First Trust DATAWATCH

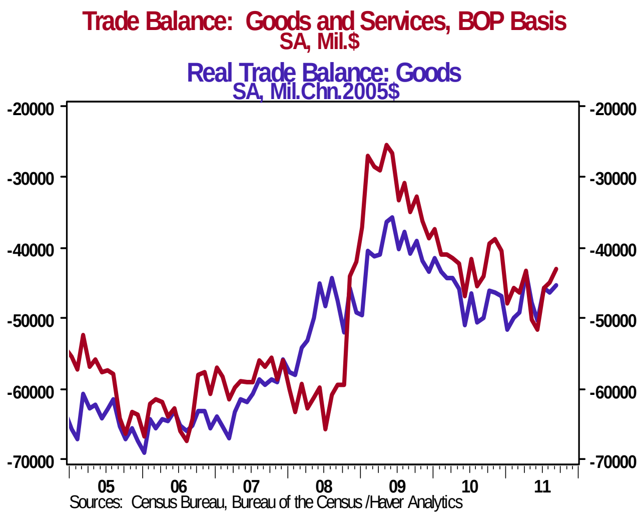
November 10, 2011 • 630.517.7756 • www.ftportfolios.com

September International Trade

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst
Andrew Hull – Economic Analyst

- The trade deficit in goods and services shrank to $43.1 billion in September. The consensus expected it to grow slightly to $46.0 billion.
- Exports increased $2.5 billion in September, led by gold. Imports increased $0.7 billion, led by autos/parts and nuclear fuel. Petroleum imports grew slightly.
- In the last year, exports are up 15.9% while imports are up 11.9%.
- The monthly trade deficit is $0.9 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is $4.5 billion smaller than last year. This is the trade measure that is most important for measuring real GDP.

Implications: Given recent financial volatility, we are still focused on the high frequency data that comes out weekly. Those figures show the economy is still growing. Initial unemployment claims fell 10,000 last week to 390,000. The four-week moving average is 400,000 versus 440,000 in the Spring. Continuing claims for regular state benefits declined 92,000 to 3.62 million. Meanwhile, same-store chain store sales keep rising: up 2.7% versus a year ago according to the International Council of Shopping Centers and up 3.1% according to Redbook Research. Today's trade data also show continued economic growth. Despite problems in Europe, exports hit a new all-time record high in September and are up 15.9% from a year ago. The total volume of international trade (exports plus imports) also hit an all-time high. Notably, the strength in US exports was led by non-monetary gold, which is gold not held in official central bank reserve accounts. Best guess is that investors abroad were loading up on the precious metal and waiting out potential problems in the Eurozone. Based on today's figures, trade's contribution to Q3 real GDP growth will be revised up. However, we have to wait until Tuesday to find out what will happen to the estimate for inventories. Better trade data could mean inventories are even thinner than the government previously estimated. Thinner inventories would be a negative for Q3 real economic growth but a positive for future quarters. On the inflation front, prices for traded goods fell in October, but are still much higher than a year ago. Import prices fell 0.6% in October and were down 0.4% excluding oil. However, they are up 11% in the past year while import prices ex-oil are up 4.8%. Export prices fell 2.1% in October and were down 1.5% excluding agriculture. But, versus a year ago, these prices are up 6.3% and 5.7%, respectively.



International Trade *All Data Seasonally Adjusted, $billions*	Sep-11 Bil $	Aug-11 Bil $	Jul-11 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-43.1**	-44.9	-45.6	-44.6	-46.4	-44.0
Exports	**180.4**	177.9	177.7	178.6	176.6	155.7
Imports	**223.5**	222.8	223.3	223.2	223.1	199.7
Petroleum Imports	**36.4**	36.3	35.6	36.1	37.0	27.7
Real Goods Trade Balance	**-45.4**	-46.3	-45.8	-45.8	-46.5	-49.9

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.