Appendix: How Much Do We Spend on Imports?

This appendix provides detailed estimates from "How Much Do We Spend on Imports?" by Galina Hale, Bart Hobijn, Fernanda Nechio, and Doris Wilson, *FRBSF Economic Letter* 2019-01, January 7, 2019. http://www.frbsf.org/economic-research/publications/economic-letter/2019/january/how-much-do-we-spend-on-imports/

We measure the local content of imported goods and the import content of U.S.-made goods using information from the 2016 Bureau of Labor Statistics input-output matrix, and the 2017 personal consumption expenditures (PCE) from the U.S. national accounts.

Table 1 reports our results. The top part of the table provides results for the U.S. as a whole, while the bottom part of the table shows results by major U.S. trade partners. Focusing on the top part of Table 1, the first column reports the expenditure shares of PCE, for reference. Column (2) reports the fraction of each category of PCE that is spent on imported goods, based on raw trade statistics. It shows that in 2017, only 10.3% of consumer spending was on imported goods and services. This was largely driven by durable and nondurable goods.

However, the shares reported in column (2) include the local content of imports, which should be removed, and exclude the import content of domestic goods, which should be added.

Column (3) shows that the local content of imports is about 4.4% of PCE. This means that, of the 10.3% of PCE consumers spent on imported goods, only 5.9% represents payments to foreigners. Column (4) reports the import content of U.S.-made goods, which is 4.7% of PCE.

To properly measure the share of the U.S. consumer spending that goes to imported goods, we take the total amount consumers spend on final goods produced abroad (10.3% of PCE), subtract local content that is embedded in the prices of these goods (4.4% of PCE), and add import content in U.S.-made goods and services (4.7% of PCE).

Column (5) shows that U.S. consumers spent 10.7% of their overall personal expenses on imported goods and services in 2017. While the shares reported in columns (2) and (5) are similar for total imports, the differences are more substantial for subcategories.

The bottom half of Table 1 provides results for the five main U.S. trade partners. It shows that once one accounts for imported intermediates and the local content of imported goods and services, the total spending on Chinese imports, for example, declines from 2.4% to 1.7% of PCE, that is, it declines from 24% to 16% of U.S. total spending on imports.

Table 1. Total spending on imports: Personal consumption expenditures

	(1)	(2)	(3)	(4)	(5)
	PCE expenditure shares	Share spent on imports	Local content in imports sold to final demand	Import content in domestic goods	**Total spending on imports** (2)-(3)+(4)
Total	100.0	10.3	4.4	4.7	**10.7**
Less food and energy	88.8	10.4	4.4	4.3	**10.2**
Main industries:					
Durable goods	10.5	33.1	15.9	6.2	**23.3**
Nondurable goods	20.6	26.0	13.1	6.2	**19.1**
Services	68.9	2.1	0.0	4.1	**6.2**
		Share spent on imports from:	Local content in imports sold to final demand	Import content in domestic goods	**Total spending on imports** (2)-(3)+(4)
Main trade partners:					
China		2.4	1.4	0.7	**1.7**
Japan		0.3	0.1	0.1	**0.3**
Canada		0.6	0.2	0.7	**1.0**
Mexico		1.0	0.4	0.4	**0.9**
Euro area		1.5	0.7	0.4	**1.2**