

# U.S. Data Review

- International trade: a “soft” narrowing in the monthly trade deficit...
- ...weak imports outweigh a decline in exports

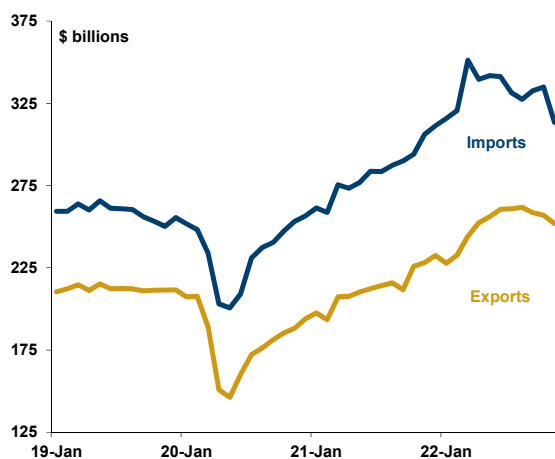
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## International Trade

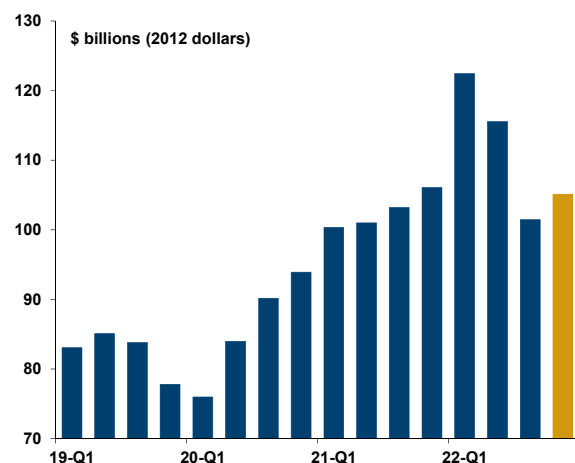
- The U.S. trade deficit narrowed by \$16.3 billion in November, easing to \$61.5 billion. An improvement was well anticipated because of favorable results on goods trade flows published last week (narrowing of \$15.9 billion shown in last week’s report on goods trade). The surplus in service trade also moved in favor of the U.S. and provided an additional boost, leaving the deficit smaller than the consensus estimate of \$63 billion.
- While the narrowing in the deficit was notable, the shifts in exports and imports were less encouraging, as both fell in November. The narrowing in the deficit occurred because the plunge of 6.4 percent in imports exceeded the drop of 2.0 percent in exports (chart, left). The poor results occurred primarily on the goods side of the trade ledger, where imports fell 7.5 percent and exports dropped 3.0 percent. Some of the weakness may have been the result of random volatility, but slower economic activity was probably a factor as well.
- Despite the improvement in November, the real goods deficit so far in Q4 is slightly wider than that for Q3 (chart, right), suggesting that net exports will make a negative contribution to GDP growth in Q4. If result for December were to match the average for October and November, the drag from trade would total approximately 0.5 percentage point. If December were to match the favorable results for November, the effect of net exports on economic growth would move into the plus column, but we suspect that imports will reverse some of the plunge registered in November.

### Exports & Imports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

### Real Goods Trade Deficit\*



\* Quarterly averages of monthly data. The reading for 2022-Q4 (gold bar) is the average of the monthly real goods deficits for October and November.

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

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