

U.S. Data Review

- International trade in goods: surging imports, wider deficit

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International Trade in Goods

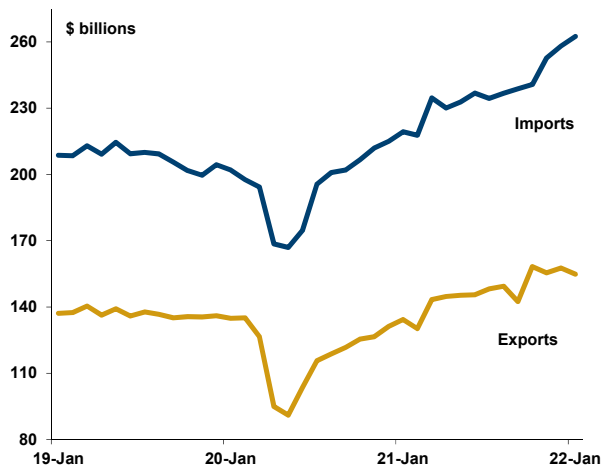
The U.S. merchandise trade deficit widened by \$7.2 billion in January to \$107.6 billion, notably worse than the expected shortfall of \$99.3 billion, which would have represented an improvement of \$1.2 billion. Both sides of the trade ledger contributed to the slippage in January, as exports fell 1.8 percent and imports rose 1.7 percent.

The performance of imports has been striking in the past three months, as solid advances have led to cumulative growth of 9.0 percent over the November-January period. Imports already were well above pre-pandemic levels before the recent burst; now, they are showing unusual vigor. Industrial supplies have contributed to the recent increases, although a good portion of this change could be higher prices. Consumer goods also have been strong, as have capital goods. Food imports joined these areas of strength in January.

Exports have performed well, although they have generally not kept pace with imports. Foreign shipments had moved above pre-pandemic levels several months ago, and they took a noticeable step higher in October. However, they have inched lower on balance in the past three months, including the drop of 1.7 percent in January. The decline in January was concentrated in consumer goods, which fell 12.5 percent. A drop of 6.6 percent in the auto category also contributed, with this decline offsetting the increase in the prior month and continuing a pattern of little net change in the past several months. The capital goods category was the only area to show a noticeable increase in January (up 2.2 percent), but it has shown only modest net growth since last spring. Exports of industrial supplies rose modestly (0.3 percent), but this change could well translate to a decline in real terms.

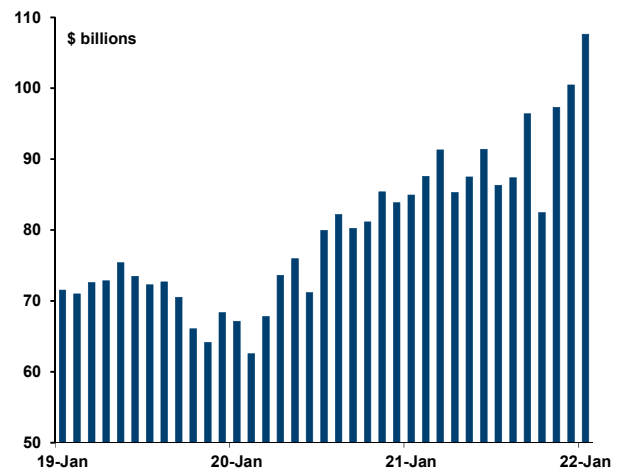
It is difficult to assess the implications of the new figures for GDP growth because the report did not include inflation-adjusted figures, and price changes could alter nominal values considerably. Still, the marked widening in the trade deficit in January sets the stage for a potentially large negative contribution to GDP growth in Q1.

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Goods Trade Deficit



Source: U.S. Census Bureau via Haver Analytics

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