

Minnesota Manufactured Exports

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006-2007
Top Five Destinations		
Europe	5,152.3	2.6
Canada	4,339.2	21.0
Asian NIEs*	1,514.9	-9.7
Southeast Asia	1,169.9	-5.2
Japan	786.3	-12.7
Total Manufactured Exports	16,223.0	6.5
Top Five Industries		
Computer and Electronic Products	3,986.6	-8.7
Machinery, Except Electrical	2,594.3	2.0
Transportation Equipment	2,172.7	20.8
Miscellaneous Manufactured Commodities	2,055.4	12.8
Food and Kindred Products	1,222.4	30.0
Total Manufactured Exports	16,223.0	6.5

Montana Manufactured Exports

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006-2007
Top Five Destinations		
Canada	359.1	19.9
Europe	174.6	20.2
Asian NIEs*	114.1	8.9
Japan	101.7	24.4
China	42.0	37.7
Total Manufactured Exports	879.4	23.9
Top Five Industries		
Chemicals	261.1	24.1
Machinery, Except Electrical	172.2	-9.5
Transportation Equipment	122.0	93.4
Primary Metal Manufacturing	96.7	48.2
Nonmetallic Mineral Products	43.4	30.4
Total Manufactured Exports	879.4	23.9

North Dakota Manufactured Exports

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006-2007
Top Five Destinations		
Canada	744.1	25.4
Europe	322.3	1.8
Former Soviet Republics	165.2	81.4
Pacific Islands	59.0	-28.3
Middle East	50.3	31.2
Total Manufactured Exports	1,524.1	20.8

*Asian NIEs (newly industrialized economies) include Hong Kong, Singapore, South Korea and Taiwan.

District manufactured exports post solid growth in 2007

Growth abroad, exchange rates have positive impact on exports

By ROB GRUNEWALD
Associate Economist

CLINT PECENKA
Research Assistant

District manufactured exports increased about 10 percent in 2007, about the same rate as the nation. While 2007 growth was slower than the preceding year's 13 percent increase, it exceeded the district's historical 7 percent annual average increase since 1997. Solid economic growth abroad and changes in exchange rates helped a wide range of district industries post export growth last year.

Growth and exchange rates

Developed and developing countries around the world posted positive economic growth. For example, China grew 11.5 percent, India 8.9 percent and Russia 7 percent. While the European Union grew a more modest 3 percent, the area's 2007 growth rate exceeded rates of the past few years. Overall, the world economy grew 5.2 percent in 2007.

Combined with solid economic growth among trading partners, the

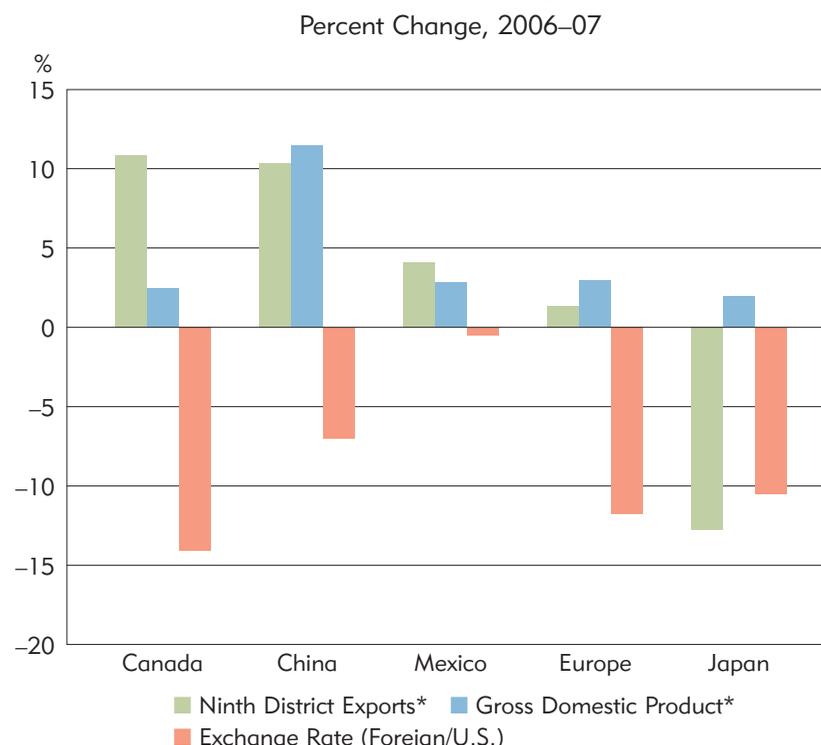
weaker dollar made U.S. manufactured exports less expensive abroad during 2007. The dollar has declined against the currencies of several major trading partners, including the Canadian dollar, euro and Japanese yen.

