

DAILY GLOBAL
COMMENTARY

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Widening of Trade Deficit Reflects Oil Imports and Improving Economic Conditions

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The trade deficit widened to \$36.5 billion in September vs. \$30.8 billion in August. Exports (+2.9%) and imports (+5.8%) of goods and services grew in September. A large part of the import bill was due to an increase in oil imports resulting from higher prices and a larger quantity of imports (+7.0%). The trade deficit has risen about \$10 billion in the past five months from a low of \$26.4 billion in April 2009. The September trade data suggest a likely downward revision of the 3.5% gain in third quarter real GDP. The net impact will be known after inventories and retail sales data are published next week.

Chart 1

Trade Balance: Goods and Services, BOP Basis

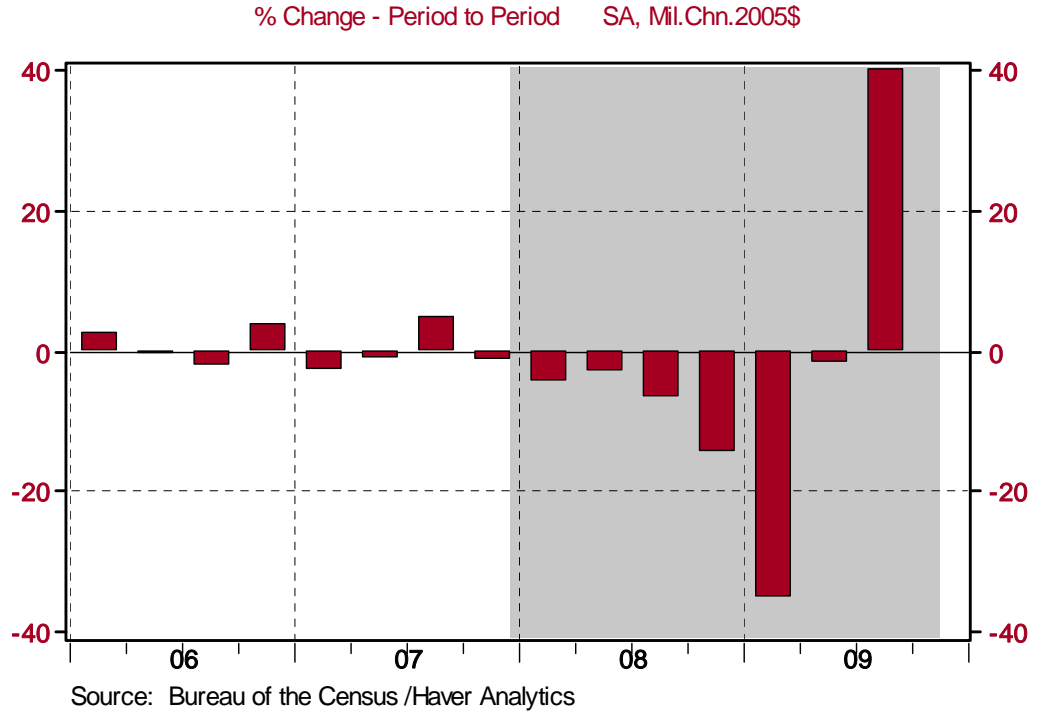
SA, MI.\$



In inflation adjusted terms, the trade deficit of goods widened to \$41.7 billion during September from \$37.9 billion in the prior month. Imports of autos rose nearly 40% in the third quarter. It is nearly certain that imports of autos will be significantly smaller in the fourth quarter.

