

# APRIL INTERNATIONAL TRADE

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- The trade deficit in goods and services increased to \$60.9 billion in April from a downwardly revised \$56.5 billion in March. The consensus expected a trade gap of \$59.6 billion in April.
- Exports increased \$4.9 billion in April and are up 19.2% versus last year. The gain in exports was widespread but led by civilian aircraft (up \$0.8 billion) and autos (up \$0.6 billion).
- Imports increased \$9.3 billion in April, a rebound from last month's steep decline. Imports are up 13.4% versus a year ago. The rise in imports in April was led by crude oil (up \$3.4 billion), other petroleum products (up \$1.3 billion), and autos (up \$1.0 billion).
- Adjusted for inflation, the trade deficit in goods is \$9.8 billion smaller than last April and the smallest since 2003. Without adjusting for inflation, the trade deficit is \$0.6 billion larger than last year.

**Implications:** Although the nominal trade deficit increased in April, the deficit for goods declined slightly on an inflation-adjusted basis, consolidating the huge decline made last month. As a result, net exports are likely to make a large contribution to real GDP growth in the second quarter of 2008, supporting our “no recession” forecast. Given the long lag time between changes in the foreign exchange value of the dollar and the trade balance, we expect the trend of smaller trade deficits to continue for at least the next year, even if the dollar were to strengthen from here. In other news, yesterday’s report on pending home sales from the National Associations of Realtors showed an increase of 6.3% in April, suggesting that the pace of sales is no longer in free fall and may soon rebound.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Apr-08 Bil \$	Mar-08 Bil \$	Feb-08 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
<b>Trade Balance</b>	<b>-60.9</b>	-56.5	-60.6	-59.3	-58.9	-60.3
<b>Exports</b>	<b>155.5</b>	150.6	153.5	153.2	150.2	130.5
<b>Imports</b>	<b>216.4</b>	207.1	214.1	212.5	209.1	190.8
<b>Petroleum Imports</b>	<b>39.3</b>	35.0	37.9	37.4	36.7	25.2
<b>Real Goods Trade Balance</b>	<b>-46.9</b>	-47.0	-51.2	-48.4	-49.7	-56.7

Source: Bureau of the Census