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ECONOMY

U.S. trade deficit improves despite record with China

The overall deficit declined 6.8 percent to \$64.3 billion in September from a record \$69 billion in August, thanks in part to a fall in America's foreign oil bill.

By Martin Crutsinger

Associated Press

The U.S. trade deficit improved in September after hitting an all-time high, helped by lower oil prices. The imbalance with China, however, soared to a record as retailers stocked their shelves for Christmas.

The overall deficit declined 6.8 percent to \$64.3 billion in September from a record \$69 billion in August, the Commerce Department reported Thursday.

The drop of \$4.7 billion was better than expected and represented the biggest one-month decrease in more than five years.

The improvement came from a 10.5 percent fall in America's foreign oil bill, which dropped to \$26.3 billion. The volume of imports fell and crude oil prices had a big decline. They now are about \$60 per barrel after hitting \$77 per barrel in the summer.

Analysts said the improvements should continue if oil prices do not spike again. But they cautioned against expecting any quick fix in a deficit still on track to set a record for the fifth straight year.

"There is little in this report to tell me that once we get past the petroleum effect, there are any basic changes in the trade situation," said Joel Naroff, chief economist at Naroff Economic Advisers. "With the Congress changing hands, the political pressure on the administration to do something about China is likely to build."

ALL-TIME HIGH

The deficit with China set a record of \$23 billion in September. It is running at an annual rate of \$228 billion this year, on pace to surpass last year's \$202 billion; that figure was all-time high for any U.S. trading partner.

The big increase in September came from higher imports of Chinese cellphones, televisions and toys as U.S. retailers stocked up for Christmas.

The large decline in oil helped push total imports down by 2.1 percent to \$187.5 billion in September. U.S. exports, helped by a big jump in sales of commercial aircraft, rose by 0.5 percent to an all-time high of \$123.2 billion.

RISE IN EXPORTS

U.S. Trade Representative Susan Schwab, President Bush's top trade negotiator, said the continued rise in exports, which have been up for seven straight months, was good news. So far this year, the deficit is running at an annual rate of \$781.6 billion, far above last year's record of \$716.7 billion.

But Democrats sought to make Bush's trade policies a campaign issue. The United States has lost 2.9 million manufacturing jobs since Bush took office in 2001; critics blame government trade policies for part of that decline.

Commerce Secretary Carlos Gutierrez will lead a 25-company trade delegation to China next week in hopes of boosting U.S. exports.

"While China is more open than before, much progress must still be made to provide fair access to American exporters and businesses," Gutierrez said.