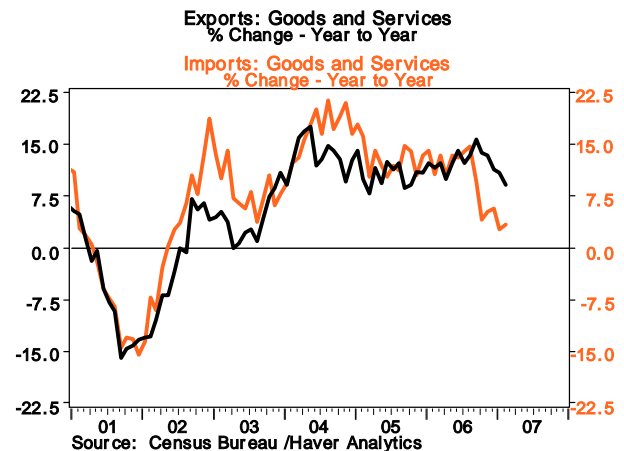


FEB INTERNATIONAL TRADE

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- The trade deficit in goods and services contracted to \$58.4 billion in February from a downwardly revised \$58.9 billion in January. The consensus had expected an increase to \$60.0 billion.
- Exports declined \$2.8 billion in February but are up 9.3% versus a year ago. The drop in exports was attributable to widespread weakness in capital goods, including computer accessories, drilling and oilfield equipment, and civilian aircraft.
- Imports declined \$3.3 billion in February, have fallen in four of the past six months, and are up only 3.4% versus a year ago. Petroleum accounted for all the drop in imports, mostly due to lower volume rather than lower oil prices.
- The trade gap with China shrunk to \$18.4 billion from \$21.3 billion last month. Besides China, the drop in the overall trade deficit was the result of smaller deficits with Canada and OPEC countries.

Implications: The trade deficit turned a corner last summer. The 12-month moving average of the trade deficit expanded every month from early 2002 through August 2006. Since then, the twelve month moving average of the US trade deficit has declined for six consecutive months. The shrinking trade deficit will help support GDP growth in the quarters ahead, offsetting some of the negative impact of housing on real GDP growth.



International Trade	Feb-07	Jan-07	Dec-06	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-58.4	-58.9	-61.5	-59.6	-60.1	-62.9
Exports	124.0	126.8	125.3	125.4	124.5	113.5
Imports	182.4	185.7	186.7	184.9	184.6	176.4
Petroleum Imports	20.7	24.5	23.2	22.8	23.0	24.9

Source: Bureau of the Census