

District manufactured exports inch higher in 2014



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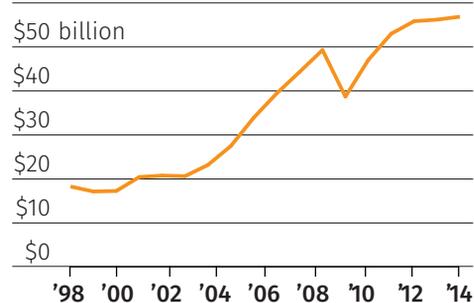
Manufactured exports in the Ninth District in 2014 continued a recent trend of low growth.

Last year, manufactured exports rose to an all-time high of \$46.5 billion; however, this was an increase of only 1 percent over 2013. The 2014 increase follows a 0.5 percent gain in 2013, as district export growth has flattened after strong gains following the recession (see Chart 1). Minnesota posted the largest gain among district states at 2.2 percent, while exports decreased in Montana and the Dakotas. Meanwhile, U.S. exports grew 1.5 percent in 2014.

Relatively slow economic growth in some trading partners and an increase in the value of the dollar relative to other currencies contributed to slower demand for district exports in some areas.

Growth in Ninth District manufactured exports flattening

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Source: WISERTrade International Trade Database

Exports to Canada, the district's largest trading partner (receiving almost one-third of the district's exports), decreased 1.2 percent in 2014 (see Chart 2). Wisconsin and South Dakota were the only district states to post an increase in exports to Canada. Losses largely came from a 12 percent reduction in machinery exports to Canada, primarily due to reductions in agricultural machinery. While the Canadian economy grew moderately in 2014, the value of the U.S. dollar relative to the Canadian dollar increased in value by 7 percent, making district exports more expensive in Canada.

District exports to Europe, the district's second-largest trading partner receiving 19 percent of district exports, increased less than 2 percent in 2014. That's not bad, considering that economic growth in Europe was less than 1 percent. Exports to Europe from South Dakota and Wisconsin increased 18 percent and 8 percent, respectively, while exports to Europe decreased in other district states. Machinery, the district industry with the most exports to Europe, increased 5 percent, while computer and electronic exports, the second-largest industry, decreased 7 percent.

Slowness in district exports to Canada and Europe was counterbalanced somewhat by a 19 percent increase in exports to Mexico, the district's third-largest destination with 11 percent of exports. This strong growth occurred despite the U.S. dollar appreciating modestly against the Mexican peso. Montana and Minnesota exports to Mexico increased 48 percent and 42 percent, respectively. However, exports from South Dakota to Mexico decreased 11 percent, primarily due to a drop in exports of food and beverage products.

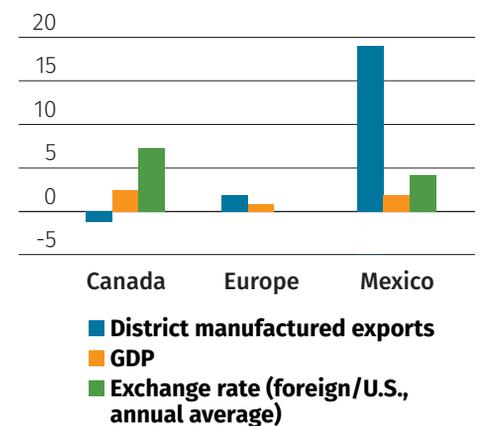
Transportation leaped ahead of machinery as the district's top manufactured export product to Mexico with a 51 percent increase in 2014, while machinery exports decreased 1 percent. Transportation exports to Mexico made substantial gains in all district states, as car assembly work has picked up in the country—motor vehicle parts increased from \$474 million in 2013 to \$709 million in 2014, and motor vehicle bodies and trailers increased from \$99 million to \$130 million.

