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U.S. trade picture brightens at end of 2012

By Don Lee - February 9, 2013

WASHINGTON — The U.S. trade picture brightened at the close of last year as exports rose at a solid pace and imports of oil and other goods shrank in December, dropping the monthly trade deficit sharply and probably lifting fourth-quarter economic growth.

The trade data Friday from the Commerce Department could be another sign of strengthening global growth. Chinese exports have surged in the last two months, and some major European nations also have seen a recent pickup in trade.

For all of last year, the U.S. trade deficit fell 3.5% to $540.4 billion, reversing two straight years of double-digit increases.

After the release of the December trade numbers, which showed that the deficit narrowed to $38.5 billion from $48.6 billion in November, some leading analysts said it appeared that U.S. economic output in the fourth quarter was a little above zero instead of the negative 0.1% annual rate reported in the government's initial estimate last week.

Obama administration officials said U.S. exports of goods and services reached a record high of $2.2 trillion last year. That was led by strong gains in automotive and capital goods, such as passenger jets and telecommunications equipment. But imports also rose to a record high of $2.74 trillion last year.

Significantly, American shipments of fuel oil hit an all-time high last year, reflecting greater domestic production of crude and natural gas. That means there was a little less reliance on foreign oil, which along with consumer goods made abroad has been the primary reason for America's perennially large trade deficit.

The U.S. goods trade shortfall with members of the Organization of the Petroleum Exporting Countries fell to $98.9 billion last year from $126.9 billion in 2011.

"I think that has a huge potential to help us get to more balanced trade," said Edward Gerwin Jr., a senior fellow at the centrist Democratic think tank Third Way, referring to greater energy independence.

Still, President Obama will need a lot of help if he is to fulfill his pledge of doubling exports in five years.

After sizzling growth in 2010 and 2011, the value of U.S. exports of goods and services rose just 4.4% last year, Commerce Department figures show. That leaves the president less than halfway to his goal with two years to go and some stumbling blocks for U.S. exporters, including weakening currencies in nations like Japan and still-weak demand in key markets such as Europe.

Obama announced his goal in his 2010 State of the Union address. Exports surged 17% that year and then jumped 14% more in 2011, putting the administration well on pace to hit its target. But those huge gains were in good part a kind of bungee-like swing up after a steep fall in trade during the recession.

Some trade experts viewed the goal as farfetched, although the U.S. previously doubled exports in the five years between 1976 and 1981.

Other analysts said it was not enough just to grow exports if imports increased as fast or faster, which would leave the trade deficit flat or rising.

Rising imports can signal growing domestic demand, and some imports are components for products that are made in the U.S. and exported. But an increase in deficits is generally seen as a drag on domestic economic output and job growth.

Dan Ikenson, a trade expert at the Cato Institute, a libertarian think tank, wasn't critical of the likelihood of Obama falling short of his goal of reaching $3.16 billion in exports in 2014.

"At least we're moving in the right direction; that's fine," he said, noting that U.S. exports depend largely on what happens in other economies that are mostly out of the president's hands.

The U.S. trade deficit of goods and services hit a peak of $753.3 billion in 2006, and it fell to $379.2 billion in 2009 when the economy was still in recession, according to Commerce Department figures.

Among major trading partners, the U.S. trade shortfall with China reached a new high of $315 billion last year, up from $295.4 billion in 2011. America's trade gap with Europe also widened, to $125.9 billion from $119.7 billion the previous year.