

## GLOBAL REBALANCING – WELL UNDER WAY!

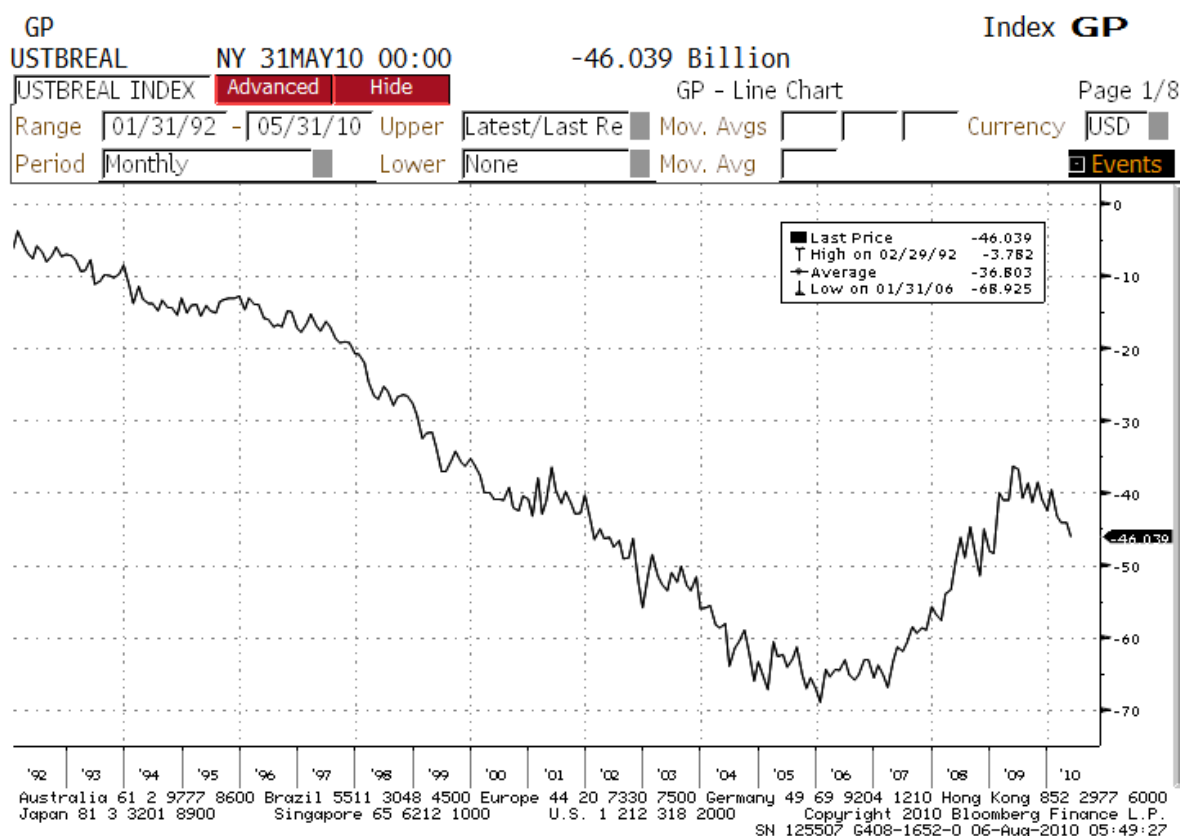
The general consensus is that the US is suffering from chronic trade deficits and is frittering away its future wealth importing (& consuming) the production from the rest of the world.

Not many people realise that the US is in fact one of the biggest exporters in the world. In 2009, its exports totalled US\$1.05 trillion. Only 2 countries exported more – China (US\$1.20 trillion) and Germany (US\$1.12 trillion).

The reputation for being “just a voracious consumer that produces nothing” comes from the size of its imports, which in 2009 totalled US\$1.56 trillion!

But the trade balance is already shifting. The chart below shows the monthly trade balance of the US (exports less imports).

Note that the trade deficit actually peaked in late 2005/early 2006, well before the financial crisis and recession. This suggests that some structural adjustment in the US’s role in the world economy had already begun more than 4 years ago.



