

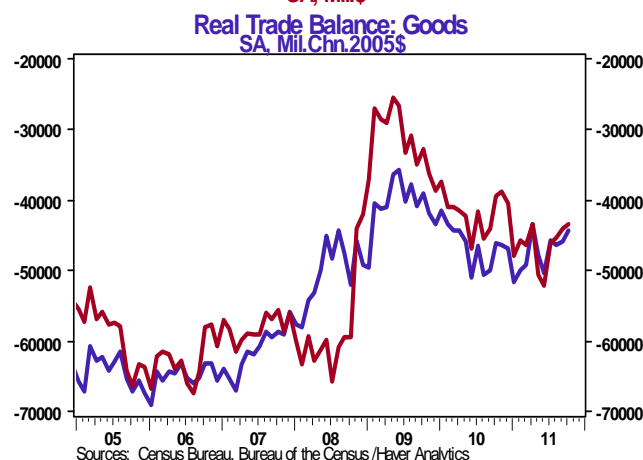
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October International Trade

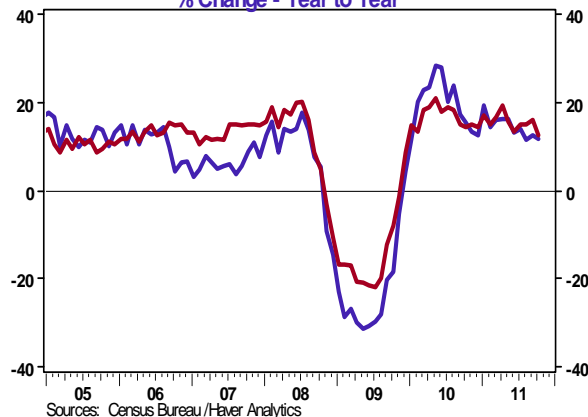
- The trade deficit in goods and services shrank to \$43.5 billion in October, close to the consensus expected deficit of \$43.9 billion.
- Exports declined \$1.5 billion in October, led by gold. Imports dropped \$2.2 billion, led by petroleum and autos/parts. The decline in petroleum imports was mostly due to volume, but also due to a slight decline in price.
- In the last year, exports are up 12.3% while imports are up 11.9%.
- The monthly trade deficit is \$4.0 billion larger than a year ago. However, adjusted for inflation, the trade deficit in goods is \$1.8 billion *smaller* than last year. This is the trade measure that is most important for measuring real GDP.

Implications: We have known for some time that consumer spending and business investment have been growing. But it's always an open question whether the production related to that spending is coming from the US or abroad. Today's trade data for October show that an increasing share of what consumers and businesses are buying is being made here. Unless these figures are reversed sharply for November or December, net exports will add significantly to real GDP growth in the fourth quarter. Both exports and imports slipped in October, but imports slipped more, largely due to lower oil volume. The "real" (inflation-adjusted) trade deficit in goods has been shrinking in the past year. That shows greater US competitiveness. Usually, this measure of the trade deficit *expands* when our economy is growing. The improvement may reflect the large depreciation in the US dollar versus a decade ago. The problem is that this large dollar depreciation is also consistent with higher inflation, for which we will ultimately pay a price. Although the total volume of exports and imports declined slightly in October, the decline was from a record high set in September and was not a large change given normal month-to-month fluctuations. In other words, there is no sign that financial problems in Europe are hurting the ability of companies to do cross-border trade. In other recent news, new claims for jobless benefits declined 23,000 last week to 381,000. With the exception of one week back in February, it's the lowest since July 2008, even before Lehman Brothers collapsed. Continuing claims for regular state benefits dropped 174,000 to 3.58 million. Meanwhile, same-store chain store sales keep rising: up 3.8% versus a year ago according to the International Council of Shopping Centers and up 3.2% according to Redbook Research.

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



Exports: Goods and Services, BOP Basis
 % Change - Year to Year
 Imports: Goods and Services, BOP Basis
 % Change - Year to Year



International Trade	Oct-11	Sep-11	Aug-11	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-43.5	-44.2	-45.3	-44.3	-46.9	-39.5
Exports	179.2	180.6	178.0	179.3	177.2	159.5
Imports	222.6	224.8	223.4	223.6	224.1	199.0
Petroleum Imports	34.8	36.7	36.3	35.9	36.9	26.4
Real Goods Trade Balance	-44.2	-45.9	-46.3	-45.5	-46.7	-46.0

Source: Bureau of the Census