



# Global Commerce

Tennessee and the International Economy

## TENNESSEE'S EXPORTERS

### AN OVERVIEW

by Steven G. Livingston

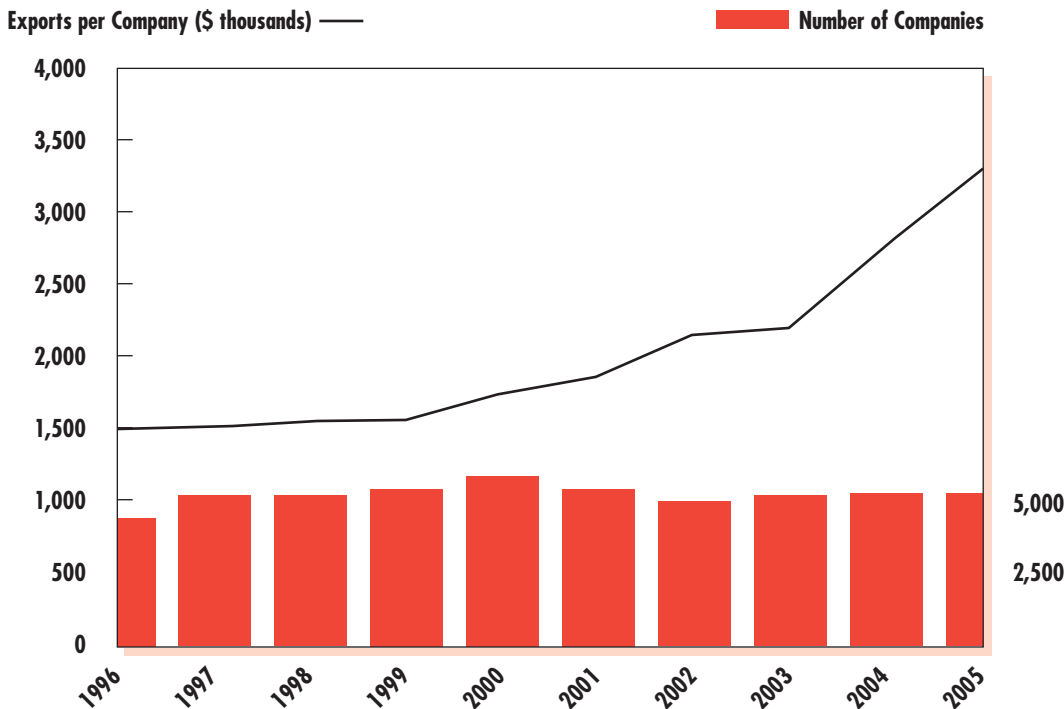
Recent U.S. trade statistics show a slow but steady increase in the number of Tennessee companies that export. In 2005, there were 5,378 companies in this state that sold goods to another country. This is close to a thousand more than 10 years earlier. The picture is complicated by the fall in exporters that occurred during the global downturn of 2001–2002, but a 20 percent rise in the number of exporting companies in just a 10-year span is pretty substantial. Perhaps as noteworthy is that the typical Tennessee exporter is not a large manufacturer. Almost four-fifths of exporters are firms that employ less than 500 people. (Close to two-thirds are companies with less than 100 employees.) And nearly half are not manufacturers; they are retail, wholesale, or transportation companies.

Of course, large companies dominate in terms of volume of exports. The top 50 American firms account for 42 percent of U.S. exports, and the story is similar at the state level. The 1,200 or so large exporters account for more than 82 percent of Tennessee's total exports. In 2004, smaller companies averaged exports of about \$622,000 per firm, while large exporters were shipping just under \$15 million per firm. Compared to the nation, Tennessee's smaller companies actually underperform a bit. Tennessee ranks 12th in the nation in exports from large companies but only 18th in the amount of exports coming from small and medium-sized firms. These latter firms account for 28.6 percent of America's exports but only 17.9 percent of Tennessee's.

A very rough calculation estimates that about a third of Tennessee companies that could be exporting *are* exporting. Is this percentage high or low? In comparison to a set of its neighbors, Tennessee, it turns out, is just about average in the intensity of its exporting, at least in this region.

