Trade Deficit Rises To 15-Month High

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WASHINGTON (AP) — The U.S. trade deficit rose to a 15-month high as rising oil prices pushed crude oil imports to the highest level since the fall of 2008, offsetting another strong gain in exports. The larger deficit is evidence of a rebounding U.S. economy.

The Commerce Department said Wednesday that the trade deficit rose 2.5 percent to $40.4 billion in March. It was close to the $40.1 billion deficit economists had expected and the biggest monthly trade deficit since December 2008.

Exports of goods and services rose 3.2 percent to $147.87 billion, the highest level since October 2008. Imports were up 3.1 percent to $188.3 billion.

The higher deficit is evidence of an improving economy. It shows demand is picking up in the United States following the recession, which had cut the trade gap last year to the lowest level in eight years.

Economists believe U.S. manufacturers will continue to get a boost from rising demand for their products, reflecting the rebound in the global economy and a weaker dollar against many major currencies. However, that forecast could turn out to be too optimistic if a widening European debt crisis cuts into demand for American products in Europe, a major market for U.S. goods.

So far this year, the deficit is running at an annual rate of $467.2 billion, 23.4 percent higher than last year's imbalance of $378.6 billion.

For March, the rise in exports reflected increased sales of American farm products and a wide range of heavy machinery from electric generators to earth-moving equipment.

The increase in imports was led by a 25.5 percent jump in crude oil shipments, which rose to $22.3 billion March, the highest level since October 2008. That increase reflected higher volume and higher prices. The average price for a barrel of crude oil rose to $74.32, up from $72.92 in February.

Prices have been falling since oil hit $87.15 a barrel in early May. The debt crisis in Europe has raised concerns about the durability of the global economic recovery. In trading Wednesday, oil dipped to near $76 per barrel.

The deficit with China rose 2.4 percent to $16.9 billion in March, the highest level since January and the largest trade gap with any country. The Obama administration is facing growing political pressure to impose trade sanctions on China if Beijing doesn't allow its currency to rise in value against the dollar.

Treasury Secretary Timothy Geithner raised hopes for a change in monetary policy when he stopped in Beijing last month to talk with Chinese economic officials on his way back from India. But Chinese President Hu Jintao, who discussed the issue with President Barack Obama during a trip to Washington last month, said China's decision on the currency "won't be advanced by any foreign pressure."

American manufacturers are pressing for a tougher trade policy. They say America's trade deficit with China has cost 2.4 million manufacturing jobs at a time when the jobless rate in this country is 9.9 percent.

Geithner is expected to raise the currency issue when he and Secretary of State Hillary Clinton go to China for two days of high-level talks later this month.

The deficit with the 27-nation European Union rose to $7.1 billion in March, a jump of 32.7 percent. Imports from Europe rose faster than U.S. exports to the EU.

The deficit with Canada, America's largest trading partner, fell by 15.8 percent to $2.3 billion. The imbalance with Mexico rose 26.7 percent to $6 billion as imports from Mexico hit an all-time high.