

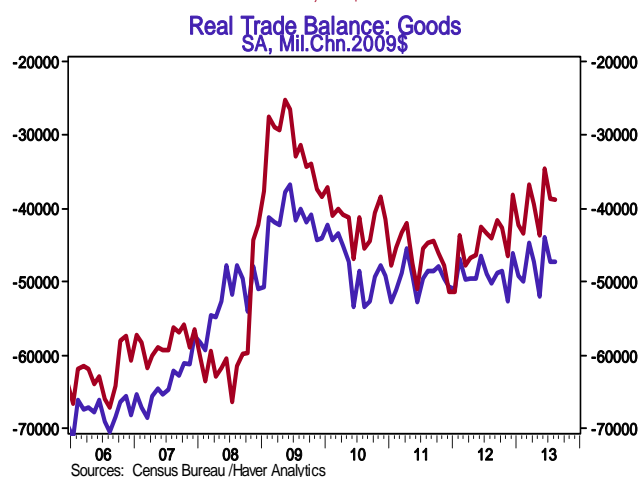
August International Trade

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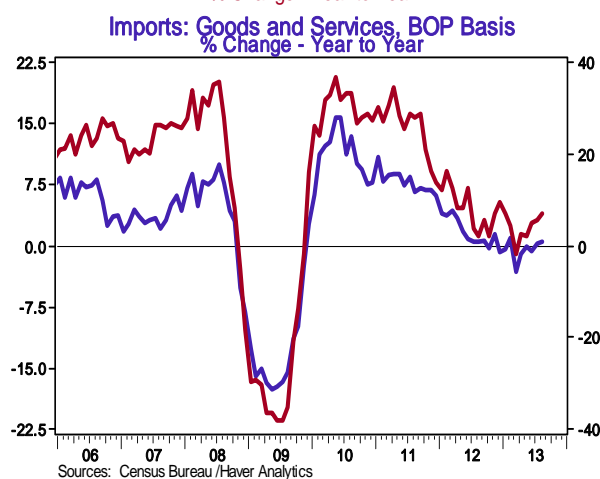
- The trade deficit in goods and services came in at \$38.8 billion in August, slightly smaller than the consensus expected \$39.4 billion.
- Exports declined \$0.1 billion in August, with a gain in autos offsetting a decline in gold. Imports were unchanged overall, with a gain in computers while crude oil and pharmaceuticals declined.
- In the last year, exports are up 3.9% while imports are up 0.9%. Petroleum exports are up 31.7% while other exports are up 1.2%. Petroleum imports are down 6.1% while non-petroleum imports are up 2.4%.
- The monthly trade deficit is \$5.2 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$2.9 billion smaller than a year ago. This is the trade indicator most important for measuring real GDP.

Implications: The trade deficit ticked up slightly in August, but behind these short-term moves the big trade story is energy, driven by horizontal drilling and fracking. Since August 2007, petroleum exports have almost quadrupled while petroleum imports are up only 13%. In the past two years, petro imports are down 15%. If current trends continue, and the US fixes its pipeline and refinery issues, the US will be a net exporter of petroleum within four years. Usually, when the US economy is growing, the trade deficit tends to expand relative to the size of our economy. However, given energy trends, the trade deficit is much less likely to expand like that anytime soon. Net exports likely added to the real GDP growth rate in the third quarter, which we are now estimating at 2%. In other recent trade news, still no clear sign of higher inflation. Import prices increased 0.2% in September, but all of the gain was due to oil. Ex-petroleum, import prices were unchanged. In the past year, import prices are up 1% overall but down 1% ex-petroleum. Export prices rose 0.3% in September, both with and without farm products. In the past year, overall export prices are down 1.6% and down 0.9% ex-agriculture. In broader economic news, initial claims for unemployment insurance fell 12,000 to 350,000. Continuing claims declined 8,000 to 2.87 million. It's early, but we're now forecasting October payroll gains of 98,000 nonfarm and 143,000 private. Not bad considering the partial government shutdown. In other recent news, construction increased 0.6% in August and 1.6% including revisions to prior months. The gain in August was led by housing. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, ticked up to +1 in October from zero in September. On the housing front, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.3% in August (seasonally-adjusted) and is up 8.5% from a year ago. As builders ramp up construction, prices will continue to rise in the year ahead, but at a more moderate pace than the past year.

Trade Balance: Goods and Services, BOP Basis
 SA, Mil.\$



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



International Trade	Aug-13	Jul-13	Jun-13	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-38.8	-38.6	-34.5	-37.3	-38.7	-44.0
Exports	189.2	189.3	190.5	189.7	187.8	182.1
Imports	228.0	228.0	225.1	227.0	226.5	226.1
Petroleum Imports	30.8	31.1	29.0	30.3	30.3	32.8
Real Goods Trade Balance	-47.3	-47.3	-43.8	-46.1	-47.0	-50.2

Source: Bureau of the Census

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