

U.S. Economic Flash

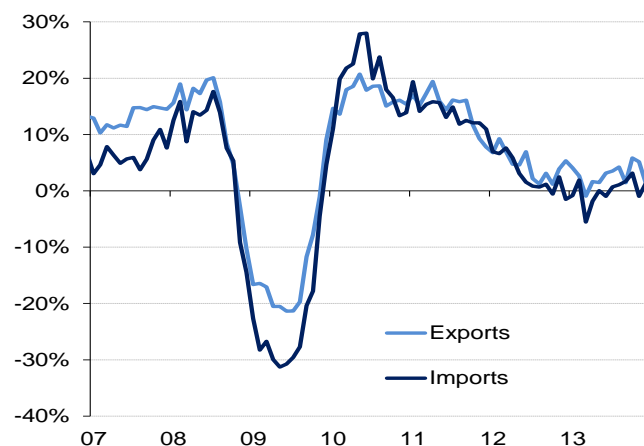
U.S. Trade Gap Widens in December as Exports Dip

- The international trade gap widened to **-\$38.7bn** from **-\$34.6bn** in November
- Decline in goods exports could force downward revision of initial 4Q13 GDP estimate
- Behind domestic energy boom, nominal petroleum exports remain positive

The U.S. international trade deficit widened more than forecasted in December after shrinking dramatically the month prior. After reaching the smallest deficit of the year in November, the trade balance moved in the opposite direction as total exports declined 1.8% in December and imports nudged up 0.3% for the month. The decline in export growth was primarily due to the goods component, which dropped 3.1% for the month, enough to outweigh the 1.4% gain in services exports. This unexpected drop in exports may influence a downward revision of GDP growth for 4Q13, which initially was forecasted at 3.2% QoQ SAAR. However, looking at the big picture, the improving trade balance continues to be a bright spot for the U.S. economy. Even with the dip, exports of goods and services rose 1.4% on a YoY basis, propelled by the domestic energy boom which has led to an increase in domestic energy production and subsequently an increase in national petroleum exports. In fact, petroleum exports are up 10.6% YoY and are the clear backbone of the improving exports figure; simultaneously, petroleum imports continue the two-year downward trend, down 2.0% YoY in December as cheaper energy is driving an increase in domestic usage.

A continued improvement in the United States trade balance would have an upward impact on the 2014 GDP figure. One threat to an increasing export figure is economic slowdown abroad, specifically in China, which has started to show signs of tempered growth from previous years. However, if GDP growth abroad remains relatively robust, we expect that U.S. exports will play a considerable role in a domestic recovery. Although net exports only compose about 12% of total GDP, the energy boom is likely to still have a positive effect on GDP, not only because the U.S. continues to increase exports, but also because cheaper domestic energy should help boost growth for companies operating in the country.

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



Source: U.S. Census Bureau & BBVA Research

Michael Soni
Michael.soni@bbvacompass.com
+1 713 831 7348

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