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July International Trade

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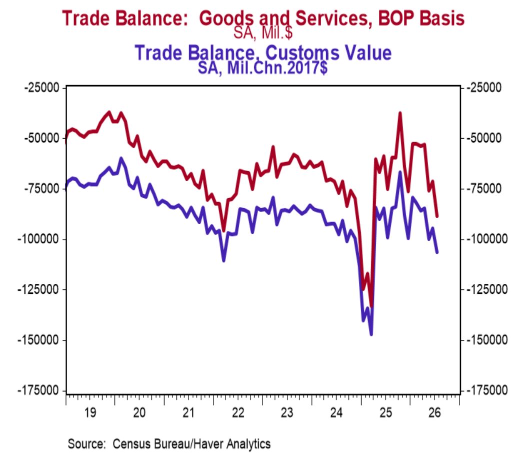
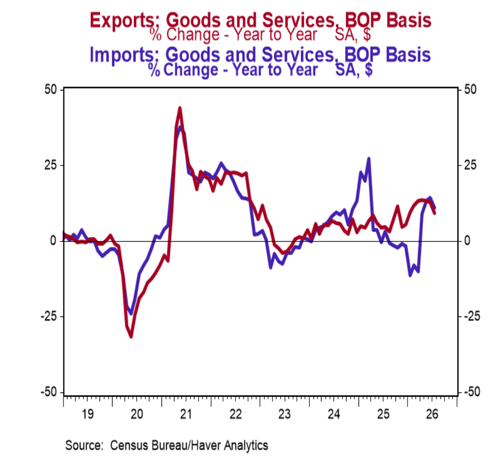
- The trade deficit in goods and services came in at $88.6 billion in July, slightly smaller than the consensus expected $90.2 billion.
- Exports declined by $6.6 billion, led by crude oil, nonmonetary gold, and natural gas liquids. Imports rose by $10.8 billion, led by computers, computer accessories, and copper.
- In the last year, exports are up 9.3% while imports are up 11.2%.
- Compared to the average level over the past year, the monthly trade deficit is $26.6 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $18.5 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 substantially to $88.6 billion in July, the largest since the peak of tariff front-running in March 2025. The shift marks a break from the pattern of the past year, when the deficit held around $50 billion to $70 billion, albeit with considerable volatility. The break is due to both a $6.6 billion decline in exports and a $10.8 billion rise in imports. Fortunately, a good chunk of the decline in exports came from nonmonetary gold – a category not included in GDP calculations – which should soften a little the impact to net exports on Q3 GDP. The rise in imports once again reflects the surge in capital spending on computer processing – imports of computers and computer accessories alone rose $13.5 billion in July. Year to date, these imports are up $164 billion compared to the same period in 2025. Adding semiconductors and telecommunications equipment brings the total increase to $228 billion. This dynamic caused imports of capital goods (which exclude autos) to rise 11.4% in July, the largest monthly gain in the category since 1993. 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 $4.2 billion in July and is up 10.4% in the past year. Over the past year, exports have risen 9.3% and imports are up 11.2%. 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 19.4% year to date compared to the same period last year. Accelerated demand for high tech equipment stands out in the data with imports from Taiwan up 60.0% over the same period moving them to third place. Also in today's report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 53rd 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. In other recent news, initial jobless claims rose 2,000 last week to 206,000, while continuing claims rose 8,000 to 1.779 million. These figures suggest continued moderate payroll growth.

International Trade *All Data Seasonally Adjusted, $billions*	Jul-26 Bil $	Jun-26 Bil $	May-26 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-88.6**	-71.2	-75.8	-78.5	-65.8	-75.1
Exports	**310.7**	317.3	320.0	316.0	318.8	284.2
Imports	**399.3**	388.5	395.7	394.5	384.5	359.2
Petroleum Imports	**16.8**	19.1	20.9	18.9	18.4	15.6
Real Goods Trade Balance	**-106.4**	-94.4	-99.8	-100.2	-92.1	-99.2

Source: U.S. Census Bureau