



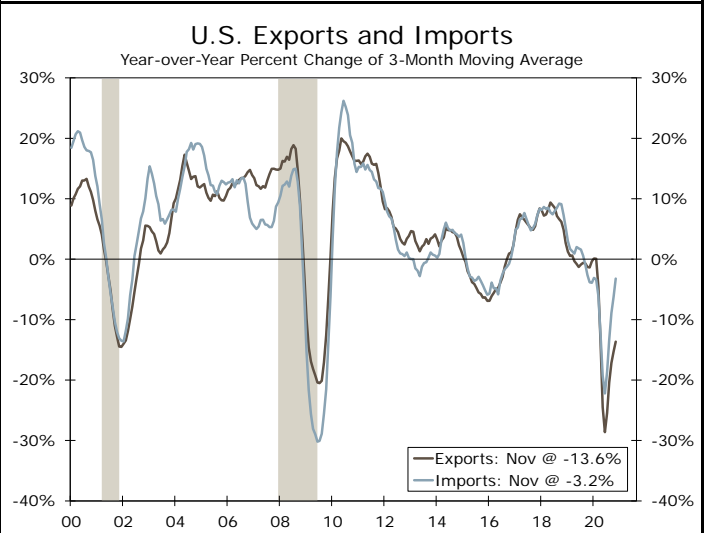
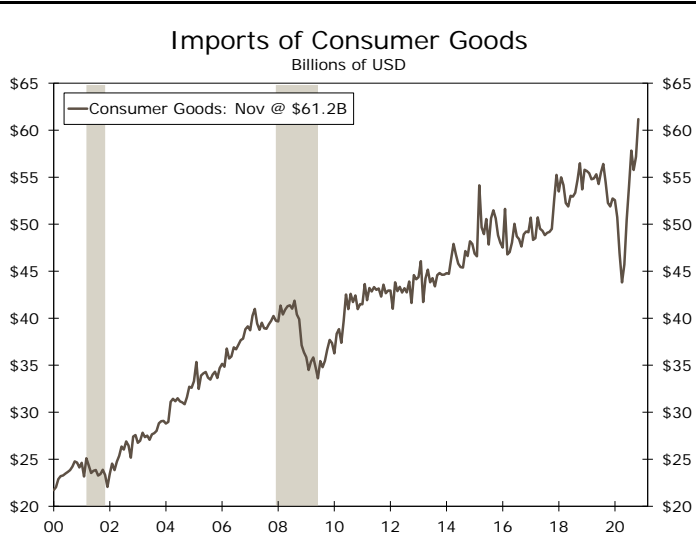
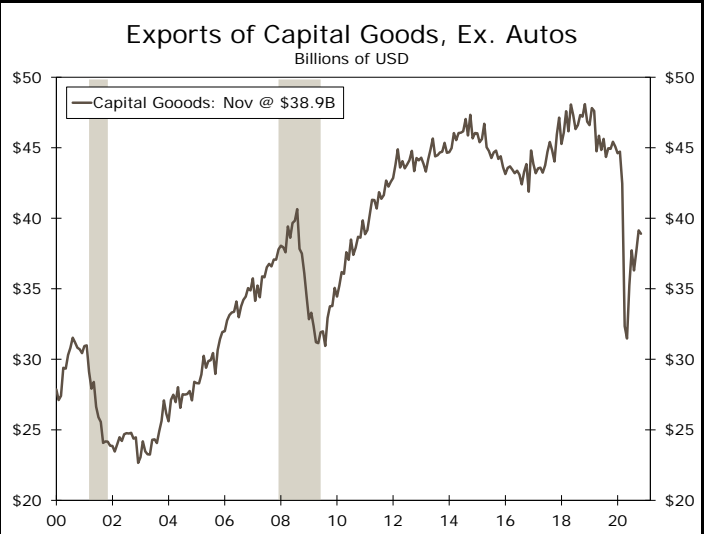
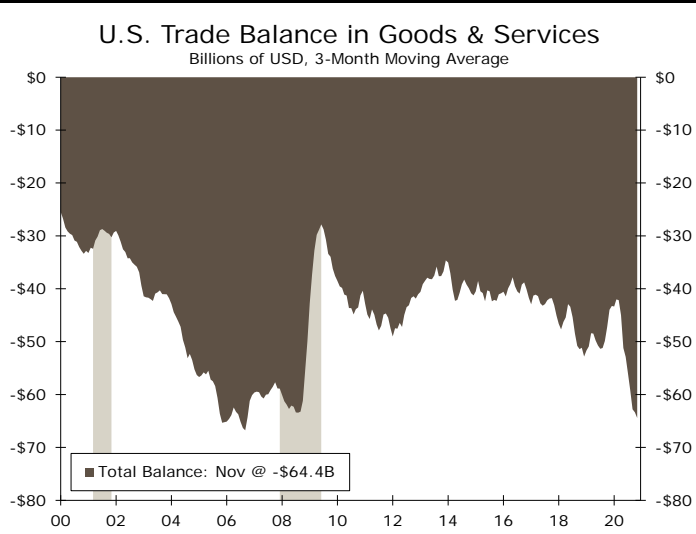
Economics Group

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Imports Outpacing Exports Signals Q4 Drag for GDP

The U.S. trade balance widened to a near-record deficit of \$68.1B in November, as imports grew more than expected. This suggests downside to our current call for a -0.7 percentage point drag from net exports in Q4.

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| <p>Stronger-than-Expected Import Growth</p> <ul style="list-style-type: none"> The larger-than-expected 8% widening in the U.S. trade balance is due to an outsized gain in imports. Imports rose 2.9% to \$252.3B in November, pushing imports 8% ahead of where they stood prior to the pandemic. Consumer goods imports surged for the second consecutive month likely reflecting strong holiday sales and low retail inventories. Capital goods imports rose for the sixth month, signaling continued strength in manufacturing. | <p>Exports Remain Constrained</p> <ul style="list-style-type: none"> Exports continued to rebound in November, rising a solid 1.2%. But, the rebound in exports has been slower and remains constrained by weakness in industrial supplies and capital goods. Depressed services also remain a large restraint on export growth. In the context of fourth quarter GDP, net trade is set to be a sizeable drag on growth and today's report suggests some downside to our current estimate of a -0.7 percentage point drag. |
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Source: U.S. Department of Commerce and Wells Fargo Securities

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