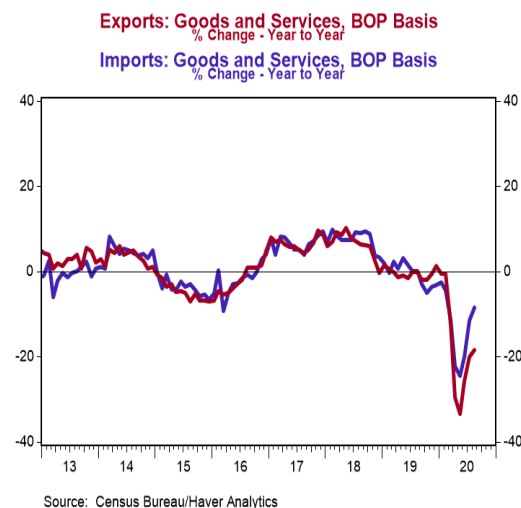
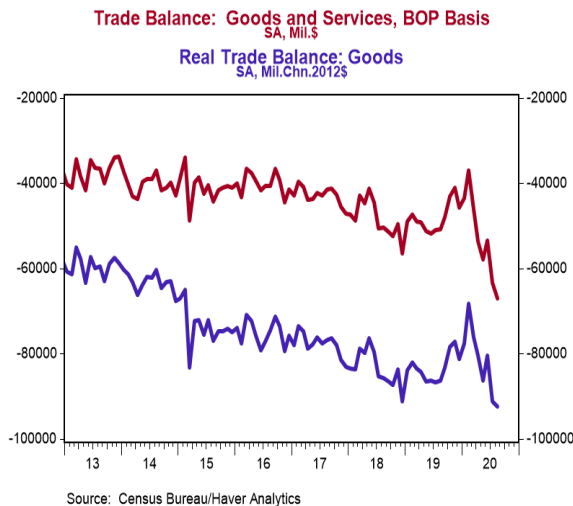


August International Trade

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- The trade deficit in goods and services came in at \$67.1 billion in August, larger than the consensus expected \$66.2 billion.
- Exports increased \$3.6 billion, led by nonmonetary gold and soybeans. Imports rose \$7.4 billion, led by pharmaceutical preparations, autos, and crude oil.
- In the last year, exports are down 18.3% while imports are down 8.5%.
- Compared to a year ago, the monthly trade deficit is \$16.3 billion larger; after adjusting for inflation, the “real” trade deficit in goods \$5.9 billion larger than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

Implications: International trade continues to improve after some very ugly reports earlier this year. The trade deficit in goods and services came in at \$67.1 billion in August, the largest since 2006. Some may look at this as a negative, but what really matters is that both exports and imports increased, consistent with the economic recovery in the US and global economic activity slowly picking back up. Imports climbed faster than exports, which is why the trade deficit rose, and signals a faster rebound here than abroad. Early in the COVID-19 pandemic, businesses substantially drew down inventories, now, with the holiday season approaching and economic activity picking back up, those dwindled stocks are being replenished. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, grew 2.7% in August, but is still down 12.9% versus a year ago. Some other good news in today’s report was that for the eighth month in a row, the dollar value of US petroleum exports exceeded US petroleum imports. Horizontal drilling and fracking have transformed the global energy market and the US is no longer hostage to foreign oil. Expect trade to continue expanding rapidly in coming months as the shutdowns of business across the US and the world slowly dissipate, and new trade deals with key trading partners take effect.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Aug-20 Bil \$	Jul-20 Bil \$	Jun-20 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-67.1	-63.4	-53.5	-61.3	-56.9	-50.8
Exports	171.9	168.3	155.5	165.2	161.9	210.5
Imports	239.0	231.7	208.9	226.6	218.8	261.3
Petroleum Imports	9.3	8.1	7.0	8.1	8.0	15.7
Real Goods Trade Balance	-92.3	-91.1	-80.3	-87.9	-84.4	-86.4

Source: Bureau of the Census