*continued on page 2*

### Tennessee's Exporters

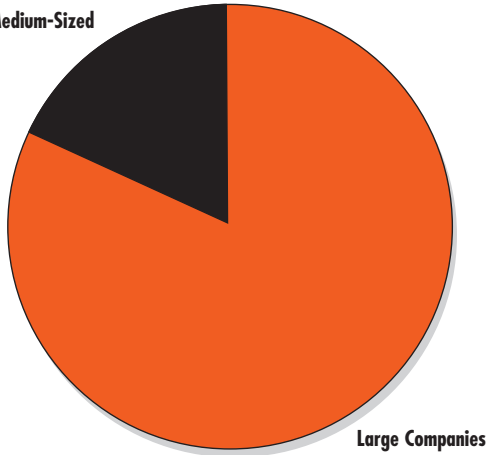


**IN 2005, THERE WERE 5,378 COMPANIES IN THIS STATE THAT SOLD GOODS TO ANOTHER COUNTRY.**



## Does Size Matter? (Percent of Exports)

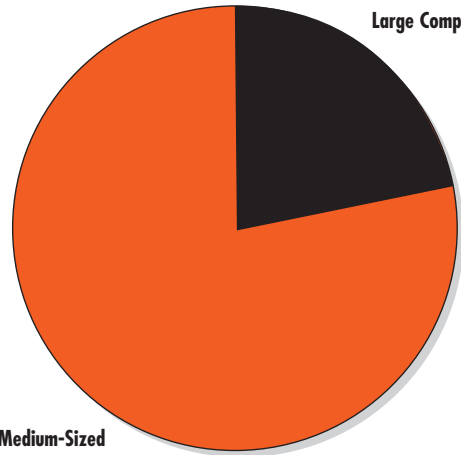
Small and Medium-Sized



Large Companies

## Does Size Matter? (Percent of Exporters)

Large Companies



Small and Medium-Sized

## EXPORTERS

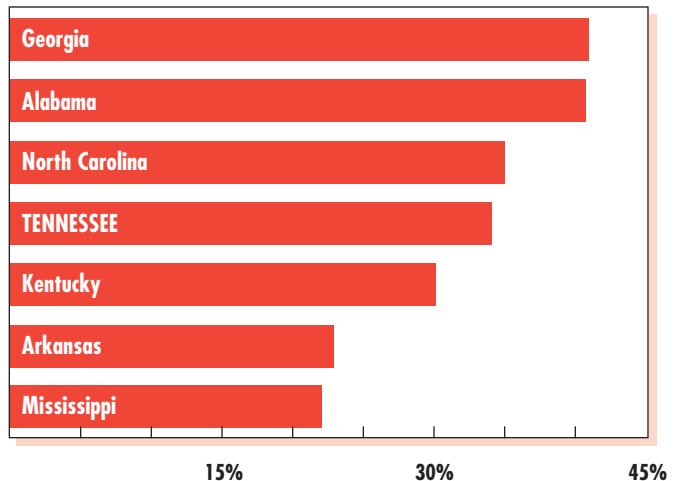
*continued from page 1*

Where do we find the heaviest concentration of exporting firms? Our “concentration index” simply divides the percentage of exporting manufacturing firms in an industry by the percentage of Tennessee’s total manufacturing firms in that same sector. Two industries, the computer and electronics industry and the electrical equipment industry (which includes appliances), stand out as being particularly focused upon exports.

It is not surprising that the largest numbers of companies are exporting to Canada or Mexico. This is especially true of small and medium-sized exporters. Europe is the second most popular region. But there is substantial activity in Southeast Asia (the ASEAN companies), the Middle East (designated here by OPEC, although this includes

*continued on page 6*

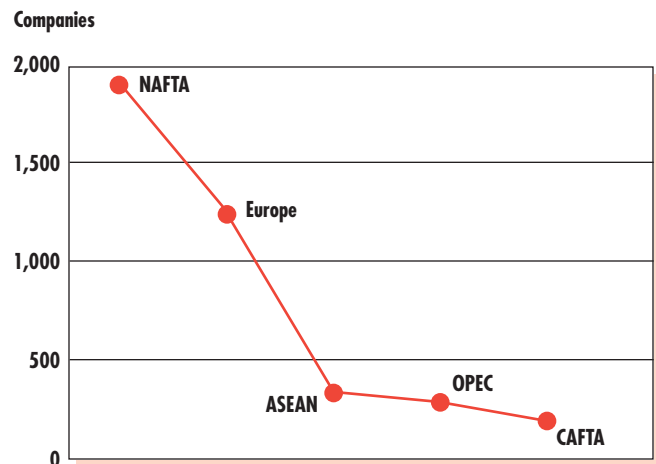
## Export Intensity: Tennessee and Its Neighbors



