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TD Economics

U.S. Data Release: U.S. trade deficit widened in April

- The U.S. international trade deficit widened in April by $2.3 billion to $47.6bn from the revised March figure of $45.3bn (previously reported as $43.8 billion). Consensus expectation was for the trade balance to widen a bit less to -$46.1 billion. It should be noted that this release includes annual historical revisions to monthly data from 2014 to March 2017, with minimal effects on historical measures of the trade balance.

- Goods exports decreased 0.3% m/m in April, driven lower by consumer goods (-4.3%), and automotive vehicles, parts, and engines (-4.1%). Small increases in industrial supplies and materials (+1.2%) and capital goods (+0.1%) were not sufficient to offset the larger declines in the categories mentioned. In contrast to goods, services exports moved up 0.2% on the month.

- Imports rose about 1% m/m in April, driven higher by broad gains in most categories, especially non-food consumer goods (+4%), capital goods (+1.9%), and other merchandise goods (+10.3%). Declines were recorded in imports of industrial supplies and materials (-3.4%) and automotive vehicle and parts (-2.2%).

- Adjusting for price changes, merchandise exports declined 0.4% m/m in April, the third consecutive month of decline. Similarly, import volumes rose 1.3% m/m in April, firmer than the unadjusted figure.

Key Implications

- After contributing a small positive to first quarter growth, today's release is consistent with the view that net trade will likely be a small drag for second quarter economic activity, and is also not expected to contribute much to 2017 growth.

- Although the trade-weighted U.S. dollar has retraced much of its strength and is back at pre-election levels, lagged effects of the past high dollar will continue to exert a drag on foreign demand for U.S. exports for some time yet. Moreover, with signs that earlier strength in foreign demand is beginning to wane, it raises concerns that global demand for U.S. goods and services may slow later on this year, providing further downside risk to U.S. net trade. Add to this elevated policy uncertainty both globally and domestically and the outlook for U.S. exports has more chance of downside than upside surprises going forward.

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