

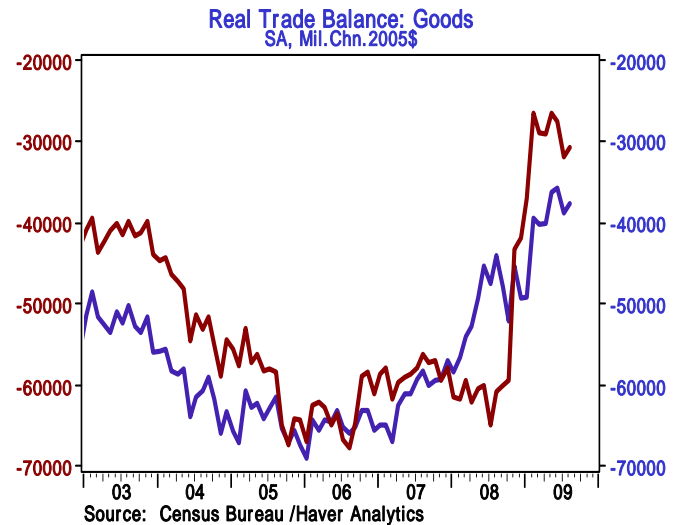
# AUGUST INTERNATIONAL TRADE

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- The trade deficit in goods and services declined by \$1.1 billion to \$30.7 billion in August. The consensus had expected the trade deficit to grow to \$33.0 billion.
- Exports increased \$0.2 billion in August while imports declined \$0.9 billion. The increase in exports was led by steelmaking materials and autos/parts. The decline in imports was led by crude oil.
- Although exports are down 20.7% versus last year, imports are down 28.6%. As a result, the monthly trade deficit is \$30.2 billion smaller than last year.
- Adjusted for inflation, the trade deficit in goods was \$37.7 billion in August, \$6.5 billion smaller than last year. This is the trade indicator that is most important for calculating real GDP.

**Implications:** The trade deficit declined in August, primarily due to a decline in the volume of oil imports. One detail from the report stood out, which is a large increase in steelmaking exports. This gain supports the case for a robust global economic recovery in which the US helps supply capital goods to the rest of the world. We expect the trade deficit to continue to decline in the year ahead, in large part due to the decline in the value of the dollar over the past several years. This will help boost real GDP growth at least through the end of 2010. However, it is important to realize that even if the lower dollar (temporarily) leads to faster real GDP growth, this does not necessarily mean it raises our standard of living. The lower dollar makes us busier producing goods, but it also reduces the purchasing power of the money we earn. Let's say we make bikes and another country makes cars. Normally, 30 bikes are worth one foreign car. If the dollar depreciates 10%, foreigners find they can now buy 33 bikes with the same car. We may be busier making 33 bikes than when we only made 30, but, in the end, our production only generates enough dollars to buy one foreign car. In other news from yesterday, initial claims for unemployment insurance fell 33,000 last week to 521,000, the lowest level since the very beginning of 2009. Continuing claims for regular state benefits fell 72,000 to 6.04 million. We expect at least one month with net payroll gains by year end.

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



Exports: Goods and Services  
% Change - Year to Year



International Trade	Aug-09	Jul-09	Jun-09	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-30.7</b>	-31.9	-27.5	-30.0	-29.1	-60.9
<b>Exports</b>	<b>128.2</b>	128.0	124.9	127.0	124.5	161.7
<b>Imports</b>	<b>158.9</b>	159.8	152.4	157.1	153.6	222.6
<b>Petroleum Imports</b>	<b>21.0</b>	22.3	21.6	21.6	19.7	43.7
<b>Real Goods Trade Balance</b>	<b>-37.7</b>	-38.8	-35.8	-37.4	-38.1	-44.2

Source: Bureau of the Census