2013 Foreign Investment



INTO TENNESSEE

by Steven G. Livingston

wenty foreign firms either initiated new operations or significantly expanded existing ones over the past year. (We do not include outright purchases of existing facilities.) This was roughly a third more than in 2012. Indeed foreign investment in the state has substantially bounced back from its collapse in the wake of the global economic crisis of 2008–2009. Last year's foreign investment was actually higher than for the years 2008, 2009, and 2010 combined, whether measured in terms of announcements or anticipated new employment.

The largest single investment was Hankook's announcement of a new tire plant scheduled to open in 2016 in the Clarksville area. The operation is expected to employ 1,800 workers at an announced cost of \$800 million. The plant will mark the eighth South Korean

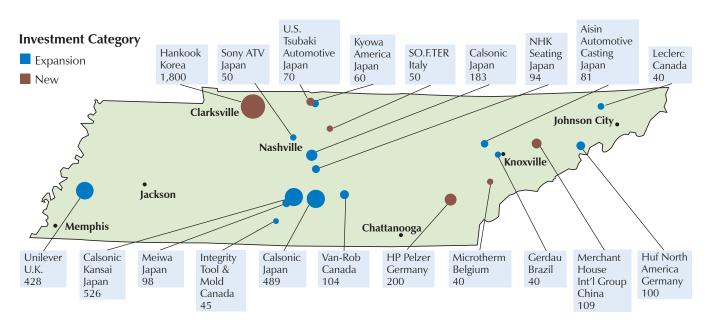
firm active in the state. The map below indicates the location and size of the year's foreign investments. As can be seen, the majority of investments were in middle Tennessee. Twelve of the new investments or expansions are in automotive-related industries, accounting for the geographical concentration.

Japan was once again the single biggest home of investing companies. Nine of 2013's announcements were made by Japanese companies. Otherwise the source of investment was quite dispersed. Canada and Germany were the only other countries home to more than one investing firm.

The size of announced investment is a bit volatile because of the (happy) possibility of sizable individual investments. The two 2009 billion-dollar-plus polycrystalline silicon investments skew comparisons with that year, while Nissan's Leaf lithium battery operation and JX-line expansion similarly inflate the 2012 numbers. But if we take into account these exceptional investments, we see a solid trend line since 2008, with the 2013 figures looking very healthy. New

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2013 Foreign Investment in Tennessee by Employment



Business and Economic Research Center
Jennings A. Jones College of Business
Middle Tennessee State University

	Value of Exports	Change from Last Year	Change from Last Quarter
Medical Equipment	\$903,570,944	12.2%	0.1%
Motor Vehicle Parts	\$706,297,286	-1.0%	-6.3%
Motor Vehicles	\$570,964,405	47.0%	42.6%
Basic Chemicals	\$540,486,840	1.7%	0.1%
Computer Equipment	\$519,072,682	-1.4%	4.9%
Synthetic Fibers & Filaments	\$465,380,307	7.4%	-10.2%
Auto, Industrial, & Electromedical Instruments	\$371,406,387	-1.4%	-4.4%

3rd Quarter 2013

WHAT'S HOT AND WHAT'S NOT*

*Among Tennessee's top 100 exported goods

	Value of Exports	Growth	Decline
Sectors with the Greatest Growth			
Photovoltaic Cells	\$42,054,063	178.7%	
Electric Control Boards & Panels	\$27,706,827	70.1%	
Miscellaneous Iron & Steel Articles	\$24,853,083	63.5%	
Aluminum Plates > .2mm thick	\$98,696,340	60.0%	
Cars	\$566,472,187	56.7%	

Sectors with the Greatest Decline

Video Game Consoles	\$10,370,248	-74.4%
Trucks	\$13,350,417	-73.3%
Charitable Goods & Returns	\$4,352,097	-68.5%
Machines for Mixing Minerals & Parts	\$8,077,407	-58.7%
X-Ray Equipment	\$7,913,382	-55.5%

