



2014 North Carolina International Trade Report

Produced June 2015

Economic Development
Partnership of North Carolina
edpnc.com

Collaboration is key to growing global trade

I am pleased to share the latest annual trade report for the state of North Carolina. The report breaks down the details behind our success – state businesses exported a record \$31 billion in merchandise to international markets in 2014.

The 7 percent growth from 2013 in N.C.-made exports is more than twice the national average growth of 2.8 percent over the same period. The increase builds upon years of rising exports, which have contributed to the state's economic and job growth. North Carolina exports have increased by more than 40 percent over the past decade.

The [Economic Development Partnership of North Carolina's \(EDPNC\)](#) international trade division is committed to helping North Carolina companies enter foreign markets and grow exports. Our [international trade experts](#) – headquartered in North Carolina and in offices in Canada, China, Japan, Mexico and Europe – help businesses navigate entering and increase their presence in global markets.

The EDPNC has helped companies such as ImmunoReagents, a Raleigh-based supplier of antibodies for the life science and research markets, grow their global sales by connecting them to major international trade shows, foreign distributors for their products and more. Between 2011 and 2014, the percentage of the company's revenue attributable to international sales grew from 3 percent to 25 percent.

ImmunoReagents CEO Ann Black says reaching out to the EDPNC has provided her business contacts in the state and internationally. "If I have a question about business or how business is done somewhere, I go to them," she says. "If they don't know the answer, they know someone who does."

Partner with us

The international trade division of the EDPNC looks forward to continued growth and expansion of the state's international markets. To learn more about collaborative opportunities, I invite you to contact me directly.

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What North Carolina companies are saying about the EDPNC

The EDPNC works in close partnership with North Carolina companies. Several business executives offer their perspective on working with the partnership to expand their global markets.

“Participating with [the EDPNC] at [Nano Tech](#) 2015 in Tokyo enabled us to further develop customer and sales channel relationships within Japan, the most important market for our company. The presence of so many companies that commercialize new materials allowed us to position ourselves for the largest increase in year-over-year sales within the Japanese market in our company's history.”

—David Nackashi, CEO of Protochips, developer of analytical tools for understanding nanoscale materials, Raleigh, N.C.

“We recently participated in the N.C. booth at the [IFSEC show](#) in New Delhi, India. Exhibiting at the trade show generated a number of qualified leads with interest in our products, which can potentially turn into sales orders. The potential in India and Southeast Asia is very promising, and we really appreciate the Economic Development Partnership of North Carolina giving us the opportunity to enter new markets and co-exhibit with the support and backing of the state government... [EDPNC International Trade Manager] Kuldip Wasson's personal knowledge of the culture and business practices was extremely helpful throughout the trade show.”

—Chris Carpenter, director of sales, Advanced Detection Technology, manufacturer of under-vehicle inspection systems, Mooresville, N.C.

“We have found significant benefits through the EDPNC export promotion office, particularly in Japan, where N.C. trade director Sumio Shibata has been one of the reasons for our success. He is a real credit to his country and culture, and a very astute and focused businessman. Without his help interpreting and traveling with us, we would have been lost in Japan.”

—Dyke Messinger, president, Power Curbers, Inc., maker of slipform concrete paving equipment, Salisbury, N.C.

“We took a STEP grant [travel reimbursements administered by the EDPNC] to [MEDICA](#), an international meeting held in Dusseldorf, Germany, every November.... We were able to meet one of our new distributors in Germany, we were able to travel to their facility. We are on two different sides of the ocean. It's an immense help to be able to meet people face to face. We were actually able to go to their company, we were able to walk through how they were trying to sell our products and what they needed from us to sell our products better.”

—Ann Black, founder and CEO of ImmunoReagents, supplier of antibodies for the life science and research markets, Raleigh, N.C.

2014 NORTH CAROLINA ANNUAL TRADE REPORT

Record Exports: North Carolina exported more than \$31 billion of goods in 2014

North Carolina reached another export milestone in 2014 as it exported more than \$31 billion worth of goods in 2014 – an increase of 6.7% in nominal terms (not taking into account inflation), or 7.4% in real terms.¹ Exports from the state have grown nearly 30% over the past five years, and more than 40% over the past decade. Despite a strengthening U.S. dollar (which makes U.S.-produced goods more expensive) and a comparatively weak global economy, U.S. exports grew 2.8% in nominal terms in 2014, or 3.5% in real terms.

