Ideal Time for Global Expansion of Trade Shows with Many Global Economies Humming

BY DARLENE GUDEA, president

Oceanside, CA – Unlike the prior two years, this Spring has been relatively free of any major global unrest as we go to press. Moreover, the political rancor over the debt ceiling has quieted down, and fortunately the Boston Marathon terrorists were apprehended quickly. On the economic front, the U.S. appears to be on a slow but steady course. Europe, though falling more into recession, has calmed the fears of a Euro meltdown. The Middle East is as volatile as ever but no governments have been overthrown yet. China is trying to transition from an export-driven economy to one more dependent on domestic growth, and is clamping down on inflation to avoid a U.S.-type real estate bubble. Let’s hope 2013 remains a relatively tranquil year.

Now that we are midway into the year, it is a good time to review the major economies around the world. “The most important trend impacting the global economy is a recent concerted shift by major central banks to inject more liquidity into their country’s economy,” said Frank Chow, chief economist for Trade Show Executive Media Group. “Predictably, each country or region is loosening its monetary spigot at different rates.”

Lessons from Japan’s Economic Bounce: ‘Abenomics’ is Working

The most dramatic development has occurred in Japan and can serve as a lesson to the U.S. Since Shinzo Abe took the reins as Prime Minister in December 2012, he has embarked on an ultra-aggressive stimulus program to combat over two decades of economic misery. Even the remarkable reconstruction efforts after the devastating earthquake, tsunami and nuclear disaster in 2011 failed to bring Japan out of its doldrums. Prime Minister Abe’s program is built around three pillars: (1) Unlimited quantitative easing to curb deflation and bring inflation to 2%, (2) A fiscal stimulus program which reverses the big tax hike by his predecessor, and (3) Deeper fundamental structural reforms.

Abe’s structural reform initiatives include a major overhaul of the electrical power sector and ending Japan’s entrenched two-tiered structure of discriminating against women in the labor market. Chow said, “Success with these types of reforms, I believe, holds the key to long-term economic vitality for Japan and offers lessons to the U.S. to begin addressing its deep structural issues including three we have highlighted in prior Trending & Spending columns: outmoded infrastructure like the electric and energy grids, excess regulations, and the inadequate skills of American workers.” He cited the latest results in Japan: an unexpectedly robust First Quarter GDP growth rate of 3.5%, the Nikkei market up 36% since Abe took office, the yen declining 24% since last September, and household spending, housing starts, and industrial production all jumping in March. “Japan was trapped by prolonged high unemployment and zero interest rates long before the United States did but is now leading the path to recovery,” Chow said.

The Ripple Effect of a Strong Japan

“The rest of Asia stands to benefit from a revived Japan,” Chow pointed out. “Although China and South Korea are Japan’s export rivals, they have strong trade linkages among them.” China attempted last year to stimulate its economy, but some indicators have softened of late, Chow noted. Export growth has fallen and China’s demand for commodities is slowing. However, wages are rising due to falling numbers of young workers. Many economists believe China’s business cycle is bottoming out and expect economic growth to stabilize as last year’s policy easing takes effect with a lag. China still managed an enviable 7.7% GDP growth in the First Quarter.

South Korea is one of the few nations to avoid a recession during the Great Recession. However, its export-driven economy is suffering from the weak global economy, Chow noted. South Korea First Quarter GDP grew 0.9%, its best in two years, but compared to a year ago, it is only 1.5% — the lowest in three years. The central bank provided liquidity in 2012 cutting rates to 2.75%. Then in May, the Bank of Korea lowered the rate to 2.5%, joining global easing from Europe to Australia. The slowing exports and consumer spending prompted the government of new President Park Geun-hye to enact a $15.5 billion stimulus package in April.

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**Eurozone Continues to Shrink**

Europe is struggling through its longest recession since World War II. GDP for the Eurozone contracted (0.2)% in the First Quarter. Economists surveyed by FactSet had expected the euro-zone economy to shrink by (0.1)%.

The broader 27-nation European Union (EU) saw its GDP fall (0.1)%.

Both regions painted a brighter picture than in the Fourth Quarter, when growth rates regressed (0.6)% and (0.5)% respectively.

The data showed Spain and Italy both shrink (0.5)% while France declined (0.2)%.

Germany narrowly avoided a contraction, with the economy growing 0.1%.

The Cyprus crisis proved that more needs to be done to sever the link between governments and banks, in addition to implementing a fiscal union to complement the monetary one. In the absence of such institutions, most analysts predict the Eurozone economy will shrink for a second year in 2013.

