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Global Manufacturing Economic Update

U.S.-Manufactured Goods Exports Fell More Than 14% in 2020

By Chad Moutray and Ken Monahan– February 11, 2021 – SHARE

The Monthly Toplines

- According to seasonally adjusted data from the U.S. Department of Commerce, U.S.-manufactured goods exports totaled $1,171.37 billion in 2020, dropping roughly 14.21% from $1,365.33 billion in 2019 to the lowest level since 2010. Among the top 10 markets for U.S.-manufactured goods, China (our third largest market) was the only market with increased activity in 2020, with exports up 2.17%.

- The U.S. trade deficit declined from $69.01 billion in November, an all-time high, to $66.61 billion in December, with the increase in goods exports outstripping the gain in goods imports. Overall, trade volumes were notably lower in 2020 as COVID-19 and a recession battered the global economy.

- The International Monetary Fund predicts that the world GDP will grow by 5.5% in 2021, bouncing back after declining 3.5% in 2020. The increase reflected "expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies."

- The J.P. Morgan Global Manufacturing PMI that the world GDP will grow by 5.5% in 2021, bouncing back after declining 3.5% in 2020. The increase reflected "expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

- In January, eight of the top 10 markets for U.S.-manufactured goods had expanding manufacturing sectors, the same number as in December. Japan and Mexico continue to be challenged, with the former slipping back into contraction territory in January after being neutral in December.

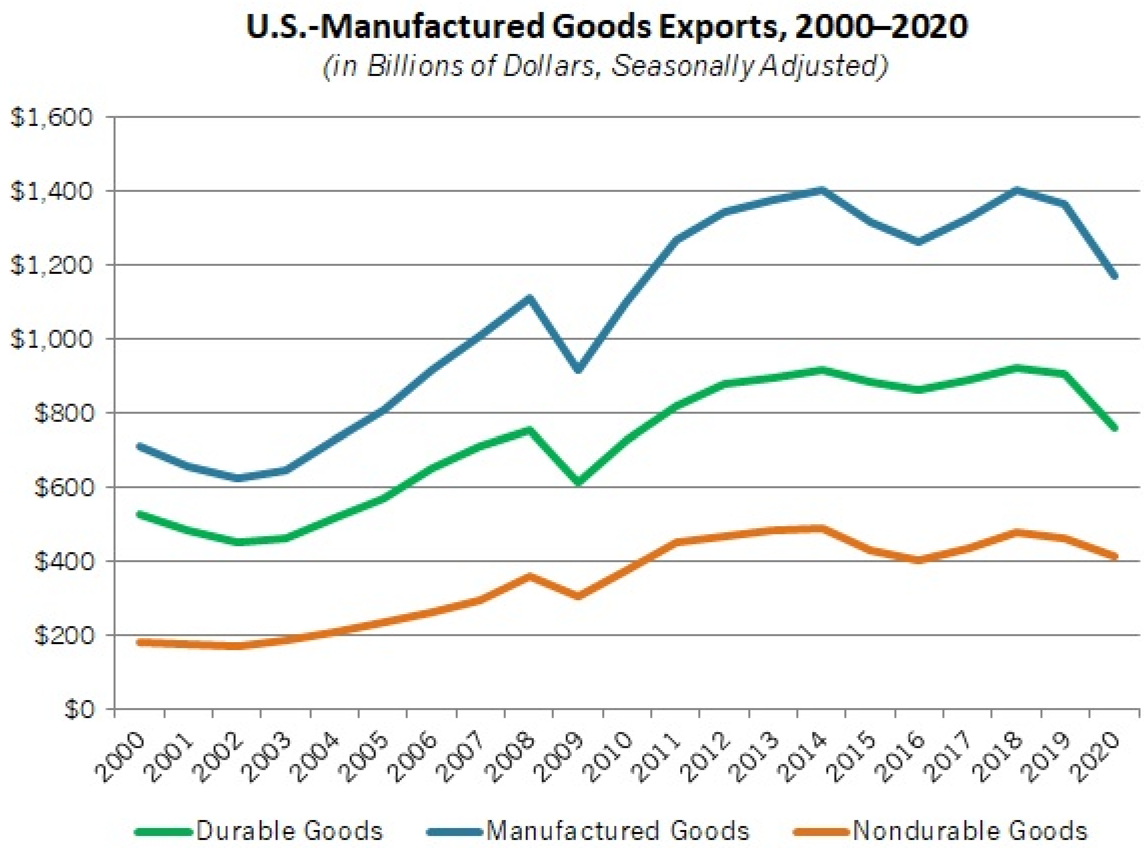
- The data continue to reflect significant progress in the global economy, particularly relative to last spring. Yet, six of the 10 markets had slowing growth in January. This largely reflected renewed weaknesses in the services sector in some areas, particularly in Europe, where COVID-19 cases continue to rise.

