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Economics Group

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Petroleum Causes Trade Deficit to Widen in January

Excluding petroleum, the U.S. trade deficit was roughly flat in January. Looking ahead, net exports should make a modest positive contribution to U.S. GDP growth in 2013.

Petroleum to Blame for Widening in Deficit

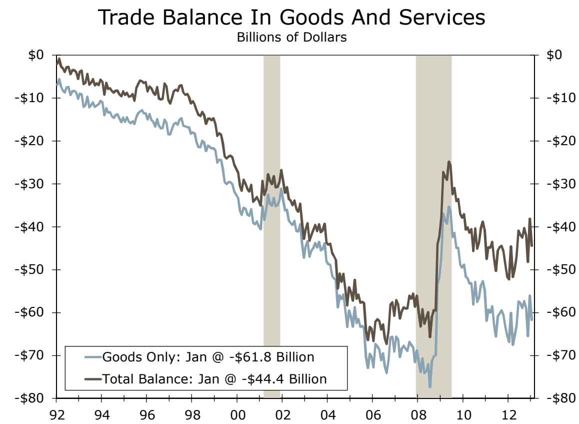
The U.S. trade deficit widened from $38.1 billion in December to $44.4 billion in January, which was about $2 billion higher than the consensus forecast had anticipated (top chart). The $6.3 billion increase in the deficit in January was driven by the $2.2 billion drop in exports of goods and services and the $4.2 billion rise in imports.

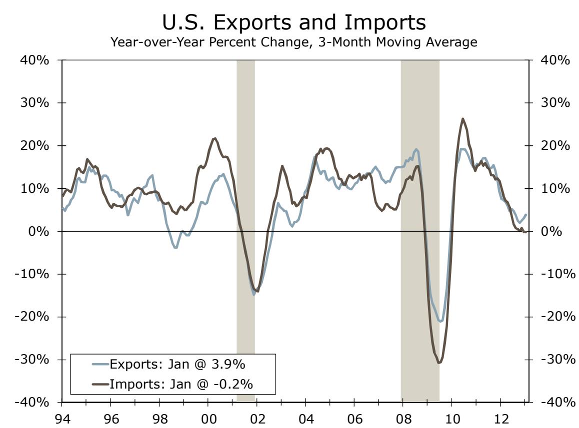
The decline in overall exports was driven largely by a $1.7 billion drop in fuel oil exports, which may be a one-off event. The value of U.S. petroleum exports has trended higher—it rose 9 percent in 2012 relative to the previous year—as the United States has increased its production of crude oil over the past few years. Excluding petroleum, exports were roughly flat on the month, which obviously is not a "strong" result. Indeed, real non-petroleum exports have been roughly flat on balance since the middle of last year, as lower economic growth in the rest of the world has weighed on U.S. export growth (middle chart). If, as we expect, foreign economic growth picks up over the course of 2013, then U.S. export growth should also strengthen.

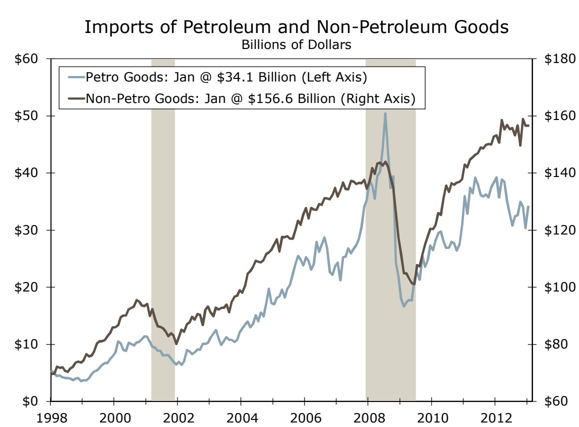
The import side of the ledger is also a story about petroleum, as the value of petroleum imports rose $3.7 billion during January (bottom chart). Crude oil prices trended higher in December and January, which helped to push up the value of petroleum imports during January. That said, the volume of petroleum imports jumped 7.8 percent in January, which partially offset the surprising 10.4 percent decline during the previous month. Excluding petroleum, imports were roughly flat during January as the increase in capital good imports was offset by declines in automotive and consumer goods imports. In general, import growth has also slowed over the past year or so, as the pace of U.S. domestic demand growth has downshifted.

Net Exports Likely Won't Have a Large Effect on Q1 GDP Growth

Net exports made a small positive contribution (0.2 percentage points) to real GDP growth in the fourth quarter, as the 3.9 percent decline in real exports of goods and services was outpaced by the 4.5 percent drop in real imports. Both exports and imports were affected by shutdowns associated with Hurricane Sandy in October, and the storm effects are now largely absent from the data. We project that net exports will not have a significant influence on real GDP growth in the first quarter, although there are still two more months of trade data left in the first quarter that could change our projection. Looking forward, we forecast that net exports will make modest positive contributions to U.S. real GDP growth throughout 2013. As noted above, export growth should strengthen as growth in some major trading partners picks up. On the other hand, import growth should remain slow due to constrained growth in U.S. domestic demand.







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