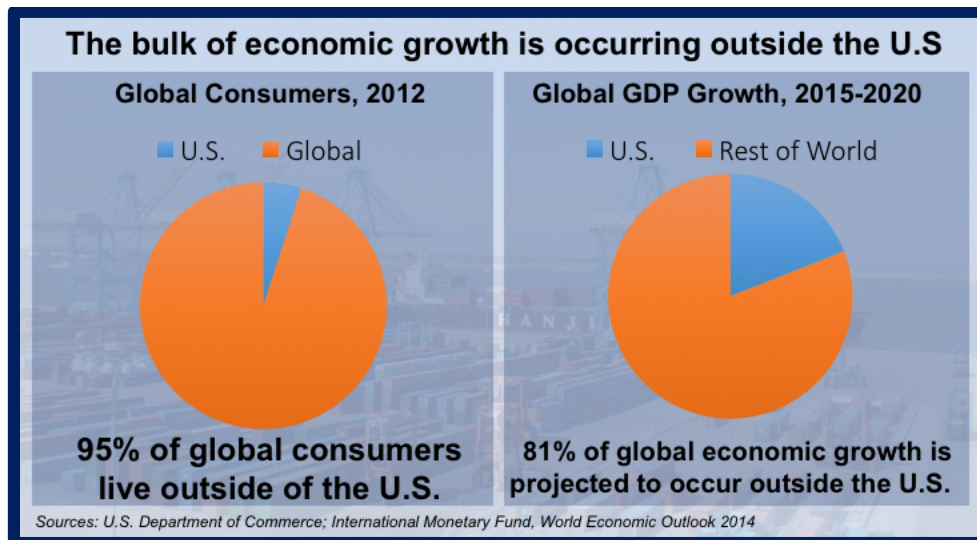




The Virginia Chamber of Commerce's "Virginia International Trade Profile" is the first-of-its-kind analysis of Virginia's exports and their impact on Virginia's economy.

Executive Summary Virginia International Trade Profile

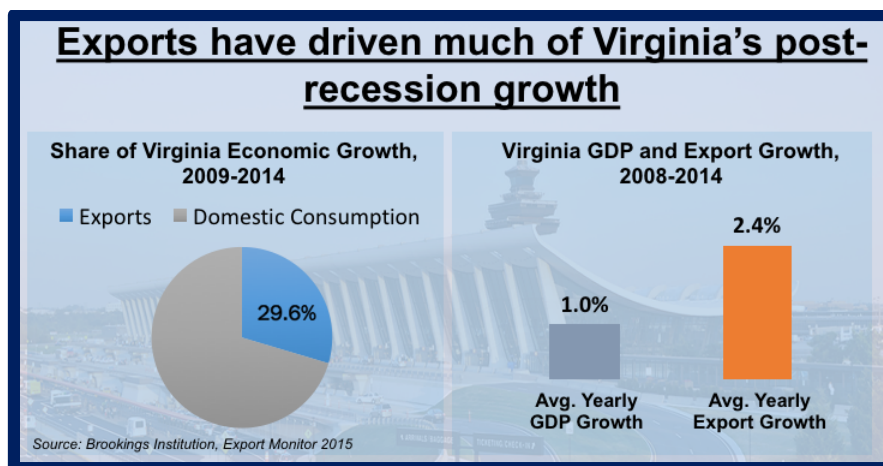
Swift integration of international markets and the rapid expansion of a global consumer class have ushered in a new era that is driving state and metro areas to more intentionally engage in the global economy. The vast majority of economic growth worldwide over the next several decades is projected to 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.



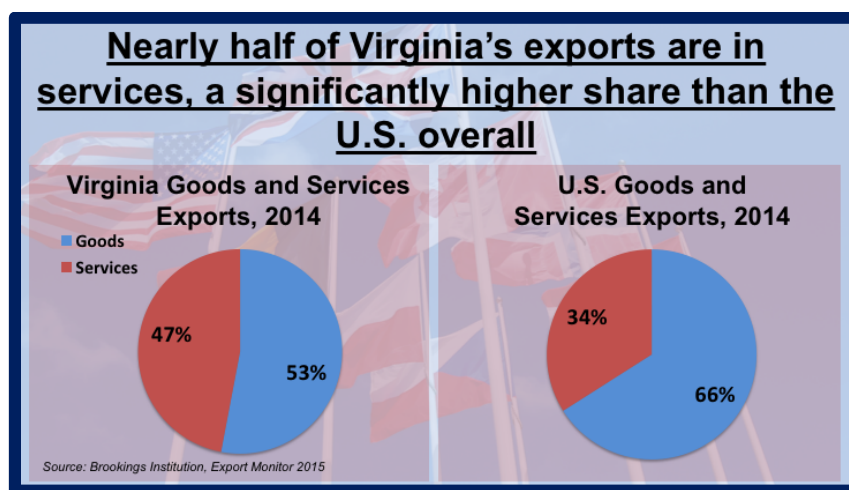
This evolution in the worldwide economy, and its impact on domestic firms, is forcing U.S. state and metro economic development organizations (EDOs) to reimagine their roles, diversify program offerings, and consider dedicating resources towards new priorities, including international trade. Virginia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

