

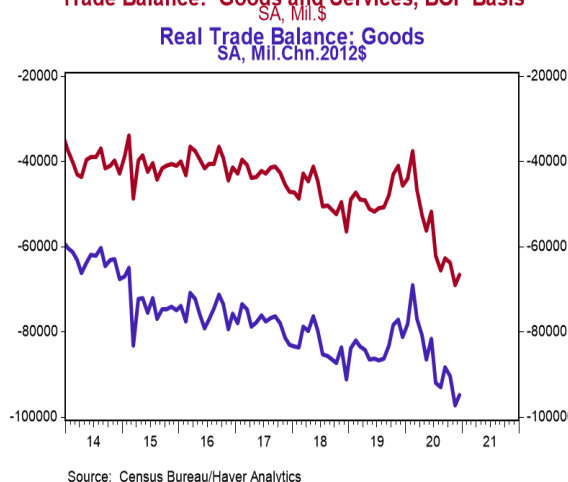
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke – Senior Economist

December International Trade

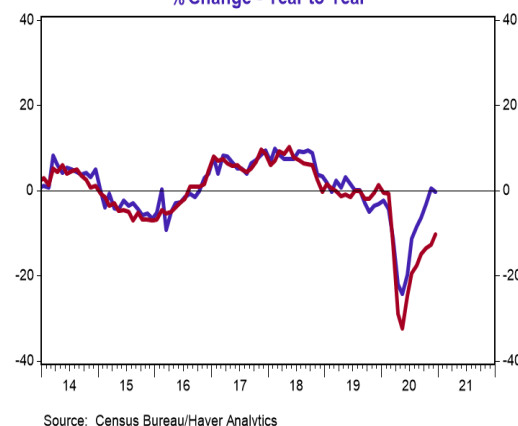
- The trade deficit in goods and services came in at \$66.6 billion in December, slightly larger than the consensus expected \$65.7 billion.
- Exports increased \$6.2 billion, led by crude oil and soybeans. Imports rose \$3.8 billion, led by autos, finished metal shapes, and computers.
- In the last year, exports are down 10.2% while imports are down 0.2%.
- Compared to a year ago, the monthly trade deficit is \$20.9 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$13.6 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

Implications: More encouraging news on international trade as things continue to improve from the massive recession of 2020. The trade deficit in goods and services shrunk slightly to \$66.6 billion in December, as exports rose faster than imports. But what really matters is that both exports and imports increased, consistent with the economic recovery in the US and global economic activity picking back up. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, grew 2.3% in December, although is still down 4.7% versus a year ago. There has been dramatic improvement, but still a way to go to get back to pre-COVID-19 levels. In fact, imports are now up 3.8% from the pre-pandemic February level and just slightly down 0.2% from December 2019. The gain in imports was led by autos, finished metal shapes, and computers. Some other good news in today’s report was that for the 12th month in a row, the dollar value of US petroleum exports exceeded US petroleum imports. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Expect trade to continue expanding in the coming months as business across the US and the world start to get back on their feet as the COVID-19 vaccine continues to roll out. Also, with the holiday season having just passed and economic activity picking back up, dwindling inventories will continue to be replenished as fast as possible.

Trade Balance: Goods and Services, BOP Basis



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



International Trade	Dec-20	Nov-20	Oct-20	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-66.6	-69.0	-63.8	-66.5	-65.0	-45.7
Exports	190.0	183.8	181.8	185.2	179.5	211.5
Imports	256.6	252.8	245.6	251.6	244.4	257.2
Petroleum Imports	10.5	9.5	9.4	9.8	9.3	16.8
Real Goods Trade Balance	-94.8	-97.2	-90.4	-94.2	-92.6	-81.2

Source: Bureau of the Census