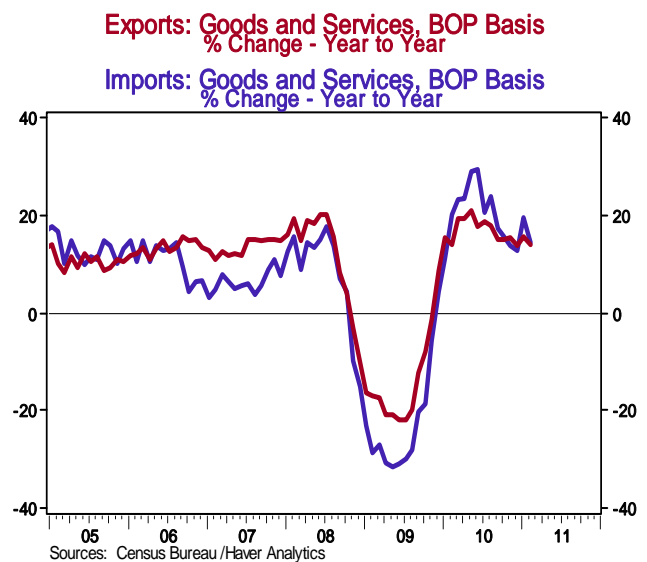
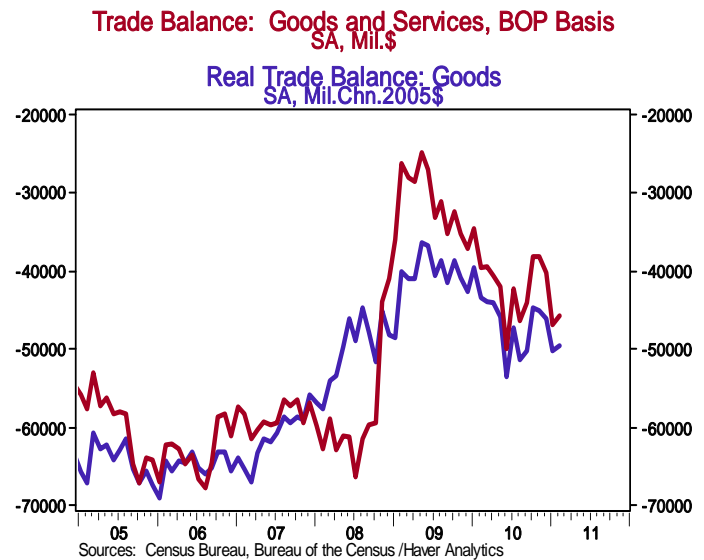


## FEBRUARY INTERNATIONAL TRADE

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- The trade deficit in goods and services shrank by \$1.2 billion to \$45.8 billion in February. The consensus expected a trade deficit of \$44.0 billion.
- Exports declined \$2.4 billion in February, led by autos. Imports declined \$3.6 billion, led by autos, capital equipment, and energy products (such as oil). The drop in oil imports was all due to lower volume; prices rose in February.
- In the last year, exports are up 14.2% while imports are up 14.4%.
- The monthly trade deficit is \$6.0 billion larger than last year. Adjusted for inflation, the trade deficit in goods is also \$6.0 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

**Implications:** After expanding sharply last month, the trade deficit shrank in February, although not as much as the consensus expected. As a result, trade is likely to be a drag of about one percentage point on the growth rate of real GDP growth in Q1, even as purchases by US consumers and investment by US businesses continue to expand. Both imports and exports declined in February, but these moves come after large gains in January. In general, but not every month, we expect imports and exports to continue to recover from the financial panic that reduced cross-border trade flows even more than purely domestic activity. In other news this morning, trade prices continued to soar in March. Import prices increased 2.7% and are up 9.7% in the past year. Even excluding petroleum, import prices are up 4.1% in the past year. Export prices increased 1.5% in March and are up 9.5% versus a year ago. Farm export prices are up 34% versus a year ago, but even excluding agricultural products export prices are up 7% in the past year. Anyone who tells you there's no inflation is watching the world with rose-colored glasses.



International Trade	Feb-11	Jan-11	Dec-10	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
<b>Trade Balance</b>	<b>-45.8</b>	-47.0	-40.3	-44.3	-42.3	-39.7
<b>Exports</b>	<b>165.1</b>	167.5	163.3	165.3	161.5	144.6
<b>Imports</b>	<b>210.9</b>	214.5	203.6	209.7	203.8	184.3
<b>Petroleum Imports</b>	<b>33.7</b>	35.2	31.9	33.6	30.1	28.5
<b>Real Goods Trade Balance</b>	<b>-49.5</b>	-50.3	-46.0	-48.6	-47.6	-43.4

Source: Bureau of the Census