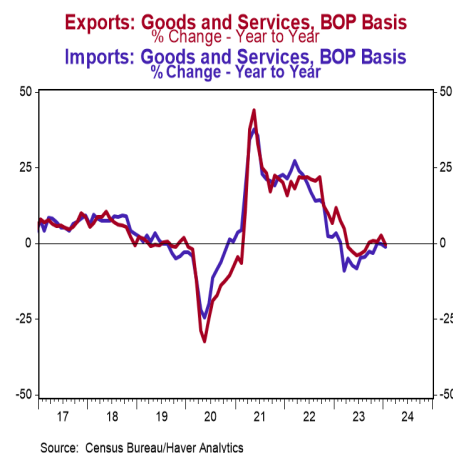
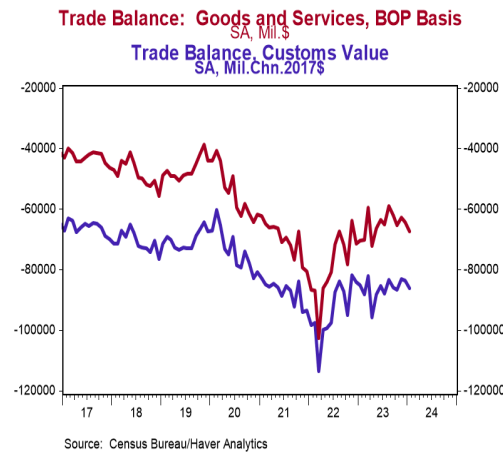


January International Trade

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- The trade deficit in goods and services came in at \$67.4 billion in January, larger than the consensus expected \$63.5 billion.
- Exports rose by \$0.3 billion, led by autos and nonmonetary gold. Imports rose by \$3.6 billion, led by autos and computer accessories.
- In the last year, exports are down 0.4% while imports are down 1.2%.
- Compared to a year ago, the monthly trade deficit is \$2.9 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$0.9 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 grew to \$67.4 billion in January as imports rose faster than exports. However, we prefer to focus on the total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the US border. This measure grew in January, rising by \$3.9 billion. However, total trade volume is still down 0.8% from a year ago with exports down 0.4% versus a year ago, while imports are down 1.2%, consistent with our forecast that the US is headed toward a recession. And while a recent 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. Notably, there is a major shift going on in the pattern of US trade. In January, imports from China were down 6.4% versus the same month in 2023. China used to be the top exporter to the US. Now the top spot is held by Mexico as China has fallen to number two with Canada nipping at its heels. Meanwhile, daily freight has fallen rapidly, and was back down to pre-COVID levels, or lower, as demand for shipping stabilized. This was confirmed by the New York Fed’s Global Supply Chain Pressure Index in January, with the index moving back into negative territory, 0.23 standard deviations below the index’s historical average. For some perspective, two years ago in the month of January the index sat 3.65 standard deviations above the index’s historical average. Expect some temporary volatility though as Yemen’s Houthi rebels continue to deter container ships from transiting the Red Sea and Bab-el-Mandeb Strait, adding volatility to shipping costs. Also in today’s report, the dollar value of US petroleum exports exceeding imports once again. This marks the 23rd consecutive month of the US being a net exporter of petroleum products. In employment news this morning, initial claims for jobless benefits remained unchanged last week at 217,000, while continuing claims rose by 8,000 to 1.906 million. Also yesterday, ADP’s measure of private payrolls increased 140,000 in February versus a consensus expected 150,000. We expect Friday’s payroll report to show a nonfarm payroll gain of 185,000.



International Trade	Jan-24	Dec-23	Nov-23	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-67.4	-64.2	-62.7	-64.8	-63.4	-70.3
Exports	257.2	256.9	254.1	256.0	257.1	258.2
Imports	324.6	321.0	316.7	320.8	320.5	328.5
Petroleum Imports	19.5	22.0	21.9	21.2	21.1	21.9
Real Goods Trade Balance	-86.0	-83.5	-83.1	-84.2	-84.8	-85.1

Source: Bureau of the Census