

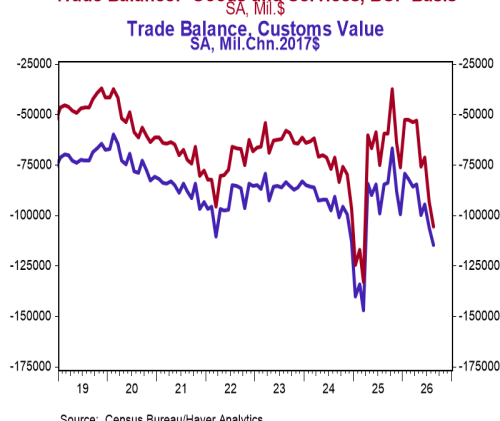
August International Trade

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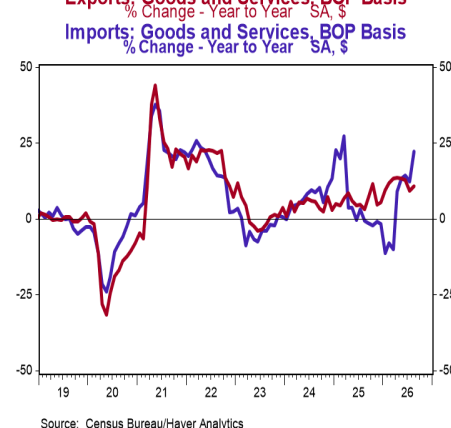
- The trade deficit in goods and services came in at \$105.6 billion in August, larger than the consensus expected \$102.1 billion.
- Exports rose by \$4.5 billion, led by nonmonetary gold, crude oil, and fuel oil. Imports rose by \$17.2 billion, led by crude oil, nonmonetary gold, and semiconductors.
- In the last year, exports are up 10.7% while imports are up 22.2%.
- Compared to the average level over the past year, the monthly trade deficit is \$39.4 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$24.4 billion larger than the average level over the past year. The “real” change is the trade indicator most important for measuring real GDP.

Implications: The trade deficit widened once again to \$105.6 billion in August, the largest since the surge in early 2025 as importers were front-running the tariffs the Trump Administration had promised for April 2025. Bottom line: other than with China, it’s hard to see any global impact from U.S. tariffs. The trade deficit has been steadily rising since the start of the summer, which marks a break from the pattern over the past year, when the deficit held around \$50 - 70 billion, albeit with considerable volatility. The increase reflected a \$4.5 billion rise in exports alongside a much larger \$17.2 billion increase in imports. The rise in exports was driven by nonmonetary gold, crude oil, and fuel oil. On the imports side, crude oil, nonmonetary gold, and semiconductors led imports to the highest level on record. Trade data is not adjusted for inflation, so big swings in oil prices, as we have seen throughout this year, can have a large impact on the trade balance. On top of that, nonmonetary gold (also volatile) is excluded from the BEA’s GDP calculations. So what then are the underlying signals showing? Imports of AI related capital goods (computers, computer accessories, semiconductors, and telecommunications equipment) are up \$273 billion year-to-date versus the same period last year, compared to just a \$107 billion increase in overall goods imports. Yes, that means more than the entire increase in the trade deficit is accounted for by the tech sector, likely due to the build-out of AI and data centers. This has caused goods imports to become the most concentrated in a single product category than at any point on record going back to 1999 (see more in our recent [Three on Thursday](#)). This massive AI investment wave has propelled Taiwan to become one of our closest trade partners, with imports from the country up 56.8% year-to-date compared to the same period last year. On the other hand, the official figures show that China, once the dominant exporter to the U.S., has slipped to a fourth place behind Mexico, Canada, and Taiwan, with exports to the U.S. down 16.3% year to date compared to the same period last year. We say “official figures” because it is also possible that China is now laundering some of their exports to the U.S. through other countries. Meanwhile, the total volume of trade, exports *plus* imports, which shows the extent of business and consumer interaction across the border, increased \$21.7 billion in August. This measure has risen 17.0% in the past year, with exports up 10.7% and imports up 22.2%. Also in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 54th consecutive month of America being a net exporter of petroleum products. Keep in mind petroleum products include refined products like gasoline, diesel, and propane – all of which the U.S. exports in large volumes. When looking at crude oil alone however, the U.S. remains a net importer (although not nearly as much as in prior decades), largely due to domestic refinement capabilities.

Trade Balance: Goods and Services, BOP Basis



Exports: Goods and Services, BOP Basis



International Trade	Aug-26	Jul-26	Jun-26	3-Mo	6-Mo	Year-Ago
All Data Seasonally Adjusted, \$billions	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-105.6	-92.8	-71.2	-89.9	-75.3	-59.6
Exports	315.2	310.7	317.3	314.4	319.0	284.7
Imports	420.8	403.6	388.5	404.3	394.4	344.4
Petroleum Imports	20.4	16.8	19.1	18.7	19.0	16.8
Real Goods Trade Balance	-114.7	-106.0	-94.4	-105.0	-97.5	-84.5

Source: U.S. Census Bureau