



## TENNESSEE

### WHERE ARE OUR EXPORTERS LOCATED?

by Steven G. Livingston

The latest government figures identify 6,463 Tennessee enterprises as exporters. This is about 1.5% of all the private for-profit business establishments in the state. (It is also 2.3% of all American exporters.) Most of these firms export only periodically and in small values. The more significant exporters are manufacturing firms, distributors, or agricultural brokers. In 2010, 1,832 Tennessee manufacturing establishments exported, just over 20% of all of the state's manufacturing plants. They were joined by 1,239 wholesalers and distributors. The economic importance of these establishments becomes clearer if we focus on employment. The one-fifth of manufacturing plants that export account for 44% of the manufacturing employment in this state. More than 182,000 manufacturing jobs are in firms that export. In 2010, the average Tennessee exporting firm produced and shipped goods valued at \$13.481 million, a substantial portion of its total output and sales.

Where are these exporters located? Are they concentrated in particular regions of the state, or are they found throughout Tennessee? As might be expected, most exporters are located in the state's major metropolitan areas. The raw count of exporters by county is rather predictable, with the most populous counties having the most exporters. However, even here there are a few surprises, such as the over-achieving Hamilton County, which vies with much bigger Shelby for the most exporting establishments. The findings are similar if one examines the percentage of the workforce that is in the export sector. Here Rutherford and Sullivan counties punch above their weight, but the pattern of "the larger the county, the larger the export sector" still holds.

More interesting is adjusting for the size of a county's population and its manufacturing sector. Thirty-nine coun-

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#### Top Counties

Number of Exporters	
Shelby	192
Hamilton	188
Davidson	152
Knox	116
Hamblen	52
Williamson	50
Rutherford	47
Washington	40
Anderson	39
Sumner	38
Sullivan	36

Export Employment	
Shelby	21,671
Davidson	14,213
Rutherford	11,739
Hamilton	10,544
Sullivan	9,753
Knox	7,013
Hamblen	5,335
Madison	4,498
Putnam	4,404
Bradley	4,153
Robertson	4,308

% Manufacturers That Export	
Hamblen	46.02%
Loudon	43.94%
Clay	38.46%
Houston	38.46%
Perry	38.46%
Hamilton	37.90%
Wayne	37.50%
Hardeman	33.33%
Trousdale	33.33%
Hawkins	32.65%
Marshall	32.61%
Anderson	31.20%

% Manufacturing Employment in an Exporting Firm	
Perry	88.41%
Rhea	83.59%
Trousdale	83.20%
Hardeman	77.71%
Loudon	77.31%
Bedford	76.30%
Obion	75.91%
Sullivan	72.20%
Henry	72.06%
Humphreys	71.86%
McMinn	70.93%
Putnam	70.21%
Rutherford	66.73%
Robertson	66.68%

No Exporting Firms	
Bledsoe	
Hancock	
Lake	
Van Buren	



ties exceed the state average for export intensity, measured as the percentage of manufacturing establishments that export. Fifty-six counties fall below that average. Four counties have no exporters at all. Even when adjusting for the size of the county's population, we see that firms in urban counties remain more likely to export. The counties in the state's largest Metropolitan Statistical Areas (Memphis, Nashville, Chattanooga, and Knoxville) are more export intensive than the rural counties or those in smaller MSAs. A second interesting pattern is geographical. Manufacturers in counties in west Tennessee are generally less likely to export than those in middle or east Tennessee. Only three western counties (Hardeman, Haywood, and Perry) exceed the state average for the percentage of manufacturers that export.

The urban/rural disparity is less apparent if we look at the percentage of a county's manufacturing employment that is in an establishment that exports. The percentage of export-related manufacturing employment is actually a bit lower for urban counties than for rural ones. However, this slight difference is driven by the fact that the most outlying counties of an MSA tend to have the lowest export intensity. In Cannon County, for example, on the outskirts of the Nashville MSA, less than 10% of manufacturing employment is in firms that export. This lowers the total MSA average. Taking this into account, it is hard to locate much difference in export employment intensity across urban and rural counties.

