

BBC: US deficit swells, no explanations offered!

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This is unbelievable, no body cares to explain why such a wacky thing has happened to US, not even a single darn economist!

US trade deficit swells in June

The US trade deficit has unexpectedly swollen by 19% to a record \$55.8bn (£30.4bn) in June.

The country suffered the biggest drop in exports in nearly three years, just as imports hit record levels.

Wall Street economists had expected the gap to widen, but had predicted a gap of just \$47bn.

Economists said the growing deficit was likely to force the government to revise downwards its forecast of 3% economic growth in the second quarter.

Under pressure

The deficit rise may increase the pressure on President Bush and his handling of the economy ahead of the Republican Party Convention later this month.

The figures are the latest in a series of worse than expected economic reports in recent weeks.

US exports fell by 4.3% to \$92.8bn (£50.4bn) in June, their largest monthly fall since September 2001.

Imports rose 3% to \$148.6bn, partly reflecting the steady rise in crude oil prices.

It's extraordinary. I've never seen this big a swing in one month

Kevin Logan, Dresdner Kleinwort Wasserstein.

The country's trade deficit with China widened to a record \$14.2bn as Chinese imports rose to a record high.

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The US dollar fell on the news, while the value of US bonds rose as traders said the data suggested that interest rate rises would be less aggressive than previously thoughts.

The widening deficit came as a shock to Wall Street.

"It suggests a major downward revision to second quarter GDP. It's obviously dollar-negative," said Rebecca Patterson of JP Morgan.

Kevin Logan, an analyst with Dresdner Kleinwort Wasserstein, described the figures as "extraordinary".

"I've never seen this big a swing in one month," he said.

Falling confidence

"Perhaps the most disturbing news would be the deep drop by exports, where the earlier rise in exports supplied important support to the US manufacturing sector," said John Lonski, chief economist at Moody's Investors Service.

Data released on Friday also showed that US consumers are less confident about their economic prospects than they were last month.

The University of Michigan Index of Consumer Sentiment dropped from 96.7 in July to 94 in August.

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