U.S. Trade Deficit Falls To $38.8B In March

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WASHINGTON (AP) — The U.S. trade deficit narrowed in March for a second month as the daily flow of imported crude oil dropped to the lowest level in 17 years. The deficit with China hit a three-year low.

The trade deficit decreased to $38.8 billion, an 11 percent drop from February's $43.6 billion, the Commerce Department reported Thursday.

Exports fell 0.9 percent to $184.3 billion as sales of machinery, autos and farm products all declined. Imports fell 2.8 percent to $223.1 billion, led by a 4.4 percent drop in foreign petroleum. Crude oil imports averaged just 7 million barrels per day, the lowest since March 1996.

A smaller trade gap can boost overall economic growth as American companies earn more from overseas sales while U.S. consumers and businesses spend less on foreign products.

For the first three months of this year, the trade deficit is running at an annual rate of $507.7 billion, 5.9 percent below last year's deficit of $539.5 billion. Economists are looking for the deficit to narrow slightly this year, in part because they expect continued gains in U.S. exports.

The politically sensitive deficit with China shrank 23.6 percent in March to $17.9 billion, still far above the imbalance with any other country.

The deficit with the European Union grew 13 percent in March to $9.9 billion even though U.S. exports to the region rose 14.4 percent. But for the year, U.S. exports to Europe are down 8 percent compared to the same period in 2012, reflecting the impact of a recession in the 17 European Union countries that use the euro.

The European Central Bank announced Thursday that it was cutting its benchmark interest rate to a new record low in an effort to stimulate growth in the 17 European countries that use the euro currency.

The Institute for Supply Management reported Wednesday that its index of U.S. manufacturing activity expanded at a slower pace in April, held back by weaker hiring and less company stockpiling. That raised worries that overall economic growth may slow this spring.

The manufacturing index slipped to 50.7 in April. That's down from 51.3 in March and the slowest pace this year. A reading above 50 indicates expansion. A measure of export orders in the ISM survey grew at a slower pace in April.

Exports of industrial machinery, telecommunications equipment, computers, autos and farm products such as soybeans were all down in March although sales of civilian aircraft were up.

Imports of foreign-made autos dropped by $771 million in March and imports of toys and games were down $1 billion.

The overall economy grew at an annual rate of 2.5 percent in the January-March quarter, disappointing expectations that growth would rebound at an even faster rate at the beginning of this year after a near-stall in activity in the final three months of last year.

The U.S. economy is being hurt this year by tax hikes and spending reductions designed to curb huge federal budget deficits.

The Federal Reserve at its meeting Wednesday stood by its aggressive efforts to stimulate the economy and reduce unemployment and held out the possibility that it is prepared to do more if growth doesn't rebound from the current soft patch which the central bank blamed in part on the government's tax increases and spending cuts to curb the deficit.

Many economists believe if the government's across the board spending cuts, known as a sequester, are not lifted, growth in the current April-June quarter and the rest of this year will come at a lackluster 2 percent or less.

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