Economic Analysis

Exports rise in February for first time in 5 months

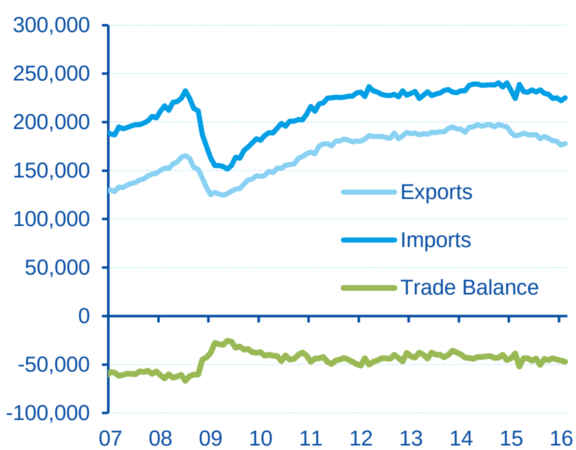
Filip Blazheski / Kim Chase

- **Exports increased 1.0% MoM in February, while imports went up 1.3%**
- **Increases in exports and imports are positive for the outlook on domestic and foreign demand**
- **The widening trade deficit, however, is going to weigh on 1Q16 GDP**

The U.S. international trade gap widened more than expected in February, reaching seasonally adjusted -$47.1bn, the largest in six months, as domestic demand increased faster than that from abroad. The deficit would have been even larger if the prices of petroleum imports in February hadn't declined further, having reached the lowest level in twelve years.

Exports increased 1.0% in February for the first time in five months, signaling some relief in global demand conditions, mostly from the goods side of trade. The largest export categories – transportation equipment, chemicals, and computers and electronic products all gained in February. The end of the dollar rally in February should help exports strengthen further going forward. Imports also increased, up 1.3% to offset January's decline. On the imports side, transportation equipment, and chemicals posted gains, while computers and electronic products declined on a MoM basis (due to seasonality), while increasing strongly on a YoY basis. The increase in imports is an encouraging sign for domestic demand, suggesting a more confident outlook on both current and future conditions. However, the widening of the trade deficit is going to weigh on the first quarter GDP number. In real terms, the trade balance widened to -$63.3bn, with exports up 2.2% and imports up 2.3%. This suggests a third consecutive quarter of negative contribution to real GDP growth.

Chart 1
Exports, Imports and Trade Balance ($ Millions)



Source: Census Bureau and BBVA Research

Chart 2
Exports and Imports (% YoY)

Source: Census Bureau and BBVA Research

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