

Export Trends in Washington State

Volume 6

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Abstract

Accurate descriptions of export trends are needed so industry representatives, analysts, policymakers, and business owners can properly assess market conditions. This fact sheet provides data on manufactured and processed agricultural exports from Washington State to foreign markets for several large industries and for fruit and vegetable preserves. The data here can be used to compare export changes over time.

This is the sixth edition of an annual series. For the first time, data on Washington imports are included. Washington increased exports in 2012, continuing the trend of statewide export growth begun in 2011. However, the increase in statewide exports is almost exclusively due to an increase in exports from the aerospace industry. The data also show that the leading import industries are often the leading export industries.

Introduction

This fact sheet includes data that depict trends in Washington exports and imports by industry from 2002 to 2012. The data are presented as an inflation-adjusted time series, which allows values to be compared over time. These figures also emphasize the relationships between the export activity of Washington's individual industries and its overall state-level exporting activity. The industries discussed include some of the largest in the state: aerospace products and parts, petroleum and coal products, navigational instruments, paper products, basic chemicals, and other machinery. Special attention is given to the processed agricultural products industries: fruit and vegetable preserves, grain and oilseed-milling products, meat products, and dairy products.

This volume of *Export Trends in Washington State* is the sixth fact sheet in a series of WSU Extension publications providing information on Washington exports. New to this volume is a discussion of export trends based on 2012 data. Furthermore, the export data from 2009, 2010, and 2011 have been revised slightly; however, the revisions are small and do not substantively change the interpretation of associated analyses. Also new to this volume are figures for Washington State import trends, in total and by industry, beginning in 2008.

The World Institute for Strategic Economic Research (WISERTrade) at <http://www.wisertrade.org/home/portal/index.jsp> is the source for Washington's export and import data. The key feature of the WISERTrade

state-level export data is its focus on the location from which exporting begins (origin of movement state), rather than on the location from which exported goods are produced (production state). This fact has important implications for the accuracy of data interpretation and conclusions. A discussion of these implications can be found in the WSU Extension publication *The Collection and Description of Washington State Export Data* (Cassey 2010) at <http://cru.cahe.wsu.edu/CEPublications/FS006E/FS006E.pdf>. This publication also includes a description of the process by which the Washington State export data used in this series are collected, as well as interpretation limitations and definitions for many technical terms.

Import data are collected at the U.S. port of entry and the statistics are credited to the state that is the importer of record. Therefore, the import data are likely overestimates of the amount of foreign goods used for production or consumption in Washington since intermediary buyers in Washington could sell these imports to other states. However, if the overestimation remains constant over time, the import data will show trends accurately.

Though the export data for the origin-of-movement state and import data for the port-of-entry state are only available for purchase, interested readers may obtain some Washington State trade data at no cost from TradeStats Express™ (<http://tse.export.gov/>). In this fact sheet, all nominal data have been adjusted for inflation using the annual values from the Consumer Price Index (CPI) for the Seattle-Tacoma-Bremerton area. (These CPI

data are for all urban consumers for all items except food and energy and are available from the Bureau of Labor Statistics (BLS) at <http://www.bls.gov/cpi>, Series ID: CUUSA423SA0L1E). The base year used is the 1982–1984 average.¹ This means that the dollar value of the data provided corresponds to the average value of the dollar from 1982 to 1984.

Washington Inflation-Adjusted Export Patterns in Total and by Selected Industry

In 2012, Washington State exports increased by an inflation-adjusted \$3.87 billion over 2011, an 18% increase. As Figure 1 shows, this large increase in total exports follows the large increase in exports in 2011 and, thus, indicates an upward trend in exports beginning in 2010. This is a turnaround since state exports had been flat from 2008 to 2010, but in 2012 climbed to the highest level in a decade.

