

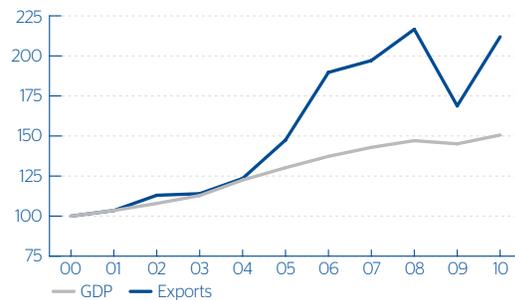
10. Exports: A Key Factor in Alabama's Economy

Carolyn Trent, Socioeconomic Analyst, Center for Business and Economic Research, Culverhouse College of Commerce, The University of Alabama

Hit hard by the recession, but a positive force in the recovery

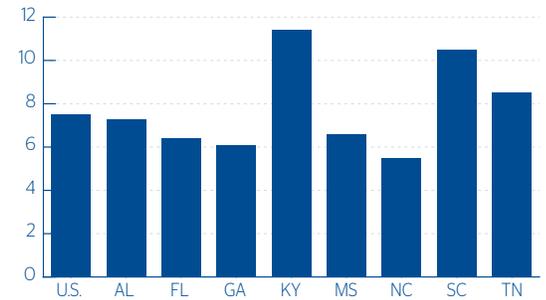
Boosted by strong growth in auto manufacturing, Alabama's merchandise exports more than doubled from 2000 to 2008, rising 116.6% in current dollars to total \$15.85 billion. That compares to a 66.4% increase in U.S. goods exports during the same period. Exports contributed to stronger current dollar state GDP growth compared to the nation during the same period—Alabama GDP rose 47.1% between 2000 and 2008 versus a 44.4% U.S. gain. After a drop of 22.0% in 2009, Alabama exports have regained strength, rising 25.5% in 2010. By comparison, U.S. exports saw an 18.1% decline in 2009 and a 20.6% increase during 2010. In recent years, Alabama's export growth has generally outpaced increases in the state's GDP.

Chart 47
Alabama Exports and GDP (Index, 2000=100)



Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and Center for Business and Economic Research, The University of Alabama

Chart 48
Southeastern States Merchandise Exports as Share of GDP, 2009



Source: U.S. Census Bureau, Foreign Trade Division

The importance of exports in the southeast is on par with the national average

The state's exports grew 46.0% from 2005 to the 2008 peak, the third highest increase among a peer group of seven other southeastern states, behind Florida with a gain of 62.2% and Mississippi's 82.1% growth. Looking at 2009 exports as a percent of GDP, Alabama's 7.3% share was slightly below the nation's 7.5% and ranked fourth in the Southeast, ahead of Mississippi, Florida, Georgia and North Carolina. The state's 22.0% drop in exports in 2009, the worst in the region, pulled the contribution of exports to GDP down significantly from the 11.6% share seen in 2008.

On a per capita basis, Alabama's 2008 export total amounted to \$3,395 for every resident. While this was below the U.S. average of \$4,230, the state ranked fourth in the Southeast. Despite the drop in exports in 2009 and subsequent decrease in per capita value to \$2,624, Alabama retained this ranking. More than 20% of the state's manufacturing employment and 8.4% of all private sector employment during 2008 was in export-supported jobs.

Table 3
Merchandise Exports Per Capita (dollars)

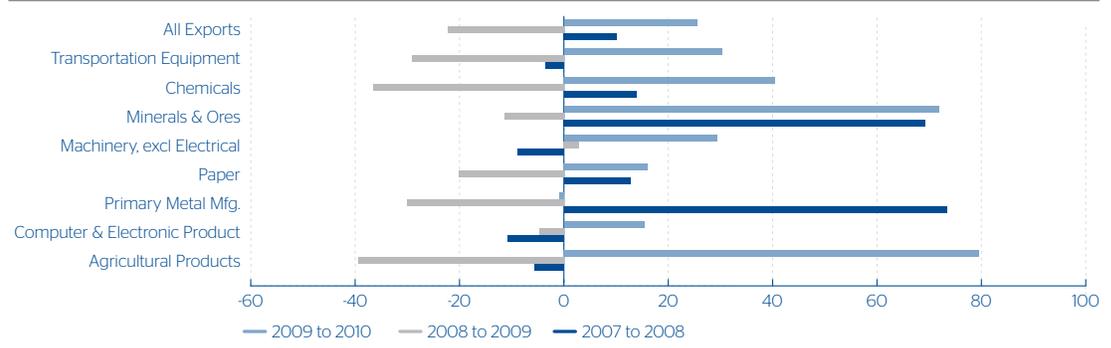
	2005	2006	2007	2008	2009	% change	
						2005-2008	2008-2009
U.S.	3,047	3,436	3,807	4,230	3,440	38.8	-18.7
AL	2,394	3,023	3,106	3,395	2,624	41.8	-22.7
FL	1,881	2,132	2,454	2,944	2,529	56.5	-14.1
GA	2,271	2,156	2,451	2,837	2,416	24.9	-14.9
KY	3,577	4,089	4,617	4,459	4,091	24.7	-8.3
MS	1,386	1,548	1,774	2,491	2,140	79.7	-14.1
NC	2,250	2,401	2,577	2,713	2,323	20.6	-14.4
SC	3,280	3,139	3,747	4,408	3,615	34.4	-18.0
TN	3,198	3,555	3,542	3,724	3,253	16.4	-12.6

