



North Alabama International Trade Export Study 2016



Study conducted for
North Alabama International Trade Association

by
UAH Center for Management & Economic Research
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North Alabama International Trade Exports 2015

North Alabama Export Sales

The North Alabama region is one of the most dynamic regions of the State of Alabama and the Southeast U.S. Manufacturing, agricultural, and service industries are distributed across the region, concentrated around three major economic regions of north Alabama including Huntsville, Decatur, and Florence/Muscle Shoals. Exports of manufactured goods and agricultural products are important contributors to the economy of the region. Major industry exports include Computers & Electronics, Transportation Equipment, Machinery Manufacturing, Chemical Manufacturing, Primary Metals Manufacturing, and Plastics & Rubber Products manufacturing.

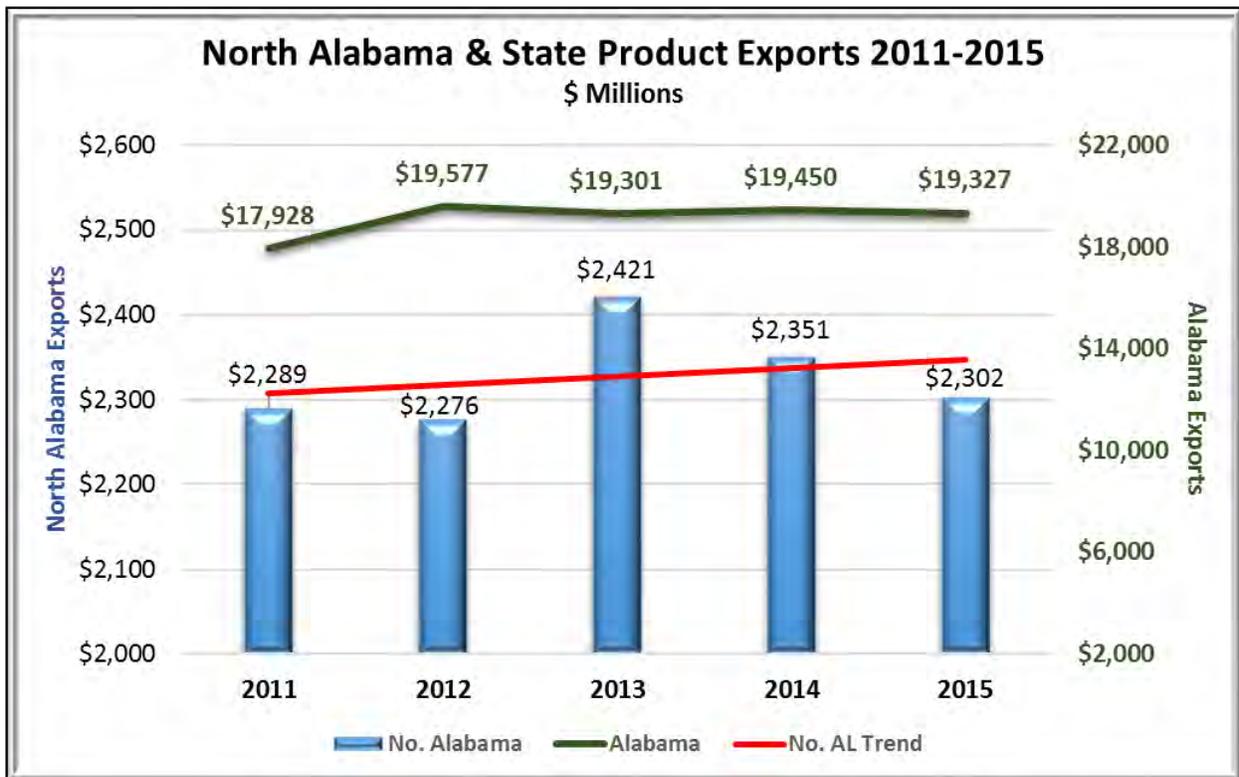


Figure 1 Exports 2011-15

In 2015, total value of goods exported by companies in north Alabama was \$2.30 billion, slightly below the 2014 level of \$2.35 billion and down from the peak experienced in 2013. The 2015 value of exports for the State of Alabama of \$19.3 billion was also slightly below 2014 level and

the peak of \$19.6 billion in 2012. See Figure 1. The Transportation Equipment Manufacturing sector experienced the largest growth (40% increase) in 2015. Significant growth also occurred in Machinery Manufacturing (25% increase) but the sector's 5-year trend is downward. Computer Electronics Products Manufacturing, Chemicals, and Primary Metals Manufacturing sectors were flat or slightly up from 2014.

