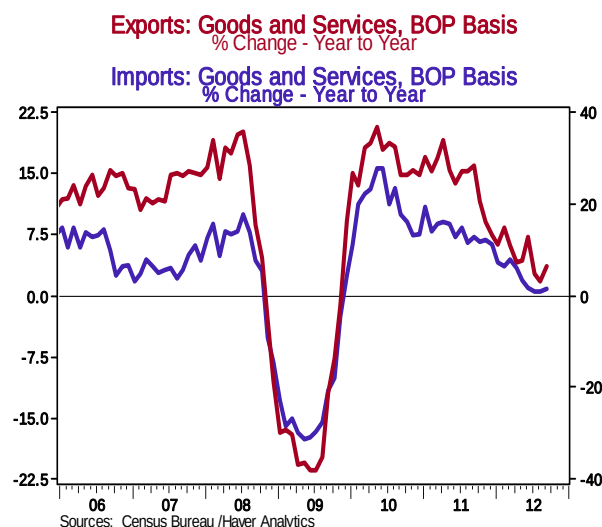
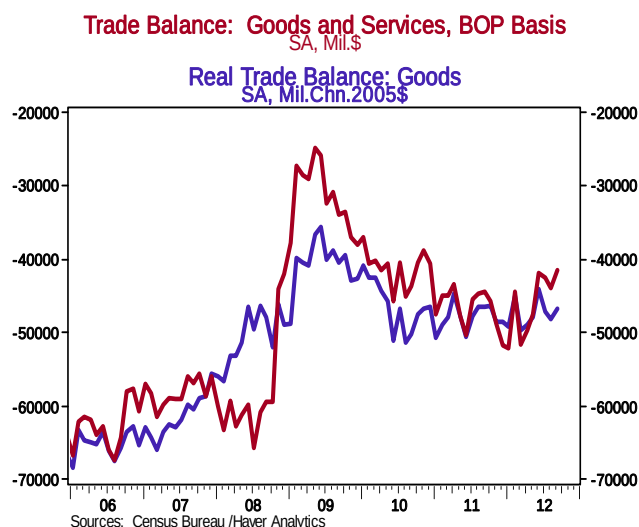


September International Trade

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

- The trade deficit in goods and services came in at \$41.5 billion in September, much smaller than the consensus expected \$45.0 billion.
- Exports rose \$5.6 billion in September, while imports rose \$3.3 billion. The increase in exports was led by petroleum products and soybeans. The rise in imports was led by cell phones and other household goods, fuel oil, and civilian aircraft.
- In the last year, exports are up 3.5% while imports are up 1.5%.
- The monthly trade deficit is \$3.0 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$0.2 billion larger than last year. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit came in much smaller than the consensus expected in September and was revised smaller for August. As a result, and in combination with other recent revisions to data on inventories and construction, real GDP growth for the third quarter, originally estimated at 2%, is now tracking 2.9%. We'll see if that holds next week with more reports on inventories, consumer spending, and business investment in high-tech. The brightest spot in today's trade report was that exports hit a new record high. However, after climbing 15.9% in the year ending in September 2011, exports are only up 3.5% in the past 12 months. Financial and economic problems in Europe are playing a role in the slowdown in export growth. Exports to the Euro-area are down 6.7% in the past year. However, we also see a similar pattern of slower export growth with Canada, Mexico, and the Pacific Rim (including China). Two notable exceptions, where our export growth has improved or remains strong in the past year, are to the OPEC countries and India. Long-term, beneath the headlines, higher energy production in the US is having large effects on trade with other countries. Real (inflation-adjusted) oil exports have tripled since 2005, while real oil imports are down substantially. In other news this morning, new claims for jobless benefits declined 8,000 last week to 355,000. The four-week moving average is 372,000. Continuing claims fell 135,000 to 3.13 million, the lowest since July 2008. However, the Labor Department says the loss of electricity due to Hurricane Sandy may have temporarily suppressed filings. Expect a temporary spike upward in claims over the next few weeks due to hurricane-related disruptions.



International Trade	Sep-12	Aug-12	Jul-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-41.5	-43.8	-42.5	-42.6	-44.5	-44.5
Exports	187.0	181.4	183.2	183.9	183.8	180.6
Imports	228.5	225.2	225.7	226.5	228.3	225.1
Petroleum Imports	32.8	32.5	30.9	32.1	33.8	36.2
Real Goods Trade Balance	-46.8	-48.2	-47.1	-47.4	-47.2	-46.6

Source: Bureau of the Census