North Carolina Total Exports to the World

2004-2014 (in constant 2014 Dollars)

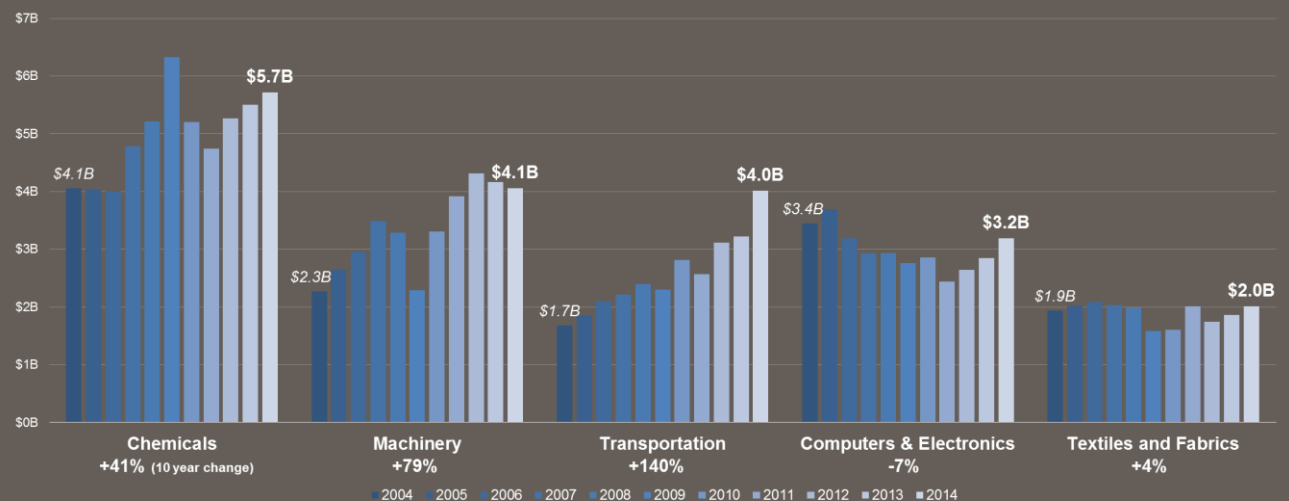


Industry Trends: Chemical leads, but Machinery and Transportation growing fast.

Chemicals continue as North Carolina's largest export product as it grew 4% to \$5.7 billion in 2014. More than 40% of the Chemicals category is composed of Pharmaceuticals, which grew more than 20% in 2014, to \$2.4 billion. Machinery was the state's second-largest export product at \$4.1 billion, although it fell approximately 3% in 2014. Transportation Equipment exports accelerated in 2014, growing nearly 25% to more than \$4 billion. That growth is led by Aerospace, where exports jumped nearly 70% to more than \$2 billion. Computer and Electronic exports grew 12% over the past year and continue to climb back from recession lows. Textile and Fabric exports also posted a 7% gain in 2014, but have remained relatively flat over the past decade.

North Carolina's Top Five Export Products: 10 Year Growth

(in constant 2014 dollars)



¹ Please note that unless otherwise indicated, all the data has been adjusted into constant 2014 dollars using the U.S. Bureau of Economic Analysis annual export price deflator.

OVERVIEW: Chemicals largest export, Canada largest market

Top Markets: More than \$1 billion in exports to eight countries

Three more countries (Germany, United Kingdom, and Saudi Arabia) entered the “billion-dollar club” for North Carolina exports in 2014. Canada continues as the state’s largest export market, receiving \$6.7 billion in North Carolina exports (approximately 21% of the state’s total exports). As in 2013, Mexico, China and Japan ranked second, third and fourth. Saudi Arabia rounded out the top five. Exports to Saudi Arabia increased considerably, surpassing four of our European partners. These top five markets accounted for just under half of North Carolina’s total exports in 2014.

TOTAL EXPORTS		Chemicals		Machinery	
Canada	\$6,736,419,150	Canada	\$1,218,687,055	Canada	\$1,169,101,968
Mexico	\$3,011,731,437	Mexico	\$658,301,290	Mexico	\$518,538,233
China	\$2,661,352,101	Japan	\$550,088,452	Belgium	\$400,727,418
Japan	\$1,747,159,635	Germany	\$342,916,801	China	\$198,285,331
Saudi Arabia	\$1,190,418,009	China	\$279,986,903	Saudi Arabia	\$151,260,247
All Countries	\$31,290,511,364	All Countries	\$5,718,758,067	All Countries	\$4,060,693,103

Transportation Equipment		Computer & Electronics		Textiles & Fabrics	
Canada	\$995,052,470	Hong Kong	\$630,937,059	Honduras	\$695,433,664
France	\$742,817,924	Canada	\$584,671,164	Mexico	\$317,895,177
Saudi Arabia	\$613,448,442	China	\$484,805,683	Dominican Repub	\$233,080,598
Mexico	\$259,684,636	Mexico	\$191,413,285	Canada	\$205,886,245
Kuwait	\$228,176,225	Japan	\$148,352,693	El Salvador	\$135,228,594
All Countries	\$4,018,023,285	All Countries	\$3,185,987,538	All Countries	\$2,013,897,454

* Totals are for all NC exports for that industry, not just the top five countries listed in each category.

