



# Economics Group

**Eugenio J. Alemán, Senior Economist**  
[eugenio.j.aleman@wellsfargo.com](mailto:eugenio.j.aleman@wellsfargo.com) • (704) 410-3273

## U.S. Trade Deficit Steadies In March

*The U.S. trade deficit stayed almost unchanged from the upwardly revised \$43.8 billion deficit recorded in February. A slightly larger goods deficit was matched by a similar increase in the services surplus.*

### Trade Deficit Lower Than Expected in March

The U.S. trade deficit was \$43.7 billion in March, lower than what markets were expecting and just \$0.1 billion lower than the slightly upwardly revised \$43.8 billion deficit recorded in February. Exports of goods and services declined 0.9 percent on the month, to \$191.0 billion, or \$1.7 billion lower than February, while imports of goods and services declined 0.7 percent, also by \$1.7 billion, to \$234.7 billion.

On the export goods side, there was a strong decline in industrial supplies exports, down \$1.78 billion compared to an increase of \$0.29 billion in February, while automotive exports declined \$0.82 billion after inching higher \$0.19 billion in February. Meanwhile, consumer goods exports were down \$0.65 billion in March, almost erasing the \$0.69 billion increase recorded in February. Exports of food and beverages increased slightly, up \$0.18 billion after falling \$0.81 billion in February.

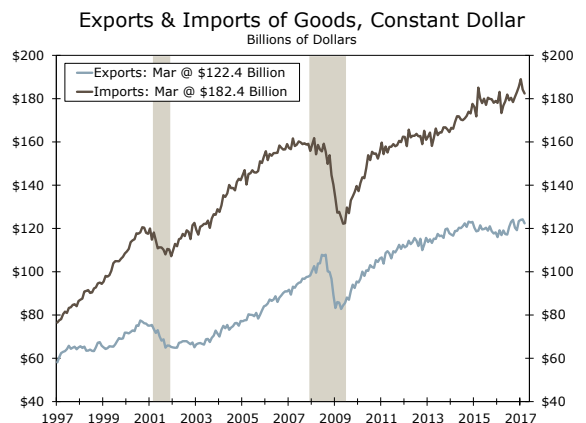
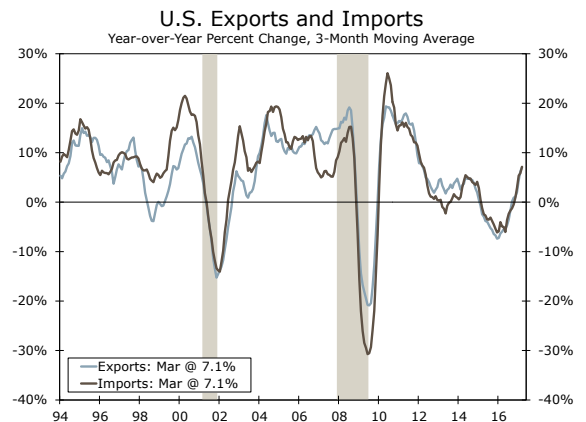
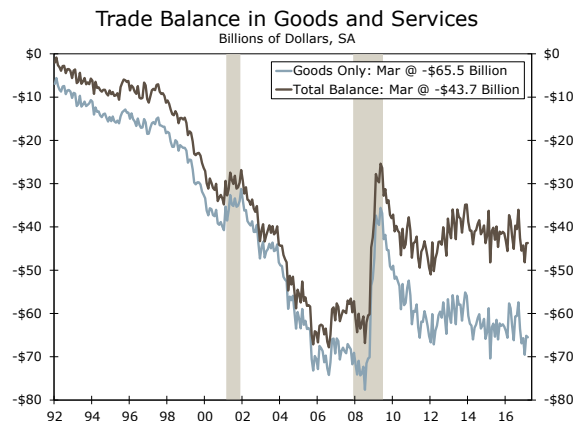
From the goods import side, imports dropped \$1.81 billion with imports excluding petroleum dropping \$1.11 billion after a decline of \$5.07 billion in February. Meanwhile, food and beverage imports declined \$0.26 billion while industrial supplies dropped \$0.92 billion after increasing \$0.72 billion the previous month. Capital goods imports were down \$1.06 billion, the first decline since November 2016. However, automotive imports, which had declined \$2.61 billion in February, increased \$1.13 billion in March. On the other hand, consumer goods imports were down \$0.52 billion after declining \$3.11 billion in February.

The March trade deficit in goods and services was the consequence of an increase of \$0.4 billion in the deficit for goods and an increase of \$0.4 billion in the surplus of services.

On a year-to-date comparison, the goods and services deficit increased 7.5 percent, or \$9.4 billion, compared to 2016. Meanwhile, both exports of goods and services and imports of goods and services increased by 7.1 percent during the first quarter of the year.

### Trade Contributes Positively to Q1 GDP Growth

Today's release of the March trade deficit in goods and services has confirmed our estimate that the trade sector contributed slightly to GDP growth in Q1. That is, if there is a downward revision to first quarter GDP growth, the odds are that other sectors would cause that revision rather than the external sector. However, we believe that the positive contribution from the external sector to economic growth is temporary. Despite our forecast that has the trade sector subtracting from economic growth to the tune of about 0.3 percent to 0.4 percent per quarter, we still expect the U.S. economy to gain strength during the rest of the year.



## Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	harry.pershing@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2017 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

WELLS  
FARGO

SECURITIES