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June International Trade

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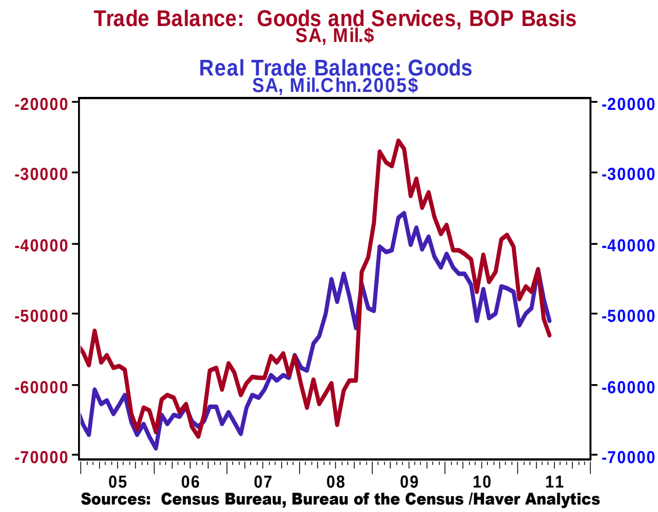
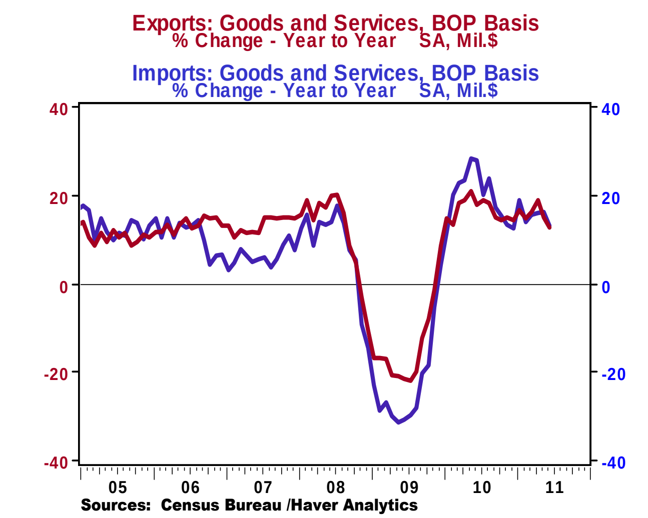
- The trade deficit in goods and services expanded by $2.2 billion to $53.1 billion in June. The consensus expected a trade deficit of $48.0 billion.
- Exports declined $4.1 billion in June, led by petroleum. Imports declined $1.9 billion, also led by petroleum. The decline in oil imports was due to lower prices.
- In the last year, exports are up 12.9% while imports are up 13.0%.
- The monthly trade deficit is $6.2 billion larger than last year. Adjusted for inflation, the trade deficit in goods is $0.1 billion smaller than last year. This is the trade measure that is most important for calculating real GDP.



Implications: Given market turmoil lately, the most timely economic data is new claims for unemployment benefits, which fell 7,000 last week to 395,000, the first week below 400,000 since April. The four-week moving average fell to 405,000. Continuing claims for regular state benefits fell 60,000 to 3.69 million. This data, along with chain store sales figures which were also solid, is the closest thing to real-time economic data we have. Exports fell more than imports in June, leading to the trade deficit expanding to -$53.1 billion, the largest trade deficit since October 2008. It was also a larger deficit than the consensus expected, in fact, of the 74 economic groups that forecasted the trade deficit, none thought it would be this high. Oil was the driving force behind the decline in both imports and exports, due to prices. Given these revisions, it looks like net exports were a smaller positive for real GDP growth than the government previously estimated. Recent reports on construction, inventories and trade suggest real GDP grew at about a 1.0% annual rate in Q2. Beneath the headlines, the total volume of international trade in and out of the US – imports plus exports – fell for only the second time in the past year. We don't see a recession in the cards for the US economy and expect the volume of trade to rebound as the economy picks up steam in the second half of the year.



International Trade *All Data Seasonally Adjusted, $billions*	Jun-11 Bil $	May-11 Bil $	Apr-11 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-53.1**	-50.8	-43.6	-49.2	-48.1	-46.9
Exports	**170.9**	175.0	175.8	173.9	171.3	151.3
Imports	**223.9**	225.8	219.4	223.1	219.4	198.2
Petroleum Imports	**38.2**	39.9	36.0	38.1	36.7	26.9
Real Goods Trade Balance	**-50.9**	-47.9	-43.7	-47.5	-48.9	-51.0

Source: Bureau of the Census