3rd Quarter 2013

FASTEST-CHANGING EXPORT DESTINATIONS*

*Among countries averaging > \$5m sales/quarter

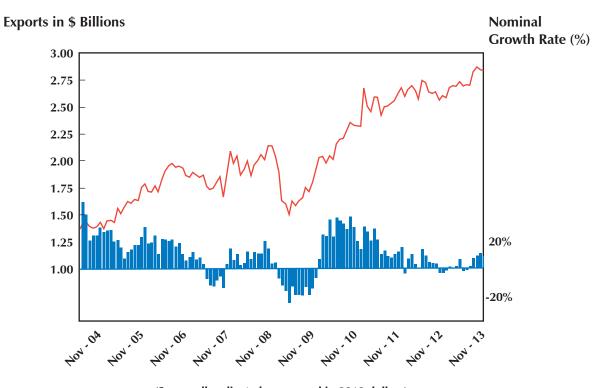
United Arab Emirates

	Value of Exports	Gain	Decline
Countries with the Greatest Growth			
Luxembourg	\$15,083,475	1,862.2%	
Turkey	\$123,014,274	138.5%	
New Zealand	\$19,246,418	110.0%	
Lebanon	\$5,079,313	104.2%	
Indonesia	\$62,303,874	92.9%	
Countries with the Greatest Decline			
Nigeria	\$6,492,572		-79.1%
Bahrain	\$5,997,384		-60.5%
Jamaica	\$3,138,407		-57.6%
Ukraine	\$4,918,416		-33.1%

\$122,678,184

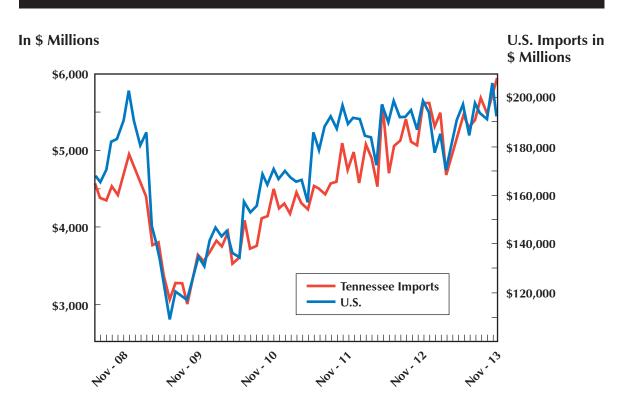
-29.8%

TENNESSEE MONTHLY EXPORTS

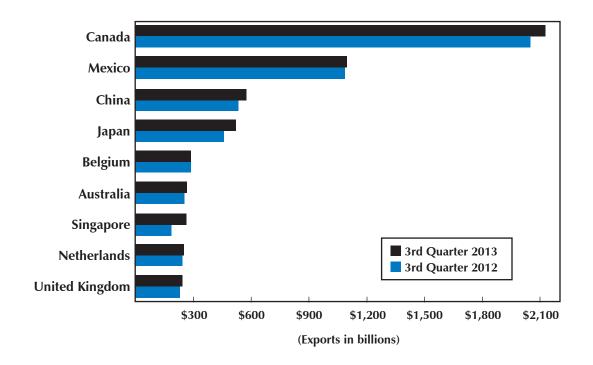


(Seasonally adjusted, expressed in 2013 dollars)

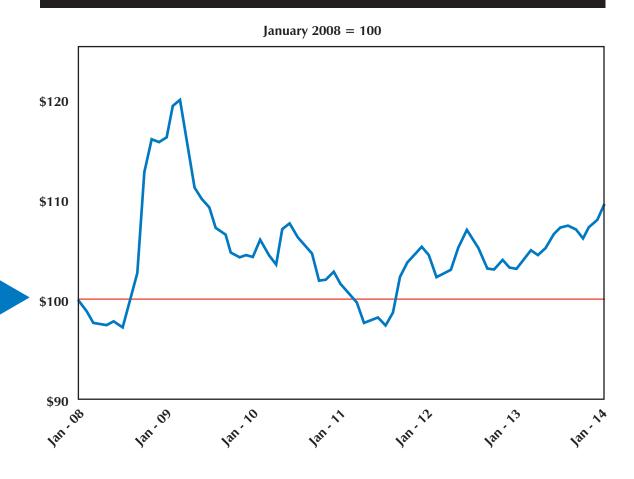
TENNESSEE MONTHLY IMPORTS



TENNESSEE'S LEADING TRADE PARTNERS



TENNESSEE TRADE-WEIGHTED DOLLAR INDEX





State exports again exceeded \$8 billion.

n the whole, it was not a bad quarter. After a year of virtually no growth, Tennessee exports gained 5.9% in the third quarter of 2013. At \$8.2 billion, it was the second consecutive quarter that the state's foreign shipments crossed the \$8 billion barrier. Though this export performance still pales in comparison to a couple of years ago, Tennessee's rate of export growth was more than double the nation's for the quarter.

Much of this relatively good news was driven by a few spectacular export performances. And "driven" is the word, because most of them involved automobiles. Car exports increased by \$183 million in the third quarter, a remarkable 47% gain. This was despite a relatively poor quarter in the Middle East, the state auto industry's largest market outside of NAFTA. Shipments to Canada were up over \$25 million, but the real stories were China, the Netherlands, and Australia. In all three, exports of cars soared dramatically. In China, quarterly car sales increased from \$2 million to \$60 million, in the Netherlands from virtually zero to \$25 million, and in Australia from less than a million dollars to \$75 million. Plant closures in the latter country likely accounted for the state's performance down under. While other parts of the auto industry did not have such a spectacular quarter (auto part shipments were down slightly, and exports of trucks were off quite a bit), in sum this industry accounted for about half of the total increase in Tennessee's foreign shipments for the quarter.

