

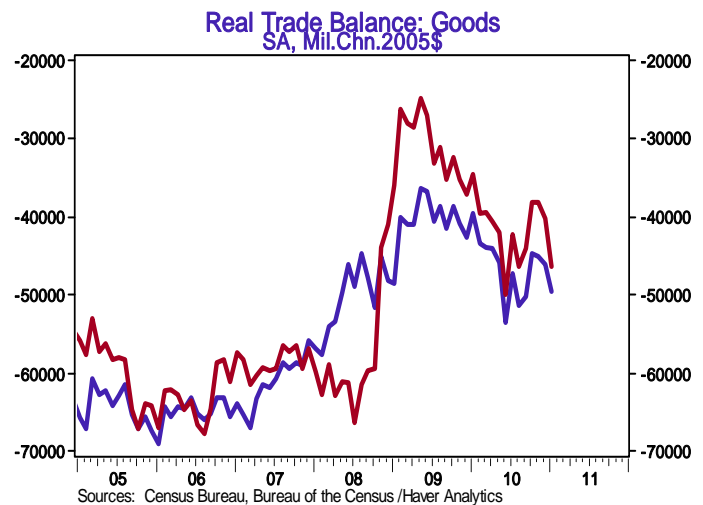
# JANUARY INTERNATIONAL TRADE

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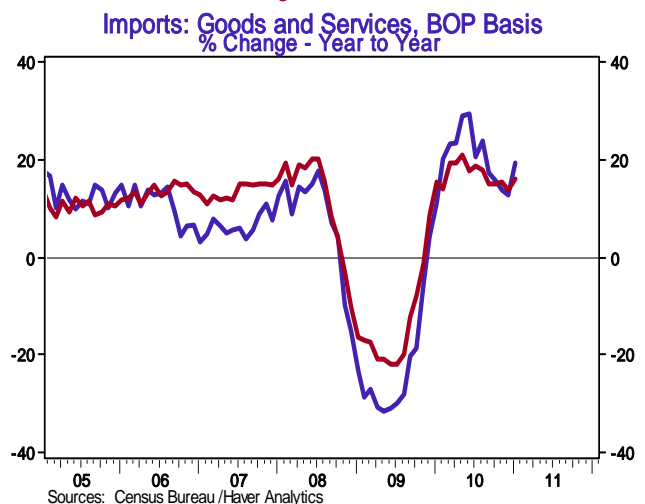
- The trade deficit in goods and services expanded by \$6.1 billion to \$46.3 billion in January, coming in much higher than the consensus expected.
- Exports increased \$4.4 billion in January, led by autos. Imports rose \$10.5 billion, led by autos, oil, and capital goods (such as industrial machinery). The increase in oil imports was due to both higher volume and higher prices.
- In the last year, exports are up 15.9% while imports are up 19.3%.
- The monthly trade deficit is \$11.7 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$9.9 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

**Implications:** The trade deficit expanded much more than the consensus anticipated in January. As a result, trade may be a drag on real GDP growth in Q1, even as purchases by US consumers and businesses continue to grow at a robust (and faster) rate. Beneath the trade headlines, both exports and imports continue to recover from the financial panic that reduced cross-border trade flows even more than purely domestic activity. Exports, which have been expanding rapidly since mid-2009, are now at a new all-time record high, both on a cash basis and adjusted for inflation. Meanwhile, imports, which have also been growing rapidly, are 7.8% below their pre-recession peak. Given the additional rise in oil prices in February, look for further expansion in the trade deficit in the next couple of months. In other news this morning, new claims for unemployment insurance increased 26,000 last week to 397,000. This follows a 17,000 drop the prior week. The four-week moving average is 392,000, well below levels from last summer. Continuing claims for regular state benefits fell 20,000 to 3.77 million, the lowest level since October 2008. These figures suggest further improvement in the labor market in the months ahead.

Trade Balance: Goods and Services, BOP Basis  
SA, Mil.\$



Exports: Goods and Services, BOP Basis  
% Change - Year to Year



International Trade	Jan-11	Dec-10	Nov-10	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	-46.3	-40.3	-38.2	-41.6	-42.2	-34.6
<b>Exports</b>	167.7	163.3	160.2	163.8	159.7	144.7
<b>Imports</b>	214.1	203.6	198.5	205.4	201.9	179.4
<b>Petroleum Imports</b>	34.9	31.7	27.2	31.3	29.1	26.5
<b>Real Goods Trade Balance</b>	-49.5	-46.0	-45.2	-46.9	-47.8	-39.6

Source: Bureau of the Census

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