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August International Trade

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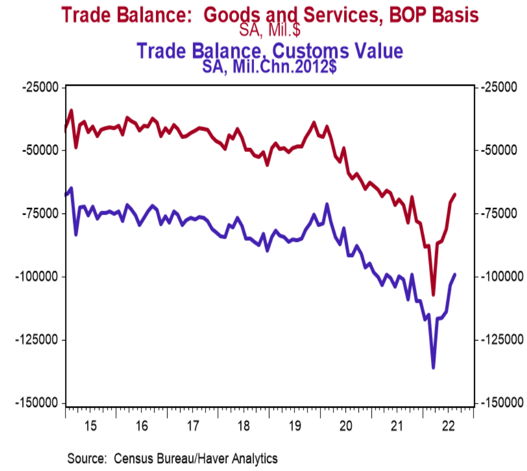
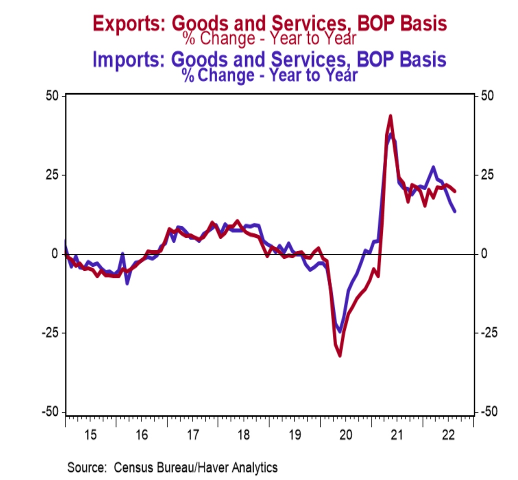
- The trade deficit in goods and services came in at $67.4 billion in August, slightly smaller than the consensus expected $67.7 billion.
- Exports declined by $0.7 billion, led by nonmonetary gold, autos, and crude oil. Imports declined by $3.7 billion, led by crude oil, cellphones & other household goods, and fuel oil.
- In the last year, exports are up 20.0% while imports are up 13.6%.
- Compared to a year ago, the monthly trade deficit is $4.0 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $2.0 billion smaller 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 came in at $67.4 billion in August, as imports fell by a greater amount than exports, continuing to narrow the deficit from March's record $106.9 billion print. Because of the huge trade deficit earlier this year, trade was a major drag on first quarter GDP growth; imports grew rapidly as companies aggressively built up inventories due to fragile supply chains and what looked like unwavering demand from the US consumer. The massive and artificial government stimulus in the US, both fiscal and monetary, and the slow reopening of the economy over the past few years had changed consumer spending habits to focus more on goods than services. That has now reversed and consumers have shifted back towards services and less on goods, leaving some companies with excess inventories. This means we could continue to see imports slow over the next few months. Meanwhile, demand for US goods and services across the globe continues to struggle as a soaring dollar is making US goods much more expensive internationally. We like to follow the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure declined by $4.4 billion in August, although it is still up a robust 16.3% versus a year ago. Unfortunately, the large increase in the past year is driven not only by more goods and services, but also higher prices as inflation has soared. In addition, Russia's invasion of Ukraine, and COVID restrictions in China may affect trade patterns for some time. Supply-chain problems look to be improving across the board. For example, the ports of Los Angeles and Long Beach currently have only six container ships waiting to be unloaded, much lower than the record high of 109 set in January. It's true in some cases, waits have just shifted to other ports, but daily freight rates are also falling rapidly, now averaging $3,900 to move a container across the Pacific, compared with $14,500 at the start of the year and more than $19,000 in 2021. Also notable in today's report, the dollar value of US petroleum exports exceeded imports. So far this year US petroleum exports have exceeded imports in five of eight months. In other news today, the ADP employment report showed 208,000 private-sector jobs gained in September. After plugging this into our model, we expect Friday's employment report to show a nonfarm payroll gain of 285,000. Also reported recently, cars and light trucks were sold at a 13.5 million annual rate in September, up 2.9% versus August and up 9.6% versus a year ago. Altogether, these figures show the US is not in a recession yet.

International Trade *All Data Seasonally Adjusted, $billions*	Aug-22 Bil $	Jul-22 Bil $	Jun-22 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-67.4**	-70.5	-80.9	-72.9	-83.0	-71.4
Exports	**258.9**	259.6	258.8	259.1	254.6	215.8
Imports	**326.3**	330.0	339.6	332.0	337.7	287.3
Petroleum Imports	**24.8**	28.4	27.8	27.0	26.3	18.0
Real Goods Trade Balance	**-99.0**	-103.1	-113.8	-105.3	-114.1	-101.0

Source: Bureau of the Census