

## **EXPORTS' DOLLAR VALUES INCREASE IN FED'S EIGHTH DISTRICT**

96-18

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ST. LOUIS -- Exports continue to be an important feature of economic activity in the Eighth Federal Reserve District. Comparing the latest available data for the first quarters of 1994 and 1995 reveals that the share of District exports each country received was little changed, but the dollar value of shipments increased. Those results appear in "Exports in the Eighth District: An Update," by economist Adam M. Zaretsky in the January 1996 edition of *The Regional Economist*, the St. Louis Fed's quarterly review of business and economic issues in the Eighth Federal Reserve District.

"Although they still represent about a tenth of total output, exports increasingly are becoming a more important piece in District and national firms' plans," says Zaretsky.

For the seven District states (Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee), most of the top exporting industries are the same: transportation equipment, chemicals, electrical equipment, nonelectrical equipment and crops. Transportation equipment is the largest export in the United States and also ranks first in five District states (Indiana, Kentucky, Mississippi, Missouri and Tennessee). Crops, which include corn, rice and soybeans, make the top five, however, in only two states (Arkansas and Tennessee), even though agriculture's share in total output in the District is greater than its share in national output. Nevertheless, crops are among the top 10 exporting industries in six District states.

Canada was the largest trading partner for all but one of the District states, followed by Japan and Mexico. Of all the exports shipped by District states in 1995, 35 percent went to Canada. Japan, the District's and the nation's second-largest trading partner, received 9 percent of all District exports; the United States sent 11 percent of its exports to the country. Mexico, on the other hand, received 8 percent of all U.S. exports, but only 5 percent of the District's exports.

Export growth, says Zaretsky, has been on the upswing for some years now. For example, between 1984 and 1995 real exports of goods and services in the United States increased from 7 percent of gross domestic product (GDP) to more than 13 percent. In fact, no other component of GDP has grown at such a rate. Why the increase? Zaretsky says more and more companies are realizing the potential contribution that exports can make to their bottom lines. "Firms have realized," he says, "that their target markets are broader today than they were yesterday, and that they're likely to be even larger tomorrow."

Subscriptions to *The Regional Economist* are free and can be obtained by calling (314) 444-8809.

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana, southern Illinois, western Kentucky, western Tennessee and northern Mississippi. In addition to serving as a bank for depository institutions and the U.S. government, each Reserve Bank supervises state-chartered member banks and bank holding companies, monitors economic conditions in the District and participates in formulating monetary policy.

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