

Trade Deficit Surges To \$40 Billion In December

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WASHINGTON (AP) — The U.S. trade deficit surged to a larger-than-expected \$40.18 billion in December, the biggest imbalance in 12 months. The wider deficit reflected a rebounding economy that is pushing up demand for imports.

The Commerce Department said the December deficit was 10.4 percent higher than the November imbalance. It was much larger than the \$36 billion deficit that economists had expected.

For December, exports of goods and services rose for an eighth consecutive month, climbing 3.3 percent to \$142.70 billion, reflecting strong gains in sales of commercial aircraft, industrial machinery and U.S.-made autos and auto parts.

Imports were up 4.8 percent in December to \$182.88 billion, led by a 14.8 percent surge in oil imports which rose to the highest level since October 2008.

For all of 2009, the deficit totaled \$380.66 billion, the smallest imbalance in eight years, as a deep recession cut into imports. However, economists believe the deficit will rise in 2010 as U.S. demand for imports outpaces U.S. export sales.

The December deficit was the largest since the imbalance totaled \$41.86 billion in December 2008. The deficit, which hit a nine-year low of \$25.81 billion in May, has been rising in recent months as the U.S. economy has been pulling out of the deepest recession since the 1930s and demand for imports rebounds.

The deficit is expected to keep rising in 2010 even though U.S. manufacturers will be benefiting from stronger overseas sales as the global economy rebounds and a weaker dollar makes their products more competitive in foreign markets. The export gains are expected to be outpaced by an even larger rebound in imports.

Last year's decline in the value of the dollar against the euro, the joint currency of 16 European nations, and several other major currencies has helped make American goods more competitive on overseas markets. That will help lift the fortunes of America's beleaguered manufacturing sector.

Caterpillar Inc., the world's largest maker of construction and mining equipment, said last month that it expected its sales will rise 10 percent to 25 percent this year. Caterpillar generates more than 60 percent of its sales overseas and it is forecasting strong growth to come from developing countries including China and India.

Dow Chemical Co., another major U.S. exporter, said that it expected continued improvement in its sales to emerging markets in Asia and Latin America but is less optimistic about markets in the United States and Europe due to expected

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continued high unemployment.

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