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November International Trade

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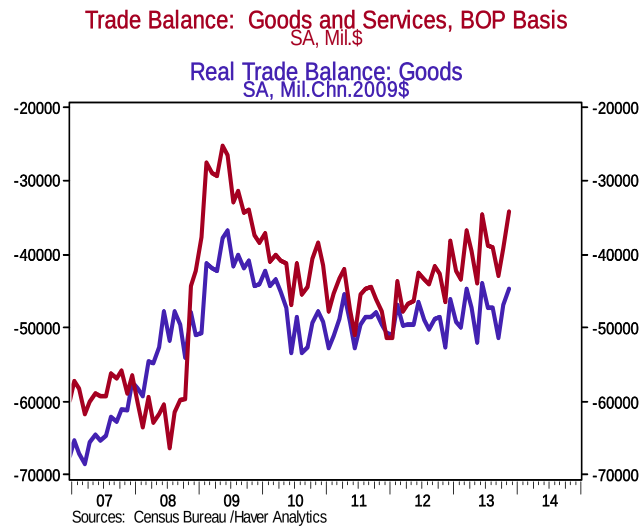
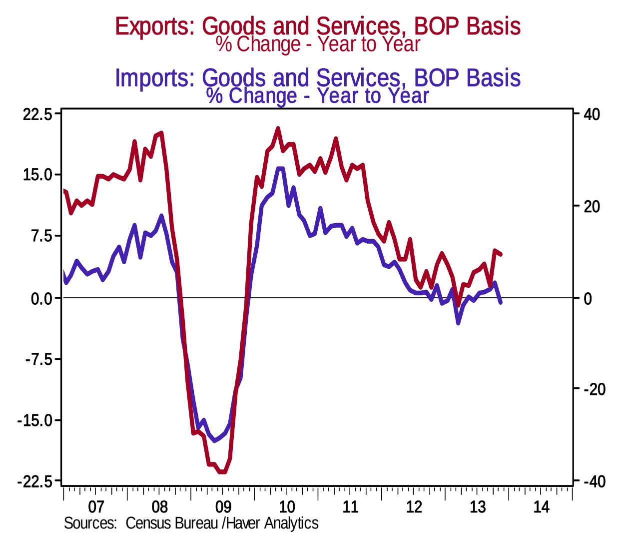
- The trade deficit in goods and services came in at $34.3 billion in November, much smaller than the consensus expected $40.0 billion.
- Exports increased $1.7 billion in November, led by civilian aircraft and a broad gain in industrial supplies, such as chemicals, metals, and oil. Imports declined $3.4 billion, with a large drop in oil offsetting a rebound in autos.
- In the last year, exports are up 5.2%, led by a 23.4% gain in petroleum exports. Imports are down 1.1% in the past year, held down by a 15.1% drop in petroleum imports.
- The monthly trade deficit is $12.2 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is $8.0 billion smaller than a year ago. This is the trade indicator most important for measuring real GDP.





Implications: Fracking and horizontal drilling continue to transform not only the US energy industry but also our trade with the rest of the world. The US trade deficit fell to $34.3 billion in November, coming in much smaller than the consensus expected. With the exception of 2009, when a weak economy temporarily shrank trade around the world, this is the smallest trade deficit since 2002. Plugging these figures into our GDP calculations, it looks like real final sales (real GDP excluding inventories) will be up at a robust 3.9% annual rate in Q4, even if an inventory drag keeps real GDP growth down around 2.5%. Eight years ago, back in November 2005, the US imported 14 times as much petroleum product as it exported. Since then, petroleum product exports are up almost eight times higher while imports are up only 15%. So now, petroleum product imports are only twice exports. If this trend continues, the US will be a net petroleum product exporter by late 2016, sooner if we fix our pipeline and refinery issues. Outside of energy, the trade deficit has generally grown over the past four years of recovery, but has recently leveled off. Non-petroleum exports are at a new record high. Normally, when the US economy grows consistently, our trade deficit tends to expand. However, as a large producer of natural gas, the US has an energy cost advantage versus many of the advanced nations around the world. In the years ahead, this advantage plus the direct effect of more energy exports and fewer imports should help suppress any expansion in the trade deficit relative to the size of the economy.

International Trade *All Data Seasonally Adjusted, $billions*	Nov-13 Bil $	Oct-13 Bil $	Sep-13 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-34.3**	-39.3	-43.0	-38.8	-38.2	-46.4
Exports	**194.9**	193.1	189.3	192.4	191.2	185.2
Imports	**229.1**	232.5	232.3	231.3	229.4	231.6
Petroleum Imports	**28.5**	32.1	31.7	30.8	30.6	33.6
Real Goods Trade Balance	**-44.6**	-47.0	-51.4	-47.7	-47.0	-52.6

Source: Bureau of the Census