

Trade Gap Narrows Despite Clunkers Effect

The U.S. trade deficit narrowed modestly to \$30.7 billion in August, after bouncing the prior month from nine-year lows, supported by a fourth straight gain in exports and renewed softness in imports. Exports rose 0.2% amid stronger auto sales to Canadians (courtesy of the lofty loonie), and despite a surprising 40% plunge in aircraft shipments. The latter factor cut real exports (-1.5%) for the first time in four months. Imports fell 0.6%, the first decline in three months, despite further (temporary) support from the auto clunkers program and some lift in oil prices. A big drop in aircraft and oil volumes, coupled with renewed weakness in consumer goods (ex autos), paced a 1.9% decline in real imports.

The real goods balance improved by \$1 billion in August. However, because of the July setback, trade will likely subtract about one-quarter percentage point from third-quarter GDP growth, which we still peg at 3.8% annualized.

	(US\$ billions)			(year-to-date)	
	Aug	Jul	Jun	2009	2008
Goods & Services Balance	-30.7	-31.9	-27.5	-238.0	-491.3
Exports (m/m % chng : s.a.)	0.2	2.5	2.1		
Imports (m/m % chng : s.a.)	-0.6	4.9	2.5		
Merchandise Trade Balance	-40.8	-41.5	-37.1	-314.3	-572.7
Balance by Region					
China	-20.2	-20.4	-18.4	-143.7	-169.2
E.U.	-5.4	-8.0	-4.5	-37.3	-65.5
Mexico	-3.9	-2.9	-3.4	-28.1	-47.1
Japan	-4.3	-3.9	-3.7	-26.2	-52.0
Canada	-1.5	-2.1	-1.5	-12.1	-59.1
Latin America	0.2	-1.3	-0.4	0.5	-19.7

The Bottom Line: With exports trending higher and imports remaining soft as households deleverage, the trade sector should support the recovery in the current and future quarters.

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