



Ask an Economist

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Exports of goods and services account for a substantial share of total U.S. economic activity, with a total value of 13 percent of gross domestic product since the year 2000. With so much production, investment and employment concentrated in the export sector, changes in foreign demand for U.S. goods have important implications for domestic growth, says Nicholas Sly, a senior economist at the Federal Reserve Bank of Kansas City.

What influences demand for U.S. exports?

In recent years, key factors such as foreign income levels and the value of the dollar have changed dramatically with clear consequences for the demand of U.S. exports. Another, less obvious factor that influences demand is uncertainty about global growth and related financial volatility.

How has this affected U.S. exports?

Slowing foreign growth and heightened uncertainty in the foreign growth outlook, and a high relative value of the dollar has caused demand for U.S. exports to wane. In recent years, stress in foreign financial conditions has further contributed to the declining demand for U.S. goods.

What does the near future look like?

Movement in oil prices, volatility in equity and bond markets and changes in monetary policy environments across countries have all contributed to uncertainty about future economic growth. Regardless of the total size or income of foreign economies, greater uncertainty about their expected growth path may deter resident consumers and firms from ordering goods and components produced in the United States. Likewise, greater certainty about future economic conditions may boost demand for U.S. goods even if foreign incomes and exchange rate levels remain unchanged.

Further Resources

Read [Global Uncertainty and U.S. Exports](#). by Nicholas Sly
