

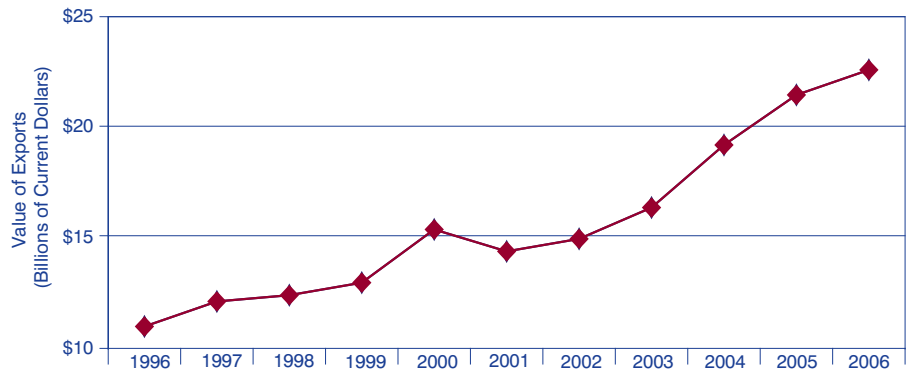
Indiana Exports on Pace for Record Year in 2007

Exports from Indiana to foreign countries reached a record \$22.6 billion in 2006, though the rate of growth moderated to 5.3 percent over the previous year (see **Figure 1**). However, recent data indicate that Indiana exports have picked up pace and will register another record year in 2007.

In the first six months of 2007, Indiana exported \$12.9 billion worth of goods, for a year-over-year increase of 10.6 percent. This seems to indicate that the growth rate for exports from Indiana may have rebounded. If the second half of 2007 matches the performance of the first half, 2007 will prove to be another banner year for Indiana exports. At the current rate, the value of exports in 2007 will exceed last year's value by about \$3 billion.

Indiana's rate of export growth has greatly exceeded its overall economic growth rate since 2001. Indiana's economy is inextricably linked to the globe—increasing sales have propelled our state's economic growth over the past several years.

FIGURE 1: INDIANA EXPORTS, 1996 TO 2006



Source: IBRC, using WISER Trade data

The weakened U.S. dollar should help Indiana exporters, but it may also be an impediment to robust business profitability. The buoyant world economy, led largely by China's feverish growth, has dramatically increased the cost of inputs. Except for raw agricultural materials, raw material prices from oil to copper have more than doubled since the economic downturn in 2001 and 2002. While a weakening dollar makes U.S. goods cheaper in world markets, the rising

cost of inputs will tend to put a profit squeeze on producers.

Where Do Hoosier Goods Go?

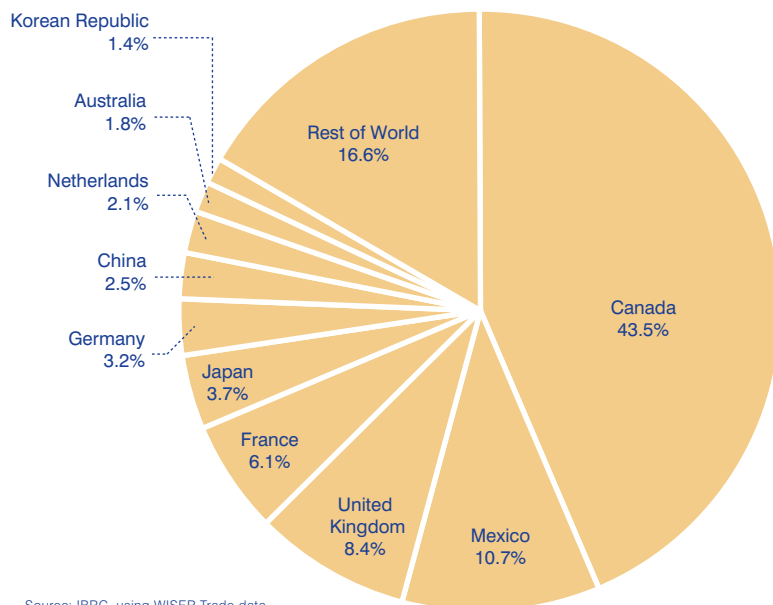
In 2006, exports to Indiana's top 10 trading partners grew in all but two countries. Canada was the state's top export destination by far, buying nearly \$10 billion in goods and services from Indiana companies, for a gain of 5.2 percent compared to a year earlier. Mexico held on to second place at \$2.4 billion, but sales to Mexico were down 7.5 percent.

Exports to the United Kingdom grew at a fast 22 percent pace in 2006 to retain third place on Indiana's list of trading partners, while exports to fourth-place France slipped by 6.2 percent.

Rounding out the top 10 destinations for Hoosier products were Japan, with exports of \$830.9 million; Germany, \$733.5 million; China, \$559.2 million; the Netherlands, \$472.9 million; Australia, \$397.4 million; and the Korean Republic, \$325.8 million (see **Figure 2**).

