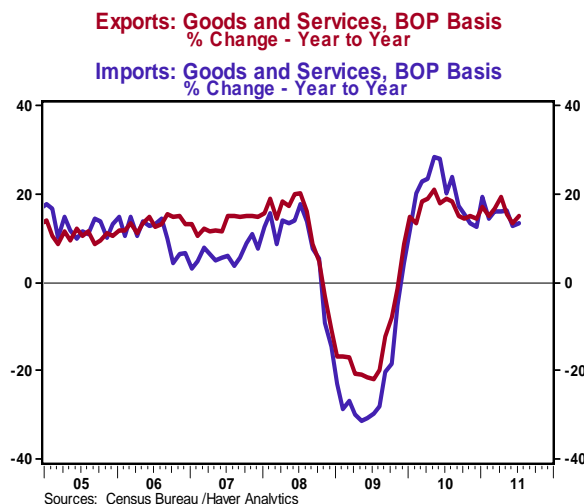
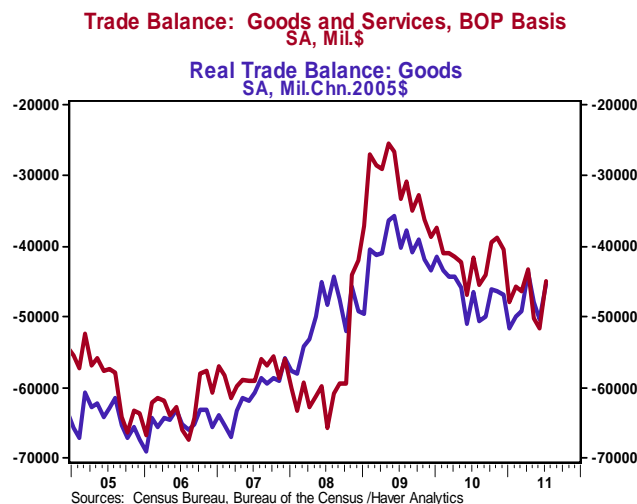


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July International Trade

- The trade deficit in goods and services shrank \$6.8 billion to \$44.8 billion in July. The consensus expected a much larger trade deficit of \$51.0 billion.
- Exports increased \$6.2 billion in July, led by autos/parts, oil, and widespread gains in capital goods. Imports declined \$0.5 billion, with a drop in oil imports roughly offsetting a gain in autos/parts. The decline in oil imports was mostly due to lower volume, although prices fell as well.
- In the last year, exports are up 15.1% while imports are up 13.6%.
- The monthly trade deficit is \$3.2 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$1.3 billion smaller than last year. This is the trade measure that is most important for calculating real GDP.

Implications: Exports boomed in July, helping push down the trade deficit far more than the consensus expected. In fact, of the 74 economic groups that forecast the trade deficit, none thought it would be this low. Exports of autos and related parts led the way but exports also increased substantially for oil and capital goods outside the auto sector, such as telecomm equipment. We still have two months to go, but it looks like trade will make a positive contribution to real GDP growth in the third quarter, which is so far shaping up much better than the first half of the year. Meanwhile, revisions to prior months – for both trade and construction – suggest real GDP growth will be revised up slightly for Q2. Beneath the headlines, the total volume of international trade in and out of the US – imports plus exports – rebounded in July after a temporary setback in June. We expect the total volume of trade to continue on an upward trend in the second half of the year. In other news this morning, new claims for unemployment insurance increased 2,000 last week to 414,000. Continuing claims for regular state benefits dropped 30,000 to 3.72 million. These numbers are not at all consistent with a recession.



International Trade	Jul-11	Jun-11	May-11	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-44.8	-51.6	-50.2	-48.9	-47.0	-41.6
Exports	178.0	171.8	175.7	175.2	173.6	154.7
Imports	222.8	223.4	225.9	224.0	220.6	196.2
Petroleum Imports	35.5	38.0	39.9	37.8	36.7	26.9
Real Goods Trade Balance	-45.3	-50.3	-47.9	-47.8	-47.7	-46.5

Source: Bureau of the Census