

WHERE THE EXPORTERS ARE

TRENDS IN COUNTY-LEVEL ACTIVITY

by Steven G. Livingston

Tennessee exports have more than tripled since the mid-1990s. The number of exporters has increased by 70% over that period. Let's examine the geographic location of these exporters within the state. Are there any trends or patterns to this location over the past 15 years or so? We can answer this question using county-level data from manufacturers' directories.

It is no surprise that most exporters are sited in the state's major metro areas. This is as true in 2010 as it was in 1995. If there is any story here, it is the continuing rise of Hamilton County as a major epicenter of state exporting activity. At current trends, it may well have more exporters than any other state county in just a few years.

However, probably of greater interest than this simple count is a look at the state's counties adjusting for their economic size, comparing across counties the *percentage* of establishments that are exporting. This will allow us to examine the performance of a county based on its own size rather than against far larger neighbors.

Shelby	103
Davidson	94
Hamilton	93
Knox	71
Rutherford	39
Washington	37
Sumner	30
Anderson	28
Hamblen	27
Putnam	26

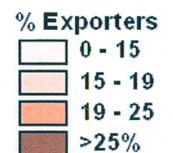
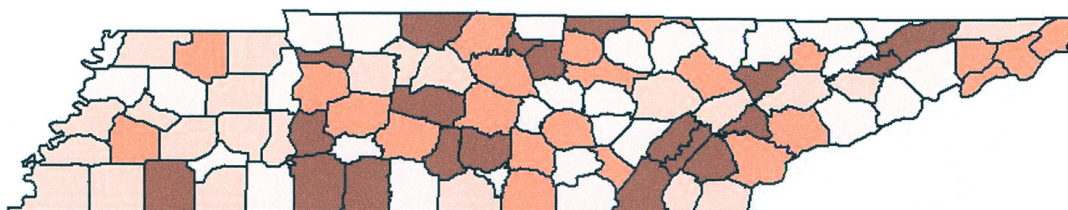
Shelby	192
Hamilton	188
Davidson	152
Knox	116
Hamblen	52
Williamson	50
Rutherford	47
Washington	40
Anderson	39
Sumner	38
Sullivan	36

Mapping county performance clearly shows that export activity is not evenly distributed across the state. Several regions stand out as export intensive. The corridor from Chattanooga to Knoxville, the peripheral counties around Nashville, and the area from Morristown to the Tri-Cities all have a significantly larger percentage of exporters than

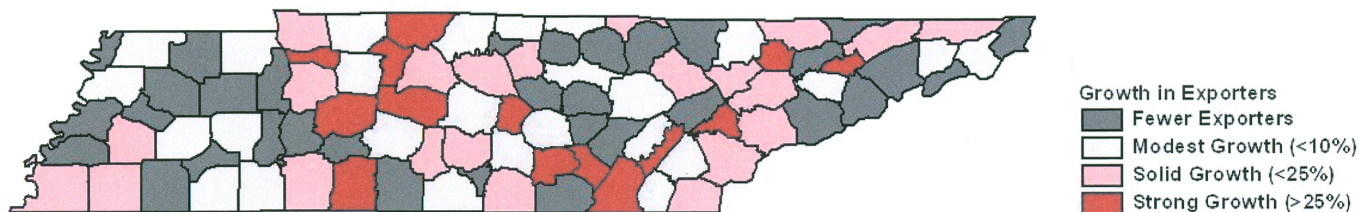
Shelby	130
Hamilton	107
Davidson	90
Knox	53
Williamson	39
Hamblen	26
Loudon	19
Robertson	14
Sullivan	13
Wilson	13

continued on page 2

Exporters as a % of All Manufacturing Establishments: 2010



1995-2010, New Exporting Weighted by Economic Size of County: New Exporting Establishments / Total 1995 Establishments



LOCATION TRENDS

continued from page 1

the rest of the state. The flip side is a relative dearth of exporters from rural counties.

If we break the state into large urban (metropolitan) counties, small urban (micropolitan) counties, and rural counties, we find that establishments in rural counties are substantially less likely to be exporting. Small and large urban counties have about the same percentage of exporters, though the larger counties are more likely to exhibit a percentage that exceeds the state average. But manufacturers in rural counties are only about three-fourths as likely to be exporting as their urban counterparts.

So export activity is not evenly distributed across Tennessee. Rural areas are underperforming, and several urban clusters—notably around Chattanooga, Knoxville, and Nashville—are outperforming the rest of the state.

What's Changed? What's Changing?

