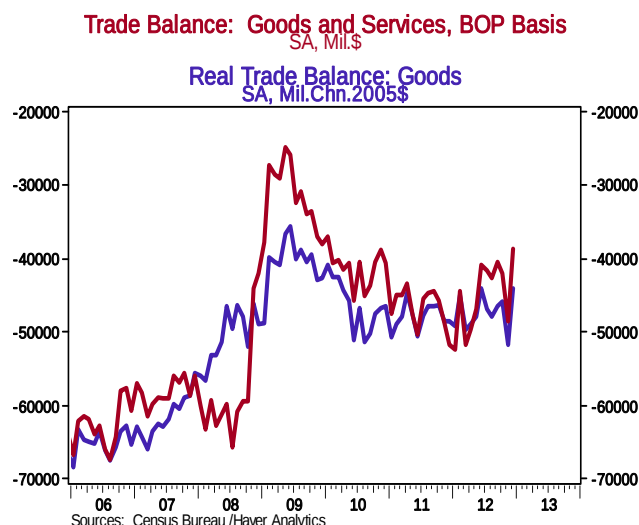


December International Trade

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- The trade deficit in goods and services came in at \$38.5 billion in December, much smaller than the consensus expected \$46.0 billion.
- Exports rose \$3.9 billion in December, while imports fell \$6.2 billion. The rise in exports was led by nonmonetary gold, petroleum products and civilian aircraft. The decline in imports was led by crude oil, pharmaceuticals, autos, and computers.
- In the last year, exports are up 4.9% while imports are down 2.0%.
- The monthly trade deficit is \$13.2 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$4.5 billion smaller than a year ago. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit came in substantially smaller than the consensus expected in December. Record exports of petroleum products coupled with the lowest crude oil imports in almost sixteen years led to the lowest trade balance since January 2010. As a result, we are now tracking a noticeable upward revision to real GDP growth in the fourth quarter. Last week, the government's first estimate showed a slight contraction, at a 0.1% annual rate. Based on today's trade data as well as recent figures on construction and inventories, we now project an upward revision to a +0.7% annual rate. Still, the total volume of US international trade appears to have leveled off over the past several months. A year ago, exports were up 7.4% from the prior year (December 2010 to December 2011); in the past 12 months, exports are up a slower 4.9%. Financial and economic problems in Europe may be playing a role. Exports to the Euro-area are down 2.5% in the past year. Long-term, beneath the headlines, higher energy production in the US due to new technologies is having large effects on trade with other countries. Since 2005, real (inflation-adjusted) oil exports have tripled and reached a new all-time record high, while real oil imports are down 22%. 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.



International Trade	Dec-12	Nov-12	Oct-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-38.5	-48.6	-42.2	-43.1	-42.3	-51.7
Exports	186.4	182.5	180.6	183.2	183.6	177.8
Imports	224.9	231.1	222.8	226.3	225.9	229.5
Petroleum Imports	30.3	34.1	34.9	33.1	32.5	38.3
Real Goods Trade Balance	-44.1	-51.8	-46.0	-47.3	-47.3	-48.6

Source: Bureau of the Census

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