



Global Commerce

Tennessee and the International Economy

TENNESSEE'S IMPORTS

A FIRST LOOK

by Steven G. Livingston

For the first time since the mid-1980s, the Census Bureau's Foreign Trade Division is compiling U.S. import statistics at the state level. The reason for the long delay is the trickiness of these statistics. It's often an estimate, or a decision, as to which state ought to receive "credit" for a particular import. If a Chinese-made refrigerator enters the U.S. at Long Beach, is brought in by WalMart, and is sold at a store in Cookeville, who gets the import—California, Arkansas, or Tennessee?

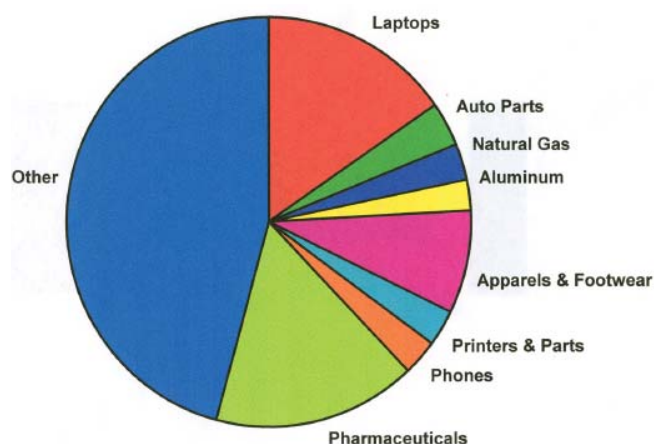
Bearing that limitation in mind, what picture emerges from this first look at the state's imports in some years?

First and foremost, and this is no surprise, the state, like the nation, imports far more than it exports. In 2009, Tennessee brought in more than twice the value of goods it shipped abroad, buying more than \$41 billion for the year while selling just over \$20 billion. At least this performance is no worse than that of most other states. Most imports into Tennessee are intermediate goods used by state firms to produce final goods that are sold to the retail customer. For this reason, the biggest state imports are pretty familiar. Laptops are brought in by the state's computer retailer, perhaps most prominently Dell. They are the state's single biggest import. Pharmaceuticals arrive for Tennessee's health care industry and auto parts for Nissan, GM, and Toyota suppliers. Printers and parts, aluminum for refining, and apparels and footwear for the state's apparel assembly and retail trade round out the state's top goods coming in from abroad. The top eight imported products, in fact, account for more than half of all goods coming into Tennessee.

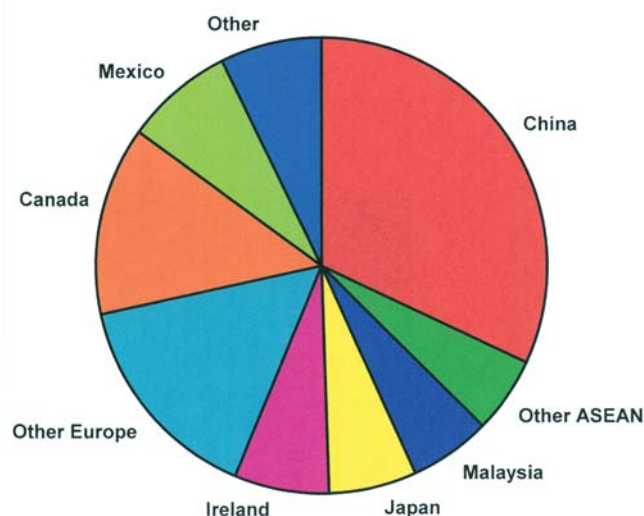
In some ways, the origins of these goods look familiar. Generally, the biggest sources of imports are the same countries that are the state's largest export markets. So we see featured Canada, Mexico, China, and Japan at the top of both lists. However, there are a few surprises. Ireland and Malaysia are substantial exporters to Tennessee, and the other Southeast Asian nations (ASEAN) are also more significant sellers than buyers of Tennessee goods.

