

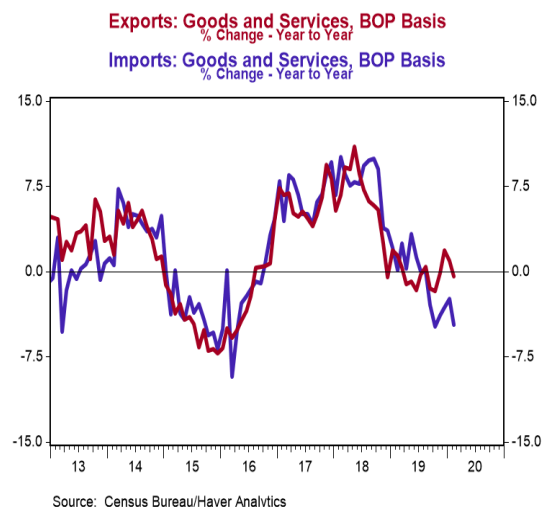
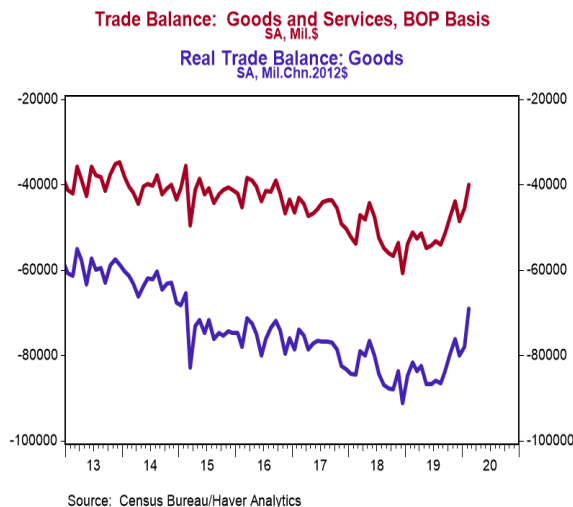
February International Trade

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- The trade deficit in goods and services came in at \$39.9 billion in February, slightly smaller than the consensus expected \$40.0 billion.
- Exports declined \$0.8 billion, led by a drop in travel and financial services. Imports fell \$6.3 billion, led by a decline in computers, telecommunications equipment, computer accessories, and fuel oil.
- In the last year, exports are down 0.4% while imports are down 4.7%.
- Compared to a year ago, the monthly trade deficit is \$11.4 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$12.5 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

Implications: Forget about trade for a minute. Initial claims for unemployment benefits rose 3.341 million last week to 6.648 million, by far the largest increase and the highest level ever. The previous record high for claims besides last week, was 695,000 back in October 1982; the highest level during the Great Recession of 2008-09 was 665,000. Continuing claims for the week prior increased 1.245 million to 3.029 million and will also show another huge spike upward in next week’s report. These figures are the second wave of the massive layoffs resulting from government-mandated shutdowns of business. Look for continued stratospheric levels for claims for at least the next couple of weeks as small business continues to grapple with mandated shutdowns. The unemployment rate was 3.5% in February. It should be higher in tomorrow’s official report for March, but the survey was taken early in the month and so will not reflect the full extent of recent layoffs. The unemployment rate for April (released May 8) will be substantially higher, potentially 10%. Now back to trade. The trade deficit in goods and services came in at \$39.9 billion in February. Both import and export activity declined, but imports fell much faster, which is why the trade deficit shrank. More important is that the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. This measure declined by 1.5% in February and is down 2.8% versus a year ago.

In other words, we don’t see the February decline in the trade deficit as particularly good news. Expect a further slowdown in both imports and exports over coming months as the Coronavirus takes a toll along with the mandated shutdowns of business across the US and the world. It’s going to get ugly. Today’s data show the severity of the effects of closing businesses in China for the month of February. Imports from China were down 31.5% for the month. In March and April, businesses around the world will be closed, which will roil the data even more. Once the Coronavirus restrictions start to ease, imports and exports should rebound, boosted by new trade deals with key trading partners. Today’s report also showed that, for the sixth month in a row, the dollar value of US petroleum exports exceeded that of US petroleum imports. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. In other news yesterday, cars and light trucks were sold at a 11.4 million annual rate in March, down 32.1% from February and down 34.1% from a year ago. These declines reflect restrictions put in place in mid-March and so sales should be even lower in April, probably dropping below the 9.0 million annualized low point during the Great Recession in early 2009.



International Trade	Feb-20	Jan-20	Dec-19	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-39.9	-45.5	-48.6	-44.7	-46.1	-51.3
Exports	207.5	208.3	209.5	208.4	207.7	208.5
Imports	247.5	253.8	258.1	253.1	253.8	259.7
Petroleum Imports	15.4	15.6	16.9	15.9	15.3	15.3
Real Goods Trade Balance	-69.0	-78.0	-80.0	-75.7	-77.7	-81.5

Source: Bureau of the Census