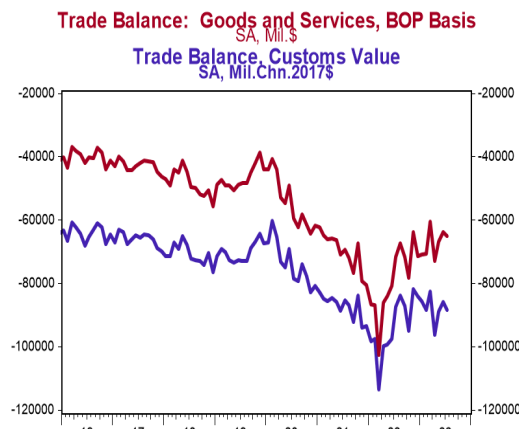


July International Trade

Nate Gerze – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- The trade deficit in goods and services came in at \$65.0 billion in July, smaller than the consensus expected \$68.0 billion.
- Exports rose by \$3.9 billion, led by pharmaceuticals and autos. Imports rose by \$5.2 billion, led by cell phone & other household goods, pharmaceuticals, and semiconductors.
- In the last year, exports are down 3.5% while imports are down 4.7%.
- Compared to a year ago, the monthly trade deficit is \$6.7 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$1.0 billion larger 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 rose to \$65.0 billion in July as imports expanded faster than exports. We prefer to focus on the total volume of trade, imports *plus* exports, as it represents the extent of business and consumer interactions across the US border. This measure expanded by \$9.1 billion in July but remains down 4.2% versus a year ago. Although the growth in July is positive, both imports and exports are down on a year-ago basis, consistent with our forecast that the US is headed toward a recession. And while a surge in the Federal budget deficit might have helped the US economy avoid recession in the short-term, this kind of artificial support can’t last. Despite the monthly increase, imports are sitting near the lowest level since 2021, indicating weakening demand for goods domestically, as there is a continuing trend toward spending on services. So far this year, imports from China are down 24.8% versus the same timeframe a year ago, dropping China from first to the third largest exporter to the US, behind Mexico and Canada. Daily freight rates have fallen rapidly and are back down to pre-COVID levels or lower, as demand for shipping has also weakened. This was confirmed by the New York Fed’s Global Supply Chain Pressure Index in July, with the index staying in negative territory, 0.90 standard deviations below the index’s historical average. Weaker demand coupled with an easing of parts shortages and less shipping congestion have pulled the indicator lower. The most positive piece of today’s report was the dollar value of US petroleum exports exceeding imports once again. This marks the 17th consecutive month of the US being a net exporter of petroleum products. In other recent news, cars and light trucks were sold at a 15.0 million annual rate in August, down 4.5% from July, but still up 13.6% from a year ago.



Source: Census Bureau/Haver Analytics



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International Trade	Jul-23	Jun-23	May-23	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-65.0	-63.7	-66.8	-65.2	-66.6	-71.7
Exports	251.7	247.7	247.9	249.1	251.2	260.7
Imports	316.7	311.5	314.6	314.3	317.8	332.4
Petroleum Imports	18.1	17.7	18.4	18.1	19.1	28.0
Real Goods Trade Balance	-88.4	-85.8	-88.9	-87.7	-88.4	-87.4

Source: Bureau of the Census