Top 20 Export Markets

2014 Rank	Export Market	2014 Exports	1 Year % Change	5 Year % Change	Top General Export Product (3-Digit NAICS)	Top Specific Export Product (4-Digit NAICS)
1	Canada	\$6,736M	↑ 0.7%	↑ 32.9%	Chemicals	Pharmaceuticals
2	Mexico	\$3,012M	↑ 11.6%	↑ 84.8%	Chemicals	Basic Chemicals
3	China	\$2,661M	↓ -0.5%	↑ 32.7%	Computer & Elec.	Semiconductors, etc.
4	Japan	\$1,747M	↑ 5.2%	↑ 3.1%	Chemicals	Pharmaceuticals
5	Saudi Arabia	\$1,190M	↑ 50.2%	↑ 269.3%	Transportation Eqp.	Aerospace
6	France	\$1,143M	↑ 15.0%	↑ 9.6%	Transportation Eqp.	Aerospace
7	United Kingdom	\$1,028M	↑ 15.2%	↑ 28.4%	Chemicals	Aerospace
8	Germany	\$1,009M	↑ 1.7%	↑ 12.2%	Chemicals	Pharmaceuticals
9	Hong Kong	\$928M	↑ 20.7%	↑ 84.3%	Computer & Elec.	Semiconductors, etc.
10	Belgium	\$886M	↑ 11.5%	↑ 136.1%	Machinery	Industrial Machinery
11	Honduras	\$841M	↑ 11.4%	↑ 16.8%	Textiles & Fabrics	Fibers, Yarns, Threads
12	Netherlands	\$790M	↑ 11.1%	↓ -53.7%	Chemicals	Pharmaceuticals
13	Brazil	\$666M	↓ -9.8%	↑ 0.2%	Chemicals	Aerospace
14	South Korea	\$649M	↓ -5.2%	↑ 21.9%	Chemicals	Semiconductors, etc.
15	Australia	\$470M	↑ 2.1%	↓ -41.1%	Chemicals	Pharmaceuticals
16	India	\$422M	↓ -11.7%	↑ 101.4%	Chemicals	Pesticides/Fertilizers
17	Singapore	\$388M	↑ 13.9%	↑ 77.4%	Metal	Nonferrous Metal
18	Dominican Republic	\$340M	↑ 33.6%	↑ 21.2%	Textiles & Fabrics	Fibers, Yarns, Threads
19	Ireland	\$277M	↑ 7.0%	↑ 28.9%	Computer & Elec.	Computer Eqp.
20	Taiwan	\$273M	↓ -10.0%	↓ -7.6%	Food	Food - Other

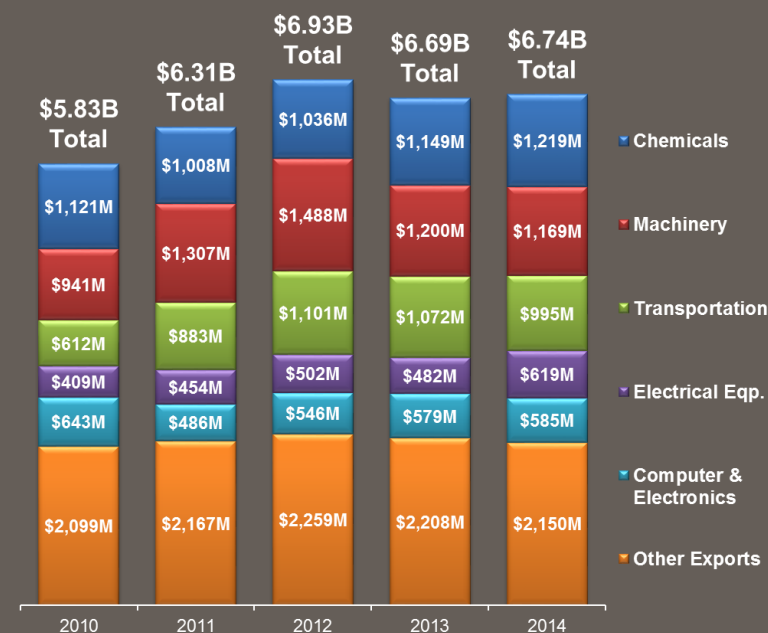


Canada continues to be North Carolina's largest trading destination

Canada maintained its position as North Carolina's largest export destination by a large margin in 2014, receiving more than \$6.7 billion in exports. 2014 export growth was roughly flat, and real merchandise exports climbed only slightly to 0.7%. Growth in Chemicals and Electric Equipment exports were tempered by decreases in Machinery and Transportation Equipment exports. A strengthening U.S. dollar, especially in the latter half of 2014, may have played a role in moderating export growth to the North.

Top North Carolina Exports to Canada

2010-2014 (in constant 2014 dollars)



*Numbers are rounded and may not sum exactly

North Carolina State Rank – Exports to Canada

Region	NC Rank - 2014	Region Export Growth
National	#14 (#14 in 2013)	-2.7% (NC +0.7%)
Southeast	#3 (#3 in 2013)	-0.3% (NC +0.7%)

Country Notes

- A strengthening U.S. dollar likely hampered U.S. and North Carolina exports to Canada. The strengthening dollar in the second half of 2014 caused exchange rates to increase slightly.
- Ontario and Quebec (and their manufacturing, finance, and service sectors) currently produce more than half of Canada's GDP. However, the fall in energy prices may negatively impact the economy in the country's western provinces – especially Alberta.
- Canada's GDP growth is expected to slightly lag U.S. growth in 2015, rising 1.4-2.9% (vs. 2.5-3.4% for the U.S.)

