Exports: Opportunities for Economic Growth

By Laura Jaworski, Office of International and Domestic Affairs, DECD

During his January 2010 State of the Union address, President Obama announced a goal of doubling U.S. exports over the next five years. To reach this goal, the President unveiled a National Export Initiative (NEI) that focuses on three key areas: (1) expanding trade advocacy and educating companies about overseas market opportunities; (2) improving businesses’ access to credit and (3) enforcing international trade laws and removing unfair tariff and non-tariff barriers that prevent U.S. companies from entering foreign markets.1

Exports are receiving increased attention because they are an engine of growth and an important contributor to gross domestic product. In Connecticut, commodity exports represent approximately 7% of the gross state product (state GDP). Exports act as a job multiplier and sustain and create jobs via their trickle-down effect on the economy. Given the current economic climate, increasing exports is not only a means of job creation, but also a vehicle to spur regional economic growth and recovery.

In light of the heightened focus on exports and international trade, a review of Connecticut’s 2009 exports follows.

Annual Export Figures

From 2008 to 2009, Connecticut’s annual export commodities (excluding services) decreased 8.4%, from a record high of $15.31 billion to $14.02 billion. This decline follows several years of double-digit percentage growth, and is due in large part to the economic forces of the global recession. It is important to note, however, that the data paints a conservative picture of Connecticut’s export story as it omits exported services, as the collection of such data is inexact and tenuous. Connecticut is not alone in this particular service data gap as all U.S. states face this issue. With a significant concentration of financial and insurance services, Connecticut’s commodity exports may significantly underrepresent Connecticut’s overall export volume.


Connecticut’s commodity exports as a share of total U.S. commodity exports actually increased from 1.17% in 2008 to 1.32% in 2009. Connecticut’s export ranking among the states rose from 27th in 2008 to 26th in 2009. Connecticut actually ranks 24th if Puerto Rico and various export sales attributed to “unknown state” are removed from the rankings. In the state export data series, low-value export estimates are credited to “unknown state” as export statistics are collected only
for export commodity shipments over $2,500. Texas, California,
New York, Washington and Florida
were the top five exporters in
2009.

In New England in 2009, only
Massachusetts’ exports ranked
higher than Connecticut’s, as has
been the case since 2005. All six
New England states experienced
diminishing international trade in
2009, although Connecticut’s
percentage decline was the small-
est. As a regional trading block,
New England’s commodity exports
totaled more than $47.6 billion in
2009.

Composition of Connecticut’s
Exports

There is a demonstrated consist-
tency among the state’s top export
commodities. In 2009,
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)
cereals. (See Table A above).
Among the top five export com-
modities, aircraft, spacecraft and
parts thereof experienced the
greatest growth, increasing
286.64%, from $1.59 billion in
2008 to $6.15 billion in 2009.

However, it should be noted
that in January 2009, the U.S.
Census Bureau’s Foreign Trade
Division began suppressing export
data for certain commodity classi-
fications related to the aircraft
industry. Simply put, certain
commodities were taken out of
previously assigned commodity
categories and recoded into other
commodity classifications. For
example, this is the case for
turbojets, which was coded as
“industrial machinery” but is now
part of the “aircraft, spacecraft
and parts thereof” category. Such
recategorization may affect 2009’s
export volumes and percent
changes.

Commodities such as cereals
ranked high among the state’s top
exports. The cereals commodity
group does not denote items like
traditional boxed breakfast cere-
als, but rather the wholesale and/
or brokerage trade of agricultural
commodities associated with corn,
maize, wheat, meslin and rye.

