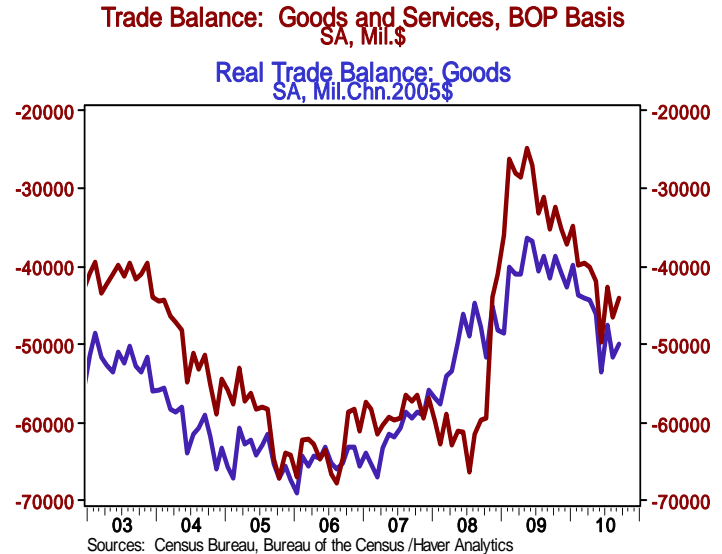


SEPTEMBER INTERNATIONAL TRADE

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- The trade deficit in goods and services shrank by \$2.5 billion to \$44.0 billion in September. The consensus had expected a trade deficit of \$45.0 billion.
- Exports increased \$0.5 billion in September, led by civilian aircraft. Imports declined \$2.0 billion, with less imports of autos/parts and consumer goods offsetting more imports of computers and civilian aircraft. Petroleum imports declined on both lower volume and lower prices.
- In the last year, exports are up 14.8% while imports are up 17.0%.
- The monthly trade deficit is \$8.8 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$8.5 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

Implications: The most important news today was that new claims for unemployment insurance declined 24,000 last week to 435,000. The four-week average of new claims is now 446,500, the lowest so far in the recovery. Continuing claims for regular state benefits declined 86,000 to 4.30 million. These figures suggest the economy is putting in another solid month of private sector job creation in November. Meanwhile, due to both higher exports and lower imports, the trade deficit shrank more than the consensus expected in September. It also shrank more than the government assumed it would when it calculated real GDP growth for Q3. As a result, and along with other revisions for construction, real GDP appears to have grown slightly faster than the 2% annual rate the government originally reported. Due to problems with the way the government seasonally adjusts oil prices, trade was a huge negative for real GDP growth in Q2/Q3. However, the same adjustment issue will likely result in a large positive contribution from trade on real GDP growth in Q4. (See, this week's [Monday Morning Outlook](#)). In other trade news this morning, both import and export prices marched upward in October. Import prices gained 0.9% and are up 3.6% in the past year. Excluding oil, import prices were up 0.4% in October and are up 2.7% in the past year. Export prices gained 0.8% in October and are up 5.8% in the past year. Excluding farm products, export prices increased 0.7% in October and are up 4.8% in the past year. Look for further large gains in trade prices in the next couple of months as commodity prices react to an overly loose policy from the Federal Reserve.



International Trade	Sep-10	Aug-10	Jul-10	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-44.0	-46.5	-42.6	-44.4	-44.1	-35.2
Exports	154.1	153.6	153.5	153.7	152.2	134.2
Imports	198.1	200.1	196.1	198.1	196.3	169.3
Petroleum Imports	27.4	27.6	26.7	27.2	27.7	25.4
Real Goods Trade Balance	-49.9	-51.5	-47.6	-49.7	-48.8	-41.4

Source: Bureau of the Census

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