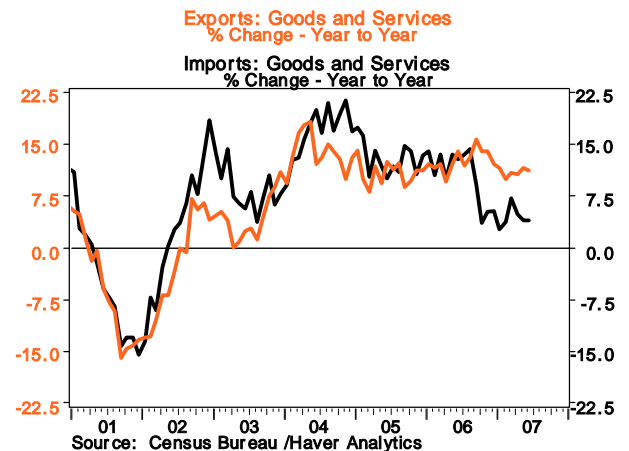


JUNE INTERNATIONAL TRADE

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- The trade deficit in goods and services declined to \$58.1 billion in June, less than the consensus expected, from a downwardly revised \$59.2 billion in May.
- Exports increased \$2.0 billion in June and are up 11.2% versus last year. Exports of industrial supplies and materials increased \$1.2 billion, half of which was attributable to petroleum products and (industrial) gold.
- Imports increased \$0.9 billion in June and are up 3.8% versus a year ago. Almost all the increase in imports in the past month was due to autos.
- By region, the largest declines in the trade deficit were with OPEC (\$1.1 billion), South/Central America (\$0.8 billion), and Singapore (\$0.7 billion). The largest increases in the trade deficit were due to China (\$1.1 billion), Canada (\$0.6 billion), and Mexico (\$0.5 billion).

Implications: Today's trade data confirms the return to strong economic growth. International trade added 1.2 percentage points to real GDP growth in the second quarter. But, based on today's healthy export numbers, this estimate is likely to be revised upward. In combination with revisions for retail sales, construction, and inventories, real GDP is likely to be revised up to nearly 4% for Q2 versus the 3.4% originally estimated. Exports continue to grow faster than imports, as the chart to the right shows. Exports are growing quickly due to the lagged influence of a weaker dollar and relatively strong growth abroad, in both emerging markets and industrialized countries. The real (inflation-adjusted) goods trade deficit was the lowest in 33 months. Look for trade to continue to add to real GDP growth in the quarters ahead, offsetting the drag on the economy due to the housing sector.



| International Trade | Jun-07 | May-07 | Apr-07 | 3-Mo | 6-Mo | Year-Ago |
|---|---------------|---------------|---------------|--------------------|--------------------|--------------|
| <i>All Data Seasonally Adjusted, \$billions</i> | Bil \$ | Bil \$ | Bil \$ | Moving Avg. | Moving Avg. | Level |
| Trade Balance | -58.1 | -59.2 | -58.7 | -58.7 | -58.8 | -64.5 |
| Exports | 134.5 | 132.6 | 129.2 | 132.1 | 129.9 | 121.0 |
| Imports | 192.7 | 191.7 | 187.8 | 190.7 | 188.7 | 185.6 |
| Petroleum Imports | 26.5 | 26.6 | 25.0 | 26.0 | 24.8 | 26.8 |

Source: Bureau of the Census