Economic Update

November 27, 2024

US Goods Trade Deficit Narrowed in October as Imports Fell More Than Exports

- **The advance international trade deficit in goods narrowed in October, but was up from last year.**
- **Total trade flows fell on the month with goods imports falling more than exports.**
- **On a year-ago basis goods imports were up 4% supported by strong US demand; exports were down 1%.**
- **Protectionism is a downside risk to global trade flows in 2025.**

The U.S. trade deficit in goods narrowed 9% to $99.1 billion in October from $108.7 billion (revised upward from $108.2 billion) in September, after seasonal adjustment. Despite the drop in October, the goods trade deficit has been on an upward trend over the past year. The three-month moving average of the goods deficit in October narrowed from September, was still near the highest level over the past two years. On a year-ago basis the trade deficit in goods was up 13% in October.

Goods trade flows fell on the month with goods imports falling more than exports. Goods imports fell 5% to $267.8 billion, while goods exports fell 3% to $168.7 billion. The decline in exports was broad-based, with sizeable declines for autos (down 19%), capital goods (down 7%), and consumer goods (down 6%). The monthly retreat in imports was also broad-based, with imports of industrial supplies, capital goods, autos, and consumer goods all lower in October.

On a year-ago basis goods exports were down 1%. Imports were up 4% supported by strong US consumer and business demand. Specifically, imports of consumer goods were up 8% in October from a year earlier, with imports of foods, feeds, and beverages up 9%. Imports of capital goods increased 9%.

PNC expects the current strong US dollar and robust US labor market will continue to support imports of consumer goods over the very near term. There could be speculative moves in response to President-elect Trump's trade policies before they are rolled out in early 2025. Lower interest rates expected in many advanced economies will likely support US goods exports over the next year. Overall economic recoveries in China, the eurozone, and the UK should support more trade flows in 2025, despite current economic weakness. However, global trade flows will likely shift with respect to country-specific tariffs in the US, and retaliation to protective trade measures are downside risks to global trade flows in 2025.

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