The lion's share of the remaining export gains were in the health sector. Exports of medical equipment were up about 10% to \$884, and total healthcare-related exports gained more than \$100 million. Orthopedics were particularly strong, increasing 22% to \$270 million. It's interesting to note, and maybe a sign of the future, that Japan, not only the state's fourth largest market but the market with the most aged population, grew 15% for the quarter with almost all of the gains in the health sector.

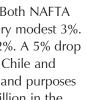
Other strong exports in the third quarter were cellulose acetates, polyesters, whiskey, and cotton. Cotton shipments exceeded \$225 million for the quarter through an interesting rotation. Exports to China were off by

almost half but were more than compensated for by large increases in shipments to Turkey, Vietnam, and Indonesia.

Several industries, on the other hand, experienced a difficult quarter. There were sizable drops in ignition components, engine, and tire shipments. This suggests that some of the additional car exports may have been at the expense of assembled components. The aviation industry certainly had the most dramatic ups and downs of any of the state's export sectors. Though the industry experienced an overall 7% increase in foreign sales, this included multimillion-dollar gains in Singapore, Turkey, and Brazil and multimillion-dollar losses in China, the United Arab Emirates, Australia, and Nigeria.

Geographically, the best markets were to be found in Southeast Asia, Turkey, and as mentioned, Japan. Singapore was at the heart of remarkable gains in Southeast Asia. Exports to Singapore were up 47% for the quarter, thanks to large increases in healthcare-related items and aircraft. Indonesia and Vietnam were strong as well, both nearly doubling their purchases of Tennessee goods for the quarter. Turkey more than doubled its purchases (from \$52 million to \$123 million), with aircraft, cotton, and optics the big gainers.

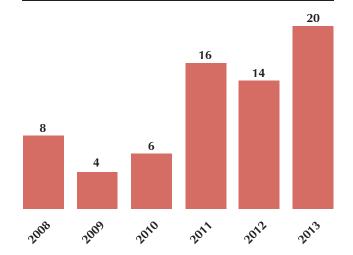
Car exports increased \$183 million or 47%.



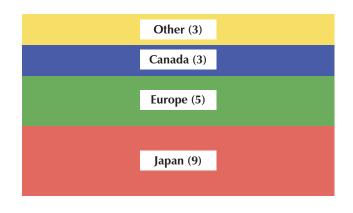
The rest of the world was basically a wash. Both NAFTA partners, Canada and Mexico, grew by a very modest 3%. South America was an even more sluggish 2%. A 5% drop in shipments to Brazil undid strong gains in Chile and Argentina. The eurozone was for all intents and purposes flat, as exports barely budged from \$988 million in the third quarter of 2012 to \$995 million in 2013. Though the U.K. market was a bit better for the quarter, posting an 8% gain, this wasn't enough to reverse losses in that country earlier in the year.

Compared to the past few quarters, or compared to the rest of the nation, Tennessee exporters turned in a solid third quarter and are poised to do well over the coming quarters. However, the relative narrowness of the gains (just a few industries, just a few markets) shows that the world economy still is not out of the woods, and exporters have their work cut out for them in 2014.

New Investments / Significant Expansions



Investments by Region



F

Foreign Investment

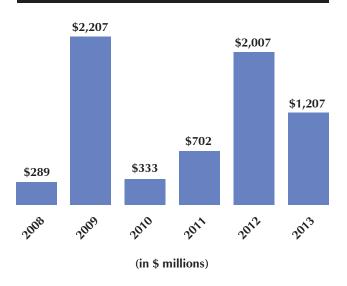
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employment, on the other hand, has grown in a more regular fashion over the past six years. Announced jobs were up 13% from 2012. The new jobs amount to an increase of just over 4% of total employment

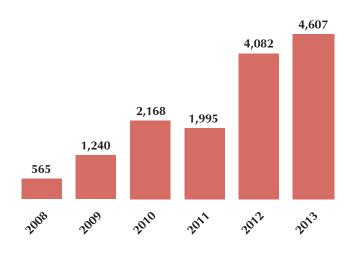
in Tennessee's foreign-owned firms, substantially outpacing overall state employment growth.

Host to about 850 foreign firms, the state remains very attractive to international investors. They have been important to Tennessee's recent growth and are an increasingly dynamic part of the state economy.

\$ Value of Foreign Investments/Expansions



New Jobs from Foreign Investment



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