

## NEWS &amp; COMMENTARY: TOP WORLDWIDE

## ▶ Top Worldwide

## ▶ Regions

## ▶ Markets

## ▶ Economy/Politics

## ▶ Commentary

## ▶ Sports

## ▶ Culture

## ▶ Bloomberg RSS

## RESOURCES:

## ▶ Bloomberg TV

## ▶ Bloomberg Radio

## ▶ Markets

▶ E-Mail This Story ▶ Printer-Friendly Format

## U.S. Trade Deficit Widened to \$65.7 Billion in December

Feb. 10 (Bloomberg) -- The U.S. trade deficit widened in December to \$65.7 billion, ending a year of record energy prices and surging Chinese imports that made for the biggest annual shortfall ever.

The bigger gap in December followed a \$64.7 billion deficit in November, the Commerce Department reported in Washington. American companies imported \$726 billion more goods and services than they exported in 2005, the fourth straight year of record deficits.

Improvement in the trade deficit this year may prove difficult because the U.S. economy is stronger than most of its trading partners, economists said. China accounted for 26 percent of the total U.S. deficit last year, the most for any country, eliciting a chorus of criticism from lawmakers about the Asian nation's trade and currency policies.

"We are seeing some improvement in foreign economies, but the imports are just so much bigger than exports you would have to have a big slowdown in U.S. demand to really make a difference," Stephen Stanley, chief economist at RBS Greenwich Capital in Greenwich, Connecticut, said before the report. "I don't expect to see any big improvement in the near term."

Imports in December rose to a record \$177.2 billion, boosted by overseas shipments of business equipment, industrial supplies, motor vehicles and consumer goods including electronics. Exports also increased, to an all-time high of \$111.5 billion as American companies sold more business equipment, industrial materials, pharmaceuticals and automobiles.

China

Economists expected the December deficit to widen to \$65 billion from the originally reported \$64.2 billion in November, according to the median of 60 estimates in a Bloomberg News survey. The monthly deficit was the third-largest ever. Economists' estimates ranged from \$61.2 billion to \$68.6 billion.

The U.S. deficit with China narrowed 11.9 percent to \$16.3 billion from \$18.5 billion the previous month. The U.S. trade deficit with China last year was a record \$202 billion, compared with \$162 billion in 2004.

## RELATED MEDIA ON DEMAND

## AUDIO

- ▶ Barclays's Maki: U.S. December Trade Deficit, Outlook
- ▶ Cato Institute's Ikenson: U.S. Trade Deficit and China

## VIDEO

- ▶ U.S. Portman: Trade Deficit, Economy and China
- ▶ Deutsche Bank's Feinman: U.S. Economy and Trade Deficit
- ▶ Senator Baucus: U.S. Trade Deficit and China Relations

# GO FAR



# GO FAR



The trade deficit with China has tripled since President George W. Bush took office, spurring legislation on Capitol Hill from lawmakers who say the Bush administration hasn't done enough to open markets.

“There will be a continuous talk, but I think as far as passing legislation, I don't see it coming this year,” Sen. Richard Shelby, an Alabama Republican, said in a Feb. 8 interview.

#### U.S. Imports

North Dakota Senator Byron Dorgan and South Carolina Republican Lindsey Graham yesterday introduced more China trade legislation, a day after a measure was proposed in the House of Representatives to force the administration to bring more complaints at the World Trade Organization.

Lawmakers claim that China keeps the value of its currency artificially low, giving it an unfair advantage by making Chinese goods cheaper abroad. Shelby, chairman of the Senate Banking Committee, said that Treasury Secretary John Snow should name China a currency manipulator.

Imports of consumer goods in December rose by \$1.8 billion, led by televisions, stereo equipment and pharmaceuticals. Overseas shipments of automobiles increased \$498 million during the month, while imports of capital goods rose \$815 million, reflecting more shipments of computers and industrial machinery.

