

Nov. trade deficit drops to lowest level since '03

 AP Associated Press

By MARTIN CRUTSINGER, AP Economics Writer

3 mins ago

WASHINGTON – The trade deficit plunged to the lowest level in five years in November as a deepening recession slashed demand for oil by a record amount. Imports from China also fell by the largest amount on record.

The Commerce Department reported Tuesday that the trade deficit narrowed to \$40.4 billion in November, a 28.7 percent decline from October's deficit of \$56.7 billion. The bigger-than-expected decrease left the deficit at its lowest level since November 2003.

The trade deficit through November is running at an annual rate of \$688.2 billion, down from the 2007 imbalance of \$700.3 billion. The 2007 deficit had represented the first decline after five years of record highs.

Economists expect the trade deficit will fall even more sharply this year as the recession further cuts demand for imported products.

For November, exports of goods and services dropped by 5.9 percent to \$142.8 billion, the smallest level in 14 months. This reflected big declines in sales of American farm products, autos and heavy machinery.

Imports fell by an even larger 12 percent to \$183.2 billion, the lowest level in 2 1/2 years. The huge decline was led by the largest-ever drop in crude oil, reflecting a record fall in the average price of a barrel of crude. Total petroleum imports were down 36.5 percent to \$23.6 billion. Analysts predicted further declines in the months ahead, since oil is now trading more than \$100 below its all-time high of \$147 per barrel set in July.

The politically sensitive deficit with China shrank by 17.5 percent to \$23.1 billion in November, the smallest imbalance since June. The big drop reflected a record decline in imports from China as shipments of consumers goods, from cell phones to toys and clothing, all fell. U.S. exports to China also were down sharply, reflecting smaller shipments of metals, computers and aircraft.

American manufacturers are finding themselves battered by a recession that has cut into demand at home and in their biggest export markets in Europe and Asia.

Alcoa Inc., the world's third largest aluminum company, reported late Monday that it lost \$1.19 billion during the fourth quarter of last year as demand for aluminum plunged. Pittsburgh-based Alcoa last week announced plans to lay off about 13 percent of its global work force by the end of this year.

Other big exporters also have been hurt. Aircraft manufacturer Boeing Co. announced last week that it

planned to cut about 3 percent of its work force as the weakening global economy has cut into demand for new orders for jetliners, and Caterpillar Inc. said last month that it planned to cut executive pay by up to 50 percent in 2009 because of weakening global demand.

Economists are concerned that the global downturn could worsen protectionist pressures as politicians respond to demands to shelter their domestic manufacturers by raising trade barriers to foreign goods.

Attention is focused especially on the U.S. given that President-elect Barack Obama won the election with strong support from labor unions, who argued for years that the Bush administration was failing to do enough to protect American workers from unfair foreign trade practices.

Obama has pledged to push through Congress a second stimulus package approaching \$800 billion over two years in an effort to keep the recession from deepening further. Economists believe that even with the stimulus boost, the current downturn will not end until the second half of this year.

For November, the deficit with Canada, America's biggest trading partner, shrank to \$3.3 billion, a drop of 43 percent and the smallest imbalance in six years.

The deficit with the European Union fell by 41.7 percent to \$5.6 billion, while the imbalance with Mexico dropped by 26.8 percent to \$3.5 billion. Because of the fall in oil prices, the deficit with the Organization of Petroleum Exporting Countries dropped to \$5.6 billion, the lowest level since April 2004. The U.S. recorded a small surplus of \$800 million with the countries of South and Central America, the first surplus with this region since April 1999.

Copyright © 2009 The Associated Press. All rights reserved. The information contained in the AP News report may not be published, broadcast, rewritten or redistributed without the prior written authority of The Associated Press.

Copyright © 2009 Yahoo! Inc. All rights reserved. [Questions or Comments](#) [Privacy Policy](#) [Terms of Service](#) [Copyright/IP Policy](#)