in **Central America** is adding to the difficulties resulting from the coffee crisis. In **Guatemala** and **Honduras** large crops of food staples such as beans and corn have been destroyed for lack of rain.
- ❑ The **Mexican** economy struggles with a slow recovery. A gradual upturn in manufacturing is expected. Weak demand and strong workers' remittances have contributed to a reduction of the current account deficit.

## **EUROPE:**

- ❑ The recovery in Europe has been lagging other regions. Consumer demand continues to remain weak, although recent upward wage adjustments could provide some impetus to economic activity.
- ❑ Weakening of the U.S. dollar bodes well for European visitors to Florida as well as for their purchases of the state's goods and services.

## **DEEP US\$ DECLINE LIKELY**

- ❑ We think there is a possibility of a sizeable drop in the value of the dollar in the short-term, as foreign investors begin to acknowledge that the U.S. has a serious trade deficit problem. The last time the dollar took a beating was during 1985-1987; and perhaps we could see a similar decline. During the 1970s, the dollar had also gone through a protracted downtrend following the breakdown of the Bretton Woods monetary system in 1973.