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January International Trade

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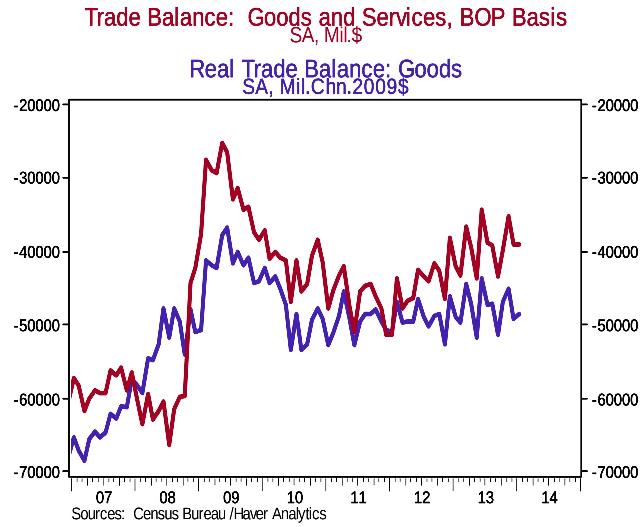
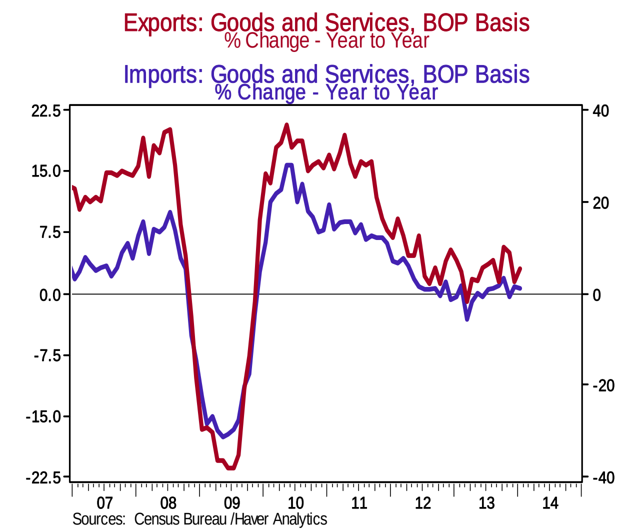
- The trade deficit in goods and services came in at $39.1 billion in January, slightly larger than the consensus expected $38.5 billion.
- Exports rose $1.2 billion in January, led by nonmonetary gold. Imports increased $1.3 billion, led by crude oil and telecomm equipment.
- In the last year, exports are up 3.0%, led by a 28.3% gain in petroleum exports. Imports are up 1.2% in the past year, despite a 6.7% drop in petroleum imports.
- The monthly trade deficit is $3.0 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is $0.5 billion smaller than a year ago. This is the trade indicator most important for measuring real GDP.

Implications: The US trade deficit slightly increased to $39.1 billion in January, as imports grew slightly faster than exports. Fracking and horizontal drilling continue to transform not only the US energy industry but also our trade with the rest of the world. Eight years ago, back in January 2006, the US imported 12.5 times as much petroleum product as it exported. Since then, petroleum product exports are <u>up more than 500%</u> while imports are up only 26%. So now, petroleum product imports are only 2.5 times exports. If this trend continues, and we strongly believe it will, the US will be a net petroleum product exporter by late 2016, sooner if we fix our pipeline and refinery issues. Outside of energy, the trade deficit has generally grown over the past four years of recovery, but has recently leveled off. Normally, when the US economy grows consistently, our trade deficit tends to expand. However, because fracking has unleashed a massive supply of natural gas, the US has an energy cost advantage versus many of the advanced nations around the world. So, even though natural gas prices have increased of late and even if we start exporting more natural gas, we should maintain a competitive advantage versus many of our major trading partners. This, plus the direct effect of more energy exports and fewer imports should help suppress any expansion in the trade deficit relative to the size of the economy.





International Trade *All Data Seasonally Adjusted, $billions*	Jan-14 Bil $	Dec-13 Bil $	Nov-13 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-39.1**	-39.0	-35.2	-37.7	-39.3	-42.1
Exports	**192.5**	191.3	194.6	192.8	191.7	186.8
Imports	**231.6**	230.3	229.8	230.6	231.0	228.9
Petroleum Imports	**31.7**	29.1	28.5	29.8	30.7	34.0
Real Goods Trade Balance	**-48.5**	-49.2	-45.0	-47.6	-48.0	-49.0

Source: Bureau of the Census