On the next page, you will see the YoY growth in US exports (monthly)

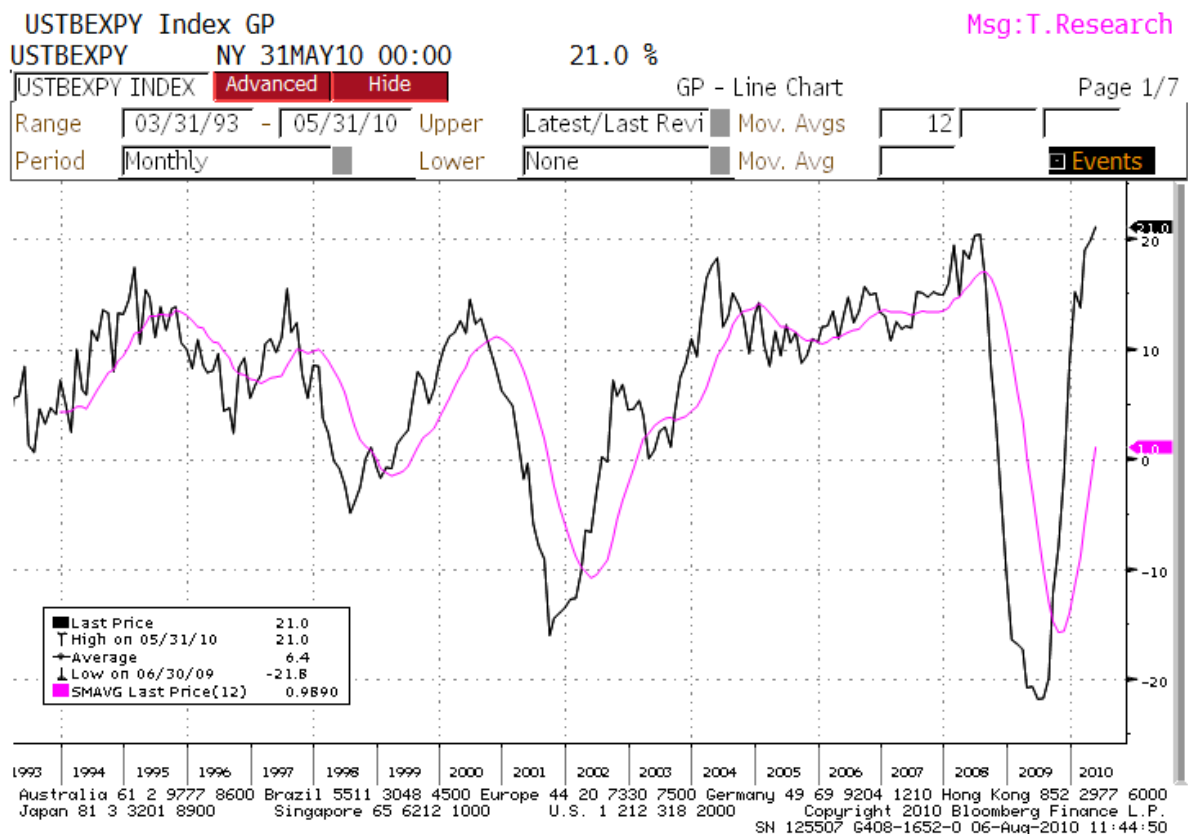
It is obvious that US exports have moved from generally single-digit YoY growth rates prior to 2004 to double-digit YoY growth. By mid-2008, before the global recession began, the trailing 12-month average of export growth had reached almost 17%.

Of course, the pattern has been interrupted by the recession/financial crisis. The data is only available up to May 2010 but I believe that the trend will resume in short order.

Another interesting phenomena is the volatility of exports. With each crisis/recession, the fluctuation in export growth rates become greater. Compare 1998/99 Asian financial crisis with the 2000/2001 dotcom collapse with the 2008/2009 global financial crisis.

The increasing sensitivity and volatility of US exports to global economic circumstances is exactly the type of behaviour traditionally exhibited by the Asian export powerhouses.

The US could be gradually (and stealthily) regaining its export powerhouse status!



In the final chart on the next page, I have plotted the ratio of US export growth to US GDP growth.

This chart proves beyond doubt that US export contribution to GDP growth has been rising sharply since 2006.

Everybody who reads economic or business pages is well aware of the need for rebalancing in the world economy – so that the US consumes less, produces more while Asia consumes more, produces less.

What I believe most people fail to realise is that this process has already begun and is well under way.

Perhaps in the not too distant future, Foxconn will build its factories in the US. I only hope that we won't then see young workers in South Carolina jumping off the roofs of those Foxconn factories!

## Ratio of Export Growth to GDP Growth

