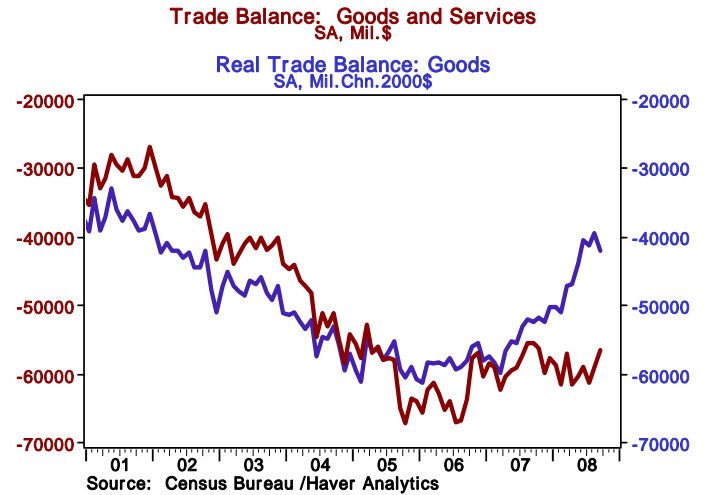


SEPTEMBER INTERNATIONAL TRADE

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- The trade deficit in goods and services declined to \$56.5 billion in September versus a consensus expected \$57.0 billion.
- Exports declined \$9.9 billion in September but are still up 8.8% versus last year. The drop in exports in September was led by petroleum and civilian aircraft.
- Imports declined \$12.5 billion in September but are still up 6.9% versus a year ago. Oil accounted for most of the drop in imports in September, due to both lower volume and prices.
- Adjusted for inflation, the trade deficit in goods was \$42.1 billion in September, \$10.3 billion smaller than last year. Without adjusting for inflation, the trade deficit for goods and services was \$1.0 billion larger than last year.



Implications: The risk aversion hysteria affecting the US economy and financial system appears to have taken a toll on international trade in September. Exports and imports both declined the most on record. Although oil was a major factor behind the declines, the monthly drops in exports and imports are records (going back at least the last twenty years) even if oil is excluded. Still, the trade sector appears to have added more than a percentage point to the real GDP growth rate in the third quarter and is likely to continue to support real GDP growth in the quarters ahead as the huge decline in the US dollar versus other major currencies in the past several years continues to work its way through the global trading system. In other news this morning, new claims for jobless benefits increased 32,000 last week to 516,000, the highest level since the immediate aftermath of the September 11 terrorist attacks. Continuing claims increased 65,000 to 3.897 million. As a share of the workforce, continuing claims are at the peak hit following the 2001 recession, but below the peak hit during and following the 1990-91 recession.

International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Sep-08 Bil \$	Aug-08 Bil \$	Jul-08 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-56.5	-59.1	-61.3	-59.0	-59.6	-55.5
Exports	155.4	165.3	168.1	162.9	160.6	142.8
Imports	211.9	224.4	229.4	221.9	220.2	198.2
Petroleum Imports	37.0	43.9	51.0	44.0	42.6	28.1
Real Goods Trade Balance	-42.1	-39.4	-41.2	-40.9	-42.4	-52.4

Source: Bureau of the Census