

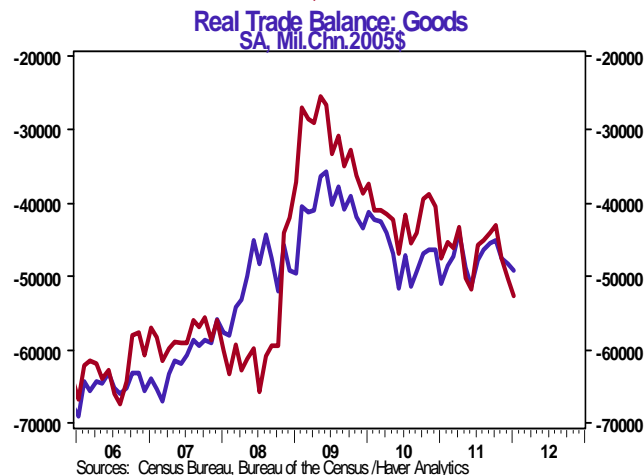
# January International Trade

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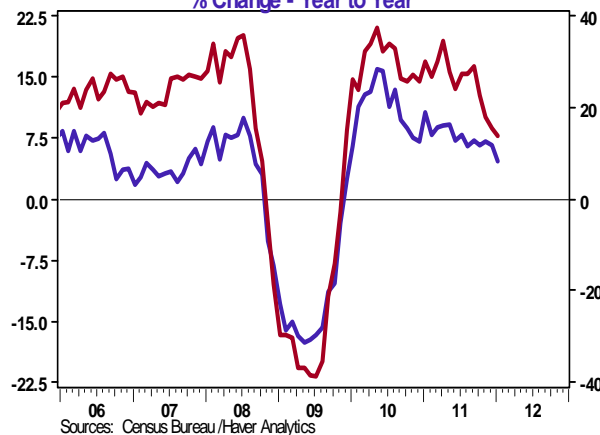
- The trade deficit in goods and services increased to \$52.6 billion in January, much higher than the consensus expected deficit of \$49.0 billion.
- Exports rose \$2.6 billion in January, led by autos/parts and a widespread gain in other capital goods. Imports increased \$4.7 billion, led by autos/parts, toys/games, fuel oil, and petroleum.
- In the last year, exports are up 7.7% while imports are up 8.4%.
- The monthly trade deficit is \$5.1 billion larger than a year ago. However, adjusted for inflation, the trade deficit in goods is \$1.8 billion smaller than last year. This is the trade measure that is most important for measuring real GDP.

**Implications:** The trade deficit was larger than the consensus expected in January and the widest since October 2008. The reason was a surge in imports, which hit a new record high. Some of the increase in imports was due to the timing of holidays in China, and so may reverse next month. Exports also rose in January, to nearly a record high. Some analysts are worried about problems in Europe affecting our trade with that region, and both exports and imports fell with the euro area in January. However, the total volume of international trade (exports plus imports) hit a new all-time record high, showing the US economy can overcome problems with Europe, as it did in the early 1990s. This year, the trade deficit is likely to be caught between two powerful opposing forces. First, accelerating economic growth, which puts upward pressure on the trade gap. Second, the large depreciation of the US dollar over the past decade, which should continue to make the US an attractive place from which to export. That’s why Japanese automakers are increasingly using the US as an export hub. Meanwhile, companies like Caterpillar, Siemens, and Electrolux are noticing that unit labor costs are very low in the US, resulting in their bringing activity here that was previously done abroad. Our best guess is that the trade deficit expands modestly in 2012.

Trade Balance: Goods and Services, BOP Basis  
 SA, Mil.\$



Exports: Goods and Services, BOP Basis  
 % Change - Year to Year  
 Imports: Goods and Services, BOP Basis  
 % Change - Year to Year



International Trade	Jan-12	Dec-11	Nov-11	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	<b>-52.6</b>	-50.4	-47.5	-50.2	-47.1	-47.5
<b>Exports</b>	<b>180.8</b>	178.2	177.6	178.9	179.3	167.9
<b>Imports</b>	<b>233.4</b>	228.7	225.1	229.0	226.5	215.4
<b>Petroleum Imports</b>	<b>39.1</b>	37.8	37.8	38.2	37.1	35.1
<b>Real Goods Trade Balance</b>	<b>-49.1</b>	-48.3	-47.6	-48.3	-47.0	-50.9

Source: Bureau of the Census