

Global Commerce

Tennessee and the International Economy

Metro Exports Reflect Changes in the State's Export Profile

by Steven G. Livingston

Nineteen ninety-eight figures for metro area exports offer additional evidence of the slow evolution that is occurring in the state's foreign trade. All six of the state's reported metro areas have made tremendous gains in export sales over the last five years. (The government does not release statistics for the seventh, Clarksville.) But *relatively*, gains were concentrated in the Memphis, Nashville, and Jackson metro areas. As shown in the accompanying table, each of these areas has grown faster than the national average over the past five years, as indicated by their rise in the export rankings of America's 263 metro areas. Chattanooga and Knoxville have kept pace with the nation, while the Johnson City-Kingsport-Bristol area has slipped behind.

Memphis, the source of 37 percent of the state's foreign sales, remains by far the largest exporter among Tennessee's cities, but Nashville (19 percent) has moved ahead of Johnson City (16 percent) into second place. Together these three areas are the origin of nearly three-quarters of the state's exports. (But note that Memphis's role as broker for the agricultural exports of the mid-south region inflates its exports figures compared to the other metro areas.)

Tennessee Metro Exports for 1998

(in \$ millions)

	Exports \$	U.S. Rank	1993 Rank
Memphis	3,615,478	39	42
Nashville	1,868,718	58	71
Johnson City	1,587,388	73	61
Knoxville	858,349	100	99
Chattanooga	337,090	159	154
Jackson	241,754	179	202

Major Foreign Markets by Metro Area (1998)

(percentage in parentheses)

	First	Second	Third
Memphis	Canada (16.5)	Mexico (10.8)	Japan (7.1)
Nashville	Canada (27.6)	Mexico (18.9)	U.K. (12.1)
Knoxville	Canada (23.3)	U.K. (13.5)	Mexico (9.4)
Chattanooga	Canada (36.6)	Mexico (11.5)	Caribbean (11.4)
Jackson	Canada (58.2)	U.K. (6.7)	Russia (7.1)

Jackson, the home of new exports in processed foods, paper, and machinery, nearly doubled its exports over the last five years, the best growth performance in the state.

These numbers really reflect the transition of state exports from the textile and clothing and chemical sectors to a greater concentration in heavy machinery and the automotive industry. The numbers in the Johnson City area also reflect the decision by Eastman Chemical, its dominant exporter, to develop

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Tennessee Trade-Weighted Dollar Index

In spite of the euro's recent weakness, the index has held steady.



Metro Exports

continued from front

The biggest rural gains were made in the area around Columbia and Pulaski, home to parts of the state's automotive and electronics industries.

its production facilities abroad. This evolution is also shown by the growth of the NAFTA market as the destination for exports in all the metro areas. While a very broad array of products are sold to our NAFTA neighbors, automotive exports are an especially large component of Tennessee's NAFTA trade.

While urban areas have done very well, this has not been at the expense of the state's small towns and rural communities. Rural exporters in this state upped their foreign sales by well over half a billion dollars in the last five years and actually increased their portion of state exports by just under 3 percent. The Cookeville-Cross area, for example, posts exports that, on a per capita basis, exceed those of Nashville, Knoxville, or Chattanooga. These figures further suggest the extent to which export growth has been concentrated in the automotive and industrial machinery sectors. The slowest growing rural regions are the areas south and east of Clarksville and the traditionally textile-oriented counties south and west of Knoxville. On the other hand, not only around



Exports from Rural Areas: A Comparison

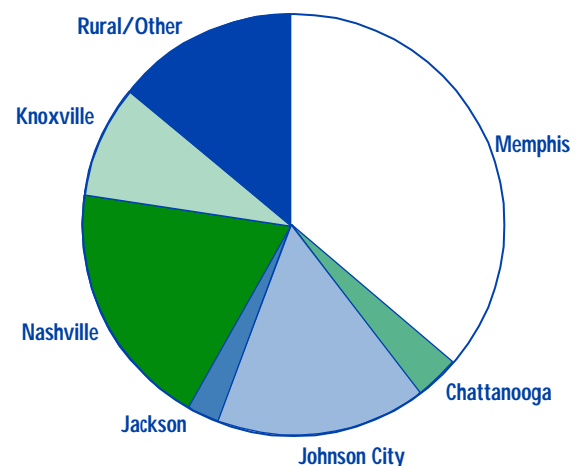
(in \$ millions, 1996 data)

Zip	Region	Export \$	per capita
377	Greenville-Jeff. City-Gatlinburg	396,576	\$1,368
385	Cookeville-Crossville-Spencer	290,711	\$1,509
382	Union City-Paris	110,981	\$984
384	Columbia-Pulaski	110,711	\$682

Cookeville, but in the Columbia-Pulaski area, where the biggest rural gains have been made in the 1990s, one finds a number of the newer firms in the state's automotive and electronics industries.