However, the geographical pattern still holds. Only six counties in west Tennessee exceed the state average for export employment. This is in spite of the fact that Perry County has the most export-intensive manufacturing labor profile of any county in the state. Perry reveals one limitation of viewing export intensity solely by the percentage of workers in exporting firms. Perry has a small manufacturing base that is dominated by one exporting firm, Bates LLC. A single firm, Mueller Refrigeration, similarly accounts for Trousdale's high standing. Nevertheless, the data point to a lower level of export activity in the western part of the state.

We can summarize the distribution of state exporting with two maps. The first shows the percentage of manufactur-

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## Propensity to Export

### MSA Status and % Manufacturers That Export

	% Exporting	% Above Average	# of Counties
Large Urban	21.52%	51.85%	27
Small Urban	22.44%	36.36%	11
Rural	16.43%	37.93%	57

### County Population and % Manufacturers That Export

Population	% Exporting	% Above Average	# of Counties
> 98,000	20.77%	42.86%	14
< 98,000	19.00%	38.27%	81

### MSA Status and % Employment in Manufacturers That Export

	% Employment	% Above Average	# of Counties
Large Urban	42.76%	33.33%	27
Small Urban	47.25%	36.36%	11
Rural	47.05%	43.86%	57

### County Population and % Manufacturing Employment in Exporting Firms

Population	% Employment	% Above Average	# of Counties
> 98,000	42.58%	42.86%	14
< 98,000	46.70%	39.51%	81

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1st Quarter 2011

RECORD PRICES  
BOOSTED COTTON  
EXPORTS.



### Tennessee's Largest Export Sectors

	Exports	Change from Last Year	Change from Last Quarter
Medical Equipment & Supplies	\$753,329,114	21.6%	2.7%
Motor Vehicle Parts	\$741,957,379	45.6%	11.4%
Basic Chemicals	\$505,406,036	20.1%	2.3%
Computer Equipment	\$479,742,116	17.9%	4.9%
Resins, Synthetic Rubber, & Fibers	\$421,781,163	18.6%	45.8%
Cotton	\$414,862,514	192.2%	85.9%

1st Quarter 2011

TENNESSEE EXPORTS  
MORE THAN DOUBLED  
TO SEVEN DIFFERENT  
COUNTRIES.

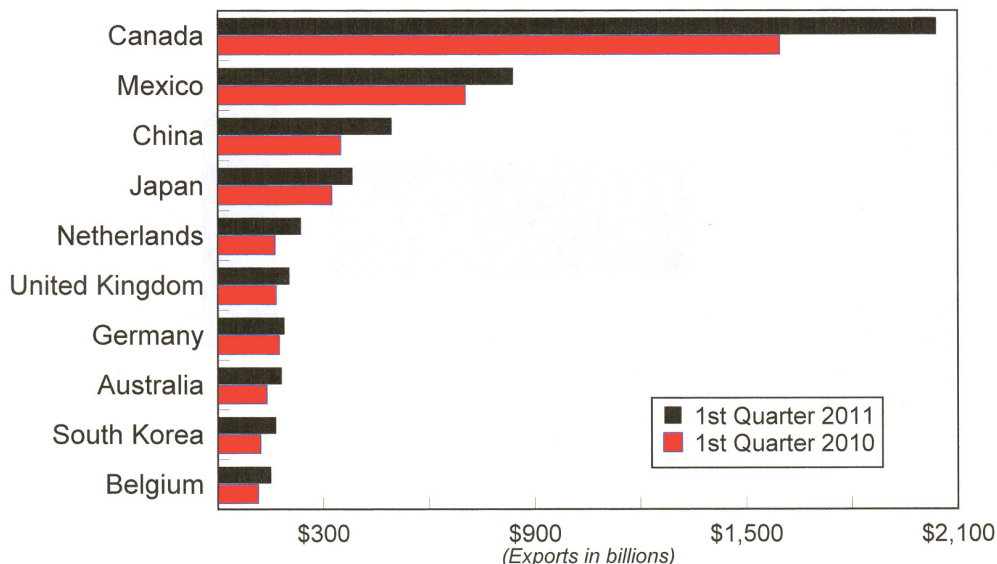


### Fastest-Changing Export Destinations

	Value of Exports	Gain	Decline
<b>COUNTRIES WITH THE GREATEST GROWTH</b>			
Nigeria	\$6,535,922	359.9%	
Vietnam	\$36,715,028	162.8%	
Egypt	\$22,251,852	133.5%	
Panama	\$12,287,197	129.2%	
Morocco	\$9,551,516	128.7%	
<b>COUNTRIES WITH THE GREATEST DECLINE</b>			
Haiti	\$4,005,868		-56.1%
Spain	\$35,486,969		-39.0%
Oman	\$12,665,076		-38.1%
Finland	\$5,969,150		-24.1%
United Arab Emirates	\$79,132,780		-22.1%

