

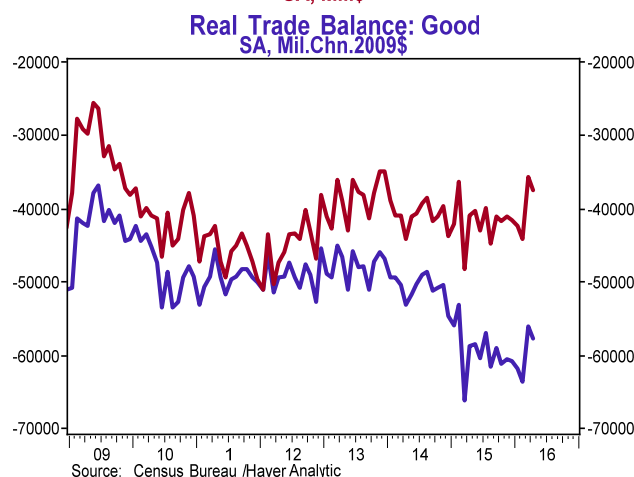
April International Trade

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- The trade deficit in goods and services came in at \$37.4 billion in April, much smaller than the consensus expected \$41.0 billion.
- Exports increased \$2.6 billion in April, led by vehicle parts/accessories, gem diamonds, and fuel oil. Imports rose \$4.5 billion, led by civilian aircraft, vehicle parts/accessories, and computers.
- In the last year, exports are down 4.6% while imports are down 5.3%.
- The monthly trade deficit is \$3.5 billion smaller than a year ago. Adjusted for inflation, the “real” trade deficit in goods is \$1.0 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

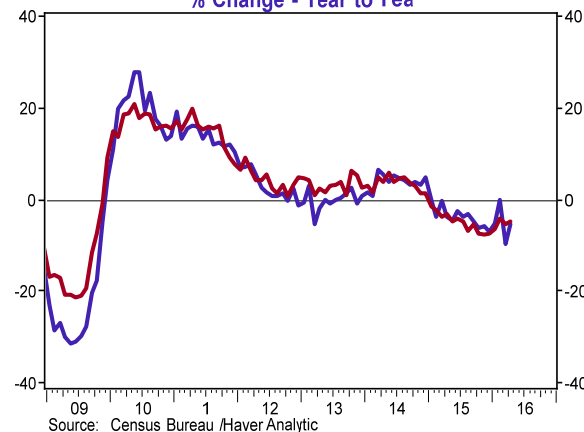
Implications: The trade deficit came in smaller than the consensus expected for April. Both imports and exports grew for the month, a good sign for the economy. Imports increased by \$4.5 billion, the largest gain in over a year while exports rose by \$2.6 billion, the largest gain in over two years. Slow economic growth abroad has held down exports over the past year, but looks like some of the pressures may be receding. Another ongoing factor effecting trade with the rest of the world is the decline in US oil imports. Imports of petroleum (down 34.3% from a year ago) have been a large contributor to the slow growth. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In April, these imports were only 1.4 times exports. This is also why oil prices have not spiked even though the Middle East is in turmoil. The US is becoming more and more important in the energy space *as a producer*, bringing a stabilizing effect to the world. You can thank fracking and horizontal drilling for that. In fact, after years of running a trade deficit with OPEC, the US is running a trade surplus in goods with OPEC over the past 12 months! The fact that the US is buying less crude from OPEC means OPEC has fewer dollars to purchase US goods. This is the key factor behind the drop in world trade in the past year, not a global depression. In other recent news, auto sales increased in May, with cars and light trucks selling at a 17.4 million annual rate, up 0.2% from April but down 1.4% from a year ago. Look for continued strong auto sales this summer.

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	Apr-16	Mar-16	Feb-16	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-37.4	-35.5	-44.0	-39.0	-40.3	-40.9
Exports	182.8	180.2	182.2	181.7	181.9	191.7
Imports	220.2	215.7	226.2	220.7	222.2	232.6
Petroleum Imports	10.3	9.8	10.2	10.1	11.1	15.7
Real Goods Trade Balance	-57.6	-56.1	-63.6	-59.1	-60.0	-58.6

Source: Bureau of the Census