# First Trust DATAWATCH

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# April International Trade

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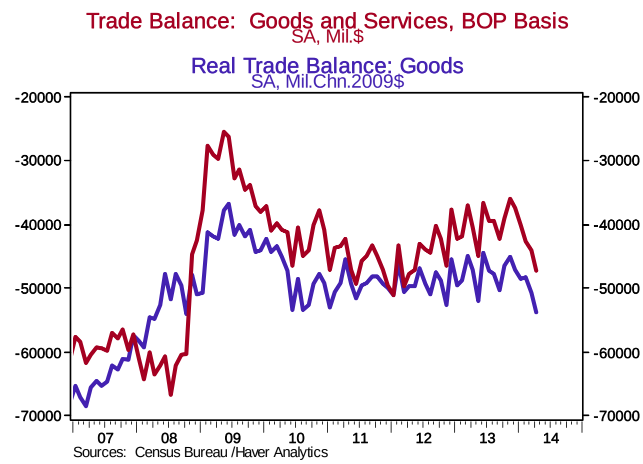
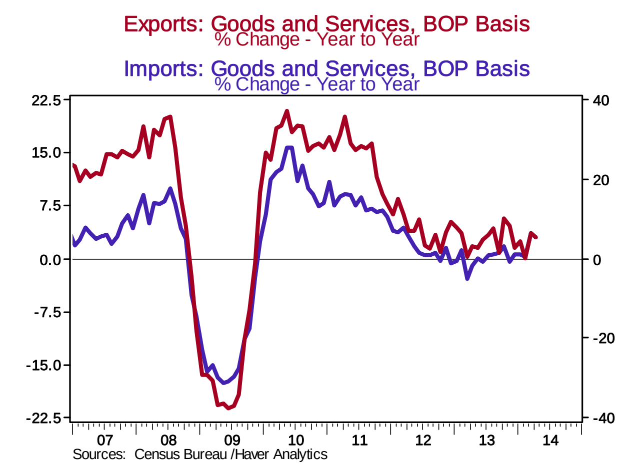
- The trade deficit in goods and services came in at $47.2 billion in April, much larger than the consensus expected $40.8 billion.
- Exports declined $0.3 billion in April, led by soybeans, petroleum products and jewelry. Imports increased $2.7 billion, led by cellphones & other household goods and computers.
- In the last year, exports are up 3.0% while imports are up 5.4%.
- The monthly trade deficit is $6.8 billion larger than a year ago. Adjusted for inflation, the trade deficit in goods is $6.6 billion larger than a year ago. This is the trade indicator most important for measuring real GDP.




**Implications**: The US trade deficit came in at $47.2 billion in April, the largest deficit in two years, the result of a small decline in exports and a large increase in imports. Given the pattern in the past couple of years, we expect the trade deficit to shrink next month. The best news from today's report was that the total volume of trade – imports plus exports – hit a new all-time record high. This underscores the continued improvement we have been seeing in the US, as higher imports signal more spending growth. We also expect higher energy production in the US to continue to transform our trade relationship with the rest of the world. Eight years ago, back in April 2006, the US imported 9 times as much petroleum product as it exported. Since then, petroleum product exports are up 318% while imports are up only 24%. So now, petroleum product imports are only 2.4 times exports. We expect this trend to continue, getting the US to a petroleum product trade balance and even surpluses in the next few years. In other news today, nonfarm productivity in Q1 was revised lower to -3.2% at an annual rate from the original estimate of -1.7%. This was due to the downward revisions to real GDP released last week. Output was revised lower (-1.1% at an annual rate from the preliminary reading of +0.3%), while hours worked were revised higher (+2.2% from an original reading of +2). In the manufacturing sector, the Q1 growth rate for productivity (3.8%) was much better than among nonfarm businesses as a whole, and was revised higher than what was originally thought (+3.8% versus the original reading of +3.3%). The faster pace in manufacturing productivity growth was due to an increase in output in that sector, along with a decline in hours. Also this morning, the ADP index, a measure of private payrolls, increased 179,000 in May. We'll be finalizing our forecast for Friday's payroll numbers tomorrow morning after we see unemployment claims. But, right now, it looks like payrolls increased 200,000 in May. In other recent news, cars and light trucks were sold at a 16.8 million annual rate in May, the highest level since January 2006. Sales were up 4.6% from April and up 8.3% from a year ago. Sales may temporarily decline in June, but the upward trend of the past several years will continue in the year ahead.

| International Trade<br>*All Data Seasonally Adjusted, $billions* | Apr-14<br>Bil $ | Mar-14<br>Bil $ | Feb-14<br>Bil $ | 3-Mo<br>Moving Avg. | 6-Mo<br>Moving Avg. | Year-Ago<br>Level |
|---|---|---|---|---|---|---|
| *Trade Balance* | **-47.2** | -44.2 | -42.6 | -44.7 | -41.2 | -40.4 |
| *Exports* | **193.3** | 193.7 | 188.1 | 191.7 | 192.5 | 187.8 |
| *Imports* | **240.6** | 237.8 | 230.7 | 236.4 | 233.7 | 228.2 |
| *Petroleum Imports* | **29.8** | 30.5 | 30.7 | 30.3 | 30.0 | 30.6 |
| *Real Goods Trade Balance* | **-53.8** | -50.9 | -48.4 | -51.0 | -49.0 | -47.2 |

*Source: Bureau of the Census*