January International Trade

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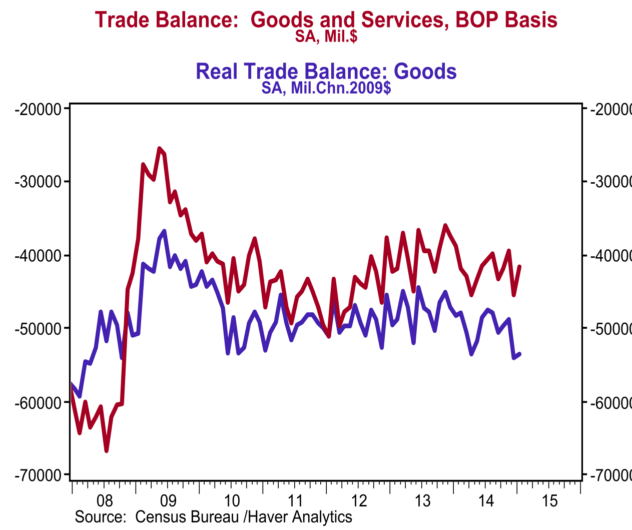
- The trade deficit in goods and services came in at $41.8 billion in January, slightly larger than the consensus expected $41.1 billion.
- Exports declined $5.6 billion in January, led by autos, fuel oil and soybeans. Imports declined by $9.4 billion, led by crude oil.
- In the last year, exports are down 1.7% while imports are down 0.2%.
- The monthly trade deficit is $2.9 billion larger than a year ago. Adjusted for inflation, the "real" trade deficit in goods is $5.3 billion larger than a year ago. This "real" change is the trade indicator most important for measuring real GDP.

Implications: Take the trade report for January with a big grain of salt. It's hard to draw any conclusions about the trend in international trade from just this one report. Imports and exports both declined steeply in January. Two key *temporary* factors drove those declines. First, oil prices plummeted in January. The average price per barrel of crude petroleum imports fell 20%, the largest decline since the panic back in late 2008 and early 2009. Second, labor disputes at west coast ports helped reduce non-petroleum trade. For example, the total number of inbound and outbound containers fell 20% at the Port of Los Angeles and 24% at the Port of Long Beach. No wonder passengers on flights over LAX could see ships lined up for miles. The good news is that the strike was resolved in late February. The net result of the drop in oil prices and west coast strikes was that imports fell more than exports in January, so the trade deficit was much smaller for the month. Many analysts are obsessed with the strength of the US dollar and expect an expansion of the trade deficit, but the European Central Bank just upgraded the Eurozone's growth prospects, and that may offset the headwind from the stronger dollar. The one trend we can count on is that growing US oil production is changing our trade relationship with the rest of the world. In 2005 the US imported 11.1 times the amount of petroleum and petroleum products that it exported; in the past year these imports have only been 2.3 times exports. Petroleum independence is within sight. The overall US trade deficit has been relatively stable over the past few years. Look for more of the same in the year ahead, with a smaller trade deficit in oil and a slightly larger one in other goods, powered by growing purchasing power among US consumers and businesses.



International Trade *All Data Seasonally Adjusted, $billions*	Jan-15 Bil $	Dec-14 Bil $	Nov-14 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-41.8**	-45.6	-39.5	-42.3	-42.0	-38.8
Exports	**189.4**	195.0	196.8	193.7	195.6	192.7
Imports	**231.2**	240.6	236.3	236.0	237.6	231.6
Petroleum Imports	**19.4**	24.9	23.2	22.5	24.6	31.0
Real Goods Trade Balance	**-53.6**	-54.0	-48.7	-52.1	-50.7	-48.4

Source: Bureau of the Census