Figure 1 also shows that the aerospace products and parts industry increased exports in 2012 to their highest level in a decade, with exports increasing by \$3.94 billion in inflation-adjusted value from a year earlier, a 33% increase. The aerospace industry is essentially the sole driver of the statewide increase in exports since aerospace exports increased by \$3.94 billion, whereas overall Washington exports only increased by \$3.87 billion (because many of Washington’s other export industries experienced a decrease in foreign sales in 2012), as shown in Figure 2. Total Washington State export data were taken from Figure 1 (scale is shown on the right axis of Figure 2), so that the trend in exports for the five industries under discussion can be compared to the state’s overall export trend. The scale differs by a factor of 20, revealing that the other large export

industries were dwarfed by the aerospace industry.² Navigational equipment was second among those that experienced a gain in exports, but it only increased by \$54 million.

In 2012, exports of petroleum and coal products, as well as pulp, paper, and paperboard mill products were flat compared to 2011, whereas exports of basic chemicals and general-purpose machinery (including goods such as pumps, compressors, and material-handling equipment) all experienced a decrease in inflation-adjusted export value. The only one of Washington’s leading export industries to see an increase in exports (besides aerospace products and parts) was the navigational, measuring, electromedical, and control instruments industry.

The export data on processed agricultural products fall into the food manufacturing (NAICS 311) subcategory under manufacturing (NAICS 31–33).³ An agricultural product must be considered processed if it is to count as a manufactured good. Processing methods include freezing, cutting, and packaging. Thus, the Census Bureau counts many products informally considered agricultural goods as manufactured products. The export data for unprocessed agricultural products (crop and animal production, NAICS 111 + 112) are not considered because the data collection method used attributes goods to the port state, regardless of what state actually produced the good. Consequently, the export data for

² Nonferrous metals and basic chemicals passed other machinery in 2011 in terms of leading export industries. We previously did not track these industries because the amount of their exports was deemed to be too small. But as the trends indicate, these industries are likely to become more important exporters in the future, and thus we include them for the first time in the industry figures.

³ Throughout this section, we use Census Bureau terminology and its data categorizations to facilitate export examination. In some cases, these Census Bureau terms will not match the terminology used within the industry.

¹ This base year is the standard used by the BLS. Any year may be the base year without changing the data’s meaning. For convenience, we use the standard BLS base year.

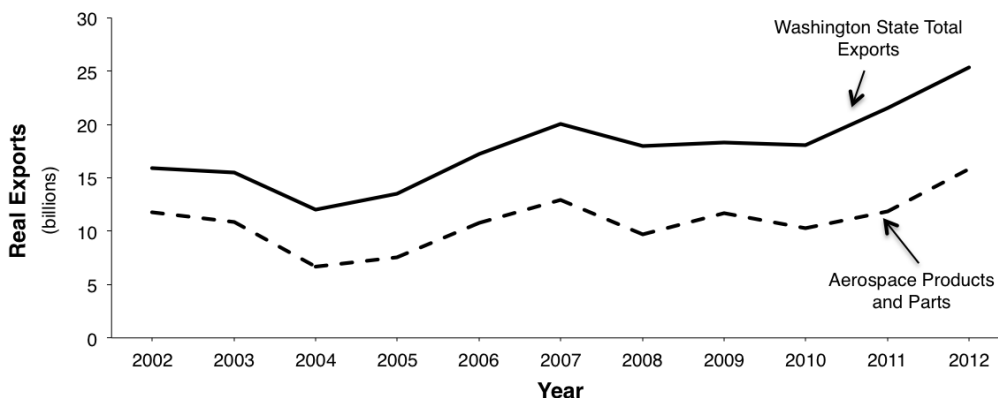


Figure 1. Inflation-adjusted exports for Washington State aerospace products and parts and total exports to the world, by year.

