U.S. Trade Deficit Rose To $124.1B In 2011

Marting Crutsinger, AP Economics Writer

WASHINGTON (AP) — A slight drop in exports and a rise in imports widened the broadest measure of the U.S. trade deficit at the end of last year. The increase pushed the gap to its widest point in three years.

The Commerce Department said Wednesday that the current account trade deficit increased 15.3 percent in the October-December quarter, to $124.1 billion.

A higher trade deficit acts as a drag on growth. It means more goods and services are being purchased from overseas, while U.S. companies are making fewer sales overseas.

Exports decreased slightly to $380.4 billion, in part because of a drop in overseas demand for U.S. airline tickets. Imports ticked up to $566.7 billion. The increase was partly driven by increased purchases of imported airplanes.

For the year, the current account deficit rose 0.6 percent to $473.4 billion, the largest imbalance since 2008.

Economists think the deficit will keep rising in 2012. Europe's debt crisis is likely to drag on U.S. exports, as is slower growth in Asia. And stronger growth in the United States should boosts imports.

The January deficit for U.S. trade in goods and services increased to $52.6 billion, the largest monthly imbalance in more than three years.

The current account is an even broader measure of trade. It covers not only trade in goods but also services, such as air travel, and investment flows among nations. Economists watch the current account as a sign of how much the United States needs to borrow from foreigners.

The current account deficit hit an all-time high of $800.6 billion in 2006. It then shrank after the recession reduced demand for imports. The gap began widening again after the recession ended in June 2009.

The overall economy grew just 1.7 percent in 2011. The country struggled in the early part of the year from a spike in energy prices, supply disruptions caused by the Japanese earthquake and turbulent stock markets. Investors worried about how the European debt crisis would hurt the global economy.

Recent reports show the U.S. recovery is gaining momentum. Employers have added 734,000 jobs since December, the best three months of hiring in two years. The economy is growing faster, consumer confidence is at its highest point in a year and retail sales are rising.

On Tuesday, the Federal Reserve offered a more positive view of the economy, noting the improvement in the job market. The Fed took no further steps to aid the recovery and repeated its plan to keep short-term interest rates near zero through 2014.

JPMorgan economists predict growth of around 2.2 percent for the year, slightly better than last year. Still, gas prices are rising once again. And Europe's debt problems continue to pose a threat, although the Fed said some of the danger to the global economy has eased.

For the fourth quarter, the deficit in goods totaled $186.3 billion, up $5.5 billion from the third quarter. The U.S. surplus on services shrank by $876 million, to $45.3 billion. That reflected in part a drop in foreign purchases of airline tickets.

The surplus on investment income fell to $50.3 billion, a decline of $10.3 billion. A drop in dividend payments to U.S. investors on their foreign investments was a factor.

The category that covers U.S. foreign aid payments totaled $33.3 billion in the fourth quarter, slightly lower than the $33.5 billion in payments made in the third quarter.

Source URL (retrieved on *08/22/2014 - 9:46pm*):
http://www.impomag.com/news/2012/03/us-trade-deficit-rose-1241b-2011?qt-digital_editions=0