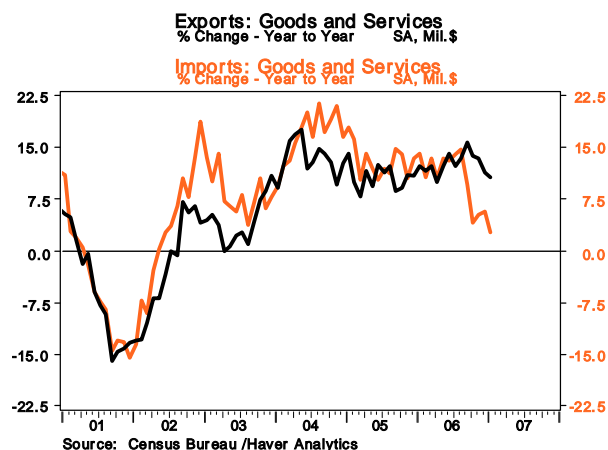
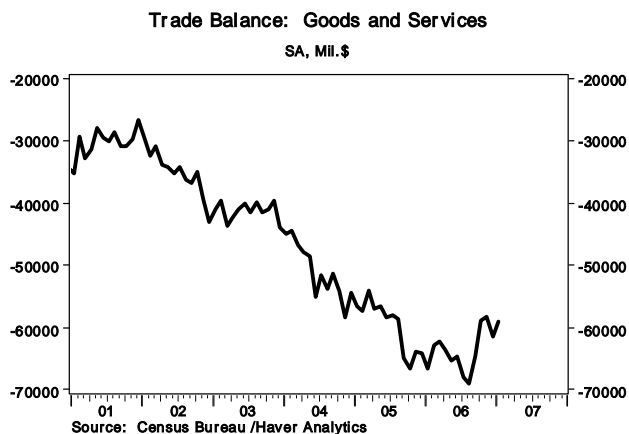


JAN INTERNATIONAL TRADE

Chief Economist - Brian S. Wesbury
Senior Economist - Robert Stein, CFA
Economic Research Analyst - Trevor Scott

- The trade deficit in goods and services contracted to \$59.1 billion in January from an upwardly revised \$61.5 billion in December. The consensus had expected a smaller decline to \$59.8 billion.
- Exports increased \$1.4 billion in January and are up 10.7% versus a year-ago. Capital goods exports were up \$1.0 billion, half of which was attributable to civilian aircraft.
- Imports declined \$1.0 billion in January and are up only 2.7% versus a year-ago. Combined, imports of consumer goods and automotive vehicles and parts fell \$2.8 billion. Petroleum imports increased \$1.2 billion on higher volume.
- The trade gap with China expanded to \$21.3 billion from \$19.0 billion last month. By country, the drop in the overall trade deficit was the result of smaller deficits with advanced Europe, including Germany, Austria, France, the Netherlands, and the UK.

Implications: It appears the trade deficit peaked last summer and has since turned a corner. From 1997 through 2005 the trade deficit, on average, accounted for a -0.6 percentage point drag on real GDP growth. The removal of this drag, mostly through strong export growth, should help offset some of the negative impact of housing on real GDP growth.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Jan-07 Bil \$	Dec-06 Bil \$	Nov-06 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-59.1	-61.5	-58.2	-59.6	-61.9	-66.5
Exports	126.7	125.3	124.7	125.6	124.3	114.4
Imports	185.8	186.7	182.9	185.2	186.1	180.9
Petroleum Imports	24.5	23.2	21.5	23.1	24.4	24.9

Source: Bureau of the Census