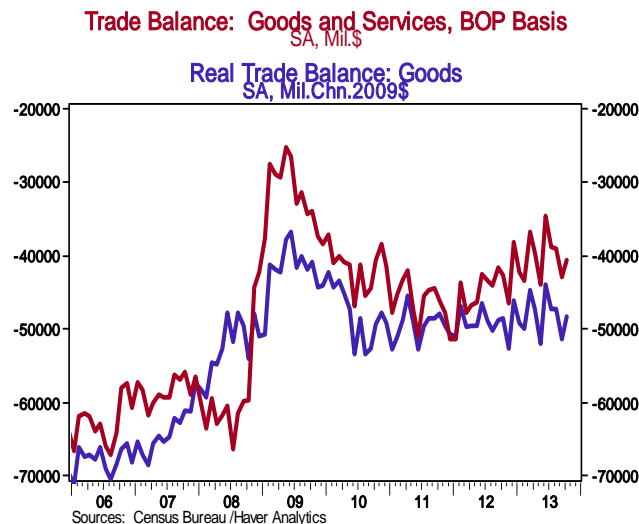


October International Trade

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- The trade deficit in goods and services came in at \$40.6 billion in October, slightly larger than the consensus expected \$40.0 billion.
- Exports increased \$3.4 billion in October, led by gains in petroleum products, artwork, diamonds, and nonmonetary gold. Imports increased \$1.0 billion, with a drop in autos offset by gains in pharmaceuticals, nonmonetary gold and petroleum products.
- In the last year, exports are up 5.5%, led by a 19.4% gain in petroleum exports. Imports are up 3.6% in the past year, held down by a 7.3% decline in petroleum imports.
- The monthly trade deficit is \$2.1 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$0.2 billion smaller than a year ago. This is the trade indicator most important for measuring real GDP.

Implications: The trade deficit got smaller in October, but was revised higher in September. As a result of the September revisions, it now looks like real GDP grew at a 3% annual rate in Q3. However, the improvement in October suggests net exports should add to real GDP in Q4. Over the past year total exports are up 5.5% while total imports are up a smaller 3.6%. The trend shrinkage in the trade deficit is largely due to US energy production, driven by horizontal drilling and fracking. Petroleum product exports are almost eight times higher than they were in October 2005. During these same eight years, petroleum product imports are only up 26%. If these trends continue and the US fixes its pipeline and refinery issues, the US will be a net petroleum product exporter by 2018. Usually, when the US economy is growing, the trade deficit tends to expand relative to the size of our economy. However, given recent energy trends and plow horse economic growth, the trade deficit has been in a gradual shrinking trend for the past two years. In other recent news, automakers reported car and light truck sales at a 16.4 million annual rate in November, up 7.7% from October, up 7.1% from a year ago, and the fastest pace since early 2007. It's early, but it appears real (inflation-adjusted) consumer spending is growing at a 2.5 – 3.0% annual rate in the fourth quarter, which would be the fastest pace since early 2012. On the jobs front, the ADP Employment index, a measure of private sector payrolls, increased 215,000 in November. As a result, we are now forecasting that the official Labor Department report will show payroll gains of 194,000 nonfarm and 191,000 private.



International Trade	Oct-13	Sep-13	Aug-13	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-40.6	-43.0	-38.9	-40.9	-40.0	-42.7
Exports	192.7	189.3	189.6	190.5	189.8	182.7
Imports	233.3	232.3	228.5	231.4	229.8	225.3
Petroleum Imports	32.2	31.7	30.9	31.6	31.0	34.7
Real Goods Trade Balance	-48.3	-51.4	-47.4	-49.1	-48.4	-48.5

Source: Bureau of the Census