Year-over-year trends for North Alabama, the State of Alabama and the U.S. are shown in Figure 2. Exports from the North Alabama region decreased 2% from 2014 to 2015, the second drop since the 6% rise in 2013, and four years after the peak growth of 12% in 2011. The State of Alabama value of exports returned to the 2013 level at \$19.3 billion which is within 1% of the 2012 peak. U.S. export levels were below the 2014 levels by more than 7% from 2015 after annual growth since 2011.

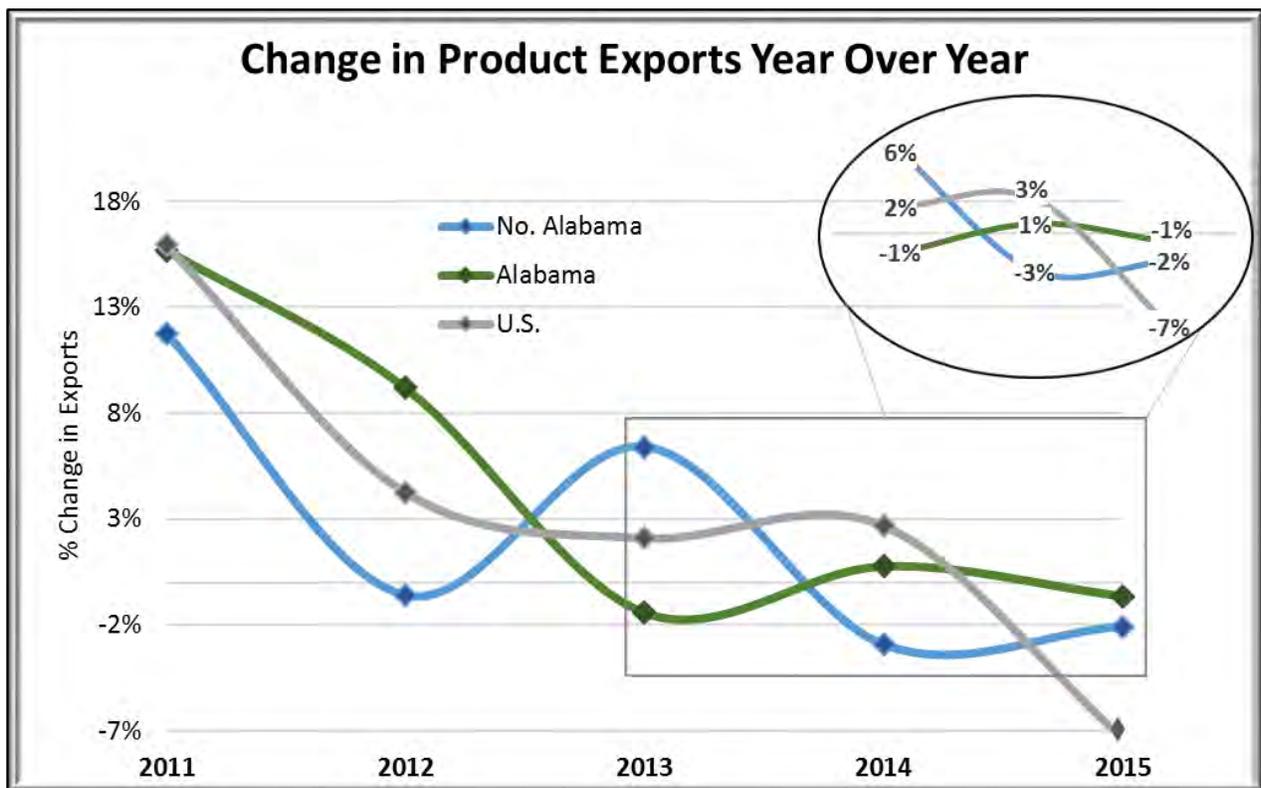


Figure 2 Change in Exports

Company Outlook

The outlook of the north Alabama companies participating in the 2016 Trade Study about their export opportunities in 2016 is encouraging. The vast majority (93%) expect their 2016 export sales to continue at least at 2015 levels or higher. Although total exports were down in 2015, most (78%) north Alabama companies reported their 2015 export levels to be about the same or higher than in 2014. See Figure 3.