After China held the yuan/U.S. dollar exchange rate at 8.27 from September 1998 to July 2005, the country's central bank allowed the value of the yuan to trade within a particular range relative to a trade-weighted basket of currencies. By the end of 2007, the yuan/U.S. dollar exchange rate was at 7.30. The policy change has helped boost U.S. exports to China and make Chinese goods more expensive in the United States, thus helping to mitigate the U.S.-China trade imbalance.

While economic growth abroad and a declining dollar tend to have a positive impact on exports, they aren't the only factors at play. Transportation and communication costs, productive capacity at home, trade barriers (such as tariffs and quotas) and competition from producers in other countries impact export growth. Nevertheless, an increase in district manufactured exports to Canada, China, Europe and Mexico during 2007 was accompanied by economic growth

Continued on page 18

Exports, GDP and Exchange Rates of Ninth District Trading Partners



*In constant dollars

Sources: WISERTrade International Trade Database, Holyoke Community College; International Monetary Fund; Bureau of Economic Analysis



Exports from page 17

in these areas or a decrease in the value of the dollar relative to their currencies or both (see chart on page 17). However, manufactured exports to Japan decreased despite economic growth in the country and a decrease in the value of the dollar relative to the yen.

Trade balance

Meanwhile, strong exports and slowing imports have recently helped shrink the national deficit for traded goods. As mentioned earlier with China, just as a weaker U.S. dollar makes exports less expensive abroad, it makes imports more expensive at home. Moreover, a slowing U.S. economy in 2007 reduced growth in the demand for imports.

The net trade balance—the difference between the value of imported goods and exported goods—narrowed slightly from \$838 billion in 2006 to \$815 billion in 2007. While the value of goods exported on a balance-of-payments basis increased 12 percent in 2007, the value of imports grew only 6 percent.

While a declining trade deficit is usually reported as “good” news, it’s unclear that a growing trade deficit necessarily spells “bad” news for the economy. The balance of payments simply measures the inflows and outflows of goods and services and inflows and outflows of capital.

The economic conditions that create a surplus or deficit in the trade balance are likely more important than the trade balance itself. For example, with the recent narrower trade deficit attributed in part to the recent slowing U.S. economy, the more “favorable” trade balance is associated with “bad” economic news.

Some economists argue that total trade, exports plus imports, is a more meaningful measure as it relates to economic conditions at home than the trade balance. With higher trade volumes, domestic companies have access to more markets abroad and domestic consumers have more consumer goods to choose from at generally lower prices.

Noteworthy trends

Manufactured exports in almost all district states grew faster in 2007 than their historical annual averages from 1997 to 2007. The exception was Minnesota, which grew at the same pace as its historical average.

Behind the aggregate export data by geographic area, trends by country are particularly interesting. For example, Minnesota’s exports to Ireland increased 21 percent annually from 1997 to 2007. After a drop in 2006, exports rebounded 9 percent, led by miscellaneous manufactured commodities. This export strength correlates with Ireland’s strong economic growth and, in particular, strong demand for medical, office and consumption goods.

