



Florida TaxWatch

ECONOMIC COMMENTARY

INTERNATIONAL TRADE AS A CATALYST FOR FLORIDA'S ECONOMY

MAY 2022

Critical for Florida's continued innovation, growth, and diversification, international trade must be a key priority in the dynamic post-pandemic economy. Despite facing significant headwinds in recent years, Florida will continue to serve as a global trading hub, leveraging its multimodal transportation network, advanced manufacturing capabilities, and unparalleled access to markets in Latin America and the Caribbean. Yet the combination of localized lockdowns, supply chain disruptions, and geopolitical conflicts around the world speak to ongoing uncertainties and underscore an urgency for adequate resiliency. Florida can take proactive steps to improve resiliency against unforeseen disruptions while also catalyzing future economic prosperity through international trade.

FLORIDA'S INTERNATIONAL TRADE OVER TIME

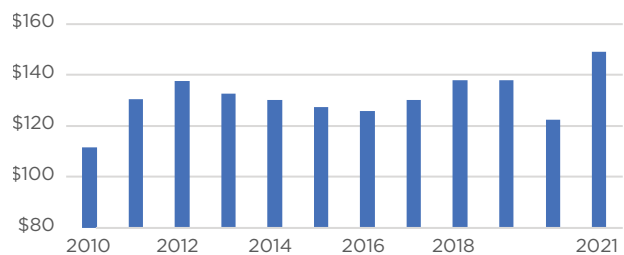
Between 2010 and 2019—in the lead up to the COVID-19 pandemic—Florida's total international trade¹ grew in value from \$111.6 billion to \$137.7 billion (See Figure 1) as the global economy expanded value chains following the Great Recession but also wrestled with several structural and cyclical factors that led to trade slowdowns mid-decade.² According to prior research, factors leading to the mid-decade slowdown included a dampening of consumer demand in certain durable goods categories and a general deceleration in the pace of trade liberalization.³

¹ Throughout this commentary, "international trade" refers to the combination of Florida-origin exports and imports that have Florida as the state of destination. Due to data limitations, international trade statistics in this commentary only include goods and not services.

² U.S. Census Bureau, Foreign Trade Division, Accessed through USA Trade Online Database on May 4, 2022. For more explanation on the potential causes of the trade slowdown in the mid-2010s, see Board of Governors of the Federal Reserve System, "Causes of the Global Trade Slowdown," Nov. 2016.

³ Board of Governors of the Federal Reserve System, "Causes of the Global Trade Slowdown," Nov. 2016.

FIGURE 1. FROM 2010 TO 2021, FLORIDA'S INTERNATIONAL TRADE GREW BY 33.5 PERCENT WITH A NOTABLE DIP IN 2020
TOTAL INTERNATIONAL TRADE (FLORIDA-ORIGIN EXPORTS PLUS IMPORTS)
IN BILLIONS OF \$



Source: Florida TaxWatch; U.S. Census Bureau Foreign Trade Data

As Florida and the rest of the world entered 2020, the COVID-19 pandemic brought global trade to a near standstill. Logistical disruptions rippled throughout supply chains, hindering the effective movement of goods and services and leading to some of the largest reductions in global trade since World War II.⁴ Based on U.S. Census Bureau trade data, Florida's total trade fell by 11.0 percent between 2019 and 2020, dropping to \$122.5 billion (See Figure 1). Florida-origin exports declined by 18.3 percent, and imports into Florida fell by 6.1 percent.⁵

⁴ Organization for Economic Cooperation and Development (OECD), "International Trade During the COVID-19 Pandemic: Big Shifts and Uncertainty," Mar. 10, 2022.

⁵ U.S. Census Bureau, Foreign Trade Division, Accessed through USA Trade Online Database on May 4, 2022

Despite the considerable decline, trade came roaring back in 2021—a testament to Florida’s “open for business” strategy and a general easing in some pandemic pressures. By the end of 2021, total trade eclipsed \$149.1 billion (higher than pre-pandemic levels), and Florida-based exports reached \$55.5 billion. For comparison, pre-pandemic Florida-based exports were \$55.9 billion in 2019. Relative to all other states, Florida was the seventh-ranked state for exports in 2021. Of Florida’s top ten exported products, civilian aircraft, engines, and parts led the list followed by telephones for cellular networks and automatic data processing machines (See Table 1). In-state manufacturing was, and continues to be, a key driver of Florida’s export rebound.