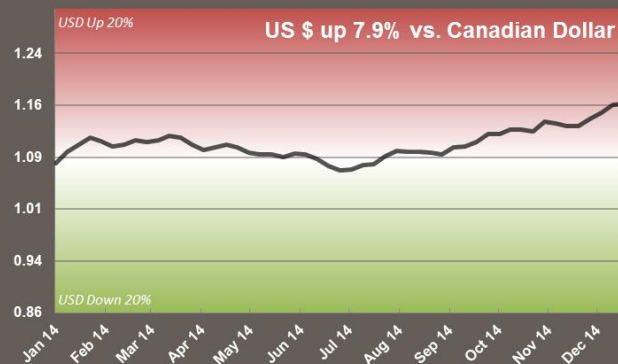
Industry Notes

- Chemicals remained North Carolina largest export product to Canada at \$1.2 billion, rising about 6.0% in 2014.
 - Pharmaceuticals lead the growth with a 19% increase in export volume. This accounts for more than half of all Chemical exports.
- Electrical Equipment exports grew more than 27% in 2014 – now at \$619 million.
 - Within what NAICS categorizes as "Other," the Harmonized System shows a 64% jump in Insulated Wires & Cables, to \$217 million (HS 8544).
- Machinery exports declined by approximately 3% due to weakness in Agricultural and Construction Machinery exports.
- Transportation exports were also down, falling 8% on a decline in Motor Vehicle exports.
- U.S. merchandise exports to Canada fell 2.7% in 2014. Exports from the Southeast fell a minimal 0.3%.

Canadian Dollar/U.S. Dollar

2014

Falls = Weakening \$
Good for US Exports
Rises = Strengthening \$
Bad for US Exports

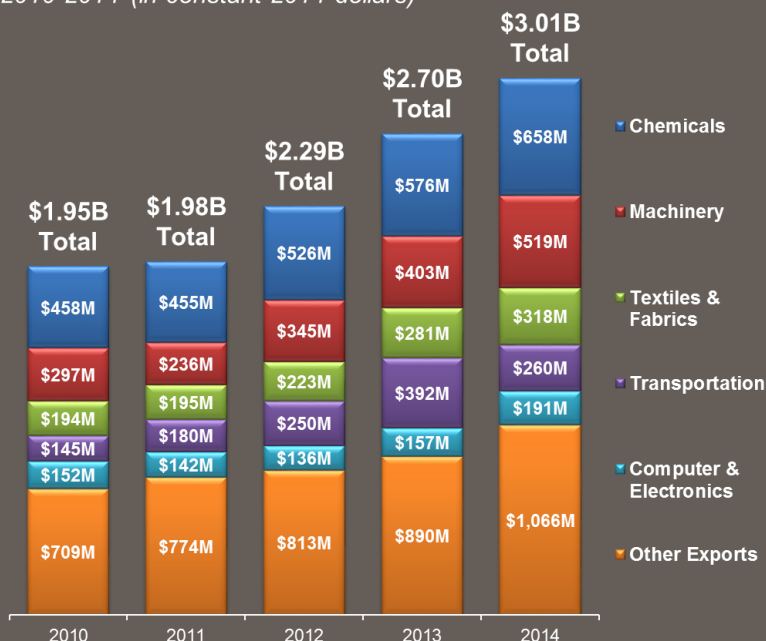


**Exports to Mexico rise on broad-based growth**

North Carolina exports to Mexico continued their steady climb, rising 12% in 2014. The growth spanned nine of the top 10 export categories (by three-digit NAICS). Chemical exports (specifically Basic Chemicals) led the way, increasing more than 14%. Transportation equipment fell a significant 34% on weakness in Motor Vehicle Parts. On the macro side, the Mexican government continues its mission to liberalize the economy, but consistent growth remains elusive.

Top North Carolina Exports to Mexico

2010-2014 (in constant 2014 dollars)



*Numbers are rounded and may not sum exactly

North Carolina State Rank – Exports to Mexico

Region	NC Rank - 2014	Region Export Growth
National	#11 (#12 in 2013)	+7.0% (NC +11.6%)
Southeast	#3 (#3 in 2013)	+10.9% (NC +11.6%)