South Dakota’s largest manufactured export industry was computer and electronic products in 2007; the sector is perennially the state’s largest or second-largest export industry. South Dakota sent \$408 million in computer and electronic products abroad in 2007 compared with \$64 million for Montana and North Dakota combined. Notably, Thailand quadrupled its purchases of computer and electronic products from South Dakota during 2007.

North Dakota manufactured exports were primarily sold in Europe and Canada during 2007, followed by the former Soviet Republics. Two of these countries, Russia and Ukraine, ranked fourth and fifth, respectively, in machinery purchases from North Dakota.

Range of export industries

All district manufactured export industries showed growth in 2007, except for computer and electronic products (due to decreases in Minnesota and Wisconsin) and apparel and accessories. However, the latter is the district’s smallest export industry.

North Dakota (continued)

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006–2007
Top Five Industries		
Machinery, Except Electrical	929.3	13.7
Food and Kindred Products	209.0	49.1
Transportation Equipment	161.9	37.8
Chemicals	77.1	46.3
Computer and Electronic Products	39.9	24.0
Total Manufactured Exports	1,524.1	20.8

South Dakota Manufactured Exports

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006–2007
Top Five Destinations		
Canada	494.4	27.9
Mexico	231.1	37.8
Southeast Asia	167.9	1,099.0
Europe	154.0	–14.4
Asian NIEs*	128.2	–3.3
Total Manufactured Exports	1,362.5	22.0

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006–2007
Top Five Industries		
Computer and Electronic Products	408.1	14.1
Food and Kindred Products	388.0	36.2
Machinery, Except Electrical	201.3	29.6
Transportation Equipment	121.7	–5.4
Beverages and Tobacco Products	64.7	373.4
Total Manufactured Exports	1,362.5	22.0

Wisconsin Manufactured Exports

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006–2007
Top Five Destinations		
Canada	5,586.9	6.6
Europe	3,753.8	7.2
Mexico	1,279.2	0.8
China	1,084.9	36.0
Asian NIEs*	1,039.3	–2.2
Total Manufactured Exports	17,534.6	10.7

	Total Exports 2007 (millions of dollars)	Annual Percent Change 2006–2007
Top Five Industries		
Machinery, Except Electrical	5,493.7	20.6
Computer and Electronic Products	2,999.8	–4.4
Transportation Equipment	2,342.1	1.1
Electrical Equipment, Appliances and Components	1,028.9	16.0
Food and Kindred Products	1,019.4	42.3
Total Manufactured Exports	17,534.6	10.7

*Asian NIEs (newly industrialized economies) include Hong Kong, Singapore, South Korea and Taiwan.

