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TEXAS, AMERICA'S TOP EXPORTING STATE, SAW EXPORTS FALL IN PANDEMIC-PLAGUED 2020

No one will recall 2020 as anything but an abysmal year for American exporters, including those in Texas. By far the nation's foremost exporting state, Texas's merchandise export trade in 2020 slumped by 15.1% from one year earlier.¹ The decline was driven by the COVID-19 pandemic's unprecedented drag on economic activity as well as pressure from U.S. tariff disputes with major trading partners, and severe economic setbacks in Mexico and Canada, Texas's two biggest export markets.

Although the fall-off in Texas exports from 2019 to 2020 was steeper than the 12.9% decline in the value of the nation's merchandise export trade, it was not as sharp as the 18.2% drop sustained by both New York and Florida and was much less than Michigan's 21.2% tumble or the 31.6% plunge endured by Washington State. The Lone Star State is in no danger of losing its number one rank, a status it has enjoyed since overtaking California in 2003. Texas now exports as much as the next three largest exporting states combined.

EXHIBIT A. TOP U.S. EXPORTING STATES

State	2020	2019	Change
Texas	\$279.29	\$328.86	-15.1%
California	\$156.11	\$174.03	-10.3%
New York	\$61.89	\$75.65	-18.2%
Louisiana	\$59.62	\$63.70	-6.4%
Illinois	\$53.51	\$59.72	-8.8%
Florida	\$45.81	\$56.00	-18.2%
Ohio	\$45.04	\$53.23	-15.4%
Michigan	\$44.00	\$55.80	-21.2%
Washington	\$41.28	\$60.31	-31.6%
Georgia	\$38.74	\$41.25	-6.0%

Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

¹ U.S. trade statistics are compiled by the U.S. Census Bureau's Foreign Trade Division; the statistical analysis was conducted by Beacon Economics.

WHAT DOES TEXAS EXPORT?

Export shipments by Texas businesses last year totaled \$279.29 billion, down from \$328.86 billion in 2019. In very general terms, Texas's exports of manufactured goods in 2020 totaled \$154.14 billion, a 17.7% drop from \$187.30 billion one year earlier. Exports of non-manufactured goods (typically farm produce and raw materials) amounted to \$74.45 billion, down 12.4% from \$84.95 billion the year before. Re-exports (shipments of goods that had previously been imported to the U.S.) were valued at \$50.70 billion, off by 12.9% from \$58.24 billion in 2019.

As for specific commodity types, oil has always loomed large in Texas's economy but has only recently emerged as the state's leading export by dollar value. The turning point came in December 2015 when the four-decade-old federal ban on the export of crude oil was lifted. As a result, crude oil shipments, which had represented just 2.2% of Texas's total export trade last year accounted for 22.8% of the state's exports. Altogether, exports of Oil, Chemicals, and Petroleum and Coal Products accounted for 50.2% of Texas's \$279.29 billion merchandise export trade last year.

EXHIBIT B. TEXAS'S TEN LEADING MERCHANDISE EXPORT COMMODITIES

Commodity	2020 Value in Billions	2019 Value in Billions	Change
Oil and Gas	\$63.71	\$74.88	-14.9%
Computer & Electronic Products	\$44.85	\$49.38	-9.2%
Chemicals	\$40.07	\$44.64	-10.2%
Petroleum & Coal Products	\$36.69	\$49.56	-26.0%
Non-Electrical Machinery	\$20.22	\$23.44	-13.8%
Transportation Equipment	\$19.40	\$28.37	-31.6%
Electrical Equipment, Appliances	\$9.63	\$11.91	-19.1%
Fabricated Metal Products	\$7.18	\$8.34	-14.0%
Agricultural Products	\$5.88	\$5.44	+8.1%
Misc. Manufactured Commodities	\$5.49	\$5.67	-3.3%

Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

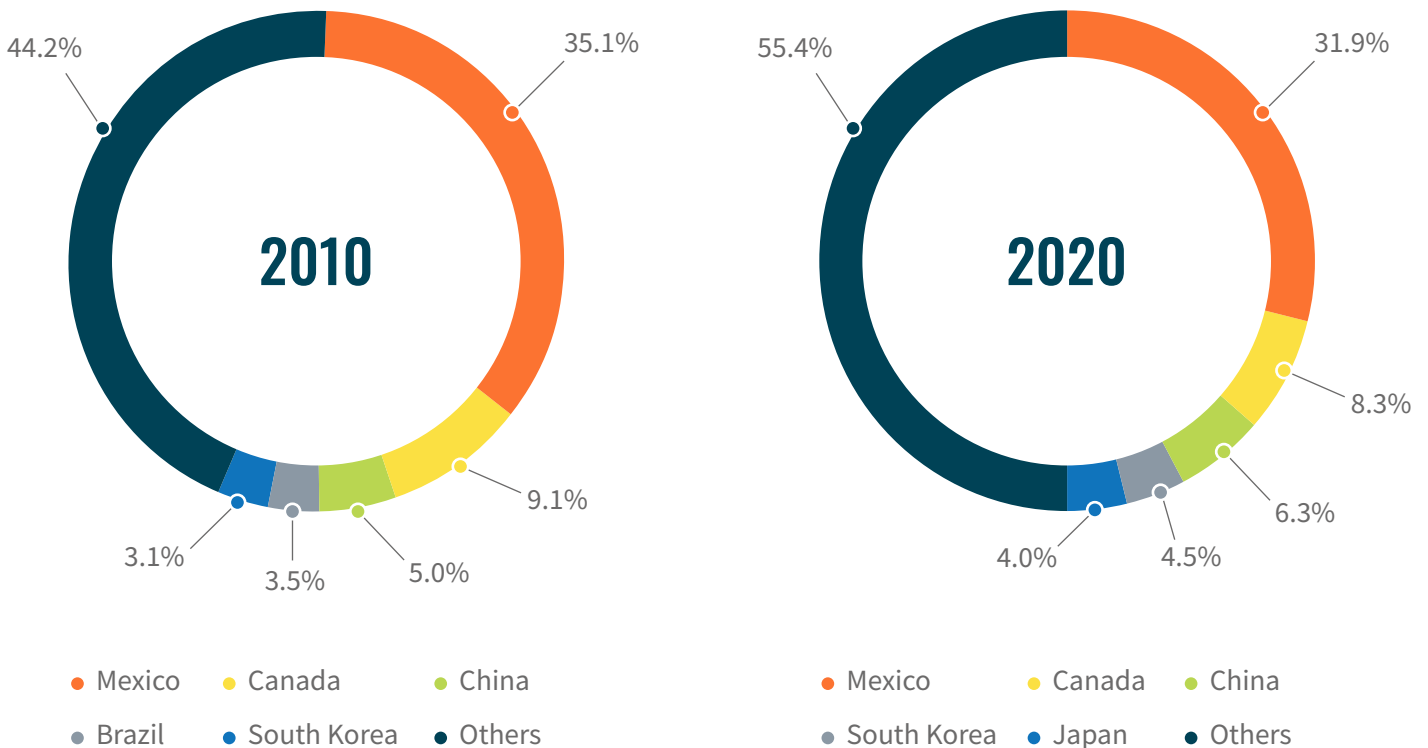
Apart from an 8.1% uptick in exports of Agricultural Products, the state's exports declined in every major category in 2020. Oil and Gas shipments were down 14.9% to \$63.71 billion. Foreign shipments of Computer and Electronic Products slipped by 9.2% to \$44.85 billion. Chemicals were off by 10.2% to \$40.07 billion, while exports of Petroleum and Coal Products plunged by 26.0% to \$36.69 billion.

TEXAS'S LEADING EXPORT CUSTOMERS

Mexico, not surprisingly, has long been the leading export destination for goods from Texas. However, its share of Texas's exports slipped last year to 31.9% from 33.0% one year earlier. In the past decade, Mexico's share has declined steadily from a peak of 39.8% in 2016, as Texas exporters moved to diversify their overseas customer line-up. The state's second biggest foreign market is Canada, the other partner in the North America free trade area now known as the United States-Mexico-Canada Agreement (USMCA). Exports to Canada in 2020 amounted to \$23.19 billion, down 18.7% from 2019. As in the case of Mexico, Canada's share of Texas exports has declined almost steadily from a high of 11.0% in 2014.

The foreign markets served by Texas exporters has become more diversified over the past decade. Although the top five markets in 2010 were the same top five ten years later, the share of Texas exports going to other countries has increased from 44.2% to 55.4%.

EXHIBIT C. CHANGES IN TEXAS'S LEADING EXPORT MARKETS, 2010 AND 2020



Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

MEXICO

Texas dominates U.S. trade with Mexico, in part because of its location astride the major transport routes linking the industrial and populations centers of the two nations. Goods produced elsewhere in the United States and bound for either Mexican consumers and businesses or the largely foreign-owned manufacturing sector in Mexico are most often shipped first to warehouses or distribution facilities just north of the border and then shipped on an as-needed basis to their destinations throughout Mexico.

Broadly speaking, Texas has two export markets in Mexico. One is the nearly 130 million residents of Mexico and the businesses they own and operate. The other comprises the largely foreign-owned manufacturers which utilize their Mexican facilities primarily as export platforms, with the great majority of products they manufacture destined for final consumption in the United States.