**Frank Chow, CHIEF ECONOMIST**

**TSE MEDIA GROUP**

The European Central Bank (ECB) has succeeded in calming the markets from the fears of a euro meltdown, but Chow noted that the Cyprus crisis proved that more needs to be done to sever the link between governments and banks, in addition to implementing a fiscal union to complement the monetary one.

In the absence of such institutions, and with ongoing public and private sector deleveraging, Chow said most analysts predict the Eurozone economy will shrink for a second consecutive year in 2013.

President Francois Hollande recently made a pitch for the 17 countries sharing the euro currency to establish a common government that would meet monthly.

**Latin American Strengths**

Growth in Latin America and the Caribbean is projected by the IMF to pick up from 3% in 2012 to about 3.5% in 2013, supported by a gradual global recovery, continuation of easy financing conditions, high commodity prices, and ongoing policy easing in some countries.

The South American continent alone is expected to do even better, rising 4.5% this year from 3.7% in 2012. Brazil, the region’s largest economy, will rebound from under 1% in 2012 to about 3% this year. Growth in Central America is projected to slow slightly to 3.1% in 2013 with Mexico gaining 3.4%. However, Chow stressed that most countries in these regions are vulnerable to changing conditions in the U.S., Europe, and increasingly China.

**Our Neighbor to the North is in Same Slump**

Canada’s reputation as one of the strongest nations to survive the Great Recession has tarnished a bit recently. Being a resource-driven economy relying on exports, the unexpected sharp April plunge in gold, silver, copper, oil and other commodity prices has diminished expectations for a better year than last year when a persistent slide in housing markets put a damper on Canada’s economy, Chow said.

The economy appeared to perk up in January and February growing 0.3% in both months. However, it is now forecasted to record U.S.-like growth of only 1.5% to 2% in 2013, Chow said.

**Cost-Cutting Still on the Agenda of Corporate America**

The U.S. economy continues to grow close to its trend of 2%. The Conference Board’s Leading Economic Index bounced back in April with a 0.6% percentage point gain to 95.0 in April after falling a revised 0.2 points in March.

Seven of the ten index components expanded, continued on page 25
An Insider’s Perspective

How is the economy impacting the exposition industry? This month, nine industry experts give you projections and early warning signs based on registration patterns, exhibit space commitments, long- and short-term bookings, and discussions with peers and customers. Together with the rest of TSE’s Exposition Forecasting Board, they have insider knowledge about the true performance of the majority of U.S. trade shows. And just like economists, they don’t always agree. Their diverse opinions, however, provide valuable insights to help you formulate your plans.

Job Growth Will Create a Larger Attendee Pool

“Meteorologists from the National Oceanic and Atmospheric Administration are predicting a higher-than-usual number of tropical systems with more direct hits on the U.S. than last year. A heavy hurricane season will snarl air travel and lead to spikes in fuel costs and thus higher travel costs which could ding attendance growth. On the upside, economists are forecasting 2.2 million jobs will be added to the economy in the next 12 months. Job expansion will lead to a steady growth in the attendee pool to participate in trade shows. Organizers in the construction, retail, entertainment and technology sectors are the most optimistic about growth in the last two quarters of 2013.”

Foil Cost-Cutting Manuevers

“The U.S. economy continues to grow close to its trend of 2%. Inflation pressures and the threat of another recession remain muted over the next 12 months. U.S. corporate earnings reports for the First Quarter indicate a healthy business environment, with most companies’ profits beating expectations. However, the key focus for corporate executives is cost-cutting, and trade shows are an easy target. Helping exhibitors and attendees prove ROI is critical.”

Trade Show Executive
Trending & Spending Economic Forecast
MONTH, QUARTER AND FULL YEAR

Reforecasting revenue targets are a common exercise these days for senior executives as business conditions change rapidly, sometimes for the better, sometimes for the worse. Volatility in the economy, geo-political developments, competition, inflation and many other factors can wreak havoc with assumptions made a month, quarter or a year ago. Unbiased, reliable data — whether positive or negative — is the foundation of solid business planning.

