

US trade deficit widens to nine-year high

REUTERS

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THE USTR deficit widened more than expected in December to its highest level since 2008, as robust domestic demand pushed imports to a record high, potentially putting pressure on the Trump administration as it renegotiates trade deals.

The import-driven surge in the trade gap reported by the commerce department on Tuesday also suggests a 3% annual economic growth may be hard to achieve. Imports, which subtract from

gross domestic product, could get a further boost from a \$1.5-trillion tax cut package that became effective in January.

The fiscal stimulus comes when the economy is almost at full employment, which means the resulting increase in demand will likely be satisfied with imports.

“When an economy is at full employment, an acceleration in demand tends to be accompanied by a pickup in import growth and a wider trade deficit,” said John Ryding, chief economist at RDQ Economics in New York.

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\$53.1 billion, the highest level since October 2008.

Economists polled by Reuters had forecast the trade gap widening to \$52.0 billion in December. Part of the rise in the

trade gap reflected higher commodity price increases.

The deficit surged 12.1% to \$566.0 billion in 2017, the highest since 2008. That represented 2.9% of GDP, up from 2.7% in 2016.

The politically sensitive US-China trade deficit increased 8.1% to a record \$375.2 billion last year.

The surge in the December trade deficit was flagged by an advanced goods trade deficit report published in late January. When adjusted for inflation, the trade deficit increased to \$68.4 billion from \$66.5 billion in November.