

**OUTLOOK FOR
FLORIDA'S INTERNATIONAL TRADE**

GOVERNOR'S COUNCIL OF ECONOMIC ADVISORS

**MANUEL LASAGA, PH.D.
STRATINFO**

DECEMBER 20, 2001

SUMMARY:

- ❑ The events of September 11 aggravated the global economic slowdown. The US\$ is vulnerable. A U.S. recession combined with unsustainable external deficits could trigger a US\$ slide in 2002. This will complicate the Fed's management of monetary policy.
- ❑ In terms of foreign trade, a weaker dollar would tend to boost Florida exports to Europe. However, it will have a limited impact on Florida exports to Latin America. Florida's principal trading partners are in Latin America, thus Florida trade should continue to decline into 2002.

Florida: Annual Growth in Value of Trade (%)

	<u>2001</u>	<u>2002</u>
Exports	- 1.8 %	-4.0 %
Imports	- 4.0 %	-2.0 %

- ❑ Near recession in Europe and Latin America will affect both international trade and tourism earnings for Florida in 2002.

PRINCIPAL MARKETS

LATIN AMERICA:

- ❑ **Argentina** is in an economic crisis. Our long-standing prediction of a devaluation is closer now to becoming a reality. The economy will have to struggle with devaluation, external debt restructuring, a banking system crisis, and more recession. On the other hand, a post-devaluation economy will offer strong opportunities for trade and investment.
- ❑ **Brazil's** currency has been under pressure. However, the government has maintained a strong track record in terms of economic management. Elections next year pose uncertainty in the outlook.
- ❑ **Chile** continues to post decent growth, although low by historical standards. This trend will continue into 2002. Diversified export base a plus.
- ❑ **Colombia's** economy has been weakened by continuing internal violence.
- ❑ **Ecuador's** dollarization has led to a bulging external deficit. Inflation rate is not sustainable. Lower oil prices will put a damper on growth in 2002
- ❑ **Mexico's** economy has weakened considerably due to recession in the U.S. We expect this trend to continue into 2002. The peso is likely to experience downward pressures during the next year.
- ❑ **Peru's** bout with political controversy has not taken a significant toll on the economy. Nevertheless, the economy will post only moderate growth next year.
- ❑ **Venezuelans** are finally expressing their concerns over President Chavez's plans to impose greater state control over the economy. The bolivar is grossly over-valued and could take a steep fall if oil prices remain below US\$20/barrel.

EUROPE:

- ❑ The U.S. recession has brought about a sharp deceleration in the Euro zone. Economic activity has been slowing down since mid-2000. GDP growth of 1.5 percent for this year.
- ❑ Despite the slowdown, economic activity remains slightly more dynamic than in the U.S.
- ❑ Business investment has been virtually flat this year, despite interest rate cuts of 150 basis points. Export growth has been shrinking as a result of sagging U.S. demand. Consumer spending spurred by tax cuts, has managed to retain some momentum.
- ❑ France and the U.K. are performing better than the other economies in the region, with growth of 2.4 percent each.