

Advance Goods Trade Deficit Rose in March from February, As Exports Dropped More Than Imports

- **The goods trade deficit increased in March, both on the month and on the year, according to the advance estimate.**
- **Exports dropped more than imports.**
- **Imports dropped across the board on the month, but most categories were up from last year.**
- **Exports dropped on the month and over the past year.**
- **Trade flows will pick up with economic recoveries and easing monetary policies later this year.**

The U.S. trade deficit in goods rose 1.7% to \$91.8 billion in March from \$90.3 billion in February (revised down from \$91.8 billion) after seasonal adjustments, higher than the consensus expectation of \$90 billion. The international goods trade deficit is up since mid-2023, but it is still much lower than the highest deficit (\$121.2 billion) in March 2022. Trade was a major drag on real GDP growth in the first quarter of 2024. Over the past year the trade deficit in goods has risen 12%.

Both exports and imports dropped in March, with the trade deficit rising as exports fell more than imports. Over the past year a strong U.S. economy and a strong U.S. dollar have supported imports. On a year-over-year basis imports were up 2.5% while exports declined 2.1%.

Imports fell on the month but were up from last year. On the month imports were down by 1.7% to \$261.0 billion. Except for consumer goods imports dropped in March, with autos (down 10.8%) falling the most. Imports of consumer goods were up both on the month (up 4.7%) and from a year ago (up 4%).

Over the past year most categories of imports increased, although imports of industrial supplies are down 7% from March 2022, when the Federal Open Market Committee started to raise the federal funds rate. Over the past several years high interest rates and a cooling labor market have weighed on manufacturing.

Exports dropped on the month and over the past year. Exports dropped 3.5% in March from February to \$169.2 billion. The month-over-month drop in exports was also broad-based, except for consumer goods which were flat on the month. Over the past year exports have fallen except for capital goods.

Slower economic growth abroad will likely drag on exports in the second quarter. Economic conditions are mixed in the eurozone, and the European Central Bank is maintaining its policy rate at its highest level of the past two decades, weighing on demand. A strong U.S. dollar is making exports more expensive, also weighing on demand.

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Lower interest rates expected in many advanced economies later this year will support stronger demand and trade flows in the second half of 2024. A pickup in manufacturing activity globally will benefit trade in industrial supplies later this year. Stronger economic growth in the eurozone will support demand for U.S. exports. But imports will also increase as U.S. consumer demand remains strong. PNC expects the trade deficit to widen in 2024, weighing on growth, but it will remain below its 2022 level.

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