May trade deficit drops to $26B

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WASHINGTON — The U.S. trade deficit fell to the lowest level in more than nine years in May as exports posted a small gain while the weak American economy pushed imports down for a 10th straight month.

The Commerce Department said Friday the deficit narrowed to $26 billion, a drop of 9.8 percent from April and the lowest level since November 1999. Economists expected the deficit to widen to $30.2 billion in May.

So far this year, the deficit is running at an annual rate of $350 billion, about half of the $695.9 billion deficit for all of 2008. Economists believe that trend will continue as weakness in the U.S. depresses demand for imported goods.

The big improvement reflects the prolonged U.S. recession, which has sharply reduced American demand for imported goods. U.S. exports also are down from last year's peaks, hurting American manufacturers, but those declines have been smaller than the plunge in imports.

The politically sensitive deficit with China rose 4.4 percent to $17.5 billion in May, but is running 12.6 percent below the record pace of last year. America's deficit with Canada, its largest trading partner, dropped to $628 million, the smallest monthly imbalance in 15 years. The deficit with Japan shrank to $1.9 billion, the lowest deficit with that country in more than two decades.



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In this file photo, a pallet with bags of California rice is moved in the warehouse at the Farmers' Rice Cooperative in West Sacramento, Calif. The U.S. trade deficit fell to the lowest level in more than nine years in May as exports posted a small gain Friday, while the weak American economy pushed imports down for a 10th straight month.

Exports of goods and services rose 1.6 percent to $123.3 billion in May, reflecting increased sales of soybeans, corn and other farm products, along with higher exports of industrial machinery, generators and computers. But even with the May increase, U.S. exports are 25 percent below the record-high set in July 2008.

Imports edged down 0.6 percent to $123.3 billion, the 10th consecutive monthly decline. Imports are 34.9 percent below the all-time high set last July.

The May decline reflected a 3.4 percent drop in petroleum imports to $17.4 billion. The decrease reflected lower volumes as the average price of an imported barrel of crude oil rose to $51.21, from $46.60 in April.

Oil prices pushed above $70 per barrel last week only to retreat Friday to below $60 on renewed worries about global economic weakness.

Imports of foreign cars and auto parts dropped $238 million in May. Imports of civilian aircraft, computers and drilling equipment also dipped.

American manufacturers have been hurt by falling domestic demand and weakness overseas, as the recession that began in the U.S. has spread worldwide. Global weakness is expected to continue to depress export sales for American companies, including Caterpillar Inc., Deere & Co. and Boeing Co.

This week, the 186-nation International Monetary Fund released an updated economic forecast, predicting that the global economy will shrink 1.4 percent this year, the worst performance in the post-World War II period. That forecast was slightly worse than the 1.3 percent decline the IMF predicted in April.

The international lending agency did see prospects improving for next year .

