

Oil Imports Push Trade Deficit To \$50.2B

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WASHINGTON (AP) -- The U.S. trade deficit surged in May to the highest level in more than two and a half years, driven upward by a big increase in oil imports.

The Commerce Department said Tuesday that the deficit increased 15.1 percent to \$50.2 billion in May. That's the largest imbalance since October 2008.

Exports declined 0.5 percent to \$174.9 billion. Imports rose 2.6 percent to \$225.1 billion. Oil prices have fallen since early May, so the effect of higher prices should ease some in the coming months.

The deficit with China jumped to \$25 billion, the largest monthly gap since November. The deficit with Japan fell 26.4 percent to \$2.6 billion. Japanese imports shrank further because of supply-chain disruptions caused by the March earthquake and tsunami.

Economists say Japan is starting to rebound from the crisis and a parts shortage that followed those disasters is beginning to dissipate. As a result, Japan's factories should increase shipments to the United States over the next few months.

American companies depend on component parts supplied from Japan. The supply-chain disruptions have slowed production at U.S. factories, particularly among those companies that make autos and electronics.

Manufacturing has been one of the strongest areas of the U.S. economy in the two years since the recession officially ended. Sales in foreign markets have been helped by increased demand and a weaker dollar, which makes U.S. goods cheaper overseas and imported goods more expensive.

Last year, the U.S. deficit with China hit \$273 billion. It's the largest deficit the United States has ever had with any country. The huge trade gap between the two countries has prompted many companies and members of Congress to criticize China for manipulating its current to gain a trade advantage. U.S. manufacturers contend that China is keeping its currency undervalued against the dollar by as much as 40 percent.

The Obama administration has been pressuring China to allow its currency to rise at a faster rate against the dollar. But in May, the administration declined to cite China as a currency manipulator. Such a designation could eventually lead to U.S. economic sanctions against China.

The Chinese government says it has been allowing its currency to rise in value against the dollar for more than a year. But Beijing says it must do so gradually to avoid adverse consequences to the Chinese economy.

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