

The trade deficit narrowed in December because exports rose while oil imports plummeted. NICK UT/AP

US trade gap narrows to smallest in 3 years

Exports rose, oil imports fell; initial growth estimates for 2012 expected to improve

By Christopher S. Rugaber
Associated Press

WASHINGTON — The U.S. trade deficit narrowed sharply in December because exports rose while oil imports plummeted. The smaller trade gap means the economy almost surely grew in the October-December quarter — an improvement from the government's estimate last week that it shrank in the final months of 2012.

The trade deficit fell nearly 21 percent in December from November to $38.6 billion, the Commerce Department said Friday. That's the smallest in nearly three years.

Exports rose 2.1 percent to $186.4 billion. Exports of oil and other petroleum products rose to the highest level on record. Overseas shipments of agriculture goods and aircraft also increased.

Imports shrank 2.7 percent to $224.9 billion. Oil imports plunged to 223 billion barrels, the fewest since February 1997.

"All this is encouraging, and ... it now looks like exports will continue to strengthen as the year goes on," said Paul Ashworth, an economist at Capital Economics. A survey of U.S. manufacturers released last week showed export orders grew in January for the second straight month.

A narrower trade gap boosts growth because it means U.S. companies earned more from overseas sales, while consumers and businesses spent less on foreign products.

Fewer exports were one of the reasons the government's first estimate of economic growth in the October-December quarter showed a contraction at an annual rate of 0.1 percent. The December trade deficit figures were not

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available when the government reported its estimate last week.

Jim O'Sullivan, chief U.S. economist at High Frequency Economics, estimates the improved trade picture will add 0.7 percentage point to economic growth in the October-December quarter. That would show growth at an annual rate of 0.6 percent.

The government will issue its second estimate for fourth-quarter growth Feb. 28. Sluggish restocking by companies and deep cuts in defense spending are expected to keep growth at the end of last year weak.

The trade deficit also narrowed for all of last year, shrinking 3.5 percent to $540.4 billion.