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March International Trade

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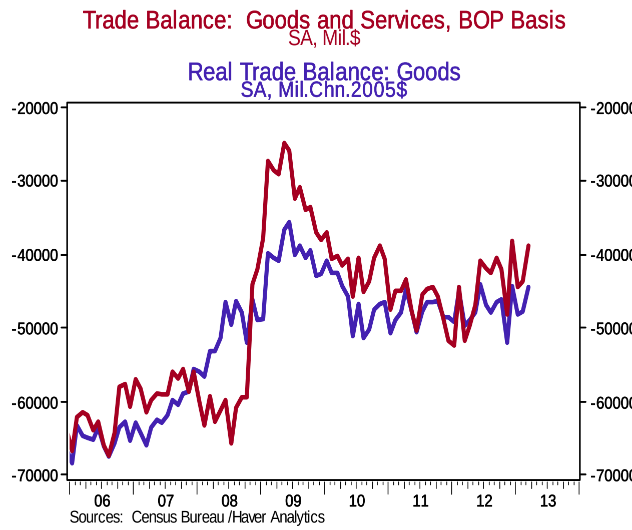
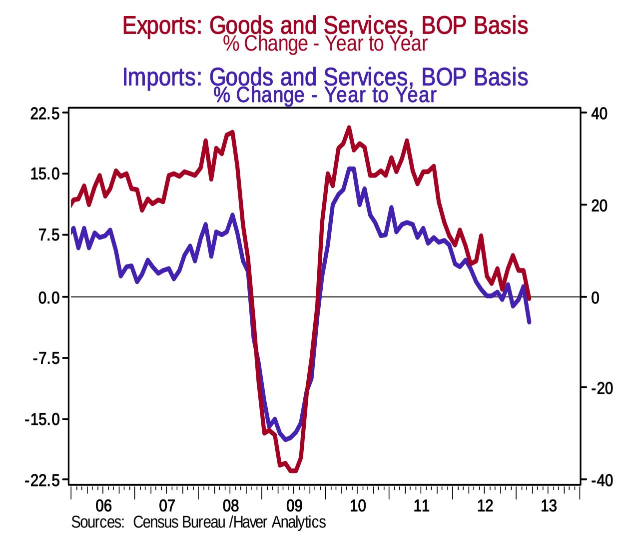
- The trade deficit in goods and services came in at $38.8 billion in March, much smaller than the consensus expected $42.3 billion.
- Exports declined $1.7 billion in March, led by petroleum and food. Imports declined $6.5 billion, led by consumer goods (such as toys), oil, and computers.
- In the last year, exports are down 0.2% while imports are down 5.6%. All of the drop in imports versus a year ago is due to petroleum.
- The monthly trade deficit is $12.9 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is $5.4 billion smaller than a year ago. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit in March came in much smaller than the consensus expected. These numbers should add about a 1/3 of a point to the real GDP growth rate for the first quarter, which was originally reported last week at an annualized 2.5% growth rate. In combination with yesterday's soft construction data, which took off about a ¼ point from real GDP growth, we're now tracking 2.6% for Q1. For trade, once again, oil was where the major action was, but this time with a decline in both petroleum exports and imports. Don't get scared that petroleum exports fell in March. These numbers are volatile from month to month and we expect large gains in the next several years as the US continues its energy revolution led by the combination of fracking and horizontal drilling. The most worrisome part of the trade report could be that the total volume of US trade with the rest of the world – imports plus exports are down 3.3% from a year ago. This slow growth reflects weak exports to Europe (down 9.3% from a year ago), but it also reflects a large decline in imports from OPEC, which is not a bad sign at all. Although recent trade data look good, we expect the sector will be a small negative for real GDP growth in 2013, as the trade deficit starts expanding again like it normally does when the US economy is growing. In other recent news, cars and light trucks were sold at a 14.9 million annual rate in April, down 2.3% from March and falling short of the 15.2 million pace the consensus expected. Still, auto sales are up 5.7% from a year ago and we expect further gains in the year ahead.





International Trade All Data Seasonally Adjusted, $billions	Mar-13 Bil $	Feb-13 Bil $	Jan-13 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-38.8**	-43.6	-44.5	-42.3	-42.6	-51.7
Exports	**184.3**	186.0	184.4	184.9	184.0	184.7
Imports	**223.1**	229.6	228.9	227.2	226.6	236.4
Petroleum Imports	**30.8**	32.2	34.1	32.4	32.7	38.8
Real Goods Trade Balance	**-44.4**	-47.8	-48.1	-46.7	-47.1	-49.8

Source: Bureau of the Census