(The Eurozone economy contracted by 0.7% in the fourth quarter.) In addition, respondents continue to cite disruptions in their supply chains.

- The Chinese economy grew 6.5% year-over-year in the fourth quarter, the fastest rate in two years. In December, industrial production increased 7.3% year-over-year, up from 7.0% in November and the strongest pace since March 2019.

- Since April 24, 2020, the U.S. dollar has fallen 9.6% against a broad-based index of currencies for goods and services, according to the Federal Reserve. However, it has trended slightly higher since January 21, 2021, up 1.0%.

- Manufacturers are working robustly with the Biden administration and Congress to open markets, ensure trade certainty and address challenges overseas, taking actions that include the following:
  - Continuing to monitor the U.S.–China security, trade and economic relationship, and stressing the need for a comprehensive and strategic U.S. approach on China
  - Pressing for continued efforts to promote innovation and protect intellectual property globally
  - Underscoring that a revitalized and modernized World Trade Organization is vital for manufacturers in America
  - Successfully urging the Biden administration to maintain a fully functional Export-Import Bank
  - Working closely with the Biden administration on the effective use of the Defense Production Act
  - Applauding U.S. global leadership on COVID-19 and global health by restoring U.S. membership at the World Health Organization and committing to lead the push for reform
  - Continuing to lead industry advocacy in support of congressional passage of a comprehensive Miscellaneous Tariff Bill
  - Urging Canadian Prime Minister Justin Trudeau to address concerns with proposed regulations on plastic manufactured items



Global Economic Trends

- **Worldwide Manufacturing Activity:** The J.P. Morgan Global Manufacturing PMI eased from 53.8 in December to 53.5 in January, pulling back slightly from the fastest pace in nearly three years. New orders (down from 54.4 to 54.1) and output (down from 54.9 to 54.0) slowed, but both continued to expand modestly for the seventh straight month. Exports (down from 51.1 to 50.1) nearly stagnated in January. Hiring (up from 50.1 to 50.2) grew very marginally for the third consecutive month. Overall, manufacturers remain upbeat in their outlook for production over the next six months. However, the index for future output declined slightly from 64.7 to 64.4. Survey respondents also cited significant supply chain disruptions, pushing input prices (up from 61.0 to 62.3) higher, rising at the fastest pace since May 2011.

- **Economic Outlook:** The International Monetary Fund predicts that the world GDP will grow by 5.5% in 2021, bouncing back after declining 3.5% in 2020. The forecast for this year was revised up 0.3% from the estimate released in the October report. The increase reflected “expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.” Likewise, the U.S. economy should expand by 5.1% in 2021 following the 3.4% decline seen in 2020.

- **Sentiment in Major Markets:** In January, eight of the top 10 markets for U.S.-

manufactured goods had expanding manufacturing sectors, the same number as in December. Japan and Mexico continue to be challenged, with the former slipping back into contraction territory in January after being neutral in December.

On the one hand, data continue to reflect significant progress in the global economy, particularly relative to last spring. On the other hand, six of the 10 markets had slowing growth in January relative to the previous survey. This largely reflected renewed weaknesses in the services sector in some areas, particularly in Europe, where COVID-19 cases continue to rise. In addition, respondents continue to cite disruptions in their supply chains.

Here are more details on each of these major markets (in order of their ranking for U.S.-manufactured goods exports in 2019):

- Canada (down from 57.9 to 54.4): The data slowed across the board, but with new orders and output continuing to expand modestly after rising in December by the fastest pace in two years. Hiring increased for the seventh straight month, albeit at a slower pace. Canadian manufacturing leaders remain very upbeat about future production.

- Mexico (up from 42.4 to 43.0, contracting for the 11th consecutive month): Mexico once again reported the weakest PMI among the top 10 markets, with activity continuing to deteriorate sharply, albeit at a slower rate in January. With that said, the index for future output indicated cautious optimism for positive production growth six months from now, with that measure rising above 50 for the second straight month.

- China (down from 53.0 to 51.5): In January, manufacturing activity expanded in China for the seventh consecutive month, but at the slowest rate since June. New orders, output and future output expectations slowed, but exports contracted for the first time since July. Employment fell at a faster pace.

