



## Trade Gap Up From 2016 as Trump Targets Deals

America's trade shortfall was relatively unchanged in March but saw a year-over-year spike, according to a new government report.

By Andrew Soergel, Economy Reporter | May 4, 2017

Despite President Donald Trump's focus on turning around the national trade deficit, America's goods and services shortfall in the first quarter of the year was up more than \$9 billion – or 7.5 percent – from the same window a year prior.

A new report from the Census Bureau on Thursday showed exports had climbed by \$38 billion, while imports swelled by a more marked \$47.5 billion during the first three months of 2017.

For March in particular, the deficit was relatively unchanged from where it sat in February at just shy of \$44 billion. March's exports declined by nearly \$2 billion to \$191 billion, while imports dropped a comparable \$1.7 billion to \$234.7 billion.

The monthly export decline was broad-based, with decreases registered among fuel oil and petroleum product shippers, automotive vehicle and parts dealers, and plastic materials exporters. On the whole, the country's goods deficit was nearly \$8 billion larger than it was in March 2016.

Still, the country's first-quarter trade flows managed to contribute a modest 0.07 percent to the country's gross domestic product expansion.

In recent years, trade more often has been seen as a drag on growth rather than a contributor to it or even a non-factor.

"Looking ahead, we expect trade to return to trend, subtracting from top-line growth as improvement in domestic demand continues to reflect imports [outpacing] exports," Sam Bullard, a managing director and senior economist at Wells Fargo Securities, wrote in a research note earlier this week.

America saw sluggish economic growth in the first quarter of 2017 – and had an abysmal showing on the consumer spending front – but analysts generally expect domestic consumption will pick up the pace in the second quarter and beyond. Job gains have fluctuated lately but have remained strong on average, while wage pressures are picking up and the unemployment rate is as low as it's been in years.

Trade on its own is a two-way street, however, and a positive performance depends at least in part on how much American products international economies plan on buying. On that front, the eurozone is broadly believed to have found a degree of trade stability in recent months, and the international landscape looks less treacherous from a U.S. trade perspective than it did a year ago.

"Fortunately, we see that economic growth has picked up in Europe and Japan recently, and this has increased demand for U.S. products during the first three months of 2017," **Bernard Baumohl, chief global economist at The Economic Outlook Group**, wrote in a research note last week.

America's trade future also still hinges in part on changes Trump pushes regarding America's trade relationships with international partners.

While his administration appears to have backed away from a showdown with China – distancing itself from the currency manipulation allegations more popular during campaign season – it has taken aim at Canada on issues like dairy products and timber, levying tariffs on softwood lumber entering the U.S. from its neighbor to the north last month. A renegotiation of the North American Free Trade Agreement – which could shake up product flows between the U.S., Canada and Mexico – also may be forthcoming.

At least for the time being, though, new policy decisions haven't immediately thrown importers and exporters for a loop.

"His administration's aims around the North American Free Trade Agreement are not fully known. However, Trump's apparent willingness to negotiate across multiple areas of interest with China has reduced the risk of severe trade disputes, a key fear," Steven Wieting, global chief investment strategist at Citi Private Bank, wrote in a research note Monday. "Fears that U.S. policies will disrupt the global economy and markets this year have diminished."

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