Economic Update

November 5, 2024

US Trade Deficit Jumped in September With Big Increase in Goods Imports; U.S. Economy Continues to Expand Strongly at End of 2024

- **The U.S. goods and services trade deficit broadened in September 2024 to the largest deficit in two years. Trade was a drag on third quarter GDP.**
- **The goods deficit increased due to a jump in goods exports and a decline in goods imports.**
- **The services surplus increased as services imports fell more than exports.**
- **PNC expects positive trade flows from a gradual economic recovery overseas and slower but moderate U.S. economic expansion into 2025.**

The seasonally-adjusted nominal U.S. goods and services trade deficit widened 19% in September to $84.4 billion from $70.8 billion (revised upward from $70.4 billion) in August. September's total trade deficit was close to the consensus expectation of $84 billion. This is the largest total nominal trade deficit over the past two years. On a year-ago basis the total trade deficit was up 36%, but it remains far below the record $102 billion deficit in March 2022. A jump in the goods trade deficit more than offset a larger services trade surplus for the month.

The goods deficit jumped 15% to $109.0 billion in September to a two-year high; on a year-ago basis the goods deficit was 27% higher. The larger goods deficit on the month came from lower goods exports and higher goods imports. Goods exports fell 2% to $176.0 billion on the month, while goods imports rose 4% to $285.0 billion. The deficit with the European Union rose in September; both exports to and imports from the European Union dropped. The goods deficit with China broadened on the month.

Exports fell for most major categories of goods, including industrial supplies, capital goods, and consumer goods, while exports of foods, feeds, and beverages and autos increased in September. There was a broad-based increase in goods imports in September led by consumer goods and capital goods. Imports of consumer goods rose on the month and remained at the highest level over the past two years. Imports of industrial supplies also rose on the month and were up over the past year after falling to a two-year low in August. Auto imports were up on the month but down from earlier this year.

The services surplus rose 2% in September to $24.6 billion from $24.0 billion; imports fell more than exports.

The larger trade deficit was a drag on real GDP growth in the third quarter, subtracting 0.6 percentage point from annualized growth in the advance estimate from the Bureau of Economic Analysis. Still, the economy expanded strongly in the third quarter, with an annualized increase of 2.8%. PNC expects positive trade flows over the next year. A gradual economic recovery overseas, despite temporary economic weakness, will

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support U.S. exports. Continued job gains in the U.S. labor market and positive consumer spending growth, albeit at a slower pace, should also support imports and continued economic expansion into 2025.

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