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MARCH INTERNATIONAL TRADE

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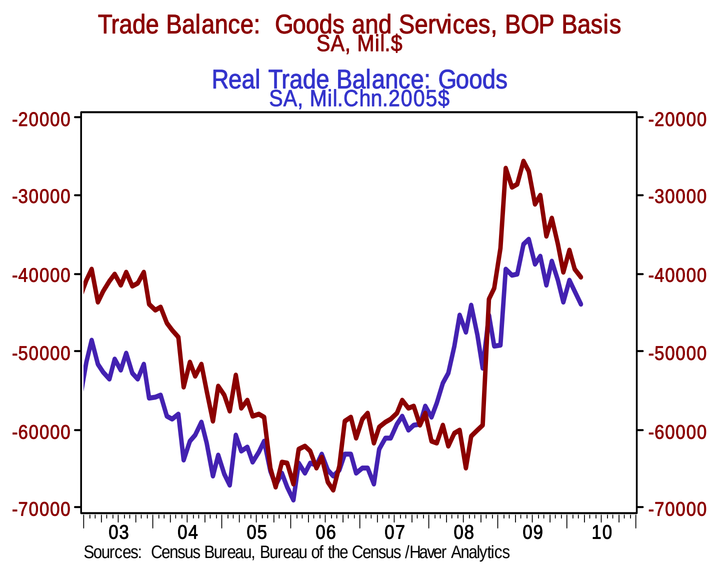
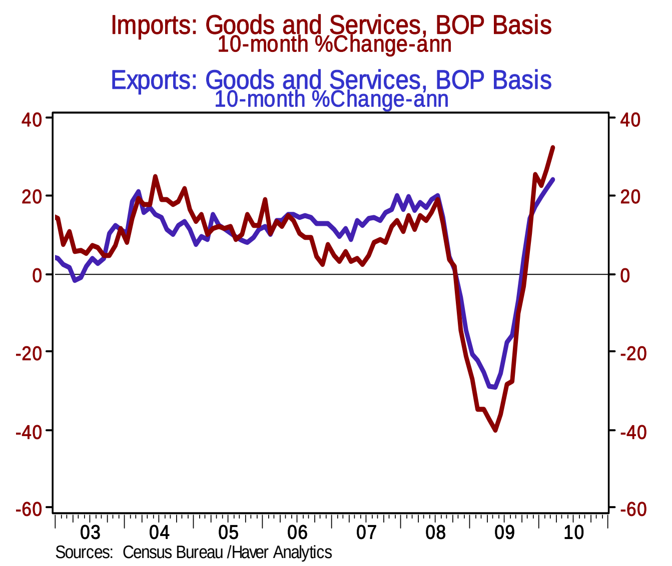
- The trade deficit in goods and services expanded by $1.0 billion to $40.4 billion in March, almost exactly as the consensus expected.
- Exports increased $4.6 billion in March, with widespread gains led by petroleum products.
- Imports increased $5.6 billion in March, led by crude oil and autos/parts. The increase in crude oil imports was due to both higher volume and higher prices.
- In the last ten months, exports are up 19.8% while imports are up 26.2%.
- The monthly trade deficit is $11.6 billion larger than last year. Adjusted for inflation, the trade deficit in goods is $3.6 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

Implications: The total volume of US-international trade – imports plus exports – increased 3.1% in March and is up 24% since the bottom last April. Despite recent financial turmoil in Europe, we expect this trend to continue as a major feature of the V-shaped recovery. Only about 15% of our goods exports go to the Euro-area, compared to 25% to the Pacific Rim and 23% to Mexico plus Central/South America. Moreover, these areas outside the Euro-zone have been growing faster and will likely continue to do so. That said, the future direction of the trade deficit is harder to predict. The (inflation-adjusted) trade deficit got smaller in 2007, 2008, and 2009. Given the decline of the US dollar during the past several years (although not in recent months) as well as the typical multi-year time lag between shifts in the dollar and the impact on trade, the trade deficit should still be shrinking. But the return to robust growth in the US has pushed up imports faster than exports, resulting in an expansion of the trade gap. While some may fret, a rising trade gap during recent decades has been associated with a strong domestic economy, not a weak one.



Sources: Census Bureau, Bureau of the Census /Haver Analytics



Sources: Census Bureau /Haver Analytics

International Trade *All Data Seasonally Adjusted, $billions*	Mar-10 Bil $	Feb-10 Bil $	Jan-10 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-40.4**	-39.4	-37.0	-38.9	-37.6	-28.8
Exports	**147.9**	143.3	142.9	144.7	142.1	122.8
Imports	**188.3**	182.7	179.8	183.6	179.7	151.7
Petroleum Imports	**30.5**	27.7	27.2	28.4	26.8	17.7
Real Goods Trade Balance	**-43.8**	-42.3	-40.9	-42.4	-41.7	-40.3

Source: Bureau of the Census