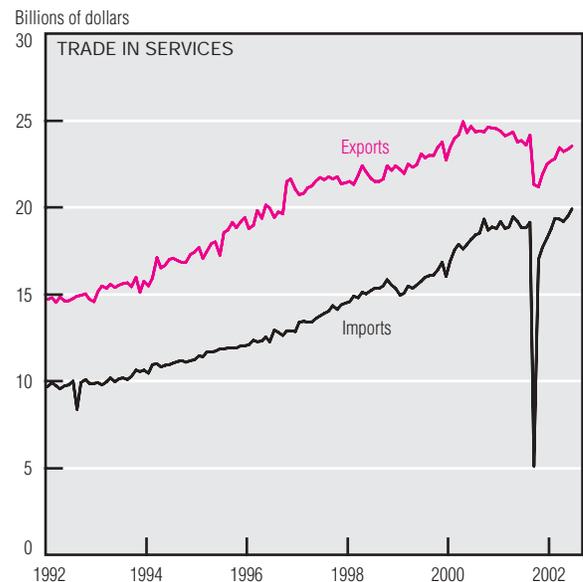
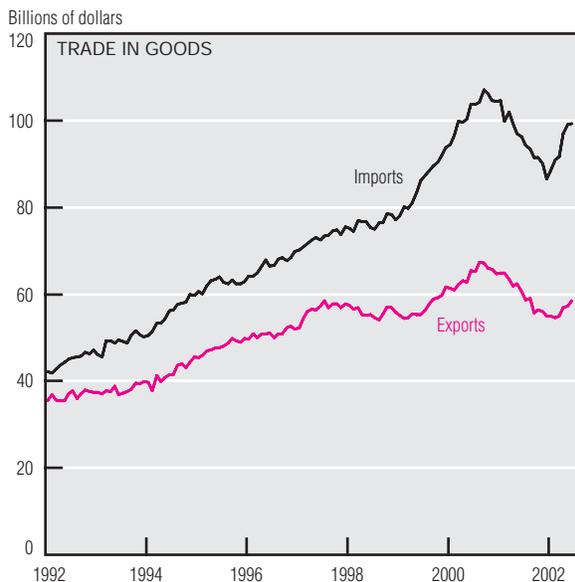
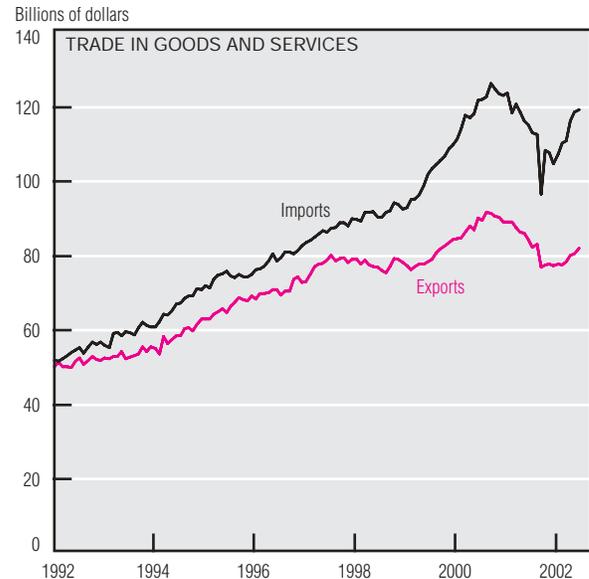
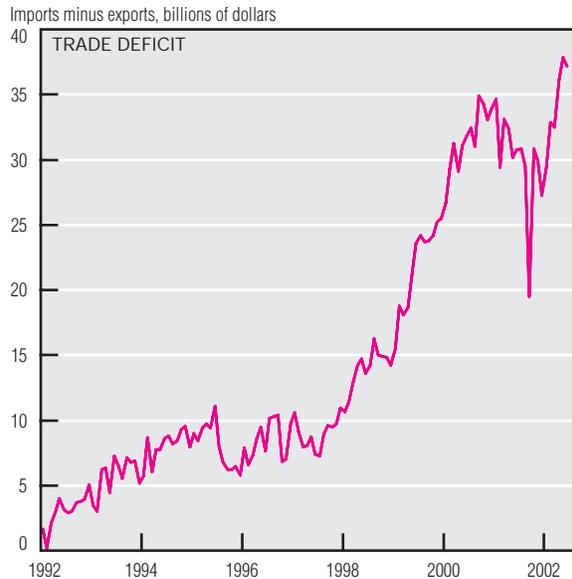


International Trade



SOURCES: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

In June, the U.S. trade deficit—the difference between exports and imports of goods and services—fell \$0.7 billion to \$37.2 billion. A deficit occurs when imports exceed exports. Both exports and imports increased in June, but the deficit narrowed because exports increased more than imports. The U.S. trade deficit emerged in 1992 and grew steadily until 1998, but it has tripled since then, reaching an all-time high of \$37.8 billion in May.

In June, the goods deficit fell by \$0.9 billion from May's record level to

\$40.8 billion. Goods exports rose from \$57.3 billion to \$58.5 billion, and goods imports increased from \$99.0 billion to \$99.3 billion. The May-to-June change in the goods balance reflects increased trade in capital goods, consumer goods, and foods, feed, and beverages; and decreased trade in industrial supply and materials, and automotive vehicles, parts, and engines.

While most people are aware of the trade deficit, not everyone realizes that the U.S. runs a surplus in services trade, perhaps because the surplus is

relatively small. In June, the services surplus decreased \$0.2 billion to \$3.6 billion as services exports increased from \$23.4 billion to \$23.5 billion and services imports increased from \$19.5 billion to \$19.9 billion. The May-to-June change in the services balance reflected increased exports in royalties and license fees services.

Rising imports suggest that U.S. domestic demand for goods and services remains strong. Rising exports also indicate strength in foreign demand for U.S. goods and services.