Companies such as Toshiba Corp., Japan's second-largest chipmaker, are benefiting from an expanding U.S. economy and improving labor market in the U.S. Toshiba said sales rose 16 percent in the quarter ended Dec. 31, compared with \$1.4 billion in the quarter ended Sept. 30. Demand for flash memory chips used in mobile phones and portable music players surged almost 14-fold on demand for flash memory chips used in mobile phones and portable music players such as Apple Computer Inc.'s iPod.

#### Crude Oil

Imports of industrial supplies increased \$138 million to \$49 billion, reflecting more shipments of iron and steel, lumber and aluminum. Imports of petroleum declined as the average price and volume fell.

The value of petroleum product imports, which include crude oil and refined products, fell to a seasonally adjusted \$23.6 billion from \$24.7 billion. The price of a barrel of crude oil averaged \$49.76 in December, compared with \$52.16 in November, and down from the post-Hurricane Katrina high of \$70.85 on Aug. 30. The U.S. imported 311.5 million barrels of crude oil in December, compared with 314.4 million barrels in November.

The record trade bill last year was owed in part to a surge in crude oil prices which were the highest ever.

U.S. exports of capital goods, which include civilian aircraft, rose to \$32.3 billion from \$32.1 billion in November. Exports of industrial supplies, such as chemicals and fuel oil, increased to \$20 billion from \$19.4 billion.

#### Consumer Goods Exports

Boeing Co., the world's second largest maker of commercial aircraft, said it shipped 11 planes to foreign customers in December, compared with 17 in November. Exports of civilian aircraft fell to \$2.2 billion in December from \$3.3 billion the previous month.

Exports of consumer goods rose to \$10.6 billion from \$9.9 billion and exports of automobiles and parts increased by \$403 million.

The government estimated on Jan. 27 that the December deficit was about \$65.5 billion when it calculated fourth-quarter growth, according to economists at Lehman Brothers Inc. The economy grew at a 1.1 percent annual rate in the final three months of last year.

The U.S. economy may grow 3.4 percent this year after expanding 3.5 percent in 2005, based on a survey of economists last month from Blue Chip Economic Indicators. By comparison, economists in the Blue Chip survey expect Japan to grow 2.4 percent and countries that use the euro to expand 1.9 percent.

#### U.S. Dollar

The dollar's 3.5 percent gain against a basket of major trading partners' currencies last year may have limited demand for U.S. exports last year, while making imports cheaper.

“The way out of these deficits is that the U.S. currency will start to come down over the next two to three years,” said Nariman Behravesh, chief economist at Global Insight Inc. in Lexington, Massachusetts.

By region, the Commerce Department reported that the trade deficit with Japan narrowed to \$6.8 billion from \$7.3 billion. The deficit with the Organization of Petroleum Exporting Countries narrowed to \$7.6 billion from \$7.8 billion. For all of last year, the U.S. shortfalls with Japan and OPEC were the highest on record.

Elsewhere, the deficit with Canada, the largest U.S. trading partner, widened to \$8 billion from \$7.7 billion. The gap with Mexico narrowed to \$4.3 billion from \$4.6 billion. The deficit with the European Union narrowed to \$10.1 billion from \$11.2 billion.

To contact the reporters on this story:  
Joe Richter in Washington [jrichter1@bloomberg.net](mailto:jrichter1@bloomberg.net)

*Last Updated: February 10, 2006 08:30 EST*

**Advertisement: A shocking prediction by Ken Fisher - Get his forecast here!**

#### SPONSORED LISTINGS

##### **Deep Discount Brokerage**

Now at Scottrade, not only are market orders \$7, but limit orders are too! Only \$500 to open an account. There are no inactive account fees or account maintenance fees. Apply online.  
[www.scottrader.com](http://www.scottrader.com)

---

©2006 Bloomberg L.P. All rights reserved. [Terms of Service](#) [Privacy Policy](#) [Trademarks](#)

[Site Map](#) [Help](#) [Feedback](#) [About Bloomberg](#) [Log In/Register](#) [Advertising](#) [日本語](#)  
[サイト](#)