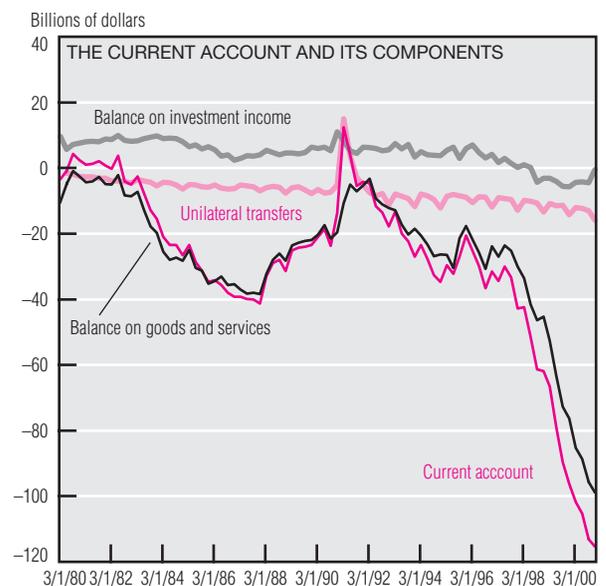
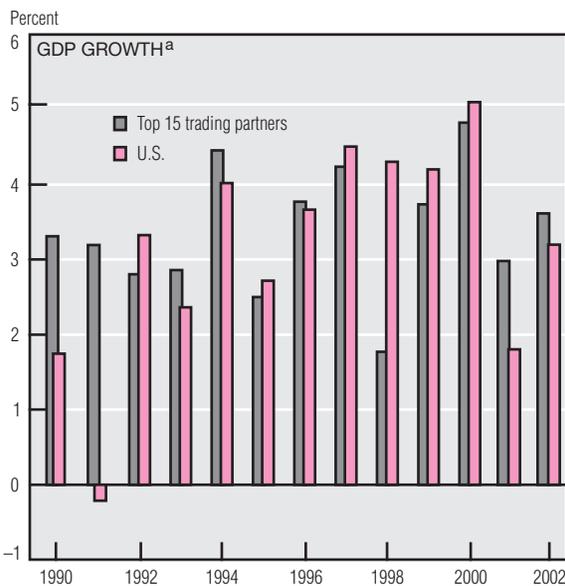
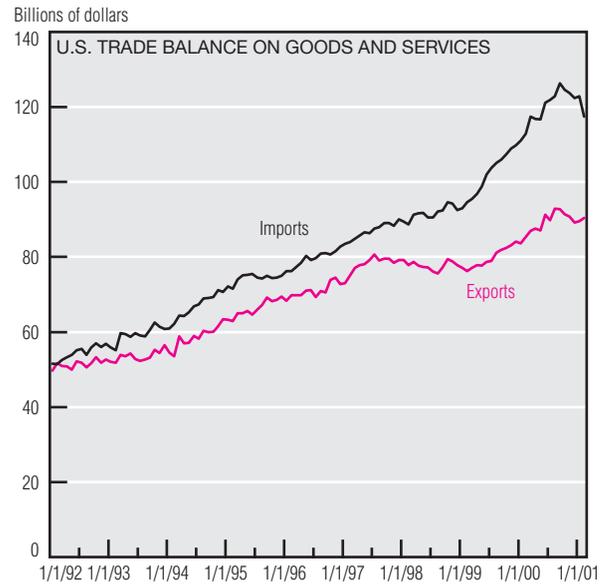
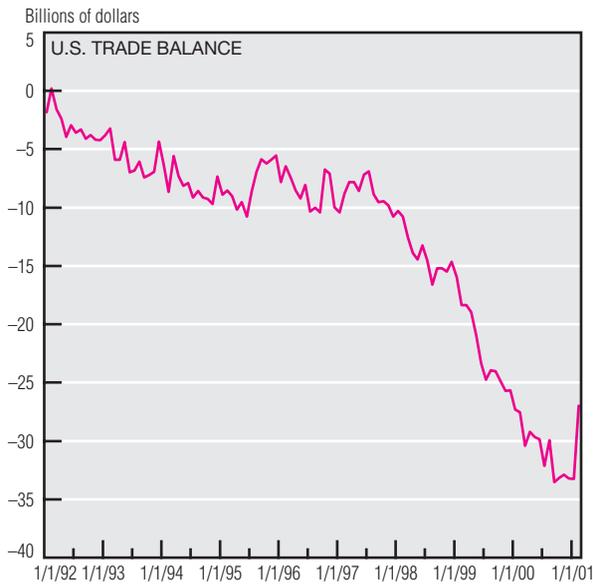


The U.S. Trade Balance



a. Data for 2000, 2001, and 2002 are forecasts.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; International Monetary Fund, *International Financial Statistics*; *Blue Chip Economic Indicators*, April 10, 2001; Organisation for Economic Co-operation and Development, *World Economic Outlook*, May 2000; and *Economist*, April 14–20, 2001.

The U.S. trade deficit in goods and services fell \$6.3 billion in February to \$27 billion as the result of a \$0.9 billion increase in exports and a \$5.4 billion decline in imports. The trade deficit (exports minus imports) rose rapidly between March 1998 and September 2000, then held steady at around \$33 billion until January 2001. February's trade deficit is the smallest since December 1999.

Exports of goods rose \$0.6 billion; goods imports fell \$5.5 billion (the largest monthly drop on record), reflecting a weak domestic economy.

U.S. imports declined most significantly in consumer goods (\$1.9 billion), industrial supplies and materials (\$1.8 billion), and capital goods (\$1.3 billion). Autos and auto parts, energy-related crude and petroleum products, and imports of food and beverages also contributed to the decline.

The 2000 trade deficit exceeded that of 1999 by 39%. If monthly deficits stay at the current level for the rest of this year, the annual deficit will be 10.5% less than it was in 2000. Since 1997, the trade deficit has largely reflected a

divergence between U.S. and foreign economic growth. Forecasters have been expecting foreign growth to be about 3% in 2001—one percentage point or so more than in the U.S. Such an outcome could trim some of the trade gap of the past four years and begin to correct the massive U.S. current account deficit. However, continued shading of foreign growth forecasts and the surprising strength of U.S. GDP growth in 2001:1Q caution against premature optimism about such an outcome.