

U.S. Trade Deficit Grows To \$42.2B In October

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

U.S. Trade Deficit Grows To \$42.2B In October

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — The U.S. trade deficit increased in October because exports fell by a larger margin than imports, a sign that slower global growth could weigh on the U.S. economy.

The Commerce Department said Tuesday that the trade deficit grew 4.8 percent in October from September to \$42.2 billion.

Exports dropped 3.6 percent to \$180.5 billion. Sales of commercial aircraft, autos and farm products all declined.

Imports fell 2.1 percent to \$222.8 billion, reflecting fewer shipments of cell phones, autos and machinery.

The trade gap with China also increased to a record high, which will keep pressure on the Obama administration. Manufacturers and U.S. lawmakers have complained about China's use of unfair trade practices.

Paul Dales, senior U.S. economist at Capital Economics, said the decline in both exports and imports likely reflected some disruptions from Superstorm Sandy. The storm closed ports in the Northeast for the last few days of October. Exports should rebound in November, although Dales expects the longer-run trend to stay negative.

"The bigger issue is that the weak global economy has been taking its toll on exports," Dales said, predicting that trade would drag slightly on overall U.S. growth in 2013.

A wider trade deficit acts as a drag on U.S. growth. It typically means the U.S. is earning less on overseas sales of American-produced goods while spending more on foreign products.

Exports rose to a record high in September, which helped lift economic growth in the July-September quarter to annual rate 2.7 percent. That more than doubled the 1.3 percent annual growth rate in the April-June quarter. Growth during the summer quarter was also helped by stronger rebuilding of business stockpiles than previously estimated.

Most economists say growth is slowing in the current October-December quarter to below 2 percent. One reason for the weaker growth is the decline in exports. And U.S. companies are probably cutting back on restocking, mostly because of worries about looming tax increases and government spending cuts that will kick in next year without a budget deal before January.

U.S. Trade Deficit Grows To \$42.2B In October

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

There were some hopeful signs in the report.

U.S. exports to the 27-nation European Union rose 1.4 percent in October. Exports to that region have fallen 0.7 percent from January through October because the debt crisis has pushed many European nations into recession.

The U.S. also ran a record \$2.6 billion trade surplus in October with the nations of South and Central America. The surplus with Brazil, the largest economy in South America, was \$1.8 billion. U.S. exports to that country hit a record \$4.1 billion.

Still, the U.S. trade deficit with China kept growing in October to a record \$29.5 billion.

American manufacturers say China has kept the yuan undervalued against the U.S. dollar. A lower valued yuan makes Chinese goods cheaper for U.S. consumers and American products more expensive in China.

The Obama administration has lobbied China to move more quickly to allow the yuan to rise in value. But it has refused to cite China as a currency manipulator. That designation would require negotiations between the two nations and could lead to the United States filing a trade case against China before the World Trade Organization.

Source URL (retrieved on 04/19/2015 - 7:59pm):

<http://www.impomag.com/news/2012/12/us-trade-deficit-grows-422b-october>