Chart 2

Imports: Automotive Vehicles, Parts, and Engines



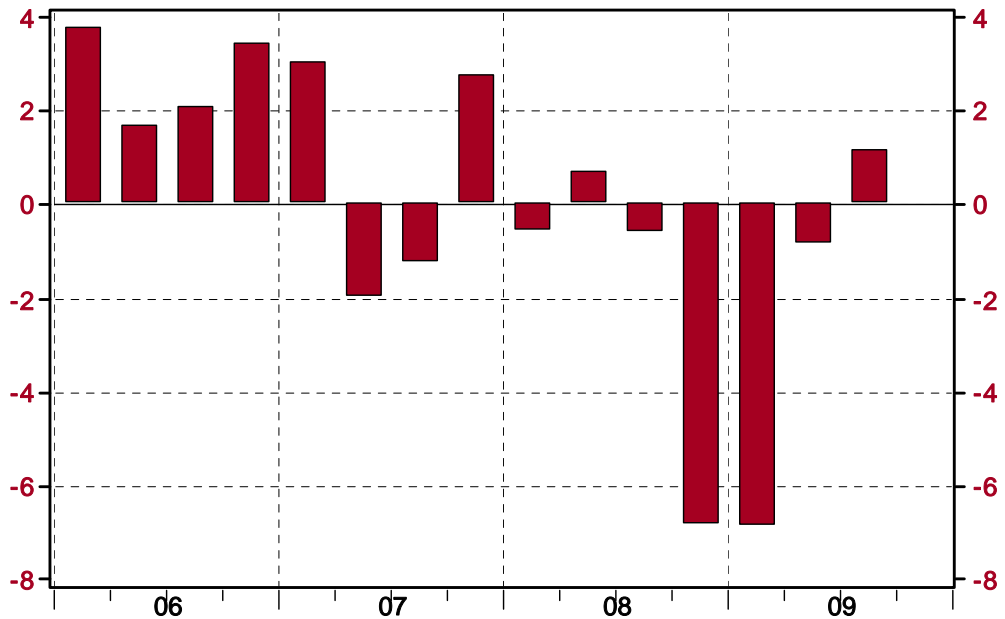
Imports of consumer goods excluding food and autos (+1.1%) advanced in the third quarter, following an entire year of declines. This aspect of the trade report is strongly reflective of a pickup in economic momentum in the United States.

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Chart 3

Imports: Nonfood Consumer Goods except Automotive

% Change - Period to Period SA, Mil.Chn.2005\$



Source: Bureau of the Census /Haver Analytics

The goods deficit increased vis-à-vis China (\$22.1 billion from \$20.2 billion in August), European Union (\$5.5 billion from \$5.4 billion in August), Mexico (\$4.6 billion from \$4.0 billion in August) and Canada ((\$1.50 billion from \$1.48 billion in August), and narrowed slightly vis-à-vis Japan (\$4.1 billion from \$4.3 billion in August).

International Trade in Goods and Services – September 2009

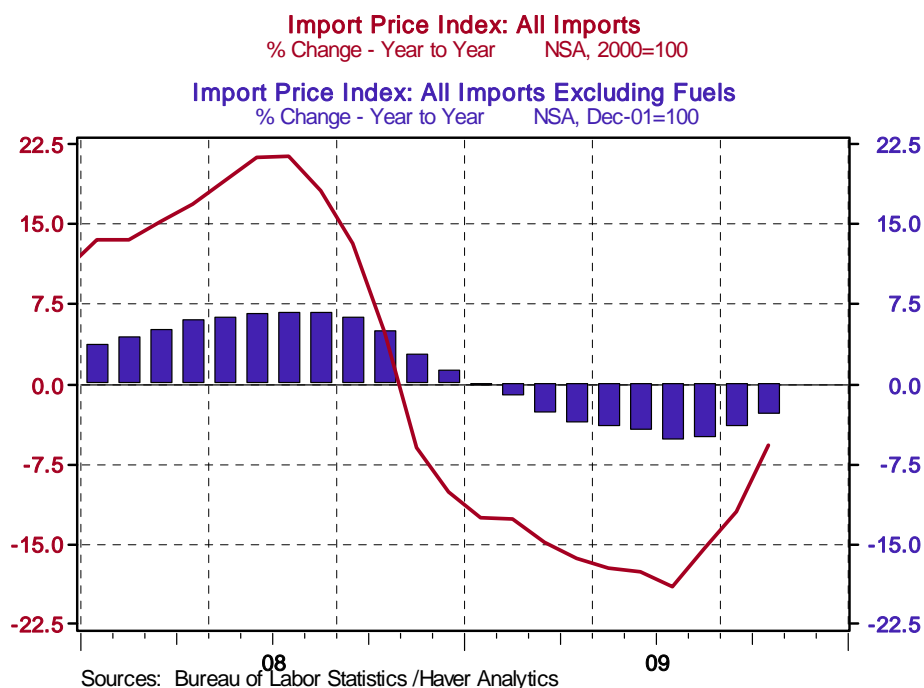
	Trade Balance (billions)			Exports (m-o-m % change)		Imports (m-o-m % change)	
	Goods & Services	Goods	Goods - 2000\$	Goods & Services	Goods - 2000\$	Goods & Services	Goods - 2000\$
Apr-09	-29.1	-39.9	-40.1	-1.9	-4.1	-1.3	-2.9
May-09	-26.4	-37.2	-36.2	1.4	2.0	-0.7	-2.1
Jun-09	-27.5	-38.3	-35.7	2.1	0.8	2.5	0.1
Jul-09	-31.9	-42.8	-38.9	2.5	4.0	4.9	5.5
Aug-09	-30.8	-42.0	-37.9	0.2	-1.4	-0.4	-1.8
Sep-09	-36.5	-47.6	-41.7	2.9	4.4	5.8	6.2