Source: U.S. Census Bureau, Foreign Trade Division

Alabama’s economy and exports are tied to motor vehicle production

From the commencement of Mercedes production in 1997 through Honda’s first production in 2000 and Hyundai’s start-up in 2005, Alabama’s automotive manufacturing industry has been a key factor in the state’s economic fortunes, contributing 9,700 OEM and about 4,000 parts manufacturing jobs from 2000 to prerecession peaks in 2006 and 2007, respectively. However, motor vehicle sales are highly correlated with consumer well-being, and both production and employment in the industry fell early and sharply during the Great Recession. The global nature of the recession was hard on Alabama transportation equipment exports which, after surging 140% between 2002 and 2007, fell a modest 3.5% in 2008 and then a steep 29.0% in 2009. Transportation equipment exports rebounded with a 30.3% increase in 2010, but were still more than 10% below their 2007 peak.

Chart 49
Annual Change in Value of Alabama Exports by Industry, %



Source: USA Trade Online

Most of the major export categories are recovering

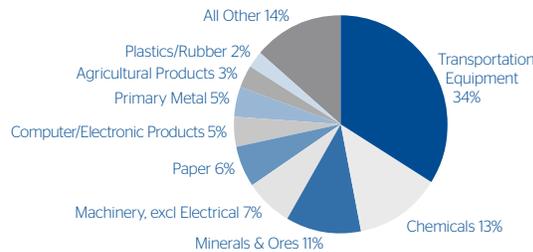
Several of the state’s large manufacturing industries took an even harder fall in terms of exports during the recession, but are now experiencing relatively stronger rebounds. Producers of chemicals saw exports more than recoup a decline of 36.6% in 2009 with an increase of 40.5% for 2010. The value of agricultural products sent overseas dropped 39.3% in 2009, but increased 79.6% last year, while primary metal manufactured exports, which were down 30.0% in 2009, slipped another 0.8% in 2010. Tonnage of minerals and ores shipped from Alabama held up fairly well during the downturn, rising 69.3% in 2008 and, after an 11.3% dip in 2008, climbing almost 72% during 2010.

Transportation equipment dominates state exports

Three broad industry sectors accounted for more than 58% of Alabama exports in 2010. Transportation equipment was the largest export at \$5.27 billion, claiming a 34% share of the total. In the Southeast, transportation equipment is also the lead category for Georgia, Kentucky, South Carolina and Tennessee, with Kentucky having the heaviest dependency at 34.4% of the 2010 total. Motor vehicles comprise most of Alabama’s transportation equipment exports, with 2010 shipments valued at \$4.1 billion amounting to almost 78% of exports in this category. Motor vehicle parts exports totaling \$624.5 million accounted for another 11.8%, while \$424.9 million in shipments of aerospace products and parts was 8.1% of the state’s 2010 transportation equipment exports.

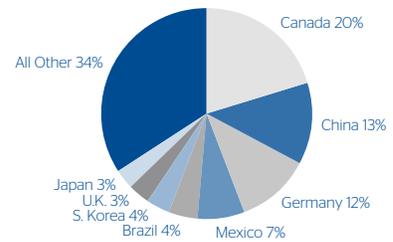
Chemicals are Alabama’s second largest export commodity at 13.1% of the total. Shipments were valued at \$2.03 billion in 2010. Among southeastern states, chemicals are the largest export category in North Carolina and also rank second in Georgia, Kentucky, Mississippi and Tennessee. Alabama’s natural resources are reflected in the value of exports of minerals and ores (largely coal) originating in the state—with a 2010 total of \$1.75 billion, minerals and ores are the third highest export.

