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# March International Trade

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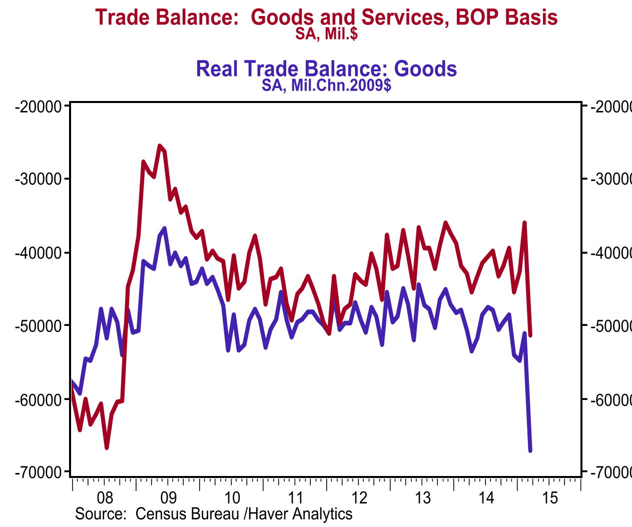
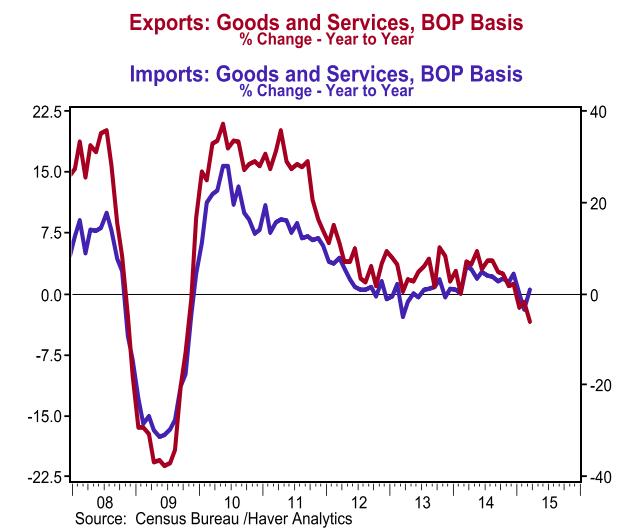
- The trade deficit in goods and services came in at $51.4 billion in March, much larger than the consensus expected $41.7 billion.
- Exports increased by $1.6 billion in March, led by autos, nonmonetary gold and civilian aircraft. Imports rose by $17.1 billion, led by autos, cell phones & other household goods.
- In the last year, exports are down 3.3% while imports are up 0.9%.
- The monthly trade deficit is $8.6 billion larger than a year ago. Adjusted for inflation, the "real" trade deficit in goods is $16.7 billion larger than a year ago. This "real" change is the trade indicator most important for measuring real GDP.




**Implications**: This is what happens when a major port strike comes to an end. The trade deficit in goods and services surged in March as imports increased by $17.1 billion, the largest monthly increase ever recorded going back to 1992. The West Coast port strikes ended in late February, and all the ships sitting for weeks, some for months, out in the Pacific were finally unloaded, causing a huge short-term surge in imports. The total number of inbound containers rose 32% from a year ago at the Port of Los Angeles and 42% at the Port of Long Beach. Because imports are a negative in GDP statistics, it now looks like real GDP declined in Q1 at about a 0.5% annual rate, a downward revision from the first estimate of +0.2% growth. Obviously a contraction in real GDP is not good news. But, like last year's contraction at a -2.1% annual rate in the first quarter, this is not something to worry about. In the first quarter of 2014, the problem was the weather. This year, it was a combination of weather, the port strikes, and a rapid drop in exploration and drilling for energy due to lower oil prices. But all of these effects are temporary and we expect a rebound, just like last year. Looking past month-to-month volatility, the trade deficit has been relatively stable over the past few years, with a smaller trade deficit in oil and a slightly larger deficit in other goods, powered by growing purchasing power among US consumers and businesses. We expect to revert to this trend in the year ahead.




| International Trade<br>*All Data Seasonally Adjusted, $billions* | Mar-15<br>Bil $ | Feb-15<br>Bil $ | Jan-15<br>Bil $ | 3-Mo<br>Moving Avg. | 6-Mo<br>Moving Avg. | Year-Ago<br>Level |
|---|---|---|---|---|---|---|
| ***Trade Balance*** | **-51.4** | -35.9 | -42.7 | -43.3 | -42.8 | -42.8 |
| ***Exports*** | **187.8** | 186.2 | 189.2 | 187.8 | 192.3 | 194.2 |
| ***Imports*** | **239.2** | 222.1 | 231.9 | 231.1 | 235.1 | 237.0 |
| ***Petroleum Imports*** | **15.4** | 16.5 | 19.4 | 17.1 | 20.9 | 30.5 |
| ***Real Goods Trade Balance*** | **-67.2** | -51.2 | -54.8 | -57.7 | -54.2 | -50.5 |

*Source: Bureau of the Census*