



Trade Deficit Bounced Back in November After Narrowing Sharply in October

Headlines

- **The nominal U.S. goods and services trade deficit bounced back in November after narrowing sharply to a 16-year low in October.** The November deficit was larger than consensus expectations but was one of the lower trade deficits of the past five years.
- **Goods exports fell in November while imports rose.** Tariffs are weighing on goods imports, which were down 3.5% on a year-over-year basis. Tariffs are reshaping U.S. trade patterns.
- **Services trade flows increased in November,** but inbound travel made to the U.S. was down from last year.
- **PNC expects tariffs to continue to drag on imports under a slowing U.S. labor market.**

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Details

The seasonally-adjusted nominal U.S. goods and services trade deficit almost doubled in November to \$56.8 billion, after narrowing sharply in October to \$29.2 billion (downwardly revised from \$29.4 billion) before adjustment for inflation. The October trade deficit was the smallest in 16 years.

The November trade deficit came in above the consensus expectation of \$44 billion but was one of the smaller trade deficits of the past five years. The international trade deficit surged to a record high of \$136.4 billion in March 2025 as firms rushed to import ahead of higher tariffs and narrowed sharply from there as higher tariffs from the Trump administration weighed on goods imports. Total goods imports have fallen 21.4% from a record high of \$346.7 billion in March to \$272.5 billion in November.

On the month the wider trade deficit came from higher total imports (up 5%) and lower total exports (down 4%). Despite this monthly rebound, the total trade deficit was still down 29% in November from a year earlier, with imports down 2% and exports up 6%.

Goods exports declined 5.6% in November, while imports rose 6.6%. Nearly all major export categories fell except for capital goods, which increased 1%. The rise in capital-goods exports was driven primarily by computer accessories, computers, and semiconductors, whereas exports of gold, other precious metals, crude oil, and pharmaceutical preparations dropped sharply. After surging 67% in October, exports of nonmonetary gold fell 25% in November. Similarly, the exceptional 251% spike in precious-metals exports in October reversed with a 51% decline in November. Despite these monthly



declines total nominal goods exports still reached \$186 billion in November—5% higher than a year earlier.

On the import side, all major goods categories rose in November from October except for industrial supplies (down 5%) and autos (down 1%). Notably, imports of computers and semiconductors increased sharply, by 36% and 34%, respectively. Despite the monthly rebound in several categories, due to tariffs total goods imports were still 3.5% lower than a year earlier.

The large jump in the monthly total trade deficit came solely from a larger goods trade deficit, as the services trade surplus rose 1% in November. Services exports increased while imports dropped. Services trade has increased from last year as they are unaffected by tariffs. The rise in services trade in 2025 was broad-based except for inbound travel made to the U.S. (a U.S. services export) with reduced foreign visitations. On a year-ago basis travel services exports dropped 4% in November. **Contrary to falling inbound travel made to the U.S.,** travel services imports (international travel by U.S. residents), the largest category of services imports, rose 5% on a year-ago basis.

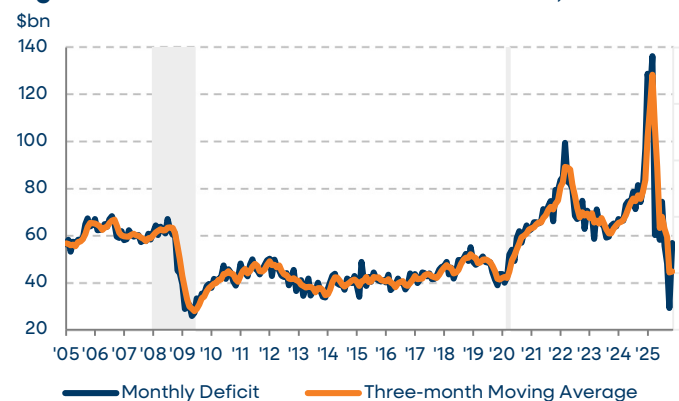
The effective tariff rate on all U.S. goods imports surged to 17% as of November 2025—the highest level since 1935, according to the Budget Lab at Yale. **This tariff shock has resulted in a decline in goods imports from 2024 and early 2025 and has reshaped U.S. trade patterns.** Imports from China fell by more than 40% in November on a year-over-year basis, while the U.S. trade deficit with China also narrowed by over 40%. A portion of these imports has been redirected to other Southeast Asian economies, resulting in a 48% year-over-year increase in the U.S. trade deficit with ASEAN countries.

The economies of the United States’ two largest trading partners—Canada and Mexico—faced challenges in 2025. U.S. goods imports from Canada fell sharply early in the year and were 14% lower in November on a year-over-year basis under industry-

specific tariffs. In contrast, goods imports from Mexico reached a record high of \$46.5 billion, supported by the USMCA and agricultural exemptions.

PNC anticipates that elevated tariff rates will continue to exert downward pressure on U.S. imports in 2026. Although the softening labor market constrained domestic demand for foreign goods toward the end of 2025, steady wage gains and resilient consumer spending are expected to mitigate against any further decline in imports. A weaker U.S. dollar will likely benefit U.S. exports rather than imports, potentially resulting in a narrower trade deficit that will contribute to real GDP growth in the fourth quarter of 2025.

Figure 1: Goods and Services Trade Deficit, SA



Source: Bureau of Economic Analysis



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