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ECONOMY

U.S. Trade Deficit Swells 4.4% With Chinese Imports Surging

By NEIL KING JR. Staff Reporter of THE WALL STREET JOURNAL

(See Corrections & Amplifications item below.)

WASHINGTON -- A surge in imports widened the U.S. trade deficit in September, but American manufacturers applauded signs that shipments of U.S. goods grew strongly as well.

The tally was another sign of robust growth at the end of the third quarter; both exports and imports had been down in August.

The overall imbalance between imports and exports of goods and services grew to \$41.27 billion, or 4.4%, as U.S. consumers bought \$4.12 billion more in foreign goods and services in September than in August. Imports from China accounted for a quarter of that growth, and rose to a record of \$14.79 billion -- twice their monthly average of just four years ago.

The total trade gap came in at slightly more than most economists predicted.

But U.S. manufacturers were cheered by news that exports grew by \$2.37 billion, largely on increased sales of semiconductors, computer accessories, consumer goods and bulk crops like soybeans.

"This was the largest monthly increase in exports we have seen in 39 months," said Jerry Jasinowski, president of the National Association of Manufacturers. "Given the sharp decline of exports in recent years, this is heartening news."

The U.S. saw exports to neighboring Canada and Mexico jump by \$2.05 billion. Exports to nearly every other part of the world were flat for the month. Economists attribute the increase in exports to a weaker dollar and increased economic growth overseas.

In another historic marker, it now appears certain that China this year will outpace Mexico for the first time as the second-largest supplier of goods and services to the U.S. after Canada. This comes after China last year bumped Japan from its long-held place as America's third-largest supplier.

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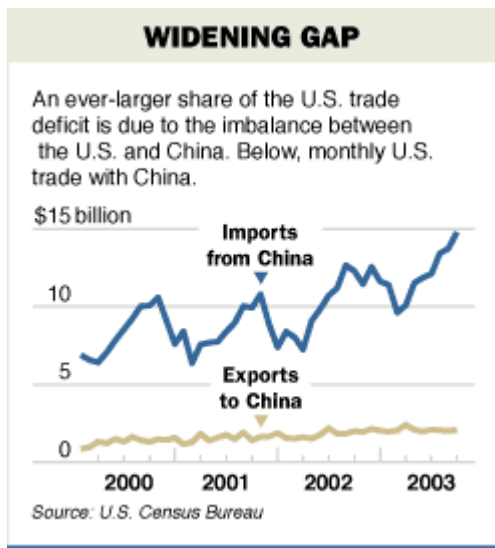


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Mexico's exports to the U.S. in 2002 topped \$134.62 billion compared with \$125.19 billion from China. Through September, China's exports were \$108.61 billion compared with \$101.93 billion from Mexico.



China's booming sales will undoubtedly increase pressure on Beijing to loosen its tight control on the national currency. Many members of Congress and U.S. manufacturers believe China is maintaining an unfair trade advantage by keeping the yuan undervalued. There is also a growing movement among harder hit U.S.

companies to seek trade protections against cheaper Chinese imports.

The September trade deficit with China, \$12.69 billion, was the third monthly record in a row. U.S. exports to China in September grew by just \$60 million, with totals well below the figures in March and June. At the current rate, the U.S. looks set to rack up an annual **trade gap** with China exceeding \$120 billion, far wider than the \$103 billion last year.

The overall import surge came largely on the strength of increased purchases of cars and car parts as well as televisions, VCRs, computer goods, telephones and pharmaceuticals.

Japan's exports to the U.S. grew only slightly, by \$200 million, while other Pacific Rim countries also posted small increases.

Mr. Jasinowski, whose organization represents 14,000 U.S. manufacturers, said he anticipated still wider trade deficits in coming months as the world economy continued to revive. But "improving economic conditions abroad in 2004 and continued realignment of the dollar should support stronger export growth and an improving trade balance starting in the middle of next year," he said.

#### Jobless Claims Rise by 13,000

Separately, the Labor Department reported the number of U.S. workers filing first-time applications for unemployment benefits rose slightly last week, though the volume of filings remained at levels economists associate with a stable-to-improving labor market. Initial jobless claims, a widely followed indicator of job-market activity, rose by 13,000 to 366,000 in the week ended Nov. 8. It marked the sixth-consecutive week that claims have been below 400,000, which economists say indicates the stable-to-improving job market. The four-week average continued to decline, moreover, dropping to a 32-month low of 375,250.

Economists had expected claims to increase by 17,000, according to a survey by Dow Jones and

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Another report from the Labor Department showed import prices edged up 0.1% in October amid a rebound in petroleum prices. That erased some of the 0.4% decline in September. Petroleum prices climbed 2.3% after a 5% decline in September.

### **Corrections & Amplifications:**

The U.S. trade deficit was \$41.27 billion in September. An earlier version of this article put the deficit at \$39.5 billion, which was actually the figure for August.

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*Updated November 14, 2003*

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