

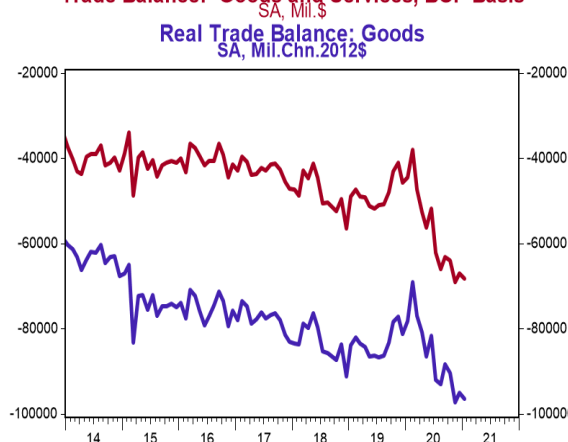
January International Trade

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- The trade deficit in goods and services came in at \$68.2 billion in January, slightly larger than the consensus expected \$67.5 billion.
- Exports increased \$1.8 billion, led by petroleum products, industrial machines, and civilian aircraft. Imports rose \$3.1 billion, led by pharmaceutical preparations and crude oil.
- In the last year, exports are down 7.6% while imports are up 3.2%.
- Compared to a year ago, the monthly trade deficit is \$23.8 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$18.3 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

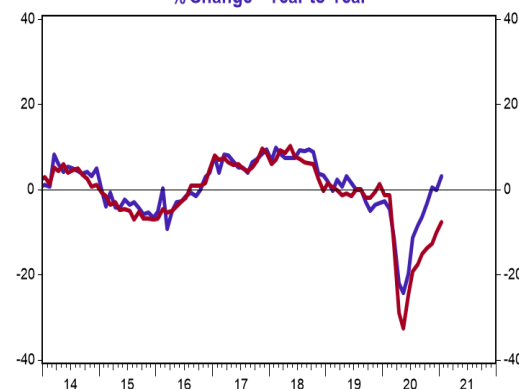
Implications: More encouraging news on international trade as things continue to improve from the massive recession of 2020. The trade deficit in goods and services grew slightly to \$68.2 billion in December, as imports rose faster than exports. But what really matters is that both exports and imports increased, consistent with the economic recovery in the US and global economic activity picking back up. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, grew 1.1% in January, although it is still down 1.7% versus a year ago. There has been dramatic improvement, but still a way to go to get back to pre-COVID-19 levels. In fact, imports are now up 5.7% from the pre-pandemic February level and up 3.2% from last January. The gain in imports was led by pharmaceutical preparations and crude oil. Some other good news in today’s report was that for the 13th month in a row, the dollar value of US petroleum exports exceeded US petroleum imports. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Expect trade to keep expanding in the coming months as business across the US and the world get back on their feet as the COVID-19 vaccine continues to roll out. As we have said over and over, the best stimulus the economy could possibly ask for is a COVID-19 vaccine. There have now been 110 million doses distributed with 82.6 million of them having been administered, mostly to those over 65 years of age. The economy is starting to return to normal, the last thing it needs right now is too much fiscal stimulus.

Trade Balance: Goods and Services, BOP Basis



Source: Census Bureau/Haver Analytics

Exports: Goods and Services, BOP Basis
 % Change - Year to Year
 Imports: Goods and Services, BOP Basis
 % Change - Year to Year



Source: Census Bureau/Haver Analytics

| International Trade | Jan-21 | Dec-20 | Nov-20 | 3-Mo | 6-Mo | Year-Ago |
|---|---------------|---------------|---------------|--------------------|--------------------|--------------|
| <i>All Data Seasonally Adjusted, \$billions</i> | Bil \$ | Bil \$ | Bil \$ | Moving Avg. | Moving Avg. | Level |
| Trade Balance | -68.2 | -67.0 | -69.0 | -68.1 | -66.2 | -44.4 |
| Exports | 191.9 | 190.1 | 183.8 | 188.6 | 183.1 | 207.7 |
| Imports | 260.2 | 257.1 | 252.9 | 256.7 | 249.3 | 252.0 |
| Petroleum Imports | 12.2 | 10.5 | 9.5 | 10.8 | 10.0 | 15.4 |
| Real Goods Trade Balance | -96.5 | -95.0 | -97.2 | -96.2 | -93.4 | -78.2 |

Source: Bureau of the Census