U.S. Economic Flash

U.S. Trade Gap Widens as Imports Outpace Export Growth

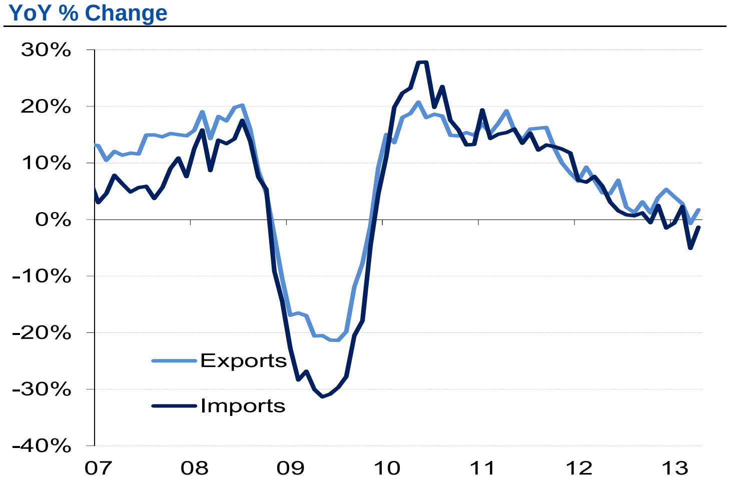
- **The international trade balance grew to -$40.3bn from -$37.1bn in March**
- **Exports grew by 1.2% but were over shadowed by a 2.4% rise in imports**
- **Despite the negative effect, a rise in imports might signal business confidence**

The U.S. international trade deficit grew to -$40.3bn in April following a modest improvement in March to -$37.1bn. The widening follows a stabilization of imports that was reserved in April, up 2.4% after a 3.7% decline the month prior. Import growth was based primarily in the goods sector led by consumer goods which, according to the Census figures, rose 7.2% for the month. Automotive vehicle imports also rose 5.3% and capital goods rose 2.4% after declining heavily in March. Overall, imports were based primarily in the consumer sector which, despite its effect on the trade gap, is positive news given its significance in terms of business confidence. If businesses lack the confidence in consumer activity in the short term, they are much less apt to purchase foreign goods to supplement their domestic counterparts.

Balancing the impact of imports on the trade deficit, exports grew by 1.2% on a surge in consumer goods demand abroad. According to the Census breakdown, exports were led by consumer goods, excluding autos, which rose 13.1% in April for a $2bn rise. The remaining components of the export figure were not as prolific but the record high growth in consumer goods exports does bode well for domestic product growth given that retail sales data in the U.S has been weaker. Additionally, some of the export growth may be tied to an increase in activity from China. The deficit in dollars from China expanded from $17.9bn in March to $24.1bn in April, which could account for a significant proportion of the export growth in consumer goods.

Overall, April's widening was not as negative as the initial take would purport. Although imports did expand at a modest clip, their growth does signal some optimism from domestic businesses but it is not as indicative of a longer term trend. Export growth however, may be more of a monthly occurrence as the rise may be significantly pegged to short term demand from China, rather than any significant demand from global players. Nevertheless, in line with our forecast for the month, the uptick in the trade deficit is likely to be reversed throughout the rest of 2H13 as imports decline and global demand for U.S goods strengthens.

Chart 1
U.S. Exports and Imports
YoY % Change



Source: U.S. Census Bureau & BBVA Research

Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7342

Alejandro Vargas
alejandro.vargas@bbvacompass.com
+1 713 831 7348