*Connecticut Exports Rose in 2021*

*By Laura Jaworski, Office of International and Domestic Business Development, DECD*

The impact of COVID-19 was greatly felt in 2020, marked by some of the largest reductions in trade since World War II. Economic disruptions, uncertainties, production and labor issues, supply chain reverberations, and reductions in supply and demand drove large international trade declines and increased trade costs.

 With global leaders and businesses now looking to shift from a pandemic to endemic phase, new trade questions emerge. What does the post-COVID-19 trade map look like? What will be the long-term shift to mitigate risk and address supply disruptions? How will we reimagine the global economy? And importantly, have exports recovered to pre-pandemic levels?

 The following is a review of the state’s 2021 export performance and, where possible, pre-COVID-19 data comparisons are provided.

**Annual Export Figures**

Connecticut’s commodity exports dropped 14.87% to $13.82 billion in 2020, and except for pharmaceutical products, the majority of the state’s export sectors experienced sharp decreases that year. In 2020, COVID-19’s devastating effects on the aviation industry caused Connecticut exports of aircraft parts, industrial machinery, and electrical machinery to drop.

Connecticut commodity exports have not returned to pre-pandemic levels. Between 2019 and 2021, they were down 10.31%. However, there are encouraging signs of growth, recovery, and momentum. In Annual 2021, Connecticut commodity exports climbed upwards and a recorded a 5.36% increase over 2020, totaling over $14.56 billion.1 Please refer to the associated tables for greater detail on the state’s export composition.

 Due to the unavailability of data, 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.2 In 2019, approximately 63,000 U.S. jobs were supported by Connecticut exports.3

**Connecticut Partner Countries**

 Connecticut’s exports to its trade partner countries picked up steam in 2021. The state’s top ten commodity export destinations were Germany, Canada, China, the United Kingdom, Mexico, the Netherlands, France, South Korea, Japan, and Singapore. However, among the top ten destinations, only commodity exports to Mexico, the Netherlands, and Japan returned to pre-pandemic levels. Those three specific countries recorded increases of Connecticut exports of 21.78%, 24.94%, and 0.64%, respectively, in a pre-COVID-19 comparison.

 In 2021, Mexico and the Netherlands had a robust increase in state exports in the form of Connecticut commodities of inorganic chemicals, copper, and aircraft parts.

**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) plastics and articles thereof. Although Connecticut commodity exports did not return to pre-pandemic levels, each of the top five export commodity sectors experienced percentage increases, ranging from 2.34% to 14.63%. The state’s aerospace sector was particularly hard hit during the past two years of the pandemic. For example, although aircraft, spacecraft, and parts thereof increased 3.51% between 2020 and 2021, the sector is still down 27.82% from pre-pandemic levels.

**U.S. Exports**

U.S. exports achieved moderate overall gains since COVID-19, increasing 6.76% from 2019 to 2021. Compared to pre-pandemic levels, pharmaceutical products and precious metals were among the strongest performers in the U.S. top 10 industries, with increases at 46.67% and 37.78%, respectively. During the height of the pandemic, U.S. aircraft, spacecraft, and parts thereof was one of the hardest hit sectors and export gains in this commodity category have been slower. The sector has not recovered to pre-COVID-19 levels and the U.S. recorded a 34.71% decrease between 2019 and 2021.

 Between 2020 and 2021, U.S. commodity exports increased 23.09%. For national context, in 2021, 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) optic, photo, medical or surgical instruments.

 Due to geographic proximity, it should come as no surprise that Canada and Mexico remained the top two destinations for U.S. exports in 2021, which experienced U.S. commodity export increases of 20.21% and 30.73%, respectively. China, Japan, and South Korea rounded out the top five destinations for U.S. commodity exports. Exports to China will be a datapoint to monitor, as China pledged under the Trump Administration to buy more U.S. goods. However, China didn’t meet Phase I targets of the deal, and purchase commitments expired at the end of 2021.

 The U.S. hit a record trade deficit in 2021, increasing 27% to $859.1 billion, as imports increased to restock shelves and replenish depleted inventories, marking a shift in spending towards consumer goods and food imports, not services.4

 In 2021, Connecticut dropped three places to rank 31st in the U.S. in state-by-state exports. Texas, California, New York, Louisiana, and Illinois were the top five export states in 2021, ranked in terms of export commodity dollars. Those five states achieved a recovery of export commodities to pre-pandemic levels, marked by bumps in sectors such as mineral fuel, pharmaceutical products, organic chemical, precious metals, and industrial machinery.

**New England Exports**

In 2021, the New England region’s top five export commodities were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) optic, photo, medical or surgical instruments; (4) aircraft, spacecraft, and parts thereof; and (5) pharmaceutical products.

 In New England in 2021, only Massachusetts’ exports value ranked higher than Connecticut’s. As a regional trading block, New England’s commodity exports totaled more than $62.02 billion in 2021, a 21.06% increase from 2020, bringing New England exports back to pre-pandemic levels. New England commodity exports increased 9.89% between 2019 and 2021. The top five export destinations for New England commodities were Canada, China, Germany, Mexico, and the Netherlands.

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

 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 virtual and in-person 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. DECD is accepting new STEP grant applications through September 15, 2022. n

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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

2 Source: “USMCA Connecticut State Fact Sheet,” U.S. Department of Commerce International Trade Administration, https://www.trade.gov/sites/default/files/2020-12/Connecticut%20USMCA%20

State%20Fact%20Sheet.pdf.

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

4 Source: “U.S. Trade Deficit Hit Record in 2021 as Americans Spent on Computers, Games,” *Wall Street Journal*, February 8, 2022.