

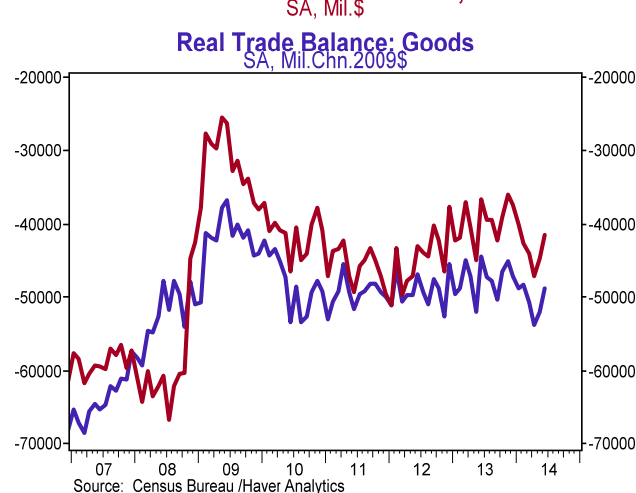
June International Trade

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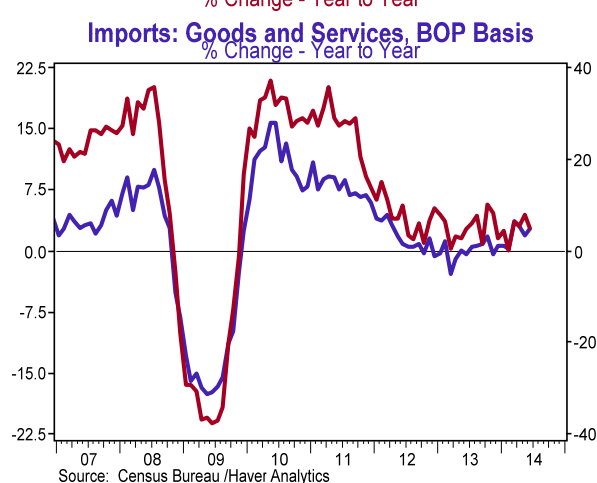
- The trade deficit in goods and services came in at \$41.5 billion in June, much smaller than the consensus expected \$44.8 billion.
- Exports increased by \$0.3 billion in June, led by civilian aircraft and pharmaceutical preparations. Imports declined \$2.9 billion, led by cellphones & other household goods, petroleum products and fuel oil.
- In the last year, exports are up 2.9% while imports are up 4.6%.
- The monthly trade deficit is \$4.9 billion larger than a year ago. Adjusted for inflation, the trade deficit in goods is \$4.3 billion larger than a year ago. This is the trade indicator most important for measuring real GDP.

Implications: The US trade deficit came in at \$41.5 billion in June, \$3.2 billion smaller than last month, the result of a small increase in exports and a large decline in imports. As a result, the trade sector, which was originally estimated to be a drag of 0.6 points on real GDP growth, now appears to have only taken off 0.3 points on Q2 real GDP. For this reason we now believe real GDP grew at a 4.3% annual rate in Q2 versus the government’s original estimate of 4.0%. Over the next few years, higher energy production in the US will continue to transform our trade relationship with the rest of the world. Eight years ago, back in June 2006, the US imported 10 times as much petroleum product as it exported. Since then, petroleum product exports are up 382% while imports are up only 4.6%. So now, petroleum product imports are only 2.2 times exports. Finally, policymakers are helping this trend, with the Commerce Department giving two companies permission to ship a type of ultralight oil known as condensate to foreign buyers. As a result of both the pre-existing trends and new policy direction, we expect the US to move to a petroleum trade balance and perhaps even surpluses in the next few years.

Trade Balance: Goods and Services, BOP Basis



Exports: Goods and Services, BOP Basis



International Trade	Jun-14	May-14	Apr-14	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-41.5	-44.7	-47.0	-44.4	-43.3	-36.6
Exports	195.9	195.6	193.5	195.0	193.2	190.4
Imports	237.4	240.3	240.5	239.4	236.5	226.9
Petroleum Imports	27.4	28.3	29.8	28.5	29.6	29.4
Real Goods Trade Balance	-48.8	-52.0	-53.9	-51.5	-50.4	-44.5

Source: Bureau of the Census