2nd Week article

U.S. Trade Deficit Narrows for First Time in Six Years

Amid trade dispute, Americans imported less from overseas and exports declined

By Harriet Torry

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Shipping containers stacked at the Port of Los Angeles in December. The U.S. deficit in goods and services shrank 1.7% last year. PHOTO: RINGO CHIU/ZUMA PRESS

WASHINGTON—The U.S. trade deficit narrowed in 2019 for the first time in six years, as Americans imported less from overseas and exports fell amid trade tariffs and slower global growth.

The deficit in goods and services shrank 1.7% last year to $616.8 billion, the first decline since 2013, according to Commerce Department data released Wednesday.

Demand for American-made products waned last year amid U.S. trade disputes with trading partners such as China and a weak global economy. Exports declined last year for the first time since 2016, dropping by 0.1%, but imports fell by a greater amount, 0.4%, leading to the drop in the deficit.

Trade has been volatile in recent months, partly due to companies stockpiling imports to get ahead of anticipated tariff increases.

"All the action really in the trade numbers last year was in the fourth quarter" when tariffs on clothing and other imports from China went into effect, leading to volatility in imports, said Ian Shepherdson, chief economist at Pantheon Macroeconomics.

Wednesday's report predates recent key developments in U.S. trade policy. The U.S. and China in January signed an agreement that amounts to a cease-fire in their two-year trade war, though it leaves in place about $370 billion in tariffs on Chinese goods. The report also predates the coronavirus outbreak that threatens to disrupt travel and global supply chains in the months ahead.

The U.S. deficit in goods with China decreased 17.6% in 2019, falling to its lowest level since 2014. Last year, China slipped to third place in total trade in goods with the U.S., falling behind Canada in second place and Mexico in first.

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. To turn a trade deficit into a surplus, the U.S. would need to import less and export more of its products and services, which include foreign tourists coming to the U.S.

Other factors such as last year's grounding of Boeing Co. 's 737 MAX jetliner have scrambled U.S. export data. Exports of civilian aircraft declined by 22.2% last year, while exports of industrial supplies and capital goods also decreased overall.

In the final month of last year, the foreign-trade gap in goods and services expanded 11.9% from the prior month to a seasonally adjusted $48.88 billion in December. Exports rose 0.8% although imports increased by a greater amount, rising 2.7% from November.

Chip maker Xilinx Inc. last week said it plans to cut about 7% of its workforce, blaming a "perfect storm" of a slowdown in fifth-generation technology investments and the impact of trade restrictions blocking business with China's Huawei Technologies Co.
The company is "faced with persistent trade-related impacts to our business" and "the unprecedented change in U.S.-China relations and trade clearly has an impact," Chief Executive Victor Peng said in a conference call last Tuesday.

As a percentage of gross domestic product, the goods and services deficit was 2.9% in 2019, down from 3% in 2018.

In 2019, the economy grew 2.3%, the Commerce Department said last week in an initial look at GDP—the value of all goods and services produced across the economy. That was slower than the 2.9% growth in 2018.

Trade gave U.S. economic growth a boost during the fourth quarter. Net exports added 1.48 percentage points to the overall 2.1% growth rate in GDP.