US trade gap ballooned in October

The US trade deficit widened by more than expected in October, hitting record levels after higher oil prices raised import costs, figures have shown

The trade shortfall was $55.5bn (£29bn), up 9% from September, the Commerce Department said. That pushed the 10 month deficit to $500.5bn. Imports rose by 3.4%, while exports increased by only 0.6%. A weaker dollar also increased the cost of imports, though this should help drive export demand in coming months. "Things are getting worse, but that's to be expected," said David Wyss of Standard & Poor's in New York. "The first thing is that when the dollar goes down, it increases the price of imports. "We are seeing improved export orders. Things seem to be going in the right direction."

Despite this optimism, significant concerns remain as to how the US will fund its trade and budget deficits should they continue to widen. Another problem highlighted by analysts was the growing trade gap with China, which has been accused of keeping its currency artificially weak in order to boost exports. The US imported almost $20bn worth of goods from China during October, exporting a little under $3bn. "It seems the key worry that has existed in the currency market still remains," said Anthony Crescenzi, a bond strategist at Miller Tabak in New York. The trade deficit and the shortfall with China "are big issues going forward". The Commerce Department figures caused the dollar to weaken further despite widespread expectations that the Federal Reserve will raise interest rates for a fifth time this year. Borrowing costs are tipped to rise by a quarter of a percentage point to 2.25% at a Fed meeting later on Tuesday.