

JAN INTERNATIONAL TRADE

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- The trade deficit in goods and services increased to \$58.2 billion in January from \$57.9 billion in December. The consensus expected a larger trade gap of \$59.6 billion.
- Exports increased \$2.4 billion in January and are up 16.6% versus last year. The increase in exports in December was led by services, food (such as corn), and industrial supplies (petroleum products and non-monetary gold). Imports increased \$2.7 billion in January and are up 11.9% versus a year ago. The rise in imports was all due to petroleum.
- Adjusted for inflation, the trade deficit in goods is \$6.6 billion smaller than last January. Without adjusting for inflation, the trade deficit is \$0.8 billion larger than last year.
- By region, the largest increase in the trade deficit versus last year has been with OPEC. The largest declines in the trade deficit have been with China and Taiwan.

Implications: Today's trade data greatly reduce the odds the US economy is in recession. Although the growth of domestic consumption has slowed, exports are booming, up 16.6% versus a year ago. Even if the trade deficit remains unchanged in February/March – ending the progress of the past 18 months – net exports should add more than one percentage point to first quarter real GDP growth. More likely, the trade deficit will continue to shrink in the months ahead due to past depreciation of the dollar versus other currencies, plus relatively stronger growth abroad. Note that although the chart to the right suggests a re-acceleration in import growth, this is mostly due to petroleum imports. Excluding petroleum, imports are up less than 5% versus last year.



International Trade <i>All Data Seasonally Adjusted, \$billions</i>	Jan-08 Bil \$	Dec-07 Bil \$	Nov-07 Bil \$	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	-58.2	-57.9	-62.4	-59.5	-58.3	-57.4
Exports	148.2	145.9	143.7	145.9	143.6	127.2
Imports	206.4	203.7	206.1	205.4	201.9	184.5
Petroleum Imports	39.5	36.0	34.5	36.7	32.4	24.8
Real Goods Trade Balance	-49.4	-49.0	-53.5	-50.6	-51.1	-56.0

Source: Bureau of the Census

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