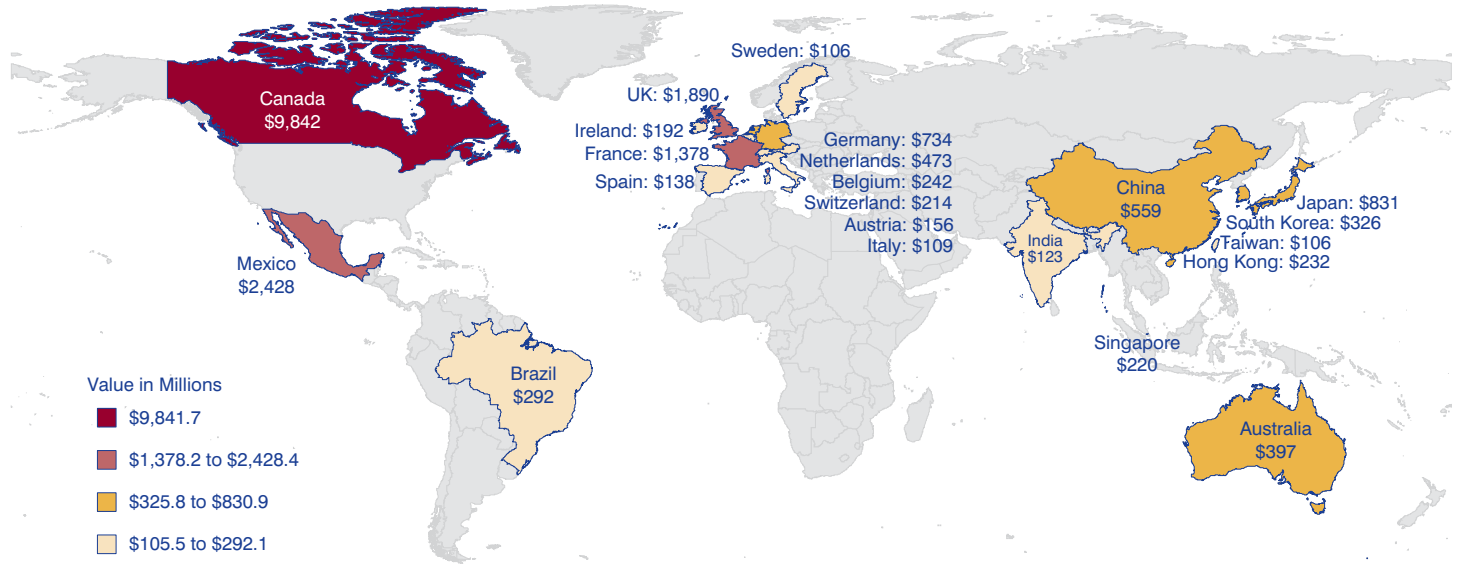
Indiana exported goods to 196 countries in 2006. Export sales exceeded \$100 million for 22 nations (see **Figure 3**), which together

FIGURE 2: TOP 10 INDIANA EXPORT DESTINATIONS, 2006



Source: IBRC, using WISER Trade data

FIGURE 3: DESTINATIONS FOR INDIANA EXPORTS EXCEEDING \$100 MILLION, 2006



Source: IBRC, using WISER Trade data

accounted for 92.8 percent of Hoosier exports.

Leading Export Industries

Vehicles and parts, along with industrial and electrical machinery, remain Indiana’s top exporting industries, accounting for 45 percent of all exports from the state. Export growth in these industries from 2005 to 2006 was relatively slow, in the 2 percent to 3 percent range.

Indiana’s pharmaceutical industry, however, raced ahead in 2006, exporting 16.9 percent more goods than in 2005. Indiana ranks third among all states in the value of pharmaceutical exports. The exports of optical and medical instruments also have registered a healthy annual average growth rate of 10.3 percent between 2001 and 2006 (see **Figure 4**).

By all appearances, there is great strength in the European market for Indiana pharmaceuticals. From 2001 to 2006, the United Kingdom, France and Germany accounted for

an \$852 million increase in Indiana pharmaceutical exports alone.

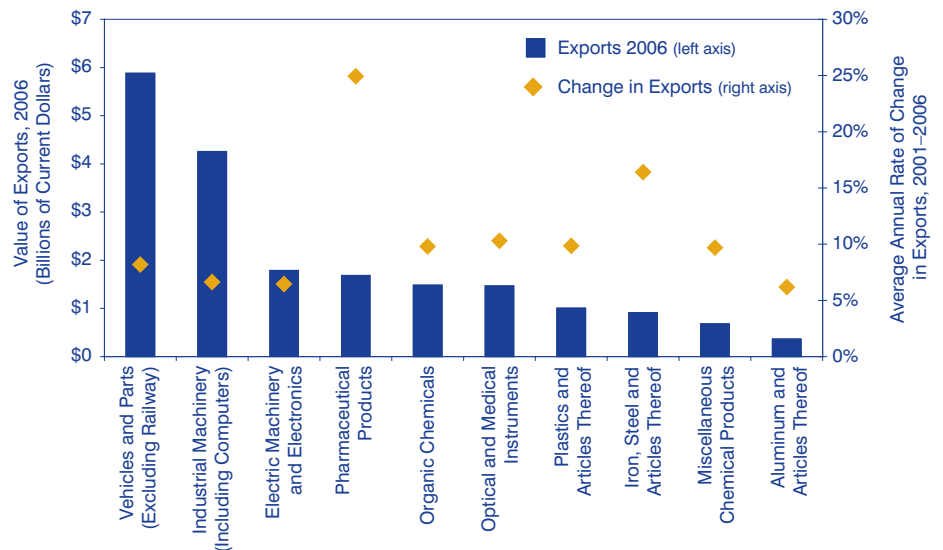
However, there is a note of caution: the demand and sales for these products can drop almost as quickly as they surge. Spain, for example, imported \$13 million worth of Indiana pharmaceutical products in 2001. By 2004, that total had surged up to \$159

million but then returned to \$13 million in 2006.

The full report, titled *Indiana’s Global Exports: Report for 2007*, is available online at www.ibrc.indiana.edu/international/pdf/exports_2007.pdf.

—Timothy Slaper, Director of Economic Analysis, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 4: INDIANA’S TOP 10 EXPORT INDUSTRIES



Source: IBRC, using WISER Trade data