



THE VOICE of BUSINESS

**FOR IMMEDIATE RELEASE:**

Tuesday, Sept. 29, 2015

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## **Virginia Chamber Foundation Releases Benchmark “Virginia International Trade Profile”**

*First-of- its-kind analysis of Virginia’s exports and their impact on Virginia’s economy*

**Exports responsible for more than 320,000 Virginia jobs in 2014; Exports have grown more than twice as fast as Virginia’s GDP since 2008**

**NORFOLK** – The Virginia Chamber of Commerce Foundation’s Center for Trade today released the benchmark “Virginia International Trade Profile.” The study is the first of its kind to utilize data based on where goods and services were produced, rather than the more commonly used data based on the point of export. The study includes a regional breakdown of the economic impact of the exports of goods and services and an analysis of tax revenue, income per job and Virginia Gross State Product (value-added) associated with trade.

An executive summary of the Virginia International Trade Profile is available below. Key findings include:

- Exports represent 30 percent of Virginia’s economic growth over the last five years
- Virginia exports generated \$2 billion in tax revenue in 2014
- Nearly half of Virginia’s exports are in services sectors, a significantly higher share than the U.S. overall
- While the majority of exports in Virginia come from the three largest export regions, exports represent a greater share of the local economy in other regions of the state
- Middle market firms represent the greatest opportunity for new export activity that can be assisted by state trade development efforts

The full Virginia International Trade Profile is available at [www.vachamber.com/trade](http://www.vachamber.com/trade)

“This study provides for the first time an analysis of the overall impact of international trade on our economy, and identifies significant opportunities for growth,” said Barry DuVal, President and CEO of the Virginia Chamber of Commerce. “Exports represent 30 percent of Virginia’s economic growth over the last five years, and have grown 2.4 times faster than Virginia’s economy since 2008. With 80 percent of future global economic growth projected to occur outside the U.S. over the next five years, private sector firms have an imperative to seek potential customers for their goods and services abroad. Programs like the Virginia International Trade Alliance that target Virginia’s 6,700 mid-sized companies to introduce them to new markets are critical to our economic future.”

Secretary of Commerce and Trade Maurice Jones said, “We are very excited about this study, as it highlights the incredible opportunity Virginia has to capture even more growth in the international market. It confirms that international trade is a key strategy contributing to job growth and prosperity, an important component of Governor McAuliffe’s plan to create private sector jobs and build a new Virginia economy. The Commonwealth’s existing companies represent our largest business base and our largest potential for job creation. Virginia is fortunate to already have a strong international trade development program, and now is the time to make a long-term commitment to ensure Virginia’s leadership position in the global economy.”

Paul Grossman, Vice President for International Trade for the Virginia Economic Development Partnership, said, “Companies that export grow sales faster and create more jobs than non-exporting companies. As our economy faces continuing challenges from sequestration, building on our successful international trade development programs through formal partnerships with Virginia’s public universities, industry associations and the Virginia Chamber of Commerce, will help our private sector businesses grow and thrive.”

### **Executive Summary**

#### **Virginia International Trade Profile**

Swift integration of international markets and the rapid expansion of a global consumer class have ushered in a new era that is driving state and metro areas to more intentionally engage in the global economy. The vast majority of economic growth worldwide over the next several decades is projected to occur outside the United States. U.S. firms are increasingly taking advantage of these dynamics, boosting national exports to a record \$2.35 trillion in 2014. In the five years following the recession (2009-2014), exports accounted for 27% of U.S. economic growth. Further, exports support local jobs. In 2014, an average of 5,796 jobs were supported by every \$1 billion in U.S. exports.

This evolution in the worldwide economy, and its impact on domestic firms, is forcing U.S. state and metro economic development organizations (EDOs) to reimagine their roles, diversify program offerings, and consider dedicating resources towards new priorities, including international trade. Virginia stands out nationally because it has implemented and maintained

innovative international trade programs that are at the forefront of U.S. states and are widely valued and respected by companies. In this regard, Virginia has established a strong platform on which to build a next generation international trade development program.

