SPECIAL FEATURE: Can US recovery help Asian exports?

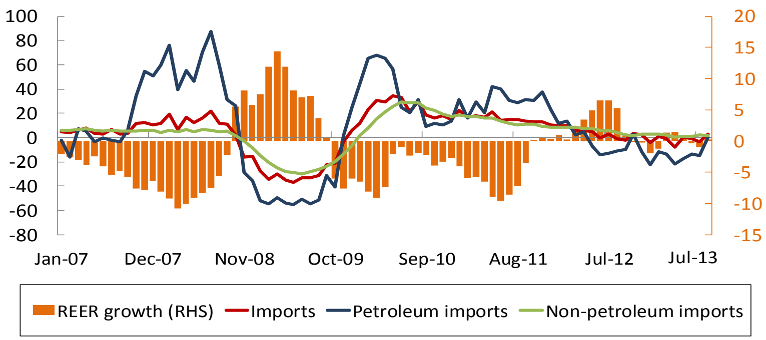
Notwithstanding signs of recovery, US imports have been weak since post-2008. Import growth has continued to decline since mid-2010 and has stayed around zero since mid-2012. The almost flat import growth holds even after excluding the impact of decreased oil exports due to increased local shale gas production. Notably, even with the slight appreciation of the dollar from end-2012, non-oil imports did not pick up (**Figure 1**).

Such lackluster import growth is reflected in US Asia import data. Computations from the census bureau data shows that imports from ASEAN-4 plus Viet Nam in July grew 5.1 percent year-on-year, slightly higher than 4.4 percent in June. Imports from NIEs, while reversing the negative growth rates in June, remains weak at 0.9 percent. Imports from People's Republic of China (PRC) grew at 2.3 percent in July from 1.6 in June. Meanwhile, imports from Japan fell to -5.8 percent. Overall, since the beginning of 2013, import growth from these regions have been relatively flat, with slight upticks coming from NIEs and PRC.

Flat imports may reflect temporary shocks like a weaker US dollar as well as structural changes to the US economy. In particular, there has been a correction of the overconsumption that took place before the 2008/9 crisis and an increase in 'on-shore' movements in the US. Trade and current account deficits were historically high before the 2008/9 crisis with numbers roughly at 6% of GDP. Even though deficits have come down to roughly 3% in recent years, they are still historically high, about the level reached in the 1980s when triple deficits became controversial issues. Meanwhile, some point out the return of manufacturing to US (hence 'on-shoring') and a change in preferences of US consumers to US-made products.

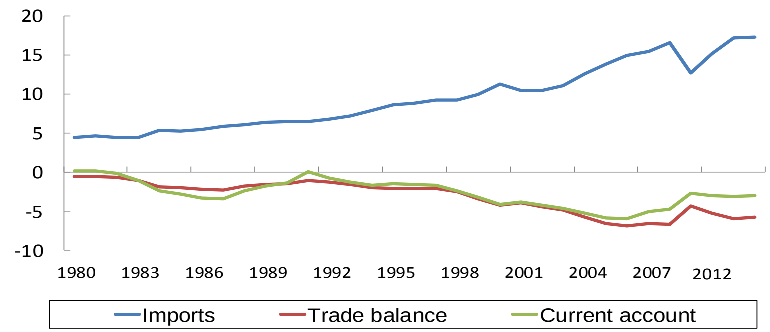
So, even with a full-fledged US recovery, Asia may not expect the US demand to return to the pre-crisis level. Therefore, there is still a need to strengthen the rebalancing of growth source to regional demand in the post-2008 crisis environment.

Figure 1: Growth of REER and Merchandise Imports—United States (y-o-y, %)



REER=Real Effective Exchange Rate (2010=100)
Note: Non-petroleum imports computed by subtracting petroleum from total imports.
Source: ADB calculations using data from CEIC and Bank of International Settlements (BIS)

Figure 2: Imports, Current Account Balance, and Trade Balance—United States (% of GDP)



Note: GDP in 2005 prices.

Source: ADB calculations using CEIC for imports, trade balance, and GDP; *World Economic Outlook April 2013,* IMF for current account as % of GDP.