Auto Trade Worsening Along with Most Other US Industries

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The Census Bureau's trade report for January shows US net imports of autos/trucks/parts worsened by –15% yr/yr to -$11.8 billion. The US paid $2.53 for imported auto-sector goods in January for each $1 earned by the industry's exports. The troubled sector suffered a record -$138.5 billion trade deficit – production shortfall – last year so this early indicator suggests the auto sector deficit in 2006 could reach a new record -$160 billion. (see page 1 of attached for details)

January's deficit in Manufactured goods worsened –11% yr/yr and the surplus in Agricultural trade fell another –46% yr/yr. The Manufacturing trade deficit in 2005 was a new record -$506 billion and the Agricultural trade surplus was just $5.5 billion – near the modern record low of $5.4 billion reached in 1986.

Of the total 81 industry SITC categories of goods, 55 registered trade deficits in January while 53 industries suffered worsening deficits or lower surpluses. That is, only 28 of 81 US goods producing industries improved their yr/yr trade balance in January.

For the 31 days of January the overall trade deficit for goods reached a record -$73.4 billion, -17.5% worse yr/yr and suggesting that the record goods trade deficit of -$781.6 billion could worsen to over -$900 billion in 2006. Just since the year 2000 the US goods deficits have already totaled over -$3.35 Trillion.

The goods and services trade deficit in January also set a one-month record of -$68.5 billion, -17.6% worse yr/yr, suggesting the record deficit of -$723.6 billion last year could swell to over -$850 billion this year.

Next week the BEA will release the full US Current Account figures for 2005-Q4. This will almost certainly show a record deficit of over -$800 billion for 2005 – and Current Account deficits totaling more than -$4.5 Trillion since 1990. Today's report suggests that the US Current Account deficit for 2006 may approach $1 Trillion.

These unprecedented and rapidly accumulating deficits must be financed by massive net borrowing from abroad and by selling-off valuable US assets. This at the same time that US-based productive capacity is being rapidly undermined by producing less goods and services than the country needs both for current consumption and investment. As my previous analyses have shown, **more than all** of today's sluggish job growth is coming in consumer services industries that face little or no outsourcing or imports – health care, education, construction/tradesmen, bars, restaurants and credit services.
The current US external imbalance is clearly unsustainable and very dangerous. Where are the policymakers?