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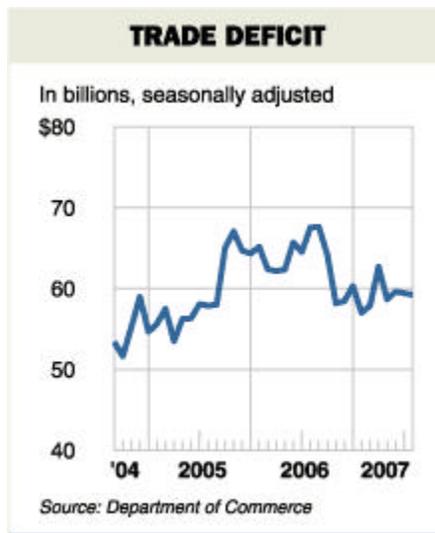
Trade Deficit Narrowed in July As Exports Continued to Grow

By ELIZABETH PRICE

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WASHINGTON -- The U.S. trade deficit narrowed slightly in July, as exports of high-value capital goods offset the impact of higher oil prices on imports.

The U.S. deficit in international trade of goods and services shrank 0.3% to \$59.25 billion from June's revised \$59.43 billion, the Commerce Department said Tuesday. The June trade gap was originally reported as \$58.14 billion.



The July trade gap came was in line with Wall Street expectations. Economists surveyed by Dow Jones Newswires ahead of the report had predicted a \$59.20 billion deficit. Demand abroad for American-made products has been an important contributor to U.S. economic activity this year and Tuesday's report indicated that trend continued into the third quarter.

In July, growth in U.S. exports, up 2.7% to \$137.68 billion, outpaced the growth in imports. Imports climbed 1.8% to \$196.93 billion.

Foreign sales of big-ticket capital goods were the source of most of the export gains. Exports in the overall capital goods category, which includes aircraft, telecommunications equipment and electrical goods, increased \$1.93 billion in July. Exports of autos and parts rose \$1.44 billion.

Exports of consumer goods like artwork, pharmaceuticals, and household goods rose \$494 million, and exports of foods, feeds and beverages rose \$261 million. Foreign sales of industrial supplies, like natural gas, and industrial gold fell \$590 million.

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Higher oil prices pushed up the value of imports in July. The nation's bill for crude oil imports for the month was \$20.34 billion, compared with \$19.58 in June. The average price for a barrel of oil rose \$4.61 to \$65.56 -- the second-highest on record, the Commerce Department said. Import volume fell to 310.32 million barrels for the month, compared with 321.26 million in June.

The U.S. paid \$27.77 billion for all types of energy-related imports in July, up from \$26.65 in June.

The U.S. also posted a large increase, \$1.10 billion, in imports of autos and parts. Imports of industrial supplies, including oil, rose \$1.05 billion and imports of consumer goods, like furniture and apparel, rose \$439 million. U.S. demand for foreign-made capital goods, including aircraft and computers, fell \$97 million.

U.S. trade deficits with major trading partners generally widened in July, Commerce said.

The U.S. deficit with China was \$23.80 billion, up from \$21.16 billion in June and the second highest level on record. The deficit with Japan rose to \$8.02 billion from \$6.28 billion.

The trade gap with the euro area grew to \$10.39 billion from \$7.43 billion. The deficit with Canada narrowed slightly to \$5.69 billion from \$5.86 billion. The U.S. gap with Mexico decreased to \$5.62 billion from \$6.39 billion.

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