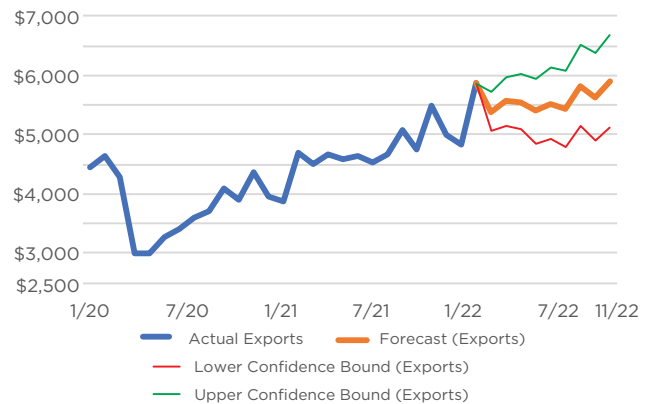
TABLE 1. FLORIDA’S TOP 10 LEADING EXPORT PRODUCTS, 2021

Product	2021 Value (\$ Millions)	Share of FL Export Market
Civilian Aircraft, Engines, and Parts	6,566	11.8%
Telephones for Cellular Networks	4,223	7.6%
Automatic Data Processing Machines	2,707	4.9%
Electronic Integrated Circuits	1,950	3.5%
Fertilizers, Minerals, or Chemicals	1,397	2.5%
Motor Cars and Vehicles	1,243	2.2%
Medical, Surgical, Dental Instruments	1,039	1.9%
Polyamides (Used in Textiles)	888	1.6%
Repaired Items and Reexports	790	1.4%
Turbojets, Propellers, and Gas Turbines	703	1.3%

Source: U.S. Census Bureau, U.S. Trade Online Database

Looking ahead to the remainder of 2022, Florida’s monthly exports appear poised to steadily grow. Based on Florida TaxWatch forecasts, monthly exports are anticipated to average \$5.6 billion through the rest of 2022 (See Figure 2).⁶ By the year’s end, Florida-origin exports are predicted to cumulatively total \$65.9 billion, an estimated 18.9 percent increase over the prior year’s totals in 2021. It should be cautioned, however, that the ongoing variability in geopolitical tensions, consumer demand, COVID-19, and supply chains may influence the eventual outcome.⁷

FIGURE 2. MONTHLY FLORIDA EXPORTS ARE FORECASTED TO CLIMB THROUGHOUT THE REMAINDER OF 2022
(TRADE VALUE, \$ MILLIONS)



Source: Florida TaxWatch; U.S. Census Bureau Foreign Trade Data

INTERNATIONAL TRADE’S IMPORTANCE IN FLORIDA’S ECONOMY

Why is more trade—especially from exports—an important goal for the statewide economy? According to some estimates, Florida goods exports directly support more than 223,000 jobs around the state with manufactured goods responsible for 93 percent of these jobs.⁸ Wages in export-heavy industries also tend to be higher than in non-export industries. The boost in wages is especially pronounced for manufacturing industries specializing in computers, machinery, electrical, and transportation equipment.⁹ Spillover benefits also accrue to non-exporting sectors—for example, Florida’s agriculture and transportation industries receive significant benefits from increased international commerce.

Before the pandemic, 57,800 Florida businesses exported products overseas. Of these businesses, 95 percent were small and medium-sized businesses, reaching across both urban and rural communities.¹⁰ Florida families derive advantages from jobs tied to trade and higher wages but, in addition, internationally traded consumer goods can reduce prices while increasing choices for a variety of different quality products (e.g., food, televisions, computers, etc.). Also worth noting, Florida ranked fifth in the nation in foreign direct investment (FDI) employment and first in the southeastern U.S. with more than 366,000 Florida jobs directly supported by overseas companies. These overseas companies provide an infusion of capital, expertise, and innovation to Florida.¹¹

⁶ Florida TaxWatch forecasts are based on U.S. Census Bureau, Foreign Trade Division data for Florida’s monthly exports from January 2002 to March 2022. The forecast uses a Seasonal Autoregressive Integrated Moving Average (SARIMA) statistical model to control for seasonality and predict future trends. The SARIMA model is specified as ARIMA(2,1,1)(0,1,2)[12].

⁷ Based on Florida TaxWatch’s forecasting model, export totals for 2022 may range anywhere from \$60.7 billion to \$71.1 billion within an 80 percent confidence interval.

⁸ Florida Legislature Office of Economic and Demographic Research (EDR), Return-on-Investment for International Trade and Business Development Programs, Feb. 2022.

⁹ Florida Legislature Office of Economic and Demographic Research (EDR), Return-on-Investment for International Trade and Business Development Programs, Feb. 2022.

¹⁰ Business Roundtable, “How Florida’s Economy Benefits from Trade & Investment,” 2021. Accessed May 4, 2022.

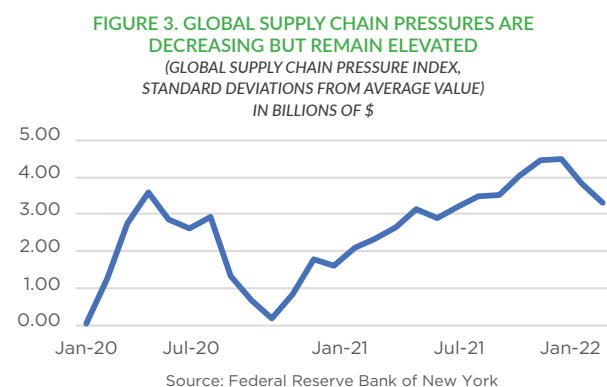
¹¹ Enterprise Florida, Foreign Direct Investment in Florida, Jan. 2022.