- Japan (down from 50.0 to 49.8): New orders expanded ever so marginally for the first time since December 2018, but other measures in the latest survey weakened, including contracting paces for output, exports and hiring. The index for future output eased in January but continued to suggest positivity about the next six months. Input costs accelerated at the fastest rate since May 2019.

- United Kingdom (down from 57.5 to 54.1): After expanding in December at the fastest rate since November 2017 (likely on pre-Brexit volatility), manufacturing activity eased somewhat in January. The data were mixed. Output slowed, but new orders and exports slipped into contraction territory. In contrast, hiring grew for the first time in 12 months, and respondents were more optimistic about future output. Input costs rose at the fastest pace in four years.

- Germany (down from 58.3 to 57.1): Manufacturing activity pulled back from its best reading since February 2018 but remained solid overall. New orders and output eased somewhat, but exports accelerated. Although employment declined at a slower pace, it has still contracted for 23 straight months. Encouragingly, the index of future output jumped to the best reading in the history of the series, which dates to 2012. Input costs rose at the quickest rate since July 2018.

- Netherlands (up from 58.2 to 58.8, the best reading since September 2018): Production accelerated at the fastest pace in 28 months, and the index of future output was the strongest since April 2018, which was encouraging. At the same time, demand eased but remained strong, and hiring slowed somewhat. Mirroring other markets, raw material costs jumped at the briskest pace since October 2018. The Netherlands had the highest PMI among the top 10 markets for U.S.-manufactured goods.

- South Korea (up from 52.9 to 53.2, the best reading since February 2011): Production reached its strongest level in nearly 10 years, and the index for future output jumped to a level not seen since April 2014, pointing to optimism in the outlook. Yet, new orders and export growth slowed, and hiring contracted for the first time since October. Input costs soared at the highest rate in three years.

- Brazil (down from 61.5 to 56.5, the slowest pace since June): The underlying data slowed across the board in January, including new orders, exports, output and hiring. The index for future output eased as well, but respondents remained very optimistic in their outlook. Raw material costs soared robustly despite easing slightly in January.

- France (up from 51.1 to 51.6, expanding for the fourth time in the past five months): New orders rebounded, but output and hiring fell back into contraction in January. Exports fell for the third straight month. On the positive side, the index for future output rose to the best reading since April 2019, and raw material prices rose to the strongest levels since February 2018, despite supply chain constraints.

- **Regional and National Trends:** Here are some other economic trends worth noting.

  - China The Chinese economy grew 6.5% year-over-year in the fourth quarter, the fastest rate in two years. In December, industrial production increased 7.3% year-over-year, up from 7.0% in November and the strongest pace since March 2019. Fixed-asset investment (up 2.9% year-over-year) notched its best reading of the year in December. However, retail sales (down from 5.0% year-over-year in November to 4.6% in December) softened somewhat. Growth in consumer activity remains well below the rates seen pre-pandemic.

  - Europe The Eurozone economy contracted by 0.7% in the fourth quarter, pulling back once again after real GDP increased by 12.4% in the third quarter, as rising COVID-19 cases led to renewed restrictions on activity. On a year-over-year basis, real GDP in the Eurozone shrank by 5.1%. December industrial production data will be released on Feb. 12. In November, output jumped 2.5%, extending the 2.3% gain seen in October but with 0.6% less production than one year earlier. At the same time, retail sales rose 2.0% in December, recovering some of the 5.7% decrease seen in November. Over the past 12 months, retail spending has fallen 1.2%. Meanwhile, the unemployment rate remained at 8.3% in December.

- United Kingdom: In November, industrial production edged down 0.1%. New data for December will be released on Feb. 12. Despite notable progress since the spring, output remained 4.7% below where it was last February, illustrating the sharp declines in manufacturing activity seen during the COVID-19 pandemic. Meanwhile, retail sales increased by 0.3% in December following the 4.1% decline seen in November caused by renewed COVID-19 restrictions. Overall, retail spending has increased 2.9% year-over-year.

- Canada: Manufacturing sales fell 0.6% in November, falling for the first time since August, largely on weaker automotive and aerospace sales. Over the past 12 months, new orders for manufactured good have fallen 4.8%. New data for December will be released on Feb. 15. Meanwhile, retail sales rose 1.3% in November, rising for the seventh straight month. Despite tremendous volatility over the course of the year, retail spending has risen 7.5% since November 2019. In January, the unemployment rate was 9.4%, up from 8.8% in December and the highest since August. The number of manufacturing workers decreased by 12,300 in January, but with employment in the sector up 3,400 year-over-year.

