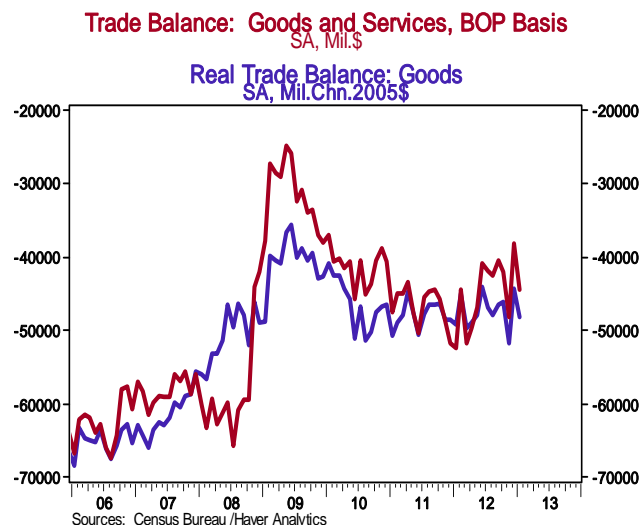


January International Trade

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- The trade deficit in goods and services came in at \$44.4 billion in January, slightly larger than the consensus expected \$42.6 billion.
- Exports declined \$2.2 billion in January, while imports rose \$4.1 billion. Most of the changes were for energy: the decline in exports was led by fuel oil and the increase in imports was led by crude oil.
- In the last year, exports are up 3.3% while imports are down 0.9%. All of the drop in imports versus a year ago is due to petroleum.
- The monthly trade deficit is \$7.8 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$1.2 billion smaller than a year ago. This is the trade measure that is most important for measuring real GDP.

Implications: The trade deficit grew in January, coming in a little wider than consensus expectations. Energy was where the action was, with a decline in fuel oil exports and a gain in crude oil imports. Like many recent trade reports, the data show a combination of a mediocre plowhorse trend for the near term alongside a bullish outlook for the long term. The mediocre data are represented by the total volume of US trade with the rest of the world – imports plus exports are up only 0.9% from a year ago. This slow growth is reflective of weak exports to Europe (down 5% from a year ago) offsetting continued export growth to non-European countries. Meanwhile, the upward trend for US energy production continues to have 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 24%. 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 news this morning, new claims for unemployment insurance declined 7,000 last week to 340,000. The four-week moving average is now down to 349,000, the lowest since March 2008. Continuing claims for regular state benefits increased 3,000 to 3.09 million. Yesterday, the ADP Employment index showed an increase in February of 198,000 private-sector payrolls. Plugging these figures into our payroll models puts our final call on tomorrow's official employment report at 210,000 nonfarm payrolls and 217,000 private payrolls. The unemployment rate should tick down to 7.8%.



International Trade	Jan-13	Dec-12	Nov-12	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-44.4	-38.1	-48.2	-43.6	-42.6	-52.3
Exports	184.5	186.6	182.5	184.5	183.6	178.6
Imports	228.9	224.8	230.8	228.1	226.2	230.9
Petroleum Imports	34.1	30.3	34.1	32.8	33.1	39.2
Real Goods Trade Balance	-48.0	-44.2	-51.8	-48.0	-47.4	-49.2

Source: Bureau of the Census