

## US trade gap shows biggest jump for 10 years

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The US trade gap swelled by the most in a more than a decade in July due to a surge of imports driven by a jump in demand for foreign cars, oil and consumer goods, **official figures showed on Thursday**.

The trade deficit grew by 16.3 per cent from June to \$32bn, with exports trailing imports. The result surprised economists who were expecting the gap to remain flat near \$27bn.

The US trade deficit with the rest of the world has plunged by 51 per cent from a year ago, as both imports and exports fell amid the global recession. Analysts have called the smaller deficit one of the few bright spots amid the downturn, and it has eased some of the economy's overall contraction.

"Both exports and imports were meaningfully stronger than expected, consistent with the reactivation of activity notably in the manufacturing and tradables sectors after the lights briefly went out following the Lehman's debacle," said Alan Ruskin, a strategist at RBS Greenwich Capital.

Imports jumped by 4.7 per cent to \$159.6bn, signalling a welcome rise in domestic demand for car parts and computers. Much of the demand for car parts was spurred by the popular "cash for clunkers" car rebate programme, as auto makers ramped up production.

Exports rose by 2.2 per cent to \$127.6bn on greater global appetite for cars, engines and industrial goods. Joshua Shapiro, chief US economist at MFR, argues that exports will start to receive a boost from better economic conditions abroad and that the benefits from weaker imports will fade in the coming months.

"A situation where trade volumes are growing but the US deficit is stabilising is a much better environment than what was suffered through recently, when the US deficit narrowed but global trade volumes withered," Mr Shapiro said.

The US continued to import goods from many of its preferred partners. Its bilateral trade deficit with China, Washington's biggest and most politically sensitive shortfall, grew in July to \$20.4bn. The US's trade gaps with Japan and the European Union also grew, while the deficit with Mexico narrowed.

Separately on Thursday, the **labour department** said that new US jobless claims fell by 26,000 to 550,000 last week, the lowest level since mid-July. The result was better than economists expected and the number of Americans continuing to claim jobless benefits also fell, slipping by 159,000 to 6.1m.

In spite of the improvement, unemployment remains stubbornly high and last week labour department figures showed that the US jobless rate reached a 26-year high of 9.7 per cent.

"We need to see claims fall to around the 400,000 mark to signal the resumption of net job creation," noted John Ryding and Conrad DeQuadros, economists at RDQ Economics.