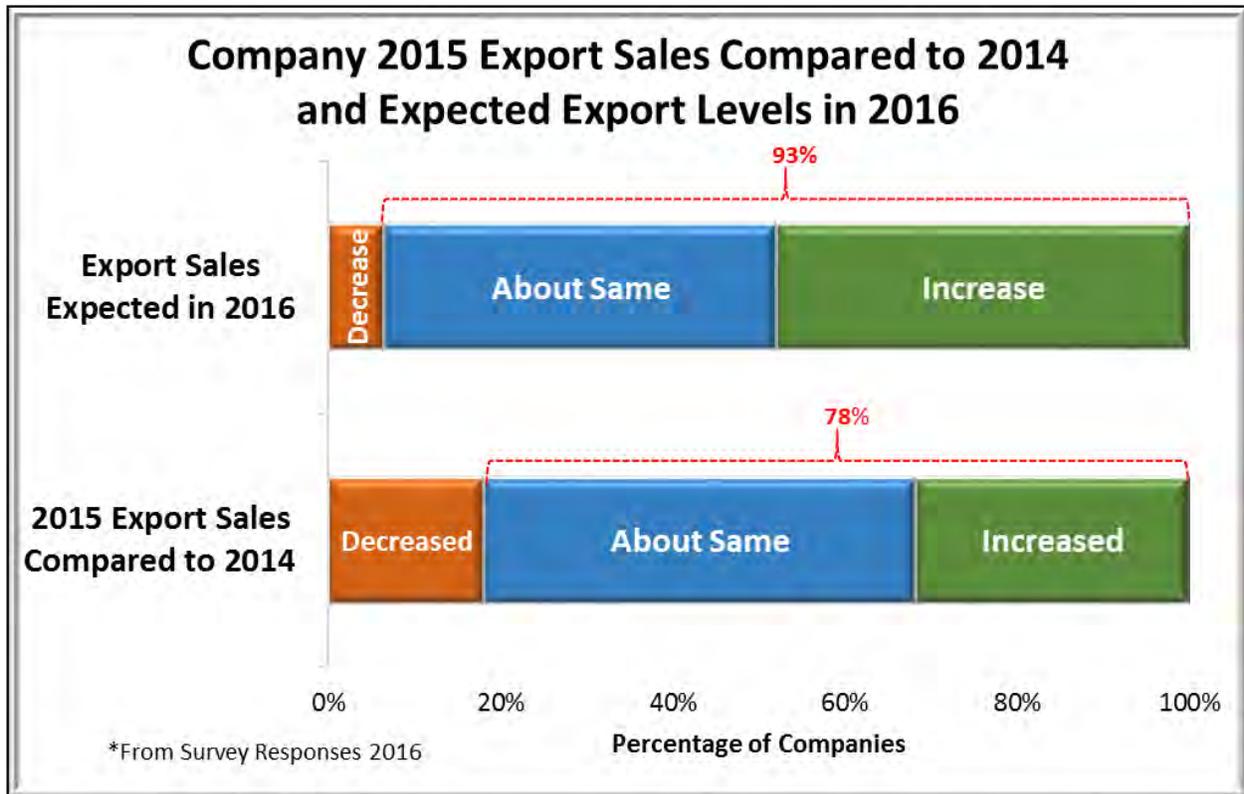


Figure 3 Company Perspectives

Performance in the Top Export Industry Sectors

There are multiple industries across north Alabama exporting goods and services. Export sales vary due to economic conditions, market shifts, trade policy, and routine cycles in demand. Top product export sectors over the past five years include Computers & Electronic Products, Transportation Equipment, Machinery Manufacturing, Chemical Manufacturing, Primary Metals Manufacturing, and Agriculture & Food Manufacturing. See Figure 4.

