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# February International Trade

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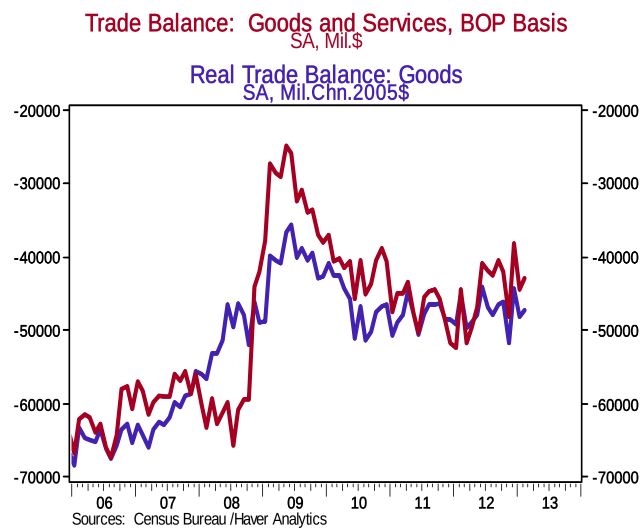
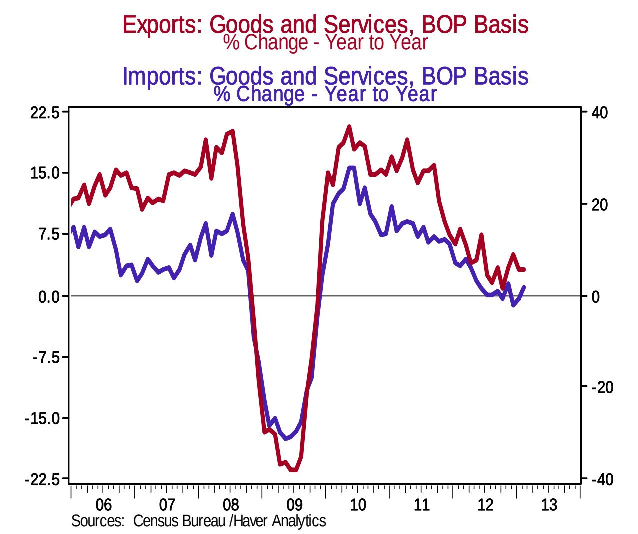
- The trade deficit in goods and services came in at $43.0 billion in February, smaller than the consensus expected $44.6 billion.
- Exports increased $1.6 billion in February, while imports rose $0.1 billion. The increase in exports was led by fuel oil and petroleum products. The increase in imports was led by computer accessories and apparel.
- In the last year, exports are up 3.2% while imports are up 1.9%. All of the drop in imports versus a year ago is due to petroleum.
- The monthly trade deficit is $1.6 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is $2.5 billion larger than a year ago. This is the trade measure that is most important for measuring real GDP.




**Implications**: The trade deficit shrunk in February, coming in smaller than consensus expectations. The report supports our forecast that real GDP grew at a 3% annual rate in Q1 and will do so again in Q2, despite still widespread fears about the affect of the end of the payroll tax cut or the federal spending sequester. Energy was where the action was in February, with gain in fuel oil exports and a decline in crude oil imports. In fact, the number of barrels imported in February was the smallest since 1996. Like many recent trade reports, the data show a combination of a mediocre plowhorse trend for the near term alongside a bullish outlook for the long term. The mediocre data is represented by the total volume of US trade with the rest of the world – imports plus exports are up only 2.5% from a year ago. This slow growth is reflective of weak exports to Europe (down 8.8% from a year ago) offsetting continued export growth to non-European countries. Meanwhile, the upward trend for US energy production due to fracking and horizontal drilling continues to have large effects on trade with other countries, and will continue long into the future. Since 2005, real (inflation-adjusted) oil exports have tripled and are close to all-time record highs, while real oil imports are down 30% over the past 8 years. Although recent trade data look good, we expect the sector will be a small negative for real GDP growth in 2013, as the trade deficit starts expanding again like it normally does when the US economy is growing.

| International Trade<br>All Data Seasonally Adjusted, $billions | Feb-13<br>Bil $ | Jan-13<br>Bil $ | Dec-12<br>Bil $ | 3-Mo<br>Moving Avg. | 6-Mo<br>Moving Avg. | Year-Ago<br>Level |
|---|---|---|---|---|---|---|
| **Trade Balance** | **-43.0** | -44.5 | -38.1 | -41.9 | -42.7 | -44.6 |
| Exports | **186.0** | 184.4 | 186.6 | 185.7 | 184.4 | 180.2 |
| Imports | **228.9** | 228.9 | 224.8 | 227.5 | 227.1 | 224.8 |
| Petroleum Imports | **32.1** | 34.1 | 30.3 | 32.2 | 33.0 | 35.7 |
| **Real Goods Trade Balance** | **-47.4** | -48.1 | -44.2 | -46.6 | -47.3 | -44.9 |

Source: Bureau of the Census