continued on page 2

Tennessee's Major Imports, 2009



Source of Tennessee's Imports, 2009



IMPORTS

continued from page 1

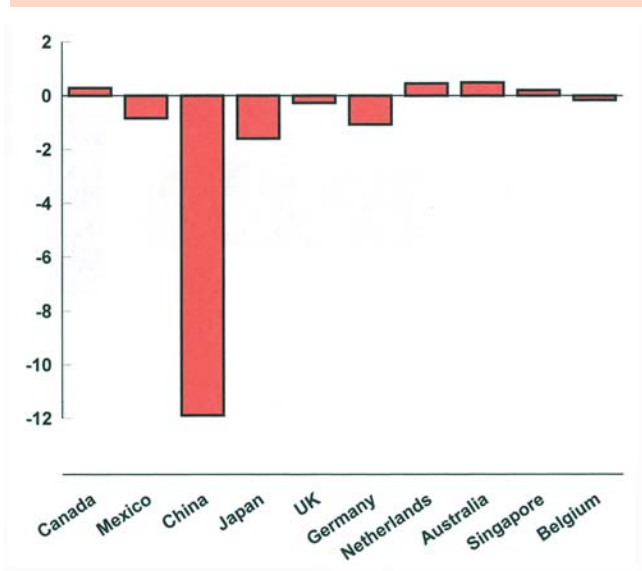
Talking about a “balance of trade” at the state level is not very meaningful. Tennessee is hardly a separate economy; it is fully integrated into the U.S., and trade balances convey information only at that level. However, one can’t help but want to know what that balance looks like anyway! As we’ve said, Tennessee is definitely in the hole, importing quite a bit more than it exports. But that huge gap is actually accounted for by a handful of countries, the ones shown as the state’s “biggest losers.” China, of course, is on a different level than any of the others. The state imports more than \$13 billion from China, dramatically more than its 2009 exports of \$1.29 billion. China, in fact, accounts for about half of the state’s trade imbalance.

One reason that a few nations so dominate the import picture is that the state’s sources of each particular import are highly concentrated. Most products come from only a couple of countries. For example, almost all computer imports come from China or Malaysia (the latter is where Dell sources from). Of the state’s major imports, only apparels show much variety. There, the top four countries account for “only” about half of the imports coming in to Tennessee. This reflects the emerging pattern of world trade, whereby specific places focus on making specific products. So we have Ireland and France as the dominate source of medicaments, while apparels and footwear come in from South and Southeast Asia, for example.

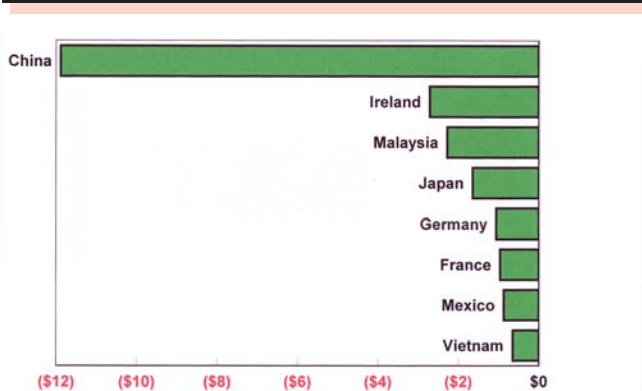
The same concentration is found in the products Tennessee imports. The state brings in what local industries need, and that is quite specialized. Tennessee actually ranks as a top-five importer of more than 60 individual products, but it accounts for the lion’s share of U.S. imports for relatively few. The chart shows those major goods for which the state is bringing in roughly a quarter or more of all U.S. imports. However, the state is also a significant importer of some other goods, such as rapeseed oil (almost 20 percent of U.S. imports) or zinc ores, which Tennessee is the only state to import!

