Improved Trade Momentum Continues into 2022

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Improved trade momentum coming out of 2021 carried into 2022. Geopolitical issues influenced the global trade scene, namely the Russian war on Ukraine, as sanctions were imposed, supply chains disrupted, and countries looked to purchase more energy from the U.S. Rising interest rates, inflation, higher energy prices, labor shortages, and increased transportation and logistics costs continued to impact supply and demand conditions as well as consumer spending. With this background in mind, the following is a review of the state’s 2022 export performance.

**Annual Export Figures**

In Annual 2022, Connecticut commodity exports increased 5.47% over 2021, totaling over $15.34 billion.1 Please refer to the associated tables for greater detail on the state’s export composition. Although Connecticut continues to recover from the pandemic and there are encouraging signs of growth and momentum, state commodity exports have not returned to pre-pandemic levels nor the high of $17.4 billion recorded in 2018.

 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 4,606 companies exported from Connecticut in 2020.2 89% of these companies were small and medium-sized enterprises (SMEs) with fewer than 500 employees.3 In 2019, approximately 63,000 U.S. jobs were supported by Connecticut exports.4

**Connecticut Partner Countries**

 Connecticut’s exports to its trade partner countries picked up steam in 2022. The state’s top ten commodity export destinations were Germany, Canada, the United Kingdom, Mexico, France, the Netherlands, China, Japan, South Korea, and Singapore. Among the top ten destinations, except for Germany and China, all experienced export growth. Exports to China dropped most significantly, down 29.33% over 2021. The large decrease is telling, given U.S.-China tariffs, various sanctions, and China’s prolonged COVID lockdown’s impact on manufacturing and subsequent supply chain disruptions. Sector security risks increased as well.

 In 2022, the United Kingdom and France had a robust increase in state exports in the form of Connecticut commodities of aircraft, engines, parts; pumps for liquids; medical, surgical, dental instruments; and nucleic acids and salts.

**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. Each of the top five export commodity sectors experienced modest percentage increases, ranging from 2.56% to 12.3%. The state’s aerospace sector was particularly hard hit during the pandemic. For example, although aircraft, spacecraft, and parts thereof increased 3.91% between 2021 and 2022, the sector has not returned to pre-pandemic levels.

**U.S. Exports**

U.S. commodity exports continued to achieve gains and returned to pre-pandemic levels. Between 2021 and 2022, U.S. commodity exports increased 17.48% and totaled over $2.06 trillion. For national context, in 2022, 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 exports, the commodity making the greatest gains was mineral fuel and oil, as it increased 57.86% over 2021. Exports of crude oil and petroleum surged as other countries looked to the U.S. as a non-Russian energy source.

 Due to geographic proximity, it should come as no surprise that Canada and Mexico remained the top two destinations for U.S. exports in 2022, which experienced U.S. commodity export increases of 15.13% and 17.05%, respectively. China, Japan, and the United Kingdom rounded out the top five destinations for U.S. commodity exports.

 The U.S. hit a record trade deficit in 2022, increasing 12% to close to $1 trillion, as high inflation continued, decreasing consumer spending. The U.S. economy purchased large volumes of foreign machinery, medicines, and industrial supplies.5

 In 2021, Connecticut dropped one place to rank 32nd in the U.S. in state-by-states exports. Texas, California, Louisiana, New York, and Illinois were the top five export states in 2022, ranked in terms of export commodity dollars, marked by increases in sectors such as mineral fuel and oil, organic chemicals, inorganic chemicals, fertilizers, and aircraft engines and parts.

**New England Exports**

In 2022, 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 2022, only Massachusetts’ exports value ranked higher than Connecticut’s. As a regional trading block, New England’s commodity exports totaled more than $64.14 billion in 2022, a 3.53% increase from 2021, bringing New England exports back to pre-pandemic levels. The top five export destinations for New England commodities were Canada, Germany, China, 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. 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-trade-economy-factsheets.

3 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%20State%20Fact%20Sheet.pdf.

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

5 Source: “America’s Trade Deficit Surged in 2022, Nearing $1 Trillion,” *New York Times*, February 7, 2023.