Data Watch

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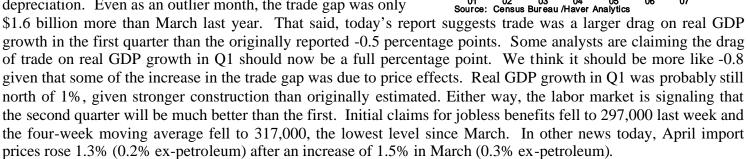
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MAR INTERNATIONAL TRADE

- The trade deficit in goods and services increased to \$63.9 billion in March from a downwardly revised \$57.9 billion in February. The consensus had expected a smaller increase to \$60.0 billion.
- Exports increased \$2.2 billion in March and are up 9.2% versus a year ago.
- Imports increased \$8.2 billion in March and are up 6.9% versus a year ago. The increase in March was the largest on record, in dollar terms. Petroleum accounted for about half the increase in imports, mostly due to higher volume.
- By region, the change in the trade deficit was fairly widespread, with Europe, OPEC, Mexico, Africa, and Canada all widening their trade gaps with the US by at least \$1 billion. The trade deficit with China shrunk by \$1.2 billion.

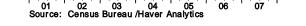
Implications: Last month we wrote that the trade deficit had turned a corner in the summer of 2006. Despite the large increase in March we still believe the trade deficit will tend to shrink in the months ahead (as a share of GDP), due to economic strength abroad and a lagged response to past dollar depreciation. Even as an outlier month, the trade gap was only



International Trade	Mar-07	Feb-07	Jan-07	3-Mo	6-Mo	Year-Ago
All Data Seasonally Adjusted, \$billions	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-63.9	-57.9	-58.9	-60.2	-59.9	-62.3
Exports	126.2	124.0	126.8	125.7	125.1	115.6
Imports	190.1	181.9	185.7	185.9	185.0	177.8
Petroleum Imports	24.6	20.9	24.5	23.3	22.7	22.5

Source: Bureau of the Census

Trade Balance: Goods and Services SA. Mil.\$ 20000 -30000 -40000 -50000 -60000 -70000 \ 70000





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