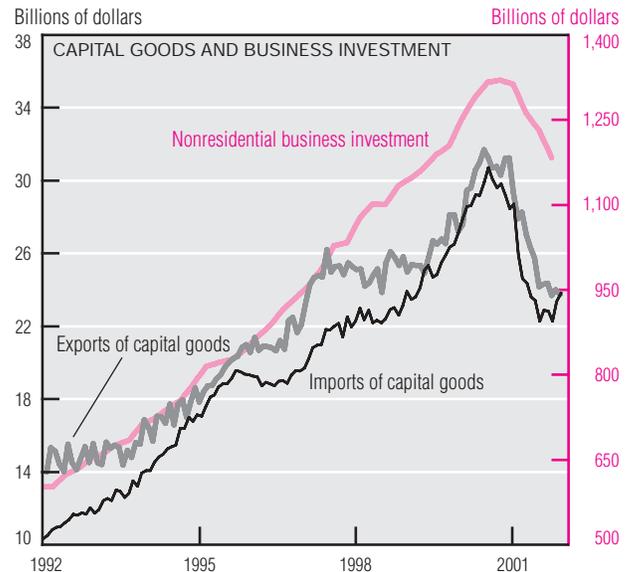
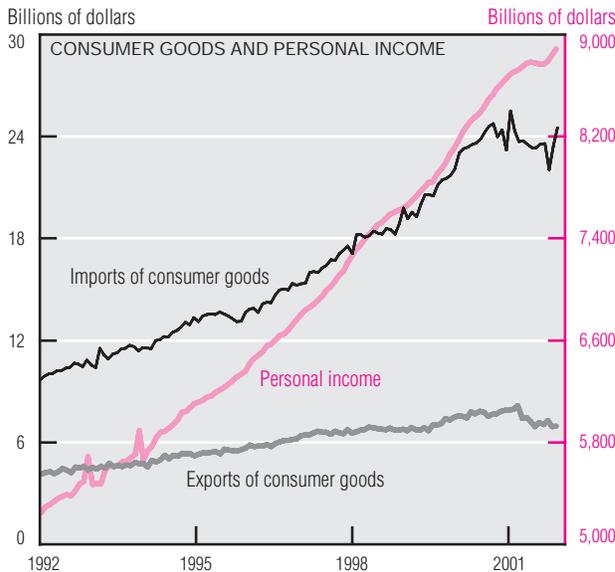
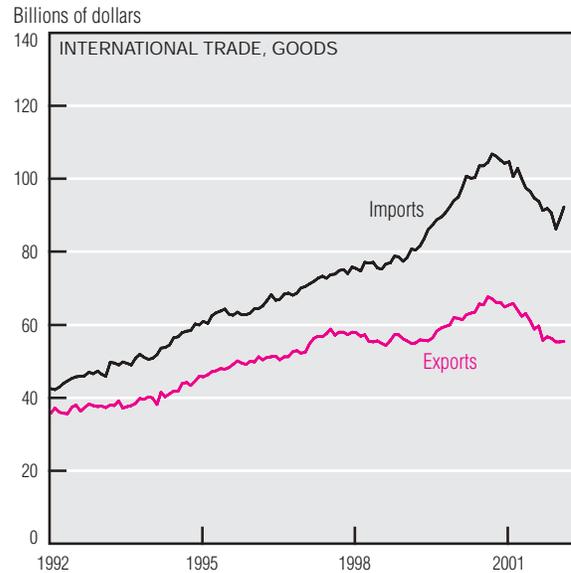
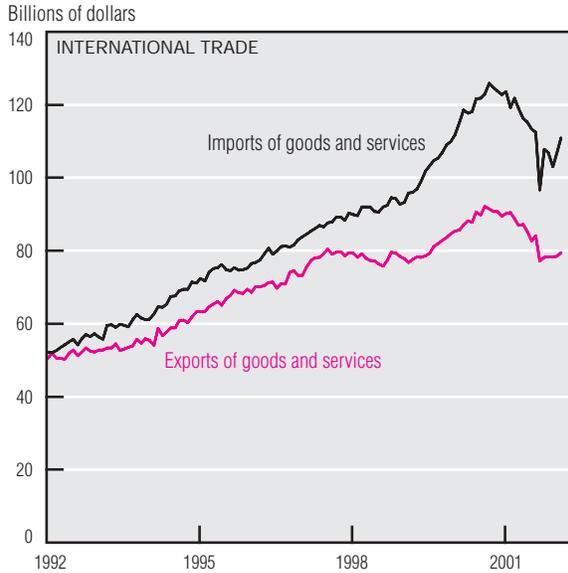


International Trade



SOURCES: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

In February, the U.S. deficit on goods and services rose \$3.3 billion to reach \$31.5 billion, mostly because imports increased \$4.2 billion. The goods deficit alone rose \$3.2 billion, and the services surplus fell \$0.2 billion. Goods imports increased \$3.3 billion. Although imports do not represent spending on domestic production, their increase is thought to indicate strengthening domestic demand.

Interpretation of movement in the trade balance depends partly on

composition. In consumer goods, one of the most important goods categories, imports increased \$1.1 billion, reinforcing the view that the recent strength in personal income demonstrates continued strength in consumer spending.

Based on 2001 data, capital goods are the largest end-use category for goods, both exports and imports. Although capital goods exports and imports so far in 2002 are substantially below this year's January and February totals, imports have

increased over the last two months, reaching the levels of May 2001. Exports remain well below the levels of that date.

Capital goods imports do not contribute directly to domestic demand but may be seen in the same light as business fixed investment in that they might contribute to productivity growth. However, GDP for 2001:IVQ showed a decline in business fixed investment as well as decreases in both imports and exports of capital goods.