U.S. Economic Flash

U.S. Trade Gap Narrows Significantly on Oil Related Shifts

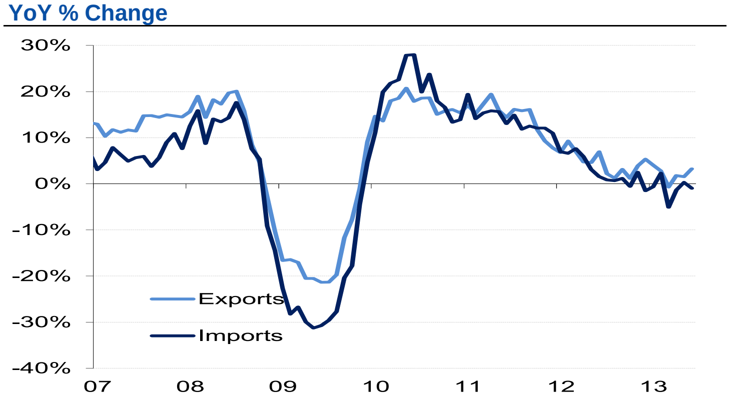
- **The international trade balance shrank to -$34.2bn in June from -$44.1bn in May**
- **Positive signals from the global economy, with exports up 2.2%**
- **Trade balance reduction expected to boost 2Q13 GDP**

The U.S. international trade deficit shrank far more than expected, falling to its lowest level since October 2009. Reaching -$34.2bn, the trade deficit fell largely due to a change in the petroleum dynamics of the U.S. economy. The nation actually exported far more oil than it imported, creating the smallest petroleum trade balance since January 2010. This was due to a large increase in demand for U.S. petroleum products at a pace that has not been seen in years. The petroleum export figure rose 13.2% while imports declined 7%, a scenario that the U.S. economy has been shifting towards as the nation becomes more energy independent. Despite the massive boost from petroleum products, other sectors managed to show export growth even with the purported stale global economy that has persisted over the past few quarters. Food & beverages showed a slight increase for June after a consistent decline to yearly lows since the beginning of the year. Industrial supplies also popped up and capital goods, excluding autos, hit decade highs after prolific growth rates since March. Autos, which have been a growth indicator domestically, shrank in terms of exports, in part due to increasing competition from Asian rivals. Overall, exports managed a strong month, up 2.2% to exceed their all-time high level.

Imports in June did their part to positively impact the trade balance, down 2.5% after jumping back and forth over the past two quarters. Unlike exports, which saw growth throughout various sectors, the decline in imports was primarily focused in the aforementioned petroleum component. Food and beverage, as well as consumer goods, did show some weakness overall as the economy turned to domestic goods for June but the 7% decline in petroleum products had the largest effect. Delving further into the import categories, capital goods remained resilient while automotive declined slightly as did industrial supplies.

June's trade balance decline will have a significant impact on the recently released GDP figures. The large decline in the deficit may provide a 0.2-0.4pp boost to 2Q13 real GDP growth, all else remaining equal. Overall, June's trade numbers are a positive spot on an otherwise sluggish global outlook but an even more positive indicator for U.S. energy independence.

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