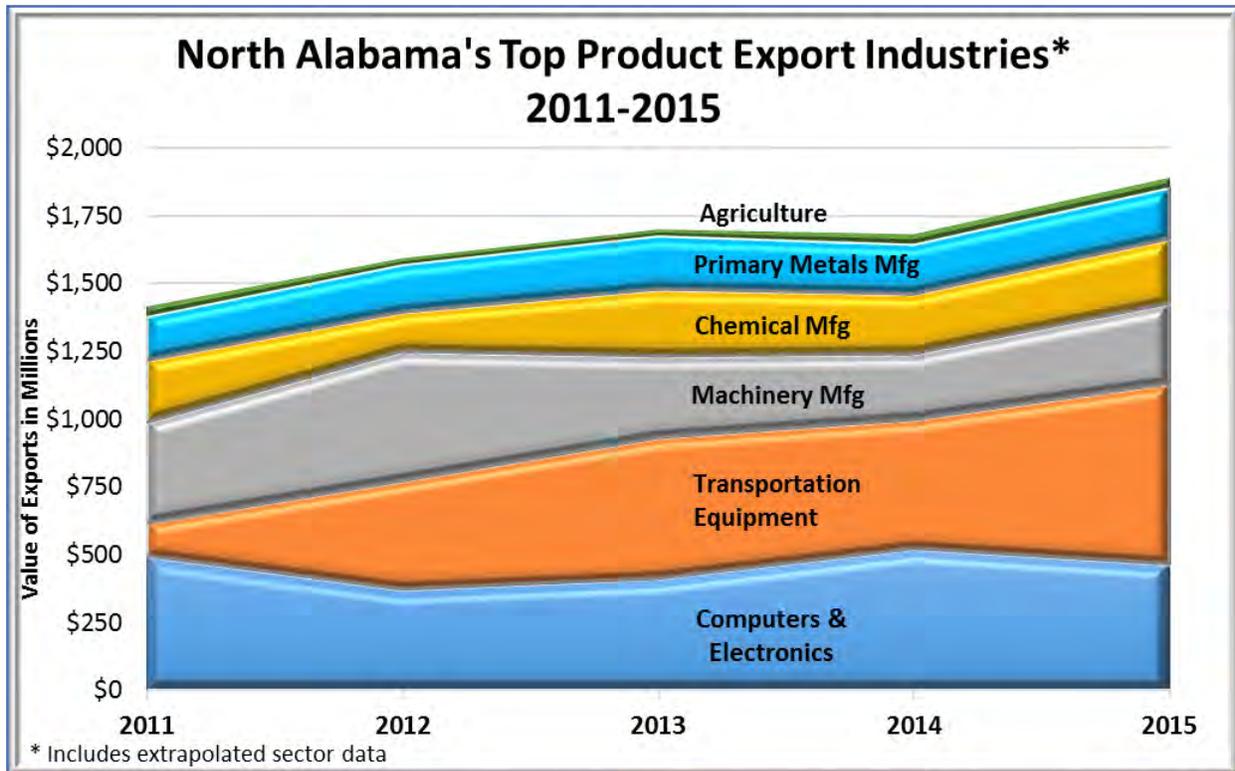


Figure 4 Top Export Sectors

The top industry sectors based on the highest dollar export value for 2015 and their five-year export trends are shown in Figure 5:

- **Transportation Equipment** \$664 million – 5-year trend **upward**
- **Computers & Electronics** - \$466 million - 5-year trend slightly **upward**
- **Chemical Manufacturing** \$237 million – 5-year trend slightly **upward**
- **Primary Metals Manufacturing** \$189 million – 5-year trend **flat**
- **Agriculture and Food Manufacturing** \$34 million – 5-year trend **flat**
- **Machinery Manufacturing** \$298 million – 5-year trend **down**

