

Economic Indicator — February 19, 2026

## Gold Explains Some, Not All, of Sharp Widening in December Trade Deficit

### Summary

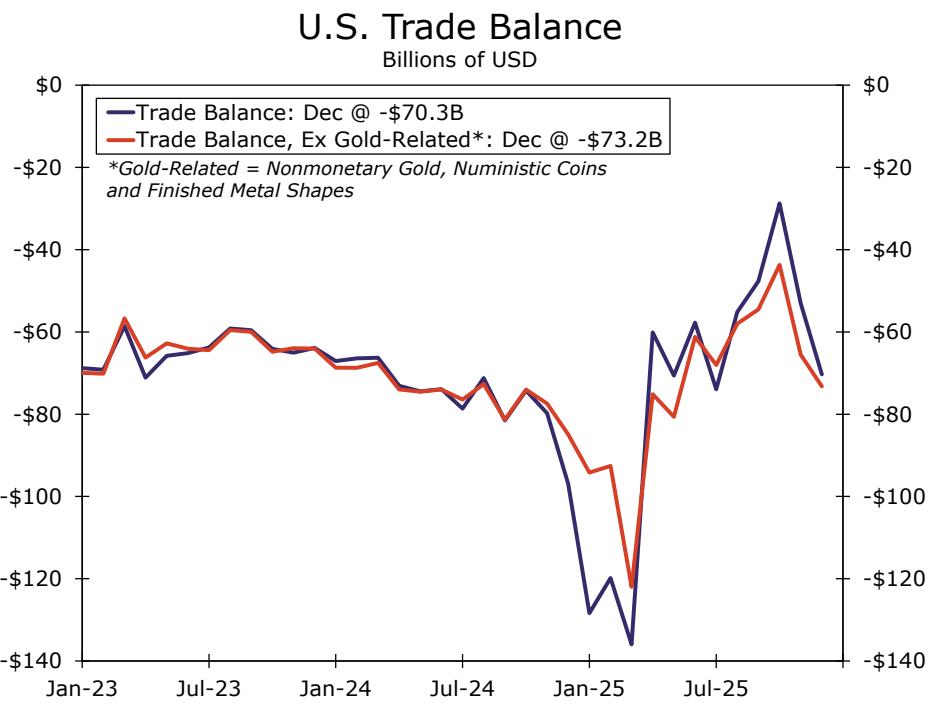
- A large \$17.3 billion widening in the December trade deficit reflects a \$5 billion drop in exports and a more than \$12 billion jump in imports. The size of these moves overstate the impact on Q4 GDP growth and the extent of recent demand.
- The trade of non-monetary gold accounted for more than half of December's widening. Since this is excluded from GDP it blunts the impact of net exports on GDP.
- Prior to today's report we had anticipated a 0.7 percentage point boost from trade on Q4 real GDP growth. That lift is now poised to shrink. In fact, we might even see a slight drag on growth from trade due to stronger than anticipated imports.
- All told goods imports finished the year down and were way down when excluding the lift from a sharp increase in high-tech related imports.
- So are we now a country that simply imports less than it did before? We think the pullback in imports last year is overstated and is at least partly a result of wait-and-see around tariffs in 2025. Looking ahead there will inevitably be more rejiggering in supply chains, but we see scope for a modest ascent in imports in spite of tariffs in the year ahead.

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

## Trade Normalization Continues: Imports Up, Exports Down

If you were rooting for trade to boost economic growth in Q4, just about everything moved in the wrong direction in December. The U.S. economy increased its imports by more than \$12 billion, with \$10.2 billion off that increase coming from goods and the balance coming from increased service imports.

On the other side of the ledger, exports fell by \$5.0 billion despite the one silver lining, a scant \$0.5 billion increase in service exports being swamped by a \$5.5 billion decrease in U.S. goods exports. The total trade balance widened sharply as a result reaching \$70.3 billion, falling back to its widest level in six-months.

So while it is true that the U.S. economy is importing more and exporting less, it's much more complicated. The underlying details are less clear, including that almost half of the widening in the December trade deficit will not end up weighing on GDP growth. That's because the Commerce Department excludes non-monetary gold as it reflects asset reallocation under geopolitical stress, not real economic activity. As seen in the top [chart](#), the international trade deficit when excluding these effects has been less volatile in recent months. Additionally, when you exclude high-tech related imports (computers, accessories, communications equipment, semiconductors) the gain in December imports is cut in half.

### What Did Tariffs Do to Trade in 2025?

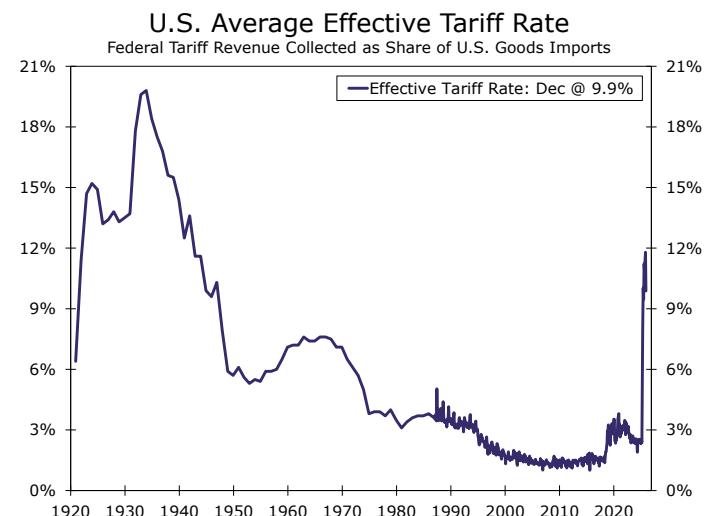
It's ultimately pretty clear that tariffs weighed on imports. Total goods imports finished 2025 nearly 5% below where they started the year, but imports finished the year even lower if you back out high-tech related demand, with the drop in imports being about two-times as large ([chart](#)). But we're not convinced this is the result of a permanent shift in supply chains, but rather cautious business practices preventing firms from bringing on too much product before they knew where tariffs would settle. There has been little indication yet of a large onshoring of manufacturing operations and leaner inventories suggest a need to replenish this year.

While it also remains to be seen how much more adjustment comes to tariffs, we don't expect the constant tinkering as we saw last year. The realized average effective tariff rate averaged 8% last year, more than three-times higher than 2024 ([chart](#)). It is still the case that the biggest near-term trade consideration is how the Supreme Court rules on the legality of the Trump administration's efforts to implement a large swath of tariffs under the International Emergency Economic Powers Act (IEEPA), a decision that can come as early as tomorrow morning.

Despite the market fixation with the announcement, even if the court strikes down the tariffs, the administration has [other options to reimpose tariffs](#), likely keeping them largely in place near recent levels this year. Another consideration is the outcome of the mandatory joint review of the USMCA agreement this summer, which could lead to some adjustment on realized tariffs on imports from Canada and Mexico.

### Trade Winds No Longer Set to Fill the Sails for Growth in Q4

Even after excluding non-monetary gold, today's data suggest some modest downside to our estimate for fourth quarter GDP growth, due tomorrow morning. We had a 0.7 percentage point boost from net exports penciled in, but the stronger than anticipated gain in import growth suggests a wider trade deficit than we previously expected. The monthly data are unusually cloudy at the moment due to the non-monetary gold effects, but we expect there is downside risk to our net exports boost, and thus overall GDP growth for Q4 based on this morning's data.



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