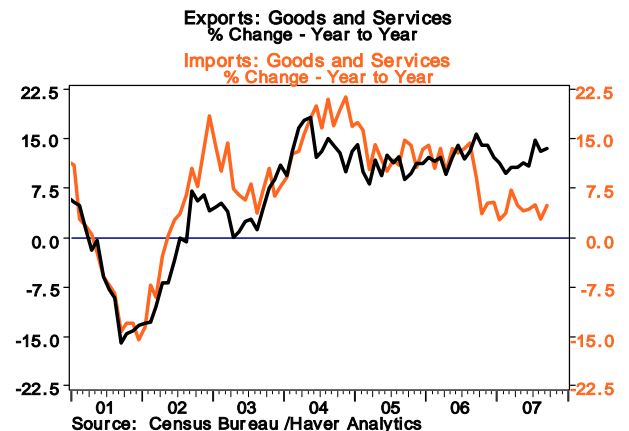


## SEPT INTERNATIONAL TRADE

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- The trade deficit in goods and services declined to \$56.5 billion in September from a downwardly revised \$56.8 billion in August. The consensus expected a trade gap of \$58.5 billion.
- Exports increased \$1.5 billion in September, were upwardly revised for August, and are up 13.6% versus last year. Imports increased \$1.2 billion in September and are up 4.9% versus a year ago.
- The increase in exports was led by food & beverages (\$0.7 billion) and industrial supplies (\$0.7 billion). Leading the rise for food & beverage exports were corn, soybeans, and wheat. The increase in industrial supplies exports was mostly due to raw cotton. The increase in imports was mostly due to crude oil (\$0.4 billion), autos (\$0.3 billion) and computer accessories (\$0.3 billion).
- By region, the largest declines in the trade deficit were with Europe (\$3.7 billion) and Africa (\$1.0 billion). The trade deficit with China increased by \$1.2 billion. However, none of the country/region figures are seasonally adjusted and so are not directly comparable to the overall trade deficit.



**Implications:** Another month of shrinking trade deficits. At \$56.5 billion in September, the trade deficit is the smallest since May 2005. For the third quarter as a whole, the trade deficit was \$27 billion smaller than a year ago, the largest one-year increase in net exports on record. Last week the government estimated real GDP grew at a 3.9% annual rate in Q3. The first GDP report is the most prone to being revised as solid data for the last month of the quarter is not available for some components of GDP. Today's trade report included upward revisions to net exports in August and much stronger net exports than the government assumed for September. These figures come on top of better construction and inventory data than the government assumed. *Totaling the impact of these revisions suggests real GDP growth will be revised up to about 5.3% for Q3.* Other news today and yesterday supports our case for robust growth and higher inflation. New claims for unemployment insurance dropped 13,000 last week to 317,000. Import prices jumped 1.8% in October and are up 9.6% versus a year ago. Export prices increased 0.9% in October and are up 5.6% versus a year ago, both the fastest gains since 1995.

International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Sep-07 Bil \$	Aug-07 Bil \$	Jul-07 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
<b>Trade Balance</b>	<b>-56.5</b>	-56.8	-59.0	-57.4	-58.3	-64.1
<b>Exports</b>	<b>140.1</b>	138.6	137.7	138.8	135.4	123.4
<b>Imports</b>	<b>196.6</b>	195.4	196.7	196.3	193.7	187.5
<b>Petroleum Imports</b>	<b>27.2</b>	27.3	27.3	27.3	26.7	26.0
<b>Real Goods Trade Balance</b>	<b>-51.7</b>	-51.6	-53.0	-52.1	-53.6	-57.9

Source: Bureau of the Census

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