Chart 50
Alabama Merchandise Exports by Category, 2010



Source: USA Trade Online

Chart 51
Alabama Merchandise Exports by Destination, 2010



Source: USA Trade Online

Canada, Germany and China are top destinations

Alabama shipped \$15.5 billion in manufactured and non-manufactured goods to around 180 countries during 2010. Canada, our largest trade partner in 2009 and 2010, received 20.4% of all 2010 exports, or \$3.16 billion in goods. Germany slipped from the first place ranking it held in 2007 and 2008 to second in 2009 and third in 2010, as motor vehicle shipments declined. Exports to China more than doubled between 2009 and 2010, vaulting China past Germany and into second place as a destination for Alabama’s 2010 exports. Transportation equipment accounted for 61.4% of our 2010 exports to Canada, 71.4% to Germany and 30.0% to China. While transportation equipment shipments to Germany were still at less than half of their 2008 level in 2010, the value of transportation equipment exports to China rose from \$7.2 million to \$580.0 million during this time. Exports of chemicals to China almost doubled from 2009 to 2010, while agricultural products shipments more than tripled.

Above-average GDP growth in an increasing number of developing nations is rapidly expanding the global marketplace. Alabama is boosting exports with a focus on these emerging markets; in particular, the large converging economies of China, Brazil and India. China was the state’s second largest export destination in 2010, while Brazil was in fifth place and India ranked 19th. Shipments to these three countries totaled \$2.76 billion in 2010, 17.8% of the state’s total exports. From 2005 to 2010 the total value of commodities exported to China, Brazil and India more than tripled. However, exports to Russia, also a sizeable converging economy, fell from \$332.7 million in 2009 to just \$58.9 million in 2010, as shipments of food products plummeted. Initiatives in 2010, including trade missions to India and Russia, a visit from a Chinese trade delegation and a series of seminars on Doing Business in Brazil should boost future trade prospects with these nations.

Services are an important export sector

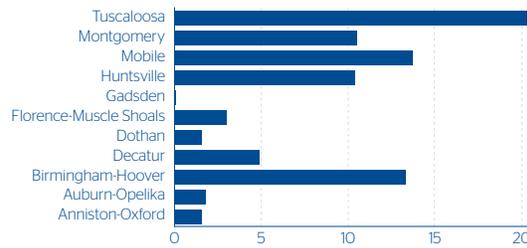
Although most trade data at the state level reports imports and exports of goods only, services are an important part of the trade equation and a potential source of export growth. A study for the Coalition of Service industries identified \$4.1 billion in Alabama services exports in 2005. In the Southeast, this was on par with South Carolina and above Kentucky and Mississippi. The state exports business, professional and technical services, financial services and receives royalties and license fees. Services exports also count income from foreign tourism and from foreign students studying at our colleges and universities.

Metro areas produce the majority of exports

Alabama's 11 metros generated 81.2% of total goods exported in 2009; close to the nationwide average 84% share reported in a recent study by the Brookings Institute for 2008. Tuscaloosa, home to

Chart 52

Metro Area Share of Alabama Goods Exports, 2009 (%)



Note: Tuscaloosa export share is for first half of 2009
Source: U.S. Census Bureau

Mercedes-Benz US International, led all metros with more than 20% of the state's 2009 exports; the area ranks among the top 10 U.S. metros for exports to Germany. Mobile had the second highest share of Alabama's exports at 13.7%, while Birmingham-Hoover claimed 13.3% of the total. With a concentration in primary metals, Birmingham-Hoover placed in the middle of the 100 largest U.S. metros in export strength, according to the Brookings study.

Readying the state's infrastructure for future export growth

Infrastructure development is helping grow the state's global presence. According to the

U.S. Army Corps of Engineers, in 2009 the Port of Mobile was the 13th largest U.S. port in terms of cargo tonnage. Recent investment totaling more than \$500 million in the Mobile Container Terminal, Pinto Island Terminal and a new rail ferry terminal, as well as expansion of the McDuffie coal terminal, provide the facilities needed for continued cargo growth. The Port is positioning itself to take advantage of growing markets in Central and South America and the widening of the Panama Canal, slated for completion in 2014. International cargo services at the Huntsville International Airport also continue to expand.

Foreign direct investment drives exports

The state's successful recruitment of Mercedes-Benz first U.S. manufacturing plant in 1993 began a new era of job and economic growth resulting from foreign direct investment. Foreign direct investment and exports are closely linked; Alabama's largest industries in terms of FDI are also the largest exporters of manufactured goods. To date automotive manufacturers Mercedes, Honda and Hyundai, as well as Toyota (with an engine factory in Huntsville) have invested significantly more than \$4 billion in plants and equipment. ThyssenKrupp Steel and Stainless USA's \$4.65 billion plant near Mobile that began operation in 2010 represents the largest investment in the state this past decade. Other large exporters, including the state's chemicals and paper industries, have a significant international presence. Across all industries, Alabama was home to more than 360 foreign-based businesses from more than 30 nations in 2010. Japan, Germany, Canada, South Korea, the United Kingdom and France have the largest number of plants or operations in the state.