U.S. Growth In Q4 Likely Stronger On Export Gains

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WASHINGTON (AP) — The U.S. trade deficit narrowed sharply in December because exports rose while oil imports plummeted. The smaller trade gap means the economy almost surely grew in the October-December quarter — an improvement from the government's estimate last week that it shrank in the final months of 2012.

The trade deficit fell nearly 21 percent in December from November to $38.6 billion, the Commerce Department said Friday. That's the smallest in nearly three years.

Exports rose 2.1 percent to $186.4 billion. Exports of oil and other petroleum products rose to the highest level on record. Overseas shipments of agriculture goods and aircraft also increased.

Imports shrank 2.7 percent to $224.9 billion. Oil imports plunged to 223 billion barrels, the fewest since February 1997.

"All this is encouraging and ... it now looks like exports will continue to strengthen as the year goes on," said Paul Ashworth, an economist at Capital Economics. A survey of U.S. manufacturers, released last week, showed that export orders grew in January for the second straight month.

A narrower trade gap boosts growth because it means U.S. companies earned more from overseas sales while consumers and businesses spent less on foreign products.

Fewer exports were one of the reasons the government's first estimate of economic growth in the October-December quarter showed a contraction at an annual rate of 0.1 percent. The December trade deficit figures were not available when the government reported its estimate last week.

Jim O'Sullivan, chief U.S. economist at High Frequency Economics, estimates the improved trade picture will add 0.7 percentage point to economic growth in the October-December quarter. That would show growth at an annual rate of 0.6 percent.

The government will issue its second estimate for fourth-quarter growth on Feb. 28. Sluggish restocking by companies and deep cuts in defense spending are expected to keep growth at the end of last year weak.

The trade deficit also narrowed for all of last year, shrinking 3.5 percent to $540.4 billion.

Many economists believe that trade will give the economy a small lift in 2013. That forecast is based on an assumption that the European debt crisis will stabilize, helping boost U.S. exports to that region, and economic growth in Asia will continue to rebound.

The politically sensitive trade deficit with China rose to $315.1 billion last year, the largest on record with any country. That could add to pressure on the Obama administration and Congress to take a harder line on China's trade practices. Some U.S. manufacturers contend that China keeps the value of its currency artificially low to make its exports to the U.S. cheaper.

"The record trade deficit with China will not disappear on its own," said Scott Paul, president of the Alliance for American Manufacturing. "Congress and the Administration must take on currency manipulation ... as well as China's persistent cheating on its trade obligations."