April International Trade

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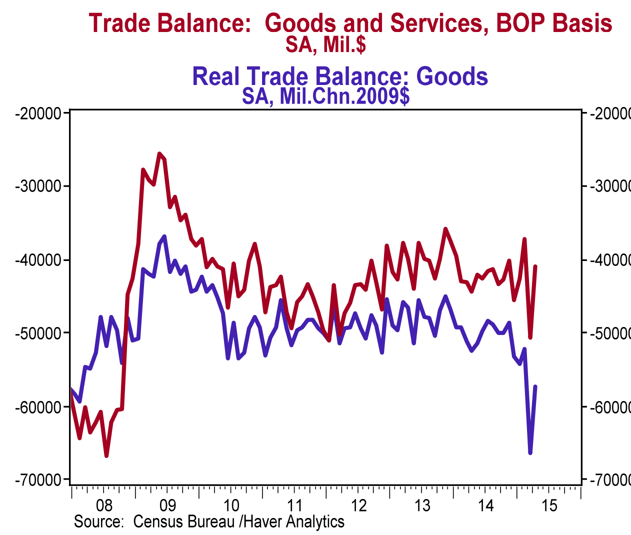
- The trade deficit in goods and services came in at $40.9 billion in April, smaller than the consensus expected $44.0 billion.
- Exports increased by $1.9 billion in April, led by civilian aircraft, telecommunications equipment, and fuel oil. Imports declined by $7.8 billion, led by cell phones & other household goods.
- In the last year, exports are down 2.6% while imports are down 3.6%.
- The monthly trade deficit is $3.4 billion smaller than a year ago. Adjusted for inflation, the "real" trade deficit in goods is $4.9 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Implications: Hold off on trade for a moment. Americans bought cars and light trucks at a 17.8 million annual rate in May, up 7.8% from last month, up 6.3% from a year ago, and the fastest pace since 2005. As a result, it now looks like auto sales could hit 17.5 million in 2015, which would be the highest pace for any year on record. So much for the theory that consumers aren't spending. Meanwhile, the ADP report says private payrolls were up 201,000 in May. Plugging this into our models suggests nonfarm payrolls will be up 242,000 for the month. (The official release arrives Friday morning and our forecast may change based on tomorrow's report on unemployment claims.) On the trade front, the trade deficit in goods and services returned to more normal levels in April, as exports rose while imports fell. West Coast port strikes ended in late February, which meant ships that had been sitting for weeks and months, out in the Pacific, finally got unloaded in March, which is why imports and the trade deficit surged that month. In April, the trade deficit shrank closer to more normal levels, as the strike-related backlog was clearing out. Looking past strike-related issues and 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. Meanwhile, today's data show why recent press stories about the weakness of OPEC are true. Back in 2005 the US petroleum and petroleum product imports were eleven times exports. In April, these imports were only 1.8 times exports. The US is headed toward energy independence thanks to fracking and horizontal drilling. Entrepreneurs and engineers have changed the way the world works and there's more to come.

International Trade *All Data Seasonally Adjusted, $billions*	Apr-15 Bil $	Mar-15 Bil $	Feb-15 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-40.9**	-50.6	-37.2	-42.9	-42.8	-44.3
Exports	**189.9**	188.0	186.8	188.2	190.9	195.0
Imports	**230.8**	238.6	224.0	231.1	233.7	239.3
Petroleum Imports	**15.4**	15.2	16.4	15.6	19.2	29.7
Real Goods Trade Balance	**-57.2**	-66.4	-52.1	-58.6	-55.3	-52.3

Source: Bureau of the Census