



US trade deficit widens on oil price surge

By Daniel Pimlott in New York

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The rising price of oil over the summer helped to push the US trade deficit to \$57.8bn in October, more than the \$57.1bn deficit in September according to a Commerce Department report on Wednesday.

Excluding oil however, the trade deficit improved, as imports fell, reflecting weakening domestic demand.

The price of imports into the US jumped by the most in more than a quarter of a century in the last year as energy costs soared, figures from the Labor Department showed.

Over the last 12 months, the import price index rose 11.4 per cent, the largest annual increase since records began in September 1982. In year before, import prices rose by just 1.3 per cent.

Import prices in the last 12 months have been bumped up by a 53 per cent rise in petrol prices. Excluding energy, import prices were up 3 per cent over the year, compared with a 1.4 per cent jump in the prior 12 months.

"The size of the increases in both overall and non-oil import prices underscores the Fed's concerns that inflation pressures have the potential to increase due to higher energy and commodities prices and a weaker dollar," said John Ryding, economist at Bear Stearns.

Import prices rose by a more-than-expected 2.7 per cent in November, the largest monthly gain in 17 years, led by a 9.8 per cent rise in petrol prices.

The falling dollar has made imports more expensive, but made exports cheaper for overseas consumers of US goods and services. The rise in exports is helping to boost economic growth in the face of the housing slump and slowing consumer spending at home.

However, a 23 per cent rise in agricultural prices over the last year pushed the cost of exports up by 6.1 per cent compared to a 3.9 per cent rise in the year before.

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