

U.S. Trade Deficit Widens To \$53B

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WASHINGTON (AP) — American producers sold fewer industrial engines, electric generators and farm products to the rest of the world in June, pushing the trade deficit to the highest level since 2008 and dealing another blow to an already struggling economy.

The deficit rose 4.4 percent to \$53.1 billion in June, the largest imbalance since October 2008, the Commerce Department reported Thursday. Imports fell 0.8 percent to \$223.9 billion as crude oil prices fell for the first time in nine months. Exports dropped 2.3 percent to \$170.9 billion, the biggest decline in more than two years.

The drop in exports, the second in a row, was a blow to hopes that rising overseas demand will boost the fortunes of American manufacturers in the face of a slump in spending by U.S. consumers. The concern now is that a global slowdown will hobble a U.S. economy that is in danger of stalling out.

The deficit through June is running at an annual rate of \$576.6 billion, 15.3 percent higher than the 2010 imbalance. A higher trade deficit subtracts from overall economic growth because it means consumers are purchasing more foreign-made goods and fewer products made by U.S. workers.

The big rise in June's deficit came as a surprise to economists who had been forecasting an improved deficit based on their belief that oil prices would fall, lowering imports, while exports would recover from a May decline which had been the first setback after 10 monthly gains.

Instead, exports tumbled by the largest amount since a 5.1 percent plunge in January 2009 as the global economy was in the grips of a deep recession.

The weak June trade report was the latest in a string of disappointing economic statistics raising concerns that the U.S. economy could be in danger of toppling into another recession. The economy slowed to an annual rate of just 0.8 percent in the first six months of the year, the slowest period of growth since the recession officially ended two years ago. In June, consumers cut spending for the first time in 20 months and saved more while wages were barely growing and unemployment remained above 9 percent.

The deficit with China shot up by 6.8 percent \$26.7 billion in June, the highest since September 2010. The deficit with the European Union rose 12.2 percent to \$9.8 billion, the worst imbalance since July 2008. The deficit with Japan climbed 53 percent to \$4 billion. Imports with Japan had been reduced in previous months following the March natural disasters which disrupted production at Japanese auto plants and other factories. As Japanese factories have resumed more normal

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operations, shipments to the United States have been rebounding.

Oil imports fell 4.3 percent in June to \$38.2 billion as the average price of a barrel of crude oil fell to \$106, down from \$108.70 in May. It marked the first decline in crude prices in nine months.

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