Is the pattern of the state location of exporters changing? Let's put our snapshot of 2010 into motion. A county map of *new* exporters, weighted by the number of establishments that were in the county 15 years ago, shows a disturbing trend. The growth in the number of exporters is flat or declining across a broad swath of the state. Two areas, most of West Tennessee and much of the Cumber-

Propensity to Export: MSA Status and % of Manufacturers That Export

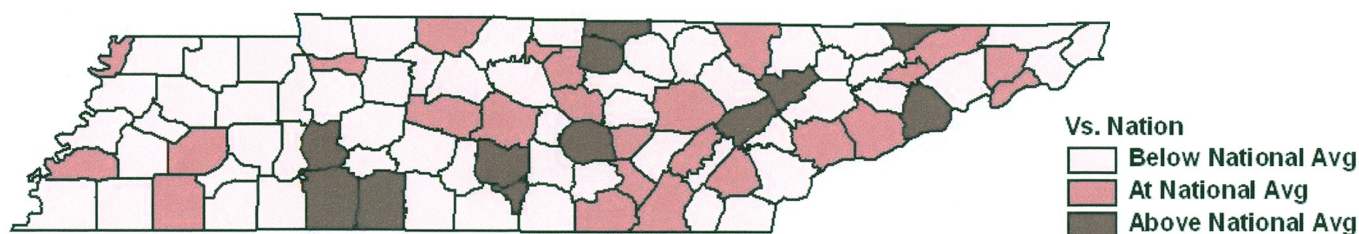
	% Exporting	% Above Average	# of Counties
Large Urban	21.52%	51.85%	27
Small Urban	22.44%	36.36%	11
Rural	16.43%	37.93%	57

land Plateau, have seen disproportionately few new exporters, even when adjusted for their overall level of economic activity. The counties that have seen significantly larger numbers of new exporters over the past decade and a half are, for the most part, the same counties in which export activity already exceeds the state average. Counties bordering Davidson and Hamilton are the home of a disproportionate number of new exporters. In other words, the rich are getting richer, and the gap between counties' in terms of export performance is growing larger. This is a worrisome trend.

Another cut at this question is to compare Tennessee counties against a national average. Is the percentage of firms that export in a county larger or smaller than is typical for

continued on page 6

County Exporters Compared to National Average: 1995



3rd Quarter 2011

COTTON FALLS FROM THE STATE'S LARGEST EXPORT SECTORS.



3rd Quarter 2011

A SHIFT IN NONWOVENS' WEIGHTS MADE FOR THE BEST . . . AND THE WORST.



3rd Quarter 2011

REROUTED MEDICAL SHIPMENTS ACCOUNT FOR LUXEMBOURG'S FALL.



Tennessee's Largest Export Sectors

	Exports	Change from Last Year	Change from Last Quarter
Medical Equipment	\$764,311,370	23.8%	-2.3%
Motor Vehicle Parts	\$668,913,452	11.8%	-4.1%
Basic Chemicals	\$583,738,345	23.8%	9.3%
Computer Equipment	\$462,957,582	-6.2%	-4.4%
Synthetic Fibers & Filaments	\$442,441,555	15.9%	-2.0%
Auto, Industrial, & Electromedical Instruments	\$324,879,718	20.1%	6.1%
Agriculture & Construction Machinery	\$280,233,138	74.0%	0.9%

What's Hot and What's Not*

	Value of Exports	Growth	Decline
SECTORS WITH THE GREATEST GROWTH			
Synthetic Nonwovens >70 & <150 g/square meter	\$20,643,068	473.1%	
Misc. Electric Switches for <1,000 Volts	\$21,883,832	325.7%	
Cellular Phones	\$53,906,268	198.7%	
Misc. Appliances Implanted or Worn in the Body	\$11,738,694	129.6%	
Fully Revolving Mechanical Shovels & Excavators	\$49,279,777	116.2%	
SECTORS WITH THE GREATEST DECLINE			
Synthetic Nonwovens >25 & <70 g/square meter	\$10,839,799		-63.1%
Telephone Parts	\$20,072,124		-59.8%
Cotton	\$193,735,507		-57.5%
Video Games	\$26,508,694		-52.7%
Automobile Gear Boxes	\$9,632,947		-51.5%

*Among Tennessee's top 100 exported goods.