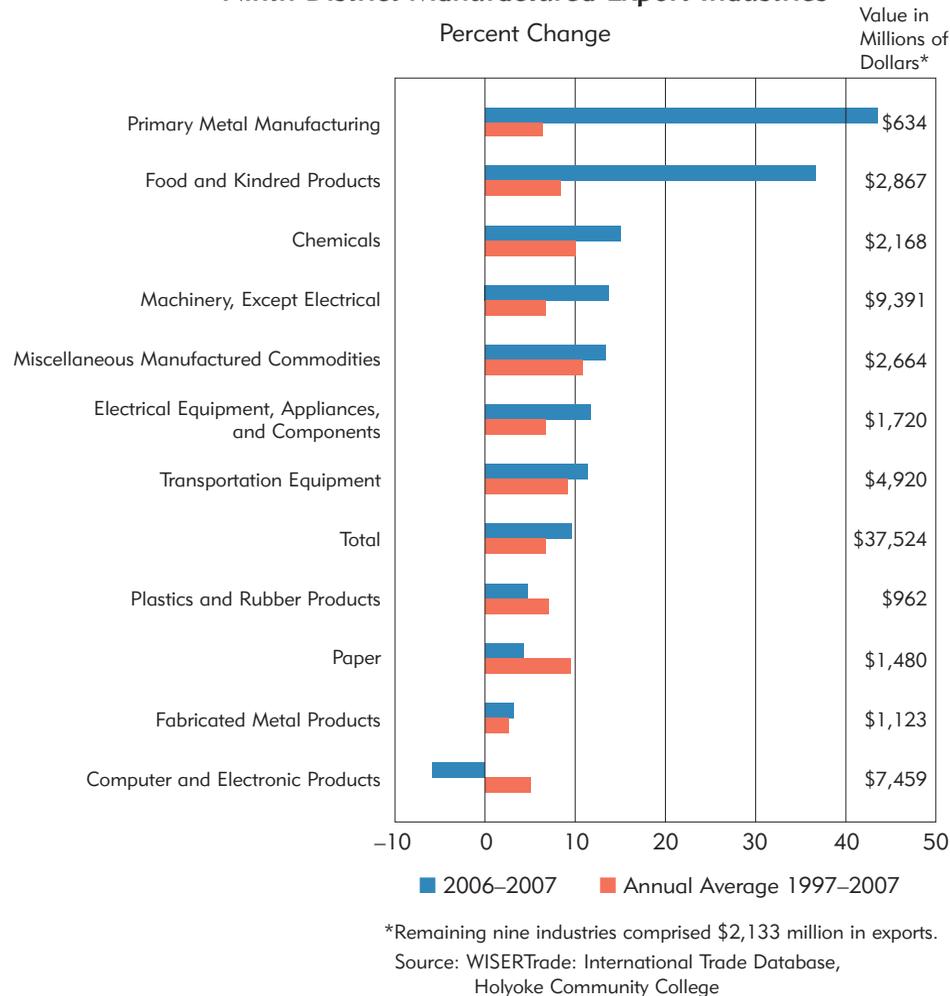
Source: WISERTrade International Trade Database, Holyoke Community College

Machinery exports, the district's largest export industry, grew twice as fast in 2007 as its annual average growth rate from 1997 to 2007. Meanwhile, the district's fourth-largest export industry, food and kindred products, grew 37 percent in 2007. The value of this industry grew not only due to strong demand in other countries, but also because of increases in world food prices. The combination of healthy demand and higher prices also contributed to substantial increases in exports of primary metal manufacturing (see chart at right).

District exports of chemicals have posted solid gains since 1997 and did so again in 2007. Chemical exports increased 46 percent in North Dakota and 24 percent in Montana; chemicals is Montana's largest export industry. In contrast, exports of computer and electronic products, the district's second-largest export industry, decreased 6 percent in Minnesota and Wisconsin, but increased in South Dakota. **f**

For more detailed data on district manufactured exports, visit minneapolisfed.org.

Ninth District Manufactured Export Industries



WISCONSIN



State budget deficit: Practice makes perfect

Wisconsin is going to have to get creative once again in balancing its checkbook. The state Legislative Fiscal Bureau is projecting a shortfall of \$650 million for the two-year budget that runs through mid-2009. It also identified a handful of one-time items, including two court rulings involving the state, that could worsen the deficit by \$500 million or more.

If this seems familiar, it is. The Legislature took until late October to pass the most recent state budget—in part because it was dealing with a projected deficit. Lawmakers then included \$200 million in administrative cuts, which limits creative options this time around.

Gov. Jim Doyle has used the deficit to resurrect a previous proposal to tax hospitals. It would raise an estimated \$125 million a year from hospitals to help fill the budget hole. Many hospitals actually support the tax because it would also trigger higher federal Medicaid payments to hospitals—estimated at \$450 million, though only hospitals with high Medicaid caseloads would see a net financial gain.