continued on page 6

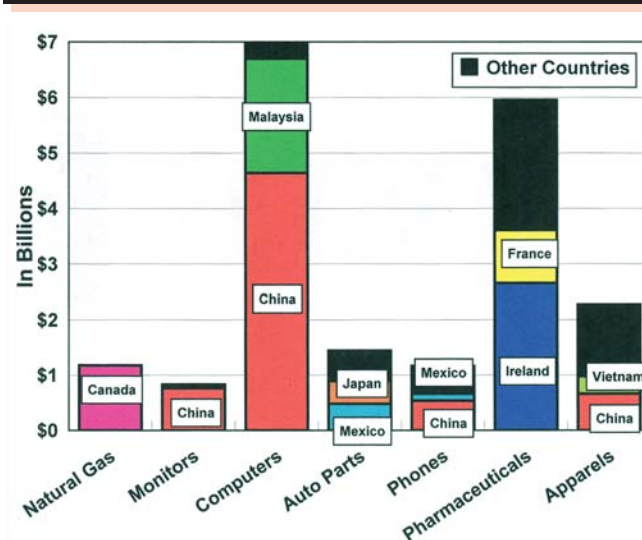
Tennessee’s “Balance of Trade” (in \$ billions)



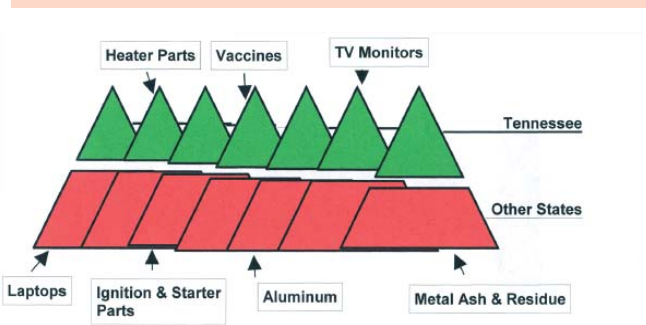
Biggest Losers: Tennessee’s Biggest Imbalances (in \$ billions)



Imports Are Concentrated



Import Intensity: Products for Which the State Accounts for Close to 25% or More of U.S. Imports



1st Quarter 2010

CARS AND CHEMICALS SPEARHEADED A VERY STRONG QUARTER.



Tennessee's Largest Export Sectors

	Exports	Change from Last Year	Change from Last Quarter
Transportation Equipment	\$1,202,786,128	59.2%	-2.2%
Chemicals	\$951,995,128	52.3%	5.0%
Computer and Electronic Products	\$844,938,038	21.9%	-4.6%
Miscellaneous Manufactured Goods	\$685,685,916	-2.6%	0.3%
Nonelectrical Machinery	\$501,206,646	-35.5%	1.3%
Agriculture	\$179,920,053	-10.9%	5.1%

1st Quarter 2010

Fastest-Changing Export Destinations

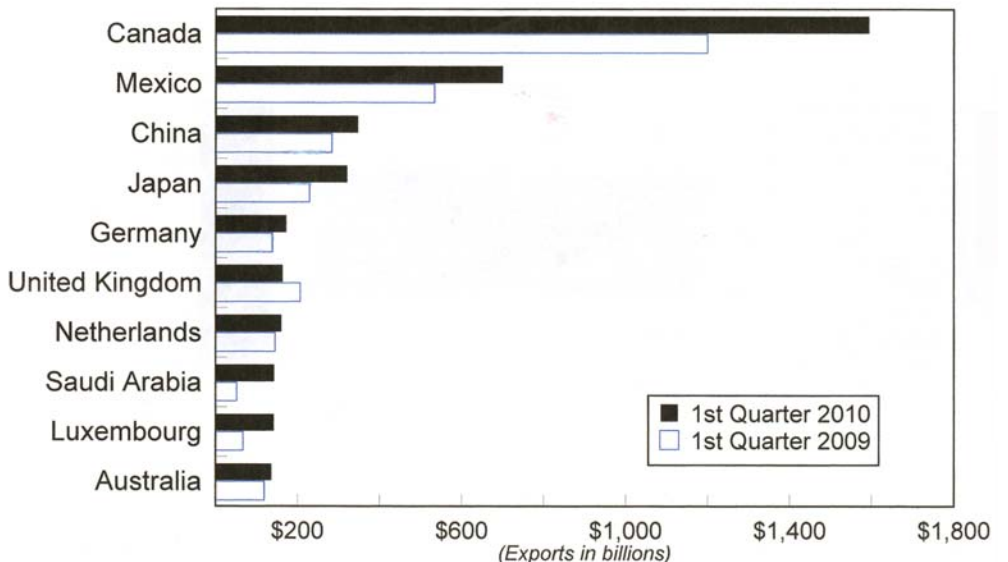
	Value of Exports	Gain	Decline
COUNTRIES WITH THE GREATEST GROWTH			
Philippines	\$40,067,854	262.5%	
Saudi Arabia	\$145,594,461	179.5%	
Oman	\$20,457,293	126.4%	
Luxembourg	\$145,150,201	115.7%	
Dominican Republic	\$18,325,833	113.4%	
COUNTRIES WITH THE GREATEST DECLINE			
Qatar	\$10,702,757		-47.0%
Iraq	\$11,665,134		-42.4%
Switzerland	\$43,861,138		-28.9%
Pakistan	\$13,074,650		-25.0%
Jamaica	\$8,379,634		-21.6%

