U.S. Trade Deficit Drops To Lowest Point In 10 Months

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — The U.S. trade deficit edged down to the lowest point in 10 months as exports, helped by a weaker dollar and rising foreign demand, climbed to the highest level in more than two years.

The trade deficit narrowed to $38.3 billion in November, down 0.3 percent from October's revised $38.4 billion deficit, the Commerce Department reported Thursday.

Through the first 11 months of 2010, the deficit is running at an annual rate of $500.4 billion, 33.5 percent higher than in 2009 — a year when the deep recession cut into Americans' appetite for imports.

Economists believe the deficit will climb further in 2011 as the U.S. economy recovers and draws in more imported goods. The hope is that U.S. exports will continue rising as well. Foreign demand has been a major force boosting the fortunes of American manufacturers.

For November, exports were up 0.8 percent to $159.6 billion, the highest point since August 2008. The increase was paced by higher sales of commercial aircraft, computers and farm products such as corn and wheat.

Imports had a smaller gain, increasing 0.6 percent to $198 billion, reflecting a 6.7 percent jump in petroleum imports, which climbed to $27.2 billion. The average price of a barrel of crude oil rose to $76.81 in November, a figure that will climb higher in coming months, given the recent jump in world oil prices.

The U.S. deficit with China, the largest with any country, rose 0.5 percent to $25.6 billion in November and is on track to set an all-time annual high. Through November, the deficit with China was running at an annual rate of $275.3 billion, which would exceed the previous record of $268 billion set in 2008.

For November, U.S. exports to China reached a monthly record of $9.5 billion but imports from China rose as well, climbing to $35.1 billion.

The rising deficit with China has increased political pressure on Congress and the administration to take a tougher approach on what critics see as China's many unfair trade practices. A key target has been China's policy of keeping its currency significantly undervalued against the dollar. That makes Chinese products cheaper for American consumers while increasing the price of U.S. goods in China.

Treasury Secretary Timothy Geithner on Wednesday called China's currency

"substantially undervalued" and said Beijing is moving too slowly to fulfill a promise it made in June to allow it to rise against the dollar. Geithner's remarks came in a speech previewing the administration's positions in advance of a visit to Washington next week by Chinese President Hu Jintao.

Geithner said that China's currency, the piracy of U.S. intellectual property and unfair Chinese trade barriers would all be discussed during Hu's meetings with President Barack Obama and other administration officials.

The deficit with Canada jumped 48.2 percent in November to $1.8 billion while the imbalance with Mexico narrowed by 2.4 percent to $5.8 billion. The deficit with the European Union fell 0.7 percent to $7.1 billion.

Source URL (retrieved on *09/02/2014 - 6:12am*):
http://www.impomag.com/news/2011/01/us-trade-deficit-drops-lowest-point-10-months?qt-most_popular=0