U.S. Trade Deficit Climbs To $42.3 Billion

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WASHINGTON (AP) — The U.S. trade deficit widened in May to the highest level in 18 months as a rebounding economy pushed up demand for imports of foreign-made cars, computers and clothing.

The trade deficit increased 4.8 percent to $42.3 billion, the largest imbalance since November 2008, the Commerce Department reported Tuesday. American exports of goods and services rose 2.4 percent but this increase was outpaced by a 2.9 percent rise in imports.

American manufacturing has been a standout performer so far in this recovery, benefiting from a global economic recovery. But the concern is that export sales will be hurt by the European debt crisis, which has dampened growth prospects in Europe.

Through May, the U.S. trade deficit is running at an annual rate of $474.8 billion, up by 26.6 percent from $374.9 billion deficit for all of 2009. That had been the lowest annual trade gap since 2001, another year when the country was in recession.

The rise in the May deficit came despite the fact that oil imports dropped by 9.1 percent to $27.6 billion as both the price of oil and the volume of shipments declined slightly.

The 2.4 percent rise in exports in May compared to April pushed sales of American goods and services to $152.3 billion, the highest level since September 2008. While sales of soybeans, wheat and other farm products were down in May, demand for American-made autos, industrial machinery, medical equipment and commercial aircraft all increased.

Imports rose 2.9 percent to $194.5 billion, the highest level since October 2008, reflecting big gains in imports of cars, computers, oil drilling equipment and industrial machinery.

The deficit with the European Union rose 7.5 percent to $6.2 billion as imports from Europe rose by 3.2 percent, ouptacing a 1.9 percent rise in U.S. exports to that region.

The concern is that American exports could falter in coming months if a debt crisis in Europe pushes that region back into recession. The debt troubles have also caused the value of the euro to weaken against the dollar this year, making American goods less competitive in the 16 nations that use the euro currency.

The deficit with China rose to $22.3 billion, the largest imblanace since last October and a 15.4 percent jump from the April deficit. So far this year, the U.S. deficit with

China, the largest imbalance with any individual country, is up 10.2 percent from the same period a year ago.

The rising deficit with China at a time of high unemployment in the United States is increasing pressure on the Obama administration and Congress to adopt a tougher stance in trade disputes with China.

Last week, the Obama administration declined to cite China in a report to Congress as a country that was unfairly manipulating its currency to gain trade advantages. That disappointed American manufacturers who believe the Chinese yuan is undervalued by as much as 40 percent.

On June 19, just before leaders of the Group of 20 major industrial countries met in Toronto, China announced it was going to allow more flexibility in its currency. But critics contend that the yuan has risen in value only slightly since that time.

Sen. Charles Schumer, D-N.Y., has vowed to push for an early Senate vote on legislation that would impose sanctions on Chinese imports to the United States if Beijing does not accelerate its currency reforms.

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