

# U.S. Data Review

- International trade in goods: continued softening in imports; narrower deficit

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## International Trade in Goods

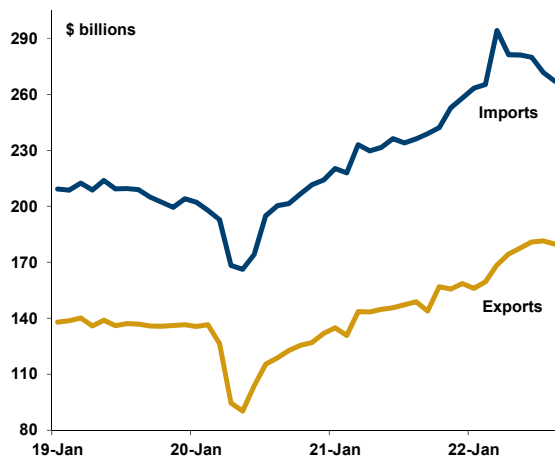
Both imports and exports of goods slipped in August, with the drop of 1.7 percent in imports exceeding the decline of 0.9 percent in exports, leaving improvement of \$2.9 billion in the monthly trade deficit (chart, left). Imports have softened considerably in recent months after surging in the second half of last year and in early 2022. Exports have performed well this year, rising briskly through July before easing in the most recent month. The shifts in trade flows in August left a goods deficit of \$87.3 billion, a reading better than the expectation of -\$89.0 billion. Moreover, the average deficit of \$88.7 billion in July/August was narrower than that in Q2 (\$103.1 billion), raising the possibility of a notable positive contribution from net exports to GDP growth (chart, right).

The decline in imports was led by a drop of 6.9 percent in the industrial supplies category, with the decline most likely influenced by lower prices. Imports of consumer goods dipped 0.2 percent, a small change but it followed a retreat of 9.8 percent in the prior month, which has contributed importantly to the recent softening in imports. Capital goods imports eased 1.8 percent, although the latest reading was still in the upper end of the recent range. Imports of foods rose 2.4 percent, recovering only a portion of the drop in the prior three months.

On the export side, slippage of 3.5 percent in industrial supplies contributed importantly to the easing in exports, again reflecting lower prices. Exports of automobiles dropped 8.9 percent, continuing a choppy, range-bound performance. In contrast, exports of consumer goods and miscellaneous goods surged, with both moving to new highs (up 8.0 percent and 4.8 percent, respectively). Exports of capital goods rose 0.4 percent, continuing their irregular upward drift.

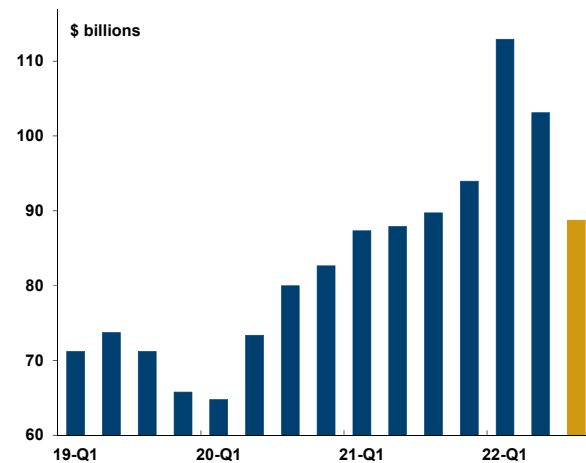
The results thus far in Q3 (real goods trade and nominal services trade for July, and nominal goods trade for August) suggest a sizable boost from net exports to GDP growth – a contribution possibly close to three percentage points. It would follow an addition of 1.4 percentage points in Q2, but results earlier in the expansion were decidedly soft (including a drag of 3.2 percentage points in Q1).

### Nominal Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

### Nominal Goods Trade Deficit\*



\* Quarterly averages of monthly data. The reading for 2022-Q3 (gold bar) is the average of results for July and August.

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

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