Export growth is an important source of aggregate growth in the U.S. economy. Indeed the importance of exports in contributing to U.S. economic growth has increased steadily over the past three decades, with exports nearly doubling as a share of gross domestic product.

Export growth has been championed as a key driver for the country’s ongoing economic recovery. Generally speaking, exports of goods and services produced in the United States depend crucially on foreign demand. When foreign economic growth is low, foreign demand tends to be weak as people have less income to purchase U.S. goods and services. In this way, lower foreign growth may lead to less growth in U.S. exports. Kansas City Fed Economist Jun Nie and Research Associate Lisa Taylor’s analysis, however, found that this relationship between U.S. export growth and foreign economic growth varies from region to region.

FURTHER READING
“Economic Growth in Foreign Regions and U.S. Export Growth”
Jun Nie and Lisa Taylor
www.bit.ly/jun-taylor

The United States has four large export markets: Asia, Europe, Canada and Mexico.

The analysis shows U.S. export growth is most closely associated with growth changes in Europe, followed by growth changes in Canada and Asia. The close relationship between U.S. export growth and European growth results from Europe having the largest share of world GDP and a large share of U.S. export goods.

The analysis also can be applied to forecast future U.S. export growth. From September 2011 to October 2012, the IMF revised downward its estimates for growth prospects across different regions. Based on these projections of slower economic growth in foreign regions, particularly in Europe and Asia, U.S. export growth is expected to be 2.0 percentage points lower in 2013 and 0.9 percentage point lower in 2014 than previously estimated. Consequently, the contribution of annual U.S. real export growth to U.S. real GDP growth is projected to be reduced by 0.4 percentage point in the 2013-14 period.