



The Perryman Group
**US-Mexico-Canada Agreement a Major Win
 for the Economy** January 2020

President Trump has signed the US-Mexico-Canada Agreement (USMCA) into law, replacing the 25-year old North American Free Trade Agreement. A strong trade agreement with Mexico and Canada is clearly a "win" for the US economy. Mexico has also passed the USMCA, and the ratification process is currently underway in Canada.

The USMCA ensures the free flow of trade, protecting business ties among the three nations. For example, cross-border supply chains are quite common along the borders, with certain aspects of production occurring in each country depending on relative comparative advantages. Without a trade agreement, such arrangements and other imports and exports would become more difficult and more costly in that trade would revert to tariff schedules provided by each country to the World Trade Organization (WTO).

The Perryman Group compared a scenario with the USMCA in place to one where the US, Canada, and Mexico trade under the terms of the listed tariffs with the WTO. For the United States, The Perryman Group estimates that having the USMCA in place leads to an additional \$64.9 billion in gross product and almost 600,900 jobs compared to trading under the terms of the WTO stated tariffs. In Texas, annual gross product will be a projected \$17.6 billion higher and employment 164,700 higher under the USMCA. For California, The Perryman Group estimates that the USMCA will likely lead to \$6.2 billion in gross product and almost 58,700 jobs compared to current WTO tariffs.

Clearly, the USMCA is good for the US economy, particularly in trade-intensive border states such as California and Texas.

The Annual Impact of the US-Mexico-Canada Agreement (USMCA) on Business Activity in the United States
 Results by Region

Industry	Total Expenditures	Gross Product	Personal Income	Job Years
The United States	\$164.794 b	\$64.868 b	\$39.175 b	600,882
The State of Texas	\$43.346 b	\$17.595 b	\$10.689 b	164,736
The State of California	\$15.191 b	\$6.236 b	\$3.801 b	58,669

Source: US Multi-Regional Impact Assessment System, US Multi-Regional Econometric Model, The Perryman Group

Notes: See page 3 for methodology and assumptions.

The Annual Impact of the US-Mexico-Canada Agreement (USMCA) on Business Activity in the United States

Industry	Total Expenditures	Gross Product	Personal Income	Jobs
Agriculture	\$6.165 b	\$1.581 b	\$1.054 b	15,834
Mining	\$6.860 b	\$1.622 b	\$0.841 b	4,842
Utilities	\$7.357 b	\$1.636 b	\$0.714 b	2,933
Construction	\$2.523 b	\$1.356 b	\$1.117 b	14,930
Manufacturing	\$86.701 b	\$27.972 b	\$16.431 b	198,045
Transportation & Utilities	\$5.500 b	\$3.721 b	\$2.146 b	23,195
Information	\$14.318 b	\$10.714 b	\$6.224 b	182,311
Wholesale Trade	\$4.674 b	\$2.954 b	\$1.954 b	25,338
Retail Trade*	\$2.264 b	\$1.396 b	\$0.596 b	5,075
Financial Activities*	\$14.694 b	\$3.882 b	\$1.516 b	14,932
Business Services	\$4.232 b	\$2.556 b	\$2.085 b	24,146
Health Services	\$3.254 b	\$2.277 b	\$1.925 b	30,269
Other Services	\$6.251 b	\$3.201 b	\$2.572 b	59,032
Total Impact, United States	\$164.794 b	\$64.868 b	\$39.175 b	600,882

The Annual Impact of the US-Mexico-Canada Agreement (USMCA) on Business Activity in the State of Texas

Industry	Total Expenditures	Gross Product	Personal Income	Jobs
Agriculture	\$1.657 b	\$0.423 b	\$0.283 b	4,256
Mining	\$2.011 b	\$0.474 b	\$0.243 b	1,389
Utilities	\$1.670 b	\$0.371 b	\$0.162 b	666
Construction	\$0.711 b	\$0.382 b	\$0.315 b	4,206
Manufacturing	\$21.558 b	\$7.229 b	\$4.301 b	50,910
Transportation & Utilities	\$1.584 b	\$1.072 b	\$0.618 b	6,679
Information	\$4.099 b	\$3.070 b	\$1.784 b	52,174
Wholesale Trade	\$1.242 b	\$0.785 b	\$0.519 b	6,732
Retail Trade*	\$0.640 b	\$0.395 b	\$0.169 b	1,435
Financial Activities*	\$4.279 b	\$1.107 b	\$0.423 b	4,169
Business Services	\$1.212 b	\$0.732 b	\$0.597 b	6,912
Health Services	\$0.947 b	\$0.663 b	\$0.560 b	8,812
Other Services	\$1.736 b	\$0.894 b	\$0.716 b	16,398
Total Impact, Texas	\$43.346 b	\$17.595 b	\$10.689 b	164,736