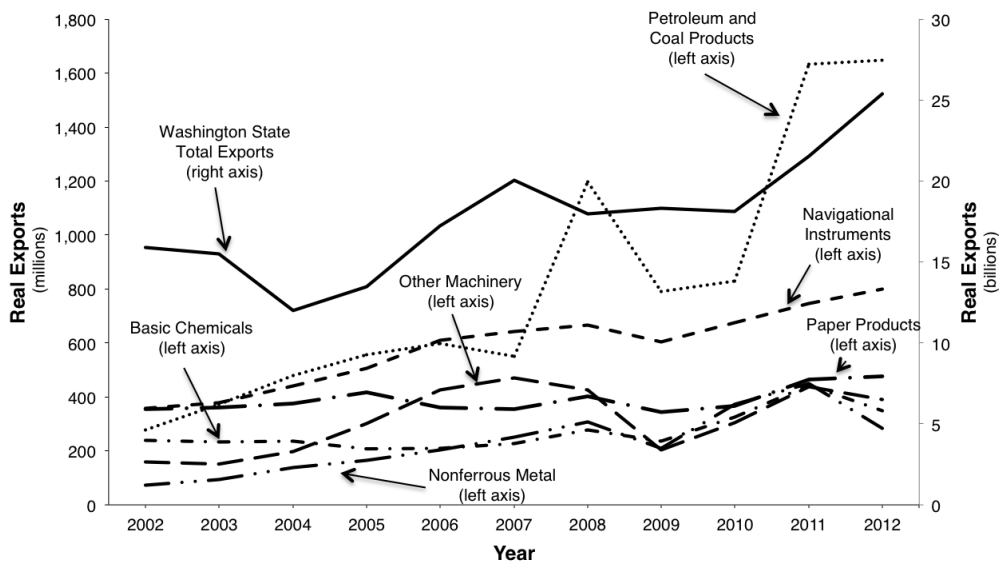


Figure 2. Inflation-adjusted exports for five Washington State industries and total exports to the world, by year.

unprocessed agricultural goods for port states such as Washington do not accurately reflect the state's economic activity. See Cassey (2010) for details on Washington's export data and related consolidation issues in port states.

Washington's leading manufactured food products export industries include fruit and vegetable preserves and specialty foods, dairy products, meat and meat-packaging products, foods not elsewhere specified, and grain and oilseed-milling products.⁴

⁴ Producers in the fruit and vegetable preserves industry group are primarily engaged in freezing fruits and vegetables, as well as pickling, canning, and dehydrating them, regardless of the type of fruit or vegetable (source: www.naics.com).

Figure 3 shows the inflation-adjusted export value for Washington's processed agricultural products. The fruit and vegetable preserves industry continues its strong export growth. Exports increased by 8%, though this growth is slightly less than in previous years. Fruit and vegetable preserves is Washington's leading processed food export industry, accounting for more than 35% of exports in this sector.⁵

The other large export industry, dairy products, witnessed a decrease in exports in 2012 compared to 2011. Grain and oilseed-milling product exports rebounded from 2011. This likely indicates a problem

⁵ Due to export consolidation at ports of exit, there are no consistent data on Washington exports of fresh market fruit.

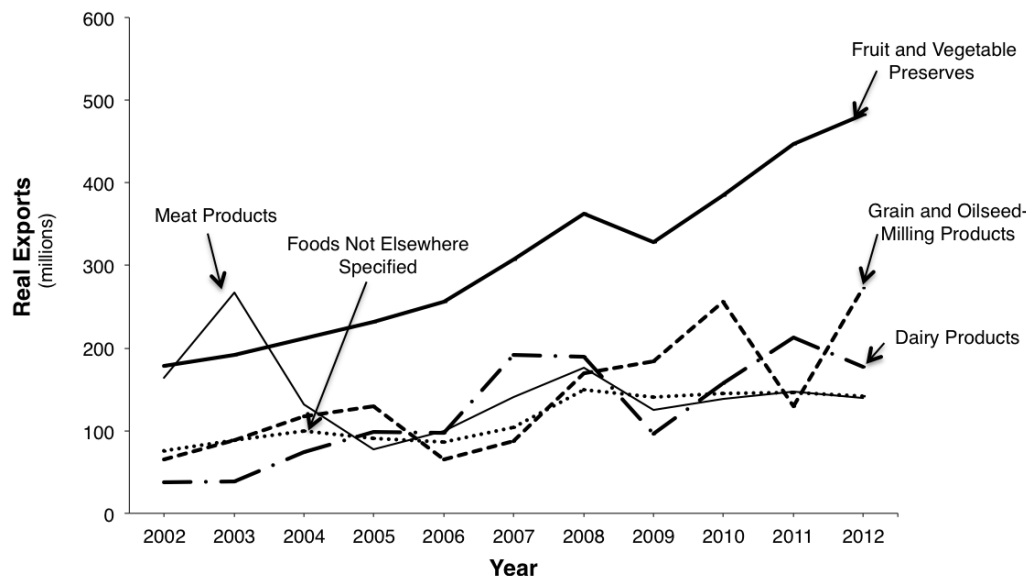


Figure 3. Inflation-adjusted exports of processed agricultural products for Washington State, by year.

