

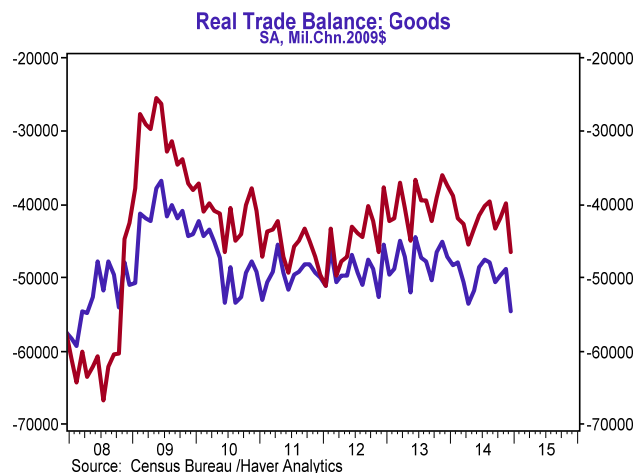
## December International Trade

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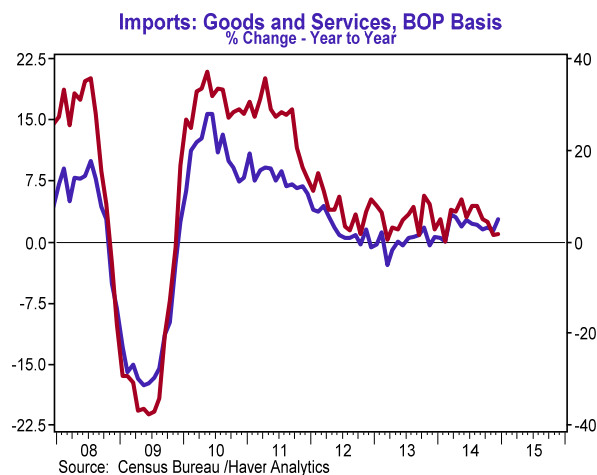
- The trade deficit in goods and services came in at \$46.6 billion in December, much larger than the consensus expected \$38.0 billion.
- Exports declined \$1.5 billion in December, led by petroleum and petroleum products, as well as nonmonetary gold. Imports increased \$5.3 billion, led by crude oil and autos.
- In the last year, exports are up 1.1% while imports are up 4.9%.
- The monthly trade deficit is \$9.2 billion larger than a year ago. Adjusted for inflation, the “real” trade deficit in goods is \$7.6 billion larger than a year ago. This “real” change is the trade indicator most important for measuring real GDP.

**Implications:** Faster US growth paired with slower global growth outside the US is having an effect on our trade balance with the rest of the world. The trade deficit increased to the highest level in two years as imports rose strongly, while exports declined. The slowdown in exports was due to a few factors. First, a slowdown in economic growth abroad. Second, a stronger US dollar, which makes our exports more expensive. And third, ongoing labor disputes at west coast ports. The good news is that the west coast dock strike seems to be nearing a conclusion. Once the slowdown/strike is over, the exports held back by the strike should resume. Overall imports increased by \$5.3 billion to \$241.4 billion, the highest on record, a testament to both better US growth and the same stronger dollar that is impeding exports. A stronger dollar should continue to put upward pressure on imports as American consumers and businesses use their increased purchasing power to spend on overseas goods and services. As a result of today’s numbers, it looks like net exports subtracted about 1.3 percentage points from real GDP growth in Q4, more than the original estimate of 1.0 percentage point. This suggests real GDP grew at a 2.3% annual rate in Q4, not the 2.6% pace the government reported last week. In other news this morning, new claims for unemployment insurance rose 11,000 last week to 278,000. The four week average is now down to 293,000. Continuing claims for regular state benefits increased 6,000 to 2.40 million. Looks like we’re set up for another month of solid job growth in January.

Trade Balance: Goods and Services, BOP Basis  
 SA, Mil.\$



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



| International Trade                             | Dec-14        | Nov-14        | Oct-14        | 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>-46.6</b>  | -39.8         | -41.9         | -42.7              | -41.9              | -37.4        |
| <b>Exports</b>                                  | <b>194.9</b>  | 196.4         | 198.6         | 196.6              | 197.1              | 192.8        |
| <b>Imports</b>                                  | <b>241.4</b>  | 236.2         | 240.5         | 239.4              | 239.0              | 230.2        |
| <b>Petroleum Imports</b>                        | <b>25.0</b>   | 23.2          | 26.2          | 24.8               | 26.1               | 28.9         |
| <b>Real Goods Trade Balance</b>                 | <b>-54.7</b>  | -48.7         | -49.7         | -51.0              | -49.8              | -47.1        |

Source: Bureau of the Census