

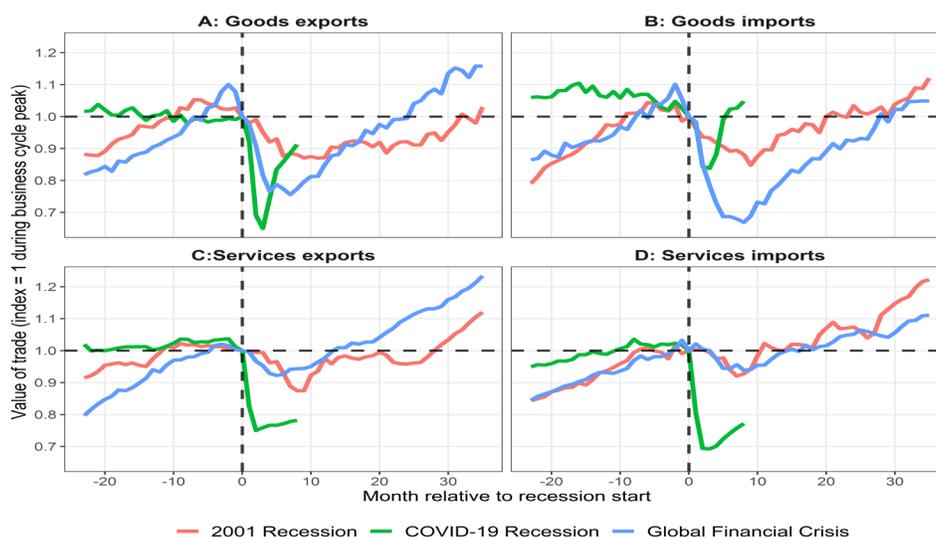
Trends in U.S. Trade During the COVID-19 Economic Downturn

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This EBOT considers the state of U.S. trade from February through October 2020, the first nine months of the NBER declared COVID-19 recession, relative to recent recessions.¹ The decline in U.S goods and services trade since February 2020 was generally more severe than previous recessions. Data on the COVID-19 recession suggest goods trade has rebounded since April, while services trade remains well below pre-pandemic levels and comparable periods during recent recessions. Future recovery prospects ultimately hinge on the pandemic's progression and the persistence of negative economic effects.

Figure 1: Value of U.S. trade during COVID-19 Recession, Global Financial Crisis, and 2001 Recession



Source: U.S. Census, “U.S. International Trade in Goods and Services,” (Accessed December 10, 2020).

Figure 1 depicts indices of goods and services trade during the 2001 Recession (Mar—Nov 2001), Global Financial Crisis (Dec 2007—Jun 2009), and the current pandemic-induced recession (Feb 2020—present). Index values can be interpreted as percentage changes in trade values relative to each recessions’ start. Comparing trade indices during the pandemic recession to previous recessions reveal several trends.

The pandemic shock to goods exports significantly exceeded declines from recent recessions (figure 1, panel A). Within three months of the start of the pandemic-induced recession in February 2020, exports fell by as much as 35 percent as globally governments and households adopted measures to mitigate COVID-19 spread. The decline in goods exports was significantly larger than troughs observed during the 2001 recession and Global Financial Crisis. Much of the pandemic-related decline in goods exports can be attributed to a severe drop in the value and quantity of petroleum exports. Due to containment measures including lockdowns and social distancing, demand for petroleum goods collapsed. Between January and April 2020, the West Texas Intermediate (WTI) crude oil average price per barrel fell 71.2 percent from \$57.52 to \$16.55.² Although prices have recovered slightly, global oil demand remains muted. In September 2020, U.S. crude oil exports were 12.7 percent below pre-pandemic levels.³ Production

¹ NBER, “Determination of the February 2020 Peak in U.S. Economic Activity,” June 8, 2020.

² EIA, “Cushing, OK WTI Spot Price FOB.” (Accessed November 18, 2020).

