

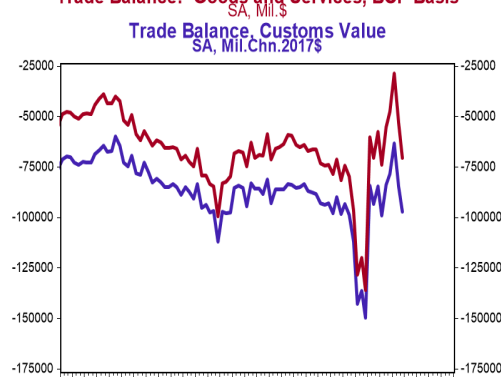
December International Trade

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- The trade deficit in goods and services came in at \$70.3 billion in December, much larger than the consensus expected \$55.5 billion.
- Exports fell by \$5.0 billion, led by nonmonetary gold, petroleum products other than oil, and precious metals. Imports rose by \$12.3 billion, led by computer accessories, nonmonetary gold, and copper.
- In the last year, exports are up 6.3% while imports are down 2.6%.
- Compared to a year ago, the monthly trade deficit is \$26.6 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$15.1 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

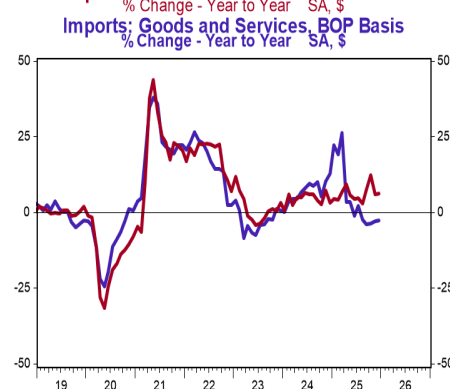
Implications: After plummeting in November, the trade deficit widened sharply to \$70.3 billion in December, rounding out the most volatile year of international trade in decades. The increase in the deficit for the month was due to both a rise in imports, which increased \$12.3 billion, as well as a decline in exports, which fell \$5.0 billion. Roughly half of the increase in the deficit December came from nonmonetary gold – a category not included in GDP calculations – which softens the impact to net exports on Q4 GDP. We like to focus on total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the border. That measure rose by \$7.3 billion in December, finishing 1.2% higher in 2025 versus 2024. Over the past year, exports have risen 6.3% while imports declined 2.6%. The GDP math related to the trade deficit suggests that with the fourth quarter numbers in, on net, more of what we purchased overall was made domestically, meaning faster real GDP growth. Meanwhile, 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 U.S. down 29.7% in 2025 versus 2024. Notably the accelerated demand for high tech equipment to fuel the massive AI investment is clear in the data: the U.S. imported almost \$145 billion more of computer accessories than in 2024 and the trade deficit with Taiwan reached a record high \$147 billion for the year. Also in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 46th consecutive month of America being a net exporter of petroleum products. In other news this morning, initial jobless claims declined 23,000 last week to 206,000, while continuing claims rose 17,000 to 1.869 million. This is consistent with modest job growth in February.

Trade Balance: Goods and Services, BOP Basis



Source: Census Bureau/Haver Analytics

Exports: Goods and Services, BOP Basis



Source: Census Bureau/Haver Analytics

International Trade	Dec-25	Nov-25	Oct-25	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-70.3	-53.0	-28.7	-50.7	-54.8	-96.9
Exports	287.3	292.3	302.6	294.1	290.6	270.2
Imports	357.6	345.3	331.3	344.8	345.4	367.1
Petroleum Imports	16.2	14.5	15.3	15.3	15.6	19.0
Real Goods Trade Balance	-97.1	-84.5	-63.4	-81.7	-84.4	-112.2

Source: U.S. Census Bureau