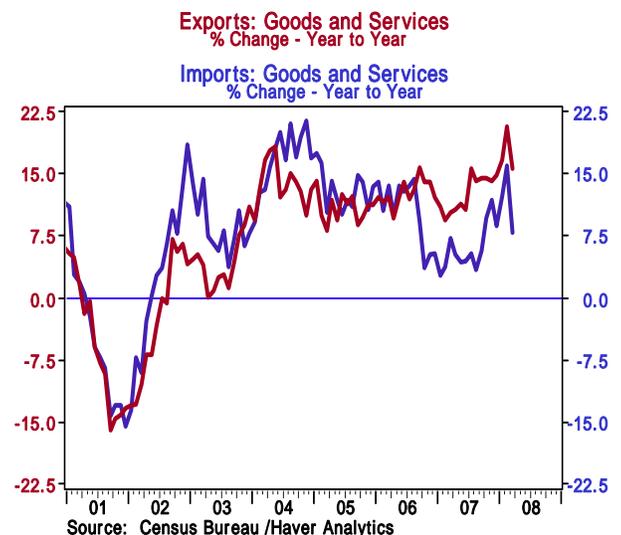


MARCH INTERNATIONAL TRADE

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- The trade deficit in goods and services declined to \$58.2 billion in March from a downwardly revised \$61.7 billion in February. The consensus expected a trade gap of \$61.0 billion in March.
- Exports declined \$2.6 billion in March after an unusually strong surge in February. Exports are up 15.5% versus last year. The drop in exports in March was largely due to civilian aircraft and autos.
- Imports declined \$6.1 billion in March after a huge surge in February. Imports are up 7.9% versus a year ago. The drop in imports in March was primarily due to petroleum and autos.
- Adjusted for inflation, the trade deficit in goods is \$12.8 billion smaller than last March and the smallest since 2003. Without adjusting for inflation, the trade deficit is \$4.8 billion smaller than last year.

Implications: The trade deficit continues to shrink, meaning a larger share of what we buy is being produced in the US, supporting real GDP growth. After several years of a declining dollar, the inflation-adjusted trade deficit (which is what matters when calculating real GDP) started turning around in early 2006. Given the lag time between changes in the value of the dollar and the trade balance, we expect the trend of smaller trade deficits to continue for at least the next year, even if the dollar were to strengthen from here. Today's trade data were much better than the government assumed when calculating the advance estimate of Q1 real GDP. Factoring in these new figures – as well as recent data on construction and inventories – suggests real GDP grew at a 1.2% annual rate in Q1, not the 0.6% reported last week. In other news, yesterday's report on new claims for unemployment insurance showed a decline of 18,000 last week to 365,000, well below recession levels. Continuing claims declined 10,000 to 3.02 million.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Mar-08 Bil \$	Feb-08 Bil \$	Jan-08 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-58.2	-61.7	-59.0	-59.6	-59.5	-63.0
Exports	148.5	151.1	148.4	149.3	146.7	128.6
Imports	206.7	212.8	207.3	209.0	206.2	191.6
Petroleum Imports	35.2	37.4	39.8	37.5	35.4	25.0
Real Goods Trade Balance	-47.2	-50.9	-49.8	-49.3	-50.2	-60.0

Source: Bureau of the Census

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