- Mexico Industrial production rose 1.1% in November, rising for the sixth straight month. Yet, it has fallen 3.3% over the past 12 months. Manufacturing production was flat in November in real terms, declining 1.2% year-over-year. December data will be released on Feb. 11. [Note: The link is in Spanish.]

- Japan Industrial production fell 1.6% in December, pulling back for the second straight month. Output declined 3.2% over the past 12 months. Strength in machinery and motor vehicles buoyed the December data, but production decreased for chemicals and electronics. On the retail front, consumer spending also fell for the second consecutive month, down 0.8% in December. On a year-over-year basis, retail sales have declined 0.3% since December 2019. [Note: These second link is in Japanese.]

- Emerging Markets After rising in November at the fastest pace since January 2011 (53.9), the IHS Markit Emerging Markets Manufacturing PMI slowed for the second straight month, down from 52.8 in December to 52.1 in January. The good news was that the measure now reflects expanding growth in emerging markets for seven consecutive months. In December, new orders and output decelerated, but exports contracted for the first time since August. Hiring declined at a marginally faster rate in January than in December. With that said, the index for future output continued to signal optimism about production over the next six months, albeit with the measure decreasing from 62.6 to 61.5.

Deeper Dive

- **Trade-Weighted U.S. Dollar Index** Since April 24, 2020, the U.S. dollar has fallen 9.6% against a broad-based index of currencies for goods and services, according to the Federal Reserve. However, it has trended slightly higher since January 21, 2021, rising by 1.0%. The index reflects currency rates per U.S. dollar, suggesting the dollar can purchase less today than it could last spring but more than it could a few weeks ago. A weaker U.S. dollar could help boost exports, but it would also increase the cost of imported raw materials and other inputs. Despite recent declines, the U.S. dollar remains elevated over the longer term, up 20.8% since July 1, 2014.

- **International Trade** The U.S. trade deficit declined from $69.01 billion in November, an all-time high, to $66.61 billion in December. The reduction stemmed from an increase in goods exports (up from $127.54 billion to $133.50 billion—the strongest reading since February 2020) that outstripped the gain in goods imports (up from $214.53 billion to $217.65 billion—the best since October 2018). Overall, trade volumes declined notably in 2020 as COVID-19 and a recession battered the global economy. Here are the reductions in trade volumes last year: goods exports, down from $1,652.44 billion in 2019 to $1,434.77 billion in 2020; goods imports, down from $2,516.77 billion to $2,350.56 billion; service-sector exports, down from $875.83 billion to $697.13 billion; and service-sector imports, down from $588.36 billion to $460.08 billion.

  In December, goods exports rose for industrial supplies and materials (up $1.80 billion), foods, feeds and beverages (up $1.36 billion, mainly from corn and soybeans), non-automotive capital goods (up $1.10 billion), automotive vehicles, parts and engines (up $852 million) and consumer goods (up $349 million). At the same time, goods imports were boosted by strength in industrial supplies and materials (up $2.71 billion), automotive vehicles, parts and engines (up $1.97 billion) and non-automotive vehicles and parts (up $630 million). Imports fell for consumer goods (down $1.90 billion, mainly from cell phones) and foods, feeds and beverages (down $444 million).

- **U.S._Manufactured Goods Exports** According to the latest seasonally adjusted data from TradeStats Express, U.S.-manufactured goods exports totaled $1,171.37 billion in 2020, dropping roughly 14.21% from $1,365.33 billion in 2019 to the lowest level since 2010. In 2020, durable and nondurable goods exports were off 16.11% and 10.49%, respectively.

  Among the top 10 markets for U.S.-manufactured goods, China (our third largest market in 2020, between Mexico and Germany) was the only market with increased activity in 2020, with exports up 2.17%. For the other nine markets (listed in terms of their ordinal ranking), U.S.-manufactured goods exports were lower: Canada (down 13.93%), Mexico (down 18.02%), Germany (down 6.40%), Japan (down 13.68%), the United Kingdom (down 14.08%), South Korea (down 1.49%), the Netherlands (down 8.50%), Brazil (down 18.53%) and Belgium (down 20.82%).

