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November International Trade

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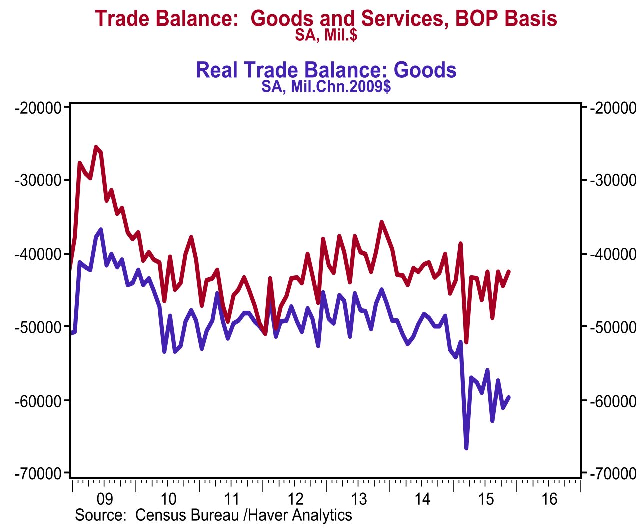
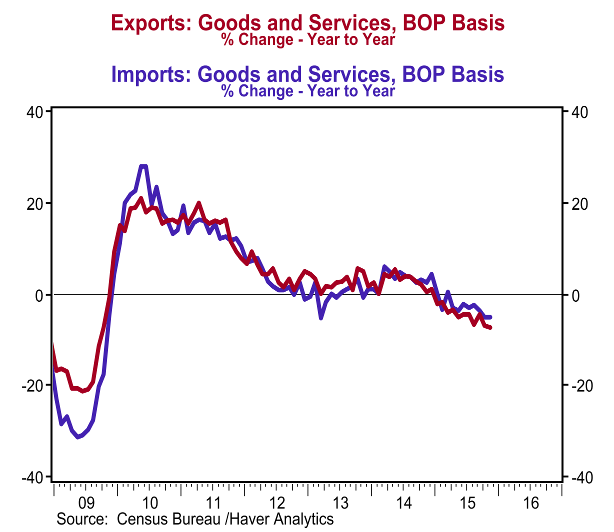
- The trade deficit in goods and services came in at $42.4 billion in November, smaller than the consensus expected $44.0 billion.
- Exports declined by $1.6 billion in November, led by telecommunications equipment, nonmonetary gold, and fuel oil. Imports declined by $3.8 billion, pulled down by cell phones and other household goods.
- In the last year, exports are down 7.1% while imports are down 4.9%.
- The monthly trade deficit is $2.4 billion larger than a year ago. Adjusted for inflation, the "real" trade deficit in goods is $11.0 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: Despite a strong dollar making imports cheaper, the trade deficit shrunk in November as companies continue to bring inventories back into balance. The value of total trade, exports plus imports, is down 5.9% from a year ago. Slower growth abroad, along with a stronger dollar have slowed exports. For instance, goods exports to Canada and Mexico are down 12.0% and 3.7%, respectively, from a year ago. Exports of goods to Africa are down 38.3% while exports to South & Central America are down 22.9%. This will not last forever, but may continue to be a factor over the coming year. Meanwhile, imports are also below year-ago levels. While mobile phones led November's drop in imports, the largest contributor to declines in the past year has been crude oil, which is now down 48% from a year ago. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In November, these imports were only 1.7 times exports. And the lifting of the crude export ban should push that number even lower in the months ahead. After years of running a trade deficit, the US is running a trade surplus in goods with OPEC over the past year! This has a destabilizing impact on the Middle East, which compounds the problems of a vacuum in global geo-political leadership. The US is headed toward energy independence thanks to fracking and horizontal drilling, but a side-effect may be more conflict in the Middle East. Adding today's figures into our models suggests trade will be a slight drag on economic growth in Q4, consistent with a forecast of real GDP growth at around a 1.5% annual rate for the last quarter of the year. In other news this morning, ADP reported a 257,000 increase in private payrolls in December. Plugging this into our models suggests Friday's official report will show a solid nonfarm increase of 198,000, although our forecast may change slightly when we get tomorrow's data on unemployment claims. In other recent news, automakers reported car and light truck sales at a 17.3M annual rate in December, down 4.6% from November but still up 2.5% from a year ago. Sales for all of 2015 hit 17.4 million, the highest pace for any calendar year on record.

International Trade *All Data Seasonally Adjusted, $billions*	Nov-15 Bil $	Oct-15 Bil $	Sep-15 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-42.4**	-44.6	-42.5	-43.1	-44.5	-40.0
Exports	**182.2**	183.8	186.8	184.3	185.3	196.2
Imports	**224.6**	228.4	229.2	227.4	229.8	236.2
Petroleum Imports	**12.6**	12.0	13.8	12.8	14.6	23.7
Real Goods Trade Balance	**-59.6**	-61.0	-57.4	-59.3	-59.3	-48.6

Source: Bureau of the Census