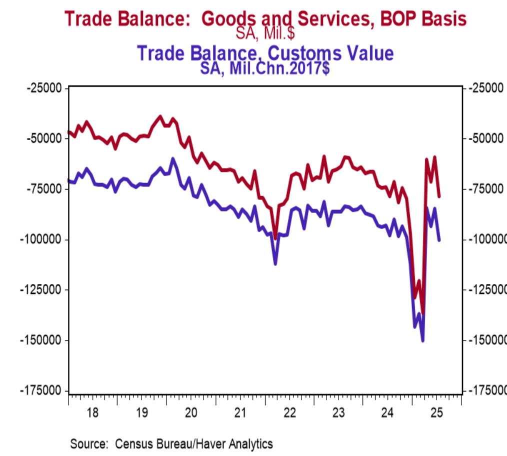
First Trust DATAWATCH

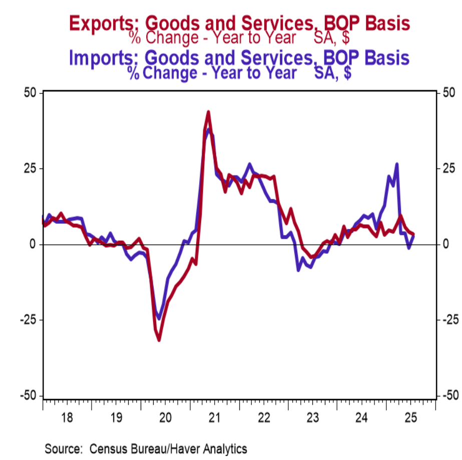
September 4, 2025 • 630.517.7756 • www.ftportfolios.com

July 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 $78.3 billion in July, slightly larger than the consensus expected $77.9 billion.
- Exports rose by $0.8 billion, led by nonmonetary gold and computer accessories. Imports increased by $20.0 billion, led by nonmonetary gold and computers.
- In the last year, exports are up 3.5% while imports are up 2.6%.
- Compared to a year ago, the monthly trade deficit is $0.3 billion smaller; after adjusting for inflation, the "real" trade deficit in goods is $2.3 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.





Implications: The U.S. trade deficit widened in July to $78.3 billion, the largest in four months. Imports surged by $20.0 billion, far outpacing the modest $0.8 billion gain in exports. Much of the jump reflects companies once again trying to front-run "reciprocal" tariff rates expected to take effect for countries still lacking trade agreements with the U.S. This comes after three straight months of import declines, which followed the unprecedented Q1 surge as firms rushed to get goods in ahead of the April 2 tariffs. That earlier spike weighed heavily on economic growth in Q1—net exports alone shaved roughly five percentage points off the growth rate, dragging real GDP down at a 0.5% annualized pace. As imports rolled off in Q2, trade flipped into a tailwind, helping to lift GDP. Superficially, July's rebound in the trade deficit suggests trade could again turn into a temporary drag on growth in Q3. However, the largest contributor to July's import surge was nonmonetary gold, which the BEA treats differently in GDP accounting, so the impact on growth should be much smaller than the raw import numbers imply. Meanwhile, the structure of U.S. trade continues to shift. China has slipped to third place among U.S. trading partners, behind Mexico and Canada, with imports from China down 19.0% year-to-date through July compared to 2024. On a more positive note, the U.S. remained a net exporter of petroleum products for the 41st consecutive month, as the dollar value of petroleum exports once again exceeded imports. In other news this morning, initial jobless claims rose by 8,000 last week to 237,000, while continuing claims fell 4,000 to 1.940 million. Also, this morning, ADP reported private payrolls fell 54,000 in August, consistent with our forecast for an increase in nonfarm payrolls of 80,000 to be reported on Friday. In other recent news, cars and light trucks were sold at a 16.1 million annual rate in August, down 2.9% from July, but up 6.2% from a year ago.

International Trade *All Data Seasonally Adjusted, $billions*	Jul-25 Bil $	Jun-25 Bil $	May-25 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-78.3**	-59.1	-71.1	-69.5	-87.6	-78.6
Exports	**280.5**	279.7	280.4	280.2	282.8	271.1
Imports	**358.8**	338.7	351.5	349.7	370.4	349.8
Petroleum Imports	**15.2**	15.5	16.1	15.6	16.5	20.6
Real Goods Trade Balance	**-100.1**	-84.6	-93.3	-92.7	-108.2	-97.8

Source: U.S. Census Bureau