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April International Trade

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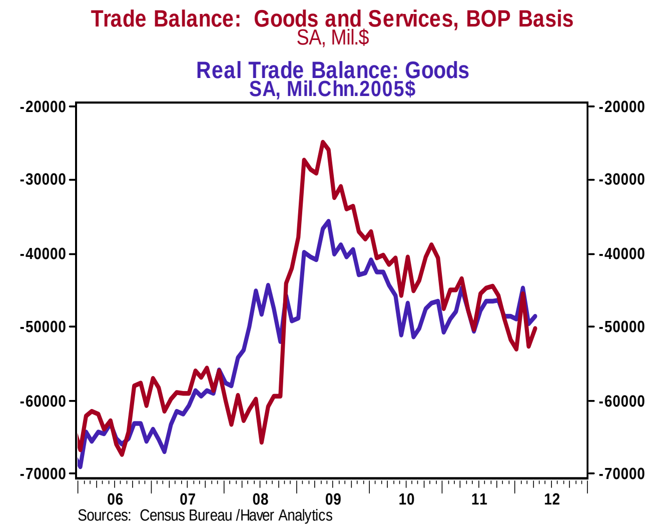
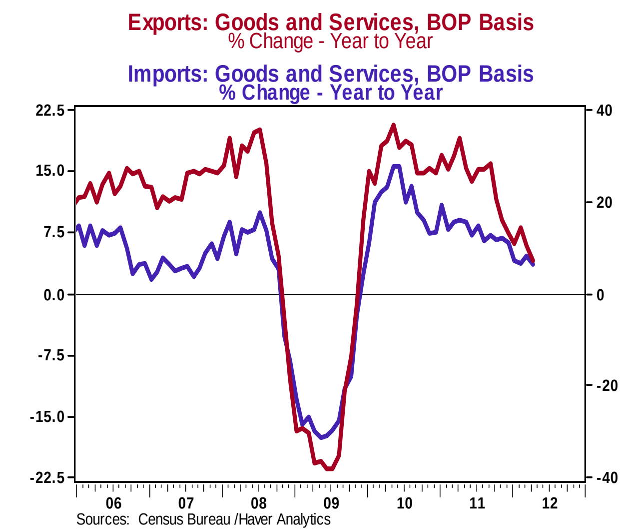
- The trade deficit in goods and services came in at $50.1 billion in April, slightly larger than the consensus expected deficit of $49.5 billion.
- Exports declined $1.5 billion in April, while imports declined $4.1 billion. The changes in both exports and imports were led by capital goods, such as aircraft.
- In the last year, exports are up 4.1% while imports are up 6.3%.
- The monthly trade deficit is $6.5 billion larger than a year ago. Adjusted for inflation, the trade deficit in goods is $3.8 billion larger than last year. This is the trade measure that is most important for measuring real GDP.

Implications: Imports and exports both declined in April, but, with imports declining faster, the trade deficit got smaller. Despite the decline in the overall volume of trade, both imports and exports remain near record highs. Some reduction in imports was expected for April given that the increase in March was the largest for any month on record. The trade deficit is still caught between two powerful opposing forces. On the one side, the large depreciation in the foreign exchange value of the dollar in the past decade means the US is a much more attractive place from which to export. That's why many foreign automakers are increasingly using the US as an export hub and companies that had previously placed operations abroad are now moving back home. The level of productivity is high, so unit labor costs are low in the US relative to other advanced economies. However, the reviving US consumer still likes imported goods, which will boost imports. Today's trade report included revisions going back several years. In particular, a larger trade deficit in the last quarter of 2011 could mean a downgrade of the real GDP growth rate in that quarter, below the 3% level now on the books. But it might also mean a large *upward* revision for growth in Q1 when that "final" report comes out in three weeks. Given upward revisions to construction and trade, real GDP growth might have been in the 2.5% to 3% range in Q1, which would leave a much better impression than the current official estimate of 1.9%. In other recent news, new claims for unemployment insurance dipped 12,000 last week to 377,000. Continuing claims for regular state benefits increased 34,000 to 3.29 million. These figures suggest continued moderate payroll growth in June.





International Trade *All Data Seasonally Adjusted, $billions*	Apr-12 Bil $	Mar-12 Bil $	Feb-12 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-50.1**	-52.6	-45.4	-49.4	-50.3	-43.6
Exports	**182.9**	184.4	180.0	182.4	180.0	175.7
Imports	**233.0**	237.1	225.4	231.8	230.3	219.2
Petroleum Imports	**38.5**	39.0	35.8	37.8	38.1	36.5
Real Goods Trade Balance	**-48.5**	-49.5	-44.6	-47.5	-48.1	-44.7

Source: Bureau of the Census