Datanote: U.S. Advanced Goods Trade, January

In one line: Net trade on course for a small drag on Q1 GDP

- January's goods trade deficit increased to $90.2B, from $87.9B, above the consensus, $88.5B.

The widening in the goods trade deficit reflected a 1.1% increase in imports more than offsetting a 0.2% rise in exports, and leaves the deficit a

bit above its Q4 average of $88.4B. The trade balance in the volatile industrial supplies category deteriorated only slightly, and none of the other major categories appear primed for a reversal in February. This makes makes it more likely that the deficit is a bit wider in Q1 overall than in Q4.

The real goods trade balance is what matters for real GDP growth and, after adjusting for shifts in headline import and export prices, we estimate that the real goods deficit also widened in

January relative to both December and the Q4 average, albeit by a bit less. That, very tentatively, suggests that net trade in goods will be a minor drag on GDP growth in Q1, and most nowcast model estimates will be nudged down accordingly. But a lot still hinges on February's trade numbers and the BEA's assumptions for March's data, which be released at the same time as Q1's advance GDP report. Translating the monthly goods trade data into an estimate of trade's net impact on quarterly real GDP is also imprecise,

partly due to the omissions of services trade, but also because it is difficult to accurately account for all price changes. Indeed, net trade added 0.3 percentage points to quarterly annualized growth in Q4, even though the real goods trade balance widened slightly.

■ Goods trade deficit, $B

Firms rebuilding inventory

Inventory rebuilding unwinds