In related news, the Import Price Index rose 0.7% in October as result of higher prices for petroleum and imports excluding fuel (+0.4%). Prices of imports excluding fuel have risen for three straight months between 0.4% and 0.5%, partly due to the weakness of the dollar. On a

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year-to-year basis, the prices for all imports and that excluding fuel declined in October, but the magnitude is noticeably closer to zero in October compared with the a few months ago (see chart 4). This trend will be watched closely to determine the likely inflationary impact of a weak dollar.

Chart 4



Households Remained Gloomy in November

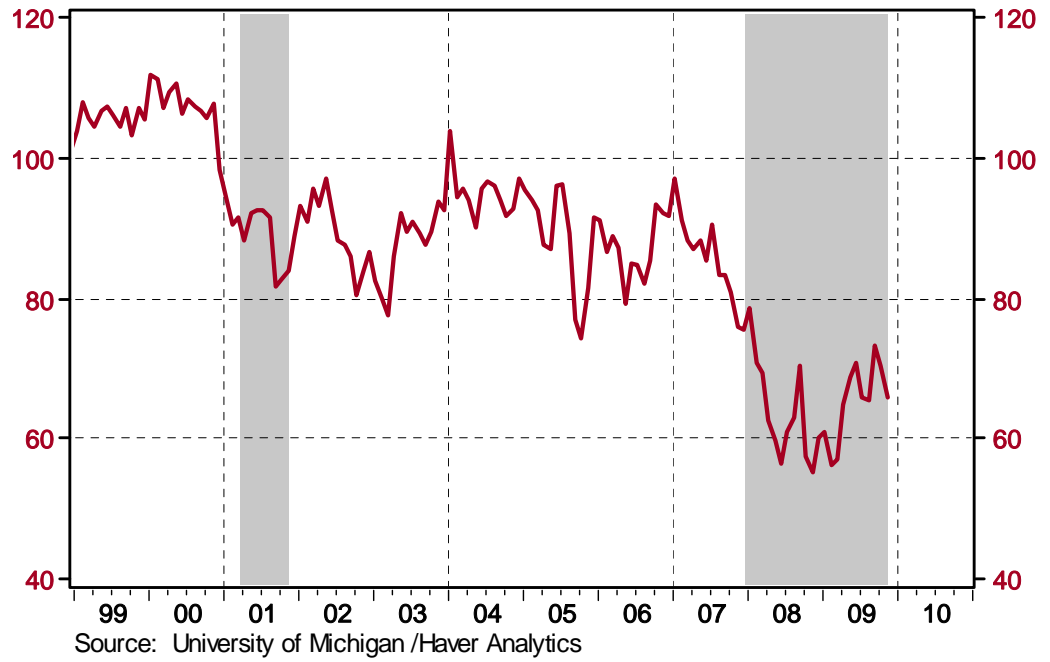
The early-November University of Michigan Consumer Sentiment Index edged down to 66.0 from 70.6 in October. Both the Current Conditions Index (69.6 vs. 73.7 in September) and the Expectations Index (63.7 vs. 68.6 in October) declined. The weak labor market situation appears to have played a major role in households revising their assessment of economic conditions as the index has dropped for two straight months after posting a large increase in September.

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Chart 4

University of Michigan: Consumer Sentiment

NSA, Q1-66=100



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