*Exports Grew for the Third Year*

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Connecticut exports grew for the third consecutive year in 2023. Commodity exports increased 3.13% over 2022, totaling over $15.82 billion.1

 More Connecticut companies are exporting as well. The most recent data indicates that 4,761 companies exported from Connecticut in 2021, up from 4,606 companies in 2020.2 89% of these companies were small and medium-sized enterprises (SMEs) with fewer than 500 employees.3 According to the most recent data, approximately 50,705 U.S. jobs were supported by Connecticut exports.4

**Connecticut Partner Countries**

 In 2023, the state’s top ten commodity export destinations were Germany, Canada, the Netherlands, the United Kingdom, Mexico, France, China, Singapore, South Korea, and Japan. Among the top ten destinations, except for the U.K., Mexico, and France, all experienced export growth. Exports to the U.K. dropped most significantly, down 19.59% over 2022.5

 In 2023, there were decreases in many of the top ten Connecticut export commodity sectors to the United Kingdom, the largest being in the aircraft, spacecraft, and parts sector. A potential reason for this is continued regulatory challenges of Brexit and customs barriers. Higher inflation and rising energy prices in the United Kingdom have also shifted consumer goods spending.

 Among its top ten export destinations, Connecticut commodities experienced the largest percentage increase, 24.79%, to Singapore. The increase was fueled in large part due to an increase in exports of parts and accessories of arms and parts and accessories of pistols or revolvers. This defense gear-up is perhaps due to the ongoing tensions in the Asia-Pacific region.6

**Connecticut Export Composition**

 Last year at the two-digit Harmonized System (HS) commodity code level, Connecticut’s top five export commodities were (1) aircraft, spacecraft and parts thereof; (2) industrial machinery, including computers; (3) electric machinery, sound equipment, TV equipment, parts; (4) optic, photo, medical or surgical instruments; and (5) special classification provisions, which typically consists of exports of repaired imports. Except for optic, photo, medical or surgical instruments, each of the top five export commodity sectors experienced percentage increases, ranging from 0.89% to 44.07%. The state’s aerospace sector continued to register increases, growing 3.91% in 2022 and 0.89% in 2023. However, that particular commodity sector has not returned to pre-pandemic levels.7

**U.S. Exports**

 Between 2022 and 2023, U.S. export commodities decreased slightly (2.23%) and totaled over $2.01 trillion. For national context, in 2023, the top five U.S. export commodities were (1) mineral fuel, oil, bitumin substances, mineral wax; (2) industrial machinery, including computers; (3) electric machinery, sound equipment, TV equipment, parts; (4) vehicles, except railway or tramway; and (5) aircraft, spacecraft, and parts. Among the top five U.S. exports, the commodity making the greatest gains was aircraft, spacecraft, and parts thereof, as it increased 20.93% over 2022, including engines, parts of planes and helicopters, and unmanned aircraft.8

 The annual U.S. trade deficit fell 18.7% to the lowest level in three years. It narrowed in 2023 as the value of imported goods declined, consumer goods demand decreased, the dollar was weaker, and as the U.S. continued to grow to a major oil producer and exporter.9

 Due to geographic proximity, it should come as no surprise that Canada and Mexico remained the top two destinations for U.S. exports in 2023. China, the Netherlands, and Germany rounded out the top five destinations for U.S. commodity exports. Within this top five group, U.S. exports increased to the Netherlands and Germany between 2022 and 2003, led by commodities such as crude oil, medical instruments, organic chemicals, and vehicles and parts.10

 It will be interesting to monitor future U.S.-China trade and economic relations. For example, in the semiconductor industry, via the CHIPS and Science Act, the U.S. has moved to strengthen domestic industrial policy and is directing U.S. dollars towards scientific research and U.S. production of high-tech goods. The U.S. has also introduced new trade restrictions on China, including export controls on computer chips and restrictions on U.S. investment in Chinese high-tech industries.

 In 2023, Connecticut rose one place to rank 31st in the U.S. in state-by-state exports. Texas, California, Louisiana, New York, and Illinois were the top five export states in 2023, ranked in terms of export commodity dollars, marked by increases in sectors such as aircraft engines and parts.

**New England Exports**

In 2023, the New England region’s top five export commodities were (1) industrial machinery, including computers; (2) pharmaceutical products, (3) optic, photo, medical or surgical instruments, (4) electric machinery, sound equipment, TV equipment, parts; and (5) aircraft, spacecraft, and parts thereof. For the region, pharmaceutical products, including vaccines, immunological products, and cell therapy products experienced large export increases.11

 In New England in 2023, only Massachusetts’ exports value ranked higher than Connecticut’s. As a regional trading block, New England’s commodity exports totaled more than $66.64 billion in 2023, a 3.88% increase from 2022. The top five export destinations for New England commodities were Canada, Germany, Belgium, China, and Mexico.12

**Factors Impacting Trade**

Although there are encouraging signs of sustained growth, state commodity exports lag pre-2020 levels. Many factors influenced the 2023 global trade framework including geopolitics and reshoring to politically aligned partners. Inflation and high interest rates continued to impact consumer spending. Other issues, such as the U.S.-China economic relationship, the ongoing war in Ukraine, and threats to the global trade system, such as supply chain vessel disruptions and diversions in critical trade and shipping routes in the Red Sea, also impacted transportation, logistics, and trade.

**State Trade Expansion Promotion (STEP) Export Grant**

 There are many federal and state export support resources to help Connecticut companies take advantage of trade opportunities and navigate global issues. One example is the U.S. Small Business Administration’s State Trade Expansion Promotion (STEP) grant award, which DECD administers.

 The program’s goals are to increase the number of small business exporters and increase export sales. In conjunction with organizations such as the local U.S. Department of Commerce Export Assistance Center (USEAC), the Small Business Development Center (SBDC) and others, DECD directs STEP funds towards small businesses for export development and training opportunities, company participation in foreign and domestic trade shows and trade missions, website translation, and other export initiatives and events. For more information about STEP grant activities, eligibility standards, program guidelines, and application procedures, please contact Laura Jaworski at laura.jaworski@ct.gov or visit www.stepgrant.smapply.io. n

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1 Source: WISER trade data, www.wisertrade.org

2 Source: “Connecticut Trade & Economy Factsheet,” U.S. Department of Commerce International Trade Administration, https://www.trade.gov/data-visualization/state-economy-and-trade-factsheets.

3 Source: “Connecticut Trade & Economy Factsheet,” U.S. Department of Commerce International Trade Administration, https://www.trade.gov/data-visualization/state-economy-and-trade-factsheets.

4 Source: “Connecticut Trade & Economy Factsheet,” U.S. Department of Commerce International Trade Administration, https://www.trade.gov/data-visualization/state-economy-and-trade-factsheets.

5 Source: WISER trade data, www.wisertrade.org

6 Source: “The war in Ukraine unfolds alongside a military build-up in the Asia-Pacific,” International Institute for Strategic Studies, https://www.iiss.org/online-analysis/online-analysis/2023/09/the-war-in-ukraine-unfolds-alongside-a-military-build-up-in-the-asia-pacific.

7 Source: WISER trade data, www.wisertrade.org

8 Source: WISER trade data, www.wisertrade.org

9 Source: “U.S. trade deficit fell in 2023 to the lowest level in 3 years and boosted GDP,” MarketWatch,https://www.marketwatch.com/story/u-s-trade-deficit-rises-0-5-in-december-to-62-2-billion-2727a6ae**.**

10 Source: WISER trade data, www.wisertrade.org

11 Source: WISER trade data, www.wisertrade.org

12 Source: WISER trade data, www.wisertrade.org