

Shrinking U.S. Trade Gap, China Growth Bode Well for Global Economy

The smaller deficit suggests U.S. economic growth in the first quarter might have been stronger than previously estimated *By [Harriet Torry](#) Updated April 17, 2019 1:09 p.m. ET*

WASHINGTON—A narrower U.S. trade deficit in February and stronger-than-expected economic growth in China suggested the global economy’s outlook may be brightening headed into the spring.

The U.S. deficit on trade in goods and services narrowed 3.4% in February from the prior month, thanks in large part to a pickup in exports, the Commerce Department said Wednesday. Analysts said the smaller deficit suggests U.S. economic growth in the first quarter might have been stronger than previously estimated.

Meantime, with [Chinese efforts to spur economic growth](#) and a U.S.-China [trade deal](#) in sight, [China’s economic growth](#) held to a better-than-expected 6.4% rate in the first three months of the year.

Taken together, the data were reassuring signs that the world’s two largest economies started 2019 on a sounder footing after a rough patch late last year. The caveat, economists said, is that major economies in Europe [appear to be continuing to lose momentum](#).

“There’s good reason to think the U.S. economy should be doing better,” having weathered a government shutdown and a stock-market swoon at the turn of the year, along with a polar vortex in early 2019, said Stephen Stanley, chief economist at Amherst Pierpont Securities.

The U.S. foreign-trade gap in goods and services contracted to a seasonally adjusted \$49.38 billion in February, the Commerce Department said Wednesday, smaller than the trade deficit of \$53.8 billion economists had expected. Exports increased 1.1% in February from a month earlier, and imports increased 0.2%.

The deficit in goods with China, the U.S.’s largest trading partner in 2018, narrowed by 9.3% from the prior month to a seasonally adjusted \$30.12 billion, as the U.S. exported more to China and imported less in February.

Trade with China has been volatile in recent months, as companies sought to get products into the U.S. before anticipated increases in tariffs. In late February the Trump administration indicated it would hold off on further raising tariffs, given [progress in U.S.-China trade talks](#).

“A lot of purchases moved backwards and forwards and at times strategically to deal with tariffs on certain products,” said Chad Bown, a trade expert at the Peterson Institute for International Economics.

China announced earlier this year that it would increase purchases of American soybeans, and the U.S. exported \$733.1 million in soybeans to China in February 2019, up 55% over January, according to USA Trade data from the Census Bureau, which isn’t adjusted for seasonality.

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U.S. pork exports to China, a smaller trade category, could get a boost in the coming months due to a virus that is spreading through China's pig population, devastating the supply of pork, which is a staple.

Hog prices have risen in recent weeks on signs that Chinese buyers have turned to the U.S. to make up for the dwindling of China's pig herds because of African swine fever. [Outbreaks of the disease](#), which is deadly to pigs but not harmful to humans, started last year.

With exports growing more robustly, analysts marked up their forecasts for the U.S. economy. The Atlanta Fed's closely watched GDPNow, a real-time growth tracker, raised its estimate for first-quarter growth in gross domestic product, up to a 2.4% annual rate from its previous estimate of 2.3%. Macroeconomic Advisers revised its estimate up to 2.4% from a 2.1% pace.

The February export figures were boosted by higher auto exports and a sharp uptick in civilian aircraft exports. That trend could prove fleeting, since in March [Boeing Co.'s 737 MAX planes were grounded](#) following a second fatal crash involving the jet. Boeing [didn't book any commercial orders for its 737 jetliner](#) in March, the first month without a sale of the aerospace giant's best-selling aircraft in almost seven years. It [delivered just 11 of the 737 MAX jets in March](#), less than half the rate of deliveries in the two previous months. Economists said that is likely to weigh on U.S. exports later this year.

The trade deficit widened over the course of last year as a combination of tax cuts, increased government spending and falling unemployment delivered a surge in U.S. growth while other major economies slowed. December saw the largest monthly gap since 2008, underscoring the challenges facing President Trump in his quest to rebalance the nation's books with the rest of the world.

The U.S. economy has run trade deficits for decades, during both economic expansions and recessions, which economists say reflects the fact that Americans consume more than they produce relative to the rest of the world. The U.S. imports more goods than it exports, though it runs a modest trade surplus for services.

U.S. services exports, which include foreign tourists coming to the U.S., were the highest on record in February, at \$70.14 billion.

That was despite a stronger dollar, which makes U.S. exports more expensive. In the year to February, the WSJ Dollar Index, which measures the U.S. currency against 16 others, gained about 8%.