Thought the erosion of older export sectors has been painful for affected communities, it is the state's steady growth into newer manufacturing sectors that has dramatically increased Tennessee's presence in markets around the world during the 1990s. And that presence has been an important factor in the state's tremendous economic growth over the past decade. ■

Proportion of State Exports by City



2nd Quarter 1999

It was a slow quarter for most major exporters.

Tennessee's Largest Export Sectors

	Exports	Change from Last Year	Change from Last Quarter
Transportation Equipment	\$547,125,711	2.1%	3.2%
Chemicals	\$373,450,556	-6.2%	8.3%
Industrial Machinery	\$362,825,713	-4.1%	-1.2%
Electronics	\$278,854,255	5.7%	6.5%
Medical and Industrial Instruments	\$165,034,554	-6.3%	-5.5%
Fabricated Metals	\$131,002,050	54.2%	4.1%

2nd Quarter 1999

The state's star export sector was fabricated metals.

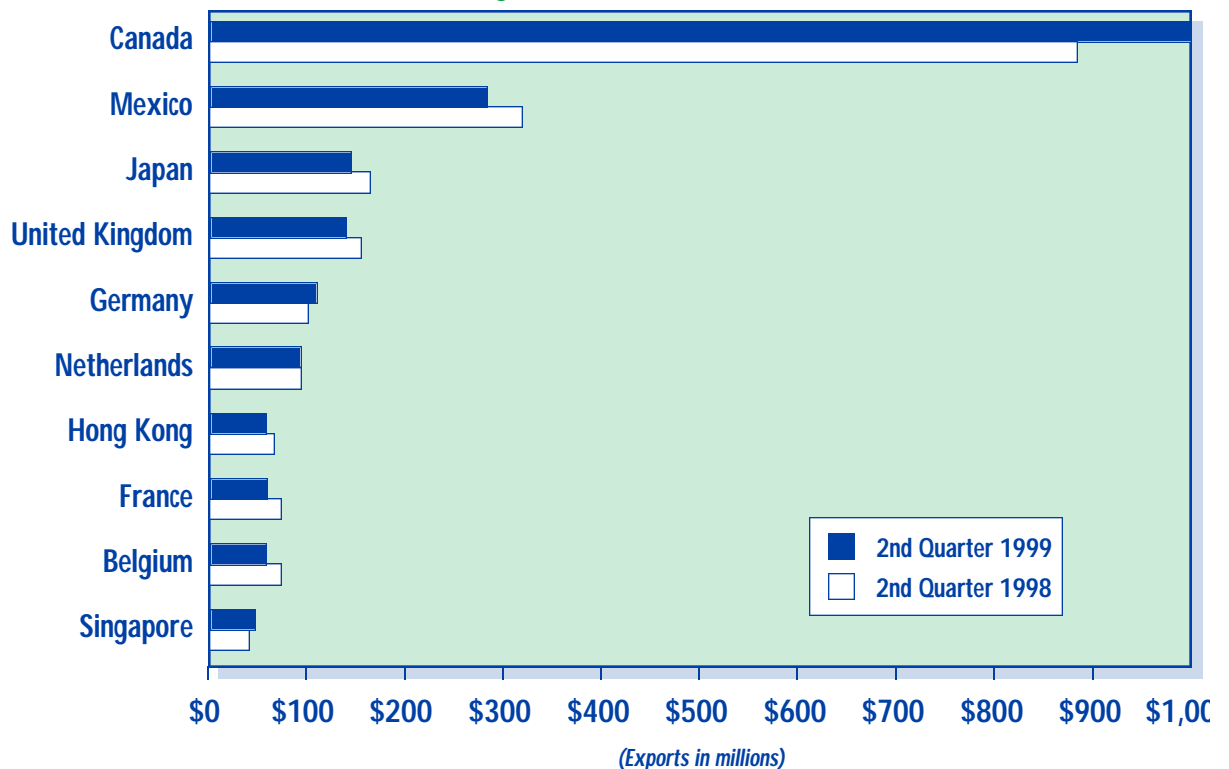
Greatest Growth and Decline in Exports by Industry

(among sectors averaging exports of more than \$2 million per quarter)

	Value of Exports	Growth	Decline
SECTORS WITH THE GREATEST GROWTH			
Fabricated Metals	\$131,002,050	54.2%	
Printing and Publishing	\$45,082,146	46.7%	
Leather Goods	\$10,920,333	26.7%	
Lumber and Wood Products	\$22,137,718	10.5%	
Primary Metals	\$54,188,392	6.4%	
SECTORS WITH THE GREATEST DECLINE			
Furniture	\$21,864,489		-50.3%
Livestock	\$2,333,915		-45.4%
Agricultural Crops	\$52,402,285		-45.2%
Non-Metallic Minerals	\$3,523,931		-26.1%
Apparel	\$67,671,120		-13.0%

Exports gain in only two of the state's top markets.