The Annual Impact of the US-Mexico-Canada Agreement (USMCA) on Business Activity in the State of California

Industry	Total Expenditures	Gross Product	Personal Income	Jobs
Agriculture	\$0.627 b	\$0.161 b	\$0.107 b	1,610
Mining	\$0.696 b	\$0.164 b	\$0.084 b	481
Utilities	\$0.544 b	\$0.121 b	\$0.053 b	217
Construction	\$0.252 b	\$0.135 b	\$0.111 b	1,490
Manufacturing	\$7.477 b	\$2.535 b	\$1.514 b	17,908
Transportation & Utilities	\$0.567 b	\$0.384 b	\$0.221 b	2,392
Information	\$1.458 b	\$1.093 b	\$0.636 b	18,561
Wholesale Trade	\$0.450 b	\$0.285 b	\$0.188 b	2,441
Retail Trade*	\$0.236 b	\$0.146 b	\$0.062 b	529
Financial Activities*	\$1.488 b	\$0.394 b	\$0.154 b	1,523
Business Services	\$0.437 b	\$0.264 b	\$0.215 b	2,493
Health Services	\$0.339 b	\$0.237 b	\$0.200 b	3,151
Other Services	\$0.619 b	\$0.318 b	\$0.255 b	5,873
Total Impact, California	\$15.191 b	\$6.236 b	\$3.801 b	58,669

Source: US Multi-Regional Impact Assessment System, US Multi-Regional Econometric Model, The Perryman Group
Notes: See page 3 for methodology and assumptions.

This analysis compares the performance of the US economy with and without the USMCA agreement. Specifically, business activity with the agreement in place is compared to a scenario in which the three countries trade under the terms of their World Trade Organization listed tariffs. The price differential across all industry categories is determined for more than 500 sectors. The elasticity of demand for products in the relevant export market was then used to estimate the direct effects in each sector. The elasticity estimation follows the basic approach outlined in a paper by Jean Imbs and Isabelle M'ejean [1] but is fully updated and reflects current trade patterns and market conditions.

These results are used as inputs in a dynamic interactive simulation of the US Multi-Regional Impact Assessment System and the US Multi-Regional Econometric model to estimate the total effects.

Total economic effects are quantified for key measures of business activity:

Total expenditures (or total spending) reflects the dollars changing hands as a result of the economic stimulus of USMCA terms.

Gross product (or output) is production of goods and services that will come about in each area as a result of the agreement. This measure is parallel to the gross domestic product numbers commonly reported by various media outlets and is a subset of total expenditures.

Personal income is dollars that end up in the hands of people in the areas; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included.

Job gains are permanent jobs because the effects of the agreement are expected to be ongoing.

Monetary values given in billions of 2019 US dollars per year. Industry components may not sum to total values due to rounding. Retail Trade includes Restaurants; Financial Activities includes Real Estate.

[1] Imbs, Jean and Isabelle M'ejean, "Trade Elasticities," *Review of International Economics*, May 2017.

THE PERRYMAN GROUP



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

Our in-house professionals bring expertise in **economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing.** Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. We have considerable pride in what we do. Our enthusiasm is both unbridled and contagious; every day brings a new opportunity for us to tackle a different problem or create a product or service specifically tailored to our clients.

OUR SERVICES

IMPACT ASSESSMENT

We have developed and continually maintain an extensive set of economic impact evaluation models that can be applied in a variety of contexts.

EXPERT TESTIMONY

We help clients analyze and communicate complex information in common-sense terms through comprehensive, objective analyses and clear, concise expert reports and presentations.

FORECASTING

We are at the cutting edge of econometrics and other advanced statistical methods and have provided innovative approaches for many complex applications.

SPEECHES

Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.



Reach out to us for more information!



@PerrymanGroup



/PerrymanGroup



/in/ray-perryman



www.perrymangroup.com



info@perrymangroup.com



1.800.749.8705



1.254.751.7855

For more information on **subscriptions, economic forecasts**, or any of our **other corporate services**, call **1.800.749.8705**.