



Goods Trade Deficit Narrowed Sharply in August; Tariff Related Trade Swings Continue to Play Out in H2 2025

Headlines

- **The international trade goods deficit narrowed in August.**
- **Goods imports fell more than exports in August. Both exports and imports were down from last year.**
- **PNC expects tariffs to remain a drag on trade flows, while persistent dollar weakness this year, along with a softening U.S. labor market, will benefit exports rather than imports.**

The U.S. trade deficit in goods narrowed 17% to \$85.5 billion in August after seasonal adjustment, from \$102.8 billion (revised down from \$103.6 billion) in July, according to the advance estimate from the Census Bureau. This followed a 22% increase in the goods trade deficit in the previous month. The August trade deficit came in much lower than the consensus expectation of \$95.4 billion. The goods trade deficit surged to a record high of \$162.0 billion in March as importers tried to beat tariff increases from the Trump Administration and has narrowed from there despite the jump in July. On a year-over-year basis the goods deficit was down 11% in August.

The narrower goods trade deficit came from a larger drop in imports (down 7%), while goods exports fell 1.3% on the month. Higher tariffs since February 2025 have weighed heavily on international goods trade flows between the US and major trading partners. Imports were down 4.1% from the same time last year, with exports down 0.4%.

Higher tariffs since February 2025 have caused large swings in imports. Goods imports tumbled 20% month-on-month in April, the largest drop on record, after the Trump Administration announced large tariff increases. July marked the first month imports have increased on a month-over-month basis since March. Goods imports continued to narrow in August under higher tariffs. Within goods imports, imports of industrial supplies fell 19% in August after jumping 26% in July. This category includes nonmonetary gold and finished metal shapes (including gold bars), as the Administration increased tariffs in August on Switzerland, a gold refining hub. Imports of foods, feeds, and beverages also fell in August, down 9%, followed by consumer goods (down 6%) and capital goods (down 4%). Despite the monthly variations, auto imports and consumer goods imports dropped 12% and 18% in August, respectively, from the same time last year.

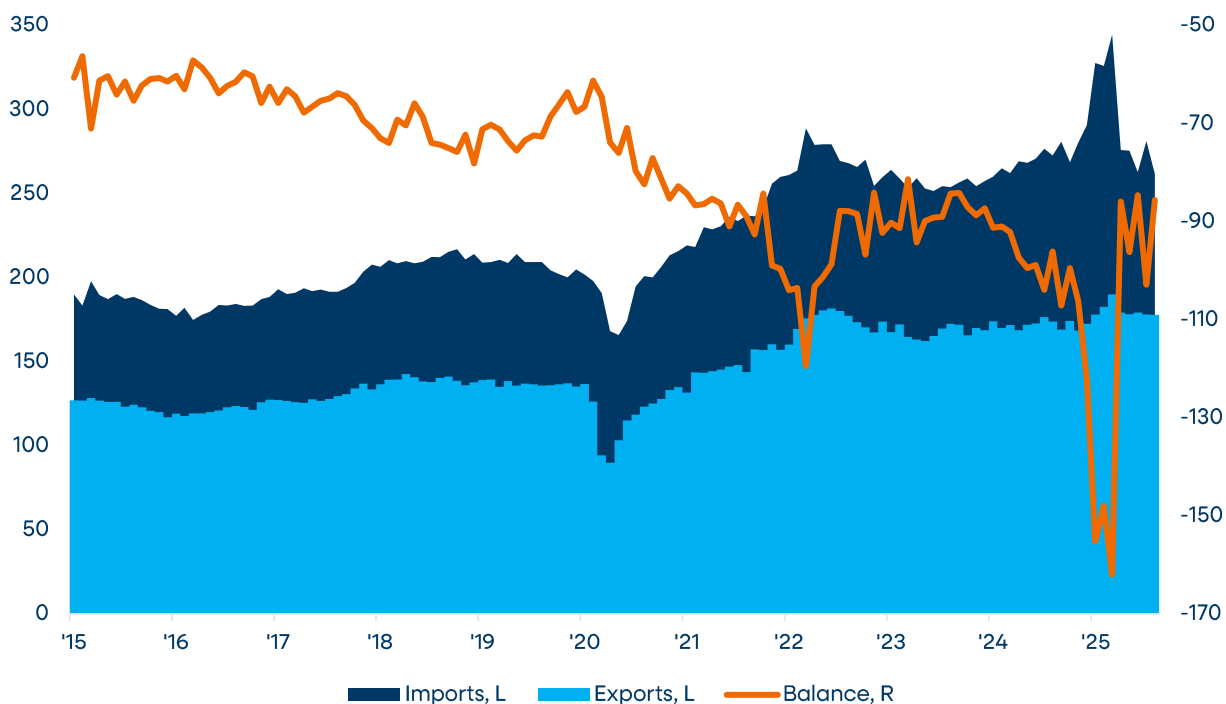
Exports of autos retreated 3% in August after rising 2% in July. Exports of consumer goods also declined 7% on the month. Other categories of goods exports rose marginally on the month. Over the past year exports have risen for



foods, feeds, and beverages (4%) and capital goods (6%), while exports have dropped for industrial supplies (down 3%), consumer goods (down 5%), and autos (down 11%).

Tariffs in August are much higher than they were at the beginning of the year, and many industry-specific tariffs remain in place including those on aluminum, steel, and autos and parts. Meanwhile, the U.S. dollar is about 12% weaker against a basket of currencies from its peak earlier this year but has stabilized over the past three months. U.S. tariffs and retaliatory actions from other nations will continue to cause large shifts in trade flows and weigh on both imports and exports this year. Meanwhile, a slowing U.S. labor market and weaker wage growth will weigh on U.S. purchases of foreign consumer goods compared to last year. PNC also expects persistent dollar weakness this year to support foreign buying, benefiting exports rather than imports.

Figure 1: U.S. Goods Imports, Goods Exports, and Goods Trade Balance (Billions)



Please reach out with any questions,

PNC Economics
Ershang Liang, Economist
economics@pnc.com