August Trade Deficit Rises to the Largest Gap Outside the Early-2025 Trade Surge

Headlines

Ershang Liang
ershang.liang@pnc.com

PNC Economics
economics@pnc.com

- **The nominal U.S. goods and services trade deficit jumped 14% in August from July to $105.6 billion**.
- **Imports rose more than exports on the month, resulting in a much larger trade deficit in August.**
- **As tariffs have retreated from their peak levels earlier this year, goods imports have rebounded sharply, supported by rapid growth in AI-related capital spending.** Meanwhile, total goods exports rose 2% to $205.7 billion in August, ending a three-month streak of declines**.**
- **The services trade surplus was essentially flat for the month.**
- **Going forward, AI-related capital expenditure should continue to support strong goods imports in the near term.**

Details

The seasonally adjusted U.S. nominal goods and services trade deficit widened 14% in August to $105.6 billion from $92.8 billion in July (Figure 1), according to the U.S. Census Bureau. Imports increased more rapidly than exports, resulting in a significantly larger trade gap. August's deficit was the largest on record outside the early-2025 period, when imports were front-loaded ahead of tariffs and subsequent trade-war disruptions. Total imports rose 4% in August while exports rose a modest 1%. The trade deficit was more than 77% larger from a year earlier, as exports increased 11% and imports climbed a stronger 22%.

After smoothing out monthly volatility, the three-month moving average trade deficit increased 12% to $89.9 billion in August, marking the fifth consecutive rise.

The trade deficit surged to a record $133 billion in March 2025 as businesses accelerated imports ahead of anticipated tariff increases by the Trump administration. The deficit then narrowed sharply, reaching just $37 billion in October as higher tariffs curtailed import demand. However, as businesses and consumers have adjusted to the new tariff environment, the trade deficit has more than doubled from its October low.

As tariffs have retreated from their peak levels earlier this year (Figure 2), goods imports have rebounded sharply, supported by rapid growth in AI-related capital spending. Total goods imports increased 5.3% to $342.2 billion in August. Nearly every major import category posted gains, with consumer goods the lone exception, declining 0.8%. Imports of industrial supplies and materials surged

17%, driven by a 28% increase in crude oil imports and a 197% jump in nonmonetary gold imports.

AI-related investment remained a key driver of import growth. Semiconductor imports rose 18% in August and were up 84% year-to-date compared with the same period last year. Consumer goods imports declined modestly, primarily due to lower pharmaceutical preparations imports. Even so, consumer goods imports remained more than 3% above year-ago levels, although growth lagged well behind capital goods imports (up 60%) and industrial supplies and materials imports (up 28%).

Total goods exports rose 2% to $205.7 billion in August, ending a three-month decline. Industrial supplies and materials (up 9%) and capital goods (up 2%) led export gains, while consumer goods exports fell more than 9%. As with imports, fluctuations in commodity prices boosted exports of both gold and crude oil. Further increases in soybean and crude oil prices could continue to support nominal export values in coming months, although the recent decline in gold prices may provide some offset.

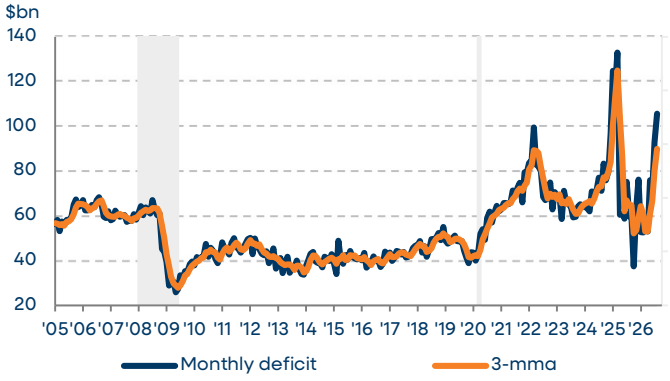
On a year-over-year basis, goods exports remained more than 15% above year-earlier levels, with strong shipments of energy products, metals, chemicals, crude oil, computers, semiconductors, and other business equipment. Elevated demand for these products, combined with ongoing geopolitical tensions in the Middle East, has continued to support export growth.

The services trade surplus edged up less than 0.1% to $31.0 billion in August. Financial services exports and travel services exports (inbound travel to the United States) both declined on the month.

Services imports were essentially unchanged in August. The largest category, outbound travel spending by U.S. residents, declined 0.7% on the month. Services trade continues to expand relative to a year ago because it remains largely insulated from tariffs and is supported by ongoing business activity. Both inbound and outbound travel services, however, have softened from year-earlier levels after peaking earlier in 2026.

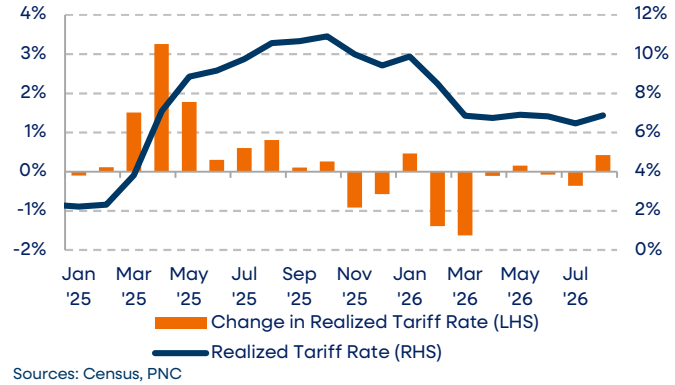
Looking ahead, strong AI-related capital expenditures should continue to support goods imports in the near term. At the same time, a weaker U.S. dollar in August and expectations for slower consumer spending growth in late 2026 are likely to restrain growth in consumer goods imports. Notably, consumer goods imports remain near a three-year low despite a modest rebound in recent months. Meanwhile, continued uncertainty surrounding the U.S.-Iran conflict and broader geopolitical developments are expected to generate ongoing volatility in commodity markets, particularly for crude oil and related products. As a result, exports of nominal goods are likely to remain highly volatile in the months ahead.

Figure 1: Goods and services trade deficit (SA)



Sources: Bureau of Economic Analysis, PNC

Figure 2: Realized tariff rate and change in realized tariff rate



Sources: Census, PNC

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