

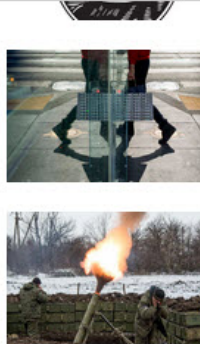
by
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(Bloomberg) -- The trade deficit in the U.S. swelled in December to the biggest in two years as a strengthening dollar propelled a surge in imports.

The gap jumped 17.1 percent to \$46.6 billion, the widest since November 2012, from a revised \$39.8 billion in November, according to Commerce Department data issued Thursday in Washington. Other reports showed fewer Americans than forecast filed claims for jobless benefits last week and worker productivity ebbed in the fourth quarter.



When combined with gains in the dollar that are making foreign goods cheaper, an improving job market is giving households the confidence to buy automobiles and electronics made overseas. American companies also took advantage of the plunge in oil prices to restock fuel inventories, widening the gap in petroleum trade to an eight-month high.

“Higher imports are actually a sign of domestic strength,” said Scott Brown, chief economist at Raymond James & Associates Inc. in St. Petersburg, Florida, who projected a \$44.4 billion trade gap. “Consumer demand is pretty strong and foreign goods are now cheaper for the U.S. consumer, which means we’ll import a lot more.”

Stocks climbed, with benchmark indexes erasing declines for the year, as oil resumed a rebound and Pfizer Inc. announced a \$17 billion deal. The Standard & Poor’s 500 Index added 1 percent to 2,062.52 at the close in New York.

Record Jump

The \$6.8 billion widening of the trade gap in December was the biggest one-month jump on record, Commerce Department data showed. The median forecast in the Bloomberg survey called for a \$38 billion deficit, with estimates ranging from \$35 billion to \$44.4 billion. The Commerce Department initially reported a \$39 billion shortfall in November.

For all of 2014, the trade gap widened 6 percent to \$505 billion. The record was set in 2006 at \$761.7 billion.

Applications for unemployment benefits increased by 11,000 to 278,000 in the week ended Jan. 31, from 267,000 in the prior period, a Labor Department report showed Thursday in Washington. The median forecast of 50 economists surveyed by Bloomberg called for a rise to 290,000.

While holidays make it difficult to adjust the numbers for seasonal swings this time of year, making the data more volatile, readings this low often correspond with gains in hiring. A report Friday is projected to show U.S. payrolls grew by 230,000 workers in January.

‘Positive’ Picture

“The big picture is very positive,” said Stephen Stanley, chief economist at Amherst Pierpont Securities LLC in Stamford, Connecticut. “The labor market is certainly one of the bright lights in terms of economic performance in recent months.”

In recent weeks, high-profile companies such as Mastercard Inc., Chevron Corp., AOL Inc., Siemens AG, American Express Co., eBay Inc. and U.S. Steel Corp. have announced job

cuts, causing alarm that the market was about to deteriorate.

Such notices rarely alter the outlook because staff reductions sometimes fail to materialize as business improves, or cuts are carried out through attrition or early retirement, or employees that are let go are based in other countries or find jobs elsewhere in the company.

An improving job market usually leads to more spending, and some of that is being directed toward purchases of goods made overseas.

Imports increased 2.2 percent to a record \$241.4 billion in December, according to the Commerce Department. Inbound shipments of motor vehicles climbed \$938 million, to the third-highest level on record.

Petroleum Imports

Imports of industrial materials, including crude oil, surged. The trade gap for petroleum products climbed to \$10.5 billion after adjusting for the plunge in prices, the biggest since April.

For all of last year, the price-adjusted U.S. petroleum deficit was the lowest ever as American production climbed with advanced drilling techniques.

A protracted labor dispute at West Coast ports has forced companies to redirect traffic, which means points of entry on the U.S. East Coast and western Canada have benefited most from the jump in imports spurred by the stronger dollar.

Months of contract negotiations between employers and the union representing 20,000 longshoremen at 29 Pacific ports have exacerbated delays along a critical freight route that handles about half of U.S. imports.

Port Slowdown

Ports in New York and Savannah, Georgia, have been among the biggest beneficiaries. Total imports through U.S. ports rose 7.9 percent in December from a year earlier, according to [Datamyne](#) data compiled by Bloomberg. Volume was down 0.5 percent in Long Beach, California, compared with a 31.6 percent increase in Savannah and a 10.7 gain in New York.

Exports fell 0.8 percent to \$194.9 billion in December. Shipments of non-monetary gold dropped by \$1.2 billion, while exports of petroleum also decreased.

After eliminating the effects of prices, which generate the numbers used to calculate gross domestic product, the trade deficit increased to \$54.7 billion in December, the widest since April 2008, from \$48.7 billion a month earlier.

That means trade subtracted more from economic growth in the fourth quarter than currently estimated. A report last week showed economic growth cooled from October through December, largely driven by a drop in exports, more imports and slower business investment, even as consumers ramped up spending. GDP rose at a 2.6 percent annualized rate following a 5 percent pace in the third quarter, Commerce Department figures showed.

GDP

In its advance estimate of GDP, the agency said trade subtracted 1 percentage point from growth, and the bigger-than-projected widening at the end of the year points to an even larger drag.

The trade gap with China, the world's second-biggest economy, widened in 2014 to an all-time high of \$342.6 billion. The U.S. also had a record gap with the European Union.

Also on Thursday, the Labor Department reported that worker productivity dropped in the fourth quarter as employers boosted hours by the most in 16 years, pushing up labor costs.

The measure of employee output per hour decreased at a 1.8 percent annualized rate, after a revised 3.7 percent gain in the prior three months that was larger than previously estimated. The median forecast in a Bloomberg survey of 52 economists called for a 0.1 percent advance. Expenses per worker climbed at a 2.7 percent pace.

To contact the reporter on this story: Victoria Stilwell in Washington at vstilwell1@bloomberg.net

To contact the editors responsible for this story: Carlos Torres at ctorres2@bloomberg.net
Vince Golle
