# Weaker Europe starts to lose appetite for US goods

Associated Press By MARTIN CRUTSINGER | Associated Press – 8 mins ago

WASHINGTON (AP) — A sign that Europe's crisis has begun to weigh on the U.S. economy emerged Friday from a report that exports to the continent sank in November — far more than overall U.S. exports did.

Europe, which consumes nearly one-fifth of America's exports, may already be in a recession. A weakening Europe could further shrink demand for American goods and slow the U.S. economy just as the job market has started to strengthen.

"The decline in our sales to Europe was fairly large and may be the start of a longer-term trend in declining exports to the continent," said Joel Naroff, chief economist at Naroff Economic Advisors.

The U.S. trade deficit rose 10.4 percent in November to $47.8 billion, the Commerce Department said.

Higher oil prices were the main reason the deficit widened. Oil rose above $100 per barrel in November. It had been as low as $75 a barrel the previous month. More expensive oil drove the value of imports up 1.3 percent, to a record $225.6 billion.

Overall exports dropped 0.9 percent to $177.8 billion. American exports to Europe fell much more sharply — nearly 6 percent.

Economic growth weakens when exports decline because factories tend to produce fewer goods. And U.S. companies earn less. Friday's trade report led some economists to cut their growth estimates for the October-December quarter.

Many economists had expected growth to be stronger after seeing more hiring, an increase in company stockpiles and faster production at U.S. factories. Most had been predicting that the economy would grow this quarter at an annual rate of roughly 3 percent.

But Paul Dales, senior U.S. economist for Capital Economists, said he now expects growth to be closer to 2 percent, in part because of the weaker trade report and also because of December's disappointing retail sales.

"The widening in the U.S. trade deficit in November ... is perhaps the first real sign that the crisis in Europe and the more general global slowdown is starting to take its toll on the U.S.," Dales said.

The trade deficit hit a 2011 peak of $52.1 billion in June. Then it fell for four straight months. The narrower trade gap helped boost economic growth as foreign nations bought more American goods.

Exports hit an all-time high of $180.6 billion in September, reflecting healthy auto sales in foreign markets. Greater exports lead to more U.S. jobs and higher consumer spending, which boosts growth.

Through 11 months, the 2011 deficit is running at an annual rate of $559.4 billion. That's nearly 12 percent above the 2010 deficit.

For November, the deficit with China dropped 4.3 percent. But for the year, the imbalance with China climbed to $272.3 billion. That's on track to surpass last year's record of $273.1 billion.

Auto imports rose to $22.3 billion. But consumer goods fell to $42.5 billion. The drop reflected declines in household goods, clothing and televisions.

The drop in exports covered several manufacturing categories. Sales of commercial aircraft, U.S.-made cars and machinery all fell.