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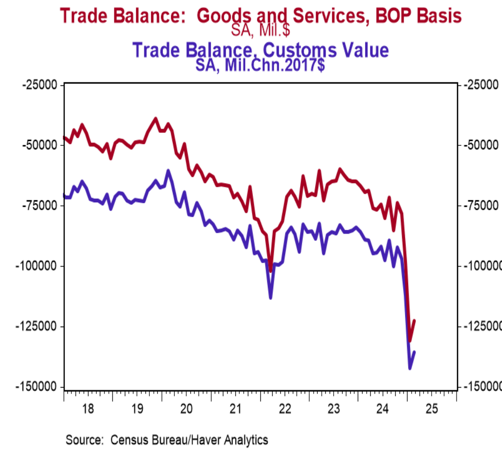
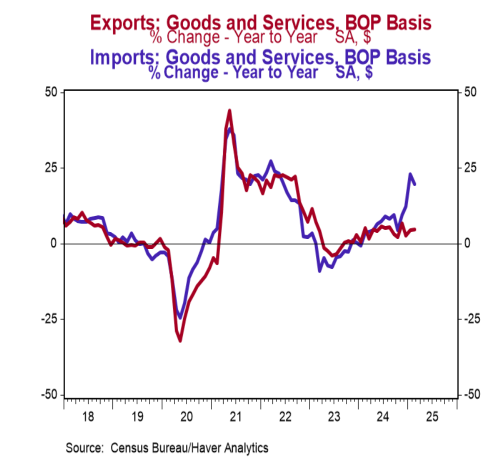
February International Trade

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

- The trade deficit in goods and services came in at $122.7 billion in February, slightly smaller than the consensus expected $123.5 billion.
- Exports rose by $8.0 billion, led by nonmonetary gold, autos, and computer accessories. Imports were essentially unchanged.
- In the last year, exports are up 4.8% while imports are up 19.7%.
- Compared to a year ago, the monthly trade deficit is $53.3 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $46.6 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: After hitting a record in January, the trade deficit shrank to $122.7 billion in February as exports grew by $8.0 billion while imports declined slightly. Still, that leaves the monthly trade deficit well above last year as importers continued to front-run tariffs. Even with the slight decline in imports in February, the surge since the start of the year will have a large 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 one to two percentage point drag on the growth rate in Q1 and overall real GDP should drop at about a 0.5% annual rate, with a rebound bounce in growth in Q2 as firms soon end the process of front running tariffs. As new tariffs announced by the President start to take effect, it wouldn't be a surprise to see imports actually decline significantly in the coming months, reversing a lot of the sizeable gain since the start of the year. Looking at the overall trend, total trade (exports + imports) is up 13.1% from a year ago, with exports up 4.8% and imports up 19.7%. There also continues to be a major shift going on in the pattern of US trade and with new tariffs that look to be even more extreme and 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 33rd consecutive month of the US being a net exporter of petroleum products. In other news this morning, initial jobless claims declined 6,000 last week to 219,000, while continuing claims rose 56,000 to 1.903 million. These figures are consistent with our forecast of a 151,000 increase in nonfarm payrolls in March, to be reported tomorrow morning.

International Trade *All Data Seasonally Adjusted, $billions*	Feb-25 Bil $	Jan-25 Bil $	Dec-24 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-122.7**	-130.7	-98.1	-117.1	-98.1	-69.3
Exports	**278.5**	270.5	266.5	271.8	270.8	265.8
Imports	**401.1**	401.2	364.6	389.0	368.9	335.1
Petroleum Imports	**18.4**	19.0	19.2	18.9	18.6	19.9
Real Goods Trade Balance	**-135.4**	-142.3	-112.1	-129.9	-113.2	-88.8

Source: Bureau of the Census