OPPORTUNITIES FOR FUTURE TRADE GROWTH

For Florida to continue capturing the economic benefits that accrue from international trade, the state must pursue several strategies, including but not limited to: manufacturing more in the state; improving supply chain resiliency through tools like Connex Florida; boosting Florida-origin exports; and expanding trade opportunities with international partners in Latin America, the Caribbean, and emerging markets.

Manufacturing more in Florida is a fundamental priority—larger in-state production not only supports exports to other locations around the world, but manufacturing can also yield direct benefits to Florida's own thriving economy. Higher production provides necessary inputs to other Florida businesses, products to consumers, and overall value to taxpayers. Additionally, when shipping containers carrying imported goods leave Florida empty, the state of Florida misses out on many economic benefits that would otherwise result from higher in-state production. Increased manufacturing can help reverse the trend of exporting empty containers.

Supply chains will remain an enduring, albeit unpredictable, factor in the months and years ahead. The Federal Reserve Bank of New York's Supply Chain Pressure Index shows global pressure to value chains (e.g., backlogs, delivery times, and cost of shipping) are decreasing but remains higher than pre-pandemic levels (See Figure 3).¹² Although the aggregate index suggests global pressures are abating, disruptions among different industries and for certain products will be important to monitor throughout the year.



Resilience must be front and center for Florida's long-term trade strategy. Measures such as diversifying supplier sources, increasing inventory of critical inputs, and investing in advanced analytics to identify risks are all practical steps to assist in bolstering resilience.¹³ Integrating new information technologies can improve resiliency and productivity through real-time analysis. Connex Florida—a cloud-based statewide

¹² Federal Reserve Bank of New York, "Global Supply Chain Pressure Index: March 2022 Update," Mar. 3, 2022.

¹³ McKinsey & Company, "How COVID-19 is Reshaping Supply Chains," Nov. 23, 2021.

supply chain connection platform—can further reinforce resiliency, especially for small and medium-sized businesses that face resource constraints.¹⁴

Enhancing Florida's export volume and value is a priority intricately connected with Florida's manufacturing footprint and transportation infrastructure. To increase manufacturing exports, Florida can better integrate economic development resources that encourage production in high-value, export-intensive industries and support Enterprise Florida to connect in-state small and medium-sized producers with international markets.¹⁵ Furthermore, strategic investments in the state's infrastructure network (e.g., airports, seaports, roads, railways) can help facilitate increased international commerce while also accommodating Florida's rapidly growing population.

Leveraging its ideal geographical location and proximity to Latin America and the Caribbean, the state of Florida can expand trading opportunities in growing markets. Brazil, Canada, and Mexico constitute the top three leading destinations for Florida-origin exports as of 2021; however, other growing destinations include the Dominican Republic, Argentina, Panama, Ecuador, and Honduras.¹⁶ Enterprise Florida's international trade programs will serve a dynamic role in fostering these emerging trade networks—the organization's International Offices Program yields a return on investment of 4.44 to the state of Florida.¹⁷ For every dollar spent on the program, the state of Florida receives \$4.44 back in tax revenue through increased trade and capital investment in the state.

LOOKING AHEAD

Entering 2022, global trade was forecasted to rise by 4.7 percent year-over-year; however, due to geopolitical tensions in eastern Europe and escalating commodity prices, the World Trade Organization (WTO) lowered growth predictions to 3.0 percent.¹⁸ Despite the downside risk in parts of the world, international trade opportunities for Florida are forecasted to rise throughout the year, reflecting the advantages of an "open-for-work" strategy, strengthening manufacturing sector, and burgeoning consumer demand. For Florida's long-term future, taking proactive steps to invest in the state's manufacturing sector, supply chain resiliency, export capacity, and trade opportunities with partners in Latin America and the Caribbean are among some of the various strategies that will generate benefits for Florida businesses and families.

¹⁴ Florida TaxWatch, Supply Chain Resiliency in the Face of Economic Disruption: Connex Florida As A Platform for Resiliency, Jul. 2021.

¹⁵ For a list of more strategies and challenges, see Florida TaxWatch, Manufacturing a Transformational Shift: Expanding Florida's Workforce Development Through Sector Strategies, Feb. 2022.


¹⁶ Enterprise Florida, Florida International Trade Summary 2021, Accessed May 4, 2022.


¹⁷ Florida Legislature Office of Economic and Demographic Research (EDR), Return-on-Investment for International Trade and Business Development Programs, Feb. 2022.


¹⁸ World Trade Organization (WTO), "Russia-Ukraine Conflict Puts Fragile Global Trade Recovery at Risk," Apr. 12, 2022.



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