Trade Show Executive Magazine’s Trending & Spending Forecast aggregates information from numerous sources: government and business reports; interviews with industry experts and economists; and the TSE monthly poll of its 20-member Economic Forecasting Board. Here is their forecast for the month, quarter and full year:

August 2013 Forecast
- 2.4% NET SF
- 1.8% EXHIBITORS
- 1.3% ATTENDEES

3rd Quarter 2013 Forecast
- 2.8% NET SF
- 2.1% EXHIBITORS
- 1.8% ATTENDEES

Full Year 2013 Forecast
- 2.8% NET SF
- 2.8% EXHIBITORS
- 2.3% ATTENDEES

Revenue = 5.0%
Optimism in Construction Sector Beginning to Fade
“The initial optimism in the First Quarter, fueled by a rebounding housing market, exports and continued growth of the U.S. economy, have faded in part due to slower growth in China and exports overall and indications that manufacturing activity may be stalling. Our exhibitions continue to show strength in exhibit space sales and revenue, but opportunities for growth in attendance will be more challenging for the remainder of this year due to these factors and continued inactivity in Washington to address the nation’s budget issues and infrastructure needs.”

Roller Coaster Ride Hasn’t Come to a Stop
“Forecasting this industry is very complex right now as the roller coaster ride has continued into the Second Quarter. The overall U.S. economy needs to remain bullish and endure the current healthy trend if we are to build long-term corporate confidence which will drive sustained industry growth. The data I am seeing is still too unstable and does not indicate the kind of confidence we need to predict anything above low single-digit growth.

“Attendance is my number one concern right now. The First Quarter decline in attendance in most sectors will likely lead to exhibitors being very conservative in their spending patterns. Boston Strong!”

Modest Growth to Continue
“The most recent CEIR Index reports that growth will continue to advance at a modest pace of approximately 1.5% to 2.0% in 2013. All of our indicators and conversations with IAEE members support those forecasts. As the economies around the globe continue to grow, we will see increases in attendance and exhibitor support. IAEE continues to advocate support of face-to-face exhibitions and events as the most critical and productive element of the overall marketing mix for organizations.”

Investment in Larger Exhibits May Level Off
“The U.S. economy is still a bit choppy — up here and there, but stagnant in other areas. We are still not seeing real job growth, at least not across the board. On the plus side, it appears that sequestration isn’t having as significant a negative impact as once thought.

“Lack of growth in number of exhibitors is a concern. Net square footage growth may be driven primarily by companies investing cash after a period of sitting on profits. At some point, this growth will level off and perhaps even decline, given that attendance is not growing enough to sustain the jump in nsf. So without growth in number of exhibitors, it is hard to see where future growth in nsf will come from.”

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Ingenuity Will Drive Attendance Growth

“As we know, attendance is typically the leading indicator of growth for all other exhibitor and revenue indices. The challenge ahead for organizers, therefore, is to continually grow attendance. Some of that growth will occur organically from existing core attendee segments as the economy continues to improve, but significant growth for most shows (particularly mature shows) will have to come from identifying, developing and nurturing new attendee segments. In many cases, this strategy will also create opportunities for developing new exhibitor growth segments that align with the new attendee segments.”

What Will it Take for Trade Shows to Resume Their Strong Performance?

“In the first four months of the year, 48 of the industry’s top 100 sector-leading events occur. Results are in and caution prevails. The core performance categories — NSF, exhibiting companies and attendees — all dipped below the strong 2012 January through April results. Regrettably, attendee performance also fell short of 2010 results. The obvious and traditional key to aggressive event performance recovery is qualified attendee numbers...and that need can only be met when government stability and some economic muscle arises.”

Stuck in Slow Gear

“We are seeing growth, but at a slower pace than the past two solid years of industry expansion. We believe growth will continue at low-to-middle single-digits for some time. To help clients achieve the best results possible, it is critical that we all work together to help market their show, and consult with exhibitors to help them plan and manage their exhibiting experience.”

Fast-Growing Economies Will Be in Africa; The Slowest in Europe

Relying on IMF World Economic Outlook data, the fastest-growing economies in 2013 will be located in Africa, led by South Sudan’s 32% GDP growth and Libya’s 20.2%. The slowest are not surprisingly in the EU with Greece’s decline of (4.2)% playing the lead tortoise. Every other region is below 10% growth. Overall, the global economy does not appear to be as moribund as depicted in many media reports. Mostly, the middling results are driven by massive monetary injection by central banks with the U.S. and Japan leading the way. When the time comes for central banks to taper the quantitative easing, let’s hope enough structural adjustments have been made for economies to grow on their own. In the meantime, it is the ideal time to pursue global partnerships and geo-cloning of your trade shows.”

The U.S. corporate earnings reports for the First Quarter indicate most companies’ profits beating expectations. However, the key theme still focuses on cost-cutting, rather than expansion and growth. “As long as the Federal Reserve keeps pumping money into the economy, we can expect the economy to grow,” Chow said.

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