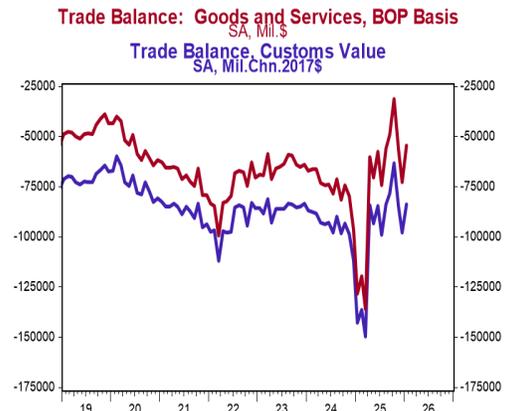


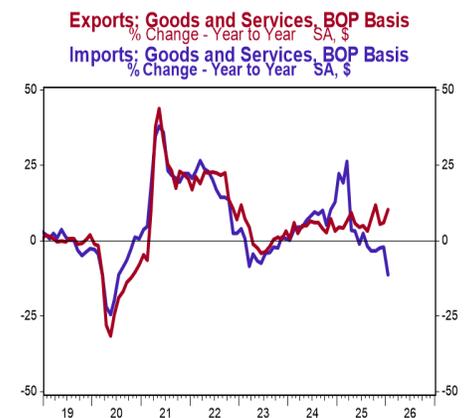
January International Trade

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 \$54.5 billion in January, much smaller than the consensus expected \$66.0 billion.
- Exports rose by \$15.8 billion, led by nonmonetary gold, precious metals and computers. Imports fell by \$2.6 billion, led by pharmaceuticals, autos, and nonmonetary gold.
- In the last year, exports are up 10.4% while imports are down 11.3%.
- Compared to a year ago, the monthly trade deficit is \$73.8 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$58.9 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: Trade volatility continued in January as the trade deficit significantly shrank to \$54.5 billion in January after widening sharply in December. The decline in the deficit for the month was due to both a rise in exports, which increased \$15.8 billion, as well as a decline in imports, which fell \$2.6 billion. A noticeable part of the decline in the deficit in January came from nonmonetary gold – a category not included in GDP calculations – which will soften the impact of net exports on Q1 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 \$13.3 billion in January, but is still down 2.5% (or \$17.1 billion) from a year ago. Over the past year, exports have risen 10.4% while imports declined 11.3%. The GDP math related to the trade deficit suggests that so far, 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 fourth place behind Mexico, Canada, and now Taiwan, with exports to the U.S. down 49.4% in January versus January 2025. Accelerated demand for high tech equipment to fuel the massive AI investment is clear in the data with imports from Taiwan up 96% in January versus January 2025. Also in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 47th consecutive month of America being a net exporter of petroleum products. In other news this morning, initial jobless claims declined 1,000 last week to 213,000, while continuing claims fell 21,000 to 1.850 million. This is consistent with modest job growth in March.

International Trade	Jan-26	Dec-25	Nov-25	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-54.5	-72.9	-56.0	-61.1	-53.3	-128.3
Exports	302.1	286.3	290.9	293.1	293.1	273.7
Imports	356.6	359.2	346.9	354.2	346.4	402.1
Petroleum Imports	15.5	16.2	14.5	15.4	15.7	19.1
Real Goods Trade Balance	-83.9	-97.9	-84.5	-88.8	-82.0	-142.8

Source: U.S. Census Bureau