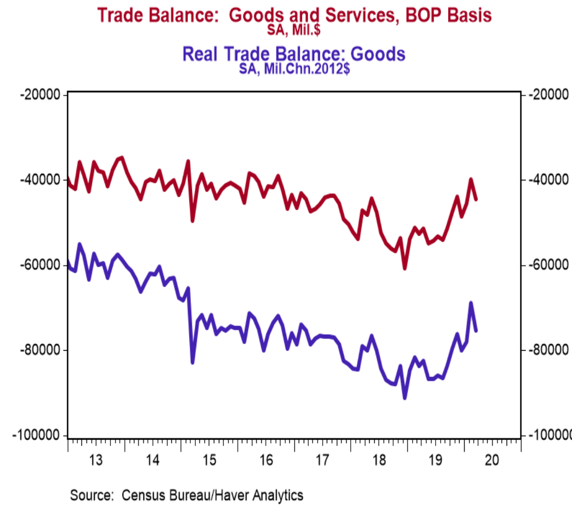
First Trust DATAWATCH

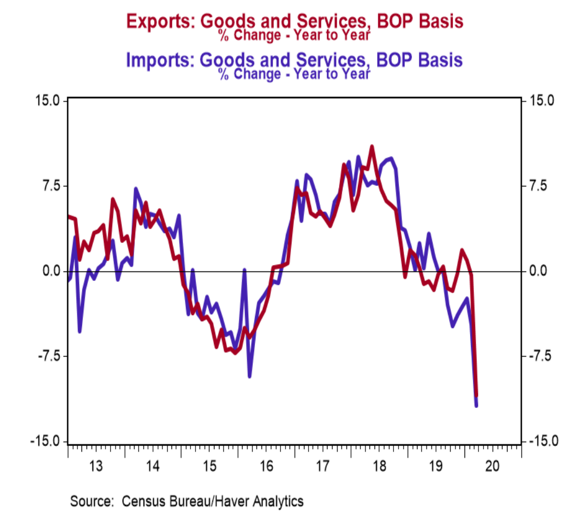
May 5, 2020 • 630.517.7756 • www.ftportfolios.com

March International Trade

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- The trade deficit in goods and services came in at $44.4 billion in March, slightly larger than the consensus expected $44.2 billion.
- Exports declined $20 billion, led by a drop in travel and transportation services. Imports fell $15.4 billion, led by a decline travel and transportation services along with crude oil and cellphones.
- In the last year, exports are down 10.9% while imports are down 11.9%.
- Compared to a year ago, the monthly trade deficit is $8.3 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $8.3 billion smaller than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: An ugly report for trade in March showing the Coronavirus Contraction taking hold. The trade deficit in goods and services came in at $44.4 billion, with both imports and exports declining substantially. Exports fell faster than imports, dropping by the most on record for any month, which is why the trade deficit grew. More important is that the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, dropped 7.8% in March and is down 11.4% versus a year ago. 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. Once the Coronavirus restrictions start to ease, imports and exports should rebound, boosted by new trade deals with key trading partners. But it may take a few more months before that trend reasserts itself. If there was any good news in today's report it was that, for the seventh month in a row, the dollar value of US petroleum exports exceeded or met 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. However, given recent price movements, oil production in the US may decline even faster than consumption, meaning a trade deficit in oil may temporarily re-assert itself. In other news late last week, cars and light trucks were sold at an 8.6 million annual rate in April the slowest pace for any month since 1970. Sales were down 24.5% from March and 47.9% from a year ago. These declines reflect lockdowns put in place in mid-March and which continued through much of April. The good news is that sales appeared to pick up later in April and came in above consensus expectations for the month. We think April will be the low point for the recession.

International Trade *All Data Seasonally Adjusted, $billions*	Mar-20 Bil $	Feb-20 Bil $	Jan-20 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-44.4**	-39.8	-45.5	-43.2	-44.9	-52.7
Exports	**187.7**	207.7	208.3	201.3	204.6	210.7
Imports	**232.2**	247.6	253.8	244.5	249.5	263.4
Petroleum Imports	**12.0**	15.4	15.6	14.3	14.8	17.1
Real Goods Trade Balance	**-75.3**	-68.8	-77.9	-74.0	-76.3	-83.6

Source: Bureau of the Census