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September International Trade

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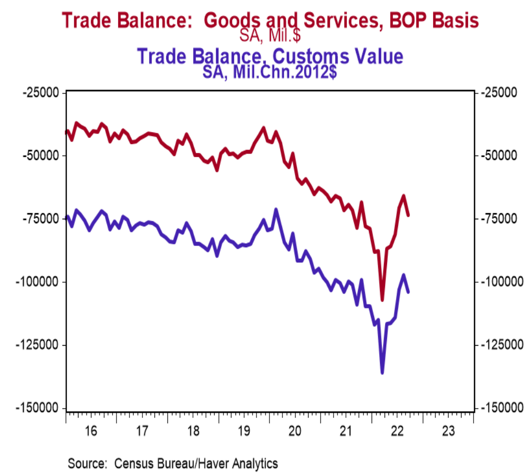
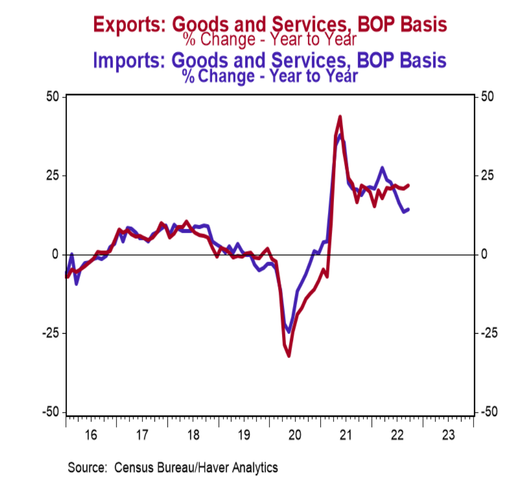
- The trade deficit in goods and services came in at $73.3 billion in September, larger than the consensus expected $72.2 billion.
- Exports declined by $2.8 billion, led by declines in soybeans, crude oil, and nonmonetary gold. Imports rose by $4.8 billion, led by cellphones & other household goods, pharmaceuticals, and semiconductors.
- In the last year, exports are up 21.9% while imports are up 14.3%.
- Compared to a year ago, the monthly trade deficit is $5.0 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $5.0 billion smaller than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: The trade deficit in goods and services came in at $73.3 billion in September, as imports grew while exports declined. Demand for US goods and services across the globe continues to struggle as a soaring dollar is making US goods much more expensive internationally. 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 rose by $2.0 billion in September, and is up a robust 17.5% versus a year ago. Unfortunately, the large increase in the past year is driven not only by more goods and services, but also higher prices as inflation has soared. The good news is that supply-chain problems look to be improving across the board. For example, the ports of Los Angeles and Long Beach over the past few months have seen container ships in the low single digits waiting to be unloaded, much lower than the record high of 109 set in January. It's true in some cases, waits have just shifted to other ports, but daily freight rates are also falling rapidly as demand has also weakened. Also notable in today's report, the dollar value of US petroleum exports exceeded imports. So far this year US petroleum exports have exceeded imports in six of nine months. Exports of US crude oil and refined products continue to hover near record highs, meaning that much of the release from the Strategic Petroleum Reserve is just flowing overseas. In other news today, nonfarm productivity rose by a 0.3% annual rate in the third quarter. Output rose by 2.8% annualized while hours worked rose by 2.4% annualized, so *output per hour* rose slightly. Productivity is down 1.4% from a year ago. "Real" (inflation-adjusted) compensation declined by 1.7% in Q3. On the manufacturing front, productivity declined at a 1.3% annualized pace in Q3 as hours (+3.3%) rose at a faster pace than output (1.9%). Also reported today, initial unemployment claims fell 1,000 last week to 217,000. Continuing claims rose 47,000 to 1.485 million. These figures suggest continued solid job growth October. In other news yesterday, the ADP employment report showed 239,000 private-sector jobs gained in October. After plugging this into our model, we expect Friday's employment report to show a nonfarm payroll gain of 195,000. Also reported recently, cars and light trucks were sold at a 14.9 million annual rate in October, up 9.8% versus September and up 12.7% versus a year ago. Altogether, these figures show the US is not in a recession yet.

International Trade *All Data Seasonally Adjusted, $billions*	Sep-22 Bil $	Aug-22 Bil $	Jul-22 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-73.3**	-65.7	-70.5	-69.8	-77.1	-78.3
Exports	**258.0**	260.8	259.6	259.5	257.2	211.6
Imports	**331.3**	326.5	330.0	329.3	334.4	290.0
Petroleum Imports	**22.8**	24.8	28.4	25.4	26.0	18.9
Real Goods Trade Balance	**-103.8**	-97.1	-103.0	-101.3	-108.4	-108.8

Source: Bureau of the Census