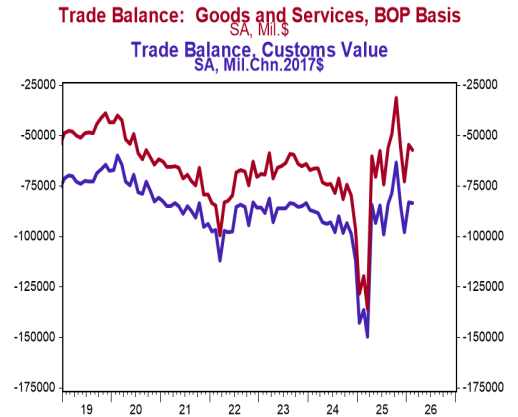


February International Trade

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- The trade deficit in goods and services came in at \$57.3 billion in February, smaller than the consensus expected \$60.6 billion.
- Exports rose by \$12.6 billion, led by nonmonetary gold, pharmaceuticals, and semiconductors. Imports rose by \$15.2 billion, led by computers, computer accessories, and semiconductors.
- In the last year, exports are up 12.2% while imports are down 7.1%.
- Compared to a year ago, the monthly trade deficit is \$62.5 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$52.8 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

Implications: The trade deficit took a break from its recent stretch of volatility in February, widening slightly to \$57.3 billion after narrowing sharply in January. Despite the small movement in the deficit, there was plenty of activity behind the scenes: exports rose by \$12.6 billion, which was fully offset by a \$15.2 billion increase in imports. Keep in mind that a large chunk of the rise in exports came from nonmonetary gold – a category not included in GDP calculations – which will dampen exports’ contribution to Q1 GDP. We like to focus on total volume of trade, exports *plus* imports, as it shows the extent of business and consumer interaction across the border. That measure rose by \$27.8 billion in February, the largest increase in thirteen months, but is up only 0.9% (or \$5.8 billion) from a year ago. While total trade volumes have seen little change over the past year, the mix has improved for domestic producers, with exports rising 12.2% and imports falling 7.1% over the past year. 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 45.4% in the first two months of 2026 compared to the same period last year. Accelerated demand for high tech equipment to fuel the massive AI investment is clear in the data with imports from Taiwan up 97.7% over the same period. Also in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 48th 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, largely due to domestic refinement capabilities. In other news this morning, initial jobless claims declined 9,000 last week to 202,000, while continuing claims rose 25,000 to 1.841 million. We’re estimating Friday’s official labor report will show a nonfarm payroll gain of 76,000 with the unemployment rate remaining steady at 4.4%. Keep in mind this report falls on Good Friday, and along with many other companies in the US, First Trust will be closed in observance of this sacred day. We will release our analysis of the jobs numbers, along with data on ISM Services, on Monday after Easter.



Source: Census Bureau/Haver Analytics



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International Trade	Feb-26	Jan-26	Dec-25	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-57.3	-54.7	-72.9	-61.6	-53.5	-119.8
Exports	314.8	302.2	286.3	301.1	298.2	280.7
Imports	372.1	356.9	359.2	362.7	351.7	400.4
Petroleum Imports	16.8	15.5	16.2	16.2	15.7	18.6
Real Goods Trade Balance	-83.5	-83.0	-97.9	-88.2	-81.8	-136.3

Source: U.S. Census Bureau