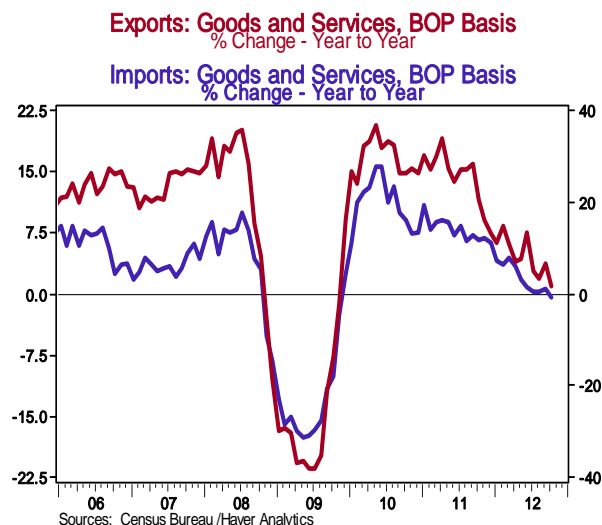
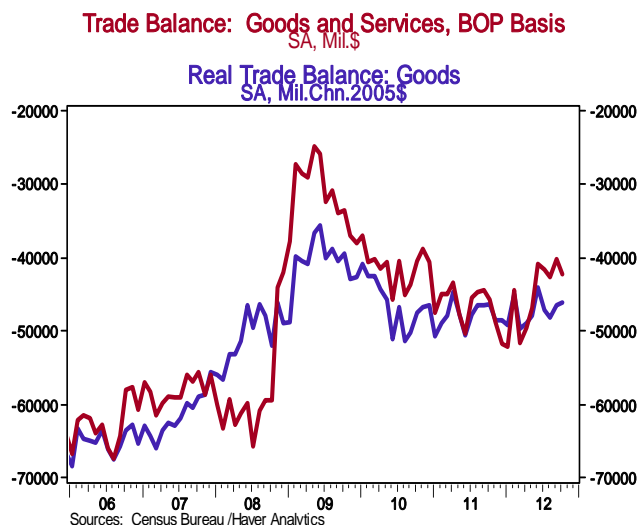


October International Trade

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- The trade deficit in goods and services came in at \$42.2 billion in October, smaller than the consensus expected \$42.7 billion.
- Exports fell \$6.8 billion in October, while imports declined \$4.8 billion. The decline in exports was led by soybeans, civilian aircraft and petroleum products. The fall in imports was led by cell phones and other household goods, pharmaceutical preparations and computer accessories.
- In the last year, exports are up 1.0% while imports are down 0.8%.
- The monthly trade deficit is \$3.5 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is unchanged from a year ago. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit came in smaller than the consensus expected in October and was revised smaller for September. However, the reason for the decline is not such great news as both exports and imports contracted. The total volume of US international trade appears to have leveled off over the past several months. A year ago, exports were up 11.5% from the prior year (October 2010 to October 2011). But in the past 12 months, exports are up only 1.0%. Financial and economic problems in Europe may be playing a role. Exports to the Euro-area were up 7.5% in the year ending in October 2011, but in the past year they are down 8.7%. However, we also see a similar pattern of slower export growth with Canada, Central/South America, and the Pacific Rim. Two notable exceptions, where our export growth has improved in the past year, are to Africa 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. We expect the trade sector will be a small negative for real GDP growth in 2013. This is a normal pattern when the US economy is expanding.



International Trade	Oct-12	Sep-12	Aug-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-42.2	-40.3	-42.6	-41.7	-42.4	-45.7
Exports	180.5	187.3	181.7	183.2	183.7	178.7
Imports	222.8	227.6	224.3	224.9	226.1	224.4
Petroleum Imports	35.1	32.7	32.5	33.4	33.2	35.7
Real Goods Trade Balance	-46.2	-46.6	-48.2	-47.0	-46.7	-46.2

Source: Bureau of the Census