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June International Trade

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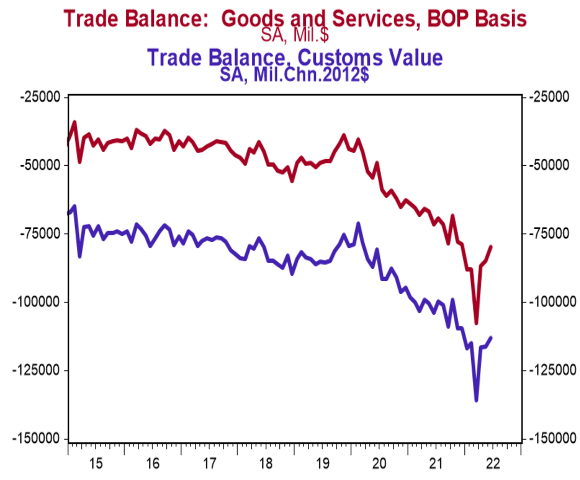
- The trade deficit in goods and services came in at $79.6 billion in June, slightly smaller than the consensus expected $80.0 billion.
- Exports rose by $4.3 billion, led by nonmonetary gold and natural gas. Imports declined by $1.0 billion, led by autos.
- In the last year, exports are up 22.8% while imports are up 20.0%.
- Compared to a year ago, the monthly trade deficit is $8.2 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $9.5 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics

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Implications: The trade deficit in goods and services came in at $79.6 billion in June, as exports rose while imports declined, continuing to narrow the deficit from March's record $107.7 billion print. Trade was a major detractor from first quarter GDP growth; imports grew rapidly as companies aggressively built up inventories due to fragile supply chains and what looked like to them unwavering demand from the US consumer. The massive and artificial government stimulus in the US, both fiscal and monetary, and the slow reopening of the economy over the past few years changed consumers spending habits to focus more on goods consumption than services. That has now reversed and consumers have shifted back towards services and less on goods leaving many companies with excess inventories. This means we could continue to see imports slow over the next few months. At the same time, international demand has been on the rise, and that was reflected in solid export activity again in June. 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 grew by $3.3 billion in June, is up a robust 21.2% versus a year ago, and sits at a record high. Unfortunately, these massive numbers are driven not only by more demand for goods and services, but also higher prices as inflation has soared. In addition, Russia's invasion of Ukraine, and COVID restrictions in China may affect trade patterns for some time. Supply-chain problems are still a big issue as ports remain overwhelmed in the US, and the tragic war in Ukraine is only adding to the problem. For example, the ports of Los Angeles and Long Beach currently have 20 container ships waiting to be unloaded. Although this is near recovery lows, it's well above the 0 - 1 normal level experienced pre-COVID. Also notable in today's report, the dollar value of US petroleum exports again exceeded US petroleum imports for the fourth consecutive month. It's too early to say for sure, but this is an encouraging sign that the US is getting back to where it was in 2020 when it was a net petroleum exporter. In other news this morning, initial unemployment claims rose 6,000 last week to 260,000. Meanwhile, continuing claims increased 48,000 to 1.416 million. We are forecasting that nonfarm payrolls rose 230,000 in July, a slowdown from the more rapid pace on the first half of the year.

International Trade *All Data Seasonally Adjusted, $billions*	Jun-22 Bil $	May-22 Bil $	Apr-22 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-79.6**	-84.9	-86.7	-83.7	-89.2	-71.4
Exports	**260.8**	256.5	252.9	256.7	245.8	212.3
Imports	**340.4**	341.4	339.5	340.5	335.0	283.7
Petroleum Imports	**27.8**	27.0	25.2	26.7	24.6	17.1
Real Goods Trade Balance	**-113.2**	-116.3	-116.4	-115.3	-118.9	-103.7

Source: Bureau of the Census