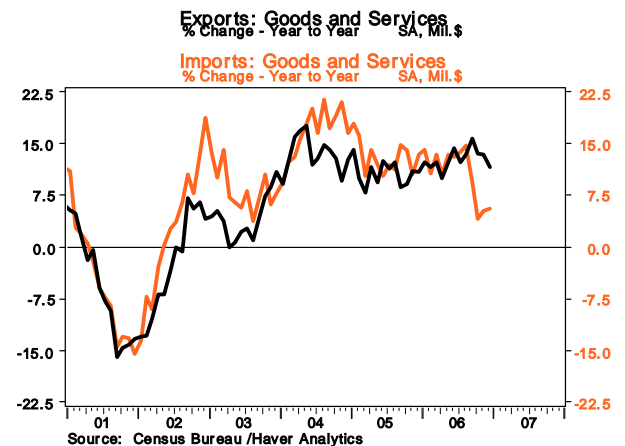
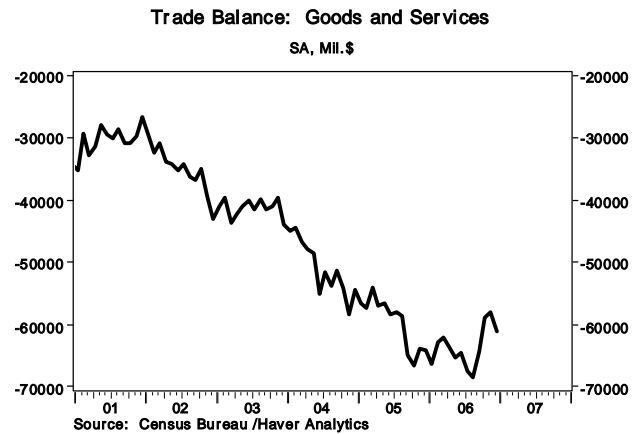


DEC INTERNATIONAL TRADE

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- The trade deficit in goods and services expanded to \$61.2 billion in December from \$58.1 billion in November. The consensus had expected a smaller increase to \$59.7 billion.
- Exports increased \$0.7 billion in December and are up 11.5% versus a year-ago. Automotive exports were up \$0.5 billion and service exports were up \$0.3 billion.
- Imports increased \$3.8 billion in December but are up only 5.6% versus a year-ago. Automotive imports were up \$1.5 billion in December. Petroleum imports increased \$1.7 billion – all due to prices, not volume. Adjusted for inflation, total imports of goods were up \$2.4 billion. Excluding petroleum, inflation adjusted goods imports increased \$1.7 billion.

Implications: Although the trade deficit increased in December, after falling in October and November, it was still the third smallest monthly deficit since August 2005. Note that the increase in the trade deficit was not due to China. The deficit with China fell by \$3.9 billion (the second straight decline) while deficits with Africa and South/Central America increased by \$1.3 billion and \$0.6 billion, respectively. Today's trade report suggests real GDP growth in the fourth quarter of 2006 will be revised lower than the 3.5% originally reported and closer to the 3.1% we had forecast.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Dec-06	Nov-06	Oct-06	3-Mo	6-Mo	Year-Ago
	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-61.2	-58.1	-58.9	-59.4	-63.1	-64.2
Exports	125.5	124.8	123.4	124.6	123.2	112.6
Imports	186.7	182.9	182.3	184.0	186.3	176.7
Petroleum Imports	23.2	21.5	21.6	22.1	25.1	23.7

Source: Bureau of the Census

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