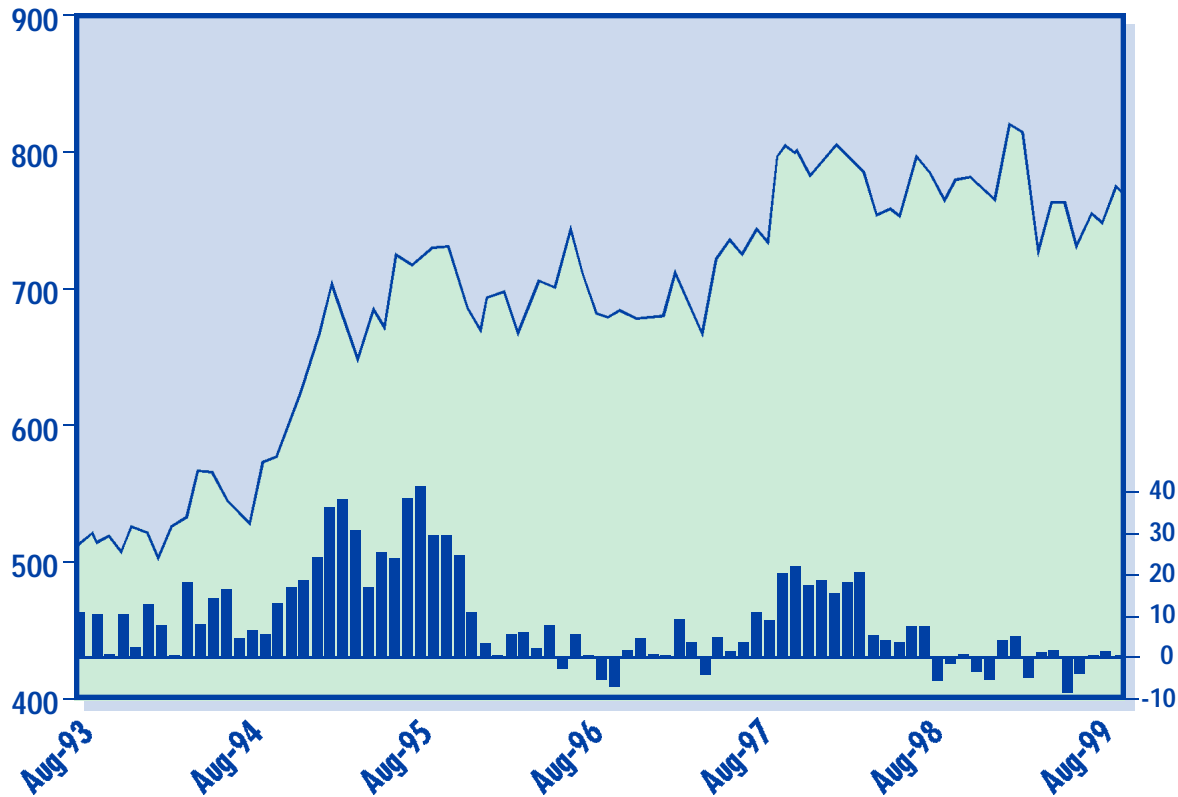
Tennessee's Leading Trade Partners



Tennessee's Monthly Exports

Exports in \$ Millions

Nominal Growth Rate (%)



State exports have been flat for the past year.

(Seasonally adjusted, expressed in 1993 dollars)

2nd Quarter 1999

GlobalCommerce

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Fastest Changing Export Destinations

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

	Value of Exports	Gain	Decline
COUNTRIES WITH THE GREATEST GROWTH			
Switzerland	\$17,183,099	148.0%	
Portugal	\$2,694,484	118.1%	
Norway	\$4,234,726	71.5%	
Taiwan	\$42,547,600	53.3%	
New Zealand	\$9,614,810	34.6%	
COUNTRIES WITH THE GREATEST DECLINE			
Russia	\$934,742		-95.4%
Guatemala	\$5,181,135		-68.0%
Bahamas	\$1,095,521		-60.1%
Poland	\$1,517,167		-54.6%
Panama	\$2,381,959		-50.4%

The Canadian market remains one of the state's best, not only in size but in growth.