Doyle has also proposed a transfer of \$243 million from the state transportation fund, which lawmakers would mostly replace by issuing new bonds, in essence promising to repay the fund with future revenue. It's not the first time lawmakers have dipped into the transportation fund: \$50 million was taken out of the same fund in October when lawmakers finalized the current budget. The *Milwaukee Journal Sentinel* reported that the state has siphoned \$1.1 billion from the state transportation fund since 2003 to help balance the state budget.

It's also not the first use of creative accounting. Lawmakers and Doyle were expected to delay \$125 million in school aid payments until just after the end of the fiscal year, which merely pushes the obligation to a future budget.

The state's budget deficit could torpedo various tax incentives and other proposals that Doyle had championed earlier, among them tax breaks to high-tech businesses, renewable energy and private sector research and development activities. Doyle has also proposed the creation of a health insurance pool for small businesses, which might include a state subsidy of as much as \$100 million to help write down premiums, according to news sources.

—Ronald A. Wirtz

District Voices What is the job market outlook for new college graduates this spring?

Job opportunities for college graduates with degrees in health care and education remain steady in northwest Wisconsin. ... Health care providers are always looking for new recruits, and school districts will need to replace some, if not all, of the teachers who are retiring. There will be some job opportunities in other fields, such as engineering, accounting, forestry and business management; however, these opportunities will be somewhat limited, compared to those in health care and education. We don't have many large employers looking to fill numerous positions, and the openings that occur will more than likely be in existing positions as baby boomers retire and vacancies result.

Beverly Gehrke, Labor Market Analyst
Wisconsin Department of Workforce Development—Hayward, Wis.

I think in most sectors that Northern Michigan University students look at, the job prospects are fairly positive. Obviously, there are some of those majors or some employment areas that are a little bit less positive than others—for example, teaching. Finding a teaching position especially here in the Upper Midwest is a little bit challenging right now. ... On the flip side, obviously, positions in IT, information systems, information management [and] computer networking are strong areas for Northern graduates, as is the area of finance and accounting. So our graduates

in both of those disciplines do extraordinarily well. Sales and marketing is still very strong, whether students want to stick around here in the Upper Peninsula or if they're looking at relocating to Wisconsin or Illinois.

John Frick, Director of Career Services
Northern Michigan University—Marquette, Mich.

[W]e have more jobs right now than we have people to fill them. We do strictly deal with the entry-level market, and sometimes this can be a slower time of year for candidates because we've exhausted the December graduates and we're kind of waiting for the crop of May-June graduates. But the last few years, these have been actually pretty good months for us; we started out the year really good in January or February. March has been a little slow, but it's not due to lack of jobs; it's due to lack of qualified candidates. So we haven't felt that crunch yet. Whether we will I don't know.

Matt Benedict, General Manager
Career Professionals Inc.—Edina, Minn.

We have 3,000 unfilled openings right now. And then we have companies that are relocating and expanding, and I'll just mention two global companies with large operations here. CNH America LLC is Case New Holland. They're expanding their manufacturing plant for agriculture and construction equipment. ... Microsoft's third-largest campus is expanding yet again in Fargo-

Moorhead. So they're continuously looking for people from our community and region, and literally around the world, for their campus here. ... [W]e've got a healthy job market here for new grads this spring.

David K. Martin, President and CEO
Chamber of Commerce of Fargo-Moorhead—Fargo, N.D.

The economy in South Dakota keeps thriving, with new jobs growing at an average rate of 2 percent each year since 2004. This provides great opportunities for college graduates. The market looks especially good for recent grads in nursing, teaching, accounting, computer technology and automotive-related occupations.

Pam Roberts, Secretary, South Dakota
Department of Labor—Pierre, S.D.

I don't see any effect of the downturn in the economy on the job market. Most of the kids I'm graduating with already have jobs or are getting jobs. I'm going to have a job. I'm just going to stay where I am right now, at a bank in Bozeman, but I think if you're willing to travel, and have no strings attached, there are definitely opportunities out there that pay very well.

Amy Erichsen, Senior Economics and Agricultural Business Major
Montana State University—Bozeman, Mont.