(Among countries averaging more than \$3 million in sales per quarter)

### Tennessee's Leading Trade Partners



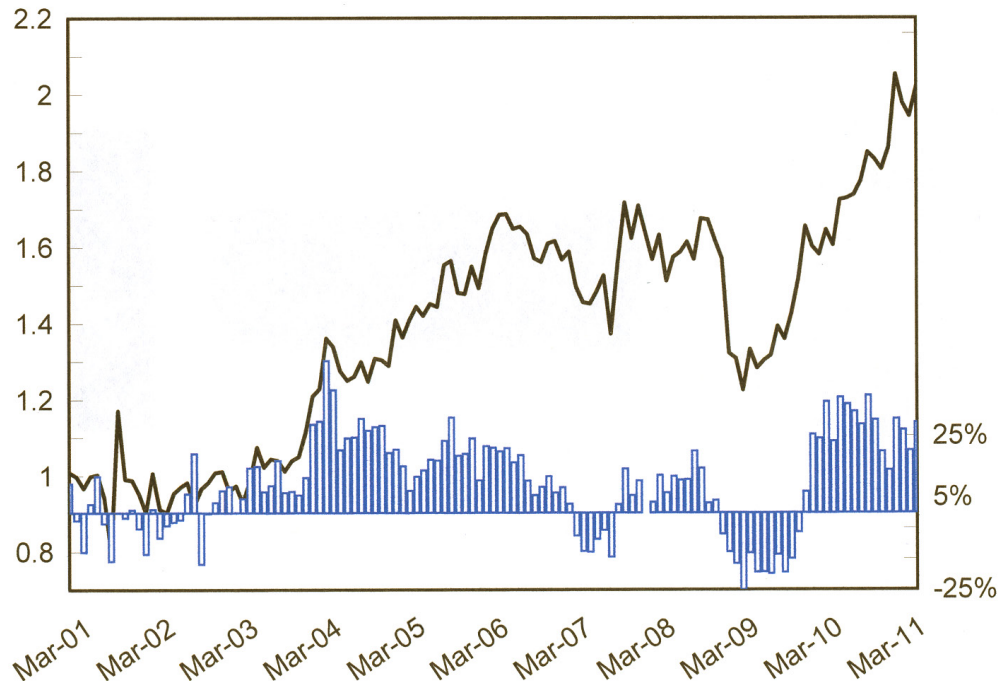
ALL OF THE STATE'S  
TOP MARKETS  
GAINED LAST  
QUARTER.



## Tennessee Monthly Exports

Exports in \$ Billions

Nominal Growth Rate (%)



(Seasonally adjusted, expressed in 2000 dollars)

1st Quarter 2011

### What's Hot and What's Not\*

	Value of Exports	Growth	Decline
<b>SECTORS WITH THE GREATEST GROWTH</b>			
Miscellaneous Airplane Parts	\$15,418,771	15,769.5%	
Fructose	\$14,193,761	1,046.6%	
Trade Advertising Material	\$19,465,925	595.4%	
Video Games	\$38,010,201	463.7%	
Ash Containing Precious Metals	\$14,009,478	252.8%	
<b>SECTORS WITH THE GREATEST DECLINE</b>			
Vegetable Oils	\$12,018,385		-41.9%
SUVs / Passenger Trucks	\$151,947,481		-23.4%
Medicaments	\$30,595,547		-20.5%
Nonwovens between 25 and 70 grams/square meter	\$19,958,647		-17.5%
Laptop Computers	\$148,167,984		-16.4%

SUVs AND LAPTOPS BOTH HAD DIFFICULT QUARTERS.

\*Among Tennessee's top 100 exported goods.

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## NO MAJOR MARKET DECLINED IN THE QUARTER.