The objective of this report is to improve the understanding of export activity in Virginia and establish a baseline from which to expand and monitor future international trade efforts. Key findings of this analysis are:

- **Virginia's economy is increasingly tied to exports.** Total state exports reached \$35.9 billion in 2014, an increase of \$12.9 billion, or 56%, since 2003. Export intensity, or the proportion of gross state product (GSP) attributable to direct exports, has increased from 5.6% in 2003 to 7.8% in 2014. From 2009 to 2014, nearly 30% of Virginia's economic growth was driven by exports.
- **Exports contribute significantly to Virginia jobs, income, and taxes.** The estimated direct, indirect, and induced economic impact of Virginia's \$35.9 billion in direct exports in 2014 represented 6.4% of GSP (measured in terms of value added, or total exports minus inputs from other states and countries), 8.5% of total state employment (320,963 jobs), \$18.7 billion in labor income, and \$2 billion in tax revenue. Average income per export-related job was \$58,333.
- **Nearly half of Virginia's exports are in services sectors, a significantly higher share than the U.S. overall.** Virginia is much more services-oriented than the U.S. in the composition of its exports, with services representing 47% of Virginia exports and goods 53%. The composition of U.S. exports is 34% services and 66% goods. After Manufacturing, which remains the state's largest exporting sector, the next largest exporting sectors, in order, are in services: Information & Technology; Education, Medical, & Tourism; and General Business Services. From 2008 to 2014 the three largest sectors also contributed the most to Virginia's export growth.
- **The top seven export subsectors in Virginia each generated over \$1 billion in exports in 2014.** These include Management & Consulting, Meat & Poultry Products, Resins & Synthetic Rubbers, Credit Issuance & Lending, Freight & Port Services, R&D Services, and Computer Services. Subsectors are the more detailed components of sectors. For example, Management & Consulting is a subsector of the General Business Services sector. The top 10 Virginia subsectors represented over 35% of Virginia total exports in 2014.
- **While the majority of exports in Virginia come from the three largest export regions, exports represent a greater share of the local economy in other regions of the state.** Over 60% of Virginia's total exports originate in the Virginia portion of Greater Washington (31.5%), Virginia Beach (15.8%) and Richmond (15%). However, 14 of the remaining 15 regions have higher export intensity (exports as a percentage of GSP) than the three largest regions. In the top four regions for export intensity (Bristol,

Harrisonburg, Other Rural Southwest, and Blacksburg), exports represent over 15% of the local economy, compared to 7.8% for Virginia as a whole.

- **Virginia's economy is less export-intensive than the U.S. and comparison states.** Virginia is not as export intensive as the U.S. or comparison states, largely because it is highly dependent on U.S. government spending, is a more services-oriented economy, and is not home to one very large, highly export intensive manufacturing company or industry subsector. Like the U.S. overall, Virginia's economy has become more export intensive over the past decade; however, in 2014 the state's export intensity (7.8%) remained below the U.S. average of 11.6%. The more manufacturing oriented of the comparison states (Kentucky, South Carolina, North Carolina, and Tennessee) have export intensities that are above the U.S. average, while states that are more services oriented (Virginia, Georgia, Pennsylvania, Florida and Maryland) have lower export intensities.
- **Middle market firms represent the greatest opportunity for new export activity that can be assisted by state trade development efforts.** Virginia is home to approximately 6,500 traded sector business establishments in the middle market (20-499 jobs and/or \$10 million to \$1 billion in revenues) offering a large pool of potential exporting firms. The state's international trade programs are already focused on this segment.

The full Virginia International Trade Profile is available at [www.vachamber.com/trade](http://www.vachamber.com/trade)

#### **ABOUT THE VIRGINIA CHAMBER FOUNDATION:**

*The mission of the Virginia Chamber Foundation is to strengthen Virginia's long-term competitiveness through implementation support for Blueprint Virginia. The Foundation conducts research, provides metrics for the state's progress and produces events on issues facing business.*

#### **ABOUT BLUEPRINT VIRGINIA:**

*Blueprint Virginia is a comprehensive initiative to provide business leadership, direction and long-range economic development planning for Virginia. For twelve months over 2012-2013, the Blueprint process engaged business and community leaders from around the state through grassroots involvement. Briefings were held in more than 30 communities where hundreds of Virginia citizens voted on priority issues for their region and the state. The Blueprint Virginia project collaborated with more than 300 organizations and over 7,000 participants to develop "A Business Plan for the Commonwealth," which provides elected officials and private sector leaders with a roadmap for economic competitiveness.*

More information regarding Blueprint Virginia is available at <http://www.vachamber.com/blueprint-virginia-plan/>