The Surprising Resilience of US trade during the COVID-19 Lockdown.

Introduction

I am a trade advisor at the Minority Business Development Agency – Export Center. With the funding and support from State and Federal Agencies, I have spent the last several years implementing economic development programs designed to assist Small-to-Mid Sized Enterprises (SME’s) and Minority Business Enterprises (MBE’s) in accessing international markets. My work in this international business and economic development in the private, public, and academic sectors spans 2 decades.

When it became apparent in early March that COVID-19 would reach our shores and that an economic lockdown was eminent, it was rather clear that any concerns around international trade would take a backseat to the immediate needs of domestic economies. Rightly so, as an economic shutdown designed around the epidemiological constraints of COVID-19 would was expected to disproportionately affect the service, hospitality, retail industries and by extension and most importantly the American workforce. Furthermore, the liquidity constraints of SME’s and MBE’s, the engines of job creation and retention, would be stretched past the breaking point without support. Congress acted quickly in passing the CARE Act, and my organization, The UTSA: Institute for Economic Development, pivoted very rapidly to assisting in the stabilization and survival of firms throughout our region (while simultaneously tackling the logistical challenges of having to work from home).

Once the dust began to settle, we at the Institute began to resume focus on the core aims of our respective programs – in my case international trade. As summer approached, and we began to survey our clients and stakeholders and the realities of the new environment, we noticed that everyone, including ourselves, were operating under the assumption that the last place anyone would look for opportunity at a time like this would be in international markets. Furthermore, the tone on trade, even among the experts, has zoned in on a need to shift focus from efficiency – the primary pursuit of trade activity and policy over last 50+ years – to resiliency. Especially as it became evident as early as January 2020 that several industry supply chains in many countries were excessively dependent upon and vulnerable to the disruptions in China.

However, upon having delved into the actual US trade data over the period of the COVID induced lockdown, I was surprised to find that the data in fact shows a high degree of resiliency in US Export and Import activity, especially when compared to the effects of the lockdown on the rest of the US economy. Therefore, it appears that in addition to the usual points we trade advisors like to make when encouraging US firms to explore and engage international markets – i.e. over 95% of the worlds’ consumers live outside of the USA, 10.7 million US jobs are supported by exports (2017), a firm that exports is 8.5% less likely to go out of business, less than 1% of US companies export… to name a few – we can add that a firm that exports may be more resilient to weathering a global pandemic.
The Findings

The following graphs show US monthly Export and Import volumes in USD January 2017 – May 2020. The mean monthly US export Volume for the period 2017-2019 was $134,866,342,107, while monthly import volumes averaged $210,730,968,798. In April and May of 2020 – the height of the COVID lockdown - Exports dropped to $95,683,779,400 and $90,584,959,523 and imports to $170,472,110,871 and $168,987,161,544, as illustrated in the following graphs.

Source: Data extracted from Comtrade.un.org
To better isolate the effect of the COVID lockdown we must account for the seasonality of US trade year-over-year. The following two graphs show the seasonality of US Exports and Imports as a percentage of variance from the monthly mean derived from trade volumes 2017-2019. For Example, March has been the best month for US exports 2017-2019, at 7.20% over the mean. Mean Exports for the term were $134,866,342,107, and Exports for March 207-2019 were $135,824,770,604, $149,796,242,838, and $148,092,232,697 respectively. This results in an average of $144,571,082,046 for the month of March 2017-2019, which is 7.20% over the average. The following charts show seasonality expressed thusly for US Exports and Imports 2017-2019.

![Seasonality US Exports 2017-2019](image1)

![Seasonality US Imports 2017-2019](image2)
Finally, the following graphs show the actual decline of Exports and Imports as a percentage from the mean (Yellow line), and the seasonally adjusted decline (Green line).

The conclusion: US exports during the COVID-19 imposed lockdown only declined by a seasonally adjusted 7.03%, 27.67% and 34.56% in March, April, and May. Imports only declined 4.51%, 17.14% and 22.68% during these 3 months. At the time of this writing June data is not yet available.
Under normal business conditions, a decline of 10%, 20%, or 30%+ in revenue for any firm is significant if not catastrophic. However, in a business environment where most US firms revenue sources have reportedly seen declines between 50-99% during the lockdown, a mere 30% decline is relative resilience.

As an illustrative comparison, the following graph is a composite scale published by Goldman Sachs of economic activity across industries in the US economy. At its trough revenues declined by 64% in early to mid-April. The data shows a positive rebound in activity to only a 40% decline by mid-June, as Lockdown restrictions eased across the country. Meanwhile, exports only declined by 7%, 27%, and 35% March through May. The effects upon Exports seemed to have a delayed onset, as well as to be less severe. It is yet to be seen how the rebound plays itself out.

Source: *Measuring the Reopening of America*, Goldman Sachs Equity Research, June 24th, 2020 1:56AM EDT.

As a quick visual comparison, let us look again at Export data for the same Period Feb.-June.
As a US company, would you not want some of your portfolio diversified into this more resilient market?

As a US trade advisor, my challenge is to achieve a substantial increase from the currently 1% of US firms that Export into global markets. The data presented in this report adds to a long list of objective studies that show incontrovertibly that international business is good for American business.

Are international markets an opportunity just waiting to be seized by your organization? My colleagues and I at the Minority Business Development Agency, hosted by the UTSA Institute for Economic Development, specialize in assisting Minority Business Enterprises in making this happen. We and our broader network of State and Federal resource partners are eager and able to offer technical analysis and assistance to help US firms across the country access international markets in pursuit of a more resilient and prosperous future.

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