Exports to Mexico's indigenous economy fluctuate with changes in economic conditions within that nation, such as shifts in unemployment rates or exchange rates between the peso and the dollar. Most recently, the COVID-19 virus led to a sharp contraction in Mexico's economy from which it is still recovering. By contrast, exports to manufacturers, what was once known as the maquiladora sector, tend to be highly responsive to economic conditions within the United States. Thus, while one export market may languish because of suppressed demand from Mexican consumers and local businesses, some crossborder shipments to Mexico may continue to grow if consumer and business demand in the United States is growing.

CANADA

Oil and Gas shipments represent the largest category of Texas's exports to Canada, although the level of trade fell by one-third last year, to \$4.71 billion from \$7.13 billion the year before. Other elements of the petrochemical industry contributed sizably to Texas's exports to Canada, with Resins, Petroleum and Coals Products, and Chemicals usually numbering among the top five Texas exports to Canada.

CHINA

Texas's exports to China jumped in 2020 with a major increase in the value of Oil and Gas shipments to \$6.30 billion after an abrupt fall-off to \$2.33 billion the year before. However, Oil and Gas exports to China last year were more on a par with the value of shipments in 2017 and 2018. Exports of Resins to China last year similarly returned to 2017 and 2018 levels after dipping in 2019.

IMPORTS IN TEXAS'S FOREIGN TRADE

Texas's merchandise imports in 2020 were down by 15.9% to \$247.95 billion. As with exports, the declines hit every major category of goods except Agricultural Products (the state's twelfth largest import category) which saw a 14.5% upswing to \$5.48 billion. The declines among the state's top ten imports ranged from a slim 0.7% in Electrical Equipment and Appliances to a deep 37.6% drop in the case of Petroleum and Coal Products.

EXHIBIT D. TEXAS'S TEN LEADING MERCHANDISE IMPORT COMMODITIES

Commodity	2020 Value in Billions	2019 Value in Billions	Change
Computers & Electronic Products	\$64.47	\$77.81	-17.1%
Transportation Equipment	\$44.74	\$56.12	-20.3%
Non-Electrical Machinery	\$17.92	\$20.70	-13.4%
Oil and Gas	\$16.32	\$25.77	-36.7%
Electrical Equipment, Appliances	\$15.41	\$15.52	-0.7%
Chemicals	\$13.47	\$14.27	-5.6%
Fabricated Metal Products	\$8.96	\$10.41	-14.0%
Misc. Manufactured Commodities	\$7.67	\$8.25	-7.1%
Petroleum and Coal Products	\$6.83	\$10.96	-37.6%
Primary Metal Manufacturing Products	\$6.74	\$9.43	-28.5%

Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

Mexico is number one in the list of the top origins of Texas's import trade. Last year, Mexico supplied 35.8% of Texas's merchandise imports, up slightly from 35.5% one year earlier and up significantly from its 29.7% share in 2010.

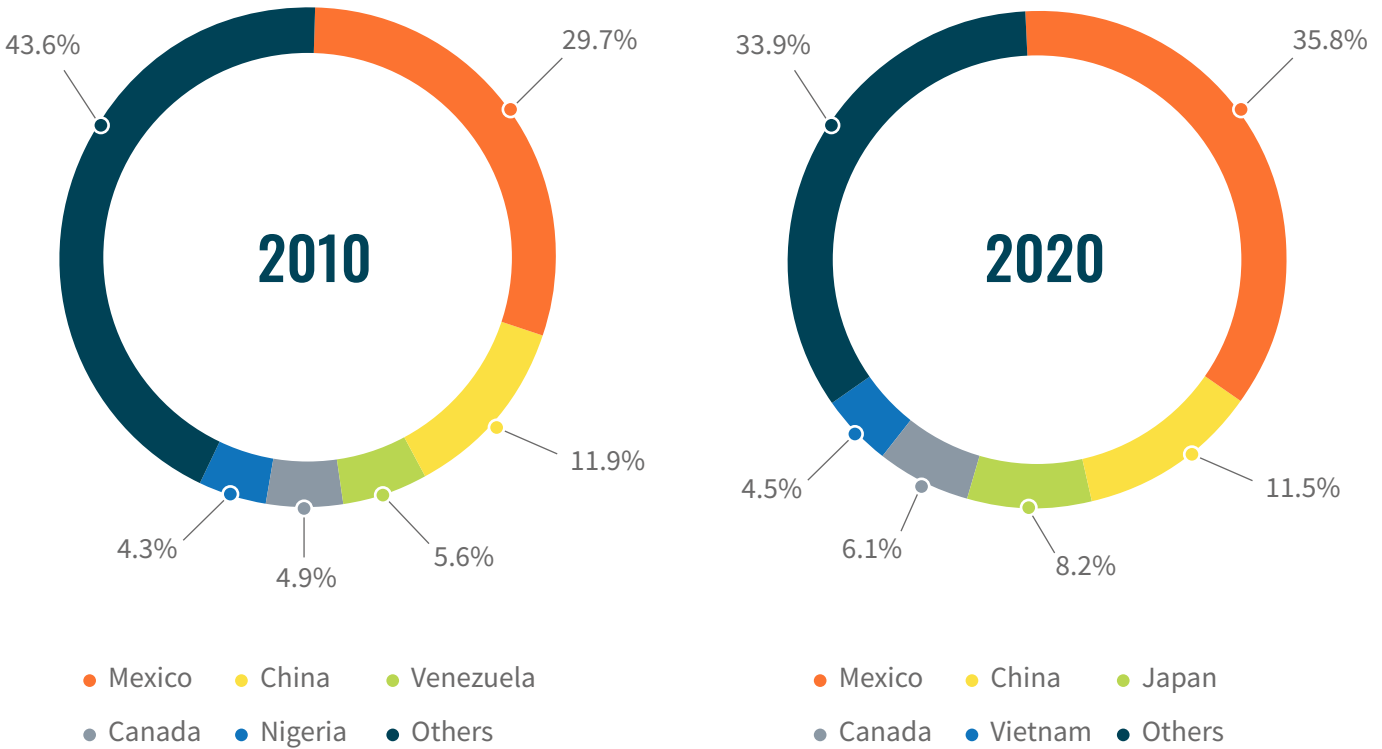
EXHIBIT E. TOP TEN ORIGINS OF TEXAS'S MERCHANDISE IMPORTS

