First Trust DATAWATCH

October 13, 2011 • 630.517.7756 • www.ftportfolios.com

August International Trade

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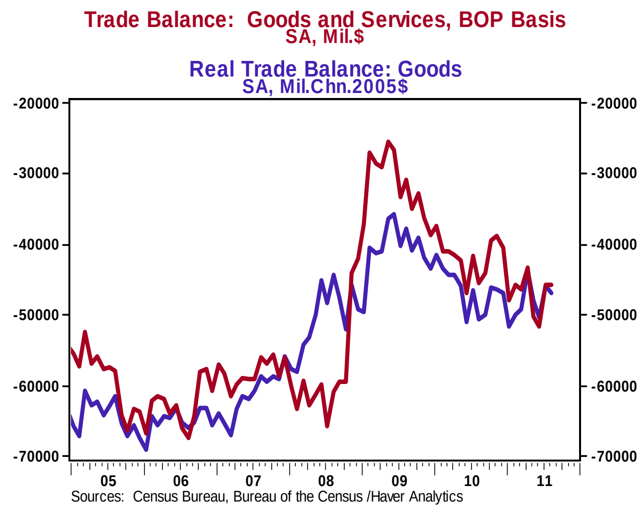
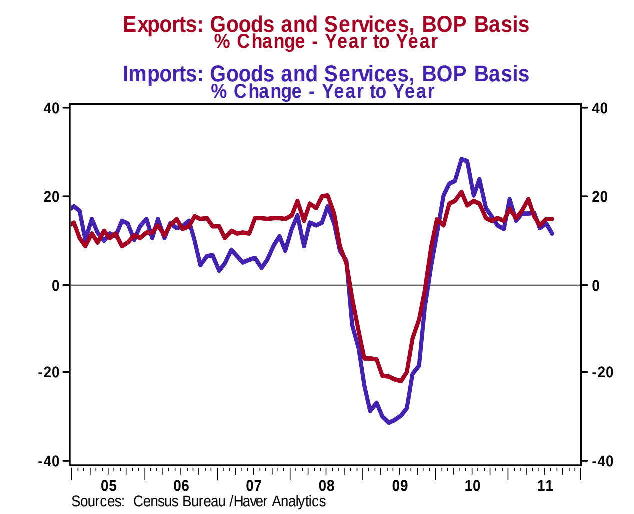
- The trade deficit in goods and services was unchanged at $45.6 billion in August. The consensus expected a slightly larger trade deficit.
- Exports and imports each declined $0.1 billion in August. Oil exports grew while exports of autos declined. Oil imports grew while imports of clothing and autos declined. The rise in oil imports was due to volume; price per barrel declined.
- In the last year, exports are up 14.7% while imports are up 11.4%.
- The monthly trade deficit is unchanged from a year ago. Adjusted for inflation, the trade deficit in goods is $3.6 billion smaller than last year. This is the trade measure that is most important for calculating real GDP.

Implications: Given recent equity market volatility, all eyes still need to be focused on high frequency data that comes out weekly and those figures show we are not in recession. Initial unemployment claims ticked down 1,000 last week to 404,000. The four-week moving average is 408,000 versus 440,000 in the Spring. Continuing claims for regular state benefits declined 55,000 to 3.67 million. Meanwhile, same-store chain store sales keep rising: up 2.8% versus a year ago according to the International Council of Shopping Centers and up 4.8% according to Redbook Research. Again, no sign of recession. On the trade front, the top-line data were almost a carbon copy of last month. The trade deficit was unchanged in August and exports and imports each slipped by the same tiny $0.1 billion. Underneath the headlines, there was more trade in oil, with more petroleum imports and exports. Trade in autos declined, with both lower imports and exports. We now have enough data to confidently forecast the trade portion of GDP in Q3, and it looks like net exports will add about 0.4 percentage points to the growth rate. If financial problems in Europe were affecting the US economy, we would expect to see that impact in the trade sector. So far, there is no evidence that European debt issues are affecting global trade flows – this is very good news.





International Trade *All Data Seasonally Adjusted, $billions*	Aug-11 Bil $	Jul-11 Bil $	Jun-11 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-45.6**	-45.6	-51.6	-47.6	-47.1	-45.5
Exports	**177.6**	177.7	171.8	175.7	175.5	154.9
Imports	**223.2**	223.3	223.4	223.3	222.6	200.4
Petroleum Imports	**36.4**	35.6	38.0	36.7	37.3	28.0
Real Goods Trade Balance	**-47.0**	-46.0	-50.3	-47.7	-47.3	-50.6

Source: Bureau of the Census

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