*Connecticut Exports Fell in 2020*

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COVID-19 had far-reaching impacts on commerce in 2020, resulting in economic disruptions, production issues, and reductions in supply and demand. Consumer demand sharply increased for particular goods, while others experienced dramatic drops. Extraordinary levels of uncertainty caused consumers to hold off on big ticket purchases and durables. As the virus spread along trade and travel routes, COVID-19 drove large international trade declines and disrupted everything as lockdowns and slowed border crossings led to supply chain disruptions and increased trade costs.

 To assess Connecticut’s export status, *The Connecticut Economic Digest* conducts an annual review of the state’s export performance.  A review of the state’s 2020 export position follows, all of which should be viewed in the frame of COVID-19.

**Annual Export Figures and COVID-19**

 The impact of COVID-19 was greatly felt in 2020, as Connecticut’s commodity exports dropped 15.03% to $13.8 billion, after reaching a robust $16.24 billion in 2019. The vast majority of the state’s export industry sectors experienced decreases, with the notable exception being, unsurprisingly, pharmaceutical products, which increased over 138% in 2020. State exports of medicaments, pharmaceutical goods, bandages, immunological products experienced sharp increases, while the state’s historically strong export sectors dropped, including aircraft parts, industrial machinery, electrical machinery – much of this related to COVID-19’s reverberations throughout the aviation industry, travel limits and global border shutdowns. These figures omit service exports, for which the collection of data is inexact and unavailable at the state level. Therefore, these figures do not take into account COVID-19’s devasting impact on travel, tourism, international students’ education, all classified as service exports. Please refer to the associated tables for greater detail on the state’s export composition.

 Due to a data lag, we are unable to ascertain the differential between the number of companies that exported pre- and post-COVID-19. The most recent data indicates that 5,736 companies exported from Connecticut in 2018. 88% of these companies were small and medium-sized enterprises (SMEs) with fewer than 500 employees. In 2016, 65,140 U.S. jobs were supported by goods exported from Connecticut.1 We will continue to monitor these numbers to determine the effect of COVID-19 and get answers to the following questions:

• How will COVID-19 shape businesses’ international activities and efforts, reshoring, value chains, and supply chains?

• Will manufacturing shift to domestic borders?

• How will companies address risk management with supply chain disruptions?

**Partner Countries**

 Connecticut exports were markedly decreased among its trade partner countries, although the composition remained the same. The state’s top ten commodity export destinations were Germany, Canada, the United Kingdom, China, France, the Netherlands, Mexico, Singapore, South Korea and Japan. However, with the sole exception of the Netherlands, exports across these markets were down significantly, ranging from decreases of 1% to over 50% in 2020. The Netherlands was the only top ten partner country to experience an increase in state exports in the form of Connecticut commodities of chemical products, oral dental hygiene/prep, and mixtures of substances for food and drink.

**U.S. Exports**

 U.S. commodity exports decreased 12.89% in 2020 to $1.43 trillion, from the $1.64 trillion recorded in 2019. Due to geographic proximity, it should come as no surprise that Canada and Mexico remained the top two destinations for U.S. exports in 2020, which experienced U.S. commodity export decreases of 12.81 and 17.11%, respectively.

 In 2020, Connecticut retained its 28th rank in the U.S. in state-by-states exports. Texas, California, New York, Louisiana, and Illinois were the top five export states in 2020, ranked in terms of export commodity dollars. Most states experienced export commodity decreases in 2020. The exceptions were Colorado, Utah, Oregon, and New Jersey, that had bumps in sectors such as meats, pharmaceuticals, chemical products, ores, slags, and ash.

**New England Exports**

 In New England in 2020, only Massachusetts’ exports value ranked higher than Connecticut’s. As a regional trading block, New England’s commodity exports totaled more than $51.27 billion in 2020, a 9.44% decrease from 2019. The top five export destinations for New England commodities were Canada, Germany, China, the United Kingdom, and Mexico, roughly the same as in 2019.

**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) optic, photo, medical or surgical instruments; (4) electric machinery, sound equipment, TV equipment, parts and (5) special classification provisions, Nesoi. The bulk of special classification provisions were composed of exports of repaired imports. These top five export commodity sectors all experienced percentage decreases, ranging from 5.05 to 30.27%.

 To put these figures into national and regional context, the U.S. and New England states’ top export commodities were similar to Connecticut’s. In 2020, the top five U.S. export commodities were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) mineral fuel, oil, bitumen substances, mineral wax; (4) vehicles, except railway or tramway, and (5) optic, photo, medical or surgical instruments. In 2020, the New England region’s top five export commodities were (1) industrial machinery, including computers; (2) optic, photo, medical or surgical instruments; (3) electric machinery, sound equipment, TV equipment, parts; (4) aircraft, spacecraft, and parts thereof; (5) natural or cultured pearls, precious stones, precious metal clad materials, imitation jewelry and coins.

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

 Given the international business climate and decreased exports, the state and federal government continue to partner to educate and help Connecticut companies take advantage of export opportunities. DECD administers the State Trade Expansion Promotion (STEP) grant award from the U.S. Small Business Administration (SBA). 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, as well as other export initiatives and events. Due to the CARES Act, virtual trade shows and missions, conducted on digital platforms rather than in-person due to COVID-19, are now also STEP eligible.

 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: “USMCA Connecticut State Fact Sheet,” U.S. Department of Commerce International Trade Administration, www.trade.gov/sites/default/files/202012/Connecticut%20USMCA%20State%

20Fact%20Sheet.pdf