

August 12, 2009

U.S. Trade Deficit, June 2009



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The U.S. Census Bureau reported today that the U.S. trade deficit had widened less than forecast in June, as both exports and imports increased. The growth in exports, in particular, highlights the recovery in economic activity that is gaining momentum outside the United States, particularly in Asia. Imports fell excluding oil. The smaller than expected trade deficit for June should lead to a modest upward revision in GDP for the second quarter, since it means that the deficit was smaller than assumed when the first release of 2Q09 GDP was published.

- Net exports in June were -\$27 billion, following -\$26 billion in May. Revisions to May figures were immaterial. The mean forecast for the June trade balance had been -\$28.7 billion, with individual forecasts ranging from -\$31 billion to -\$25.5 billion. The trade deficit narrowed by 55% from June 2008.
- Exports rose 2.0% in June, the second consecutive monthly increase; led by industrial raw materials, agriculture and capital goods. Imports rose 2.3%, because of a 24% increase in petroleum imports. Oil import volume rose more than 7% and the unit price rose 16%; excluding oil, imports fell 1%. In particular, consumer goods imports fell 5%. Auto imports, by contrast, rose 8.5% but remain down 50% from June 2008.

Source: U.S. Census Bureau

It had been our expectation that a recovery in economic activity would begin in the U.S. before other parts of the world, primarily because of aggressive fiscal and monetary policy. This would imply a cyclical widening of the U.S. trade deficit as reviving domestic demand led to an increase in imports before recovery in other countries led to a rise in exports. Now, however, it appears that economic recovery is becoming more globally synchronous, and therefore that a revival in world trade is leading to increases in U.S. exports as well as imports. On balance, this implies a modestly stronger path for U.S. GDP going forward than previously forecast. ■

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