with the 2011 data, rather than indicating volatility in the exports of this industry. The problem with the data likely stems from the fact that Washington does not produce much in this industry; thus, the exports reflect shipments produced in other states that are exported from ports located in Washington.

Compared to the industries shown in Figure 2, the processed agricultural products industry exports show greater volatility, expanding and contracting quickly. For example, Washington exports of dairy products have oscillated between years of tremendous expansion and years of contraction. As with Washington's leading export industries overall, many of Washington's leading process agricultural industries saw a decrease in exports in 2012 from 2011. This includes a decrease of 5.5% in exports of meat products.

Washington Inflation-Adjusted Import Patterns in Total and by Selected Industry

Only recently have data on state imports been publicly released. Data are available from 2008, and there are now sufficiently many years of observations to graph trends. Washington's leading import industries (in terms of the total value imported) are aerospace products and parts (15%), other miscellaneous products (10%), motor vehicles (7%), communication equipment (6.5%), and cut-and-sew apparel (4.5%). The import trends for Washington State and these leading import industries may be seen in Figure 4.

The most obvious import trend is the large increase in aerospace products and parts imported since 2008. The increase in aerospace imports is being driven by the increase in exports of aerospace products and parts because the imported goods are intermediates used for final production of aerospace products that are then exported. Imports of motor vehicles have been steadily increasing since 2008 as well. This is likely due to an increase in Washington's consumption of foreign-made automobiles following the 2007–2009 recession. The other significant trend is the decrease in imports of other miscellaneous products.⁶ Imports in this industry have been reduced by half since 2008.

Washington's leading import industry among processed agriculture is grain and oilseed-milling products. Inflation-adjusted imports for these increased twofold from 2009 to 2011, before dropping off in 2012. Washington's second leading import industry is food not elsewhere specified followed by fruit and vegetable preserves and meat products. Imports of meat products have been relatively stable since 2008 (Figure 5). It is interesting that Washington's largest processed agricultural export industries are also the largest processed agricultural import industries. This is due to the differences in the imported and exported products that are classified together. For example, Washington imports and exports different fruit and vegetable preserves at different times of the year, but both are classified in the same category. Another example is seafood products where Wash-

⁶ Examples of products in the other miscellaneous products category are burial caskets, musical instruments, silverware, athletic goods, and signs.