## Tennessee Export Concentration Index

Computer and Electronics	4.30
Electrical Equipment and Appliances	3.37
Primary Metals	2.25
Chemicals	2.19
Machinery	2.17
Leather Goods	2.12
Textiles	2.05
Paper	2.03
Transportation Equipment	1.93
Plastics and Rubber Products	1.61

## State Exporters by Global Region



3rd Quarter 2006

**COTTON LOSSES  
DROP AGRICULTURE  
FROM THE TOP FIVE.**



### Tennessee's Largest Export Sectors

	Exports	Change from Last Year	Change from Last Quarter
Transportation Equipment	\$1,158,502,217	14.3%	-5.0%
Computer and Electronic Products	\$837,332,263	18.2%	-1.4%
Chemicals	\$764,992,946	22.0%	4.1%
Miscellaneous Manufactured Goods	\$476,045,682	26.3%	-3.6%
Nonelectrical Machinery	\$434,025,828	25.4%	2.7%

3rd Quarter 2006

**THE PERSIAN GULF  
IS TENNESSEE'S  
FASTEST GROWING  
REGION.**



### Fastest-Changing Export Destinations

	Value of Exports	Gain	Decline
<b>COUNTRIES WITH THE GREATEST GROWTH</b>			
Oman	\$18,119,240	164.8%	
Chile	\$30,515,193	128.0%	
Bahrain	\$8,818,957	103.9%	
Qatar	\$34,818,891	101.8%	
Israel	\$16,802,579	88.4%	
<b>COUNTRIES WITH THE GREATEST DECLINE</b>			
Luxembourg	\$4,873,173		-58.6%
Austria	\$4,405,016		-45.5%
Turkey	\$46,835,845		-41.3%
Taiwan	\$63,475,836		-39.1%
Vietnam	\$7,402,833		-30.1%

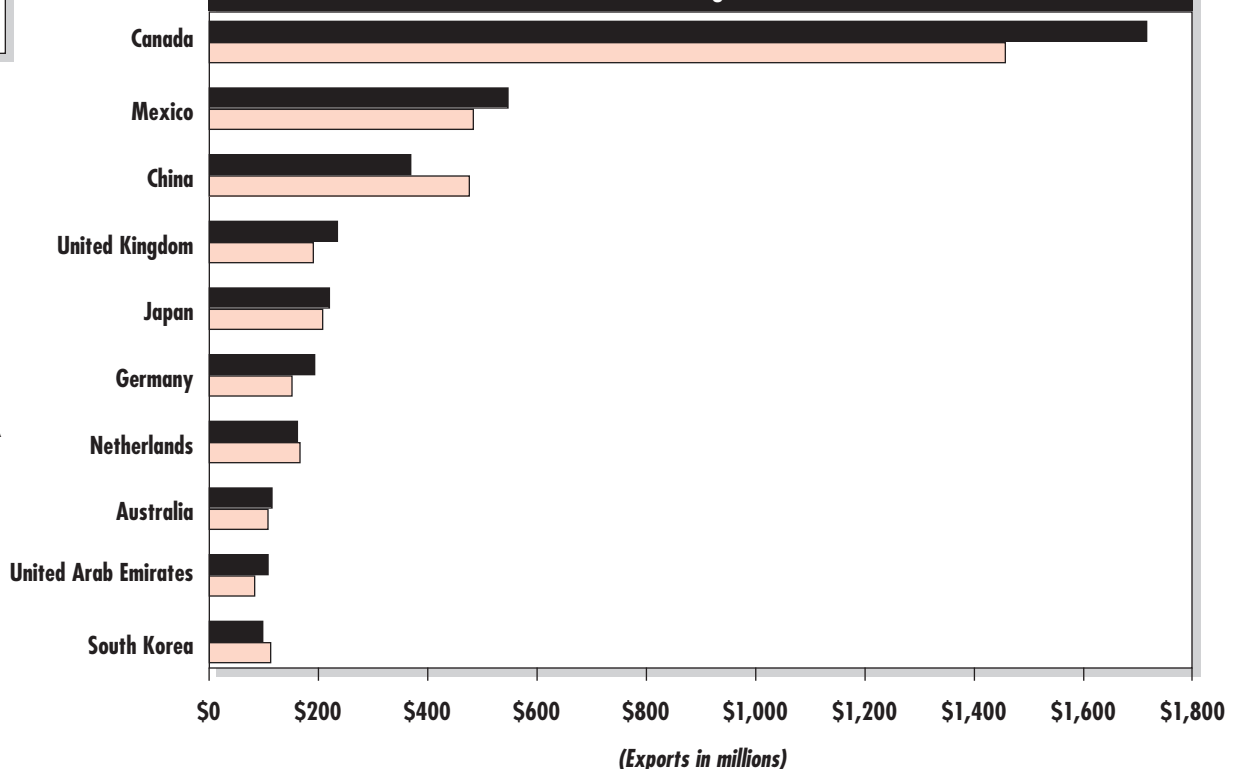
*(Among countries averaging more than \$2 million in sales per quarter)*

