

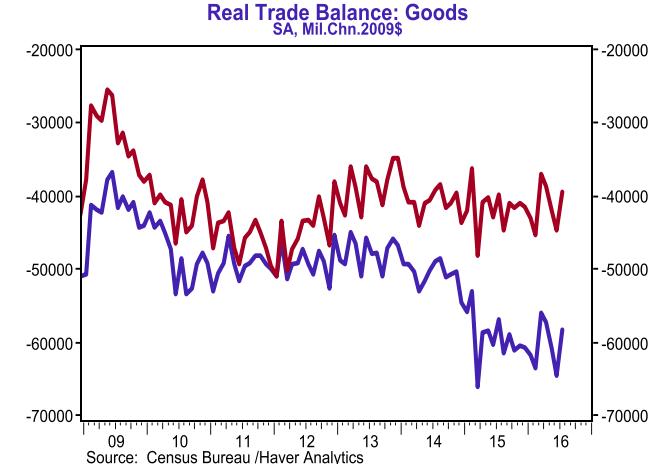
## July International Trade

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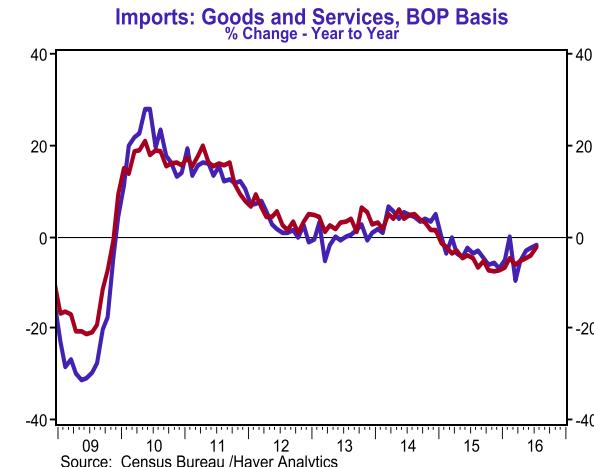
- The trade deficit in goods and services came in at \$39.5 billion in July, smaller than the consensus expected \$41.5 billion.
- Exports rose \$3.4 billion, led by soybeans and motor vehicles. Imports declined \$1.8 billion in July, led by civilian aircraft, pharmaceuticals, and cell phones & other household goods.
- In the last year, exports are down 2.0% while imports are down 1.8%.
- The monthly trade deficit is \$0.4 billion smaller than a year ago. Adjusted for inflation, the “real” trade deficit in goods is \$1.5 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

**Implications:** The trade deficit was smaller than the consensus expected for July as imports declined and exports rose the most in more than two years. The \$3.4 billion rise in exports was led by soybeans, which surged \$3.5 billion, while additional gains came from autos and electric apparatus, more than offsetting declining exports for civilian aircraft. In the past three months, exports are up \$4.8 billion, the largest three-month rise since early 2014. Meanwhile, imports declined by \$1.8 billion in July after rising the previous three months. Overall, we take the recent rise in exports as a bullish sign of a revival in US trade with the rest of the world. Some analysts may focus on trade with the United Kingdom, looking for the effect of Brexit on trade. While both imports and exports declined for the UK in July, both remained roughly in-line with levels seen in the year before the vote, and were essentially unchanged from July 2015. We believe Brexit will prove to be a positive for the UK, and will eventually give the UK the flexibility to make better trade agreements with the U.S., Mexico, and Canada, which could serve to increase global trade. Another ongoing factor affecting trade with the rest of the world is the trend decline in US oil imports. Oil imports declined in July, are down 25.1% from a year ago, and have been a large contributor to slow trade growth. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In July, these imports were 1.7 times exports. This is also why oil prices have not spiked back to old highs even though the Middle East is in turmoil. The US has become an important global petroleum *producer*, bringing a stabilizing effect to the world. In other recent news, automakers reported selling cars and light trucks at a 17.0 million annual rate in August, down 5.0% from July, and down 4.5% in the past year. Given continued growth in jobs and wages, look for a bounce back this Fall.

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



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



International Trade	Jul-16	Jun-16	May-16	3-Mo	6-Mo	Year-Ago
All Data Seasonally Adjusted, \$billions	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
<b>Trade Balance</b>	<b>-39.5</b>	<b>-44.7</b>	<b>-42.0</b>	<b>-42.0</b>	<b>-41.2</b>	<b>-39.9</b>
<b>Exports</b>	<b>186.3</b>	<b>182.9</b>	<b>181.4</b>	<b>183.5</b>	<b>182.0</b>	<b>190.1</b>
<b>Imports</b>	<b>225.8</b>	<b>227.6</b>	<b>223.4</b>	<b>225.6</b>	<b>223.2</b>	<b>230.0</b>
<b>Petroleum Imports</b>	<b>12.6</b>	<b>13.3</b>	<b>11.1</b>	<b>12.3</b>	<b>11.2</b>	<b>16.8</b>
<b>Real Goods Trade Balance</b>	<b>-58.3</b>	<b>-64.5</b>	<b>-60.9</b>	<b>-61.2</b>	<b>-60.1</b>	<b>-56.8</b>

Source: Bureau of the Census