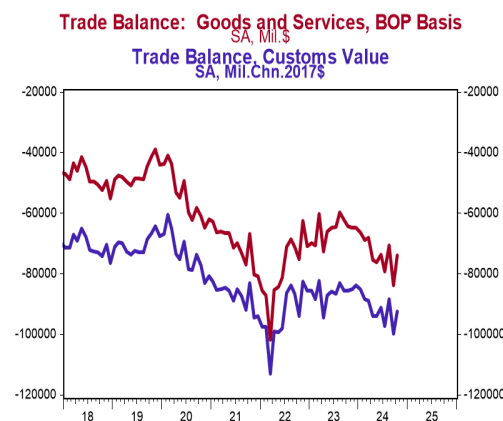


October International Trade

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- The trade deficit in goods and services came in at \$73.8 billion in October, slightly smaller than the consensus expected \$75.0 billion.
- Exports fell by \$4.3 billion, led by drops in autos, computer accessories, and other industrial machines. Imports declined by \$14.3 billion, led by computers, semiconductors, and crude oil.
- In the last year, exports are up 1.9% while imports are up 4.4%.
- Compared to a year ago, the monthly trade deficit is \$9.5 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$6.7 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: The trade deficit in goods and services narrowed to \$73.8 billion in October as both exports and imports declined, but imports declined much more. 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 tumbled sharply in October, declining by a whopping \$18.5 billion, more than offsetting a large increase in the prior month. The increase in trade in September was just likely pulled forward from future months as companies made sure they had adequate supplies before the dockworkers’ strike by East and Gulf Coast workers, which started October 1. Although it ended up lasting only a few days, companies had no idea how long it would last back in September. Looking at the overall trend, total trade is up 3.3% from a year ago, with exports up 1.9% and imports up 4.4%. However, it remains to be seen whether the drop in trade flows in October was completely due to strike-related volatility or an early sign of broader economic weakness. Stay tuned! There also continues to be a major shift going on in the pattern of US trade. Year-to-date through October, imports from China were up only 1.7% versus the same period in 2023 and down 21.3% versus the same period in 2022. China used to be the top exporter to the US. Now the top spot is held by Mexico; China has fallen to number two with Canada nipping at her heels. Meanwhile, global supply chain pressures have eased substantially over the past few years. This was confirmed by the New York Fed’s Global Supply Chain Pressure Index in October, with the index 0.3 standard deviations below the index’s historical average. For some perspective, three years ago in the month of October the index sat 3.9 standard deviations above the index’s historical average. Also in today’s report, the dollar value of US petroleum exports exceeded imports once again. This marks the 29th consecutive month of the US being a net exporter of petroleum products. In employment news this morning, initial jobless claims rose 9,000 last week to 224,000. Meanwhile, continuing claims fell 25,000 to 1.871 million. We’re estimating tomorrow’s government report will show a nonfarm payroll gain of 222,000 with the unemployment rate ticking up to 4.2%.

International Trade	Oct-24	Sep-24	Aug-24	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-73.8	-83.8	-70.6	-76.1	-76.2	-64.3
Exports	265.7	270.0	272.7	269.5	267.0	260.8
Imports	339.6	353.8	343.3	345.5	343.2	325.1
Petroleum Imports	17.2	18.8	19.2	18.4	19.6	20.9
Real Goods Trade Balance	-92.4	-99.7	-88.5	-93.6	-93.9	-85.7

Source: Bureau of the Census