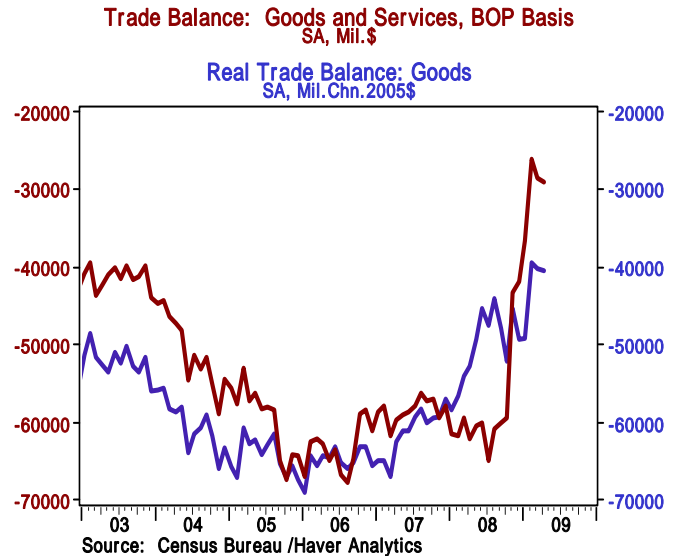


# APRIL INTERNATIONAL TRADE

Chief Economist – Brian S. Wesbury  
Senior Economist – Robert Stein, CFA

- The trade deficit in goods and services increased slightly to \$29.2 billion in April, almost exactly what the consensus expected.
- Both imports and exports declined in April, with exports down \$2.8 billion and imports down \$2.2 billion. The drop in exports was widespread, with small declines in many categories. The decline in imports was led by petroleum products.
- Although exports are down 21.8% versus last year, imports are down 30.7%. As a result, the monthly trade deficit is \$33.0 billion smaller than last year.
- Adjusted for inflation, the trade deficit in goods was \$40.5 billion in April, \$12.2 billion smaller than last year. This is the trade indicator that is most important for calculating real GDP.



**Implications:** The trade deficit grew slightly in April but the inflation-adjusted trade deficit barely budged. In the year ending in the first quarter of 2009, a declining trade deficit added a whopping 1.5 percentage points to the growth rate of real GDP. Given that the inflation-adjusted trade deficit was smaller in April than the average for the first quarter, trade will probably add about 0.5 to 1.0 percentage points to real GDP growth in the second quarter. Also, given the substantial depreciation of the US dollar versus other major currencies from 2002 through 2008, the underlying trend of smaller trade deficits is likely to continue. It is important to recognize that as the US trade deficit shrinks, domestic consumption does not have to grow quite as quickly in order to get back to robust overall economic growth. Foreign consumers buy more and more of the goods and services that used to be sold here in the US.



International Trade	Apr-09	Mar-09	Feb-09	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-29.2</b>	-28.5	-26.1	-27.9	-34.2	-62.1
<b>Exports</b>	<b>121.1</b>	123.9	126.4	123.8	128.5	154.8
<b>Imports</b>	<b>150.3</b>	152.5	152.5	151.7	162.7	217.0
<b>Petroleum Imports</b>	<b>18.0</b>	17.7	16.2	17.3	19.5	40.0
<b>Real Goods Trade Balance</b>	<b>-40.5</b>	-40.2	-39.5	-40.1	-44.0	-52.7

Source: Bureau of the Census