

Trade Deficit in February 2024 Climbed Up on the Month but Narrowed From Last Year; Gains in Imports of Services at 2-Year High

- **The U.S. goods and services trade deficit broadened 2% in February; trade will be a drag on Q1 growth.**
- **Both exports and imports rose on the month.**
- **A narrowing in the services trade surplus more than offset a decline in the goods trade deficit.**
- **Gains in imports of services jumped to a 2-year high.**
- **PNC expects trade flows to gradually pick up in 2024.**

The U.S. international trade goods and services deficit enlarged 2% to \$68.9 billion in February from \$67.6 billion in January (revised up from \$67.4 billion). This was higher than consensus expectation of \$67.6 billion. On a year-ago basis the February trade deficit was down 2%. Trade will be a drag on U.S. economic growth in the first quarter of 2024.

Both total exports and imports climbed up 2% on the month; because imports are greater than exports, the trade deficit rose. The three-month moving average of the total trade deficit was up to \$66.9 billion in February, the highest since July 2023.

The goods trade deficit narrowed a small 0.3% in February, with goods exports rising 3% from January and goods imports rising 2%. The increases in goods imports and exports were broad-based except exports of autos, which dropped 8.5% on the month. Over the past year exports of consumer goods have declined 3%. Imports of industrial supplies were also 8% down from last year.

The larger total trade deficit was led by a 6.5% drop in the services surplus on the month. Imports of services rose 4% in February from January, while exports rose a scant 0.1%. The increase in services imports came from big increases in outbound travel and transport services, both up 9% over the month. Gains in services imports hit a two-year high in February.

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U.S. goods deficits narrowed with Canada, China, Europe, Japan, South Korea and Taiwan on the month. Stronger U.S. and global manufacturing activity are set to drive trade flows of industrial supplies higher later this year. The solid U.S. labor market, with strong job gains of over 200,000 a month, will continue to support imports of consumer goods and outbound travel. Elevated interest rates will continue to weigh on trade flows in the near term, but expectations of interest rate cuts in the U.S. and overseas later in 2024 will support an improvement in international trade flows later this year.

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