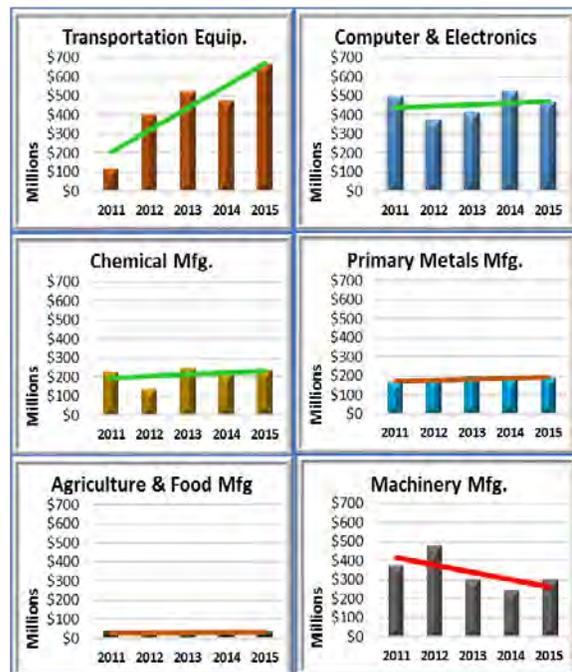


Figure 5 Sector Trends *Includes extrapolated sector data

Popular Export Destinations

North Alabama companies identified 50 countries around the globe as top destinations for their exported products. Canada was a top destination for 46% of the companies responding to the survey. China, Mexico, Japan, and Australia were top destinations for 37%, 37%, 28%, and 26% of the north Alabama companies. Germany, Israel, and the United Kingdom followed closely being popular with 22%-24% of the companies responding.

