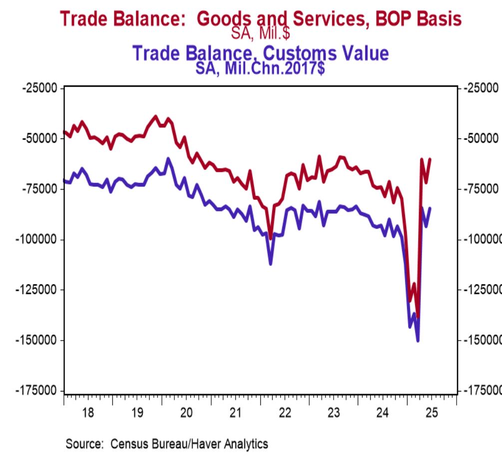
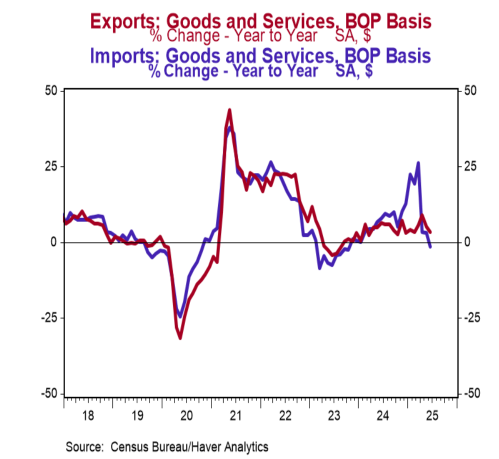
First Trust DATAWATCH
August 5, 2025 • 630.517.7756 • www.ftportfolios.com

June International Trade

Strider Elass – Senior Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- The trade deficit in goods and services came in at $60.2 billion in June, slightly smaller than the consensus expected $61.0 billion.
- Exports fell by $1.3 billion, led by finished metal shapes and nonmonetary gold. Imports declined by $12.8 billion, led by pharmaceuticals, autos, and crude oil.
- In the last year, exports are up 3.3% while imports are down 1.4%.
- Compared to a year ago, the monthly trade deficit is $13.7 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $8.2 billion smaller than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: President Trump may see today's June trade report as validation of his hardline approach: the U.S. trade deficit narrowed to $60.2 billion, the smallest since September 2023. That result was driven largely by a sharp drop in imports, which fell $12.8 billion for the month—far outpacing the $1.3 billion decline in exports. And in one sense, that's exactly what Trump's trade agenda aimed to achieve: fewer imports, more domestic production. But whether that's what's actually happening is less clear. The drop in trade could reflect a meaningful shift in global supply chains—reshoring, decoupling, and growing domestic output. Or it could simply signal weaker demand at home and abroad. Right now, the data doesn't offer a definitive answer. U.S. employment growth has slowed, particularly in goods-producing sectors. For a decline in imports to translate into a lasting economic win, it needs to be matched by a revival in U.S. manufacturing and investment. So far, that resurgence remains tentative. In the meantime, the impact on GDP has flipped. Imports subtract from GDP, and their surge in Q1 weighed heavily on growth—net exports alone shaved roughly five percentage points off the growth rate, dragging real GDP down at a 0.5% annualized pace. But as front-loaded imports peaked in March and retreated in Q2, trade turned into a tailwind, helping lift growth in the most recent quarter. Still, erratic trade policy out of Washington makes it harder to translate monthly trade swings into meaningful GDP forecasts. Meanwhile, the landscape of global trade continues to shift. China, once the top exporter to the U.S., has fallen to a distant third place behind Mexico and Canada. Also in today's report, the dollar value of US petroleum exports exceeded imports once again. This marks the 40th consecutive month of the US being a net exporter of petroleum products. In fact, through the first half of the year, the petroleum surplus has been higher than any other 6-month period on record. In other recent news, cars and light trucks were sold at a 16.4 million annual rate in July, up 7.1% from June, and up 3.7% from a year ago.

International Trade *All Data Seasonally Adjusted, $billions*	Jun-25 Bil $	May-25 Bil $	Apr-25 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-60.2**	-71.7	-60.3	-64.0	-97.1	-73.9
Exports	**277.3**	278.6	290.6	282.2	279.8	268.4
Imports	**337.5**	350.3	350.8	346.2	376.9	342.2
Petroleum Imports	**15.5**	16.1	15.8	15.8	17.2	20.5
Real Goods Trade Balance	**-84.6**	-93.3	-84.4	-87.4	-115.4	-92.8

Source: U.S. Census Bureau