- ***Biden administration signals continued China push, efforts to develop China strategy in consultation with allies:*** Top Biden administration officials are strongly signaling China as a top priority and concern, with pledges to develop—across agencies and in consultation with allies—a comprehensive, strategic approach to China. However, officials gave no concrete timeline for a rollout of such an approach.

    - In a Feb. 4 speech on U.S. diplomacy, President Joseph R. Biden, Jr. called China the United States' "most serious competitor." He pledged to confront China's "economic abuses" as well as its "attack on human rights, intellectual property and global governance," while also saying that the United States stands "ready to work with Beijing when it's in America's interest to do so."

    - Other senior officials, including White House Press Secretary Jen Psaki, Treasury Secretary Janet Yellen and National Security Advisor Jake Sullivan, have stressed the administration's "administration-wide" approach to China, as well as an ongoing review of past actions, including the U.S.–China "phase one" deal and Section 301 tariffs.

    - President Biden has also engaged with a range of world leaders on China-related issues, including the leaders of Australia, France, Germany, Japan and the United Kingdom, though not directly with President Xi Jinping. Meanwhile, Sullivan and Secretary of State Antony Blinken have engaged with a wider net of officials, including a conversation with Chinese State Councilor Yang Jiechi that reiterated a U.S. commitment to human rights, democratic values and work to "hold the PRC accountable" for regional security concerns.

    - Meanwhile, the Biden administration will need to sort out a flurry of actions taken at the end of the Trump administration. These actions included labeling Chinese activities in Xinjiang as "genocide" and blocking certain imports from the region, as well as new rules from the departments of Defense and Commerce to block business with Chinese information technology, energy and drone companies.

The NAM continues to stress the need for China to tackle persistent, structural trade barriers that prevent manufacturers from competing freely and fairly around the world. The NAM urges the United States to quickly develop and drive a comprehensive and strategic approach to cement concrete, lasting and enforceable policy changes in China and develop a pathway to promote targeted trade enforcement approaches versus broad-brush actions that cause collateral damage to the U.S. economy.

Learn more.

- ***Manufacturers press for continued efforts to promote innovation and protect intellectual property in global markets.*** On Jan. 28, the NAM called on the U.S. government to protect manufacturers of all sizes from the threat of intellectual property theft and barriers to innovative manufactured products in countries around the world.

- In a detailed submission to the Office of the U.S. Trade Representative for its annual Special 301 report, the NAM underscored innovation, IP and research and development as the foundations for a competitive American manufacturing base that benefits working families, manufacturers large and small and the broader economy.

- The NAM highlighted top cross-cutting issues such as the global threat from counterfeiting, increasing political pressure to erode critical IP protections and inadequate capacity and political will to enforce the IP of manufacturers.

- The NAM's submission discussed IP-related developments in more than 60 countries and regions, highlighting 16 markets for special attention and designation in the Americas (Argentina, Brazil, Canada, Chile, Colombia and Mexico), Africa (South Africa), the Asia-Pacific (Australia, China, India, Indonesia, Japan, Korea and Thailand), the Middle East (Saudi Arabia) and Europe (Russia).

  Learn more.

- ***The Biden administration backs Ngozi Okonjo-Iweala to lead the WTO.*** On Feb. 5, USTR released a statement expressing "strong support" for the candidacy of Ngozi Okonjo-Iweala as the next director general of the WTO.

  - In its statement, USTR underscored that the Biden administration "looks forward to working with a new WTO Director General to find paths forward to achieve necessary substantive and procedural reform of the WTO."

  - In a Feb. 8 statement, NAM President and CEO Jay Timmons underscored that manufacturers "look forward to working with Okonjo-Iweala" and that "a revitalized and modernized WTO—with active participation by the United States—is vital to the continued growth of trade and the improvement of the global competitiveness of manufacturers in America."

  - In his statement, Timmons also pledged that the NAM "will work with the Biden administration, Congress and the business community to build the case for a reformed WTO that delivers in three key areas: trade liberalization, the strengthening of the WTO rulebook and the reinstatement of the WTO dispute settlement system."

    Learn more.

- ***The NAM continues to advocate for passage of the MTB.*** Following the exclusion of the MTB from the Consolidated Appropriations Act of 2021 , which passed

Congress in December, the NAM is redoubling its efforts in support of congressional passage of the legislation as soon as possible in 2021. In doing so, manufacturers are underscoring the direct impact of the tariffs that would be removed under the MTB on U.S. manufacturing operations and American workers.

Learn more.