³ EIA, “U.S. Exports of Crude Oil,” (Accessed December 18, 2020).

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disruptions have also contributed to the fall in good exports during the COVID-19 pandemic. In the U.S. auto industry, exports fell by as much as 89 percent from February through May 2020 due to both weak demand and significant supply chain disruptions.⁴ Auto exports have since largely recovered, returning to within 3 percent of February levels by August.⁵

Goods imports during the pandemic have recovered more quickly than previous downturns (figure 1, panel B). Unlike the 2001 recession and Global Financial Crisis, where imports remained below pre-recession levels for more than 20 months, imports during the COVID-19 pandemic have surpassed pre-downturn levels within six months. A factor driving the recovery was an increase in imports of COVID-19 related goods (i.e. pharmaceuticals; medical devices; cleaning compounds).⁶ However, the more than \$2 trillion in relief under the CARES Act also likely contributed to import demand recovery. Fiscal stimulus measures and expanded unemployment benefits in the CARES Act have raised total personal income above pre-pandemic levels, serving as a boon to import demand and consumption.⁷ Additionally, pandemic-induced declines in demand for services may have boosted demand for goods during the pandemic as consumers substitute away from services like in-person dining and travel.⁸

U.S. trade in services has been especially hard hit during the COVID pandemic and recovery prospects remain uncertain (figure 1, panels C and D). Trade in services has fallen by more than 25 percent since January 2020. Travel and transport industries have declined most significantly as COVID-19 mitigation efforts have severely restricted demand (table 1). Prospects of a recovery in these services will ultimately hinge on the global pandemic's progression, vaccine distribution, and public policies intended to reduce the spread of COVID-19, subsequently making it safer to consume these services.⁹

Table 1: U.S. trade in travel and transport services (seasonally adjusted)

	Trade value (USD Billions)		Share of total services trade (%)		Decline in value (%)
	Jan	Oct	Jan	Oct	Jan-Oct
Total Exports	7,204.3	5,559.6	100	100	-22.8
Travel	1,541.9	400.0	21.4	7.2	-74.1
Transportation	777.4	419.8	10.8	7.6	-46.0
Total Imports	4,928.0	3,375.3	100	100	-31.5
Travel	1,082.8	208.8	21.6	6.2	-80.7
Transportation	883.3	633.2	17.9	18.8	-28.3

Vaccines and reducing uncertainty are pivotal to recovery prospects. Overall, the economic recovery will depend on the progression and mitigation of the COVID-19 pandemic.¹⁰ The approval of two COVID-19 vaccines with vaccinations beginning the third week of December 2020 may help alleviate the increase in new cases. Consequently, resurgence of U.S. trade to pre-pandemic levels will depend on the distribution of the approved COVID-19 vaccines and its impact on the supply and demand of the global economy.

⁴ Szymkowski, "COVID-19 Shut Down 93% of all U.S. Auto Production," April 3, 2020.

⁵ BEA, "Auto Exports [AUESA]," (retrieved from FRED, Federal Reserve Bank of St. Louis; December 11, 2020).

⁶ Imports of Pharmaceuticals (NAICS 3254), Medical Devices (NAICS 334510; 334517; 339112; 339113) and Soap and Cleaning Compounds (NAICS 32561) have increased by more than 10 percent between January and September, reaching \$19.3 billion. USITC, DataWeb (Accessed November 18, 2020).

⁷ U.S. Personal income has exceeded February 2020 levels by more than \$500 billion each month between March and September. BEA, "Personal Income and Outlays, September 2020."

⁸ Personal consumption of goods has exceeded February levels from June through October 2020. Services consumption has yet to exceed pre-pandemic levels. BEA, "Real Personal Consumption Expenditures." (Accessed December 11, 2020).

⁹ Federal Reserve System, "Federal Reserve issues FOMC statement," November 5, 2020.

¹⁰ Nagarajan, "WB chief economist says recovery from the COVID-19 crisis may take 5 years," September 18, 2020

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