Economic Update

September 4, 2024

U.S. Trade Deficit Jumped to a Two-Year High in July; Imports Rose More Than Exports on the Month

- **The U.S. goods and services trade deficit continued to rise, jumping to a two-year high in July.**
- **The larger goods deficit in July came from goods imports increasing more than exports on the month.**
- **The services surplus dropped in July, with services imports up slightly more than exports.**
- **PNC expects a weakening U.S. dollar and more favorable credit conditions in other advanced economies to support U.S. exports into 2025.**

The seasonally-adjusted nominal U.S. goods and services trade deficit jumped 8% in July to $78.8 billion from $73.0 billion (revised slightly downward from $73.1 billion) in June. July's total trade deficit was close to the consensus expectation of $79 billion. The total trade deficit has widened from $60 billion in August 2023 and the monthly deficit in July was the largest since June 2022, but remains far below the record $102 billion deficit in March 2022. The goods deficit increased in July while the services surplus narrowed. On a year-ago basis the total trade deficit was up 22%.

July's goods deficit jumped 6% to a two-year high of $103.1 billion, with goods imports up 2.0% and goods exports up 0.4%. Noticeably, exports of autos tumbled 11% on the month to their lowest level in one year. Exports of consumer goods dropped 4% in July, but exports of non-consumer goods climbed higher on the month. There was a broad-based increase in goods imports supported by still-solid domestic demand. Imports of capital goods were up 4% in July, backed by gains in computer accessories and civilian aircraft, and imports of industrial supplies were up 5%. Consumer goods were up a smaller 1% in July.

The services surplus narrowed a small 1% in July, with imports up slightly more than exports. Imports of transport, insurance services, and other business services increased on the month, while foreign travel from the U.S. (a services import) fell 2%. Services exports continued to rise in July, to a two-year high, with slight increases in most categories over the month.

A rising trade deficit was a drag on U.S. real GDP in the second quarter. However, U.S. exports are set to increase over the next year with more favorable credit conditions in many advanced economies, gradual economic recoveries across the eurozone and the U.K., and a weakening U.S dollar. Domestically nominal consumer spending rose a strong 0.5% in July from June, but growth in household purchases is set to slow through the rest of 2024 and into 2025 as the labor market softens somewhat. Still, consumer spending growth should remain positive and support imports of consumer goods and continued economic expansion into 2025.

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