The combination of economic recovery, a falling dollar, and record commodity prices have produced surging exports thus far in 2011. Tennessee exports for the first quarter of the year rose just over \$1.5 billion from a year ago to \$7.354 billion. The state's rate of export growth over this period, 25.4%, was 13th best among the American states, substantially ahead of the national figure (18.4%). Export gains were broad and deep. Only two substantial state exports, laptop computers and SUVs, saw their foreign shipments decline. And no major market declined over the quarter.

The state's leading export was again the medical instrument sector. Exports of these products grew just under 16% to \$570 million for the quarter. The gains were global, including Europe, Australia, and both East and Southeast Asia. Other medical-related sectors also had strong quarters. Orthopedics and artificial joint exports grew to \$232 million, a greater than 50% increase from 2010, thanks to large increases in Japan, the Netherlands, and Australia, among other nations.

If SUV sales were off, mostly due to sales declines in the Middle East, most automotive products had a good quarter. Motor vehicle parts exports were up about 40% as were automotive body parts. Cars grew at a more modest 7.6%, but car-engine exports soared more than 80% to \$207 million. This was perhaps the best performing of the state's manufactured exports. Most of the latter gain came in Canada and Mexico. Other automotive products such as gear boxes and steering wheel assemblies also saw their foreign shipments rise markedly.

Among exports from other sectors, we might cite aircraft, which climbed 30% for the quarter, to Canada, Singapore, and the U.K., and plastics, which increased by \$120 million for the quarter, also a 30% gain. Though laptops did not fare well last quarter, with lost sales in Canada and Colombia, other computer equipment, including desktops, more than made up the slack. Overall, computer exports were up nearly 17% for the quarter to just under \$400 million. Among smaller industries, two that stood out were video games, whose foreign sales more than centupled to \$38 million, and trade advertising publications, sextupling to \$19 million. Both of these sectors export primarily to Canada.

The quarter's most spectacular export growth, however, was in cotton. Cotton exports increased from \$153 million in the first quarter of 2010 to over \$414 million this past quarter, a gain of more than \$260 million. China accounted for about a quarter of this increase. Mexico, Turkey, Thailand, Vietnam,

India, and Brazil were the other large purchasers. This huge increase, however, is a little less impressive when we remember that the price of cotton had reached all-time record highs in the first part of the year. With that price now falling, it may be hard to reproduce these numbers in future quarters.

Readers might be surprised to learn that the major global events witnessed in the first part of the year did not have a substantial impact on state exports. Neither the uprisings of the Arab Spring nor the set of disasters that have afflicted Japan led to losses in exports. First-quarter exports to Egypt, for example, actually more than doubled those of last year. This made it one of the fastest-growing markets for Tennessee. The state's \$23 million in shipments to Egypt were mostly cotton and artificial filaments, both headed for the country's apparel industry. Exports to Japan were also surprisingly strong, gaining \$61 million for the quarter (more than 18%). Today the Japanese market has become, at least for Tennessee, increasingly centered on health and healthcare products. The top five products sent to Japan from Tennessee were all medical-related. We need to remember, however, that the events in Japan occurred in March, and so we may not see their impact until the second quarter figures arrive.

Tennessee, in fact, saw reverses in no major global market, although exports to the Middle East were flat because of a fall in car sales to the Gulf States. Canada (up 27.5%) and Mexico (20%) produced about a third of the state's increased export sales. South American shipments increased 28%, with exports particularly strong in Brazil and Chile. Exports to China were just a shade shy of \$500 million for the quarter, a 42% increase from a year ago. Taiwan nearly doubled its purchases to nearly \$100 million for the quarter. Virtually every market in East and Southeast Asia grew in double digits. Tennessee exports to Thailand actually increased by more than 100%. Exports to Europe rose 15% to \$1.284 billion. The only European markets to fall were those of Luxembourg and Spain. The former reflected a shift in the port of entry of the state's medical instruments away from Luxembourg to Belgium and the Netherlands rather than any loss of sales. Though the loss of exports to Spain might be ascribed to that nation's austerity efforts, exports to neither Ireland nor Greece, the nations where the most severe of such efforts are occurring, were much affected by them.