Nation	2020 Value in Billions	2019 Value in Billions	Change
Mexico	\$88.73	\$104.32	-15.0%
China	\$28.49	\$33.38	-14.6%
Japan	\$20.31	\$24.07	-15.6%
Canada	\$15.16	\$18.88	-19.7%
Vietnam	\$11.07	\$13.19	-16.1%
Malaysia	\$8.06	\$7.96	+1.2%
South Korea	\$6.46	\$9.03	-28.5%
Germany	\$6.28	\$8.03	-21.8%
Taiwan	\$4.46	\$3.67	+21.6%
United Kingdom	\$3.86	\$5.50	-29.9%

Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

The geographic shift in the sources of Texas’s merchandise import trade over the past decade has been nothing short of dramatic. The major oil producers of the Middle East, Africa, and the Caribbean no longer play as significant a role as they did in 2010. Venezuela’s 5.6% of Texas’s import trade in 2010 has plummeted to 0.01%. Nigeria, which a decade ago accounted for 4.3% of Texas’s import trade, last year held a 0.02% share. Similarly, Saudi Arabia’s 3.9% share a decade ago has shrunk to 1.43%. At the same time, imports from Southeast Asia have grown in prominence, with Vietnam’s share of the state’s import trade surging from 0.4% in 2010 to 4.5% last year, while Malaysia’s 1.0% share grew to 3.2%.

EXHIBIT F. CHANGES IN TEXAS’S LEADING IMPORT PARTNERS, 2010 AND 2020



Source: U.S. Census Bureau Foreign Trade Division. Analysis by Beacon Economics

MODES OF EXPORT TRANSPORT

Given the prominence of Oil, Chemicals, and Petroleum in Texas’s export trade, it is not surprising that just over half (50.2%) of all exports (by dollar value) were seaborne. Even though the towering cranes and immense vessels associated with containerized trade often serve as the backdrop of media reports on foreign trade, ocean borne containerized exports represent just 11.7% of the total value of the state’s exports, a smaller share than the 16.4% of exports that were airborne. The remaining 33.2% of exports traveled overland by truck, rail, or pipeline, mainly to Mexico.

A NOTE ABOUT THE DATA

Any discussion of foreign trade statistics at the state or metropolitan area level should include an important caveat. Owing to the methodology used to document export transactions, the “State of Origin” determined by the U.S. Census Bureau’s Foreign Trade Division may not be the state in which the exported goods were actually manufactured, grown, mined, or otherwise produced. Rather, credit for export shipments is often given to the state housing the warehouse or distribution center where the goods were temporarily held while awaiting shipment abroad. Louisiana, for example, is identified as originating billions of dollars in exports of agricultural products grown in the Upper Midwest that had been barged down the Mississippi to the Port of New Orleans. For that reason, “State of Origin” export statistics are apt to overstate exports from states like Texas, California, and New York that sit astride major international transportation corridors.

Similarly, the U.S. Census Bureau’s “State of Destination” import statistics are apt to attribute merchandise imports to the state in which the shipment landed rather than where they are eventually consumed or utilized. California, for example, reportedly imported \$396.02 billion last year, a disproportionately high 16.9% percent of all U.S. merchandise exports.

Because of these issues with the official U.S. trade statistics, Beacon Economics strongly discourages anyone from comparing “State of Origin” and “State of Destination” trade data to calculate a “State Trade Surplus/Deficit.”



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