

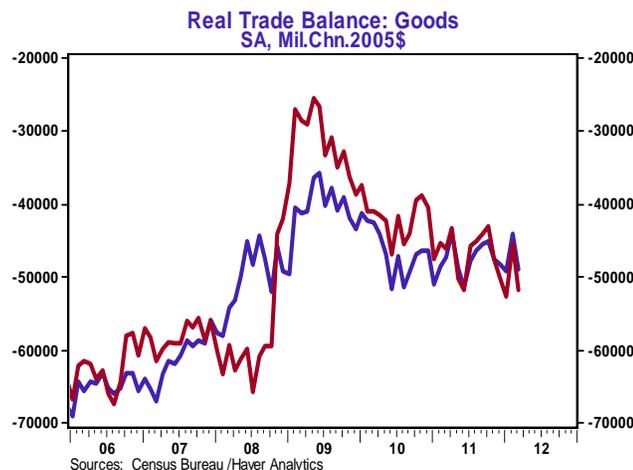
# March International Trade

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

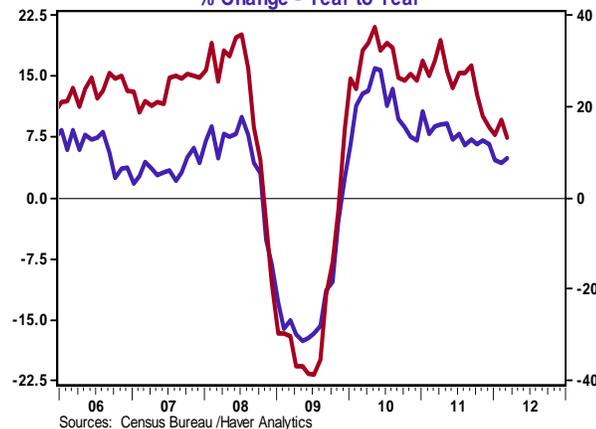
- The trade deficit in goods and services came in at \$51.8 billion in March, larger than the consensus expected deficit of \$50.0 billion.
- Exports increased \$5.3 billion in March, led by fuel oil and a widespread gain in capital goods. Imports increased \$11.7 billion, led by consumer goods, oil, autos, and computers.
- In the last year, exports are up 7.3% while imports are up 8.4%.
- The monthly trade deficit is \$5.8 billion larger than a year ago. However, adjusted for inflation, the trade deficit in goods is \$1.6 billion larger than last year. This is the trade measure that is most important for measuring real GDP.

**Implications:** Imports and exports both rose to new record highs in March, but imports increased more than exports, so the trade deficit expanded. Not only was the level of imports the highest on record, but the increase in imports was the most for any month on record, in part a result of a bounce back in shipments from China following Lunar New Year celebrations. The best news in today's report was that exports to Europe, including the Euro area, hit a new all-time record high. (This is true even if we exclude Germany.) The large depreciation in the exchange value of the dollar in the past decade means the US is a much more attractive place from which to export. That's why many foreign automakers are increasingly using the US as an export hub. Because productivity is so high, unit labor costs are low in the US relative to other advanced economies. Nonetheless, reviving US consumers still like imported goods, which will boost imports. On net, trade was a neutral factor for real GDP in Q1, but should be a slight drag on growth in Q2. In other trade news today, import and export prices reflect the recent lull in inflation. Import prices were down 0.5% in April and are up only 0.5% from a year ago. Excluding oil, import prices were unchanged in April and are up 0.7% in the past year. Prices for exports are similarly quiet, with overall prices up 0.7% in the past year and 1.2% excluding agriculture. However, given the stance of monetary policy, we expect these products to show more inflation later this year. In the labor market, new claims for unemployment insurance dipped 1,000 last week to 367,000. Continuing claims for regular state benefits fell 61,000 to 3.23 million, the lowest since July 2008. These figures suggest faster payroll growth in May then in March/April.

Trade Balance: Goods and Services, BOP Basis  
SA, Mil.\$



Exports: Goods and Services, BOP Basis  
% Change - Year to Year  
Imports: Goods and Services, BOP Basis  
% Change - Year to Year



International Trade	Mar-12	Feb-12	Jan-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-51.8</b>	<b>-45.4</b>	<b>-52.5</b>	<b>-49.9</b>	<b>-48.5</b>	<b>-46.1</b>
<b>Exports</b>	<b>186.8</b>	<b>181.5</b>	<b>180.9</b>	<b>183.1</b>	<b>180.8</b>	<b>174.0</b>
<b>Imports</b>	<b>238.6</b>	<b>226.9</b>	<b>233.4</b>	<b>233.0</b>	<b>229.2</b>	<b>220.1</b>
<b>Petroleum Imports</b>	<b>38.9</b>	<b>37.2</b>	<b>39.0</b>	<b>38.3</b>	<b>37.6</b>	<b>38.2</b>
<b>Real Goods Trade Balance</b>	<b>-48.9</b>	<b>-44.1</b>	<b>-49.2</b>	<b>-47.4</b>	<b>-47.2</b>	<b>-47.3</b>

Source: Bureau of the Census