

U.S. Data Review

- International trade in goods: slight improvement in Feb, but still marked slippage in Q1

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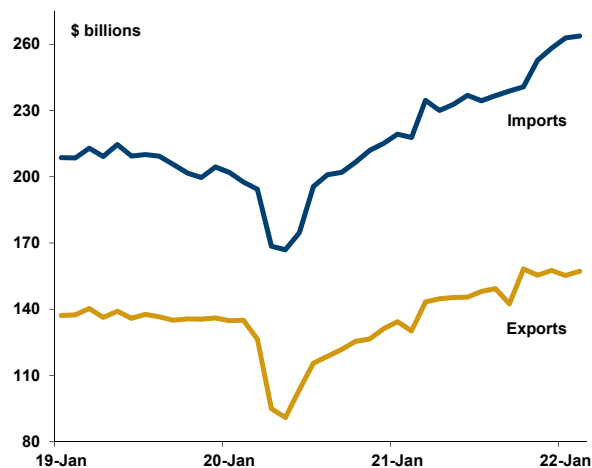
International Trade in Goods

The U.S. trade deficit narrowed by \$1.0 billion in February to \$106.6 billion, nearly matching the expected shortfall of \$106.5 billion. Both exports and imports improved in the latest month, with exports advancing 1.2 percent and imports increasing 0.3 percent. The increase in exports represented only a partial offset to a drop in the prior month and continued a choppy pattern that has left little net change since a surge in October. The increase in imports was modest, but the advance followed vigorous gains in the prior three months (chart, left).

Both exports and imports showed noticeable increases in industrial supplies, probably influenced by higher prices of crude oil and other commodities. Both sides of the trade ledger showed unimpressive results in the motor vehicle category in February and other recent months, no doubt because of supply-chain issues. Elsewhere, the most notable shift in recent months has been the surge in imports. Although the change was modest in February, it followed an average increase of 3.0 percent in the prior three months. The strength was concentrated in capital goods and consumer goods.

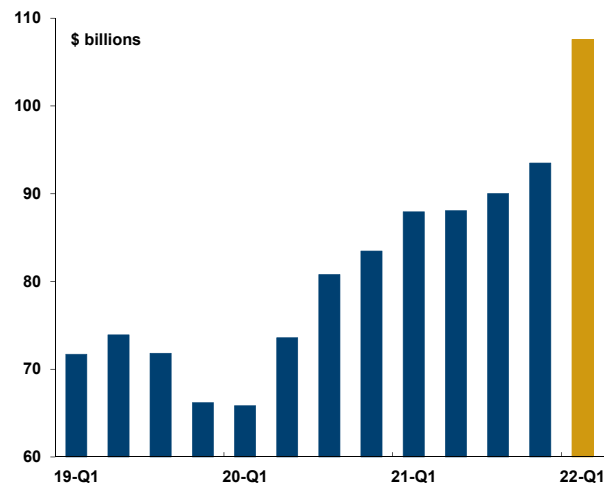
Despite the slight improvement in the trade deficit in February, the nominal deficit so far in Q1 was noticeably wider than that in the fourth quarter (chart, right), raising the prospect of a notable negative contribution from net exports to GDP growth in the first quarter. Inflation-adjusted figures published with the full trade balance next week will provide a clearer picture, but the figures in hand suggest a drag of more than 2.0 percentage points to GDP growth.

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Goods Trade Deficit*



* Quarterly averages of monthly data. The reading for 2022-Q1 is an average of results for January and February.

Sources: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

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