Exports by Virginia Region, 2014				
Rank	Region	Share of State Exports	Share of Direct Export - Supported Jobs	Share of State GDP
1	VA portion of Washington DC	31.5%	42.0%	39.5%
2	Hampton Roads	15.8%	15.2%	19.7%
3	Richmond	15.0%	12.3%	15.5%
	Total: 3 largest regions	62.2%	69.5%	74.7%
4	Roanoke	4.3%	3.9%	3.8%
5	Other Rural Southwest	4.2%	3.1%	2.2%
6	Harrisonburg	3.8%	2.8%	1.9%
7	Blacksburg	3.6%	2.7%	1.8%
8	Lynchburg	3.6%	2.9%	2.4%
9	Other Rural Northwest	3.1%	2.4%	1.8%
10	Other Rural Northeast	2.3%	1.7%	1.7%
11	Staunton	2.2%	1.8%	1.2%
12	Charlottesville	2.0%	2.3%	2.7%
13	Other Rural Southside	2.0%	1.8%	1.6%
14	VA portion of Bristol	1.8%	1.4%	0.8%
15	Winchester	1.6%	1.2%	1.3%
16	Danville	1.4%	1.1%	0.9%
17	Martinsville	1.0%	0.9%	0.6%
18	Big Stone Gap	0.7%	0.5%	0.6%

Source: RM Donahue analysis of data from Brookings Institution, Export Monitor 2015.

Export Intensity by Virginia Region, 2014		
Rank	Region	Export Share of GDP
1	VA portion of Bristol	17.2%
2	Harrisonburg	15.4%
3	Other Rural Southwest	15.3%
4	Blacksburg	15.2%
5	Staunton	14.1%
6	Other Rural Northwest	13.2%
7	Martinsville	13.2%
8	Danville	13.0%
9	Lynchburg	11.6%
10	Other Rural Northeast	10.6%
11	Other Rural Southside	9.9%
12	Big Stone Gap	9.3%
13	Winchester	9.3%
14	Roanoke	8.9%
	Virginia state average	7.8%
15	Richmond	7.5%
16	Virginia Beach	6.2%
17	VA portion of Washington DC	6.2%
18	Charlottesville	5.9%

- **In the Virginia sub-state regions outside of the largest metro areas, exports represent a greater share of the local economy.**

- **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.

Virginia has a healthy pool of 6,700 current and potential mid-sized exporters.

Virginia Mid-Sized Establishments in Traded Sectors, 2013

Establishment Size	Number of Establishments	Share of Mid-Sized Total
20 to 49 employees	3,830	57%
50 to 99 employees	1,522	23%
100 to 249 employees	1,005	15%
250 to 499 employees	395	6%
Total	6,752	

Background of the Study

Findings are primarily based on data from the Brookings Institution that for the first time provides estimates for state and regional exports by point of production and for both goods and services exports. Export data from the U.S. Census Bureau, previously the only available source of local export data, provides state and regional data by point of movement out of the U.S., but does not clarify where the goods were actually made and does not provide services data (see appendix for more explanation). Research also included interviews with 18 exporting firms from throughout Virginia and, for the first time, an assessment of the impacts of export activity on economic output, employment, income, and tax revenues.

The Virginia Chamber of Commerce Foundation contracted McDearman Associates and the Raymond A. Mason School of Business, College of William & Mary to serve as consultants on this project. The consultants representing McDearman Associates, Brad McDearman and Ryan Donahue, are the individuals who developed and managed the Global Cities Initiative (GCI) Exchange program for the past four years. The GCI Exchange, a joint project of the Brookings Institution and JPMorgan Chase, is a five-year project designed to catalyze change in economic development practice through new research and by collaborating with U.S. metro areas (and their states) to develop global trade and investment plans. Key lessons related to trade from this experience working across the U.S. are shared in this report. Roy L. Pearson, Professor Emeritus, William & Mary, prepared the economic impact analysis.

The full report, *Virginia International Trade Profile*, is available for download at <http://vachamber.com/foundation/studies/>