

## October International Trade

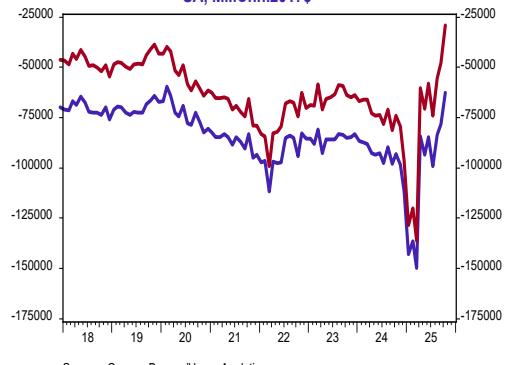
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- The trade deficit in goods and services came in at \$29.4 billion in October, much smaller than the consensus expected \$58.7 billion.
- Exports rose by \$7.8 billion, led by nonmonetary gold and precious metals. Imports declined by \$11.0 billion, led by pharmaceuticals and nonmonetary gold.
- In the last year, exports are up 12.1% while imports are down 3.6%.
- Compared to a year ago, the monthly trade deficit is \$50.4 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$35.6 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 sharply and unexpectedly to \$29.4 billion in October, the smallest for any month since 2009. The decline in the deficit was due to an increase in exports, which rose \$7.8 billion, on top of a large decline in imports, which fell \$11.0 billion. The President may see this as a big 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. For instance, for October, all of the gains in exports came from nonmonetary gold and other precious metals, while all of the decline in imports can be attributed to pharmaceuticals. The fact that these narrow and often volatile categories were responsible for the drop in the deficit suggests the trade deficit should bounce back higher for November. 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. That measure shows mixed results, down by \$3.2 billion in October, up 3.3% in the past year, but down 10.0% from the peak hit just earlier last year in March 2025. The decline in trade volumes versus earlier last 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 related to the trade deficit suggests the decline in October means more of what we purchased overall was made domestically, meaning faster real GDP growth. 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 26.7% year-to-date through October versus the same period 2024. And in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 44th consecutive month of America being a net exporter of petroleum products. Petroleum exports were about 40% higher than petroleum imports in October, a new record high. In other news today, nonfarm productivity (output per hour) increased at a 4.9% annual rate in the third quarter of 2025 as both output and hours rose, but output rose at a much faster pace. In the past year, productivity is up 2.2%, a pickup from the long-term trend of 1.5%. On the labor front, initial jobless claims rose 8,000 last week to 208,000 while continuing claims rose 56,000 to 1.914 million. These figures suggest job growth continues.

Trade Balance: Goods and Services, BOP Basis

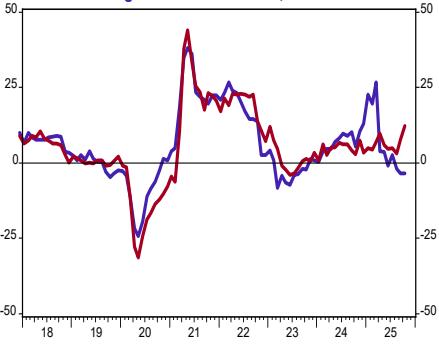
SA, Mil.\$  
 Trade Balance, Customs Value  
 SA, Mil.Chn.2017\$



Source: Census Bureau/Haver Analytics

Exports: Goods and Services, BOP Basis

% Change - Year to Year SA, \$  
 Imports: Goods and Services, BOP Basis  
 % Change - Year to Year SA, \$



Source: Census Bureau/Haver Analytics

International Trade	Oct-25	Sep-25	Aug-25	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
All Data Seasonally Adjusted, \$billions	Bil \$	Bil \$	Bil \$			
<b>Trade Balance</b>	<b>-29.4</b>	<b>-48.1</b>	<b>-55.6</b>	<b>-44.4</b>	<b>-56.1</b>	<b>-79.8</b>
<b>Exports</b>	<b>302.0</b>	<b>294.2</b>	<b>284.1</b>	<b>293.4</b>	<b>287.5</b>	<b>275.8</b>
<b>Imports</b>	<b>331.4</b>	<b>342.4</b>	<b>339.7</b>	<b>337.8</b>	<b>343.7</b>	<b>355.6</b>
<b>Petroleum Imports</b>	<b>15.2</b>	<b>15.8</b>	<b>16.8</b>	<b>15.9</b>	<b>15.8</b>	<b>18.3</b>
<b>Real Goods Trade Balance</b>	<b>-63.1</b>	<b>-78.7</b>	<b>-83.7</b>	<b>-75.1</b>	<b>-83.9</b>	<b>-98.7</b>

Source: U.S. Census Bureau