■ 3rd Quarter 2006  
□ 3rd Quarter 2005

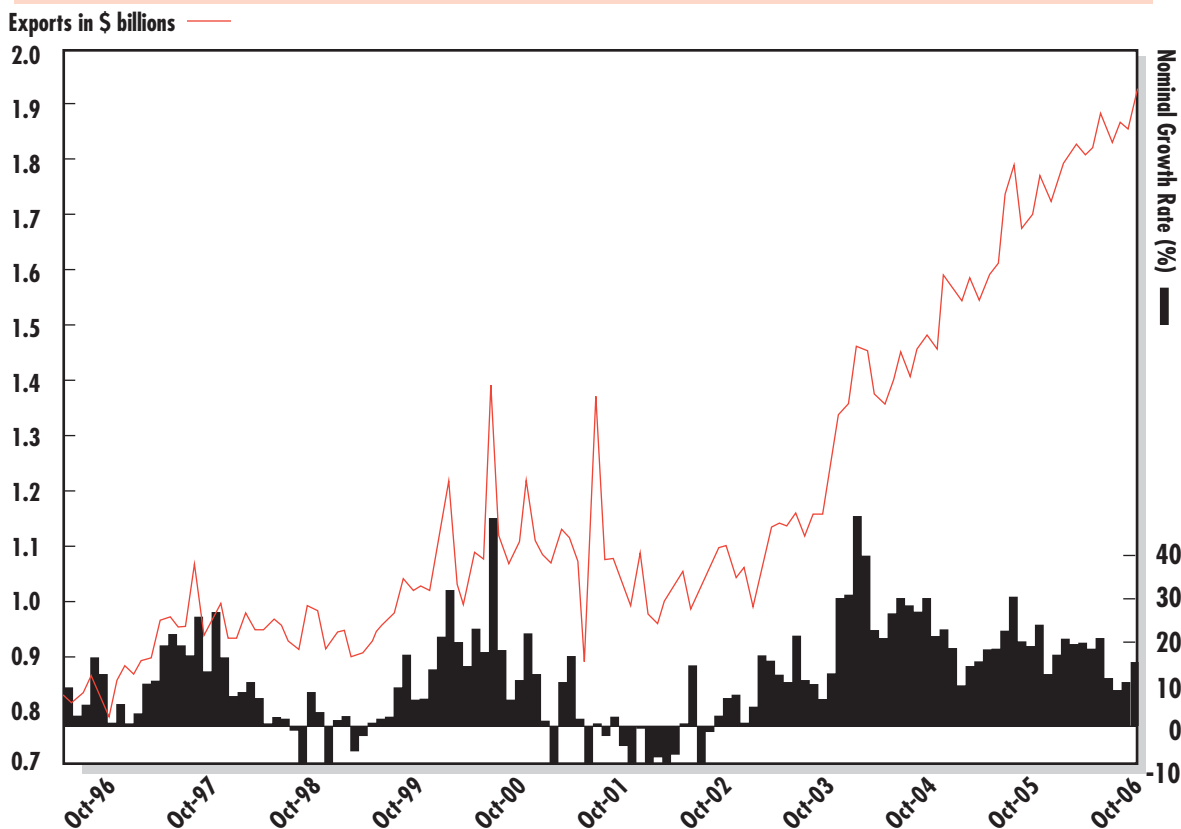
**EXPORTS TO CANADA  
GREW \$263 MILLION  
—MORE THAN TOTAL  
STATE EXPORTS TO  
THE U.K.**



### Tennessee's Leading Trade Partners



## Tennessee Monthly Exports



(Seasonally adjusted, expressed in year 2000 dollars)