Country Notes

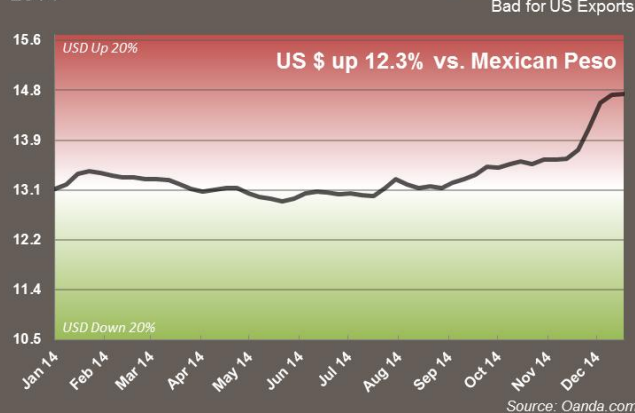
- The Mexican government continued its mission to liberalize the economy as it moved forward on plans to open up the oil and telecommunication industries to increased competition.
- Free trade agreements and low labor costs have helped Mexico successfully attract major manufacturing operations in the automobile and aerospace industries.
- However, in part due to an underperforming education system and continued crime/corruption, the Mexican economy has not met expectations. Nevertheless, the Mexican economy is forecast to grow 2.6 to 3.8% in 2015.

Industry Notes

- Chemicals remained North Carolina's largest export to Mexico, rising 14% to \$658 million.
 - Unlike most other countries, where Pharmaceuticals tends to be the largest Chemical export from the state, Basic Chemicals account for more than half of the state's Chemical exports to Mexico. Basic Chemical exports grew nearly 60% to \$359 million in 2014.
- In addition to Chemicals, almost every major industry posted gains in 2014. Machinery exports rose 29%, Computer & Electrical Equipment jumped 22%, and Textile & Fabrics grew 13%.
- Only Transportation Equipment exports to Mexico fell. Exports declined by 18% to \$190 million in 2014 due to weakness in Motor Vehicle Parts. The rapidly expanding auto assembly industry and supporting supply base in Mexico continue to be important trends.
- North Carolina exports to Mexico outpaced both the U.S. and Southeast region's growth in 2014.

Mexican Peso/U.S. Dollar

2014

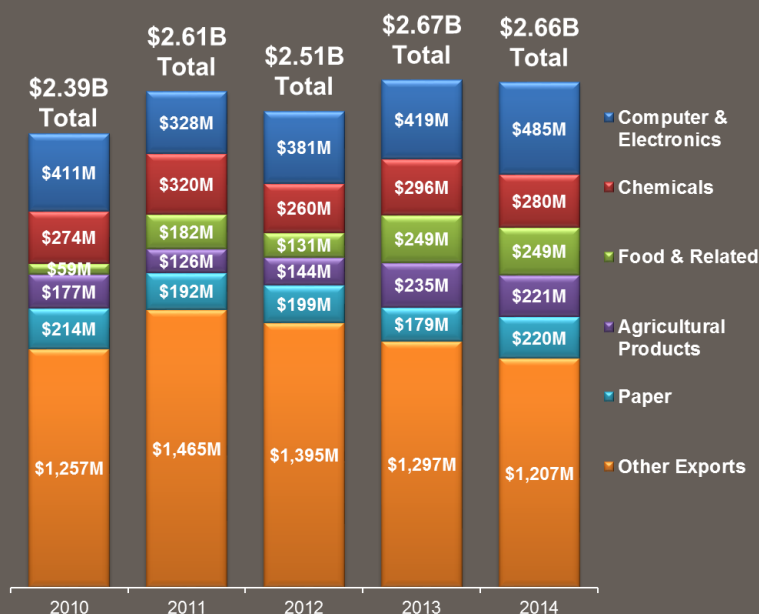


**N.C. exports to China remain stable over the past four years**

North Carolina merchandise exports to China fell ever so slightly in 2014, down just 0.5%. Computer & Electronic and Paper exports increased, but Chemicals and Agricultural Products abated slightly. On the macro side, world markets continue to keep a close eye on a potential slowdown in China's breakneck economic growth. The USD to CNY exchange rate remained stable for most of 2014.

Top North Carolina Exports to China

2010-2014 (in constant 2014 dollars)



*Numbers are rounded and may not sum exactly

North Carolina State Rank – Exports to China

Region	NC Rank - 2014	Region Export Growth
National	#13 (#13 in 2013)	+2.6% (NC -0.5%)
Southeast	#5 (#4 in 2013)	+1.2% (NC -0.5%)

Country Notes

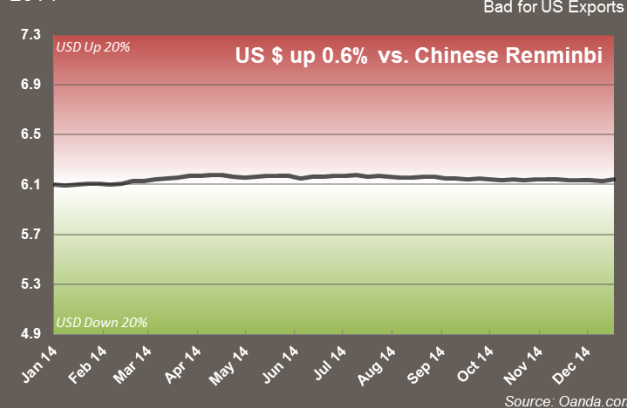
- While most countries would be elated by the levels of economic growth China is forecasting for 2015 and beyond, the forecast 6.5 to 7.3% for 2015 is a significant fall for a country that has grown accustomed to double-digit growth.
- In trade news, China continues to push its own Asian free-trade agreement (the Asia Pacific Trade Agreement) while the U.S., Japan and other countries push for an agreement that currently excludes China (the Trans-Pacific Partnership trade agreement). Outcomes of these separate negotiations will significantly impact U.S. trade with China and Asia generally.

