



Trade Deficit Swelled in July Amid a Large Increase in Imports Ahead of Swiss Tariffs

Headlines

- The nominal U.S. goods and services trade deficit jumped in July with a larger goods trade deficit and a narrower services trade surplus.
- Total imports increased more than exports.
- Goods imports increased across the board, led by a surge in gold imports. Services imports rebounded somewhat in July.
- Goods exports changed little on the month. Services exports increased, but travel to the U.S. was down on the month and from last year.
- PNC expects tariffs to create an additional drag on imports under a slowing U.S. labor market. Tariff swings will likely cause more shifts in trade flows.

Details

The seasonally-adjusted nominal U.S. goods and services trade deficit jumped 33% from \$59.1 billion before adjustment for inflation in June to a four-month high **at \$78.3 billion in July**. This came in higher than the consensus expectation. The services trade surplus fell in July in addition to a larger goods trade deficit released from the advanced trade report last week, resulting in the higher total trade deficit on the month. The international trade deficit surged to a record high of \$138.3 billion in March 2025 and narrowed sharply from there over the past fourth months in response to the Trump's administration's tariff policies. On a year-over-year basis the total trade deficit was down 0.4% in July.

Total imports increased more than exports, up 5.9% to \$358.8 billion on the month. Exports rose a marginal 0.3% to \$280.5 billion in July. The services trade surplus narrowed 4% to an eighteen-month low to \$25.6 billion and the goods trade deficit jumped 21% to \$103.9 billion, a four-month high, in July.

Goods imports increased across the board except autos, led by a 26% hike in industrial supplies. **Specifically, imports of nonmonetary gold surged 1,027% to \$10.5 billion in July from \$0.9 billion in June as importers tried to beat the Trump's administration's tariffs on Switzerland.** Imports of consumer goods rose 2% to \$58.9 billion. Imports of autos fell for a second straight month, down 4% in July. **On a year-over-year basis total goods imports increased 1.5%** with industrial supplies up 5% backed by the gold rush in July. Imports of consumer goods and autos were down 15% and 12%, respectively, from same time last year weighed by a weak U.S. dollar, autos tariffs, and a slowing labor market in 2025.

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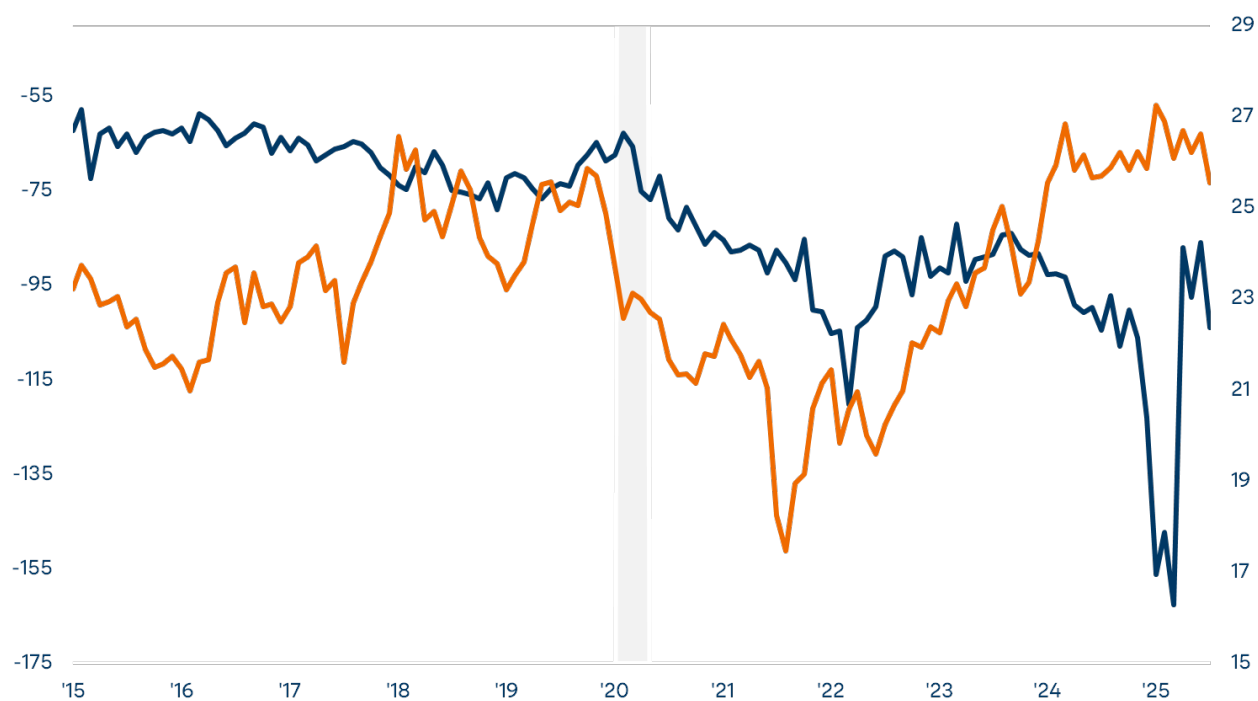


Services imports increased 2% in July after falling slightly over the past two months. The rebound in July was broad-based, with maintenance and repair (up 5%), transport (up 5%), and outbound travel from the U.S. (up 4%) services rising the most. Total services imports rose 7% from last year. The largest category in services imports, travel made outside the US, was up 8% on a year-ago basis.

Goods exports changed little on the month, up 0.1% in July and led by a 3% rise in autos exports. Exports fell in industrial supplies (down 0.4%) and consumer goods (down 0.9%) while exports increased in foods, feeds, and beverages (up 0.6%) and capital goods (up 0.9%). Services exports increased 0.6% on the month with the second largest category, travel services (inbound travel made to the U.S.) down 2%. Exports of other business services were up marginally on the month. Total services exports increased 5% from last year but travels made to the U.S. declined 2%.

Tariff swings continued to play out in mid-2025. The Swiss tariff (39%) took effect in early August and sent the total trade deficit with Switzerland up to \$7.9 billion in July from a narrow trade surplus of \$0.05 billion 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 likely also limit domestic buying of foreign goods in the near term. Further tariffs swings should cause large trade shifts upon speculative trade moves in 2025.

Figure 1: U.S. Nominal International Trade Balance (Billions)



Source: U.S. Census Bureau



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