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March International Trade

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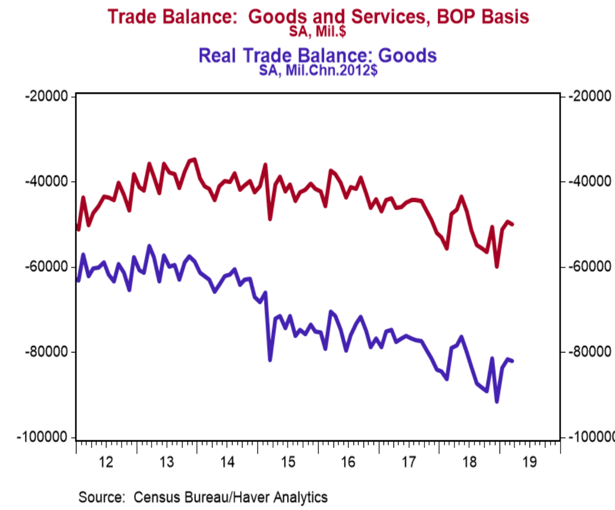
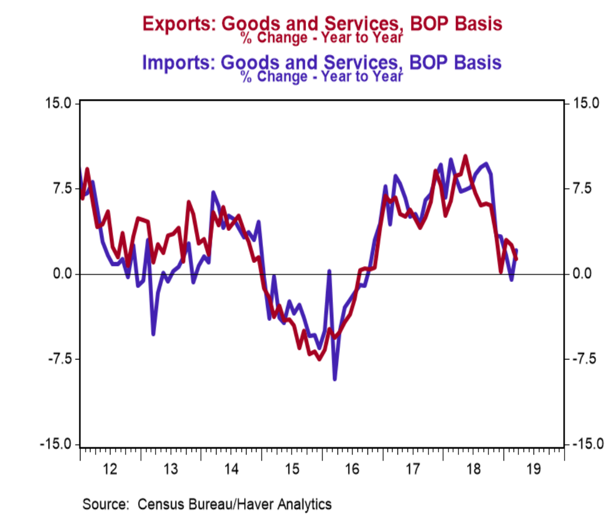
- The trade deficit in goods and services came in at $50.0 billion in March, slightly smaller than the consensus expected $50.1 billion.
- Imports rose $2.8 billion, led by crude oil and pharmaceuticals. Exports increased $2.1 billion, led by soybeans, natural gas liquids, and fuel oil.
- In the last year, exports are up 1.3% while imports are up 2.1%.
- Compared to a year ago, the monthly trade deficit is $2.6 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $3.1 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: The trade deficit grew in March to $50.0 billion, basically matching expectations. More important, there was significant gain in the total volume of trade – imports plus exports – which signals how much businesses and consumers interact across the US border. Exports rose by $2.1 billion, while imports grew by $2.8 billion. Total trade is only 0.8% below the record high set in October of 2018, and we expect it to hit new highs later this year as global growth starts to reaccelerate and trade deals eventually get made. In the past year, exports are up 1.3% while imports have risen 2.1%. There is a lot of angst out there from the pouting pundits, that the China trade battle is nowhere near done. We believe the worst-case-scenarios much discussed by the financial press will prove excessively pessimistic, as they have before. We still don't believe an all-out trade war will materialize, but these short-term skirmishes will lead to longer-term gains for all countries involved. We have already seen it happen with several countries. China is hurting, and the negotiation tactics that the President is using look very similar to the tactics he used just a few months ago against Canada. A deal couldn't have looked farther from getting done with Trudeau, and yet just a few days later the USMCA was agreed on. We believe it will be no different with China, whether a deal is struck this week, or in the near future. Average tariffs in China were cut from 9.8% in 2017 to 7.5% in 2018. We see this as real progress, and just the start. The US's negotiating position is strong, in no small part due to the rise of the US as an energy powerhouse. As recently as 2005, the US was importing more than ten times the petroleum products that we were exporting. As of March, petroleum imports are down to only 1.1 times exports and this trend should continue. This massive shift means the US has changed power dynamics on a global scale (witness the political turmoil in Saudi Arabia and elsewhere in the Middle East). We will continue to watch trade policy as it develops, but don't see any reason to sound alarm bells yet. In employment news this morning, initial jobless claims declined 2,000 last week to 228,000. Continuing claims rose 13,000 to 1.684 million. These readings suggest another solid month of job creation in May.

International Trade *All Data Seasonally Adjusted, $billions*	Mar-19 Bil $	Feb-19 Bil $	Jan-19 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-50.0**	-49.3	-51.1	-50.1	-52.9	-47.4
Exports	**212.0**	209.9	207.4	209.7	209.1	209.2
Imports	**262.0**	259.2	258.5	259.9	262.0	256.7
Petroleum Imports	**16.9**	15.1	14.4	15.4	16.3	18.1
Real Goods Trade Balance	**-82.1**	-81.6	-83.6	-82.4	-84.9	-79.0

Source: Bureau of the Census