

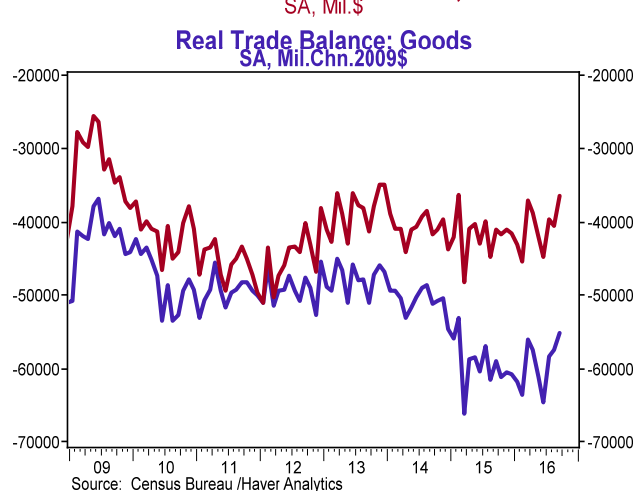
# September International Trade

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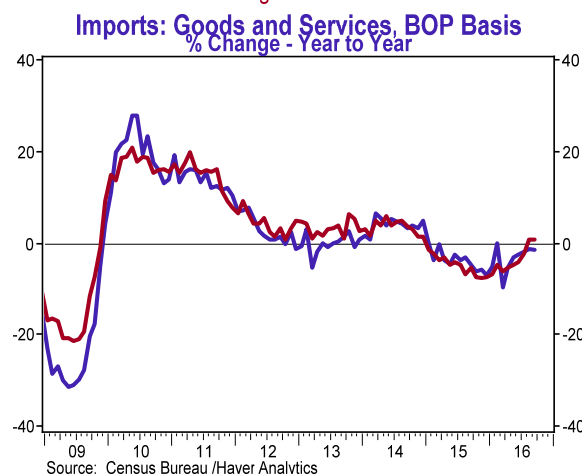
- The trade deficit in goods and services came in at \$36.4 billion in September, smaller than the consensus expected \$38.0 billion.
- Exports rose \$1.0 billion, led by civilian aircraft and artwork, antiques & stamps. Imports declined \$3.0 in September, led by pharmaceutical preparations.
- In the last year, exports are up 0.9% while imports are down 1.3%.
- The monthly trade deficit is \$4.6 billion smaller than a year ago. Adjusted for inflation, the “real” trade deficit in goods is \$3.9 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

**Implications:** The trade deficit shrank in September to the smallest level in more than a year as imports declined and exports rose. In the past four months, exports are up \$7.8 billion, the largest four-month rise since mid-2011. Imports drove the smaller trade balance in September, falling \$3 billion as pharmaceuticals, civilian aircraft, and computer accessories led the decline. Meanwhile exports rose despite a significant (but expected) pullback in soybean exports. So far, there has been no visible effect of Brexit on trade. Exports to the UK rose in September, while imports modestly declined, but both remain in line with the levels seen before the June referendum. We didn’t buy into the fear mongering surrounding the “leave” vote and believe Brexit will prove to be a long-term positive as the UK uses its increased flexibility to make better trade agreements with the U.S., Mexico, and Canada, boosting global trade. Another ongoing factor affecting trade with the rest of the world is the trend decline in US oil imports. Petroleum imports declined 0.5% in September, are down 6.2% from a year ago, and have been a large contributor to slow trade growth. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In September, these imports were 1.7 times exports. This is also why oil prices have not spiked back to old highs even though the Middle East is in turmoil. The US has become an important global petroleum producer, bringing a stabilizing effect to the world. Overall, we expect real GDP growth to accelerate in the coming year and expect some widening in the trade deficit as US consumers buy imports with their healthy gains in income.

Trade Balance: Goods and Services, BOP Basis



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



International Trade	Sep-16	Aug-16	Jul-16	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Bil \$</b>	<b>Moving Avg.</b>	<b>Moving Avg.</b>	<b>Level</b>
<b>Trade Balance</b>	-36.4	-40.5	-39.5	-38.8	-40.3	-41.1
<b>Exports</b>	189.2	188.2	186.4	187.9	184.9	187.6
<b>Imports</b>	225.6	228.6	225.9	226.7	225.2	228.6
<b>Petroleum Imports</b>	12.8	12.9	12.6	12.8	12.2	13.7
<b>Real Goods Trade Balance</b>	-55.0	-57.4	-58.2	-56.9	-58.9	-58.9

Source: Bureau of the Census