

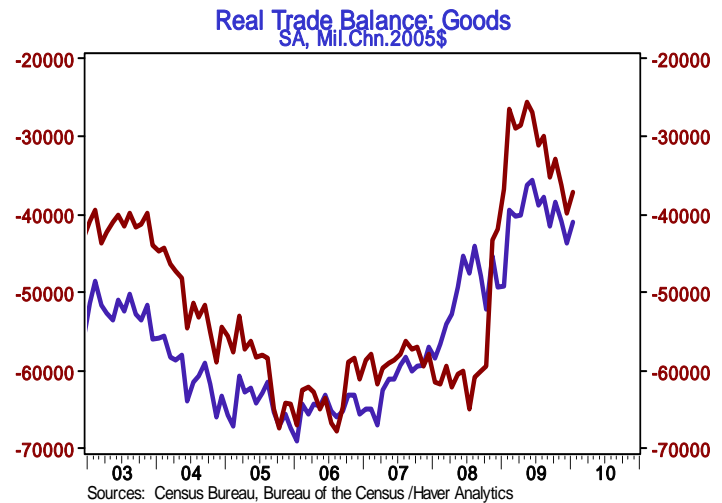
JANUARY INTERNATIONAL TRADE

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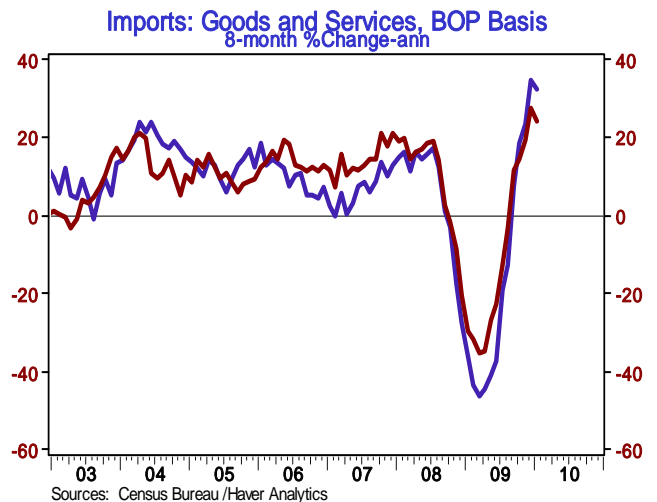
- The trade deficit in goods and services shrank by \$2.6 billion to \$37.3 billion in January. The consensus had expected a larger trade deficit of \$41.0 billion.
- Exports declined \$0.5 billion in January, led by autos/parts and civilian aircraft. Imports declined by \$3.1 billion, led by crude oil and autos/parts. The decline in oil imports was all due to lower volume; the price per barrel was up slightly.
- Despite the decline in January, exports are still up at a 23.7% annual rate since the recession-related bottom in April. During the same time, imports are up at a 27.4% rate.
- The monthly trade deficit is \$0.4 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$8.0 billion *smaller* than last year. This is the trade measure that is most important for calculating real GDP.

Implications: After several months of rebounding sharply from the panic-induced decline of late 2008 and early 2009, the total volume of international trade – imports plus exports – finally fell in January. This is not a part of a new and worrisome downward trend. Instead, it's part of the return to normalcy. Even when the economy is expanding, it is not unusual for trade volumes to fall in three or four months of any particular year. The total volume of trade is still up at a 26% annual rate since the bottom last April and we expect that upward trend to re-start by the Spring. In addition, given the depreciation of the US dollar during the past several years (although not in recent months) as well as the typical multi-year time lag between shifts in the value of the dollar and the impact on the trade balance, the (inflation-adjusted) trade deficit should continue to shrink in the year ahead, adding directly to GDP. In other news this morning, new claims for unemployment insurance fell 6,000 last week to 462,000. The four-week moving average increased to 476,000. We expect the moving average to start declining again next week as we leave behind the surge in claims related to unusually harsh February weather. Continuing claims increased 37,000 but the four-week average remained the lowest in about fourteen months. We expect a large gain in payrolls in March, a combination of underlying economic improvement, census hiring, and a rebound from bad weather.

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



Exports: Goods and Services, BOP Basis
8-month %Change-ann



International Trade	Jan-10	Dec-09	Nov-09	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-37.3	-39.9	-36.1	-37.8	-35.2	-36.9
Exports	142.7	143.2	138.4	141.4	137.4	123.9
Imports	180.0	183.1	174.5	179.2	172.7	160.8
Petroleum Imports	27.3	28.2	24.5	26.7	24.9	18.3
Real Goods Trade Balance	-41.0	-43.8	-40.9	-41.9	-40.6	-49.1

Source: Bureau of the Census