Fastest-Changing Export Destinations

	Value of Exports	Gain	Decline
COUNTRIES WITH THE GREATEST GROWTH			
Kuwait	\$29,611,755	215.6%	
Finland	\$11,648,692	179.1%	
Belgium	\$291,921,970	153.4%	
Morocco	\$12,336,976	127.4%	
Venezuela	\$33,393,392	110.3%	
COUNTRIES WITH THE GREATEST DECLINE			
Luxembourg	\$374,689		-99.7%
Jamaica	\$4,056,100		-75.0%
Pakistan	\$4,090,829		-52.7%
Iraq	\$5,981,421		-50.4%
Saudi Arabia	\$51,450,097		-43.6%

(Among countries averaging more than \$4 million in sales per quarter)

MIDDLE TENNESSEE
STATE UNIVERSITY

Business and Economic Research Center

P.O. Box 102
1301 E. Main St.
Murfreesboro, TN 37132

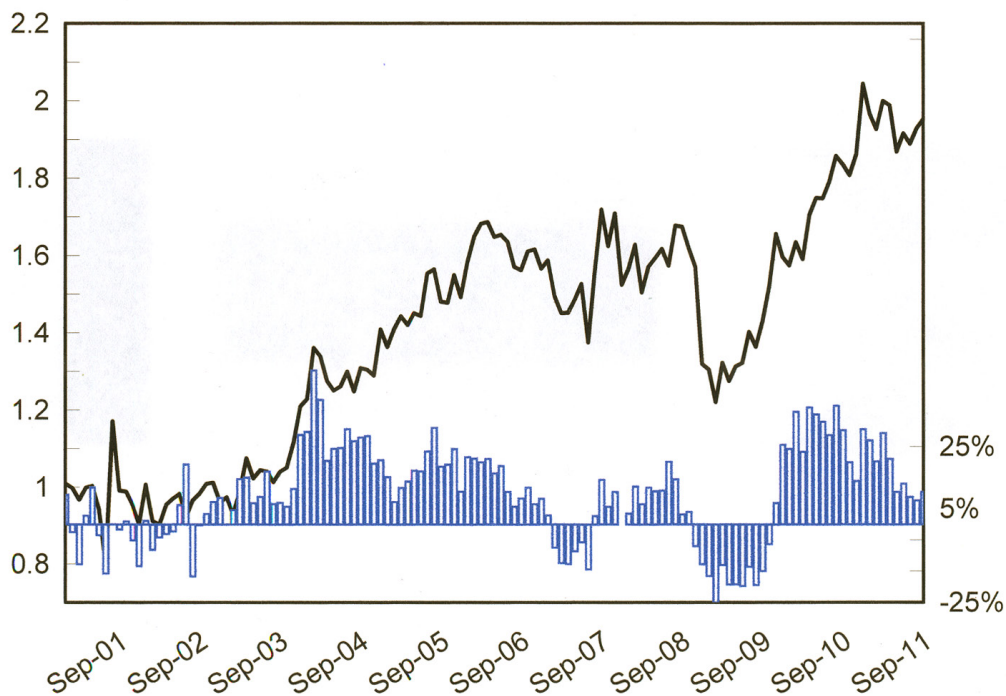
Author: Steven G. Livingston
Editor/Designer: Sally Ham Govan

615-898-2610
www.mtsu.edu/~berc

Tennessee Monthly Exports

Exports in \$ Billions

Nominal Growth Rate (%)

