

U.S. Data Review

- International trade in goods: correction in exports, jump in imports
- Inventories: rebuilding progress in retail; continued strength in wholesale

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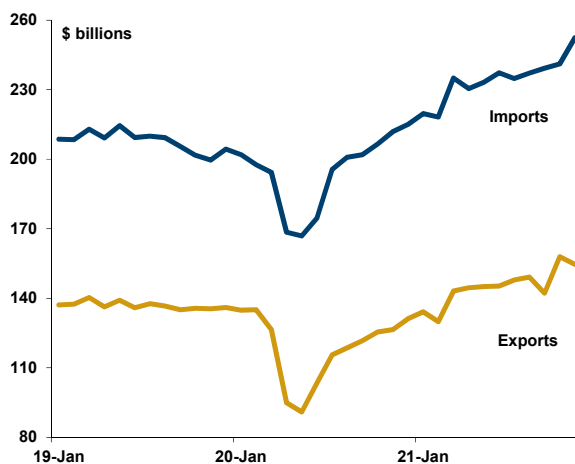
International Trade in Goods

The monthly trade deficit in November widened by \$14.6 billion, moving to \$97.8 billion. Analyst expected the deficit to deteriorate, but the new reading far exceeded the expected shortfall of \$88.1 billion. Both exports and imports contributed to the slippage, with exports falling 2.1 percent and imports increasing 4.7 percent.

The drop in exports was not surprising; in fact, foreign shipments were stronger than the 4.0 percent decline we were expecting. Shipping delays and port congestion have generated notability volatility in recent months, with September showing marked weakness and October surprising strength. The October results seemed well above underlying trends, raising prospects for a correction in November. A correction emerged, but it was mild. Imports had been moving along a moderate upward trend (average of 0.8 percent in the prior six months); the jump of almost five percent in November was striking. Shifts in both exports and imports were broadly based across categories.

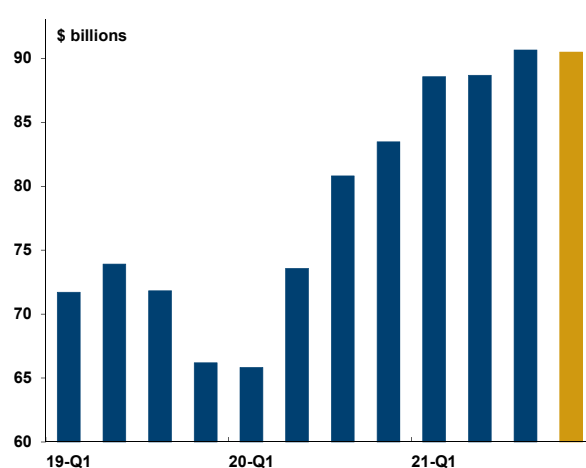
Previous figures were pointing to a positive contribution from net exports to GDP growth in the fourth quarter, but the new data suggest an approximately neutral influence, which would still represent an improvement from negative contributions averaging 1.6 percentage points in the prior five quarters.

Nominal Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Trade Deficit in Goods*



* Quarterly averages of monthly data. The reading for 2021-Q4 (gold bar) is the average of results for October and November.

Sources: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

Wholesale & Retail Inventories

While international trade surprised on the downside, results for wholesale and retail inventories were firm. Wholesale inventories have been strong during most of the expansion, increasing every month from August 2020 through October with an average gain of 1.1 percent. Wholesale inventories advanced again in November, increasing 1.2 percent. Retail inventories have softened this year, led by declines in the auto sector. November, though, showed a jump of 2.0 percent, with both auto and non-auto sectors contributing. Inventory investment is likely to make a sizeable positive contribution to GDP growth in Q4, likely exceeding the 2.2 percentage points boost in Q3 and possibly exceeding a contribution of 3.0 percentage points.

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