U.S. Economic Flash

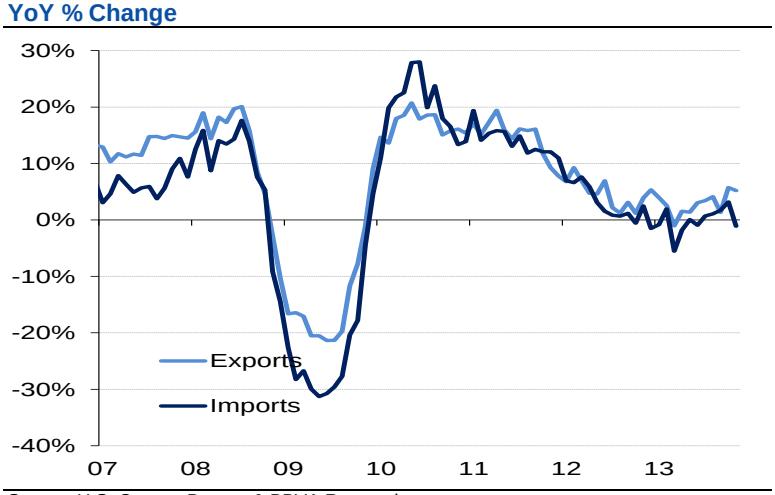
U.S. Trade Gap Narrows Significantly on Oil Related Shifts

- **The international trade gap shrank to -$34.3bn in November from -$39.3bn in October**
- **Global economic activity shows signs of stabilizing as exports rise 0.9%MoM**
- **4Q13 improvements in the trade deficit could boost GDP growth for the quarter**

The U.S. international trade deficit shrank more than expected in November, falling to its lowest level in over four years backed largely by the recent energy boom in the country. Total exports climbed 0.9% in November, an encouraging sign of a strengthening global economy that should provide a boost U.S. growth and enhance the recovery entering the new year. Imports fell 1.4% in November for the first time in five months, which could be a sign that businesses had stocked up enough inventory to get them through the month. Overall, U.S. exports are up 5.2% from a year ago and imports are down 1.1% over the same period, both of which remain well below pre-recession rates. The domestic energy boom is clearly reflecting on the U.S. trade balance figure as exports of petroleum continue to grow monthly and imports continue to fall. U.S. petroleum exports increased 5.5% on a MoM basis while imports dropped by a significant 11.2% from October to November. Despite the massive boost received from petroleum products, other sectors also managed to display export growth amid growing concerns of a stale global economy that has persisted over recent months. Manufacturing commodities exports grew by 4.7% MoM and are up 7.5% from the same time last year. Car exports also increased in November by 1.3%, tempering worries of a sluggish U.S. auto industry being stiffed by competition in Asia.

The improvement in November's trade balance will likely have an impact on the 4Q13 GDP figure. Holding other variables constant, we expect the significant decline in the trade deficit to deliver an upwards boost to 4Q13 real GDP growth, though it is important to remember that exports represent only about 12% of total GDP. Additionally, the increase in petroleum exports is an indication that the current energy boom has become an important driver behind domestic growth. Amid concerns of sluggish growth abroad that could consequently drag on a domestic recovery, the rise in exports is an encouraging sign that the global economy is recovering along with the U.S.

Chart 1
U.S. Exports and Imports
YoY % Change



Source: U.S. Census Bureau & BBVA Research

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