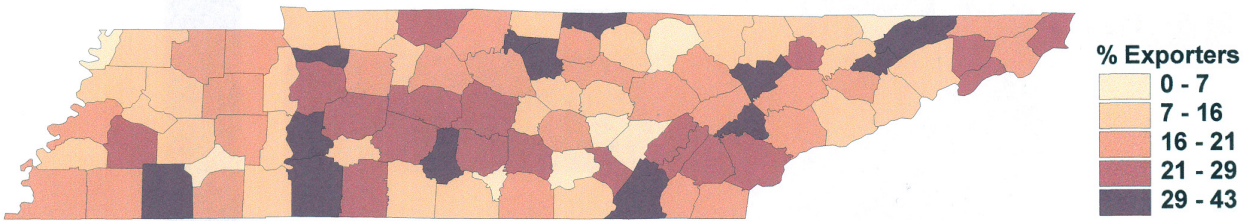
In short, then, the first quarter of 2011 saw the latest of a series of good export numbers that have followed the revival of the global economy since its near collapse two years ago. We might expect next quarter to be a bit more difficult, thanks to the fall in cotton prices and the anticipated impact of the events in Japan, but at this point in the year, few Tennessee exporters have much to complain about. ■



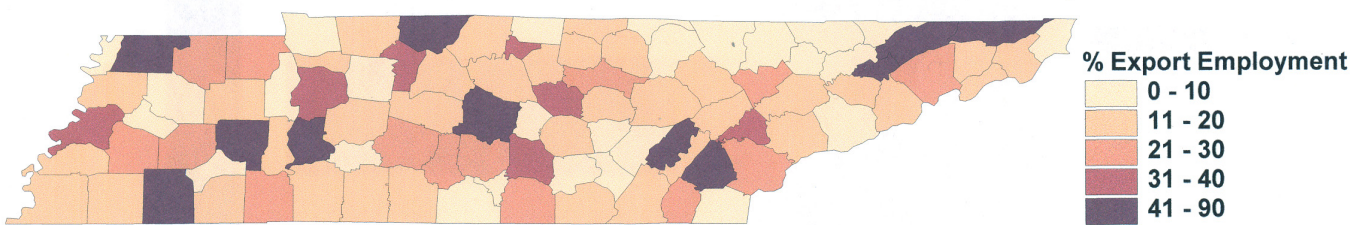
# EXPORTERS

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## Exporters as a % of All Manufacturing Establishments



## Export Employment as a % of All Manufacturing Employment

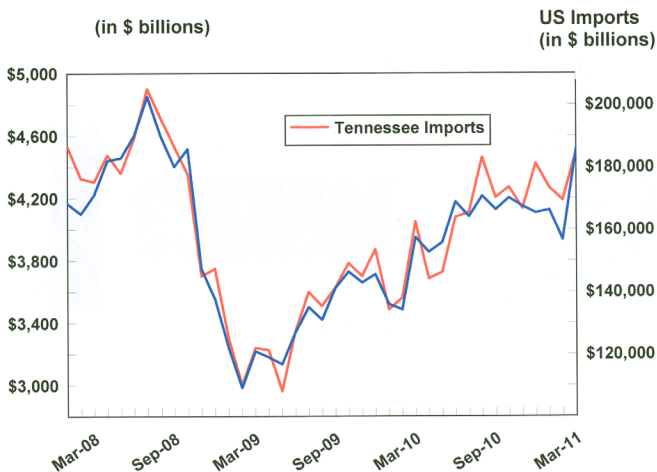


ing establishments that export across Tennessee. The second shows the percentage of total manufacturing employment that is in these exporting firms. The maps reinforce the patterns noted above. Tennessee has three noticeable export regions. The first is in the northeast of the state, centered around the Tri-Cities. The second region is the I-75 corridor from Chattanooga to Knoxville, and the third includes the south and southeastern portions of the Nashville MSA. The

less export-intensive regions include the northwest part of the state along with the Cumberland Plateau and many of the counties on the Kentucky border.

Tennessee thus shows several variegated patterns in its export activity. Because exporting is associated with both flourishing firms and a flourishing local economy, these patterns are worth investigating further. ■

## Tennessee Monthly Imports



## Tennessee Trade-Weighted Dollar Index

