

U.S. Data Review

- International trade: exports and imports slip; deficit widens

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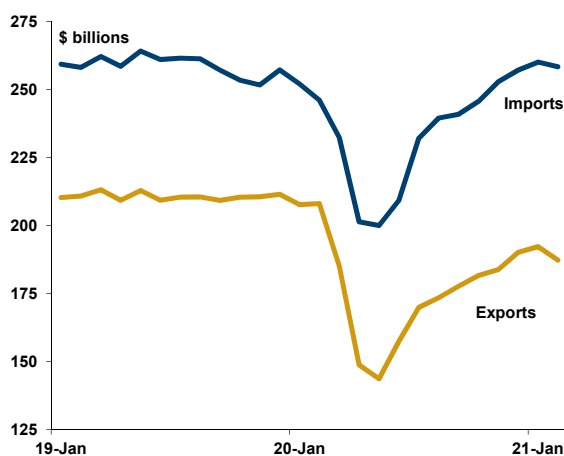
International Trade

Exports and imports both broke from the upward trends that had developed in the past several months, with exports falling 2.6 percent and imports dipping 0.7 percent (chart, left). The larger change in exports left a wider deficit, with the shortfall increasing \$3.3 billion to \$71.1 billion. The deficit was a touch wider than the consensus estimate of \$70.5. The latest slippage reinforced the trend that has emerged since mid-2020. While most months have shown firmer trade flows during the recovery period, imports have been generally stronger and the deficit has widened as a result.

Most of the widening in the deficit in February occurred in the goods sector, where the deficit widened by \$2.8 billion. The change was even sharper after adjusting for price changes (\$3.0 billion), which left the average so far in Q1 wider than that in the fourth quarter (chart, right). The surplus in service trade slipped \$0.5 billion, reestablishing a downward trend after slight improvement in the prior month. The deterioration in real goods trade in Q1, along with a slightly smaller surplus in service trade, suggests that net exports will make a negative contribution to GDP growth in the first quarter. The figures in hand suggests that trade will subtract approximately 1.0 percentage point from growth.

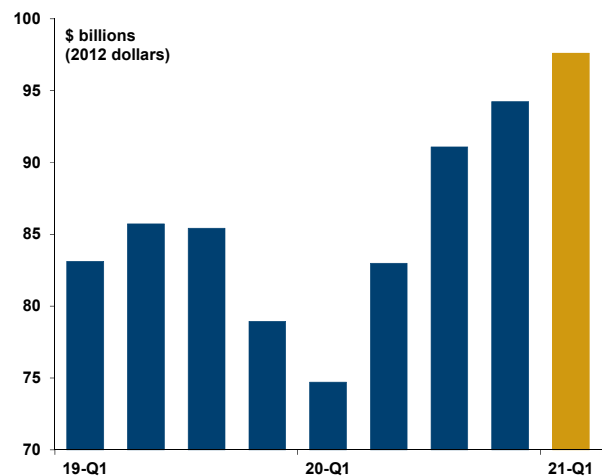
Imports from China fell 3.5 percent in February, but exports tumbled 30.5 percent, leaving the deficit at \$30.3 billion, up \$3.1 billion from the prior month. The February deficit with China nearly matched the widest seen during the recent recovery period (\$30.4 billion in November). The pronounced change in exports leads us to suspect that severe weather had an influence on shipments out of the U.S., but trade tensions may have played a role as well.

Imports and Exports of Goods and Services



Source: Bureau of Economic Analysis via Haver Analytics

Real Goods Trade Deficit*



* Quarterly averages of monthly data. The reading for 2021-Q1 (gold bar) is the average of results for January and February.

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

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