

April 23, 2008

Going Global: Sales and Services

Gloomy prospects for the US economy seem to dominate media headlines. From the credit crisis to rising unemployment, the mood is decidedly sour. But there is reason for optimism and it all has to do with **embracing a global perspective**.

By now, you have heard plenty about large multinational corporations enjoying the benefits of a falling US dollar. Setting the currency aside, genuine global demand is the real story behind the latest set of earnings releases, especially from Caterpillar, IBM and Google.

During the first quarter, Caterpillar **generated 58% of its revenues outside of the US—up from 53% a year ago**. While sales were slow in North America, the company posted a 37% sales jump in the Asia-Pacific region and a 24% increase in Latin America. Similarly, IBM relied on the rest of the world—including fast-growing Brazil, Russia and China—to provide nearly two-thirds of its revenues.

And Google—seen as the quintessential, innovative US corporation of the Internet Age—generated 51% of its revenues abroad as global web surfers clicked on Google ads.

Not A Zero-Sum Game

Does this mean the US economy no longer matters? Or that other countries will reap the benefits of new hiring and business expansion, leaving the US economy in tatters? Hardly. The global economy presents opportunities not just to US corporations but the entire US economy.

If you think about it, the US economy is less dependent on manufacturing and more dependent on services—a shift that began decades ago. **Indeed, four-fifths of all American jobs are in services**, ranging from fast food workers to corporate lawyers to Internet engineers. As developing economies mature, consumer demand will undergo a shift away from the basic necessities—food and shelter—and toward services, like medical care, legal, financial, education, and business services.

(Continued)

Background

Earnings season and a gloomy US economic outlook have weighed on market and consumer sentiment. But, amid the fog of pessimism there is a need for perspective: Global growth provides a bright spot not just for nimble multinationals but the entire US economy as well.

Additional reading:

Richard W. Fisher, “*Selling Our Services to the World*,” Remarks before the Chicago Council on Global Affairs, April 17, 2008.

Payden & Rygel is one of the largest independent US investment management firms, with 19 shareholders, all of whom are active in management. Headquartered in Los Angeles, it has 150 employees, over \$55 billion in assets under management, and operations in Phoenix, London, Dublin, Frankfurt and Hong Kong.

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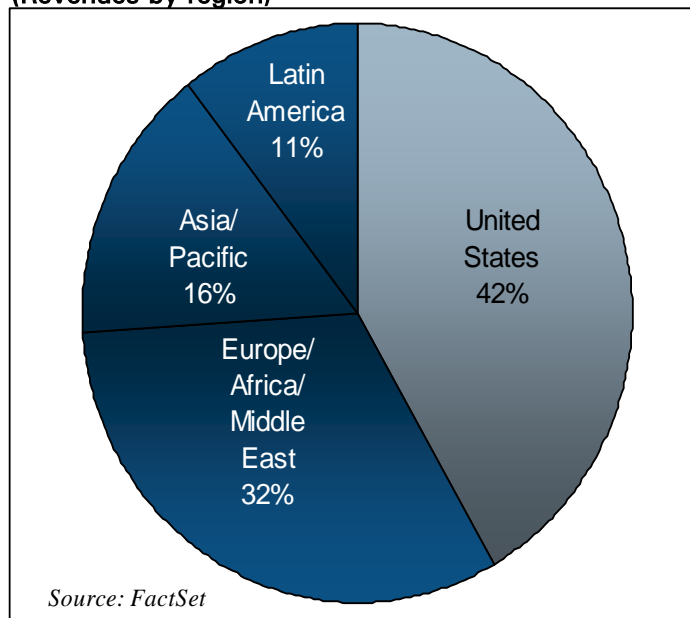
While the firm has grown and expanded considerably since its founding, it has never deviated from its mission of providing customized investment management services that focus on each client’s specific needs and objectives.

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Since the US economy has experienced this shift domestically it is uniquely positioned to take advantage of the transformation globally. Already, the **US exports more services than any other nation**. In fact, the \$500 billion in foreign sales in 2007 exceeded the combined total of Britain and Germany, countries which occupy the second and third slots, respectively, on the list of services exporters. Further, in half of the 20 trade categories, US services exports were more than *double* the volume of services imports in 2007. When was the last time you heard about America's services "trade surplus"?

Services exports also grew faster than goods exports (13% vs. 12%) in 2007 and services exports recorded a 19% increase in February 2008 versus February 2007. This trend is likely to continue, showing that a global perspective paints a slightly different picture about the present—and the future.

Caterpillar's Global Revenue Footprint
(Revenues by region)



US Services Exports Trend Higher

