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Trade Balance

The June international trade deficit unexpectedly widens by $2.2 billion (Consensus: narrow $2.2 billion; Decision Economics: narrow $0.3 billion) from a prior-month level revised to be $0.6 billion worse. The latest total was -$53.1 billion, about $3 billion bigger than was assumed in the second-quarter GDP numbers--pointing to some downward pull in the coming revision.

Petroleum trade actually eased the overall deterioration, with the deficit in that sector narrowing by $1.0 billion. The non-petroleum goods deficit widened by about $3.2 billion, while the services-trade surplus narrowed by $0.1 billion.

The deterioration in non-oil goods trade reflected a 2.3% drop in exports and a 0.8% decline in imports. The export decline, obviously, is the greater concern, and it was concentrated in highly business-cycle-driven categories--industrial supplies and materials (-4.8%) and non-auto capital goods (-3.6%).

Only a small part of those declines was price-related--so the implication is of a global slowdown in demand, at least this month. Meanwhile, another highly cyclical export category, non-auto consumer goods (+5.2%) rose quite decently.

It remains uncertain how much of a trend the overall June export weakening will prove to be, since peak levels of the highly cyclical categories--even in price adjusted terms--were seen just in the last two months. Still, the omens are not good, and the presumption will be that a global slowdown in demand is overwhelming the positive effect of a weaker dollar.

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