

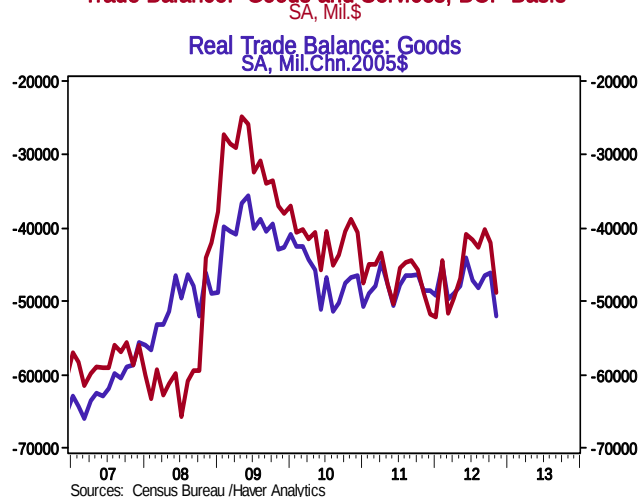
November International Trade

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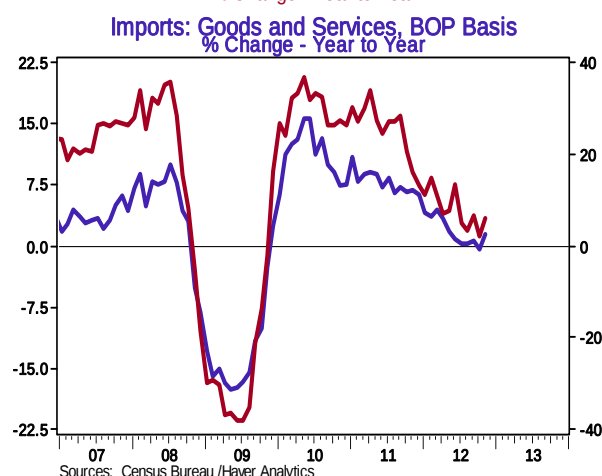
- The trade deficit in goods and services came in at \$48.7 billion in November, much larger than the consensus expected \$41.3 billion.
- Exports rose \$1.7 billion in November, while imports rose \$8.4 billion. The rise in exports was led by nonmonetary gold, telecommunications equipment and industrial machines. The rise in imports was led by cell phones and other household goods, autos and pharmaceuticals.
- In the last year, exports are up 3.3% while imports are up 2.5%.
- The monthly trade deficit is \$0.1 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$3.4 billion larger than a year ago. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit came in much larger than the consensus expected in November. However, the reason for the rise is not bad, as both exports and imports rose. Retailers looked to have lined their shelves with imported cellphones for the Christmas season while havoc from Super Storm Sandy caused a large boost in foreign automobile imports as people who lost their cars bought replacements. Still, the total volume of US international trade appears to have leveled off over the past several months. A year ago, exports were up 9% from the prior year (November 2010 to November 2011). But in the past 12 months, exports are up only 3.3%. Financial and economic problems in Europe may be playing a role. Exports to the Euro-area were up 2.9% in the year ending in November 2011, but in the past year they are down 4.4%. However, we also see a similar pattern of slower export growth with Canada, Central/South America, and the Pacific Rim. Long-term, beneath the headlines, higher energy production in the US is having large effects on trade with other countries. Real (inflation-adjusted) oil exports have tripled since 2005, while real oil imports are down substantially. We expect the trade sector will be a small negative for real GDP growth in 2013. This is a normal pattern when the US economy is expanding. In other trade news today, import prices were down 0.1% in December and are down 1.5% from a year ago. Excluding oil, import prices were up 0.1% in December and are up the same in the past year. Prices for exports are similarly quiet, with overall prices up only 1.1% in the past year and down 0.4% excluding agriculture. In other recent economic news, initial claims for unemployment insurance increased 4,000 last week to 371,000. The four-week moving average is 366,000. Continuing claims for regular state benefits declined 127,000 to 3.11 million, the lowest since July 2008. These figures are consistent with an increase in payrolls of roughly 150,000 in January, which would continue the trend of the past two years.

Trade Balance: Goods and Services, BOP Basis



Exports: Goods and Services, BOP Basis
 % Change - Year to Year



International Trade	Nov-12	Oct-12	Sep-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>Moving Avg.</i>	<i>Moving Avg.</i>	<i>Level</i>
Trade Balance	-48.7	-42.1	-40.3	-43.7	-42.7	-48.8
Exports	182.6	180.8	187.3	183.6	183.6	176.7
Imports	231.3	222.9	227.6	227.3	226.3	225.5
Petroleum Imports	34.2	35.1	32.7	34.0	33.0	37.5
Real Goods Trade Balance	-51.9	-46.0	-46.6	-48.2	-47.3	-48.5

Source: Bureau of the Census