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U.S. Trade Deficit Narrowed in June 2025 While Total Trade Flows Dropped Under Tariffs

- The nominal U.S. goods and services trade deficit narrowed in June with a larger decline in imports than exports.
- The noticeably weaker U.S. dollar and tariffs weighed on imports; goods imports dropped in almost all large categories.
- Goods exports fell with a drag in industrial supplies, but exports of other categories increased on the month. Services exports dropped marginally in June.
- PNC expects tariffs to create an additional drag on imports under a slowing U.S. labor market.

The seasonally-adjusted nominal U.S. goods and services trade deficit narrowed 16% from \$71.7 billion before adjustment for inflation in May to \$60.2 billion in June, the smallest total trade deficit since September 2023. The total trade deficit fell as imports dropped more than exports over the month. The international trade deficit surged to a record high of \$138.3 billion in March 2025 and has narrowed sharply over the subsequent three months in response to the Trump's administration's tariff policies. On a year-over-year basis the total trade deficit was down 19% in June. The services trade surplus grew a small 0.2% on the month to \$25.7 billion while the goods trade deficit fell 12% to \$85.9 billion.

Goods imports dropped across the board except for capital goods, as both a weaker U.S. dollar and tariffs weighed on domestic demand for foreign-produced goods. For example, imports of consumer goods fell 13% to \$57.6 billion on the month, while imports of autos declined 4%. Total imports also dropped 3% from the same time last year. Services imports also declined marginally in June with travel made outside the U.S. down 2%; imports of travel were still up 3% on a year-ago basis. Transport services imports dropped 1% on the month.

Goods exports fell in industrial supplies (down 7%), but increased for foods, feeds, and beverages; capital goods; autos; and consumer goods. Finished metal shapes and nonmonetary gold exports tumbled more than 45% on the month. Despite the monthly drops, the year-to-date export values of both finished metal shapes and nonmonetary gold still jumped 137% and 63%, respectively, reflecting huge shifts in trade over the past couple months as both importers and exporters tried to beat tariffs from the Trump administration. Services exports dropped 0.3% on the month with the largest category, travel services (inbound travel made to the U.S.) down 1%. Exports of insurance and financial services were up marginally on the month.

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Total trade flows decreased in June, with both exports and imports falling and imports down from the same time last year. Large tariff shifts in early 2025 and slower growth in consumer spending in the second quarter weighed on total imports, which dropped for a third straight month in June. PNC expects elevated tariff rates will continue to weigh on U.S. imports, and retaliatory tariffs from other countries will limit U.S. exports as well. A slowing labor market entering the second half of 2025 will further limit domestic buying of foreign goods in the near term.

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