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January International Trade

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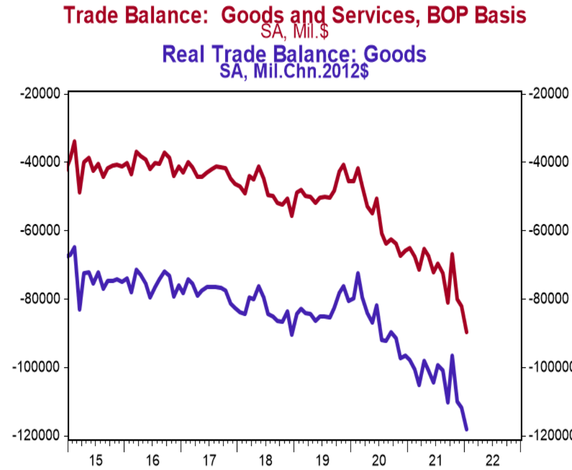
- The trade deficit in goods and services grew to $89.7 billion in January, larger than the consensus expected $87.3.
- Exports declined by $3.9 billion, led by a drop in pharmaceuticals, soy beans, and civilian aircraft. Imports rose $3.8 billion, led by autos, crude oil, pharmaceuticals, and natural gas.
- In the last year, exports are up 15.4% while imports are up 21.0%.
- Compared to a year ago, the monthly trade deficit is $24.6 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $20.4 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics

Implications: The trade deficit grew to $89.7 billion in January, as imports grew and exports declined. 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 was unchanged in January, but is up 18.6% versus a year ago. In general, the trend increase in the total volume of trade signals a recovery from COVID-19. Expect the trade deficit to remain volatile from month to month but generally stay large in the months ahead as the US has recovered from the coronavirus faster than most other countries. In addition, the Canadian trucker strike will temporarily affect cross-border trade for February while Russia's invasion of Ukraine may affect trade patterns for March and beyond. Given massive and artificial government stimulus in the US, both fiscal and monetary, the demand for imports should continue to outstrip the demand for exports to the rest of the world. Also, the US is still running low on inventories for many goods due to the surge in consumer spending. That means the appetite for imports will remain much stronger than normal as companies try to restock their shelves and warehouses. Supply-chain problems are still a big issue as ports remain overwhelmed in the US, and with the tragic war in Ukraine it is only adding to the problem. For example, the ports of Los Angeles and Long Beach currently have 50 container ships waiting to be unloaded. Pre-covid this measure sat at 0 - 1. Also in today's report, for the 7th month in a row, the dollar value of US petroleum imports exceeded US petroleum exports. Although the petroleum trade deficit is still small compared to prior decades, this is a reversal from 2020 when the US was exporting more petroleum product than it was importing.

International Trade *All Data Seasonally Adjusted, $billions*	Jan-22 Bil $	Dec-21 Bil $	Nov-21 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-89.7**	-82.0	-80.1	-83.9	-78.7	-65.1
Exports	**224.4**	228.3	225.1	225.9	220.8	194.5
Imports	**314.1**	310.3	305.1	309.8	299.6	259.7
Petroleum Imports	**19.7**	19.3	20.9	20.0	19.4	12.0
Real Goods Trade Balance	**-118.1**	-111.7	-109.9	-113.2	-107.9	-97.7

Source: Bureau of the Census