Trade Deficit Fell 2.6 Percent In February

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WASHINGTON (AP) — U.S. companies sold fewer products overseas in February but the trade deficit narrowed because of a big decline in oil imports.

The trade deficit fell 2.6 percent to $45.8 billion in February, the Commerce Department reported Tuesday.

Exports, which had hit an all-time high in January, edged down 1.4 percent to $165.1 billion. Sales of U.S. autos, industrial machinery and food products all dropped.

Imports fell 1.7 percent to $210.9 billion. A big reason for the decline was that demand for crude oil fell to a 12-year low, which offset higher prices. The United States also imported fewer cars and computers.

Analysts expect oil imports to rise in the months ahead. The price of oil rose further in March and is now trading at around $110 per barrel. That would likely lead to an increase in the deficit and slow economic growth.

Before the jump, economists expected trade to have a minimal impact on U.S. economic growth this year. But now analysts say the gains in exports could be blunted by higher oil prices. Growth slows when imports outpace exports.

Paul Dales, senior U.S. economist at Capital Economics, said oil prices would likely push the deficit wider in the coming months and may hold overall growth to around 2 percent in the first three months of the year. That would be a steep decline from the 3.1 percent growth in the October-December quarter.

For the first two months of this year, the trade deficit is running at an annual rate of $556.4 billion. Last year's imbalance totaled $495.7 billion, a 32.8 percent increase from 2009 when the recession cut deeply into America's demand for foreign goods.

The soaring trade deficit became a political issue in last fall's congressional elections. Opponents of the administration's trade policies said President Barack Obama had not done enough to protect U.S. workers from unfair foreign competition.

Critics focused on China's refusal to allow its currency to rise more quickly in value against the dollar. A stronger yuan compared to the dollar would make U.S. goods more competitive in China and Chinese goods more expensive in the United States.

For February, the deficit with China declined 19 percent to $18.8 billion. That still was the largest trade gap the United States has with any country. Treasury Secretary Timothy Geithner is expected to press China this week to move faster to allow its currency to rise in value.

Oil imports dropped to $33.7 billion in February. That reflected a big decline in the volume of crude oil imports, which fell to the lowest level since February 1999. That helped to offset a rise in the average price of a barrel of imported crude oil, which rose $2.83 to $87.17 per barrel, the highest level since October 2008.

The drop in oil imports is expected to be temporary given that world oil prices have risen much higher since February, reflecting continuing political upheavals in the Middle East and North Africa. Oil was trading near $110 per barrel on Tuesday.

Imports of foreign cars and parts fell by $2.3 billion in February while imports of capital goods were down $2.1 billion. That was led by big declines in imports of telecommunications equipment and computers. Partially offsetting the declines, imports of consumer goods were up $2.3 billion with clothing and household goods showing gains.

The drop in exports was widespread. Sales of U.S. autos and auto parts fell $1 billion while sales of capital goods dropped $296 million, led by decreases in sales of semiconductors, industrial engines and oilfield drilling equipment. Sales of U.S. farm products fell $160 million, reflecting declines in sales of oilseeds, animal feed and soybeans. Sales of corn were up, reflecting higher prices on world markets.

Sales of commercial aircraft and aircraft engines also posted gains, rising by $825 million in February.

The U.S. deficit with Canada dropped 23.8 percent to $2.9 billion while the deficit with the European Union rose 23.7 percent to $6.9 billion.