

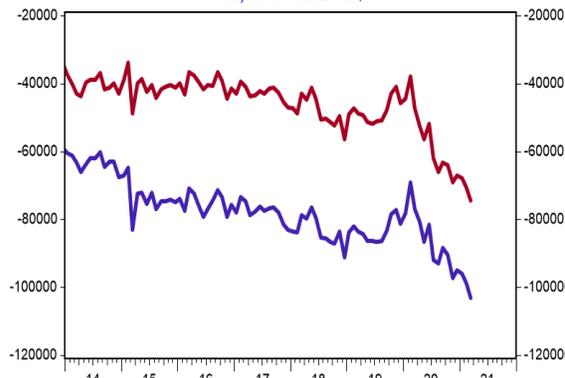
# March International Trade

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- The trade deficit in goods and services came in at \$74.4 billion in March, matching consensus expectations.
- Exports increased \$12.4 billion, led by nonmonetary gold, crude oil, and other goods. Imports grew by \$16.4 billion, led by semiconductors, apparel, and autos.
- In the last year, exports are up 8.1% while imports are up 18.1%.
- Compared to a year ago, the monthly trade deficit is \$27.2 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$26.2 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

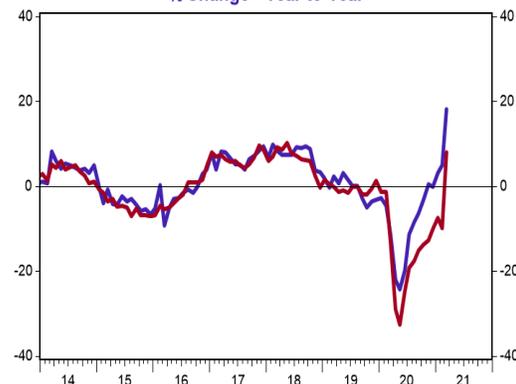
**Implications:** The trade deficit in goods and services grew to \$74.4 billion in March, the largest on record, as both exports and imports rose, but imports increased faster than exports. But what really matters is that both exports and imports increased, consistent with the economic recovery in the US and global economic activity slowly picking back up. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, grew 6.5% in March, and is up 13.7% versus a year ago. Imports now stand at an all-time high, while exports are still down 7.0% from a peak in 2018. March’s gains easily reverse the drops we experienced in February as severe winter weather wreaked havoc across much of the United States. What did continue into March, though, was the petroleum deficit. After 13 months of a petroleum product surplus, the trend reversed in February as the dollar value of US petroleum exports was smaller than imports and it continued in March. We do not believe this will continue for more than a few months, if that long, as weather was a one-off factor. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Supply-chain issues continue as ports remain overwhelmed in the US. The port of Los Angeles, the largest in the US, currently has nine container vessels at anchor waiting to be unloaded with the average anchorage time right now at 6.8 days. The good news is this is a massive improvement from a month or two ago. Expect trade to keep expanding in the coming months as businesses across the US get back on their feet as the COVID-19 vaccine continues to roll out. We could continue to see larger deficits in the months ahead as the US is recovering from the coronavirus pandemic faster than most other countries. This means the demand for imports should continue to outstrip the demand for exports to the rest of the world. As we have said over and over, the best stimulus the economy could possibly ask for is a COVID-19 vaccine. There have now been over 312 million doses distributed in the US with over 246 million administered, mostly to those over 65 years of age. The economy is starting to return to normal; the last thing it needs is too much fiscal stimulus. In other recent news, cars and light trucks were sold at a 18.5 million annual rate in April. Sales increased 3.1% from March and are up a massive 112.2% from a year ago, when hard restrictions were in effect across the country. Expect sales to continue at a solid pace over the next few months as the weather warms and the economy reopens.

**Trade Balance: Goods and Services, BOP Basis**  
 SA, Mil. \$  
**Real Trade Balance: Goods**  
 SA, Mil. Chn. 2012\$



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

<b>International Trade</b> <i>All Data Seasonally Adjusted, \$billions</i>	<b>Mar-21</b>	<b>Feb-21</b>	<b>Jan-21</b>	<b>3-Mo</b>	<b>6-Mo</b>	<b>Year-Ago</b>
	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-74.4</b>	-70.5	-67.8	-70.9	-68.8	-47.2
<b>Exports</b>	<b>200.0</b>	187.6	192.2	193.3	189.2	185.1
<b>Imports</b>	<b>274.5</b>	258.1	260.1	264.2	258.0	232.4
<b>Petroleum Imports</b>	<b>15.3</b>	13.3	12.2	13.6	11.7	11.7
<b>Real Goods Trade Balance</b>	<b>-103.1</b>	-98.9	-96.1	-99.4	-96.8	-76.9

Source: Bureau of the Census