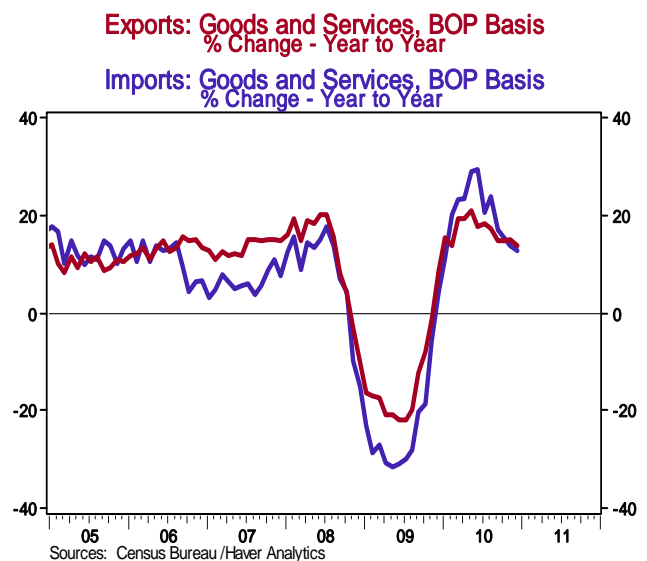
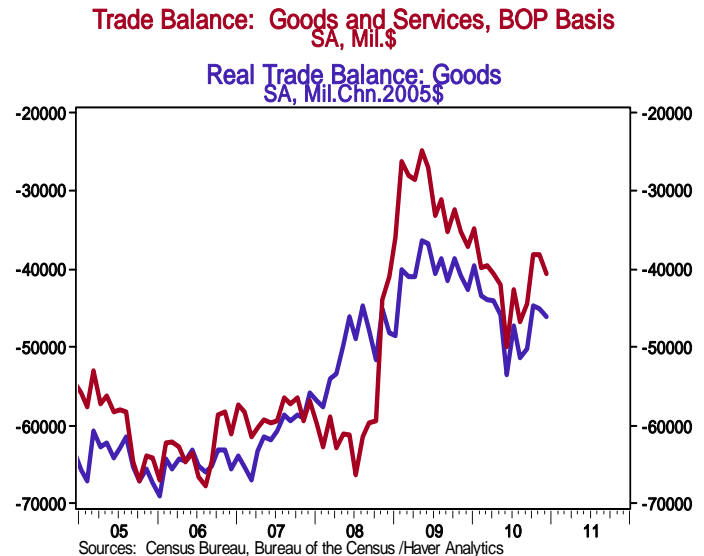


DECEMBER INTERNATIONAL TRADE

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- The trade deficit in goods and services expanded by \$2.3 billion to \$40.6 billion in December, almost exactly as the consensus expected.
- Exports increased \$2.8 billion in December, led by autos, organic chemicals, and widespread gains in capital goods. Imports rose \$5.1 billion, primarily due to oil. Oil imports increased due to both higher volume and higher prices.
- In the last year, exports are up 13.7% while imports are up 12.8%.
- The monthly trade deficit is \$3.5 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$3.4 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

Implications: The trade deficit expanded in December, almost exactly as the consensus expected. Beneath the headlines, both exports and imports continue to recover from the financial panic that reduced cross-border trade flows even more than purely domestic activity. Exports, which have been expanding rapidly since mid-2009, are now only 1.6% below the prior peak in mid-2008. Imports are 7.9% below their pre-recession peak. In other recent news, new claims for unemployment insurance plummeted 36,000 last week to 383,000, the lowest level since July 2008. Claims have been volatile lately, a combination of holidays and unusually severe winter weather. The four-week moving average of claims is 416,000, well below the 475,000 level of six months ago. Continuing claims for regular state benefits declined 47,000 in the prior week to 3.89 million. Meanwhile, the level of claims may be exaggerating job losses. Workers have been applying for benefits more aggressively than in the past, a result of long durations of unemployment and unusually generous benefits ([see blog post](#)). Correcting for the higher willingness to apply for benefits, payrolls will soon start expanding as if initial jobless claims were below 350,000.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Dec-10 Bil \$	Nov-10 Bil \$	Oct-10 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-40.6	-38.3	-38.3	-39.1	-41.9	-37.1
Exports	163.0	160.1	158.6	160.6	157.0	143.4
Imports	203.5	198.5	196.9	199.6	198.9	180.5
Petroleum Imports	31.7	27.2	25.4	28.1	27.7	28.1
Real Goods Trade Balance	-46.0	-45.2	-44.6	-45.3	-47.5	-42.6

Source: Bureau of the Census