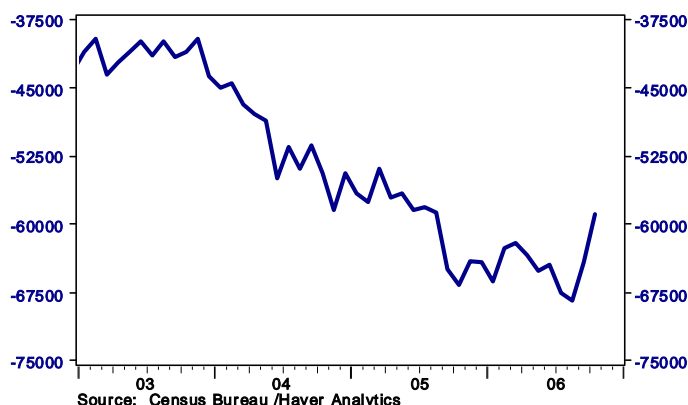


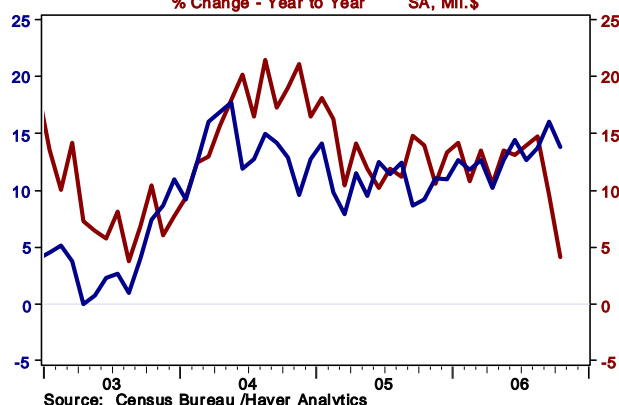
INTERNATIONAL TRADE

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



Exports: Goods and Services
 % Change - Year to Year SA, Mil.\$
 Imports: Goods and Services
 % Change - Year to Year SA, Mil.\$



- The trade deficit in goods and services plummeted to \$58.9 billion in October from \$64.3 billion in September. The consensus expectation among economists had been for a much smaller decline to \$63 billion. At \$58.9 billion, October's trade deficit is the smallest since August 2005.
- Of the \$5.4 billion drop in the trade deficit in October, an increase in exports accounted for only \$300 million. However, exports are up 13.8% since October 2005.
- The lion's share of the decline in the trade deficit came on the import side, with total imports down \$5.1 billion. Of that, \$4.5 billion (different from table below due to rounding) came in the form of reduced petroleum imports, with most of that drop due to lower oil prices, but some of it due to a lower volume of oil imports. Excluding petroleum, the real value of goods imports fell \$800 million. Overall, nominal imports are up 4.2% versus October 2005.

Interpretation: Today's trade report suggests that, compared to the pre-release consensus expectation, slightly more of domestic purchases by consumers and businesses are coming out of domestic production. The result should be a slight increase in GDP growth expectations for Q4. Today's report is also good news in Washington in the sense that it should reduce political pressure for protectionist legislation.

International Trade <i>seasonally adjusted, \$billions</i>	Oct-06 Bil \$	Sep-06 Bil \$	Aug-06 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-ago Level
Trade Balance	-58.9	-64.3	-68.5	-63.9	-64.8	-66.6
Exports	123.6	123.4	122.8	123.2	121.6	108.6
Imports	182.5	187.6	191.3	187.1	186.4	175.2
Petroleum Imports	21.8	26.2	29.3	25.8	26.9	25.0

Source: Census Bureau