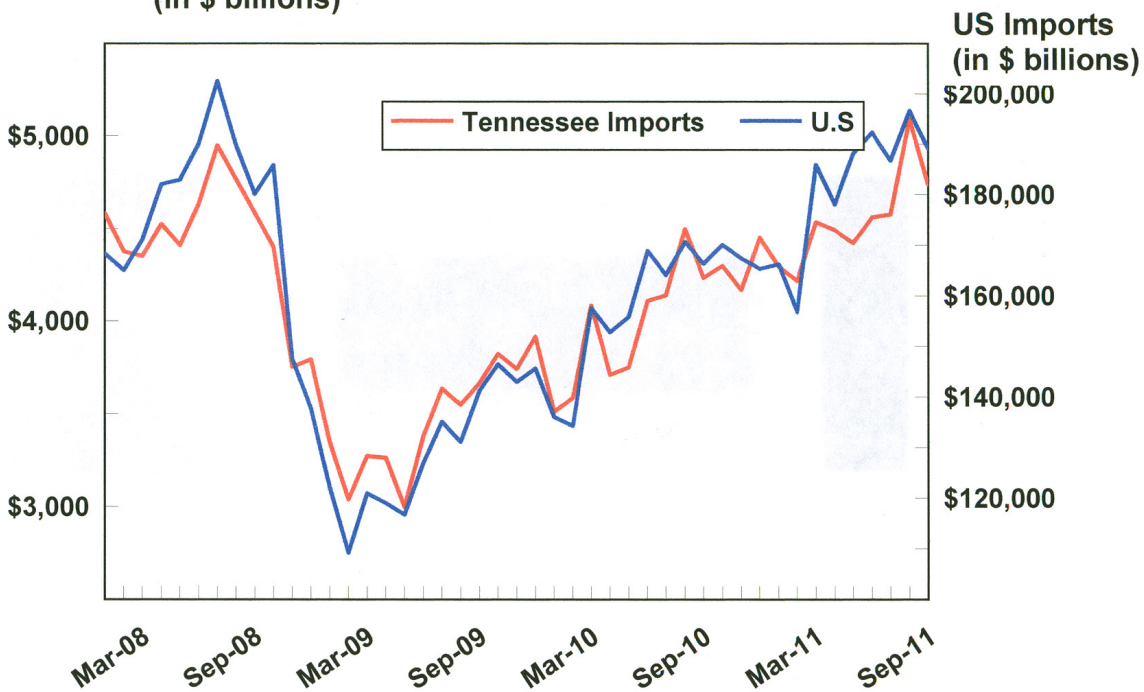


(Seasonally adjusted, expressed in 2000 dollars)



Tennessee Monthly Imports

(in \$ billions)





STATE EXPORTS TOPPED \$7 BILLION FOR THE THIRD CONSECUTIVE QUARTER.

The value of Tennessee's exports increased \$661 million this past quarter to \$7.456 billion, a gain of nearly 10% from a year ago. It was the third consecutive quarter topping the \$7 billion mark. However, the state's foreign sales growth lagged the country's substantially. Total U.S. exports grew nearly 14% for the quarter. Tennessee's slower growth resulted from a very large drop in its cotton exports. The value of overseas cotton sales fell by more than half, from \$456 to \$194 million, one of the steeper drops in recent memory. It was a sign of strength among the state's other export industries that the state was able to shrug off such a sizable drop—non-cotton exports actually surged more than \$900 million from a year ago.

The state's export growth, though, was a bit narrower in scope than it has been for the past several quarters. Two-thirds of Tennessee's export gains were in the nearby North American market. Shipments to Mexico grew nearly \$300 million for the quarter, a 35% increase, as quarterly exports to Mexico crossed the billion-dollar mark. This was the single best performance among the state's larger trade partners. Half of that gain was in the automotive sector, reflecting signs of life in the American auto market as much as anything going on in Mexico. Canada nearly became the state's first quarterly *two*-billion-dollar market, with Tennessee exports north of the border valued at \$1.99 billion for the third quarter. The 8% gain in Canadian shipments was also concentrated in the motor-vehicle industry. In fact, sales were flat outside of the auto sector because exports of computer equipment, appliances, printed matter, and electrical equipment all declined from last year.

East Asia also performed well, despite the loss in the value of cotton exports. The drop in cotton sales made for some very poor numbers coming out of China. Tennessee exports to China, overall, dropped more than \$100 million for the quarter. However, if we subtract cotton from these figures, exports of all other Tennessee goods were up 12%. Sales of medical equipment, computer equipment, and scrap metals were all particularly strong. Exports to the rest of East Asia, where cotton is not a significantly traded good, exhibited strong growth. In spite (or perhaps because?) of Japan's difficulties, that nation purchased an additional \$114 million of Tennessee goods during the third quarter, a robust 35% gain. Tennessee's recent growth in Japan has been due to a large expansion in medical sales, and this quarter

continued the trend. Medical-equipment sales accounted for half of the new Tennessee shipments to Japan. Hong Kong (up 42%), Korea (up 23%), and Taiwan (up 9%) all saw significant increases in state shipments.

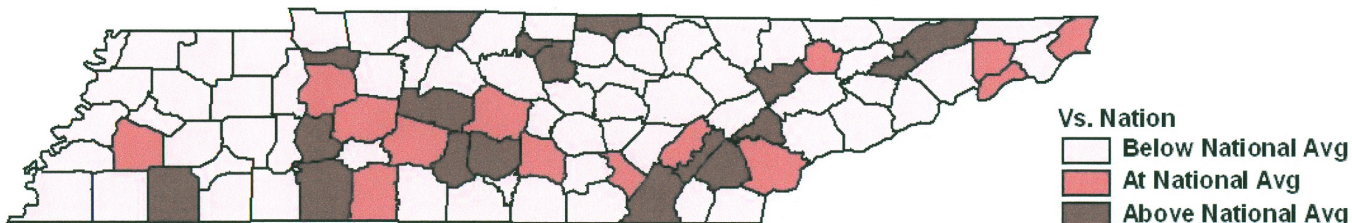
Thanks to continent-wide increases in medical equipment and chemical sales, the state's exports to South America increased 16% to \$495 million. The gains were not equally shared. The Chilean market was extremely strong, with Tennessee exports gaining just under 60%. Sales to Venezuela doubled. Ecuador and Colombia were also very strong, but exports to the rest of the continent were stagnant, in part due to declines in computer shipments.