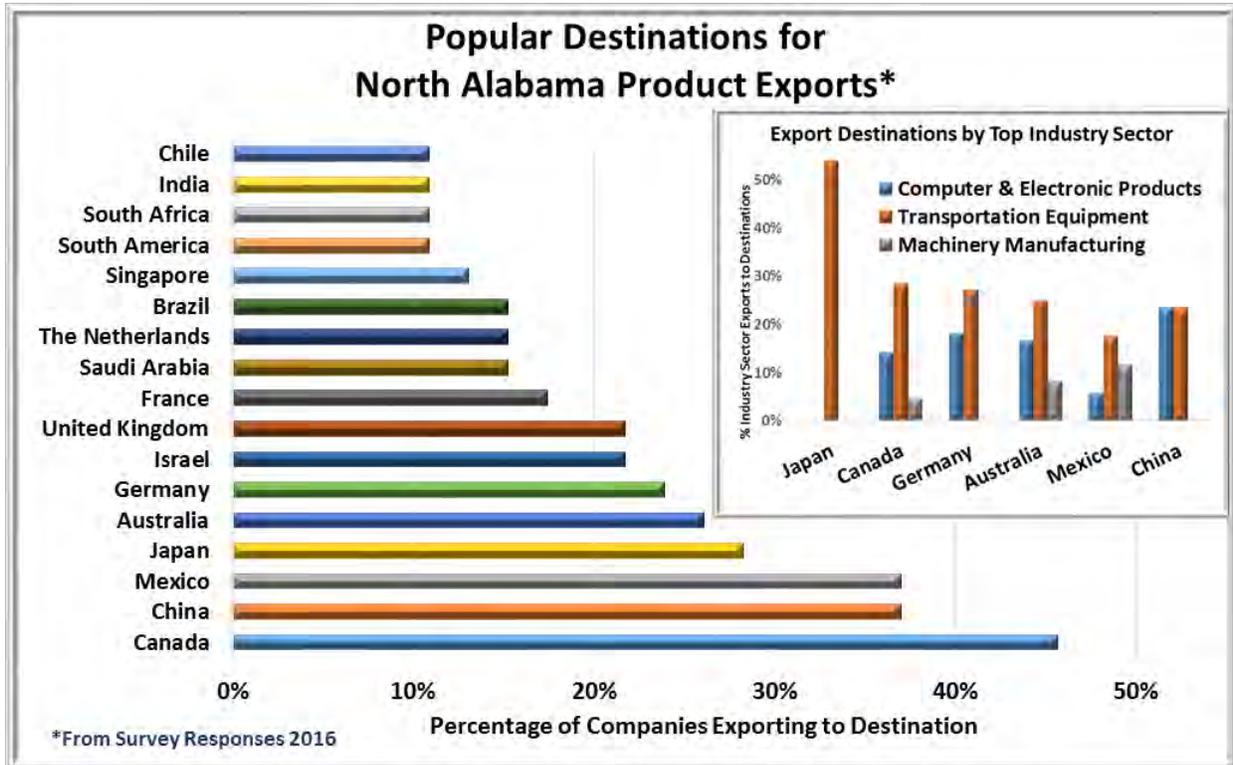


Figure 6 Popular Export Destinations

Transportation Equipment was a leading export sector to Japan from North Alabama. Top industry exports to Canada were Transportation Equipment, Computer & Electronic Products, and Machinery Manufacturing. Products exported to Germany were led by Transportation Equipment and Computer & Electronic Products. Popular exports to Australia from North Alabama companies were Transportation Equipment, Computer & Electronics Products, and Machinery Manufacturing. Significant exports to Mexico were led by transportation equipment. China-bound exports included Transportation and Machinery Manufacturing.

Trade Challenges & Obstacles

North Alabama companies pursuing international trade shared some of their challenges and/or obstacles they are currently experiencing. Only half of the survey responding companies identified at least one area of challenge in their international trade operations. North Alabama companies indicated that the most common challenge faced (17% of companies) was dealing with the Foreign Culture and Business Practices followed by Export Documentation (13%) and Intellectual Property Protection (13%). Other challenges included U.S. Export Controls (11%), Export Financing & Payments (9%), Foreign Trade Regulations (9%), and Language differences (7%). Other challenges were mentioned by less than 5% of the North Alabama companies responding to the study survey.



Figure 7 Challenges & Obstacles

Trade Topics of Interest

International technical expertise and knowledge of culture are important to successfully export products and services. Several companies responded to the study survey question about trade topics of interest to them. Some of these topics may be the search for solutions to a problem, others an enrichment of their international business processes, and a few may be areas of curiosity about international trade.



Figure 8 Trade Topics

Export Documentation, and Export Controls & Compliance (EAR/ITAR) were identified by 20% and 17% of respondents respectively as topics of interest. Import Documentation was noted by 13% of companies responding. The next group of topics mentioned by 11% of respondents included: Free Trade Agreements Policy, International Market Research, International Payment & Financing, International Tax Issues, Legal Aspects of International Trade, and Trans-Pacific Partnership Policy. Foreign Military Sales and Global Supply Chain & Logistics were of interest to 9% and 7% of respondents respectively. The least mentioned topics were Ex-Im Bank Programs, International Human Resources, Market Entry & Distributions, Transatlantic Trade and Investment Partnership Policy, and Export Credit Insurance.

International Trade Assistance

North Alabama companies have access to numerous sources of international trade assistance. From the basic introductory sessions, to market identification, to technical how-to instruction, there is at least one organization providing assistance services. Most companies (30%) mentioned the North Alabama International Trade Association (NAITA) as the organization providing assistance to respondents. The Alabama Department of Commerce was utilized by 20% of north Alabama exporters. Other services used included the Alabama International Trade Center, Port of Huntsville, U.S. Customs Offices in Alabama, and U.S. Department of Commerce. None of the respondents indicated their exported goods were processed through the Port of Mobile. It should be noted that many companies have no visibility of the freight handling for their products as they utilize 3rd party logistics providers who essentially provide turn-key door-to-door services. See Figure 9 for relative trade assistance used by provider.

