July International Trade

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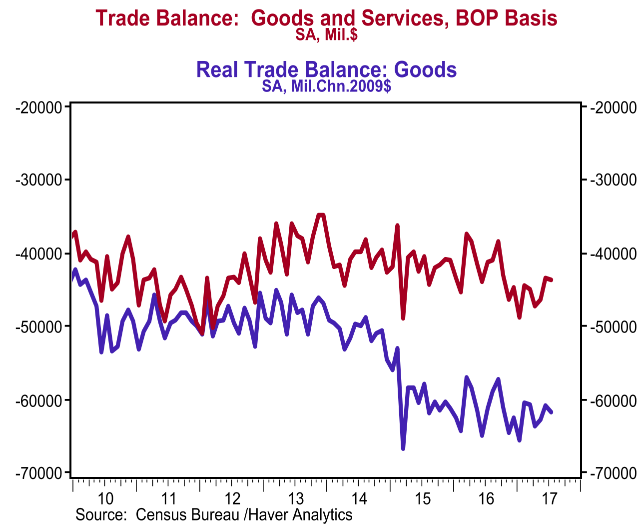
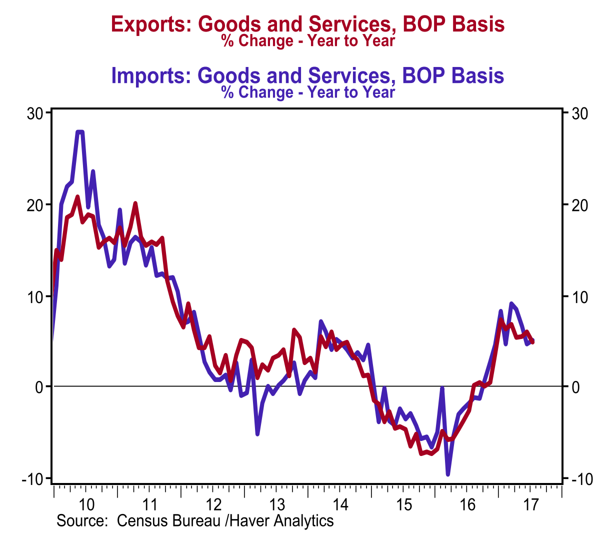
- The trade deficit in goods and services came in at $43.7 billion in July, slightly smaller than the consensus expected $44.7 billion.
- Exports declined $0.6 billion, led by autos and nonmonetary gold. Imports declined $0.4 billion, led by pharmaceutical preparations and crude oil.
- In the last year, exports are up 4.9% while imports are up 5.1%.
- Compared to a year ago, the monthly trade deficit is $2.4 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $0.2 billion larger. The "real" change is the trade indicator most important for measuring real GDP.





Implications: The trade deficit was nearly unchanged in July, coming in at $43.7 billion, a slightly smaller trade deficit than the consensus expected. While exports declined $0.6 billion in July and imports declined by $0.4 billion, both imports and exports are up from a year ago: exports by 4.9%, imports by 5.1%. We see expanded trade with the rest of the world as positive for the global economy, and total trade (imports plus exports) is up 5.0% in the past year. Look for more of that in the year to come as economic growth accelerates in Europe. In particular, it looks like France's new president Emmanuel Macron is intent on moving its economy toward a freer labor market, which should, in turn, make other European countries follow suit. Better growth in Europe will increase global trade and US exports as well. In July, autos played a key role, with both imports and exports showing notable declines. Petroleum exports rose $0.4 billion in July, while petroleum imports declined $0.9 billion, once again highlighting the impact that U.S. energy technology – led by fracking – is having on an international scale. But the largest contributor to the larger trade deficit in July was increased imports of goods from China and Hong Kong. Trade with our North American neighbors dipped in July, but is up 6.4% in the past year. Trade is one of our four pillars to prosperity; freer trade leads to improved economic growth. And while we have our qualms with some of the talk coming out of Washington related to paring back free trade, there has been significantly more hot air than substance. We will watch trade policy as it develops, but don't see any reason at present to be sounding alarm bells. In other recent news, automakers reported sales of cars and light trucks at a 16.1 million annual rate in August, well below the consensus expected 16.6 million pace. Without Hurricane Harvey we estimate sales would have been at a 16.3 million pace. After Harvey and Irma pass, expect a temporary surge in sales later this year, both due to pent up demand and the replacement of destroyed vehicles.

International Trade *All Data Seasonally Adjusted, $billions*	Jul-17 Bil $	Jun-17 Bil $	May-17 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-43.7**	-43.5	-46.4	-44.5	-45.1	-41.3
Exports	**194.4**	194.9	192.3	193.9	193.0	185.3
Imports	**238.1**	238.5	238.7	238.4	238.0	226.6
Petroleum Imports	**13.3**	14.3	15.8	14.5	15.8	12.6
Real Goods Trade Balance	**-61.6**	-60.8	-62.8	-61.7	-61.7	-61.4

Source: Bureau of the Census

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