

# Weekly Economic Commentary

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### Highlights

Our fastest growing exports are not always as visible as some of the items we consume and import daily.

Most major service export categories have experienced near 10% growth per year for the past 10 years.

Good Old American Know-How is our most abundant resource.

80% of U.S. jobs are service related. Although much is made of the maligned “hamburger flipper” service job, many U.S. service-related jobs require advanced degrees and advanced skills, and help to make possible our booming business in service exports, much of it tied to Good Old American Know-How.

\*These services also include management consulting and public relations, legal, construction, engineering, architectural, mining, industrial services, installation, maintenance, equipment repair, and other services (including medical services).

## Exporting Good Old American Know-How Part 2: Hollywood Edition

Despite the United States’ large trade deficit (\$509 billion in 2013, around 3% of gross domestic product [GDP]) the United States is a net exporter of services. Our service exports are growing rapidly, as consumers and businesses around the world demand America’s intellectual property and expertise—and culture, too. (Please see our August 11, 2014 *Weekly Economic Commentary: Exporting Good Old American Know-How Part 1.*) Service exports reached an all-time high in 2013 and have nearly tripled in the past 10 years. In the areas where we have a trade surplus (in the service sector), we create jobs, and relatively high paying jobs. On balance, 80% of U.S. jobs are service related. Although much is made of the maligned “hamburger flipper” service job, many U.S. service-related jobs require advanced degrees and advanced skills, and help to make possible our booming business in service exports, much of it tied to Good Old American Know-How.

### Stepping Out: Good Old American Know-How Always in Demand

Our top service export—business, professional, and technical services—is a fancy name for Good Old American Know-How. At \$157 billion, this would have been our third largest export in 2013. It includes fields ranging from education, oil field services, and entertainment to advertising, computer and data processing services, and database and other information services, as well as research, development, and testing services.\*

This category of exports is basically invisible to average Americans unless they (or someone they know) work in these fields. More than 19 million Americans (close to 17% of the overall workforce in the United States) are employed in this category of service exports. Unlike many other measures of employment, this category has completely recovered from the Great Recession, and did so in late 2012, 18 months earlier than overall employment. Of course, not all of those 19 million jobs are tied to service exports, but a sizable portion is.

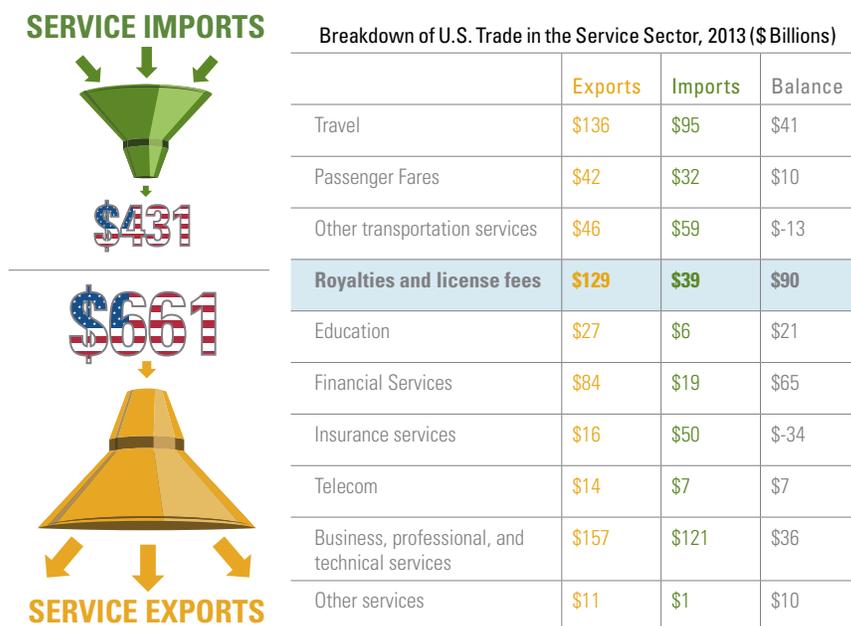
### Exporting Hollywood: Beyond the Red Carpet

Another service export category that stands out is royalties, license fees, copyrights, and broadcast rights, with \$129 billion of exports in 2013 [Figure 1].



This includes fees earned by U.S. television networks and movie studios selling licenses to foreign media outlets for overseas broadcasts of TV shows like Big Brother, Modern Family, CSI, Family Guy, Law and Order, the Discovery Channel’s Shark Week franchise, The Big Bang Theory, and, of course, the Super Bowl. Exporting Hollywood extends not only to new movies like Frozen, The Hunger Games, Despicable Me, The Lego Movie, 22 Jump Street, and yes, even The Wolf of Wall Street, but also to classics like The Wizard of Oz, Gone with the Wind, Jaws, and Back to the Future. It also includes U.S. firms like Microsoft, Apple, Oracle, and Cisco licensing their software for use overseas. Similarly, U.S. companies garnered \$45 billion in fees in 2013 by selling their patented manufacturing processes to overseas firms. Financial services (investment banking, advisory fees, trading, trust, custody, etc.) provided by Wall Street investment banks and other large commercial banks netted \$84 billion in fees in 2013.

1 Hollywood Exported \$129 Billion Worth of Services in 2013



Source: LPL Financial Research, U.S. Department of Commerce 08/18/14

Tourists who visited the United States in 2013 spent a whopping \$178 billion on hotels, plane and train fares, rental cars, and other goods and services while they were here, far outstripping the \$128 billion American travelers spent abroad. Looking at combined goods and services export categories, travel would rank sixth. We also routinely run a huge trade surplus in education, where international students spent \$27 billion in 2013 to study in the United States, while U.S. students spent just \$6 billion to study at overseas colleges and universities.



The United States is still one of the world's largest exporters of goods and services, and our fastest growing exports (services) aren't always as visible as some of the items we import and consume every day.

With the exception of insurance services and freight & port services, the United States enjoys a trade surplus in every major category of services. Most major service export categories have experienced near 10% growth per year over the past 10 years, driven higher by fast-growing emerging market economies eager to consume Good Old American Know-How, along with American culture (TV, movies, Times Square, Hollywood, and Disney World), expertise ranging from accounting to software, and, of course, our world-renowned colleges and universities. In short, the United States is still one of the world's largest exporters of goods and services, and our fastest growing exports (services) aren't always as visible as some of the items we import and consume every day.

### Rising Stars

Looking ahead, our competitive advantage in the service sector, including Good Old American Know-How, should help to continue to drive employment higher in this sector, especially in areas that require advanced skills. Our reliance on exports (and employment) in the less volatile service sector, which continues to be in high demand in fast-growing emerging markets worldwide, should help to promote longer U.S. economic expansions and less dependence on the boom-and-bust inventory cycles that accompany more goods-based export-dependent economies around the world. Good Old American Know-How is our most abundant resource and should continue to make the United States not only one of the world's top travel destinations, but also an attractive destination for the world's capital. ■

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#### IMPORTANT DISCLOSURES

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