

U.S. Trade Deficit Narrows To \$34.2B In June

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WASHINGTON (AP) — The U.S. trade deficit narrowed sharply in June to its lowest level in more than 3 ½ years. [Exports](#) [1]rose to all-time high and imports declined, signs that economic growth could be stronger than previously thought.

The Commerce Department said Tuesday that the June deficit fell 22.4 percent to \$34.2 billion. That's the lowest since October 2009 and down from May's imbalance of \$44.1 billion, which was revised lower.

Exports rose 2.2 percent to \$191.2 billion in June. U.S. companies shipped more aircraft engines, telecommunications equipment, heavy machinery and farm goods.

Imports dropped 2.5 percent to \$225.4 billion. Oil imports declined to the lowest level in more than two years.

A smaller trade deficit lifts growth because it means consumers and businesses are spending less on foreign goods than companies are taking in from overseas sales. The steep decline in the June deficit could lead the government to revise its growth estimate for the April-June quarter a little higher.

Last week the government said the economy grew at a lackluster annual rate of 1.7 percent in the second quarter, in part because trade cut nearly a full percentage point from growth. But the government estimated the June trade figures when calculating its first read on economic growth. The government will offer a more complete estimate for second quarter growth on Aug. 29. That will include June's upbeat trade figures.

Pierre Ellis, an economist at Decision Economics, said the trade data could add 0.2 percentage point to 0.5 percentage point to growth. He said the estimate could be on the lower end if businesses held lower stockpiles in June after shipping more goods.

Many economists think overall economic growth has started to rebound in the July-September quarter. Some say growth could near a 3 percent annual rate. A key reason is that several export markets, including Europe, are seeing improvement.

For June, U.S. exports to the 27-nation European Union rose 1.5 percent. That helped shrink the deficit with the region to \$7.1 billion.

The deficit with China fell 4.3 percent to \$26.6 billion. Through the first six months of this year, the imbalance with China is running 1.9 percent above the same period a year ago.

America's deficit with Japan rose 2.2 percent to \$5.5 billion in June. The imbalance

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with Canada dropped 13.7 percent to \$1.6 billion. The deficit with Mexico fell 9.6 percent to \$4.8 billion in June.

U.S. factories are already starting to show more strength after slumping earlier this year, helped by increases in business spending and less drag from government cuts.

Activity at U.S. factories increased in July at the fastest pace in two years in July, according to the Institute for Supply Management's closely watched manufacturing index.

And U.S. factories added 6,000 jobs in July, the Labor Department said Friday. That was the first month of manufacturing job growth since February.

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