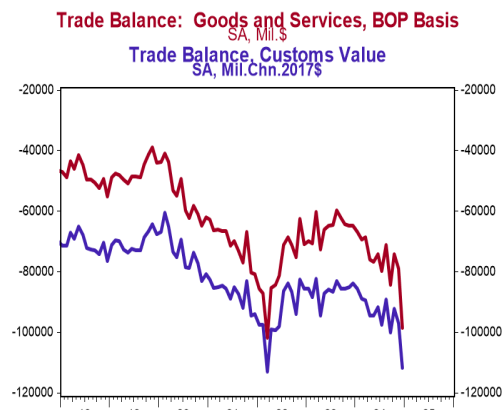


# December International Trade

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- The trade deficit in goods and services came in at \$98.4 billion in December, larger than the consensus expected \$96.8 billion.
- Exports fell by \$7.1 billion, led by crude oil, computers, and pharmaceuticals. Imports increased by \$12.4 billion, led by finished metal shapes, computers, and nonmonetary gold.
- In the last year, exports are up 2.5% while imports are up 12.4%.
- Compared to a year ago, the monthly trade deficit is \$33.5 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$28.0 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

**Implications:** The trade deficit in goods and services jumped to \$98.4 billion in December as imports boomed while exports sank. However, we like 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 by \$5.4 billion in December and is up 8.0% in the past year. Trade has been unusually volatile over the past few months as companies made sure they had adequate supplies before the dockworkers’ strike by East and Gulf Coast workers, which started October 1<sup>st</sup>. Although the strike ended up lasting only a few days, companies had no idea how long it would last back in September. Another strike was expected in January but did not materialize. This, along with a Trump Presidency where tariffs are at the forefront of his thinking caused companies to front-run the possible outcomes. Industrial supplies and materials imports surged in December, marking the largest percentage increase since 1990. This was almost entirely due to a massive increase in inbound shipments of finished metal shapes, which can be used in the manufacturing of cars, appliances, and other equipment. Given recent negotiations about tariffs on Mexico, Canada, China, and others, expect trade to continue its monthly volatility. Looking at the overall trend, total trade is up 8.0% from a year ago, with exports up 2.5% and imports up 12.4%. There also continues to be a major shift going on in the pattern of US trade. For the full year, imports from China were up only 2.8% versus 2023 and down 18.2% versus 2022. China used to be the top exporter to the US. Now the top spot is held by Mexico; China has fallen to number two with Canada nipping at her heels. Meanwhile, global supply chain pressures have eased substantially over the past few years, with the New York Fed’s Global Supply Chain Pressure Index in December 0.2 standard deviations below the historical average. For some perspective, three years ago in the month of December the index sat 4.4 standard deviations above the index’s historical average. Also in today’s report, the dollar value of US petroleum exports exceeded imports once again. This marks the 31<sup>st</sup> consecutive month of the US being a net exporter of petroleum products. In other recent news, cars and light trucks were sold at a 15.6 million annual rate in January, down 7.5% from December, but up 3.8% from a year ago.

International Trade	Dec-24	Nov-24	Oct-24	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-98.4</b>	-78.9	-74.2	-83.8	-81.1	-64.9
<b>Exports</b>	<b>266.5</b>	273.6	266.5	268.8	269.5	259.9
<b>Imports</b>	<b>364.9</b>	352.5	340.6	352.7	350.6	324.8
<b>Petroleum Imports</b>	<b>19.2</b>	18.4	17.3	18.3	19.0	21.7
<b>Real Goods Trade Balance</b>	<b>-111.9</b>	-97.0	-92.2	-100.3	-98.0	-83.9

Source: Bureau of the Census