Goods trade deficit jumped in July with a surge in industrial supplies imports

Headlines

- **The advance international trade goods deficit jumped in July unexpectedly.**
- **Goods imports increased while exports fell slightly in July.**
- **Imports of industrial supplies jumped on the month likely impacted by Swiss tariffs. Exports moved little on the month.**
- **PNC expects speculative moves to cause trade flow shifts, but the weaker dollar, significantly higher tariffs this year, and a slowing US labor market should weigh on US imports.**

The U.S. goods trade deficit jumped 22% to $103.6 billion in July from $84.9 (revised lower from $86 billion) in June after seasonal adjustment, according to U.S. Census Bureau. This is the highest goods trade deficit over the past three months in July, and came in much higher than the consensus expectation. July's goods trade deficit was still 36% lower from the record high of $162.0 billion in March when importers tried to beat tariff increases from the Trump administration (Figure 1). On a year-over-year basis, the goods deficit was down 0.3% in July 2025.

The higher goods trade deficit came from an increase in imports (up 7%) and a minor drop in goods exports (down 0.1%) on the month. Goods imports rebounded on the month after declining over the past three months. Higher tariffs since February 2025 weighed heavily on international goods trade flows between the US and major trading partners. Specifically, goods imports tumbled in April by 20% month-on-month, the largest drop on record, but have since recovered. July marks the first month imports have increased on a month-over-month basis since March. Within goods imports, imports of industrial supplies jumped 25% in July which includes nonmonetary gold and finished metal shapes (including gold bars), likely impacted by speculative moves around tariffs on Switzerland (a large gold refinery hub) taking effect in August. From a year ago, goods imports increased 1.7%. Despite the monthly variations, auto imports and consumer goods imports dropped 14% and 12% from same time last year in July (Figure 2). Other categories of imports increased on the month.

Goods exports moved little on the month, down a marginal 0.1% and up 3% from a year ago. Exports of autos increased 2%, followed by a 0.7% increase in capital goods. Exports of industrial supplies and consumer goods fell by less than 1% in July. Over the past year, the dollar weakness in July had contributed to foreign buying with exports of consumer goods (up 5%) and foods, feeds, and beverages (up 1%) rising while exports of industrial supplies (down 1%) and autos (down 4%) declining. Exports of capital goods rose 7% on a year-over-year basis.

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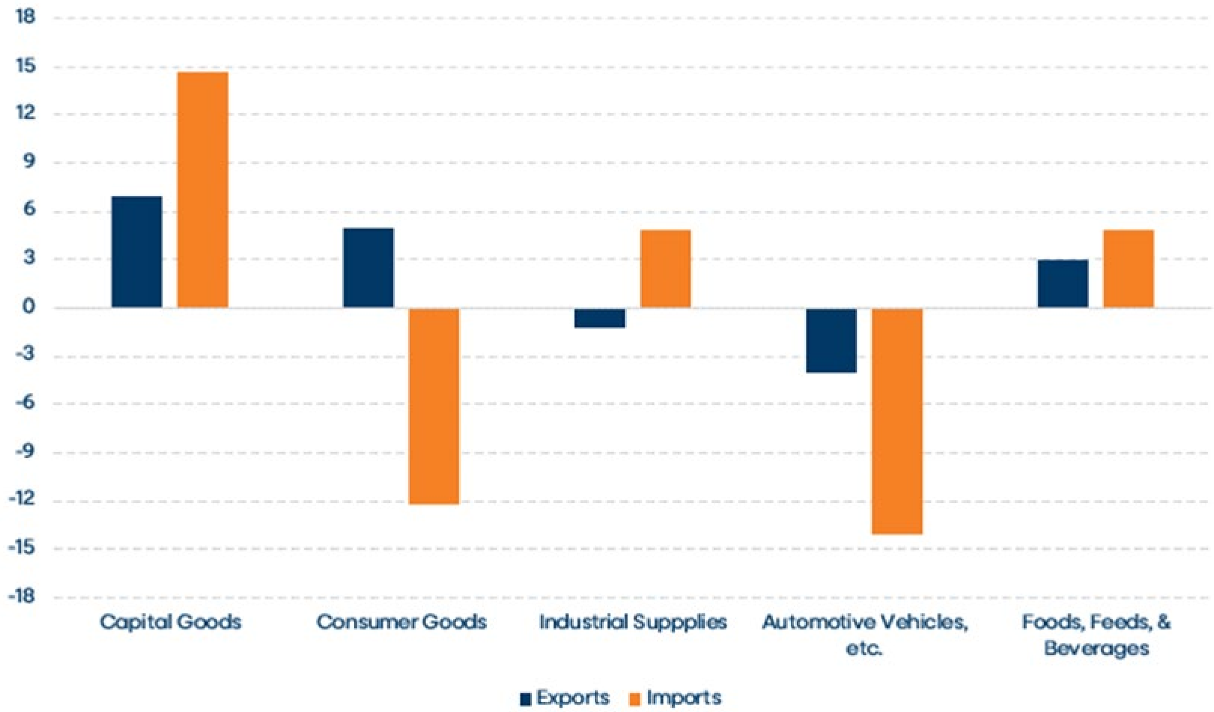
Tariffs in July are much higher than they were at the beginning of the year, and many industry-specific tariffs remain in place including aluminum, steel, and autos and parts. Meanwhile, the Dollar Index (DXY) is substantially lower from a peak of 110 in January 2025, has stabilized against further declines, and hovered around 98 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 US labor market and wage growth should weigh on US purchases of foreign consumer goods compared to last year. PNC also expects persistent dollar weakness this year to support foreign buying. This will benefit exports rather than imports.

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

Figure 2: Goods Exports and Goods Imports by Major End-Use Category in July 2025 (%YoY)



Source: U.S. Census Bureau

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