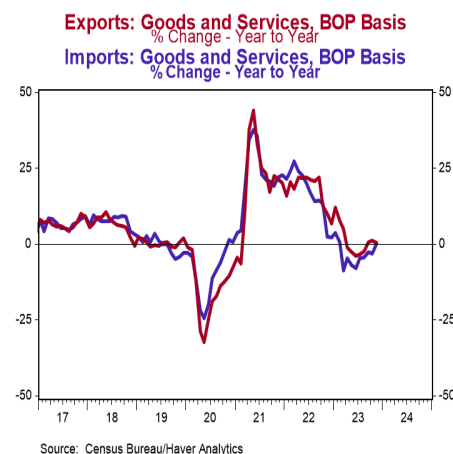
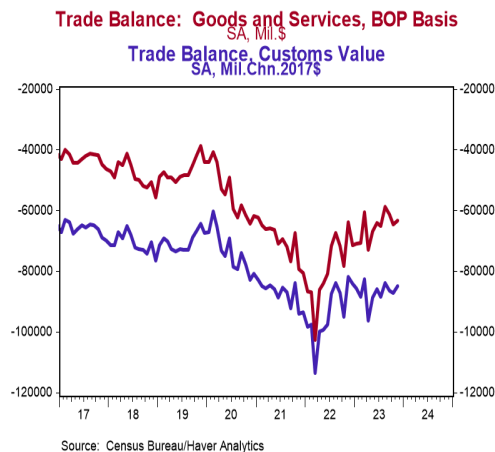


# November International Trade

Strider Elass – Senior Economist  
 Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist

- The trade deficit in goods and services came in at \$63.2 billion in November, smaller than the consensus expected \$64.9 billion.
- Exports declined by \$4.8 billion, led by nonmonetary gold, crude oil, and organic chemicals. Imports declined by \$6.1 billion, led by cellphones & other household goods, pharmaceuticals, and drilling & oilfield equipment.
- In the last year, exports are up 0.4% while imports are up 0.1%.
- Compared to a year ago, the monthly trade deficit is \$0.6 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$2.9 billion larger 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 shrunk to \$63.2 billion in November as imports declined faster than exports. However, we prefer to focus on the total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the US border. This measure pulled back significantly in November, falling by \$11.0 billion and is up only 0.2% from a year ago. Exports are only up 0.4% versus a year ago, while imports are up 0.1%, consistent with our forecast that the US is headed toward a recession. And while a recent surge in the federal budget deficit might have helped the US economy avoid recession in the short-term, this kind of artificial support can’t last. Notably, there is a major shift going on in the pattern of US trade. For 2023 through November, imports from China are down 21.2% year-to-date versus the same timeframe in 2022. China used to be the top exporter to the US. Now the top spot is held by Mexico, with China and Canada flip flopping month by month between second and third. Meanwhile, daily freight rates have fallen rapidly and are back down to pre-COVID levels, or lower, as demand for shipping has stabilized. This was confirmed by the New York Fed’s Global Supply Chain Pressure Index in November, with the index moving to positive territory, 0.13 standard deviations above the index’s historical average. Expect some temporary volatility into the new year though as Yemen’s Houthi rebels continue to deter container ships from transiting the Red Sea and Bab-el-Mandeb Strait, temporarily adding significantly to shipping costs. Also in today’s report, the dollar value of US petroleum exports exceeding imports once again. This marks the 21st consecutive month of the US being a net exporter of petroleum products.



International Trade	Nov-23	Oct-23	Sep-23	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-63.2</b>	-64.5	-61.2	-62.9	-62.7	-63.8
<b>Exports</b>	<b>253.7</b>	258.6	261.4	257.9	254.9	252.7
<b>Imports</b>	<b>316.9</b>	323.1	322.6	320.9	317.6	316.6
<b>Petroleum Imports</b>	<b>22.1</b>	21.2	21.8	21.7	20.3	22.7
<b>Real Goods Trade Balance</b>	<b>-84.8</b>	-87.2	-86.3	-86.1	-86.0	-81.9

Source: Bureau of the Census