

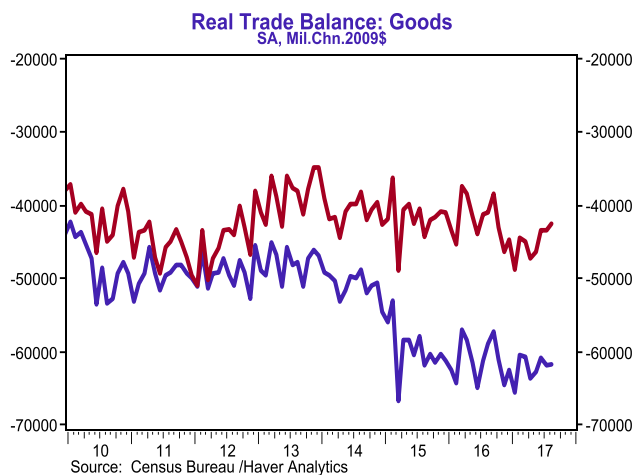
August International Trade

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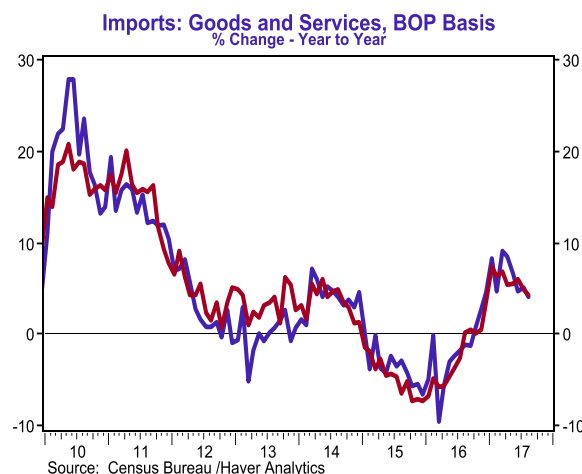
- The trade deficit in goods and services came in at \$42.4 billion in August, slightly smaller than the consensus expected \$42.7 billion.
- Exports rose \$0.8 billion, led by pharmaceuticals, autos and telecommunication equipment. Imports declined \$0.4 billion, led by computer accessories, civilian aircraft and finished metal shapes.
- In the last year, exports are up 4.2% while imports are up 4.0%.
- Compared to a year ago, the monthly trade deficit is \$1.3 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$2.8 billion larger. The “real” change is the trade indicator most important for measuring real GDP.

Implications: The trade deficit narrowed in August, coming in at \$42.4 billion, a slightly smaller trade deficit than the consensus expected. Exports rose \$0.8 billion while imports declined \$0.4 billion, but both imports and exports are up from a year ago: exports by 4.2%, imports by 4.0%. We see expanded trade with the rest of the world as positive for the global economy, and total trade (imports plus exports) is up 4.1% in the past year. Look for more of that in the year to come as economic growth accelerates in Europe and Japan. France’s new president Emmanuel Macron is pushing ahead with labor market reforms that should, in turn, make some other European countries follow suit. Better growth in Europe will increase global trade and US exports as well. In fact, exports to the EU grew 9% in August and are up 7% in the past year. In the meantime, international trade is on track to be a very slight positive for real GDP growth in the fourth quarter, which looks like it will come in around a 3% annual pace in spite of the havoc wreaked by Hurricanes Harvey and Irma. Trade is one of our four pillars to prosperity; freer trade leads to improved economic growth. And while we have our qualms with some of the talk coming out of Washington related to paring back free trade, there has been significantly more hot air than substance. We will watch trade policy as it develops, but don’t see any reason yet to be sounding alarm bells. In other news this morning, new claims for unemployment benefits declined 12,000 last week to 260,000, while continuing claims increased 2,000 to 1.94 million. These numbers do not affect our 65,000 forecast for tomorrow’s official report for nonfarm payrolls in September. Don’t be concerned about the slower short-term pace of job growth; it’s a temporary dip due to recent hurricanes and should rebound sharply in the months ahead.

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



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



International Trade	Aug-17	Jul-17	Jun-17	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-42.4	-43.6	-43.5	-43.2	-44.7	-41.1
Exports	195.3	194.5	194.9	194.9	193.5	187.4
Imports	237.7	238.1	238.5	238.1	238.2	228.5
Petroleum Imports	13.9	13.3	14.3	13.8	15.0	12.9
Real Goods Trade Balance	-61.8	-61.8	-60.8	-61.5	-61.9	-58.9

Source: Bureau of the Census