3rd Quarter 2006

### What's Hot and What's Not\*

	Value of Exports	Growth	Decline
<b>SECTORS WITH THE GREATEST GROWTH</b>			
Miscellaneous Engines	\$25,627,088	9,802.4%	
Supported Catalysts with Precious Metal Compounds	\$18,669,587	1,499.4%	
Synthetic Filament Yarn (not for sewing) > 50 tex	\$13,188,667	1,318.0%	
Wooden Upholstered Seats	\$12,105,733	795.1%	
Plasticized Cellulose Acetates	\$12,379,406	449.5%	
<b>SECTORS WITH THE GREATEST DECLINE</b>			
Acetic Anhydride	\$6,205,259		-75.3%
Gas Turbines > 5,000 kw	\$16,694,094		-72.8%
Miscellaneous Electrodiagnostic Apparatus	\$47,688,121		-44.7%
Cotton	\$285,519,113		-44.0%
Motor Vehicles for the Transport of Goods < 5 tons	\$7,047,812		-43.1%

\*Among Tennessee's top 100 exported goods.

*Global Commerce: Tennessee and the International Economy*, published quarterly by the Business and Economic Research Center, Jennings A. Jones College of Business, Middle Tennessee State University, is available free of charge to interested individuals and institutions.

Editor: Steven G. Livingston  
 Publications Editor/Designer,  
 Jennings A. Jones College  
 of Business: Sally Ham Govan  
 Phone: 615-898-2610  
 Online:  
[www.mtsu.edu/~berc/publications.html](http://www.mtsu.edu/~berc/publications.html)

**MIDDLE  
 TENNESSEE**  
 STATE UNIVERSITY



**THE LARGE MAJORITY OF THE STATE'S EXPORTED PRODUCTS ARE POSTING SIGNIFICANT GAINS ACROSS THE GLOBE.**

Tennessee exports continued their robust growth through the third quarter of 2006. State exporters added another \$544 million to their foreign sales. This pushed export totals over the \$5 billion mark for the quarter (\$5.398 billion), an 11.2 percent gain over last year.

The gains were made despite a large drop in what has been Tennessee's leading export, cotton. Cotton exports fell by almost one-half this quarter. China accounted for the bulk of this loss, but sales were sharply down to Taiwan, Turkey, and Thailand as well. In total, the state lost \$224 million in cotton exports. That Tennessee could shrug off this sizable fall and still turn in very strong export numbers suggests the depth of the state's export sector.

The automotive sector accounts for much of this depth. Cars regained their old position as the state's leading export product. Foreign sales of cars were up \$160 million, to \$389.7 million, for the quarter. The lion's share of this increase was to Canada, but significant gains continued in the Gulf States as well. SUVs did not have as good a quarter, falling by about \$30 million, with most of these losses occurring in Canada. Auto parts were a mixed bag. Exports of auto body parts grew 20 percent for the quarter, but other auto parts were down about \$42 million. Canada, Mexico, Korea, and Brazil all featured the same pattern of increased auto body shipments but reduced shipments of other motor vehicle parts. The state did well in commercial truck-related exports. Sales of tractors for semi-tractor trailers gained over 50 percent, and compression spark-ignition engine sales were up by a quarter. We should also note that a number of products that are not counted as industry exports but, in fact, go into an automobile posted strong numbers as well. Perhaps the best was aluminum alloy plating, which exceeded \$100 million in exports for the quarter, one of only nine products to do so.



**CARS REGAINED THEIR OLD POSITION AS THE STATE'S LEADING EXPORT PRODUCT.**

Heavy industrial machinery exports were similarly strong. Excavating equipment stood out from the crowd by making a 281 percent gain for the quarter. Most new sales went to Canada. The increase in foreign sales of motors and engines was perhaps the most impressive of any product. These sales (nonautomotive motors) went from virtually zero in the third quarter of 2005 to \$47 million this quarter due to new sales to China. The only machinery sector that did not fare well was that of gas turbines, exports of which declined 75 percent due to declines in

sales to Sweden and Singapore. However, sales of this expensive product generally fluctuate quite a bit.

Computer-related exports grew tremendously (from \$287 to \$391 million). Most were laptops, although computer parts and desktops also performed quite well. The story here is the expansion of this market outside of Canada. Several years ago, almost all computer shipments were north of the border (along with Malaysia, where assembly firms supply Dell). But now countries such as Argentina, Chile, China, France, and Hong Kong are major export destinations for Tennessee computer companies.

