

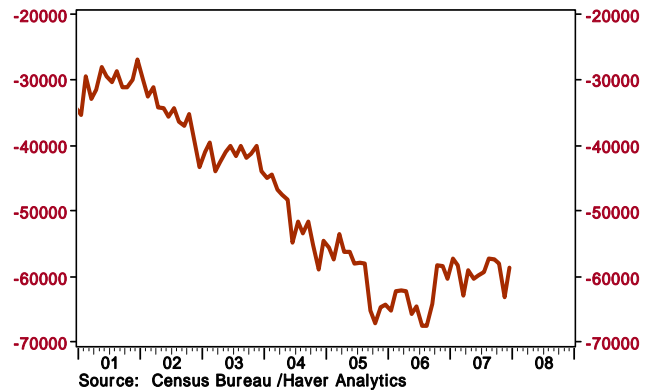
DEC INTERNATIONAL TRADE

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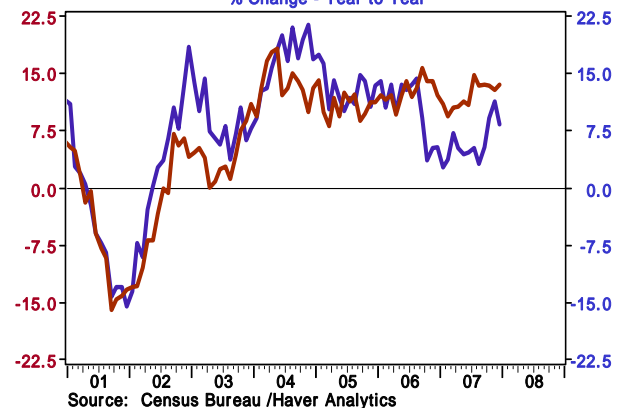
- The trade deficit in goods and services declined to \$58.8 billion in December from \$63.1 billion in November. The consensus expected a trade gap of \$61.5 billion.
- Exports increased \$2.2 billion in December and are up 13.6% versus last year. The increase in exports in December was led by civilian aircraft and industrial supplies (such as chemicals). Imports declined \$2.2 billion in December but are up 8.4% versus a year ago. The drop in imports in December was almost all due to autos.
- The trade deficit is \$1.5 billion smaller than last December. By region, the largest declines in the trade deficit have been with the Pacific Rim, Europe, and Canada. Meanwhile, the trade deficit has expanded with OPEC and Africa.

Implications: Today's trade data are good news for the US economy. Exports continue the boom started five years ago, driving down the real (inflation-adjusted) trade deficit to \$49.3 billion in December, the smallest in more than four years. Two weeks ago the government reported that fourth quarter real GDP growth was +0.6%. Given all the data out since then, this figure is likely to be revised up to about +0.8%. In addition, the strength of exports in December suggests trade will make a robust contribution to real GDP growth in the first quarter. In other words, the odds of getting two consecutive quarters of negative growth – a rule of thumb for recessions – just got much lower, and we thought they were very low to begin with. It is important to note that this is *before* any impact from the federal tax rebate checks that will be distributed starting in May. In other news this morning, initial claims for unemployment insurance fell 9,000 to 348,000 last week. Continuing claims for unemployment insurance also fell 9,000 to 2.761 million. These figures are far below recessionary levels.

Trade Balance: Goods and Services
SA, Mil.\$



Exports: Goods and Services
% Change - Year to Year
Imports: Goods and Services
% Change - Year to Year



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Dec-07 Bil \$	Nov-07 Bil \$	Oct-07 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-58.8	-63.1	-58.0	-60.0	-59.0	-60.3
Exports	144.3	142.2	141.4	142.6	140.8	127.1
Imports	203.1	205.3	199.4	202.6	199.8	187.4
Petroleum Imports	36.0	34.5	29.7	33.4	30.3	23.6
Real Goods Trade Balance	-49.3	-53.6	-51.5	-51.5	-51.9	-57.9

Source: Bureau of the Census