



Economics Group

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February Data Show That Trade Weighed on Q1 GDP Growth

Export growth appears to have been weaker than import growth at the beginning of the year. Consequently, net exports likely exerted a significant drag on overall GDP growth in Q1.

Imports Outpace Exports in February

The U.S. deficit in international trade in goods and services widened from \$45.9 billion in January to \$47.1 billion in February (top chart). Although exports of goods and services rose by \$1.8 billion in February, which was the first increase in five months, imports were up \$3.0 billion during the month.

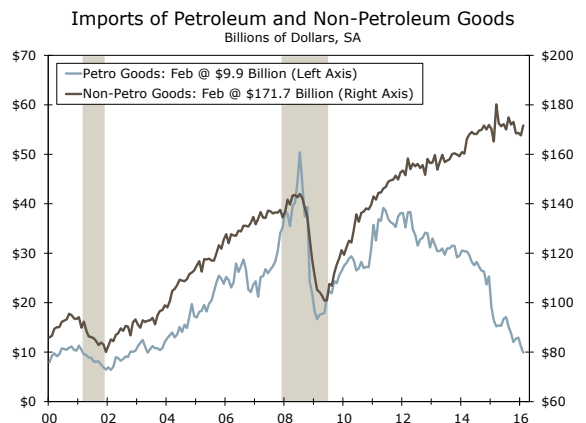
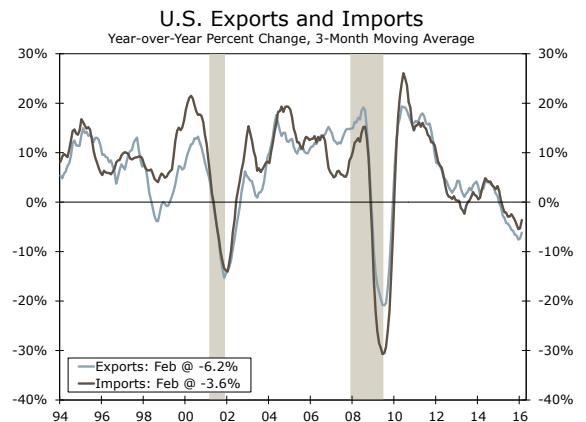
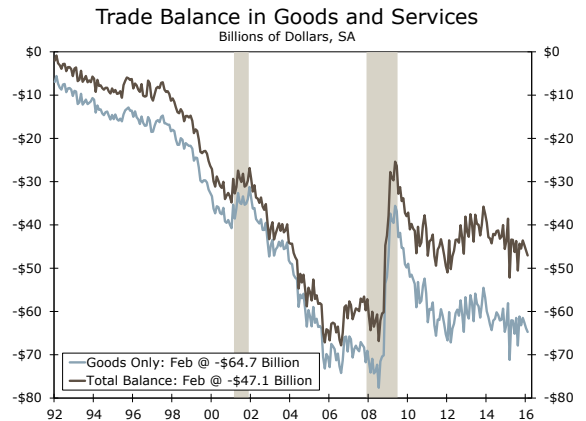
Gains in exports were concentrated in automotive goods, which rose by \$344 million, and in consumer goods, up \$1.1 billion during the month. In contrast, capital goods exports fell by \$271 million. As noted above, however, exports have generally been weak during the past few months. Indeed, the value of U.S. exports of goods and services in the December-February period was down roughly 6 percent relative to the same period a year ago (middle chart). Although prices of many exports have dropped over the past year, weak volume growth has also affected the overall value of exports. Sluggish economic growth in some of the country's trading partners as well as the effects of dollar appreciation have weighed on real export growth over the past year or so.

Strong Imports Despite Lower Oil Prices

The nosedive in oil prices at the beginning of the year pulled down the value of petroleum imports by \$1.3 billion. At only \$9.9 billion in February, the value of the country's imported oil bill is at a 13-year low (bottom chart). Despite this drop in petroleum imports, the total value of imports rose by \$3.0 billion in February. Imports of consumer goods led the way, shooting up \$3.6 billion during the month. Imports of capital goods were also strong, rising by \$1.0 billion. In value terms, imports have been essentially as weak as exports over the past year (middle chart). However, the collapse in commodity prices has had more of an outsized effect on import values than export values because the United States generally imports more commodities than it exports. In real (i.e., volume) terms, imports are up more than 3 percent on a year-ago basis whereas exports are down more than 2 percent.

Net Exports Exert Significant Drag on Q1 GDP Growth

Although real exports rose 2.2 percent in February, which almost entirely reversed the decline in January, weak momentum in export growth coming into 2016 means that net exports likely exerted a significant drag on GDP growth in the first quarter. Indeed, barring a significant turnaround in March, we estimate that real exports of goods and services fell at an annualized rate of roughly 3 percent in Q1 whereas real imports grew more than 2 percent. Consequently, net exports likely subtracted 0.75 percentage points from overall GDP growth in Q1 2016. In sum, overall GDP growth likely was quite weak at the beginning of the year.



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