



Economics Group

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September Trade Deficit Narrows as Imports Decline

The trade deficit narrowed to \$44.0 billion in September from a revised \$46.5 billion in August as exports rose slightly and imports dropped. We estimate trade will add 0.2 percentage points to revised GDP.

Civilian Aircraft Drives Exports

Exports rose 0.3 percent in September from the previous month. Aircraft exports, which are generally quite volatile, rose \$698 million. Excluding aircraft, exports fell \$431 million. Outside of aircraft, jewelry exports saw the biggest increase at \$228 million, followed closely by \$226 million for soybeans and \$200 million for household goods. In most other categories, there was little significant change in exports. The U.S. trade deficit with China narrowed to \$27.8 billion.

Imports Plunge as Vehicles and Consumer Goods Decline

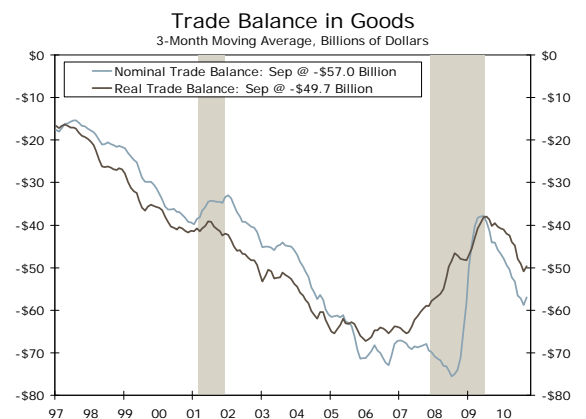
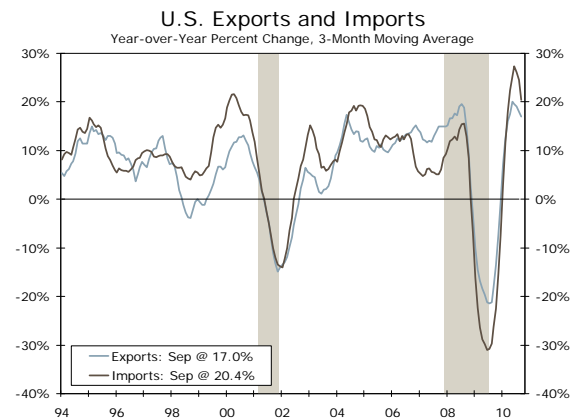
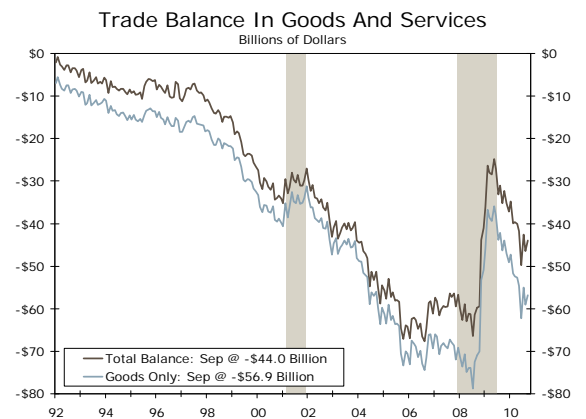
Imports fell 1.0 percent from August. A \$647 million drop in pharmaceuticals imports drove a \$1.8 billion plunge in consumer goods imports. Declines in apparel and gems also contributed to the drop in consumer goods imports. A \$1.4 billion decline in imports of vehicles, parts and engines contributed further to the pullback in imports. Crude oil imports rose \$658 million, but this was largely offset by a \$615 million decline in imports of petroleum products. Also adding to imports were \$936 million of computers and \$822 million of civilian aircraft.

Weak Dollar Not Yet Impacting Trade

The trade-weighted dollar has been on a fairly consistent decline since June, following the run-up its value in the wake of the European sovereign debt crisis. Despite the steepness of the recent dollar decline, we have not yet seen exports materially outpacing imports. Exports were quite weak in August and September, and excluding aircraft, exports actually fell in September. In addition, even though the dollar was falling in September, average prices for crude oil imports actually dipped. Going forth, we expect a weaker dollar will gradually lend more support to exports. The narrowing of the trade deficit with China was not strong enough to significantly boost the Q3 GDP revision. International attention has focused on trade and so-called “currency wars” ahead of the G20 summit in Seoul, South Korea. However, the current international trade landscape has not translated into stronger U.S. exports.

Trade Will Add Slightly to Revised GDP Growth Estimate

The advanced GDP growth estimate of 2.0 percent for the third quarter was based on expectations of a slight narrowing of the trade deficit in September, but it actually narrowed more than expected. Based on actual data, we estimate that trade will boost the revised GDP print to be released on November 23 by about 0.2 percentage points. Better job growth could push imports higher in the coming months, however.



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