

US Trade Deficit Broadened In November; Trade Will Likely Be a Drag to Growth in the Fourth Quarter

- **The U.S. goods and services trade deficit increased in November 2024, after narrowing in October from a two-year high in September.**
- **Goods trade flows rose in November, with imports rising more than exports.**
- **Both services imports and exports rose on the month and the services surplus increased.**
- **PNC expects positive trade flows in 2025 from 2024, but risks are tilted to the downside given potential tariffs and retaliation.**

The seasonally-adjusted nominal U.S. goods and services trade deficit increased 6% in November to \$78.2 billion from \$73.6 billion in October (revised downward from \$73.8 billion). November's total trade deficit was slightly below the consensus expectation of \$78.3 billion. Although the monthly trade deficit has narrowed somewhat from a two-year high in September of almost \$84 billion, the three-month moving average in November was at its highest level in more than two years. On a year-ago basis the total trade deficit was up 21% in November.

A jump in the goods trade deficit more than offset a larger services trade surplus for the month. The goods deficit increased 5.5% to \$103.4 billion in November; on a year-ago basis the goods deficit was 17% higher.

Goods imports rose more than goods exports in November, with increases in both exports and imports across most categories. Goods exports were up 3.6% to \$177.6 billion on the month, while goods imports rose 4% to \$280.9 billion. Both goods exports and imports were firmly up from the same time last year. Imports and exports of semiconductors, aircraft-related commodities like engines, passenger cars, pharmaceutical preparations, gold, oil, etc. all increased on the month.

The services surplus increased 3.5% in November to \$25.2 billion from \$24.3 billion in October; services exports rose more than imports. On a year-ago basis both services imports and exports were up 9%.

Trade will likely be a drag on real GDP growth in the fourth quarter, as a strong US economy, a robust labor market, and the strong US dollar will continue to support imports more than exports. PNC expects trade flows to increase in 2025 from 2024 with a gradual economic recovery overseas under further policy interest rate cuts in the eurozone, the UK, China, and other economies. However, risks to trade flows are to the downside; higher US tariffs would likely reduce US imports, while retaliation by US trading partners would weigh on US exports.

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