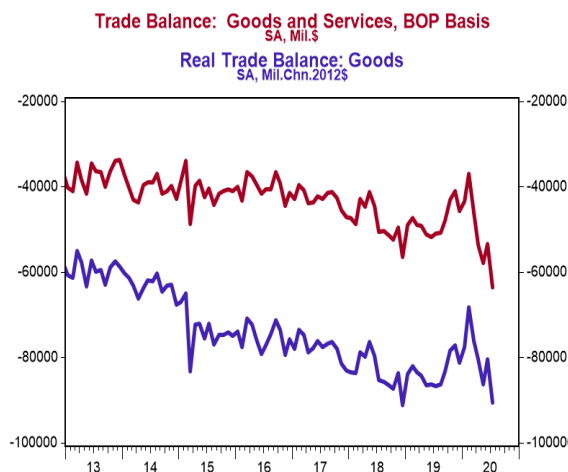


July International Trade

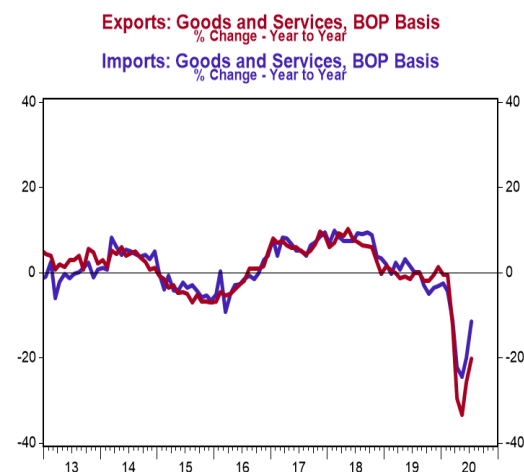
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Ellass – Senior Economist

- The trade deficit in goods and services came in at \$63.6 billion in July, larger than the consensus expected \$58.0 billion.
- Exports increased \$12.6 billion, led by autos and crude oil. Imports rose \$22.7 billion, led by autos, cell phones & other household goods, and civilian aircraft.
- In the last year, exports are down 20.1% while imports are down 11.4%.
- Compared to a year ago, the monthly trade deficit is \$12.6 billion larger; after adjusting for inflation, the “real” trade deficit in goods \$3.9 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 \$63.6 billion in July, which some may believe is not good. But what really matters is that both exports and imports rose, consistent with the economic recovery in the US and global economic activity slowly picking back up. Imports rose faster than exports, which is why the trade deficit rose, and signals a faster rebound here than abroad. The total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border, rose 9.7% in July, by far the largest monthly gain recorded going back to at least 1992, but is still down 15.3% versus a year ago. 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. Some other good news in today’s report was that for the seventh 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. In other news this morning, initial jobless claims declined 130,000 last week to 881,000. Meanwhile, continuing claims for regular benefits declined 1.238 million to 13.254 million. Note, however, that the Labor Department changed the way it seasonally adjusts these figures, so don’t read too much into this particular week’s report. Also on the employment front, data out yesterday from the ADP employment report showed 428,000 jobs gained in August. The consensus was expecting a larger gain of 1.0 million. Plugging all these figures into our models suggests a nonfarm payroll gain of 1.67 million for August with an unemployment rate down to 9.5%. In other recent news, cars and light trucks were sold at a 15.2 million annual rate in August. Sales were up 3.9% from July but still down 11.0% from a year ago. Expect sales to continue to pick up over the next few months as the economy continues to reopen and heal.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

| International Trade | Jul-20 | Jun-20 | May-20 | 3-Mo | 6-Mo | Year-Ago |
|---|---------------|---------------|---------------|--------------------|--------------------|--------------|
| <i>All Data Seasonally Adjusted, \$billions</i> | Bil \$ | Bil \$ | Bil \$ | Moving Avg. | Moving Avg. | Level |
| Trade Balance | -63.6 | -53.5 | -57.9 | -58.3 | -51.9 | -51.0 |
| Exports | 168.1 | 155.5 | 141.8 | 155.1 | 168.2 | 210.5 |
| Imports | 231.7 | 208.9 | 199.7 | 213.4 | 220.1 | 261.5 |
| Petroleum Imports | 8.1 | 7.0 | 6.0 | 7.0 | 9.0 | 16.7 |
| Real Goods Trade Balance | -90.5 | -80.3 | -86.2 | -85.7 | -80.3 | -86.6 |

Source: Bureau of the Census