Industry Notes

- Computer & Electronic goods were North Carolina's largest export to China in 2014, growing 16% to \$485 million.
 - Semiconductors & Other Electronic Equipment (e.g., circuit boards, semiconductors and capacitors) make up a majority of the Computer and Electronics export category. The subsector grew nearly 20%, to \$416 million.
- Paper exports grew 23%, to \$220 million in 2014.
 - Much of the growth stemmed from Pulp, Paper, & Paperboard exports growing 21%.
- North Carolina food exports (mainly pork) were steady from 2013 to 2014.
- Chemicals posted a 5% fall in 2014.
 - While Resins and Synthetic Rubber/Fibers posted a 10% gain, Pharmaceuticals and Basic Chemicals posted losses of 18% and 25% respectively.
- U.S. and Southeast regional exports both outpaced North Carolina exports to China in 2014, as they rose 2.6% and 1.2%, respectively.

Chinese Renminbi/U.S. Dollar

2014

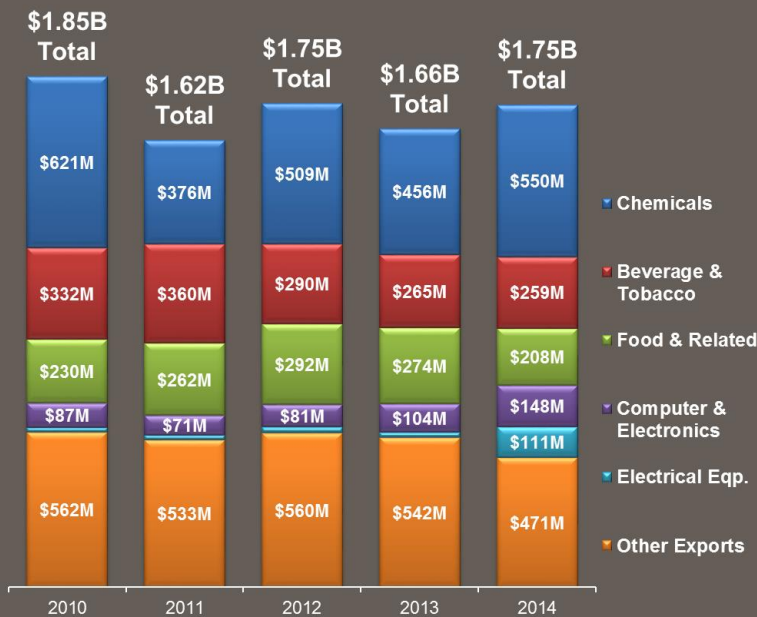


**Export volume to Japan increases despite depreciating yen and weak macro conditions**

North Carolina exports to Japan grew to more than \$1.7 billion, a 5% gain over 2013. Chemicals, Computers & Electronic Equipment, and Electrical Equipment exports grew, offsetting the drop in Beverage & Tobacco and Food exports. The Japanese yen depreciated considerably in 2014, by design as part of Japanese policymakers' attempts to stimulate export growth and its economy overall, which put downward pressure on U.S. exports.

Top North Carolina Exports to Japan

2010-2014 (in constant 2014 dollars)



*Numbers are rounded and may not sum exactly

North Carolina State Rank – Exports to Japan

Region	NC Rank - 2014	Region Export Growth
National	#8 (#10 in 2013)	+3.4% (NC +5.2%)
Southeast	#2 (#3 in 2013)	+1.2% (NC +5.2%)

Country Notes

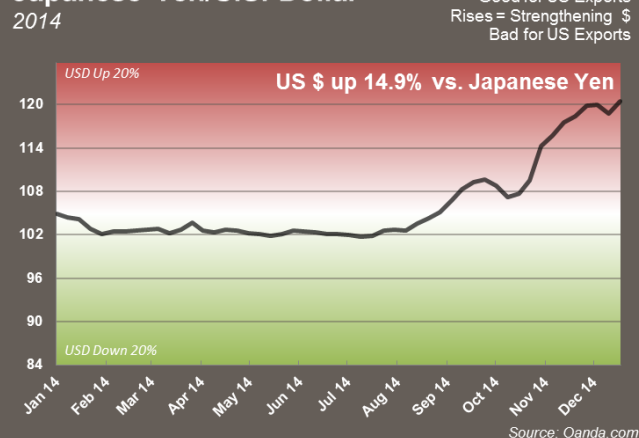
- Japan continues its Abenomics economic policies to lift the nation out of years of economic stagnation. On the trade side, various monetary and fiscal stimuli dramatically weakened the yen and made U.S. products more expensive in Japan.
- In part due to a sales tax increase, Japanese GDP fell significantly in 2Q and 3Q 2014 before posting a 2.2% annualized growth number for 4Q 2014. Japan's 2015 GDP is forecast to rise only 0.4 to 1.6%.

