

U.S. Data Review

- International trade: softer exports and firmer imports in December; wider deficit
...although improvement in Q4

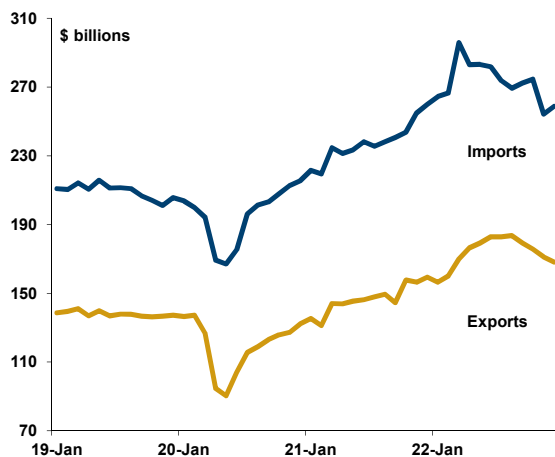
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International Trade

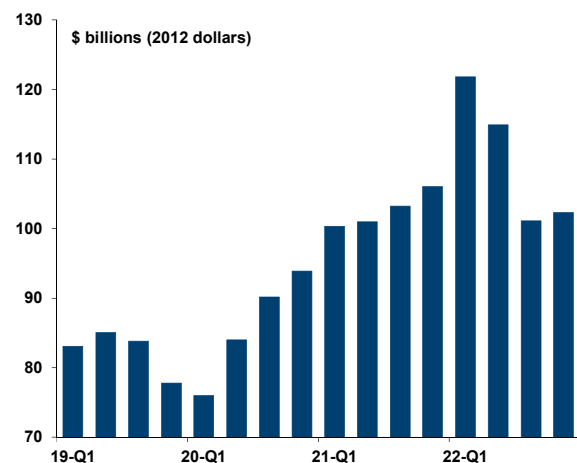
- Exports fell 0.9 percent in December while imports rose 1.3 percent, leaving a deficit of \$67.4 billion, slightly better than the consensus shortfall of \$68.5 billion but wider than the deficit of \$61.0 billion in November. While net exports slipped in the final month of the year, the trade balance improved in Q4 relative to that in Q3, leaving a net positive influence on the economy. The positive influence was evident in Q4 GDP, where net exports added 0.56 percentage point to overall growth of 2.9 percent. Today's figures were close to those assumed in the first estimate of Q4 GDP, suggesting modest revision to economic growth from international trade.
- All of the deterioration in trade in December occurred in the goods sector, where exports fell 1.7 percent and imports rose 1.8 percent. Much of the decline in exports occurred in the industrial supply category, reflecting lower prices; exports of industrial supplies rose after adjusting for price changes, as did total exports. Despite the improvement in real exports of goods, the price-adjusted goods balance still slipped in December, as imports were strong in real terms, led by motor vehicles and consumer goods.
- While trade in goods deteriorated, the U.S. surplus in service trade improved in December, marking the third consecutive pickup. Recent gains have pushed the surplus to its best reading since before the onset of Covid, although the service surplus of \$23.2 billion was shy of most readings before the pandemic. The improvement in the service balance was driven primarily by a pickup in exports, with travel and transportation (i.e. tourism) easily the strongest areas. Imports of services fell in December for the third consecutive month. The declines were modest, but they nevertheless contributed to the service surplus.

Exports & Imports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

Real Goods Trade Deficit*



* Quarterly averages of monthly data.

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

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