

## Trade Deficit Falls to Five-Year Low as Oil Imports Collapse

The trade deficit came out much smaller than expected, dropping to a five-year low in November. A collapse in the value of oil imports explains much of the decline. However, non-oil imports weakened sharply as well, reflecting weakness in the domestic economy. Meanwhile, foreign recessions are causing exports to decline.

### Collapse in Oil Imports Drives Trade Deficit Lower

- The trade deficit came out much smaller than expected, largely because the value of oil imports fell sharply.
- The collapse in the price of petroleum since July finally showed up in the nation's import bill. That said, non-oil imports were also off more than \$10 billion, reflecting weakness in the domestic economy.

### Global Recession Pulling Exports Lower

- The trade deficit would have narrowed even further had exports not dropped \$7.6 billion. Broad-based declines in exports reflect the effects of the global recession.
- Net exports have propped up real GDP growth over the past year or so. By our reckoning, however, net exports made very little contribution to growth in the fourth quarter.

