U.S. trade deficit swells

The deficit in the broadest measure of trade swelled to a record $136.1 billion (U.S.) in the first three months of 2003 as war tensions stoked the prices of imported crude oil and other petroleum products.

The latest snapshot of trade activity reported by the U.S. Commerce Department Thursday shows that the mushrooming "current account" deficit in the January-March quarter was 5.8 per cent larger than the previous record deficit of $128.6-billion set in the fourth quarter of 2002.

The Bush administration believes the way to deal with swelling trade deficits is for other countries to remove trade barriers, rather than raising barriers to imports coming into the United States. That would allow U.S. companies to more freely do business in overseas markets, thus boosting America's global competitiveness, the administration says.

But critics say growing deficits are proof that the administration's free-trade policies aren't working. U.S. companies have moved operations overseas, while imports flood into the United States, a combination that has cost millions of lost American manufacturing jobs.

In another report, new claims for unemployment benefits dropped last week by a seasonally adjusted 13,000 to 421,000, a five-week low, the Labour Department reported.

The four-week moving average of claims, which smooths out weekly fluctuations, also declined last week by 3,000 to 432,000, another encouraging sign.

Although the claims figures are still running above 400,000 — a level associated with a weak job market— the decline in claims raises hope that the pace of layoffs may be stabilizing.

The current account deficit is considered the best measurement of a country's international economic standing because it measures not just the goods and services reflected in the government's monthly trade reports, but also investment flows between countries and unilateral transfers, including U.S. foreign aid payments.

In the January-March quarter of this year, the deficit in goods widened to $136-billion in the first quarter — up from the deficit of $132.2-billion in the fourth quarter — as imports of goods outpaced exports.

Petroleum imports accounted for three-quarters of the increase in goods imports in the first quarter, which rose to $309.2-billion. The rise in petroleum imports reflected an increase in price, a government analyst said.

In the services category, which measures things such as airline travel, the United States is running a surplus. The surplus, however, narrowed to $14.4-billion in the first quarter, down from $16.1-billion in the previous quarter.

The government said large declines in travel and passenger fares, reflecting concerns about the war in Iraq and the highly contagious SARS virus, contributed to the narrowing of the United States surplus in services.