The four Asian newly industrialized economies (NIEs) of Hong Kong, Singapore, South Korea and Taiwan moved ahead of China as the district's fourth-largest export destination in 2014, as exports to these economies increased 4 percent, while exports to China decreased 2 percent. The pace

Slow going to Canada and Europe, Mexico strong

2

2014, percent change from a year earlier



Sources: WISERTrade International Trade Database and Haver Analytics

of economic growth in China slowed to 7.4 percent in 2014 and has been on a decline since 2010. Among the Asian NIEs, district manufactured exports to South Korea have seen the strongest growth since 1997, the year when data became available, and now represent 38 percent of exports to the Asian NIEs.

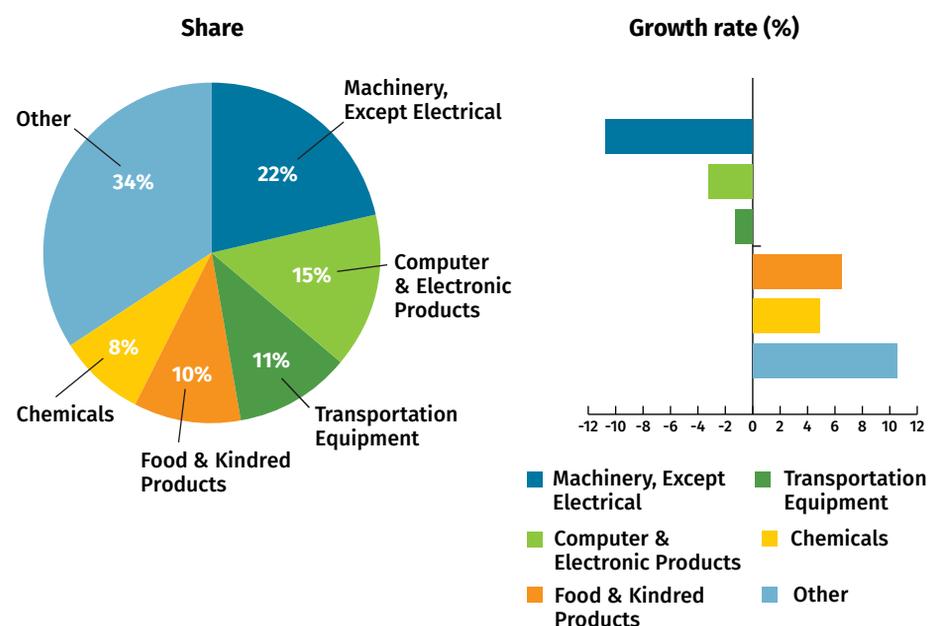
Top export industries show losses

Among major export categories, machinery, computer and electronic products, and transportation equipment all decreased in 2014 (see Chart 3). These three categories make up almost 50 percent of the district's manufactured exports.

The decrease in machinery was led by an almost 20 percent decline in exports of agricultural and construction machinery, which make up more than a third of this category. The slowing demand for

Five largest manufactured export industries

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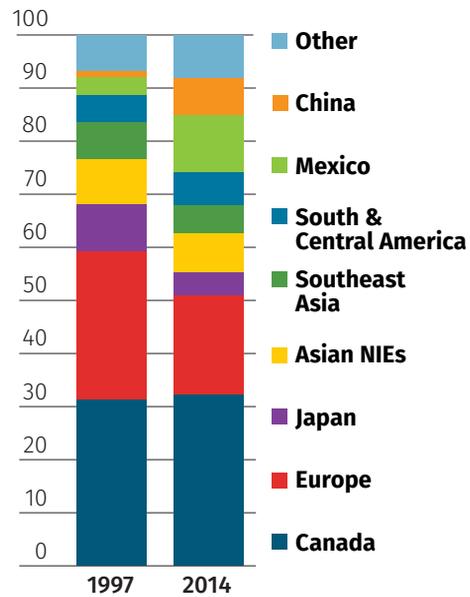


Source: WISERTrade International Trade Database

China and Mexico
comprise a larger
share of district
exports than in 1997

4

Destination as a percent of total district
manufactured exports



Source: WISERTrade International Trade Database and Haver Analytics

agricultural machinery coincided with soft global crop prices in 2014. Weakness in the computer and electronic products category was led by a 20 percent decline in computer equipment exports.

