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U.S. Foreign-Trade Deficit Narrowed in March

It was the largest one-month decline for the trade deficit in two years

By Ben Leubsdorf

WASHINGTON—The U.S. trade gap narrowed sharply in March, partly reversing a widening in the deficit that followed hurricane-related disruptions late last summer.

The international-trade deficit in goods and services shrank 15.2% from a month earlier to a seasonally adjusted $48.96 billion in March, the Commerce Department said Thursday. Economists surveyed by The Wall Street Journal had expected a slightly larger March deficit of $49.6 billion.

It was the largest one-month decline for the U.S. trade deficit in two years, taking it to its lowest level since September. Hurricanes Harvey, Irma and Maria had disrupted port traffic and damaged parts of the Gulf Coast and Caribbean in August and September.

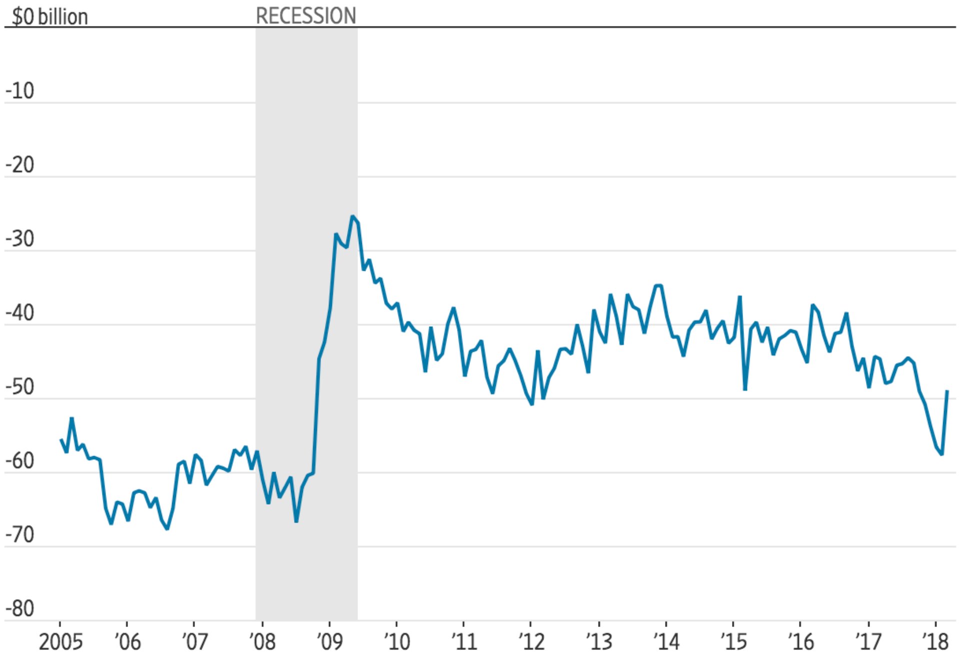
Imports dropped 1.8% in March, "starting to reverse the surge which followed the hurricanes last summer, when wholesalers and retailers had to rebuild inventory very quickly," Pantheon Macroeconomics chief economist Ian Shepherdson said in a note to clients.

Several analysts also pointed to the timing of Lunar New Year, which began in mid-February, as a possible source of recent import volatility.

Meanwhile, U.S. exports climbed 2% from February to their highest dollar value on record including larger shipments abroad of civilian aircraft, soybeans, corn and crude oil.

A Lesser Deficit

The U.S. trade deficit narrowed in March after widening in the wake of last year's hurricanes



Note: Seasonally adjusted monthly trade balance, goods and services, balance of payments basis
Source: Commerce Department via St. Louis Fed

Data on international trade can be volatile from month to month, and the figures weren't adjusted for inflation.

The U.S. trade deficit in goods with Mexico was the largest on record in March, while the U.S. trade surplus in goods with the U.K. hit a record high. The country-level data weren't adjusted for seasonality and excluded services.

More broadly, the U.S. trade gap has widened this year, increasing 18.5% in the first three months of 2018 compared with the same period a year earlier. That reflects healthy demand both at home and overseas: Exports rose 6.8% in the first quarter from a year earlier, and imports climbed 9.1% over the same period.

Demand for U.S. exports has helped support the manufacturing sector, aided by a weaker dollar and stronger growth overseas. Factory output rose 3% in March from a year earlier, according to Federal Reserve data, and overall industrial capacity utilization hit its highest level in three years.

The U.S. has run annual trade deficits since the 1970s, importing more goods than it exports and posting a more modest trade surplus in services.

President Donald Trump has argued the U.S. should reduce its trade deficits and in March he announced tariffs of 25% on imported steel and 10% on aluminum imports, with temporary exemptions in place for some countries. He also has threatened to levy tariffs on a variety of Chinese goods.

“Years of unfair trade have hammered American families and plundered American wealth,” Mr. Trump said in remarks last month. “It’s been absolutely terrible for our country.”

It could take months for the tariffs’ effects to emerge clearly in the often-volatile monthly data on U.S. imports. Thursday’s report showed the dollar value of bauxite and aluminum imports increased in March from the prior month, as did imports of iron and steel mill products.

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