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NOVEMBER INTERNATIONAL TRADE

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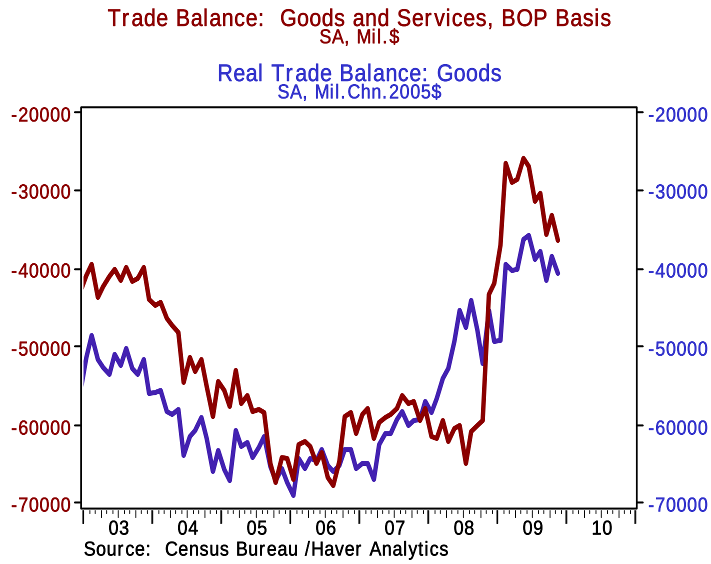
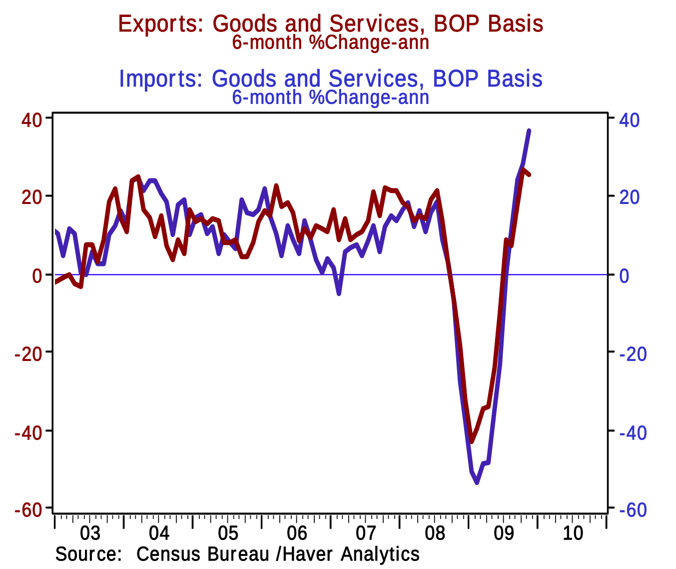
- The trade deficit in goods and services expanded by $3.2 billion to $36.4 billion in November. The consensus had expected a smaller trade deficit of $34.6 billion.
- Exports increased $1.2 billion in November, led by food (particularly soybeans) and autos/parts. Imports increased $4.4 billion, led by oil, widespread gains in consumer goods, and capital goods (particularly computers and telecomm equipment). The rise in oil imports was due to higher prices offsetting a slight decline in volume.
- Since bottoming in April, exports are up seven months in a row, at a 24.4% annual rate. During that time, imports are up at a 29.5% rate.
- The monthly trade deficit is $6.8 billion smaller than last year. Adjusted for inflation, the trade deficit in goods is $4.6 billion smaller than last year. This is the trade indicator that is most important for calculating real GDP.





Implications: The most important information in recent reports on trade is not whether the trade deficit is going up or down but that the total volume of trade – imports plus exports – has been surging over the past several months. After peaking in mid-2008, international trade plummeted during the financial panic and its economic aftermath in late 2008 and early 2009. When companies pulled back from business relationships, they pulled back even more from links across borders, perhaps due to the credit-sensitive nature of cross-border commerce. But since bottoming in April 2009, trade volume is up at a 27% annual rate, with an even faster 36% rate in the past three months. This strongly supports the case for a V-shaped economic recovery. Given data available so far this quarter, and considering the long time lags between dollar depreciation and shifts in trade balances, it appears trade had a roughly neutral impact on economic growth in the fourth quarter of 2009, with a slightly larger trade deficit in goods offset by a larger trade surplus in services. In 2010, past dollar depreciation should help boost real GDP growth, which is one of the ways in which loose monetary policy temporarily lifts growth. Eventually, however, the inflation that comes with loose money will have to be tamed.

International Trade *All Data Seasonally Adjusted, $billions*	Nov-09 Bil $	Oct-09 Bil $	Sep-09 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-36.4**	-33.2	-35.7	-35.1	-32.3	-43.2
Exports	**138.2**	137.0	133.4	136.2	132.3	141.5
Imports	**174.6**	170.2	169.0	171.3	164.6	184.8
Petroleum Imports	**24.4**	22.8	25.5	24.2	22.9	24.2
Real Goods Trade Balance	**-40.7**	-38.3	-41.5	-40.2	-38.8	-45.3

Source: Bureau of the Census