Tariff Effects Hold the Trade Deficit Down in September

Reflecting the global growth slowdown and the ongoing U.S.-China trade war, the trade deficit narrowed in September, as activity in both exports and imports eased.

Trade Deficit Narrows to a Five-Month Low
- The trade deficit narrowed to $52.5 billion in September, marking the smallest shortfall since April. Exports fell 0.9%, while imports decreased 1.7% on the month.
- The decline in imports reflects the imposition of the September 1 tariffs, which included the consumer goods category. Consumer goods imports fell 4.4% following a 3.4% gain in August. Imports of capital goods and autos also declined.

Trade Talks Show Some Promise, Yet Still Takes Time
- As reported last week, net exports trimmed 0.1 percentage points (pp) off Q3 GDP growth following a sizeable 0.7 pp drag in the second quarter. No doubt the U.S.-China trade war has hampered global trade flows, and while there are some signs of potential relief, that relief will still take some time to unfold. We look for net exports to remain a slight drag on U.S. GDP growth in the fourth quarter.

Source: U.S. Department of Commerce and Wells Fargo Securities