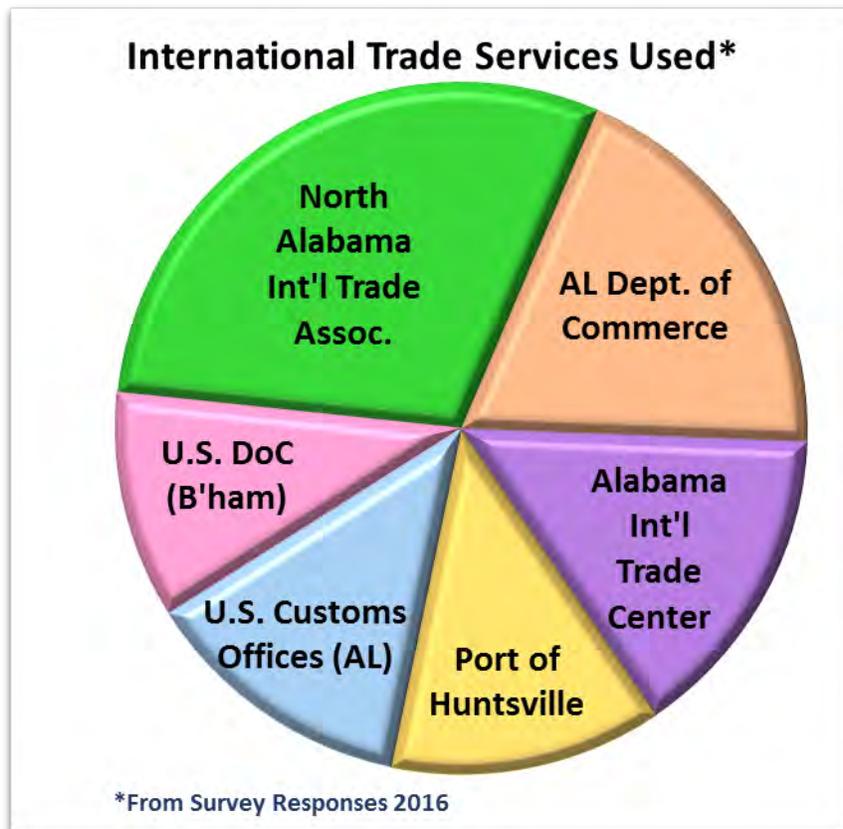


Figure 9 Trade Services Used

Summary

Total North Alabama export sales since 2011 is trending upward. Companies located in north Alabama continue to pursue export sales as part of their business strategy. Exports of manufactured goods and agricultural products are important contributors to the economy of the region. Major export industry sectors include Transportation Equipment, Computers & Electronics, Machinery Manufacturing, Chemical Manufacturing, Primary Metals Manufacturing, Agriculture & Food Manufacturing, and Plastics & Rubber Products Manufacturing.

Top destinations for north Alabama exports in 2015 included Canada, China, Mexico, Japan, and Australia. Germany, Israel, and the United Kingdom were also popular export markets for the companies responding to the study survey.

North Alabama companies identified challenges they faced in doing international business which included dealing with the Foreign Culture and Business Practices, Export Documentation, and Intellectual Property Protection.

Industry activity in the State of Alabama benefits from international business, especially in the three major economic regions of north Alabama (Huntsville, Decatur, and Florence/Muscle Shoals Metropolitan Areas). Trade assistance organizations like the North Alabama International Trade Association improve access to expertise that companies wanting to begin exporting as well as those seeking to expand their international business are requesting.

Appendix

Study Details

The study included data obtained from the International Trade Administration, U.S. Census Bureau, and through a survey of north Alabama companies across multiple industry sectors.

- The data survey was conducted in January through early June, 2016
- There were 295 companies contacted by email, mail, or telephone
- Seventy-three responses were received of which 63% had exports in 2015
- NAITA members comprised the largest group of respondents at 58 for a 40% response rate
- Responses by County were:
 - DeKalb - 8 (21%)
 - Jackson – 4 (19%)
 - Limestone – 6 (20%)
 - Madison – 26 (49%)
 - Marshall – 7 (18%)
 - Morgan/Lawrence – 7 (54%)
 - Shoals – 15 (35%)
- Survey data collection utilized an in-depth questionnaire and an abbreviated questionnaire. The long form was utilized to identify quantitative and qualitative data while the short form focused on quantitative data.
- Data collection techniques included email campaigns, telephone contacts, post-letter campaign and soliciting support through local economic development organizations.
- Special appreciation for support of this study is extended to:
 - Madison County Commission – Department of Planning & Economic Development
 - Decatur/Morgan County Chamber of Commerce
 - DeKalb County Economic Development Corporation
 - Huntsville/Madison County Chamber of Commerce
 - Jackson County Economic Development Authority
 - Limestone County Economic Development Association
 - Marshall County Economic Development Council
 - Morgan County Economic Development Association
 - The Shoals Economic Development Authority
 - U.S. Commercial Service Birmingham Alabama Office