Offsetting these declines were increases in food and kindred products and chemicals, as well as several industries in the “other” category; electronic equipment, appliances and components, and plastics and rubber products posted the strongest increases with gains over 20 percent.

How export destinations
have changed over time

Over time, district exports have become more globally balanced. In 1997, the district’s top export destinations—Canada, Europe and Japan—accounted for 68 percent of district exports. These destinations were also the most developed economies among the district’s trading partners. In 2014, that share dropped to about 55 percent, with all of the decline coming from the share going to Europe and Japan. Exports to Europe and Japan grew over this time period, but not as fast as growth to other export destinations (see Chart 4).

The biggest gainers in export market share over this period were China and Mexico. The share of district exports to China and Mexico in 1997 were only 1.1 percent and 3.5 percent, respectively. But district exports have grown by an annual average of 18 percent to China and 13 percent to Mexico; by 2014, these destinations received 7 percent and 11 percent of district exports, respectively.

Five largest manufactured
export destinations

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Minnesota		
Canada	4,867.7	-7.5
Europe	4,357.3	-2.5
Asian NIEs	2,034.9	3.5
Mexico	1,893.0	42.1
China	1,654.0	-1.4
Total	19,737.5	2.2

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Montana		
Canada	452.6	-13.3
Asian NIEs	153.1	9.7
Europe	136.7	-11.6
China	78.2	16.1
Japan	50.8	19.3
Total	1,012.8	-3.1

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
North Dakota		
Canada	1,567.7	-5.7
Europe	182.5	15.6
Mexico	162.1	4.8
Pacific Islands	87.6	4.8
South America	45.7	-2.2
Total	2,240.6	-5.0

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
South Dakota		
Canada	666.5	0.6
Mexico	302.9	-11.3
Europe	119.4	18.7
Middle East	75.6	-17.1
Asian NIEs	64.7	36.9
Total	1,465.5	-0.9

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Wisconsin		
Canada	7,344.9	5.5
Europe	3,909.4	8.4
Mexico	2,649.9	11.7
China	1,485.1	-3.8
South America	1,431.5	11.1
Total	22,009.5	1.0

Five largest manufactured
export industries

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Minnesota		
Machinery, Except Electrical	3,786.6	-6.1
Computer and Electronic Products	3,155.2	-4.9
Transportation Equipment	2,554.1	0.1
Food and Kindred Products	2,119.0	8.0
Chemicals	1,767.2	6.3
Total	19,737.5	2.2

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Montana		
Chemicals	313.4	12.5
Machinery, Except Electrical	120.5	-24.7
Nonmetallic Mineral Products	84.9	20.3
Petroleum and Coal Products	69.6	-24.1
Transportation Equipment	65.6	-37.4
Total	1,012.8	-3.1

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
North Dakota		
Machinery, Except Electrical	956.5	-9.1
Petroleum and Coal Products	302.1	49.0
Chemicals	301.0	-20.4
Food and Kindred Products	197.7	-18.7
Transportation Equipment	150.3	-3.3
Total	2,240.6	-5.0

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
South Dakota		
Food and Kindred Products	551.5	3.1
Machinery, Except Electrical	330.5	15.6
Transportation Equipment	163.2	-5.1
Computer and Electronic Products	139.0	-1.7
Beverages and Tobacco Products	63.8	-35.1
Total	1,465.5	-0.9

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Wisconsin		
Machinery, Except Electrical	5,425.5	-14.9
Computer and Electronic Products	2,905.9	0.3
Food and Kindred Products	2,167.3	11.4
Transportation Equipment	2,158.3	-0.7
Chemicals	2,006.5	19.8
Total	22,009.5	1.0