America’s Trade Deficit Surged in 2022, Nearing $1 Trillion

Description

The U.S. trade deficit hit close to record levels in 2022, nearing a total of $1 trillion.

American consumers continued to spend heavily on foreign-made goods last year, widening the overall trade deficit even further by 12.2 percent, or $103 billion, in 2021.

As of the beginning of the year, the goods and services deficit now stands at a record $948.1 billion, from $845 billion at the end of 2021, the largest total on record.

Large amounts of foreign machinery, medications, industrial supplies and vehicles, were imported into the United States last year, which added to the trade gap, according to data from the Commerce Department on Feb. 7.

US Trade Gap Continued to Expanded in 2022

Exports increased $453.1 billion, or 17.7 percent, while imports increased $556.1 billion, or 16.3 percent.

The U.S. trade deficit in goods with Mexico, Canada, India, South Korea, Vietnam, and Taiwan skyrocketed last year, as manufacturers sought new sources of foreign-made products, after an over-reliance on nations such as China.

Meanwhile, the deficit rose 10.5 percent, to $67.4 billion, in December, after falling 21.1 percent, or $61 billion, in November.

The deficit now makes up 3.7 percent of U.S. GDP, up from 3.6 percent in 2021.

When adjusted for inflation, the “real” goods trade gap widened to $98.6 billion from $96.1 billion in November.

American Exports Fell in December

Imports to the United States rose to $317.6 billion, while exports dropped to a 10-month low because of lower global demand and weaker oil prices.

U.S. exports fell slightly in December from the previous month, to $250.2 billion, due to a slowdown in the world economy and as American companies sold fewer industrial products and consumer goods overseas.

Analysts believe that trade deficit data for January will reflect another increase and that trade would probably not provide enough support to assist the economy in the first quarter, after boosting U.S. GDP during the last three quarters.

“The trade winds have shifted and are no longer blowing as strongly in the direction of positive economic growth,” Christopher Rupkey, chief economist at FWDBONDS, told Reuters.

“The economy isn’t floundering, but it is unlikely to pick up much speed looking at today’s trade deficit data.”

So far, the latest data show that the economy’s recovery from the pandemic, which cratered the travel and entertainment sector and caused the price of imported goods to spike, is continuing.

High inflation and energy prices are considered a factor in price growth, but the trade data are not adjusted for inflation, reported The New York Times.

America Lowers Its Dependence on China

The data are beginning to show changes in the global supply chain, as the United States attempts to reshuffle its trade networks, as government pursues further trade restriction with China and American firms look elsewhere for new suppliers of materials and goods.

The Trump administration led the trend of diversifying away from the world’s second-largest economy, and after a brief pause, has continued.

Former president Donald J. Trump repeatedly blasted the trade deficit, especially with China, as a sign of economic weakness and called for narrowing the gap and bring more manufacturing back home, or to allied countries.

The Biden administration has begun to agree with its predecessor’s assessment that America’sreliance on China for key materials like solar panels, electronics, and electric vehicle batteries havebecome a national security risk.

The White House introduced tax incentives and penalties last year to try to encourage companies to reroute their vulnerable supply chains closer to home after they nearly broke down during pandemic.

Many American companies are still slow or have been unwilling to cut ties with China, as it continues to possess some of the world’s largest concentration of factories.

Overall U.S. trade with China last year beat previous records despite the policy shift, as the trade deficit with China widened to 8.3 percent, to $382.9 billion, the second-highest level on record.

The American trade deficit with Canada swelled to $81.6 billion, while the gap with Mexico grew 20.7 percent, to $130 billion, in 2022.

The smaller share of imported goods from China to the United States in recent years has yet to have a major impact.

Worsening Relations With Moscow Are Now a Factor

Deteriorating relations with Russia over its war with Ukraine has pushed up energy and food prices worldwide.

American companies have somewhat benefited from more exports to Europe, after the Europeans massively cut their economic ties with Russia due to economic sanctions over Ukraine.

Although increased of shipments of crude oil, fuel oil, and natural gas from the United States to Europe led the trade gap to narrow last year, America still imports far more than it exports.

U.S. oil exports hit their highest level since February 2020, along with exports of vehicles, parts and engines, but consumer goods exports fell $1.0 billion, while food exports rose $0.7 billion.

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Date Created
02/10/2023