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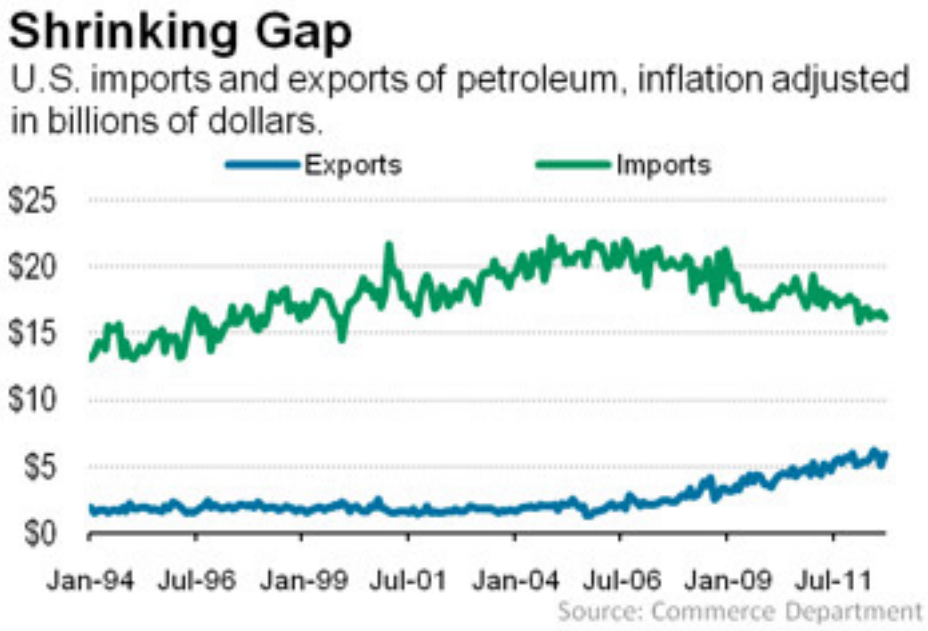
America's oil boom is pumping up exports and driving down the trade deficit.



The U.S. trade gap narrowed by $2.3 billion in September, to $41.5 billion, the **Commerce Department**
said Thursday. Oil accounted for more than three quarters of the change, with a $2.2 billion surge in oil exports easily offsetting a small increase in imports.

The one-month change doesn't mean much — the deficit could widen again when October figures are released next month. But the longer-run trend is unmistakable: The U.S. is importing less oil and exporting more.

The U.S. spent $32.8 billion on oil imports in September and sold $11.2 billion in oil — virtually all of it in the form of gasoline, diesel and other so-called petroleum products — to customers in other countries, for a trade deficit of $21.7 billion. A year ago, that deficit stood at $26.3 billion. Adjusting for inflation, the deficit has shrunk by nearly 40% over the past five years.

What's going on? Lower demand is part of the story. U.S. oil consumption rose steadily in the 1990s and early 2000s, hitting 20.8 million barrels per days in 2005. But demand leveled off in the mid-2000s due to improved fuel efficiency, changed driving habits and increased consumption of ethanol, then plunged at the end of the decade due to the recession. Consumption bottomed out at 18.8 million barrels per day in 2009, and has hardly rebounded from there.

The major driver, however, is supply. U.S. oil production has risen more than 20% over the past five years, reversing two decades of decline. Drilling techniques that first revolutionized the natural-gas industry have now unlocked vast new oil fields in North Dakota, Texas and perhaps even Ohio. North Dakota's oil production has more than doubled in just the past two years.

The U.S. still imports far more oil than it exports, a fact that isn't likely to change any time soon. But the gap is getting narrower: The U.S. now imports about 40% of its oil, down from 60% just a few years ago. That's shaving billions off the trade deficit and giving a boost to the economy — Thursday's trade report led **Barclays** to boost its estimate of third-quarter economic growth by four tenths of a point to 2.8%