

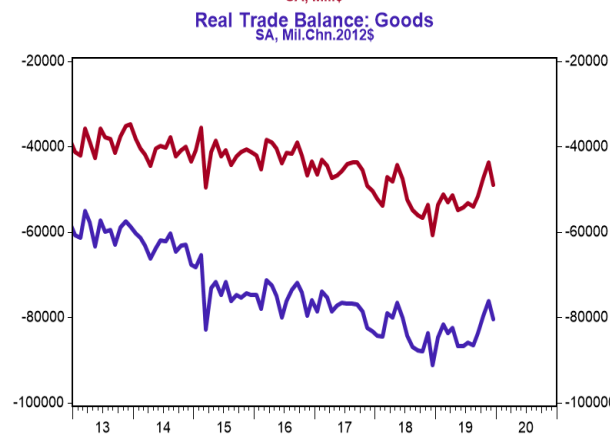
# December International Trade

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- The trade deficit in goods and services came in at \$48.9 billion in December, slightly larger than the consensus expected \$48.2 billion.
- Exports rose \$1.6 billion, led by gains in crude oil, other goods, and civilian aircraft. Imports rose \$6.8 billion, led by gains in crude oil, other goods, and nonmonetary gold.
- In the last year, exports are up 1.9% while imports are down 3.0%.
- Compared to a year ago, the monthly trade deficit is \$11.9 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$10.7 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

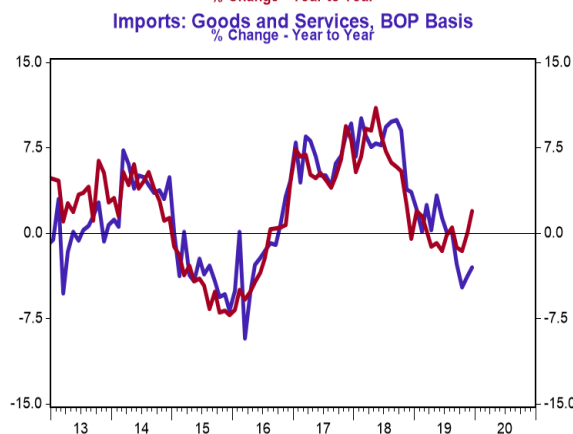
**Implications:** The trade deficit rose in December to \$48.9 billion, slightly larger than consensus expectations, but both exports and imports rose, by \$1.6 billion and \$6.8 billion respectively. It’s good news when the total volume of trade (imports plus exports) increases and that’s the most important takeaway from today’s headline numbers. That said, look for a temporary reversal in the next couple of months as the Coronavirus takes a toll on trade with China. After that problem (hopefully) clears – and signs are it will – imports and exports should rebound as new trade deals with key trading partners start to go into effect. The US now has a “Phase One” deal with China as well as USMCA, and a new trade deal that went into effect January 1<sup>st</sup>, 2020 with Japan. The media focuses so much on China, yet in 2019, China was our third largest trading partner. Mexico and Canada were one and two and Japan was number four. Total trade from these three is far larger than with China, yet China is what the media obsess over. Today’s report also showed for the fourth month in a row, the dollar value of US petroleum exports exceeded the dollar value of US petroleum imports. Yes, you read that right: the US was again a net petroleum exporter in December. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. This pattern may temporarily reverse in early 2020 due to the seasonal pattern of US oil imports but should re-assert itself by Spring. In other news this morning, the ADP index for private-sector jobs increased 291,000 in January versus a consensus-expected 157,000. We expect Friday’s official Labor Department report to show a nonfarm gain of 170,000. In other news from earlier in the week, cars and light trucks were sold at a 16.8 million annual rate in January, up 1.2% from December and up 0.8% from a year ago. Car and light truck sales totaled 16.9 million in 2019, so January’s sales pace was slightly below that level. Look for total sales of 16.7 million in 2020 as consumers gradually shift their ample purchasing power to other sectors.

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



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

International Trade	Dec-19	Nov-19	Oct-19	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>-48.9</b>	-43.7	-47.4	-46.6	-49.8	-60.8
<b>Exports</b>	<b>209.6</b>	208.1	206.8	208.2	208.1	205.7
<b>Imports</b>	<b>258.5</b>	251.8	254.1	254.8	257.9	266.5
<b>Petroleum Imports</b>	<b>17.0</b>	14.4	14.7	15.4	15.5	16.0
<b>Real Goods Trade Balance</b>	<b>-80.5</b>	-76.2	-79.5	-78.7	-82.0	-91.2

Source: Bureau of the Census