Elsewhere in the world, the picture was shakier. It is clear that the global economic slowdown, and Europe's crisis in particular, is weighing on the state's foreign sales. Though exports to the Eurozone gained 8% for the quarter to \$950 million, thanks to chemicals, whiskey, and technical instruments, it was almost all due to increased shipments to France and the Low Countries. The nations embroiled in the euro crisis—Greece, Italy, and Spain—all substantially reduced their purchases of Tennessee goods. Most of these cuts were in medical products. Exports to Germany dropped 7%. Outside the euro area, though, sales to the U.K. were quite strong due to several aircraft-industry sales.

Southeast Asia, where much of the export picture is dominated by U.S. company supply chains, disappointed. Tennessee exports to the region were down 6% to \$367 million, in part due to cotton but also because of a decline in aircraft-related sales to Singapore. South Asia was similarly down. A sizable decline in auto and SUV sales to Saudi Arabia and the United Arab Emirates produced a 12% loss for state exporters in the Middle East. Shipments to Central America and the Caribbean, where supply chains are also a major factor, were largely flat for the quarter, though the \$17 million decline in charitable donations to the region makes the export numbers perhaps look a little worse than they really were.

It's fair to say that exports were remarkably robust considering all the uncertainties facing the international economy. Industries such as aluminum plating, engines, whiskey, and basic chemicals, as well as just about anything in the medical sector, had very good quarters in spite of the slowdowns we are seeing in some regions. Though alarming global events continue to cast a shadow over the future, exports have thus far been one of the few bright spots in an otherwise anemic 2011 economy. ■

County Exporters Compared to National Average: 2010



LOCATION TRENDS

continued from page 2

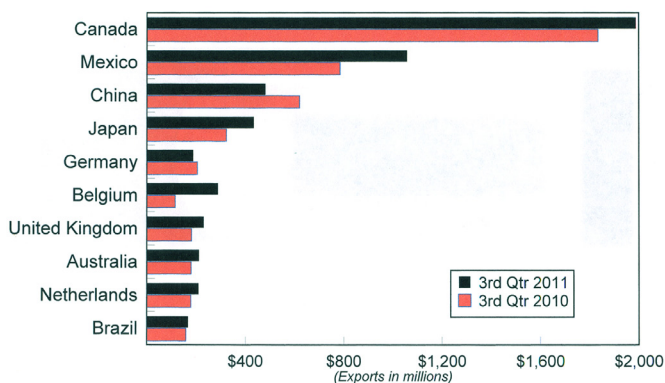
the U.S. as a whole? We map the state on this dimension in 1995 and again in 2010. Together, these maps indicate a concentration of exporting within Tennessee. The number of counties in which the percentage of exporters falls below the national average has actually risen over the past 15 years. And the counties in which the percentage is higher are increasingly centered in the middle part of the state, specifically in the southern tier of the Nashville MSA (with Trousdale, Smith, and Montgomery just to the north) and around the Chattanooga area. With only some exaggeration, we might call this the “automobile belt.” Anderson, Hamblen, and Hawkins alone stand out in East Tennessee, and Hardeman is the one county in the western part of the state that also has a greater intensity of exporting firms than the national average. These maps appear to show a state that is on two export tracks: a smaller set of counties with a robust

growth in new exporters, and the larger part of the state where export activity is flat or in decline.

In many ways this picture mirrors general economic trends in the state, but there are also some differences. The Chattanooga MSA clearly punches above its weight, while the Memphis and Tri-Cities MSAs perform more poorly than might be expected. These differences grow from different industry presences across counties but from local business cultures and global connections as well.

The big picture is a tremendous growth in the number of Tennessee firms that export. Within this setting is a smaller picture of a growing differentiation in export activity across the state and the concentration of new exporters within several state regions. Both pictures merit attention. ■

Tennessee's Leading Trade Partners



Tennessee Trade-Weighted Dollar Index