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

1st Quarter 2010

1st Quarter 2009

Tennessee's Leading Trade Partners



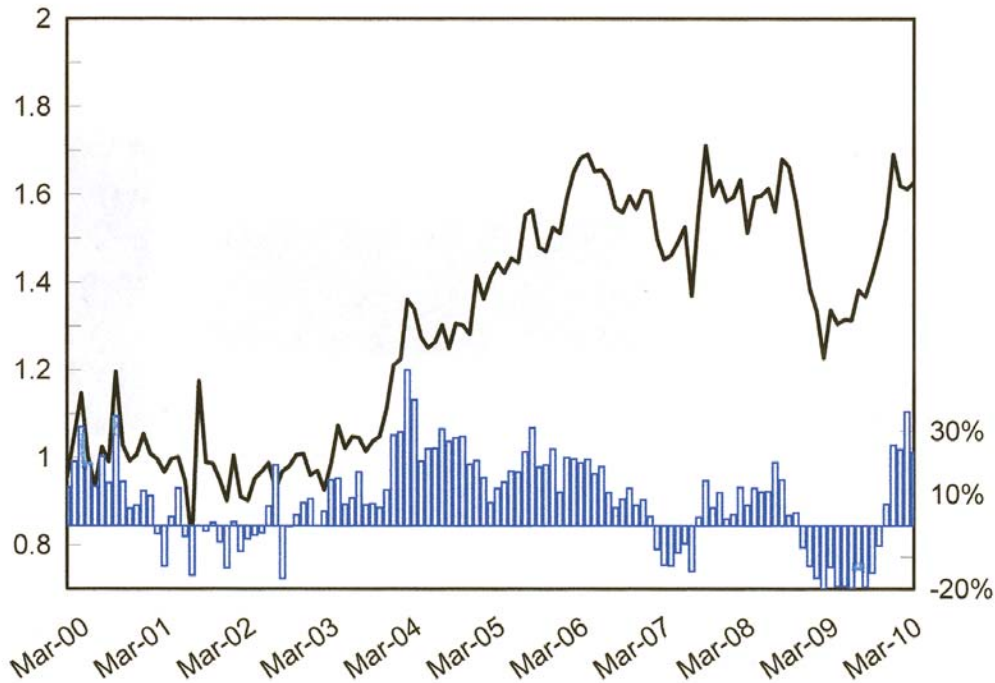
THE U.K. WAS THE ONLY TOP MARKET TO DECLINE LAST QUARTER.