Industry Notes

- Chemical exports continued to be North Carolina's top export to Japan, rising 20% in 2014.
 - While most Chemical subsectors fell in 2014, Pharmaceutical exports skyrocketed, growing 128%, or \$228 million, in 2014. Pharmaceuticals comprised almost three quarters of all Chemical exports to Japan, up from just a third in 2013.
- Computer & Electronics increased by 44%, to \$148 million. Electrical Equipment grew fivefold from \$20 million in 2013 to \$111 million in 2014.
- Consumer non-durable exports to Japan fell in 2014, with Beverage & Tobacco exports falling 3% and Food exports falling 25%.
 - A 2.3% fall in Tobacco Products caused most of the decline in Beverage & Tobacco exports.
 - Decreased pork exports contributed to the decline in Food exports.
- Despite trade headwinds, North Carolina outperformed both national and regional exports to Japan.

Japanese Yen/U.S. Dollar

2014



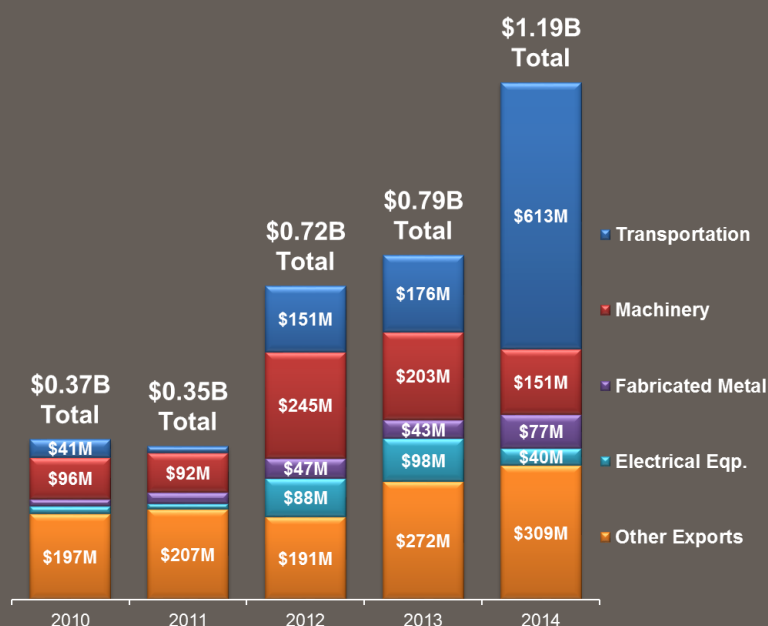


NC Aerospace and Military exports to Saudi Arabia rise more than 50%

Exports to the Kingdom of Saudi Arabia have grown in recent years but took a major leap forward in 2014, rising 50% to \$400 million. Increases in Aerospace exports led most of the growth. Under the Harmonized System, this growth stems from Military Equipment exports.

Top North Carolina Exports to Saudi Arabia

2010-2014 (in constant 2014 dollars)



*Numbers are rounded and may not sum exactly

North Carolina State Rank – Exports to Saudi Arabia

Region	NC Rank - 2014	Region Export Growth
National	#2 (#6 in 2013)	-0.6% (NC +50.2%)
Southeast	#1 (#1 in 2013)	+17.0% (NC +50.2%)

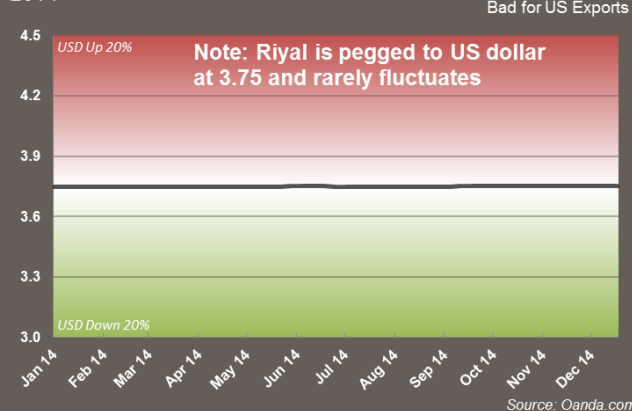
Country Notes

- Saudi Arabia continues to increase its military spending. A recent report indicated that the Kingdom boosted its defense expenditures by 17% in 2014. The country has one of the largest military budgets in the world (either the third- or fourth-largest, depending on the reporting source).
- Saudi Arabia pegs its currency, the riyal, to the U.S. dollar, so there are rarely currency fluctuations that impact international trade.

