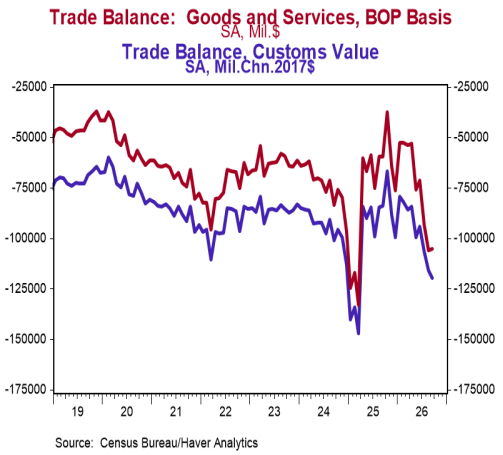
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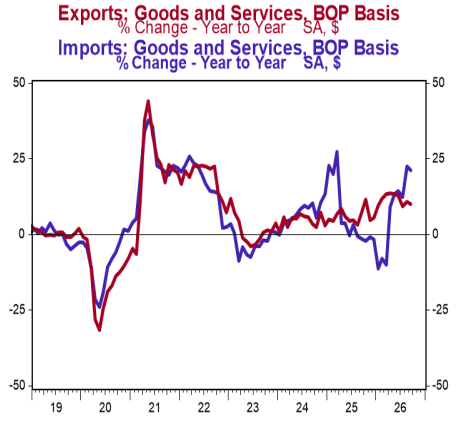
September International Trade

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- The trade deficit in goods and services came in at $105.0 billion in September, smaller than the consensus expected $107.9 billion.
- Exports rose by $5.8 billion, led by soybeans, computers, and crude oil. Imports rose by $5.2 billion, led by computers, computer accessories, and pharmaceutical preparations.
- In the last year, exports are up 10.0% while imports are up 21.3%.
- Compared to the average level over the past year, the monthly trade deficit is $35.1 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $26.1 billion larger than the average level over the past year. The "real" change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: The trade deficit narrowed slightly to $105.0 billion in September, taking a breather after steadily widening since the beginning of the summer. The deficit now hovers around the largest since early 2025, back when importers were front-running the Trump Administration's "Liberation Day" tariffs promised for April 2025. Looking at the details, the slight drop in the deficit was due to a $5.8 billion increase in exports more than offsetting a $5.2 billion increase in imports. The rise in exports was led by soybeans, computers, and crude oil. Total exports are up $241 billion year-to-date compared to the same time last year, driven in part by a price increase in petroleum-based exports, which have accounted for just over a third of that increase. In fact, September marked the 55th consecutive month of America being a net exporter of petroleum products. Keep in mind that while the U.S. exports petroleum products (gasoline, diesel, and propane) in large volumes, it remains a net importer of crude oil, largely due to domestic refining capabilities. On the import side, computers, computer accessories, and pharmaceuticals led imports to the highest level on record in September. The surge in imports over the past year has been driven by the wave of massive capital spending on computer processing – imports of computers, computer accessories, semiconductors, and telecommunications equipment are up $332 billion year-to-date versus the same period last year, compared to just $180 billion in overall imports. Yes, that means the tech sector alone accounted for more than the entire increase in the trade deficit, likely due to the build-out of AI and data centers. In fact, computers and electronic products comprised 34.8% of all goods imports in September, the largest share of any product category on record going back to 1999. This dynamic has propelled Taiwan to become one of our closest trade partners, with imports from the country up 60.5% year-to-date versus the same time 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 11.5% 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 $11.0 billion in September. This measure has risen 16.1% in the past year, with exports up 10.0% and imports up 21.3%. In other news this morning, ADP's measure of private payrolls increased 86,000 in October versus a consensus expected 67,000. We're estimating Friday's official report will show a nonfarm payroll gain of 67,000 with the unemployment rate remaining steady at 4.2%.

International Trade *All Data Seasonally Adjusted, $billions*	Sep-26 Bil $	Aug-26 Bil $	Jul-26 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-105.0**	-105.7	-92.8	-101.2	-83.9	-59.4
Exports	**321.5**	315.7	310.7	316.0	319.2	292.4
Imports	**426.6**	421.4	403.6	417.2	403.1	351.7
Petroleum Imports	**20.3**	20.6	16.8	19.2	19.4	15.8
Real Goods Trade Balance	**-119.5**	-116.0	-106.2	-113.9	-103.2	-83.8

Source: U.S. Census Bureau

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