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November International Trade

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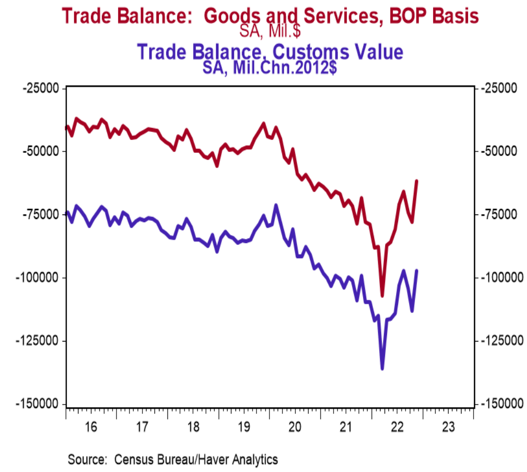
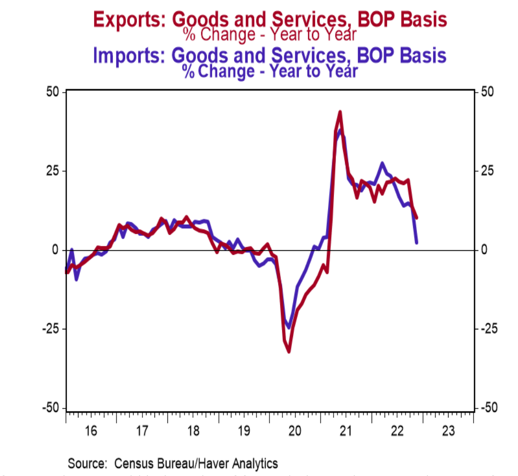
- The trade deficit in goods and services came in at $61.5 billion in November, smaller than the consensus expected $63.0 billion.
- Exports declined by $5.1 billion, led by declines in natural gas, nonmonetary gold and crude oil. Imports declined by $21.5 billion, led by pharmaceuticals, cellphones & other household goods, and crude oil.
- In the last year, exports are up 10.4% while imports are up 2.4%.
- Compared to a year ago, the monthly trade deficit is $16.5 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $12.3 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 $61.5 billion in November the smallest in twenty-six months. Both imports and exports declined, but imports dropped by a much larger amount. Some may look at this report as a huge win as the trade deficit came in at the lowest level in a few years, but what ultimately matters is the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure fell by $26.6 billion in November. Today's report adds to signs of a slowdown not only in the US but around the world. But even with the large drop in November the total volume of trade is still up 5.8% versus a year ago. Unfortunately, the increase in the past year is driven not only by more goods and services, but also higher prices. Note that Russia's invasion of Ukraine and the easing of COVID restrictions in China may affect trade patterns for some time. The good news is that supply-chain problems look to be improving across the board. For example, Captain Kip, the Executive Director of Marine Exchange of Southern California declared the container ship backup ended on November 22. It took twenty-five months, but things are finally back to normal at the Ports of LA and Long Beach. In some cases waits have just shifted to other ports, but daily freight rates are also falling rapidly as demand has also weakened. A large part of this is due to a collapse in manufacturing orders in China, which has led to a 21% decline in total vessel container volume between August and November, according to supply chain research firm Project44. In the months to come, China manufacturing will be buffeted by the easing of COVID restrictions (good!) and a temporary spike of COVID cases (bad!), as the country suffers through cases postponed by overly strict measures in the past couple of years. Also notable in today's report, the dollar value of US petroleum exports exceeded imports again. So far this year US petroleum exports have exceeded imports in eight of eleven 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, the ADP employment report showed a gain of 235,000 private-sector jobs in December. Also today, initial unemployment claims fell 19,000 last week to 204,000, while continuing claims declined by 24,000 to 1.694 million. After plugging this into our model, we expect Friday's employment report to show a nonfarm payroll gain of 205,000. In other recent news, cars and light trucks were sold at a 13.3 million annual rate in December, down 6.3% from November. For all of 2022, sales were 13.8 million, the slowest pace of sales since 2011 and down 7.9% from 2021.

International Trade *All Data Seasonally Adjusted, $billions*	Nov-22 Bil $	Oct-22 Bil $	Sep-22 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-61.5**	-77.8	-74.1	-71.2	-71.8	-78.0
Exports	**251.9**	257.0	258.5	255.8	258.4	228.1
Imports	**313.4**	334.8	332.6	327.0	330.2	306.1
Petroleum Imports	**22.3**	23.1	22.9	22.8	24.9	21.1
Real Goods Trade Balance	**-97.1**	-113.1	-104.3	-104.8	-104.7	-109.4

Source: Bureau of the Census