Exports of plastics were up almost 30 percent, a gain of more than \$70 million. In large measure, this was due to increased sales of cellulose and cellulose acetates to Brazil, Russia, and the East Asian nations. Chemical exports were also generally strong, especially those of terephthalic acids, which were up by a third due to increased shipments to Argentina. One exception to the trend was acetic anhydride, which lost three-quarters of last year's exports. There's a silver lining to this loss: it was really because of huge one-time shipments to the Netherlands and China in July 2005.



**THE GAINS WERE MADE DESPITE A LARGE DROP IN WHAT HAS BEEN TENNESSEE'S LEADING EXPORT, COTTON.**

Other strong export sectors included airplane parts (which more than doubled), whiskey, color TVs, video games, and medical instruments. Also more than doubled in exports were wooden seats (mostly to Canada) and supported catalyst systems that use precious metal compounds (with Germany being the big market). Beyond the sectors mentioned above, very few other exported products lost ground this quarter.

The state struggled in East Asia but did very well elsewhere. The loss in cotton sales was the biggest factor in East Asia. Smaller gains in other sectors were not enough to overcome this loss, and the result was a decline of about \$132 million in the state's exports to East Asia. Cotton was also a problem in Southeast Asia, but a huge increase of shipments to Singapore swamped the cotton losses and led to an overall \$46 million gain in exports to the ASEAN nations. The Middle East, once an insignificant market for Tennessee, now exceeds Latin America as a destination for state exports. Shipments to the Gulf States increased by \$86 million this past quarter, mostly due to automobiles and aluminum plating. (Exports to Iraq also rose by nine million dollars for the quarter.) The only market in the Middle East that did not perform well was Turkey, due to cotton, the state's largest export to that country. Though the Middle East may have surpassed it, Latin America still provided a very good quarter for Tennessee exporters. Shipments were up \$75 million to South America. Central

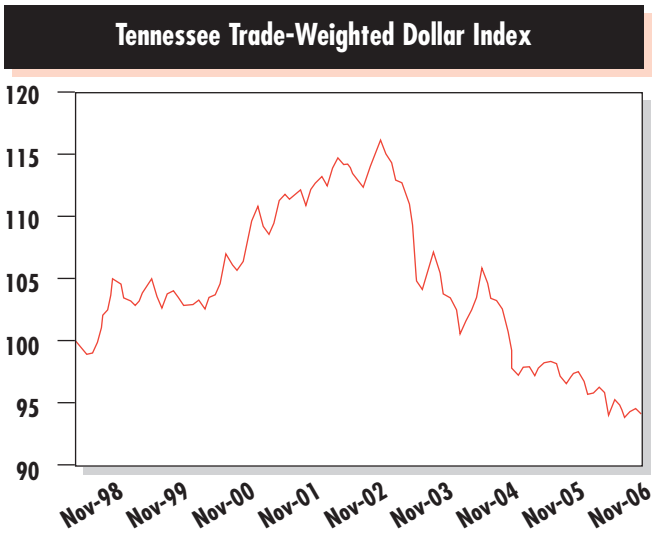
*continued on page 6*

**Business and Economic Research Center**

P.O. Box 102  
Middle Tennessee State University  
Murfreesboro, TN 37132  
615-898-2610

**EXPORTERS**  
*continued from page 2*

some non-Middle East nations such as Venezuela), and Central America and the Caribbean (CAFTA). ■



**INTERNATIONAL**  
*continued from page 5*

America added an increase of \$8 million. One could argue that Argentina may have been the state’s best single large market. Third-quarter Tennessee exports to Argentina grew from \$36 million in 2005 to \$63 million this year. However, two smaller markets increased even more rapidly—Venezuela by 88 percent and Chile by 127 percent. Chemicals, machinery, and computers account for the strong numbers in Latin America. Europe, as usual, was also a good market for the state this quarter. Exports to E.U. nations were up \$120 million, primarily because of solid gains in the U.K., Germany, and Italy. Each of these markets grew by more than a quarter. Spain wasn’t far behind. Belgium was the only down note: sales there dropped \$20 million because of declines in peptone and medicament exports.

Broadly, the story of the quarter is the same story we have been repeating for the past three years. The large majority of the state’s exported products are posting significant gains across the globe. While in each quarter the star performers change, the overall picture is the same. It is hard to imagine a healthier export environment than the one Tennessee has recently enjoyed. ■