

# U.S. Data Review

- International trade: advance in imports exceeds the gain in exports

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## International Trade

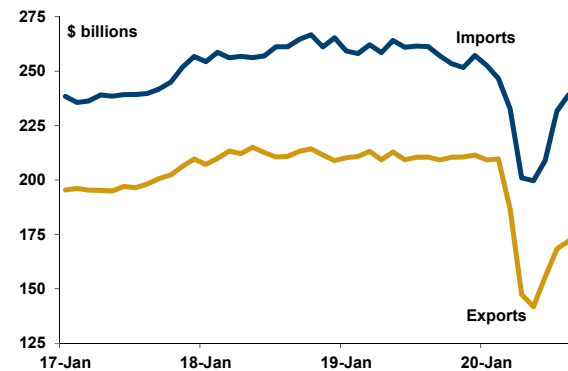
Both exports and imports rose for the third consecutive month in August, continuing to recover from pandemic-related declines in the spring. Imports have made much more progress than exports have, retracing 74 percent of the ground lost during the spring versus 44 percent for exports (chart, right). With imports showing the stronger performance, the trade deficit has widened noticeably in the past few months. The latest monthly shortfall of \$67.1 billion was far larger than the average of \$48 billion last year and \$42 billion in Q1 of this year.

The slippage in trade has occurred in both the goods and services components. The deficit in goods accounts for most of the deterioration, but this is not especially surprising, as trade in goods is far larger than that in services, and goods trade typically shows more variation. Service trade typically shows little month-to-month variation, but the surplus has softened noticeably this year, sliding to \$16.8 billion in August from an average of \$24 billion last year (chart, lower left).

The deterioration in trade will probably lead to a marked drag from net exports on GDP growth in the third quarter. The real trade deficit in goods so far in Q3 is far wider than that in Q2 (chart, lower right), suggesting a pronounced constraint on economic growth. The smaller surplus in services will contribute to the drag from trade as well. All told, net exports are likely to subtract more than 2.5 percentage points from GDP growth in the third quarter (although the economy is still on track for a strong performance because of rebounds in other areas).

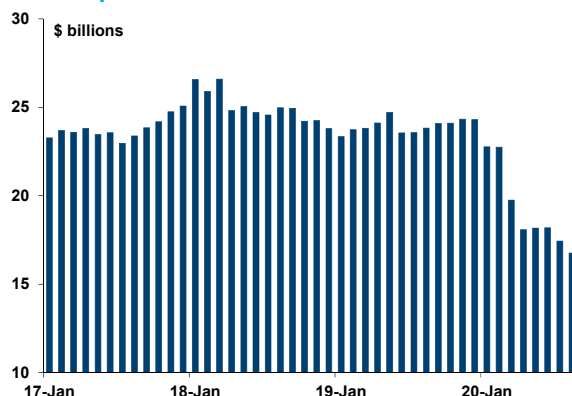
The trade report brought one bit of good news: a jump in exports to China (up 18.5 percent to the best level since June 2018, before trade disputes disrupted trade with China). The pickup is welcome, but it represented only a slight offset to increases in imports from China in the past few months. The monthly trade deficit with China totaled \$26.4 billion in August, better than the shortfall of \$28.3 billion in July, but wider than the average of \$20.1 billion in the first quarter of this year.

### U.S. Imports & Exports of Goods & Services



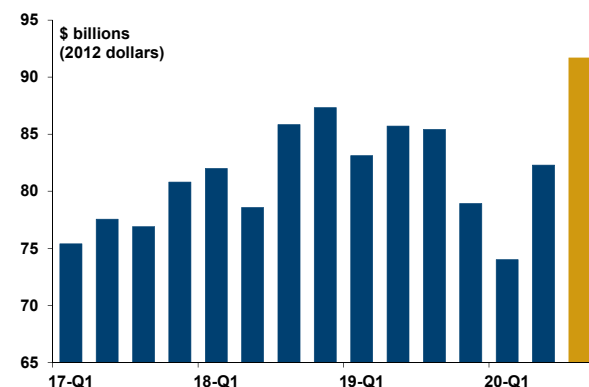
Source: Bureau of Economic Analysis via Haver Analytics

### U.S. Surplus in Services



Source: Bureau of Economic Analysis via Haver Analytics

### Real Goods Trade Deficit\*



\* Quarterly averages of monthly data. The reading for 2020-Q3 (gold bar) is the average of results for July and August.

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

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