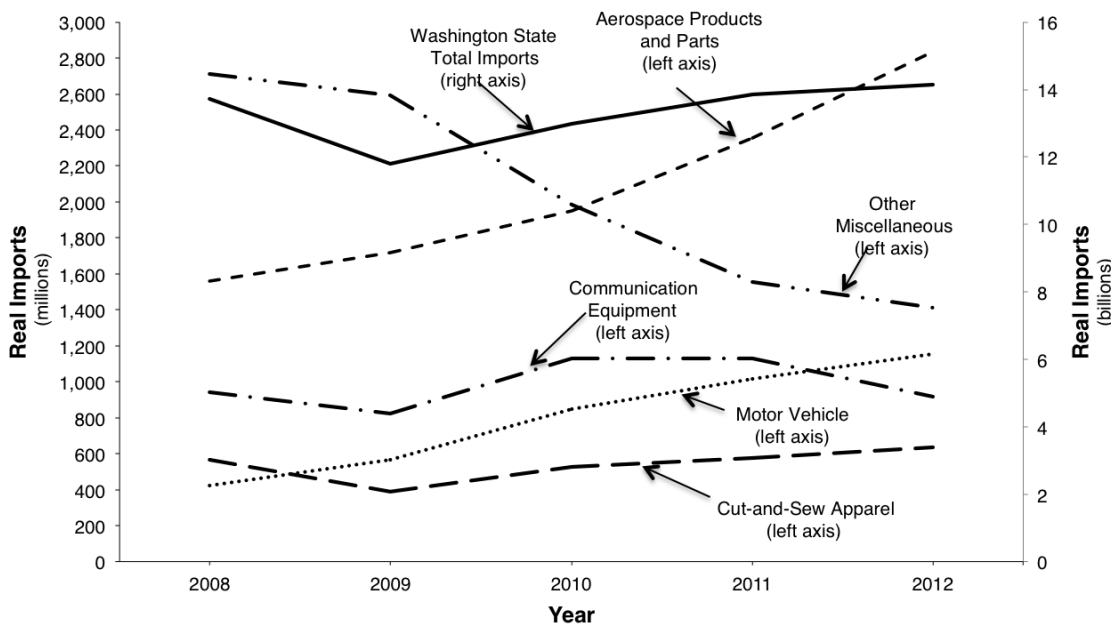


Figure 4. Inflation-adjusted imports for five Washington State industries and total imports from the world, by year.

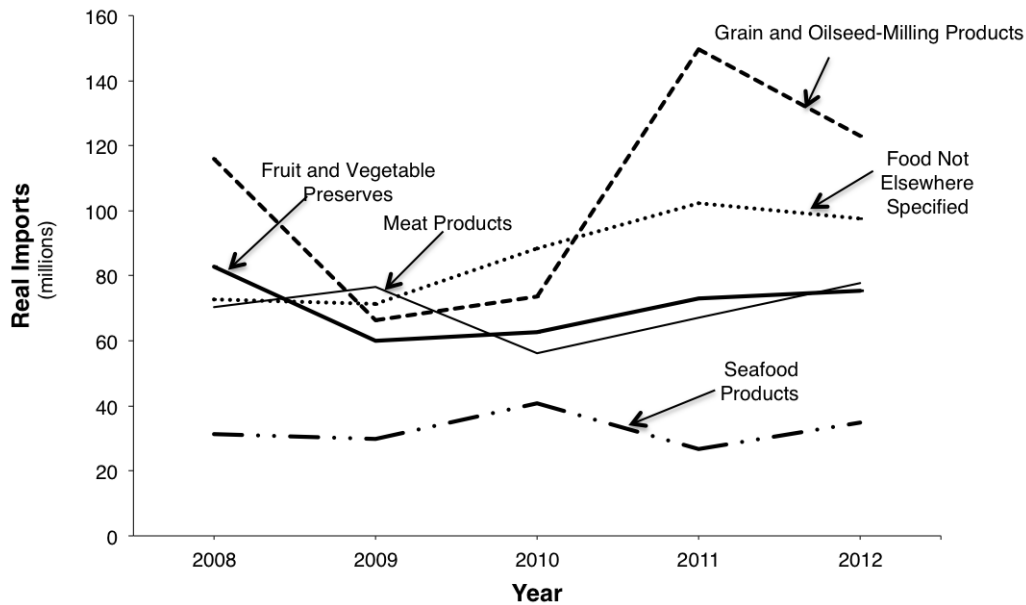


Figure 5. Inflation-adjusted imports of processed agricultural products for Washington State, by year.

ington exports frozen salmon but imports canned tuna, which are both classified as processed seafood products

Summary

Like 2011, exports from Washington State increased in 2012. Unlike 2011, most of Washington's leading export industries experienced a decrease in foreign sales. The increase in statewide exports was driven almost exclusively by large export gains in the aerospace products and parts industry. So although Washington State exports increased, those gains were not enjoyed uniformly across industries. However, the fruit and vegetable preserves industry continues its strong export growth and is the leading processed agricultural export industry.

For the first time, enough data on Washington imports by industry exists, making it possible to examine import trends. Though there are some differences in Washington's export and import industries, such as motor vehicles, many of the leading export industries are also the leading import industries. For aerospace, this is due to vertical production integration. Thus, the more demand for finished Washington aerospace products, the more Washington's demand for intermediate aerospace products used to build these final goods. For processed agricultural industries, this is due to small differences in varieties that get grouped together in the same category.

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