Tennessee Monthly Exports

Exports in \$ Billions

Nominal Growth Rate (%)



(Seasonally adjusted, expressed in 2000 dollars)

1st Quarter 2010

What's Hot and What's Not*

	Value of Exports	Growth	Decline
SECTORS WITH THE GREATEST GROWTH			
Spark-Ignition Piston Engines > 1,000 cc	\$112,453,198	2,098.2%	
Miscellaneous Motors	\$16,571,991	3,162.9%	
Uncoated Kraftliner	\$11,761,501	518.3%	
Precious Metal Scrap	\$10,452,275	467.2%	
Gas-Powered Trucks < 5 metric tons	\$13,904,972	379.7%	
SECTORS WITH THE GREATEST DECLINE			
Soybeans	\$16,956,926		-53.6%
Digital Cameras and Camcorders	\$11,724,019		-48.1%
Charitable Donations	\$14,382,006		-42.4%
USB Flash Memory Devices	\$12,753,741		-22.8%
Miscellaneous Printed Books and Brochures	\$23,428,183		-18.5%

*Among Tennessee's top 100 exported goods. Aircraft exports were recorded this year and so are not included.

Global Commerce, published quarterly by the Business and Economic Research Center, Jennings A. Jones College of Business, Middle Tennessee State University, is available free of charge to interested individuals and institutions.

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**MIDDLE
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 STATE UNIVERSITY

▶ THE FIRST QUARTER WAS GOOD NEWS FOR JUST ABOUT ALL OF THE STATE'S EXPORTS INDUSTRIES.

State exporters reported very strong gains in the first quarter of 2010. Tennessee's foreign shipments rose by 27.7%, to \$5.87 billion. This growth was almost a third higher than for the nation as a whole. The large majority of the gains were in the state's biggest trade sectors, including the transportation and chemical industries, each of which saw export growth exceeding 50% from a year ago. The state increased its sales in 26 of its top 30 markets, generally in the range of 20% or more. Only a few products, including orthopedics, printers, aluminum plating, video games, and soybeans, lost exports for the quarter.

The largest gains were in the transportation sector. Tennessee car, SUV, and auto parts sales gained more than \$400 million for the quarter. In part this was a sign of the general improvement in the global automotive sector, as total U.S. auto-related exports were up by almost 17%. However, Tennessee's industry grew three times as rapidly! There were huge increases in the traditional big two auto-related markets, Canada and Mexico, but the most surprising numbers were in the Middle East. Saudi Arabia, the U.A.E., and Kuwait combined to increase their purchases of Tennessee cars and SUVs by more than \$140 million. As a result, Saudi Arabia now stands as the state's eighth-largest export market, and the United Arab Emirates have become the 16th largest market. The quarter's star export, spark-ignition piston engines, was also in this sector. Foreign shipments of these engines grew by more than 2,000%, almost all going to Canada.

The chemical sector also turned in some great numbers. Overall, exports of chemicals and plastics were up more than \$300 million. Exports of coloring matter almost doubled (to \$116 million), with big increases across the globe, including Belgium, Korea, China, and Singapore. Cellulose (and derivatives) exports also virtually doubled (to \$113 million), with greatly increased shipments to Japan, Germany, China, and Korea, among others.

As noted, Tennessee exports rose across the globe. Exports to Canada grew by almost a third, with laptops and engine parts joining the transportation sector as large gainers. Mexico grew by only a shade less, to just over \$700 million for the quarter. Again, this was mostly due to the auto industry. (The fall in soybean exports, however, was concentrated in this market as well.) Foreign shipments to China rose by almost a quarter, to \$350 million, on the back of increased exports of industrial goods. China was one market where the state did not grow as rapidly as the nation (for which exports to China gained 46.6%), but this is mostly accounted for by a sharp fall in cotton exports to that nation. Japan, the state's fourth largest market, increased its purchases of Tennessee goods to \$324 million, a 40% gain. Medical instrument sales were the story there.

In the emerging markets, both Latin America and Southeast Asia produced very good numbers for the quarter. Shipments

to Latin America increased by more than 30%, to \$450 million. Brazil accounted for about a third of that gain. Computer exports were particularly strong in this area of the world. The ASEAN nations of Southeast Asia collectively purchased some \$272 million of Tennessee goods, a 35% increase from the first quarter of 2009. Two-thirds of this gain, though, was accounted for by Singapore alone. The state's single best market for the quarter was the Philippines, where the state's exports soared from \$11 to \$40 million. Remarkably, this was not because of any big one-time sale, but because of increased shipments of a variety of different goods.

