

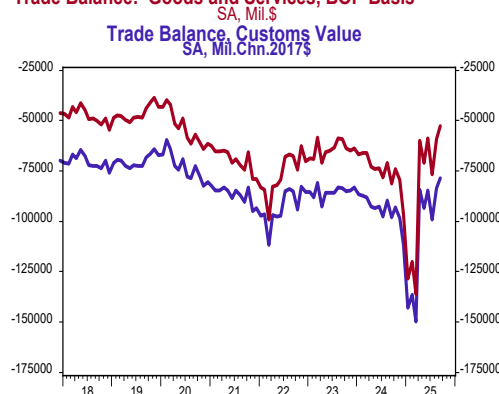
September International Trade

Strider Ellass – Senior Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

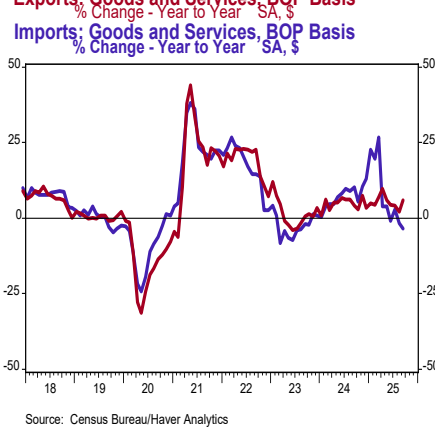
- The trade deficit in goods and services came in at \$52.8 billion in September, much smaller than the consensus expected \$63.1 billion.
- Exports rose by \$8.4 billion, led by nonmonetary gold and pharmaceuticals. Imports rose by \$1.9 billion, led by pharmaceuticals and nonmonetary gold.
- In the last year, exports are up 5.7% while imports are down 3.7%.
- Compared to a year ago, the monthly trade deficit is \$27.0 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$19.7 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

Implications: The U.S. trade deficit narrowed unexpectedly to \$52.8 billion in September, the smallest since mid-2020. The decline in the deficit was due to a large increase in exports, which rose \$8.4 billion. Imports edged up a more modest \$1.9 billion. The President may see this as a win. After all, the core aim of Trump’s trade agenda has been straightforward: fewer imports and more domestic production. But whether that’s what we’re actually seeing is far less certain. We like to focus on the total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the US border. This measure grew by \$10.3 billion in September but is up only 0.4% in the past year, and down 10.3% from the peak hit just earlier this year in March 2025. The decline in trade volumes versus earlier this year could signal a real shift in global supply chains — reshoring, decoupling, and rising U.S. output, exactly what the President wants to see. Or it could be pointing to something less encouraging: softer demand both at home and abroad. At this point, the data don’t offer a clean answer. Employment growth has slowed, particularly in goods-producing industries. For a drop in imports to translate into a lasting economic win, it needs to be accompanied by a clear rebound in U.S. manufacturing and investment—and so far, that resurgence remains tentative. Meanwhile, the GDP math has flipped. Imports subtract from GDP, and their surge in Q1 weighed heavily on overall growth. Net exports alone shaved roughly five percentage points off the growth rate, leaving real GDP contracting at a 0.7% annualized pace in Q1. But as those front-loaded imports peaked in March and receded in Q2, trade became a tailwind, helping lift growth in the second quarter. It now looks like net exports will not have nearly as large an impact on GDP as it did in the first half of the year but should add to growth in the third quarter. At the same time, the landscape of global trade continues to evolve. China, once the dominant exporter to the U.S., has slipped to a distant third behind Mexico and Canada with exports to the US down 24.7% YTD through September versus the same period last year. And in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 43rd consecutive month of America being a net exporter of petroleum products. Petroleum exports were about 37% higher than petroleum imports in September, a new record high surpassing the previous peak set in April 2020. In other news today, initial jobless claims rose 44,000 last week to 236,000 after plummeting during the shortened Thanksgiving week to 192,000; continuing claims for that Thanksgiving week fell 99,000 to 1.838 million. Look for a rebound in continuing claims in the next report, just like the rebound in initial claims in today’s report.

Trade Balance: Goods and Services, BOP Basis



Exports: Goods and Services, BOP Basis



International Trade	Sep-25	Aug-25	Jul-25	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-52.8	-59.3	-77.2	-63.1	-63.3	-79.8
Exports	289.3	280.9	281.6	283.9	283.9	275.8
Imports	342.1	340.2	358.8	347.0	347.2	355.6
Petroleum Imports	15.9	16.8	15.2	16.0	15.9	18.3
Real Goods Trade Balance	-79.0	-83.7	-99.6	-87.4	-87.6	-98.7

Source: U.S. Census Bureau