First Trust DATAWATCH

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April International Trade

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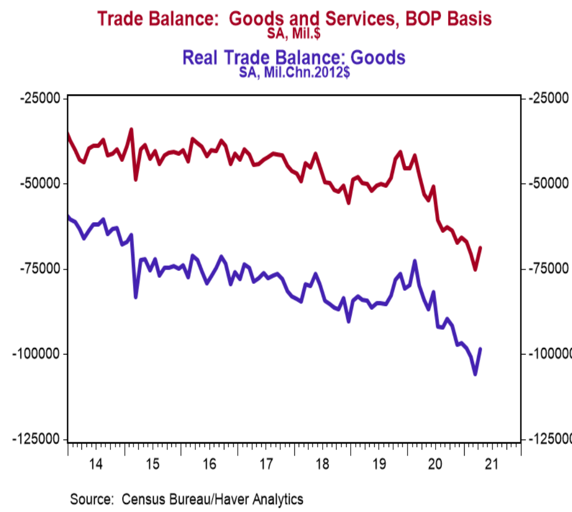
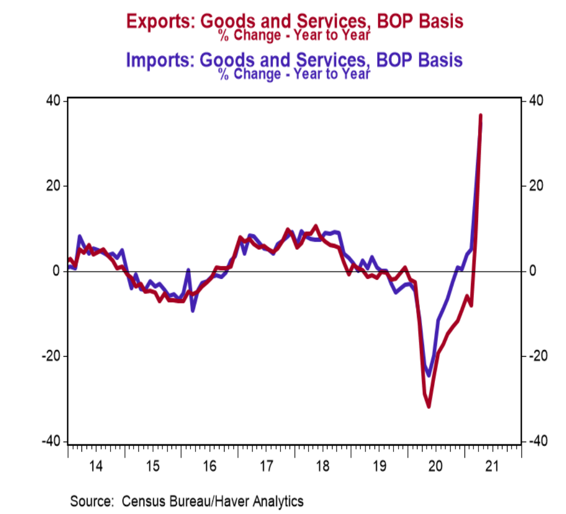
- The trade deficit in goods and services came in at $68.9 billion in April, nearly matching the consensus expectation of $68.7 billion.
- Exports increased $2.3 billion, led by civilian aircraft and crude oil. Imports fell by $3.8 billion, led by apparel, semiconductors, and automotive parts and accessories.
- In the last year, exports are up 36.6% while imports are up 34.9%.
- Compared to a year ago, the monthly trade deficit is $15.9 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $14.5 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: After hitting a record high in March, the trade deficit in goods and services shrank to $68.9 billion in April, the result of an increase in exports and a decline in imports. We like to follow the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure fell 0.3% in April, but is up 35.6% versus a year ago (during the early days of the pandemic) and remains just below record highs. We expect the trade deficit to remain volatile from month to month but generally get larger through year end. Why? The US is running low on inventories for many goods due to the recent surge in consumer spending which has been artificially boosted by large government checks to consumers. That means we will continued to see a strong appetite for imports as companies restock their shelves and warehouses. One piece of good news in today's report was that the dollar value of petroleum exports is once again greater than petroleum imports. The trend had briefly reversed in February and March as severe winter weather disrupted domestic production and exports. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Good news aside, supply-chain issues continue as ports remain overwhelmed in the US. For example, the ports of Los Angeles and Long Beach currently have twenty-one container vessels at anchor waiting to be unloaded. While this is a massive improvement from February when there were forty, the number has once again begun trending back up. Meanwhile, the cost to ship a forty-foot container from Shanghai to Los Angeles has begun to surge once again and is now up 232% from pre-pandemic levels, joining numerous other indicators in signaling inflationary pressures bubbling under the surface as the US continues to reopen. Keep an eye out for this Thursday's report on consumer prices where we will get more detail on the inflation front. Meanwhile, look for trade to keep expanding in the coming months as businesses across the US get back on their feet, lockdowns end, and the COVID-19 vaccine continues to roll out.

International Trade *All Data Seasonally Adjusted, $billions*	Apr-21 Bil $	Mar-21 Bil $	Feb-21 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-68.9**	-75.0	-70.6	-71.5	-69.1	-53.0
Exports	**205.0**	202.7	188.6	198.7	194.3	150.1
Imports	**273.9**	277.7	259.2	270.3	263.4	203.0
Petroleum Imports	**15.2**	15.4	13.1	14.5	12.6	6.0
Real Goods Trade Balance	**-98.6**	-105.8	-100.9	-101.8	-99.6	-84.1

Source: Bureau of the Census

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