The state also had a strong quarter in Europe, where its exports rose about 15% to \$1.1144 billion. Much of this was due to chemical exports, particularly in the cases of Germany and the Netherlands. France and Italy also each increased their purchases of Tennessee goods by about \$15 million. Luxembourg continued to be the site of a huge increase in Tennessee medical equipment sales, though as explained in earlier trade reports much of this is just being rerouted from other European states. The one poor European market was that of the United Kingdom, where state exports fell \$40 million to \$166 million. In large part this was due to a fall in medical instrument shipments along with a drop in civilian aircraft exports.

All in all, the first quarter was good news for just about all of the state's exports industries. It's a remarkable turn around from the gloom and doom of a year ago. Let's just hope we can enjoy it for a while!

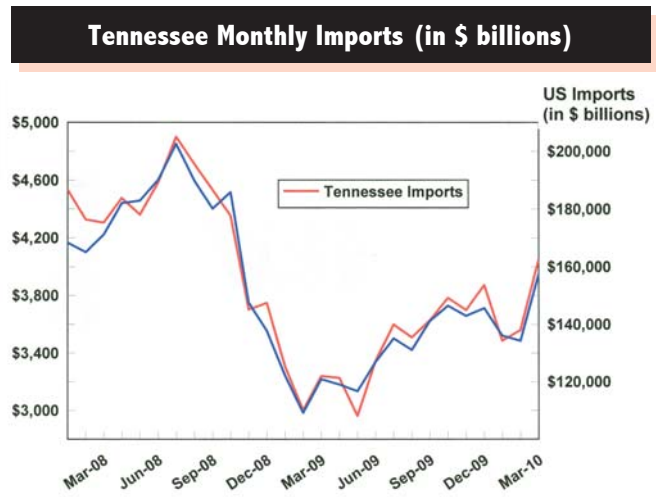
The Euro Crisis?

On the horizon, of course, is the potential fallout of the ongoing economic crisis in the euro zone. At the moment, this should not bother Tennessee exports too much. State exports to Greece itself are tiny. The state exported just over \$37 million to Greece during all of 2009. Exports are overwhelming in medical instruments, with whiskey running second. No other product is of any significance. It is not surprising that exports were down last quarter, but then they have been falling annually since 2007. Portugal is an even smaller market yet for the state: 2009 exports were just over \$20 million. Half of that was in civilian aircraft. Whiskey and rough-cut wood were the only other products with sales more than \$1 million for the year. Not unless the crisis reaches Spain, the state's 20th-largest market, would many state exporters begin to feel the pinch. Spain purchased some \$200 million of goods in 2009, and unlike two smaller "Club Med" countries, state exports to that country are still growing. But they are highly concentrated. Whiskey and medical instruments account for almost three-quarters of the state's shipments to Spain, although that country has been a relatively big importer of the state's auto parts at times over the years. From these numbers, it appears that the state's main difficulties will not arise from events in these countries. Only if the crisis should spread to Italy or depress overall economic growth in Tennessee's larger European markets will state exporters be heavily affected. ■

IMPORTS
continued from page 2

What Do Imports Tell Us?

How should we use this import information? A clue is the fact that the state's imports fell dramatically between 2008 and 2009, the year of the economic meltdown. The level of imports is measuring the level of economic activity. The more production grows, the more imports are needed. Thus, a very good way to view Tennessee's imports is as a sign of its economic health. Increasing imports are signaling a growing economy. Our last chart shows Tennessee's monthly imports over the past two years, and it compares the state's performance to the nation. We see two trends. First, the state and the nation have been tracking each other rather closely. Again, Tennessee is not an isolated economy. Second, import numbers have been rising very significantly in recent months. And that is a strong indicator of an improving economy in the months to come.



Tennessee Trade-Weighted Dollar Index

January 2000 = 100

