



TD Economics

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Data Release: U.S. International Trade Deficit widens in November

- The U.S. trade deficit expanded to \$47.75 billion in November from \$43.27 billion in October. Market consensus called for a smaller \$45.0 billion deficit.
- Nominal exports dropped 0.9% on the month. Significant declines in industrial supplies and materials (-3.8%), automotives and parts (-1.9%), and capital goods (-0.6%), were partially offset by a 5.4% increase in consumer goods' external sales.
- On the other hand, nominal imports gained 1.3% driven by sizeable gains in both industrial supplies (+4.5%), and automotives and parts (+3.8%).
- In real terms, exports declined 1.5% m/m whereas imports increased by 1.2%.
- The petroleum trade balance deteriorated sharply, widening by roughly \$3.5 billion in November.

Key Implications

- November's international trade report breaks a streak of four consecutive declines in the U.S. trade deficit. In terms of its impact on economic growth, November's trade deficit widening will partially offset the positive contribution from the previous month. However, it would take a deterioration of a similar magnitude in December to completely erase net trade's overall positive impact on U.S. GDP during the fourth quarter of 2011.
- In any case, this means that the U.S. economy will have to rely more on domestic demand to fuel a stronger expansion in economic activity over the coming quarters. It will be up to household consumption and businesses' fixed investments to fill in the void, given that fiscal policy will remain contractionary in the near term.
- Moreover, the external outlook does not bode well for U.S. exports, as a deceleration in global growth will coincide with a stronger U.S. dollar due to lingering financial concerns regarding Europe's sovereign debt turbulences.

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