The one region of the world where the state did see some good news was East Asia.

On a plane of its own was Russia, where the state's exports all but disappeared.

The third quarter holds out the promise of better numbers.

State exporters experienced another slow quarter, as Tennessee's foreign sales declined 2.47 percent to \$2.658 billion. Sizable losses in Japan and Europe accounted for most of the difficulty, swamping strong gains in Canada and rebounding sales in the rest of East Asia. Agriculture took the hardest hit, with state exports of crops and livestock off over \$50 million from last year.

Exports to our NAFTA partners have been on two quite different paths. The Canadian market remains one of the state's best, not only in size but in growth. Last quarter, exports to Canada broke the billion dollar mark for the first time, gaining some 13 percent. The chemical, automobile, rubber, and fabricated metal industries all posted significant increases north of the border. On the other hand, exporters have been struggling in Mexico. Tennessee's exports to Mexico dropped almost 11 percent. A large decline in electronics exports accounts for much of the poor performance, but rubber and automotive sales fell as well.

The state's non-NAFTA exports were off 10 percent last quarter. Latin America was a particularly difficult market. Brazil's troubles continue. With state exports off nearly a third (\$20 million), this was the poorest performing of Tennessee's major markets. Except for Argentina and the small Bolivian and Paraguayan markets, poor numbers were posted in all the Latin markets.

Exports to Japan and Europe were each down 10 percent as well. Sales in Japan fell almost across the board, with the electronics industry taking the biggest hit (the industry lost \$10 million, two-thirds of its sales). Given Japan's economic difficulties, these numbers are not all that surprising. More disappointing is the poor performance in Europe. Except for Italy and three smaller markets, Norway, Portugal, and Switzerland, exports were down across the continent. Sales to the U.K. fell about 10 percent, while those to Germany and France declined 20 and 2.5 percent, respectively. A sizable drop in chemical industry exports is a common theme, but it's difficult to generalize about the sources of the state's difficulties, as industry performance was quite segmented by country. On a plane of its own was Russia, where the state's exports all but disappeared—down 95 percent from 1998.

The one region of the world where the state did see some good news was East Asia. Outside of

Japan, exports were generally up. Sales in the Chinese Economic Area were up better than 8 percent, as gains in China and Taiwan (where exports rose by 53 percent) more than outweighed losses in Hong Kong. And, at \$281 million, exports to the rest of the region's big emerging markets were up just under 8 percent. Of the countries caught in 1998's financial crisis, Indonesia continues to perform poorly, down another 30 percent, but Korea and Thailand both recorded double-digit increases in Tennessee imports this past quarter.

As noted, agricultural exports suffered the steepest decline of any sector last quarter. Sales of both crops and livestock were off just over 45 percent from a year ago. The textiles and apparel industries also experienced tough quarters. Each was down a little over 10 percent. Losses in two countries, the U.K. and Hong Kong, account for almost all of the difficulties in the textile sector, while problems in Japan and Central America were at the heart of apparel's losses.

The state's biggest sectors experienced only small changes over the quarter. Chemical sales were again down (6.7 percent), with Hong Kong and Brazil the toughest markets. But transportation sector exports inched up 2.1 percent, primarily due to a gain of some \$30 million in Canada.

Two sectors, fabricated metals and printing and publishing, were the star performers for the state. The former grew by over 54 percent, powered by huge increases in sales in Canada and the U.K., while the latter gained almost 47 percent, again because of successes in Canada and Great Britain.

We are left with the question of how long the recent slowdown in Tennessee exports will continue. State exporters posted improved, but hardly dynamic, numbers in July and August, the first months of the third quarter, as sales crept up just under 1 percent. However, there are some positive long-term signs. Signs of recovery in Japan, as well as continuing good news in most of East Asia, should help state exporters significantly. As evidence, the Atlanta Fed is reporting around a 4-percent increase in manufactured exports out of the southeast over August and September. Thus, the third quarter holds out the promise of better numbers than its two anemic predecessors. ■





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The Tennessee International Trade Database contains extensive information on virtually all facets of Tennessee's global involvement. It includes statistics on the state's international trade; Global Commerce: Tennessee in the International Economy - a quarterly report; sources of local, state, and federal trade assistance; and links to other Internet sites that contain valuable information on international trade and investment.

The database will better allow businesses, academics, local and state governments, and interested individuals to better understand and analyze the economic impact of international trade and investment flows on the region.

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