- ***Manufacturers successfully encourage Biden administration to maintain a fully functional Ex-Im Bank, push for the swift nomination of board candidates.*** On Jan. 20, President Biden took action to maintain a quorum on the Ex-Im Bank board of directors by appointing Jim Cruse, the bank's senior vice president of policy analysis and international relations, as acting first vice president and vice chairman and extending Director Judith Pryor's term by six months. This follows the NAM's advocacy that stressed the importance of such actions to maintain a quorum with the Biden-Harris Agency Review Team.
  - Maintaining a quorum at this time is as important as ever, with manufacturers facing a global pandemic, economic uncertainty and 115 foreign export credit agencies providing support for their own domestic exporters.
  - Manufacturers are also urging the Biden administration to provide longer-term certainty by nominating a full slate of qualified nominees to open positions on the Ex-Im Bank board of directors as soon as possible for consideration by the U.S. Senate.

    Learn more.

- ***Manufacturers work closely with the Biden administration on the effective use of the DPA.*** As the Biden administration looks to leverage DPA authorities to help with the nation's response to the COVID-19 pandemic, manufacturers have encouraged a collaborative and strategic approach.
  - As the NAM has advocated, the Biden administration has committed to working in partnership with manufacturers and recently announced three ways DPA or similar industrial expansion programs are being or will be used.
  - This includes using priority authority to tackle constraining factors such as limited equipment and ingredients for vaccine production, a federal government investment to increase the domestic production capacity of COVID-19 tests and a forthcoming half billion-dollar federal government investment to produce the raw materials and manufacture surgical gloves in the United States.

    Learn more.

- ***President Biden affirms U.S. commitment to the WHO, global leadership in multilateral organizations.*** On his first day in office, President Biden, announced that the United States was revoking plans by the Trump administration to withdraw from the WHO, and that the United States intended to be "a global leader" and a strong reform advocate at the WHO. The announcement presaged a more detailed Jan. 21 memorandum that laid out a 30-day window to set U.S. priorities for global leadership on COVID-19 and for WHO reform priorities.

    - NAM President and CEO Jay Timmons praised the action, saying that manufacturers were pleased to see "a clear U.S. commitment to global leadership on COVID-19 and global health by restoring its membership at the WHO and committing to lead the charge for WHO reform," given the need for "a transparent, science-based WHO that is focused and equipped to succeed in its core mission."

    - That statement mirrors direct advocacy by the NAM-led Engaging America's Global Leadership coalition with leadership of the Department of Health and Human Services ahead of the WHO executive board meetings on Jan. 18 to 26. In a direct letter, EAGL stressed the importance of U.S. leadership at the WHO and principles to guide renewed U.S. engagement. The letter also included substantive comments on agenda items impacting U.S. innovation and IP and WHO tax and regulatory proposals impacting key industries.

      More broadly, Biden administration officials have affirmed a commitment to engaging, strengthening and reforming international organizations, rejoining others such as the U.N. Human Rights Council and stressing that the "[U.S.] leadership is needed at the table" and that the United States would "demand reforms in the U.N. system…to be more efficient and more effective." Such commitments to engage and to lead were echoed by NAM leadership as well as the EAGL coalition.

      Learn more.

- ***NAM joins call to Canadian Prime Minister Justin Trudeau to address concerns over proposed regulations on plastic manufactured items.*** On Jan. 25, the NAM joined more than 80 other North American business groups in a direct letter to Canadian Prime Minister Justin Trudeau voicing concerns about Canada's proposed order to add "plastic manufactured items" to Schedule 1 of the Canadian Environmental Protection Act. In its letter, the NAM and others raised concerns about the proposed order's compliance with Canada's commitments to the WTO and the United States–Mexico–Canada Agreement as well as its potential for opening the door to further bans on a broader mix of plastics used in manufacturing industries.

  Learn more.

- ***NAM Signs Multi-Industry Statement on WTO Cross-Border Data Negotiations:*** The NAM joined a multi-association statement on the WTO Joint Statement Initiative negotiations, which was shared on Jan. 26 with WTO negotiating delegations in Geneva.
    - The JSI negotiations seek to conclude an international agreement that ensures cross-border access to technology and the trusted movement of data across economic sectors and regions.
    - The letter highlights business support for an outcome to the negotiations that contains commitments on unnecessary or discriminatory cross-border data transfer restrictions and data localization mandates.

  Learn more.

Take Action

- ***For a listing of upcoming U.S. Trade and Development Agency missions, click here.***
- ***For a listing of upcoming Commerce Department trade missions, click here.***