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January International Trade

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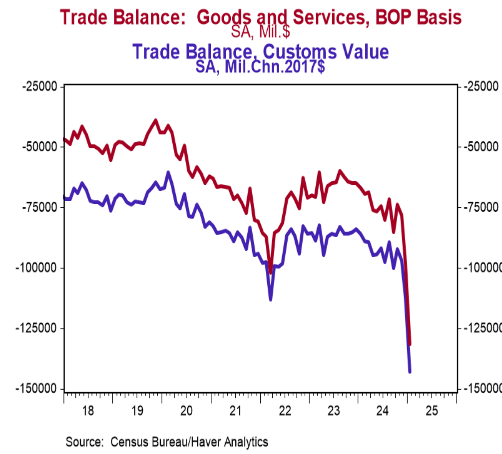
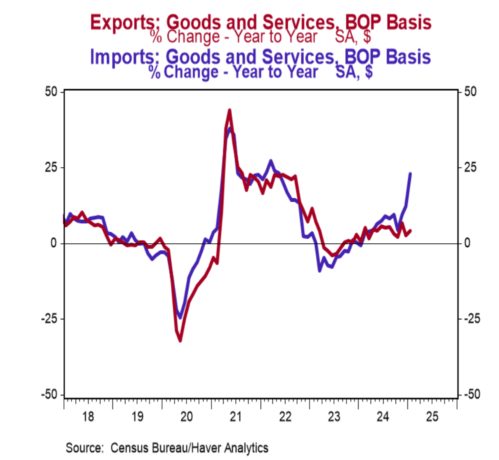
- The trade deficit in goods and services came in at $131.4 billion in January, larger than the consensus expected $128.8 billion.
- Exports rose by $3.3 billion, led by civilian aircraft, natural gas, and pharmaceuticals. Imports increased by $36.6 billion, led by finished metal shapes, pharmaceuticals, and computers.
- In the last year, exports are up 4.1% while imports are up 23.1%.
- Compared to a year ago, the monthly trade deficit is $64.5 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $57.3 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: Imports soared to a record high in January as businesses were front running tariffs that might be put in place by the Trump Administration. The increase in imports was led by industrial supplies, mainly due to a massive increase in finished metal shapes, which can be used in the manufacturing of cars, appliances, and other equipment. This category also includes gold bars which are considered finished metal shapes. Several countries were key to the import surge all with their largest monthly increase ever recorded. Imports from Switzerland soared by $9.6 billion (mainly gold), while imports from Ireland increased by $6.2 billion, and those from Australia by $2.2 billion. The surge in imports will have a huge influence on the calculation of real GDP for the first quarter because when it comes to GDP accounting, imports are a negative. As a result of the surge, it now looks like international trade will be a roughly 3 percentage point drag on the growth rate in Q1 and overall real GDP should drop at about a 1.5% annual rate, with a rebound bounce in growth in Q2 as firms soon end the process of front running tariffs. Looking at the overall trend, total trade is up 14.7% from a year ago, with exports up 4.1% and imports up 23.1%. There also continues to be a major shift going on in the pattern of US trade and with new tariffs that look lasting on China we expect this to continue. China used to be the top exporter to the US. Now the top spot is held by Mexico; China has fallen to number two with Canada nipping at her heels. Also in today's report, the dollar value of US petroleum exports exceeded imports once again. This marks the 32nd consecutive month of the US being a net exporter of petroleum products. In other news this morning, initial jobless claims declined 21,000 last week to 221000, while continuing claims rose 42,000 to 1.897 million. These figures are consistent with continued job growth in February, but at a slower pace than seen in recent years.

International Trade *All Data Seasonally Adjusted, $billions*	Jan-25 Bil $	Dec-24 Bil $	Nov-24 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-131.4**	-98.1	-78.2	-102.6	-89.6	-66.9
Exports	**269.8**	266.5	273.5	270.0	269.7	259.2
Imports	**401.2**	364.6	351.8	372.5	359.4	326.0
Petroleum Imports	**19.0**	19.2	18.4	18.9	18.7	19.5
Real Goods Trade Balance	**-142.9**	-112.1	-97.0	-117.3	-105.6	-85.6

Source: Bureau of the Census