

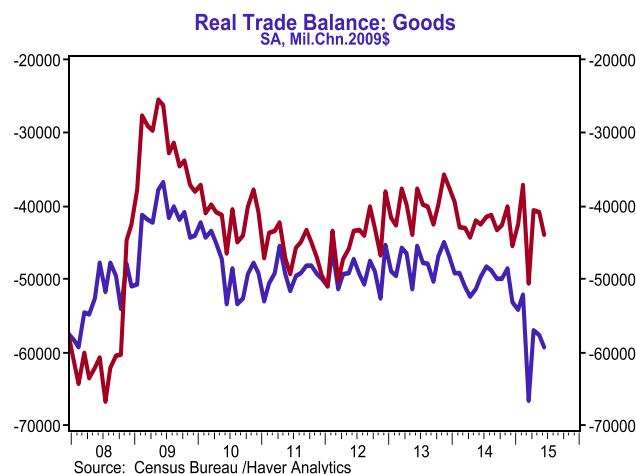
June International Trade

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- The trade deficit in goods and services came in at \$43.8 billion in June, slightly larger than the consensus expected \$43.0 billion.
- Exports declined by \$0.1 billion in June, led by telecommunications equipment. Imports increased by \$2.8 billion, led by pharmaceutical preparations and crude oil.
- In the last year, exports are down 3.6% while imports are down 2.3%.
- The monthly trade deficit is \$1.4 billion larger than a year ago. Adjusted for inflation, the “real” trade deficit in goods is \$9.5 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

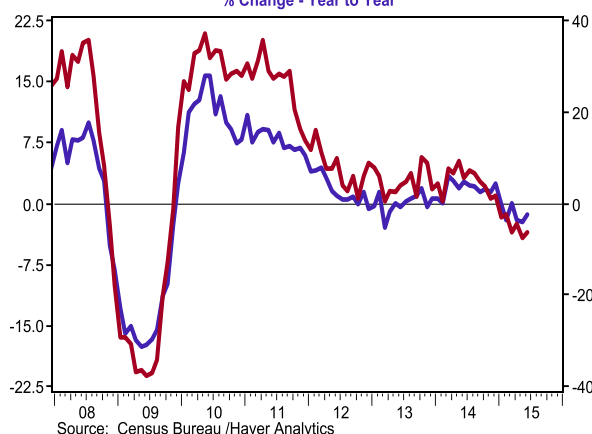
Implications: The trade deficit in goods and services widened in June, mostly due to an increase in imports. Looking past strike-related issues earlier in the year and month-to-month volatility, the trade deficit has been relatively stable over the past few years, with a smaller trade deficit in oil and a slightly larger deficit in other goods, powered by growing purchasing power among US consumers and businesses. We expect this trend to continue in the year ahead. However, in recent months, exports have been running below year-ago levels, as other areas of the world continue to struggle. Slower growth abroad, along with a stronger dollar have slowed exports. For instance, exports to the Euro Area are down 10.8% from a year ago. Exports to Africa are down 23.7% while exports to South & Central America are down 13.5%. This will not last forever, but may continue to be a factor over the coming year. Meanwhile, today’s data underscore why OPEC continues to become less relevant. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In June, these imports were only 1.8 times exports. The US is headed toward energy independence thanks to fracking and horizontal drilling. In fact, despite lower oil prices over the past year, US domestic oil production continues to rise and is fast approaching the all-time high of 10 million barrels per day. Entrepreneurs and engineers, through the use of new technologies, have changed the way the world works and there’s more to come. In other recent news, Americans bought cars and light trucks at a 17.6 million annual rate in June, up 3.3% from last month and up 6.2% from a year ago. As a result, it now looks like auto sales will come close to hitting 17.5 million in 2015, which would be the most for any year on record. So much for the theory that consumers aren’t spending. In other news today, the ADP report said private payrolls were up 185,000 in July. Plugging this into our models suggests nonfarm payrolls will be up about 200,000 for the month. (The official release arrives Friday morning and our forecast may change based on tomorrow’s report on unemployment claims.)

Trade Balance: Goods and Services, BOP Basis
 SA, Mil.\$



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

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



International Trade	Jun-15	May-15	Apr-15	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>Moving Avg.</i>	<i>Moving Avg.</i>	<i>Level</i>
Trade Balance	-43.8	-40.9	-40.7	-41.8	-42.6	-42.4
Exports	188.6	188.7	190.1	189.1	188.6	195.6
Imports	232.4	229.7	230.8	230.9	231.2	238.0
Petroleum Imports	16.8	15.3	15.4	15.8	16.4	27.6
Real Goods Trade Balance	-59.3	-57.6	-57.0	-58.0	-57.8	-49.8

Source: Bureau of the Census