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Economics Group

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Weak Exports, Even Weaker Imports

The improvement in the trade balance in November to $42.4 billion reflects a weak export performance and an even weaker import number. Exports were lower by $1.6 billion while imports were lower by $3.8 billion.

The 2015 Deficit Is Still Running Above 2014 Levels

The improvement in the U.S. trade deficit in November compared to October helped a bit in lowering the trade deficit year to date compared to 2014. However, the year to date deficit was still $25.2 billion higher than the one recorded during the same period a year earlier. Much of the difference compared to 2014 was due to the goods deficit, which represented $19.4 billion, while the remaining difference was due to the trade deficit in services.

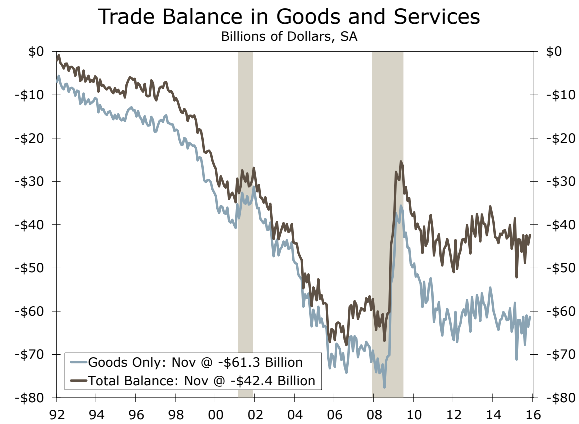
What is interesting in the trade numbers is that imports of goods into the U.S. economy remained weak in 2015, year to date, at only $2.1 trillion versus $2.2 trillion in 2014, perhaps due to the strong drop in petroleum prices last year. On the other hand, exports of goods were even weaker, at $1.4 trillion compared to $1.5 trillion year to date in 2014.

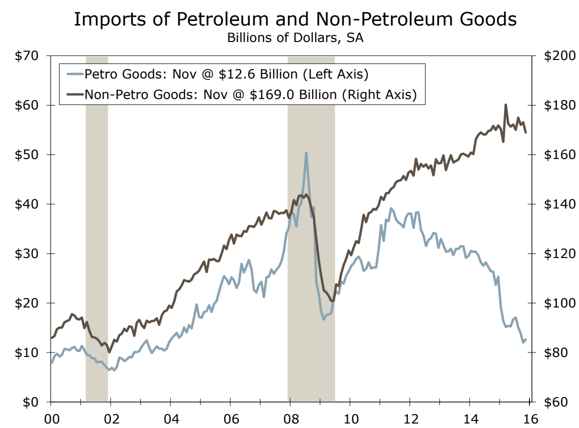
Meanwhile, trade in the services sector increased both in the export side as well as in the imports side. However, the increase in the imports of services has outpaced the increase in the exports of services, which means that the service surplus is not helping the trade in goods side as much as it used to before. Exports of services were marginally up in 2015 year to date, at $656 billion compared to $650 billion in 2014. However, imports of services increased more, from $436 billion in 2014 to $448 billion, year to date. From the exports of services side, the biggest culprit for the weakness was exports of transport services, which were $77.6 billion in 2015 compared to $82.2 billion in 2014, year to date.

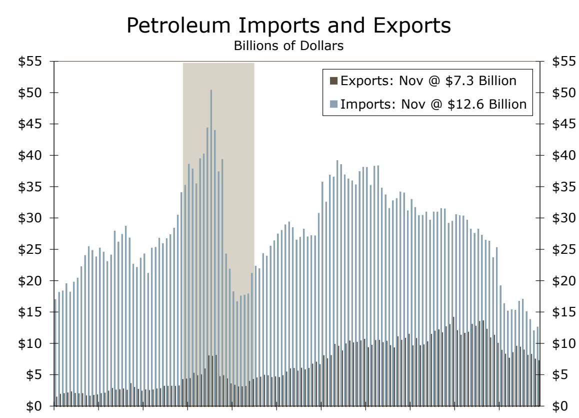
On the exports of goods side, almost all sectors were weaker in 2015 compared to 2014, year to date. Foods, feeds & beverages exports were $117.3 billion in 2015 compared to $131.8 billion in 2014. Meanwhile, industrial supplies exports plunged from $465.6 billion in 2014 to only $396.1 billion in 2015. Capital goods exports, on the other hand, dropped to $494.7 billion in 2015 year to date from $504.7 billion last year. Meanwhile, automotive vehicles exports dropped from $146.1 billion in 2014 to $139.4 billion in 2015.

Exports of Goods Reflect the Weakness in Industrial Production

The performance of the U.S. trade sector in 2015 is a reflection of the weak performance of the global economy together with the strength in the U.S. dollar. Both of these have had an important effect on the U.S. industrial sector and are some of the reasons why the U.S. industrial production number was so weak in 2015. This result for the U.S. industrial sector increases the importance of U.S. automobile demand at a time when external demand is so weak. Hopefully, automobile demand can continue to give some support to the industrial sector in 2016.







Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

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