

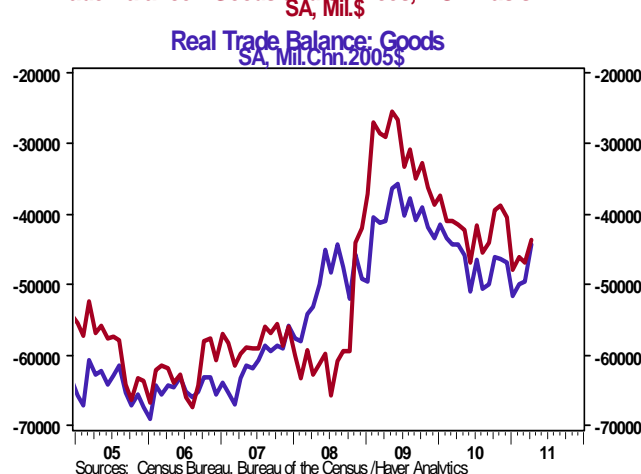
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April International Trade

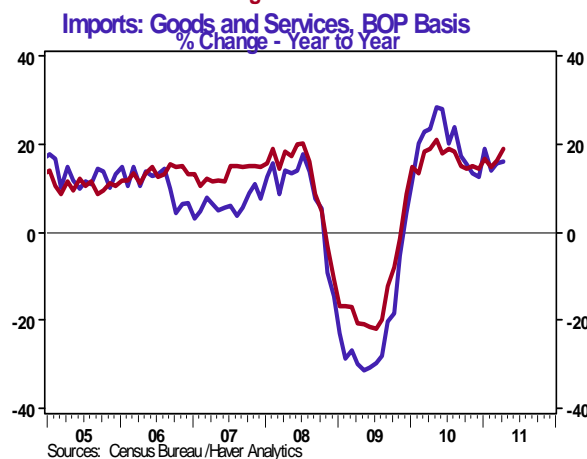
- The trade deficit in goods and services shrank by \$3.1 billion to \$43.7 billion in April. The consensus expected a trade deficit of \$48.8 billion.
- Exports increased \$2.2 billion in April, led by petroleum. Imports declined \$1.0 billion, led by autos/parts and oil. The decline in oil imports was due to lower volume; oil prices climbed in April.
- In the last year, exports are up 18.8% while imports are up 15.9%.
- The monthly trade deficit is \$2.2 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$0.1 billion smaller than last year. This is the trade measure that is most important for calculating real GDP.

Implications: Record exports and lower imports sharply reduced the trade deficit in April. This was largely due to two factors: (1) a drop in imports of autos and auto parts, primarily due to recent disasters in Japan, and (2) a change in petroleum flows, with the US increasing its exports and reducing its imports in the face of higher prices. Today's trade data are the flip side of some recent weaker data on domestic auto production and auto sales and will partially offset the negative impact on GDP. As a result, we are raising our forecast for real GDP growth in the second quarter from a 1.5% annual rate to 2%, with much faster growth in the second half of the year. In addition, revisions to trade data suggest that real GDP growth in the first quarter will be revised up to a 2.2% annualized growth rate from 1.8%. Despite the reduction in the trade deficit in April, total trade volumes continued to rise. Exports plus imports are now only 0.7% below the record peak of mid-2008. Exports are already at a record high and up substantially from a year ago. In other news this morning, initial claims for unemployment insurance increased 1,000 last week to 427,000. Continuing claims for regular state benefits declined 71,000 to 3.68 million. These figures suggest a rebound in payroll job creation in June after the lull in May.

Trade Balance: Goods and Services, BOP Basis



Exports: Goods and Services, BOP Basis
 % Change - Year to Year



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Apr-11 Bil \$	Mar-11 Bil \$	Feb-11 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-43.7	-46.8	-46.0	-45.5	-44.0	-41.5
Exports	175.6	173.4	165.2	171.4	167.8	147.7
Imports	219.2	220.2	211.3	216.9	211.8	189.2
Petroleum Imports	36.0	38.1	32.9	35.7	33.4	29.7
Real Goods Trade Balance	-44.2	-49.7	-49.9	-47.9	-48.1	-44.4

Source: Bureau of the Census