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## Oil's slide may be a mixed blessing

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By [Emily Kaiser](#)

SINGAPORE (Reuters) - After all the angst over pricey oil and the threat it posed to the global economy, it is hard to see the recent slide as anything but a welcome reprieve.

If it holds, the oil price decline would boost consumers' discretionary spending power, calm inflation concerns and perhaps bolster confidence.

But it may also cool short-term demand.

Fearful of further price increases, some U.S. businesses have rushed through orders and built up inventories. While that probably helped lift April's exports from China and elsewhere, it may have come at the expense of orders and future shipments.

China is scheduled to release its April trade data on Wednesday. Economists polled by Reuters are looking for a 29.4 percent increase in exports, a strong reading but a bit softer than March's 35.8 percent jump.

Reports last week showed inventories growing at U.S. manufacturing and services companies. One respondent in the Institute for Supply Management's survey of purchasing managers reported "buying ahead of cost increases."

Another said "customers are rebuilding safety stock levels of inventory, and also trying to buy ahead of material price increases."

U.S. government data this week may support that anecdotal evidence. On Tuesday, a report on wholesale inventories is expected to show a 1.0 percent increase for March, although sales are expected to rise even more quickly, which would ease concerns of an unmanageable buildup of stocks.

Thursday brings data on business inventories, which economists expect to rise by 0.9 percent.

As long as consumers keep buying, a little extra inventory isn't disastrous. Several U.S. retail chains reported solid April sales last week. Economists expect the Commerce Department's retail sales report on Thursday to show a 0.6 percent increase for April, which would be up a bit from March.

For IFR's forecasts for the week ahead in U.S. economic data, please click on: [here](#)

### SHORT-LIVED DEFICIT?

U.S. trade data for March comes on Wednesday and is likely to show the deficit widened slightly, to \$47 billion, in part because of rising costs of oil imports.

China last month reported a rare trade deficit for the first quarter, a point that Beijing will likely tout during this week's Strategic and Economic Dialogue in Washington as evidence it takes seriously its pledge to refocus its economy toward domestic demand rather than exports.

But the deficit was largely due to the rising cost of commodity imports, not structural changes in China's economy, so falling prices could trim the import bill and reverse the trend.

Chinese Vice Finance Minister Zhu Guangyao said on Friday Beijing was not "deliberately" pursuing a large trade surplus.

"This is a mutually beneficial, win-win economic relationship," he said of the United States and China.

Trade and the value of China's yuan currency are regular topics of discussion when the United States and China meet, and this week will be no different.

Eswar Prasad, an economist who teaches trade policy at Cornell University, said talks on economic policy may soon be "overshadowed by the political calendars in the two countries, which herald a gradual hardening of positions and less room for maneuver on both sides."

Chinese President Hu Jintao and Premier Wen Jiabao are expected to step down in late 2012, while U.S. President Barack Obama is up for re-election in November 2012.

"This makes it unlikely we will see any major policy shifts in the bilateral relationship, unless dictated largely by domestic political and economic circumstances," Prasad said.

While figures from the United States and China get most of the attention, another batch of trade data also bears watching. Taiwan releases its April report on Monday. It should provide more insight into how Japan's earthquake and tsunami are affecting its trading partners.

"Events in Japan still pose downside risks given that Taiwan imports a substantial amount of capital goods and high-tech electronics parts from Japan," Nomura economist Tomo Kinoshita wrote in a note to clients.

"Disruptions in the supply chain network in the auto and electronics sectors are especially concerning."

(Additional reporting by Chris Buckley in Beijing; Editing by Dan Grebler in New York)

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