New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

November 10, 2011

Trade Balance: Good, for now

The September international trade balance improved unexpectedly, shrinking by $1.8 billion from a prior-month figure revised to be $0.7 billion narrower. September saw a 1.4% rise in exports, more than accounted for by a 2.3% rise in the non-petroleum goods category, and a minimal 0.3% rise in imports.

Thus, there is no immediate bad news in those numbers with respect to global demand for U.S. products or with respect to penetration of imports into U.S. markets. Each new month of relative health in that regard is another month of relative health--though, clearly, the outlook is very uncertain, given the precarious European situation, and the vulnerability of Asia to that threat, as well as, perhaps, to its own domestic precariousness.

The September results and the August revisions point to a somewhat better third-quarter trade performance than was assumed in the first-round GDP figures--potentially adding as much as 0.5 point to overall growth, if no other components in the total are revised in the weakening direction.

Fed observers will be mildly encouraged by the results--perhaps suspecting that market-share momentum for U.S. exports is counteracting a weakening overall demand picture. But, the outlook for continued support to U.S. manufacturing from exports is obviously cloudy, and better manufacturing strength now does not necessarily generate any lasting strength. Doves will certainly not be placated.

© 2010 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.