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October International Trade

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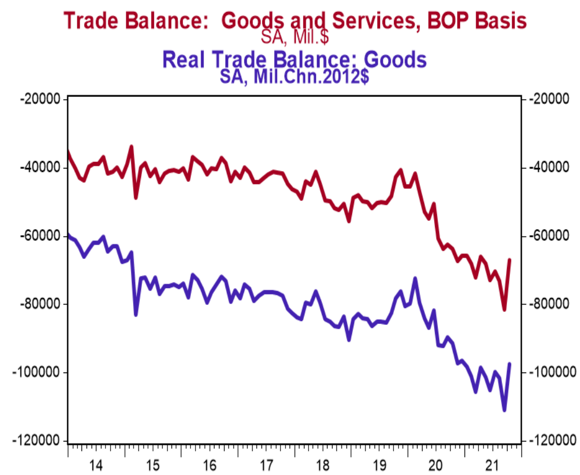
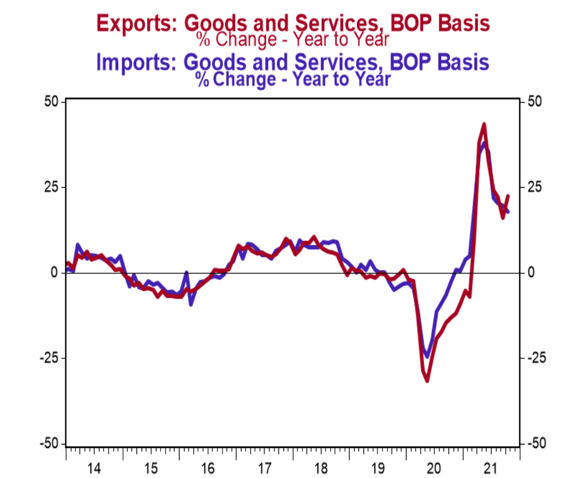
- The trade deficit in goods and services narrowed to $67.1 billion in October, but by less than the consensus expected.
- Exports rose by $16.8 billion, led by soy beans, crude oil, gem diamonds, and nonmonetary gold. Imports rose $2.5 billion, led by autos, gem diamonds, and cellphones & other household goods.
- In the last year, exports are up 22.4% while imports are up 18.0%.
- Compared to a year ago, the monthly trade deficit is $3.4 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $6.1 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: The trade deficit shrank to $67.1 billion in October, the first time it has narrowed since July, as exports rose much faster than imports. We like to follow the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure grew 3.9% in October, is up 19.9% versus a year ago, and sits at record highs. In general, the increase in the total volume of trade signals a recovery from COVID-19. Expect the trade deficit to remain volatile from month to month but generally get larger in the months ahead. Why? Because the US is recovering from the coronavirus faster than most other countries. The best news today was that exports grew by the fastest pace in more than a year, which could be signaling that some foreign countries are finally starting to catch up. Notably, for year-to-date 2021, China has been dethroned as the US largest trading partner, falling to third behind the new number one Mexico, followed by Canada. This may not last but shows how China has especially been slow to recover back to the pre-COVID trend. Another factor that should boost imports in the months ahead is that the US is running low on inventories for many goods due to a surge in consumer spending, artificially boosted by large government checks to consumers. That means the appetite for imports will remain much stronger than normal as companies restock their shelves and warehouses. Supply-chain issues continue as ports remain overwhelmed in the US and around the world, again an issue of artificial demand from trillions of dollars of government aid. Look for overall trade to keep expanding in the coming months as businesses across the US and world for that matter get back on their feet.

International Trade *All Data Seasonally Adjusted, $billions*	Oct-21 Bil $	Sep-21 Bil $	Aug-21 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-67.1**	-81.4	-73.2	-73.9	-72.2	-63.7
Exports	**223.6**	206.8	213.2	214.5	212.7	182.7
Imports	**290.7**	288.2	286.4	288.5	284.9	246.4
Petroleum Imports	**19.3**	18.9	18.1	18.8	18.0	9.5
Real Goods Trade Balance	**-97.6**	-111.1	-101.5	-103.4	-102.7	-91.5

Source: Bureau of the Census