

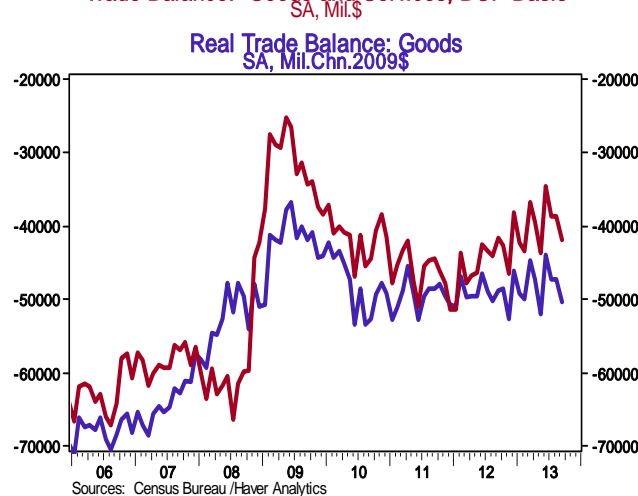
# September International Trade

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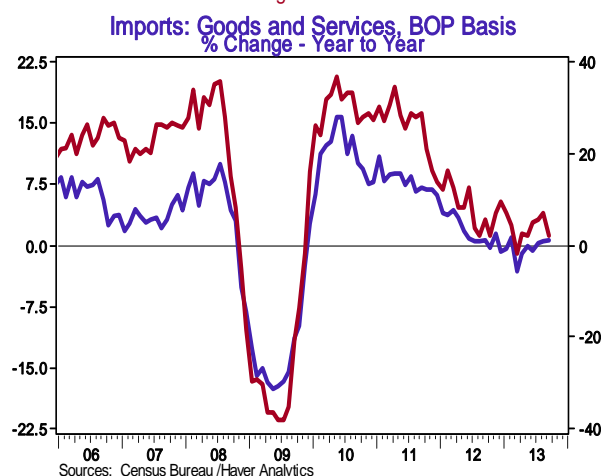
- The trade deficit in goods and services came in at \$41.8 billion in September, larger than the consensus expected \$39.0 billion.
- Exports declined \$0.4 billion in September, with declines in gold, gems, and fuel, offsetting a large gain in soybeans. Imports increased \$2.7 billion, largely due to crude oil, cell phones & other household goods, and autos.
- In the last year, exports are up 1.1%, led by a 6.8% gain in petroleum exports. Imports are up 1% in the past year, held down by a 4% decline in petroleum imports.
- The monthly trade deficit is \$0.2 billion larger than a year ago. Adjusted for inflation, the trade deficit in goods is \$1.7 billion larger than a year ago. This is the trade indicator most important for measuring real GDP.

**Implications:** The trade deficit expanded in September, coming in larger than consensus expectations and larger than the government assumed when it calculated its first report on Q3 real GDP growth. As a result, it now looks like real GDP grew at a 2.6% annual rate in Q3 versus the 2.8% reported a week ago. Putting aside these short-term gyrations, the big trade story remains energy, driven by horizontal drilling and fracking. Petroleum product exports are more than seven times higher than they were in September 2007. During these same six years, petroleum product imports are only up 32%. If these trends continue and the US fixes its pipeline and refinery issues, the US will be a net petroleum product exporter by 2018. Usually, when the US economy is growing, the trade deficit tends to expand relative to the size of our economy. However, given recent energy trends, the trade deficit is much less likely to expand like that anytime soon. Along with plow horse economic growth, the trade deficit has been in a gradual shrinking trend for the past two years. In broader economic news, initial claims for unemployment insurance slipped 2,000 last week to 339,000. Continuing claims were unchanged at 2.87 million. It's early, but we're now forecasting November payroll gains of 155,000 for the private sector.

Trade Balance: Goods and Services, BOP Basis



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



International Trade	Sep-13	Aug-13	Jul-13	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>	-41.8	-38.7	-38.6	-39.7	-39.5	-41.6
<b>Exports</b>	188.9	189.3	189.3	189.2	188.6	186.8
<b>Imports</b>	230.7	228.0	228.0	228.9	228.1	228.4
<b>Petroleum Imports</b>	31.7	30.9	31.1	31.2	30.5	33.0
<b>Real Goods Trade Balance</b>	-50.4	-47.4	-47.4	-48.4	-48.1	-48.7

Source: Bureau of the Census