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April International Trade

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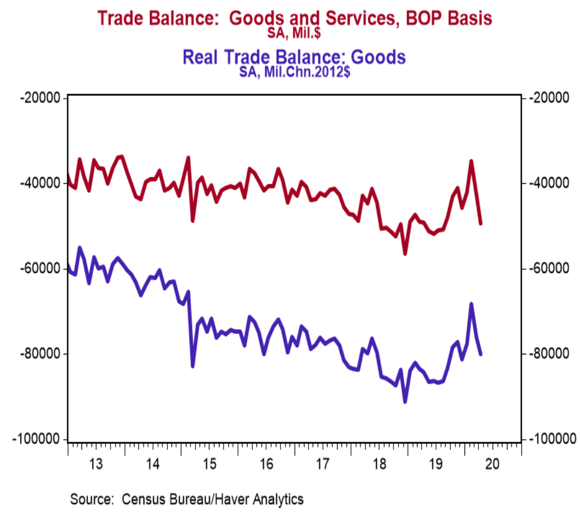
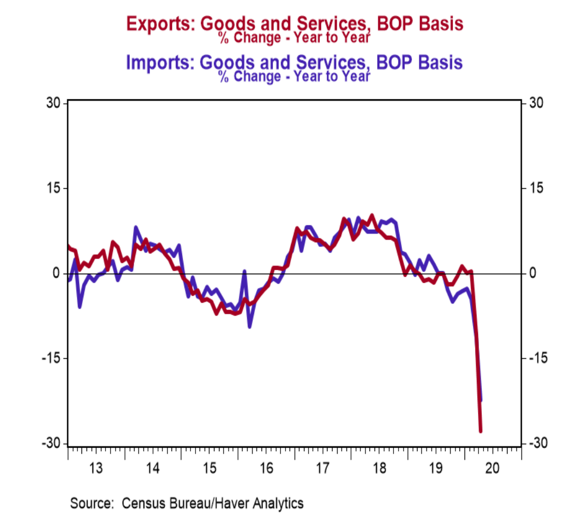
- The trade deficit in goods and services came in at $49.4 billion in April, matching consensus expectations.
- Exports declined $38.9 billion, led by falloffs in travel, auto parts, passenger cars, civilian aircraft parts, and civilian aircraft. Imports fell $31.8 billion, led by declines in autos, auto parts, and travel.
- In the last year, exports are down 27.7% while imports are down 22.4%.
- Compared to a year ago, the monthly trade deficit is $0.2 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $4.3 billion smaller than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: Before we look at the trade report, this morning we got the latest reading on initial unemployment claims, which came in at 1.877 million last week, maintaining the series of extremely high readings since March. However, initial claims dropped, 249,000 last week and have dropped nine weeks in a row after peaking at 6.87 million in late March. We are also closely following continuing claims, data for which lag initial claims by one week. Continuing claims rose 649,000 to 21.49 million in the week ending May 23, but are still down more than 3 million from the peak the week of May 8th. This is important because typically the economy hits bottom around the time continuing claims peak. In other words, the economy may have hit bottom in May, be growing on a monthly basis in June and on a quarterly basis in the third quarter. Now back to trade where the deficit in goods and services came in at $49.4 billion, with both imports and exports declining substantially, consistent with a decline in both US and global economic activity. Exports fell faster than imports, dropping by the most on record for any month, which is why the trade deficit grew. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, dropped 16.7% in April and is down 24.8% versus a year ago. Notably, the US registered its fourth straight month with a trade surplus in the dollar value of petroleum and petroleum products, and the sixth surplus in the last seven months. In other news today, nonfarm productivity was revised higher to a -0.9% annual rate in the first quarter from an original estimate of -2.5%. Output was revised slightly lower while hours worked were revised substantially lower, which boosted *output per hour*. Productivity is still up 0.7% from a year ago but don't expect this to last. Productivity should temporarily fall further in Q2 as the fallout from the coronavirus and the government's actions to close business to "flatten the curve" lead to further significant drops in output. "Real" (inflation-adjusted) compensation continued to rise, in Q1, revised up to a 2.9% annualized pace. On the manufacturing front, productivity was revised up and now shows growth at a 0.3% annualized pace in Q1 as hours declined at a faster pace than output. Once the economy starts recovering in the second half of the year, productivity should revive, as well.

International Trade *All Data Seasonally Adjusted, $billions*	**Apr-20** **Bil $**	**Mar-20** **Bil $**	**Feb-20** **Bil $**	**3-Mo** **Moving Avg.**	**6-Mo** **Moving Avg.**	**Year-Ago** **Level**
Trade Balance	**-49.4**	-42.3	-34.7	-42.1	-42.5	-49.2
Exports	**151.3**	190.2	211.8	184.4	197.6	209.3
Imports	**200.7**	232.5	246.4	226.5	240.2	258.5
Petroleum Imports	**6.1**	11.9	15.3	11.1	13.4	17.5
Real Goods Trade Balance	**-80.0**	-75.9	-68.3	-74.7	-76.7	-84.3

Source: Bureau of the Census