The U.S. and New England’s
top export commodities varied in
rank but were largely the same as
Connecticut’s in 2009. The top
five U.S. exports were (1) indus-
trial machinery, including com-
puters; (2) electric machinery,
sound equipment, TV equipment,
parts; (3) aircraft, spacecraft and
parts thereof; (4) vehicles, expect
railway or tramway and parts
thereof and (5) optic, photo,
medical or surgical instruments.
The top five exports for the New
England region included (1)
electric machinery, sound equip-
ment, TV equipment, parts; (2)
aircraft, spacecraft and parts
thereof; (3) optic, photo, medical
or surgical instruments; (4)
industrial machinery, including
computers and (5) natural or
cultured pearls, precious stones,
precious metal clad materials,
imitation jewelry, and coins.
State Export Partners
The year 2009 was unusual in that Connecticut’s customary top trade partner, Canada, was dethroned from the top spot. The state’s new top export partner was France. Rounding out the state’s other top trade partners were Canada, Germany, Mexico, China, the United Kingdom, Korea, Singapore, Japan and Saudi Arabia, ranking 2-10, respectively. (See Table B). Saudi Arabia was a new addition to the state’s top ten export markets and proved to be an attractive locale for many of Connecticut’s top export commodities. Connecticut exported to 198 foreign destinations in 2009, the same as in 2008.

Remarkably, in 2009 Connecticut exported over $2.25 billion worth of commodities to France alone, a 29.8% increase over 2008. Commodity exports to France such as aircraft, spacecraft and parts thereof; optic, photo, medical or surgical instruments; organic chemicals and glass and glassware all experienced significant increases between 2008 and 2009. Whether France remains the top destination for Connecticut’s exports is an activity to monitor.

The top five U.S. export destinations in 2009 were Canada, Mexico, China, Japan and the United Kingdom. The top export markets for the New England states were Canada, the United Kingdom, Germany, France and China.

Challenges
The critical challenge facing exports in 2010 depends on how a prolonged economic recession will affect Connecticut and U.S. export growth. Other challenges include the valuation of the U.S. dollar, particularly in comparison to the Euro. For the past few years, export growth has been fueled by the weak U.S. dollar in that it has made U.S. products more affordable and attractive to overseas buyers.

While exporting presents challenges in terms of logistics, financial transactions, legal aspects and intellectual property rights protection, the cultivation of international markets is important to Connecticut and U.S. economic growth.

Export Assistance
The Connecticut Department of Economic and Community Development’s (DECD) Office of International and Domestic Affairs is committed to assisting local companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. For more information about DECD’s international programs and services, please contact Laura Jaworski at (860) 270-8068 or laura.jaworski@ct.gov.

Data Source: World Institute for Strategic Economic Research
2 U.S. Census Bureau, Foreign Trade Division, trade highlights release, February 10, 2010.

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Table B: Connecticut Top 10 Exports by Partner Country

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
<th>ANNUAL 2008</th>
<th>ANNUAL 2009</th>
<th>%2008-2009</th>
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<tr>
<td>1</td>
<td>France</td>
<td>$15,313,059,446</td>
<td>$14,021,952,584</td>
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<td>Canada</td>
<td>$1,733,506,395</td>
<td>$2,249,706,662</td>
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<td>3</td>
<td>Germany</td>
<td>$1,454,378,543</td>
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<td>4</td>
<td>Mexico</td>
<td>$1,045,972,436</td>
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<td>5</td>
<td>China (Mainland)</td>
<td>$975,971,532</td>
<td>$754,841,236</td>
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<td>6</td>
<td>United Kingdom</td>
<td>$875,504,630</td>
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<td>7</td>
<td>Korea, Republic Of</td>
<td>$498,141,906</td>
<td>$516,601,117</td>
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<td>8</td>
<td>Singapore</td>
<td>$489,141,906</td>
<td>$510,120,764</td>
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<td>9</td>
<td>Japan</td>
<td>$474,525,432</td>
<td>$484,226,149</td>
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<td>10</td>
<td>Saudi Arabia</td>
<td>$268,618,888</td>
<td>$437,591,520</td>
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Data source: WISER

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GENERAL ECONOMIC INDICATORS

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<td>Leading</td>
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<td>General Drift Indicator (1986=100)*</td>
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<tr>
<td>Coincident</td>
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<td>113.4</td>
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<td>Farmington Bank Business Barometer (1992=100)**</td>
<td>119.3</td>
<td>125.0</td>
<td>-5.7</td>
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Sources: *The Connecticut Economy, University of Connecticut **Farmington Bank

The Connecticut Economy’s General Drift Indicators are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 100.

The Farmington Bank Business Barometer is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

April 2010