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June International Trade

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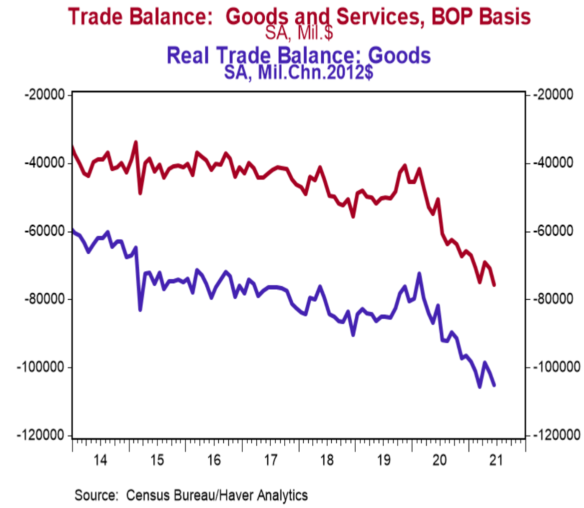
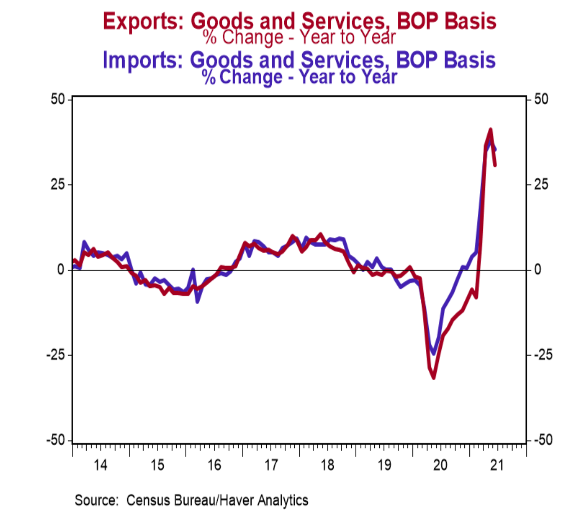
- The trade deficit in goods and services came in at $75.7 billion in June, larger than the consensus expected $74.2 billion.
- Exports increased $1.2 billion, led by crude oil, civilian aircraft, and pharmaceuticals. Imports grew by $6.0 billion, led by nonmonetary gold, gem diamonds, jewelry, and finished metal shapes.
- In the last year, exports are up 30.8% while imports are up 35.3%.
- Compared to a year ago, the monthly trade deficit is $25.0 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $23.4 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 $75.7 billion in June, the largest on record, as imports rose faster than exports. 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 rose 1.5% in June, is up 33.3% versus a year ago, and sits at an all-time record high, as well. We expect the trade deficit to remain volatile from month to month but generally get larger through year end for a few reasons. First, 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. Second, 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 continue to see a stronger than normal appetite for imports as companies restock their shelves and warehouses. Supply-chain issues continue as ports remain overwhelmed in the US. For example, the port of Los Angeles currently has 18 container vessels at anchor waiting to be unloaded with the average anchorage time right now at 5.5 days. Meanwhile, the cost to ship a forty-foot container from Shanghai to Los Angeles has continued to surge up 6.2% from a month ago, and up 547% from the end of January 2020 (pre-pandemic), joining numerous other indicators in signaling inflationary pressures bubbling under the surface as the US continues to reopen. We do not believe a shutdown across the US is likely due to the Delta variant, so look for overall trade to keep expanding in the coming months as businesses across the US get back on their feet. In employment news this morning, initial jobless claims fell 14,000 last week to 385,000. Meanwhile continuing claims declined 366,000 to a new recovery low of 2.930 million. These numbers are consistent with our forecast that nonfarm payrolls rose 833,000 in July with the unemployment rate falling to 5.7%. There is a growing list of states that have announced an early cut-off of expanded unemployment benefits that have served as a headwind to hiring across the U.S. despite job openings standing at the highest level in history. We anticipate a robust pace of employment growth as we move deeper into 2021.

International Trade *All Data Seasonally Adjusted, $billions*	Jun-21 Bil $	May-21 Bil $	Apr-21 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-75.7**	-71.0	-69.1	-71.9	-71.4	-50.7
Exports	**207.7**	206.5	204.7	206.3	200.5	158.8
Imports	**283.4**	277.5	273.8	278.2	272.0	209.5
Petroleum Imports	**17.4**	16.8	15.2	16.4	15.0	7.0
Real Goods Trade Balance	**-105.2**	-101.6	-98.6	-101.8	-101.8	-81.8

Source: Bureau of the Census