Economic Update

October 8, 2024

US Trade Deficit Narrowed in August From Retreats in Goods Deficit and a Broader Services Surplus

- **The U.S. goods and services trade deficit narrowed in August 2024.**
- **The goods deficit fell due to a jump in goods exports and a decline in goods imports.**
- **The rise in the services surplus came from a slightly bigger gap in services exports over imports.**
- **A weakening U.S. dollar and more favorable credit conditions in other advanced economies will likely continue to support U.S. exports.**

The seasonally-adjusted nominal U.S. goods and services trade deficit narrowed 11% in August to $70.4 billion from $78.9 billion (revised slightly downward from $78.8 billion) in July. August's total trade deficit was close to the consensus expectation of $70.5 billion. This monthly deficit is also the lowest level since April 2024. On a year-ago basis the total trade deficit was up 18%, but it remains far below the record $102 billion deficit in March 2022. The monthly drop in the total trade deficit came from a narrower goods trade deficit and a larger services trade surplus.

The goods deficit fell 8% to $94.9 billion in August after reaching a two-year high of $103.2 billion in July. Noticeably, goods exports (up 3%) jumped to an almost two-year high while goods imports (down 1%) narrowed on the month. There was a broad-based increase in goods exports except foods, feeds, and beverages, which narrowed 1% in August. Exports of industrial supplies rose 2%, capital goods increased 3%, autos jumped 6%, and consumer goods were up 5% in August.

Goods imports fell 1% in August, led by retreats in industrial supplies (down 7%) and autos (down 3%). High interest rates have weighed on industrial activities and durable goods consumption over the past several years. Imports of industrial supplies fell to a two-year low in August, and autos imports were still down in August from the same time last year. Imports of consumer goods rose on the month and remained at the highest level over the past two years.

The 1% rise in the services surplus came from slightly bigger services exports over imports. Inbound travel to the U.S. in August, regardless of travel purposes, jumped to the highest level over the past three years. All other categories registered some increases except for transport services and personal, cultural, and recreational services. Foreign travel from the U.S. (a services import) also rose in August but less than inbound travel. Transport services and telecommunications, computer and information services fell on the month unlike other categories.

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The DXY dollar index fell in August to its lowest level this year; dollar weakening in August and more favorable credit conditions overseas have supported U.S. goods exports into Canada, China, the euro area, and the UK. A weaker dollar in September will likely continue to benefit U.S. goods exports over imports along with a softening U.S. labor market, but PNC expects continued job gains in the U.S. labor market, and positive consumer spending growth albeit at a slower pace. These developments should support imports of consumer goods and continued economic expansion into 2025.

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