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TD Economics

Data Release: Trade deficit narrowed in November

- The U.S. international trade deficit shrank in November to $42.4 billion from a $44.6 billion deficit in October. However, the reasons for a smaller trade deficit weren't great, as both exports and imports declined, but imports saw a bigger drop.

- Exports of goods and services fell 0.9%, which reflected a decline in "other" goods, industrial supplies and materials, and consumer goods. Exports fell 1.1% in real terms, continuing a weakening trend through much of 2015. Exports in real terms are now 4% weaker on a year-on-year basis.

- Imports were down a larger 1.7% in November, as a result of decreases in consumer goods, and to a lesser extent capital goods. The drop in imports was a larger 2.3% in real terms, representing a bit of a giveback from a 6.4% jump in October.

Key Implications

- U.S. exports deteriorated in 2015 due to slower global growth and a stronger U.S. dollar, and November's report is largely a continuation on that theme. Putting the report in a longer-term perspective, however, the U.S. trade deficit has still shrunk more than 25% since the shale revolution led to a revival in domestic oil and gas production.

- Modest global growth and a lofty currency are expected to remain challenges for U.S. exporters going forward. That means that overall economic growth, in GDP terms, is likely to continue to understate the strength of the domestic economy. With the Fed minutes out later today, and this report a continuation on a familiar theme, the November trade numbers are not likely to garner much attention.

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