Industry Notes

- Under the NAICS categorization system, more than half (\$613 million) of North Carolina exports to Saudi Arabia is classified as Transportation Equipment, with the majority of those exports under the subcategories of Aerospace Products and Non-Classified Transportation Equipment.
- Under the Harmonized System, the majority of these exports are categorized as Arms and Ammunition. Exports in this category grew from only \$16 million in 2013 to almost \$400 million in 2014.
 - Similarly, Tanks and Armored Vehicles exports grew 58%.
 - More research is needed to determine if North Carolina companies producing transportation equipment drove this export growth and/or if the growth is connected to the state's military presence.
- On the downside, Machinery exports fell 25% in 2014.
 - A 46% fall in Engine & Turbine exports led the broad-based decline in Machinery exports.

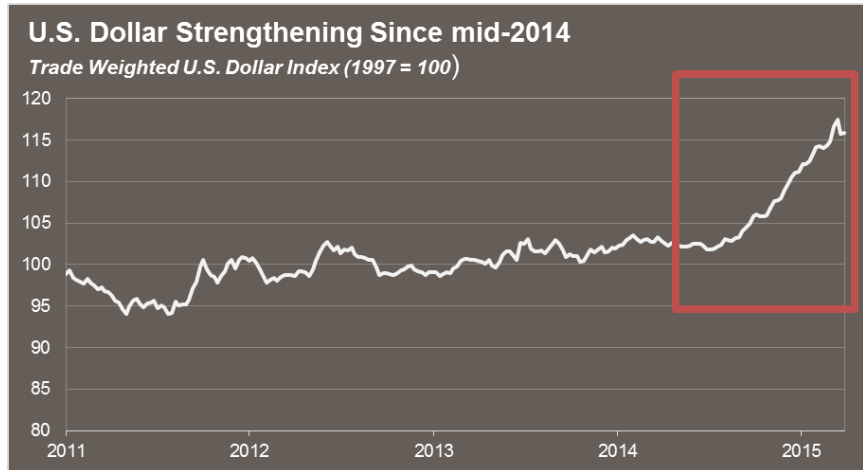
Saudi Arabian Riyal/US Dollar 2014



2015 Trade Outlook

Like any macroeconomic indicator, International trade flows are affected by a variety of factors. Two main factors are likely to act as headwinds for U.S. export prospects in 2015:

- **Strength of the U.S. dollar** The U.S. dollar has strengthened considerably over the past year. The chart to the right gives a simple summary of that strengthening against a basket of other currencies since mid-2014. The U.S. economy will likely outperform other major economies in the short term. This projected performance, combined with prospects of a near-term U.S. interest rate hike, suggests that the strength of and demand for the U.S. dollar will continue to rise. A strong dollar can dampen exports because it makes U.S. products more expensive relative to foreign goods.



- **Slower global economic growth** Although it is difficult to predict economic trends, global growth has been restrained over the last few quarters. The Eurozone continues to fight anemic growth, China faces a potential slowdown, and Japan has been trapped in weak growth for years (although just recently posting relatively strong 1Q 2015 growth). Slow growth abroad limits the ability of U.S. and North Carolina firms to sell their products.

Despite these headwinds, North Carolina merchandise exports increased in the first two months of 2015 compared to the same period in 2014. We will see if that trend continues as the year progresses.

Regional trade agreements are another major development to watch in the coming year(s). The U.S. continues negotiations on the Trans-Pacific Partnership with its Latin American, Oceanic and Asian partners. Whether these dealings will result in a new trade agreement and new trade opportunities depends heavily on both international negotiations and U.S. domestic policies (e.g., authorization of fast-track trade authority) that may take months or years to play out.

Notes

The trade report highlights the state's merchandise exports only, as statistics for service exports are not available at the state level. Export statistics in this report are from WISERTrade which uses the U.S. Census Bureau's Origin of Movement (OM) series. The OM series provide export statistics based on the state from which the merchandise starts its journey to the port of export; that is, the data reflect the transportation origin of exports. The transportation origin of exports is not always the same as the location where the goods were produced. More information about export statistics can be found at the U.S. Census website: <http://www.census.gov/foreign-trade/aip/elom.html>

Unless otherwise noted, all trade statistics are reported in 2014 dollars using the U.S. Bureau of Economic Analysis's export price deflators via the St. Louis Federal Reserve's FRED database, which allows for more appropriate comparisons across time.

Regional divisions are developed by the Bureau of Economic Analysis. The Southeast Region consists of 12 states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

Foreign exchange data was collected from Oanda.com using the weekly FX average, and the midpoint of the Bid/Ask. Data can be found at: <http://www.oanda.com/currency/historical-rates/>

Country notes were gathered from various media sources including The Wall Street Journal, The Economist, and Bloomberg. Specific GDP forecast data are from The Economist's poll of Forecasters (April 11, 2015 edition).

For questions on this report, please do not hesitate to contact the International Trade team at EDPNC at 919-703-5348, or the Research team at 919-447-7744.

