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## TD Economics

### Data Release: U.S. trade deficit widened in January

- The U.S. trade deficit widened to \$48.5 billion in January from a \$44.3 billion deficit in December. The trade deficit was right on the consensus expectation.
- January exports rose for the second consecutive month (+0.3% month-on-month), driven higher by automotive exports (+10.8%) and industrial supplies (+5.8%). In real terms, exports rose 0.4%.
- Imports rose 2.5% month-on-month in January owing to increases in the import of consumer goods ex autos (+4.9%), and capital goods (+1.3%). In real terms, imports of goods rose 2.1%, marking the fourth consecutive month of advance.

### Key Implications

- Another month, another unsurprising trade report. The pop in the U.S. dollar late last fall is likely a factor that has fed into the widening of the nominal trade deficit in January. Since U.S. dollar strength makes foreign goods cheaper for Americans, and is also a sign of a healthy economic expansion relative to other countries in the world, we expect to continue to see imports to rise in upcoming months.
- The elevated level of the trade-weighted dollar along with firming of domestic demand is a major theme behind our view that net trade will likely exert a drag on U.S. economic growth this year. However, uncertainty about the future of U.S. trade policy makes this view less clear.

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