

**OUTLOOK FOR  
FLORIDA'S INTERNATIONAL TRADE**

**GOVERNOR'S COUNCIL OF ECONOMIC ADVISORS**

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**SUMMARY**

- ❑ Florida's principal trading partners are dominated by Latin American countries. Other countries include Japan, United Kingdom, Germany and Italy.
  
- ❑ Florida trade contracted by 3.8 percent last year, the first decline in almost 20 years.

The decline in trade is attributed to:

- a. The U.S. recession and global economic slowdown.
- b. The events of September 11, which had a noticeable impact on the travel industry.
- c. Sharp slowdown in Latin America and the Caribbean, specially the crisis in Argentina. The U.S. recession, by cutting imports from Latin America, curtailed growth in those economies, and hence their imports from the U.S.

Florida: Annual Growth in Value of Trade (%)

	<u>2001</u>	<u>2002</u>
Exports	- 3.7 %	1.0 %
Imports	- 3.9 %	4.0 %

- ❑ The structure of Florida imports can be grouped into two principal categories: imports of commodities and manufactured products originating or produced in the exporting countries; and imports of assembled products, mostly from U.S. made components that are exported back to the U.S. for distribution to the end-market.

- ❑ The U.S. recession and the events of September 11 had a notable impact on international tourism; however, the impact on different regions of the state will vary.

## PRINCIPAL MARKETS

### LATIN AMERICA:

- ❑ A moderate recession will continue this year, but recovery should begin by year end.

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

- ❑ Argentinian economy is virtually paralyzed. The government was completely unprepared for the crisis and the response was ad-hoc and only worsened the problem. President Duhalde struggles to obtain fresh money from the IMF and to avoid a political meltdown.
- ❑ The presidential elections in Brazil are beginning to unsettle the markets.
- ❑ Economic growth in Chile has been stronger than in most Latin American countries. However, at about 3.0 percent, it falls below expectations.
- ❑ Mexico is still in recession. According to preliminary estimates, first quarter GDP contracted by 1.2 percent, compared to the first quarter of the previous year.

- ❑ Venezuela continues to struggle after a maxi-devaluation earlier this year and political unrest.

## **EUROPE:**

- ❑ Growth is returning to Europe, but at a very gradual pace.
- ❑ Consumers are very cautious and capital spending is also being held back until the economies gather some momentum.

## **US\$ VERY VULNERABLE**

- ❑ The U.S. external deficit is unsustainable. The current account deficit dipped only slightly to 4.1 percent of GDP last year, from 4.5 percent in 2000. With a recovery, we expect the deficit to approach the 5.0 percent mark this year.
- ❑ The huge external imbalance is likely to put downward pressures on the dollar. While a weaker dollar will contribute to higher interest rates and inflation, it will provide a boost to Florida exports and international tourism earnings.