Advance Goods Trade Deficit Increased for Third Straight Month in February 2024

- The advance international goods trade deficit increased 1.5% in February 2024 from January, the third straight monthly increase.

- Both exports and imports rose on the month, and on a year-ago basis.

- Imports rose for most categories in February, both month-to-month and year-to-year.

- Export gains on the month were broad-based, except for autos.

- Looser global monetary policy this year will support global trade flows in the second half of 2024.

The U.S. trade deficit in goods rose to $91.8 billion in February from $90.5 billion in January (revised up from $90.2 billion) after seasonal adjustment, larger than consensus expectation of $90 billion. The international goods trade deficit has moved up and down around $90 billion since mid-2022, but this was the third consecutive monthly increase in the goods trade deficit. Trade is likely a modest drag on real GDP growth in the first quarter of 2024. Over the past year the trade deficit in goods has risen a small 1.3%, and it remains well below the record $125.3 billion deficit of March 2022.

Both exports and imports increased on the month. Exports rose 2.8% in February after increasing a small 0.1% in January. Imports were up 2.3% on the month after rising 1.2% in January. Exports were up 3.6% year-over-year in February, with imports up 2.8%.

Imports rose in February in all categories except industrial supplies. Imports of autos were up 3% on the month after rising 5% in January. Imports of autos were up 16.2% from the same time last year as the impact of the chip shortage continues to abate. However, the recent bridge collapse in Baltimore may restrict auto imports in the near term.

The increase in exports was broad-based on the month, with autos the exception. Exports of autos dropped 8.4% in February but were up 1.7% from last year.

Solid domestic consumer demand will continue to support imports in the near term. Slower growth overseas, and elevated risks of recession, will limit export growth in early 2024. But central bank cuts to policy interest rates both in the U.S. and abroad will support stronger demand, and trade flows, in the second half of 2024. Continued easing in supply chains will also support trade, although the Baltimore port shutdown is a downside risk.

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