Economic Indicator — May 6, 2025

Trade Gap Widens to Record Amid Import Surge

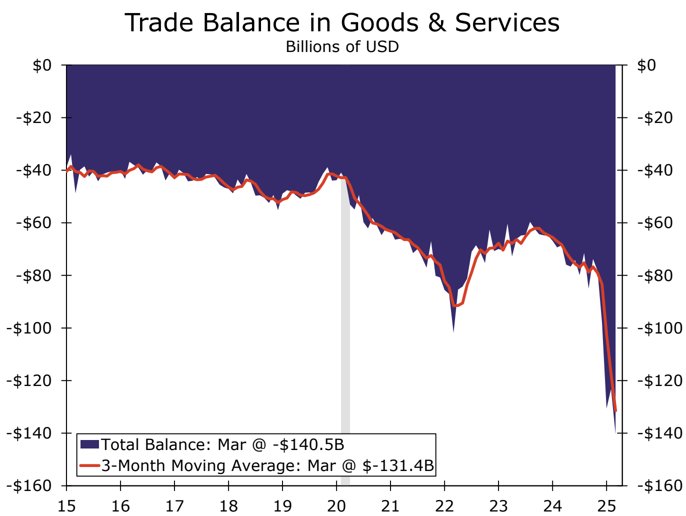
Summary

Businesses pulled forward needed industrial supplies and retailers stocked their shelves with consumer goods in March ahead of tariffs. April may bring a last ditch effort of firms front running tariffs, but after that net exports are set to reverse dramatically.

Economist(s)

Shannon Grein
Economist | Wells Fargo Economics
shannon.grein@wellsfargo.com | 704-410-0369

Tim Quinlan
Senior Economist | Wells Fargo Economics
Tim.Quinlan@wellsfargo.com | 704-410-3283



Source: U.S. Department of Commerce and Wells Fargo Economics

Out of Balance

We already learned that a major front-running by U.S. businesses led imports higher and culminated in a near-five percentage point drag from net exports on first quarter GDP growth—the biggest drag from net exports in data going back more than a half-century. Today's data tell us the details of March trade.

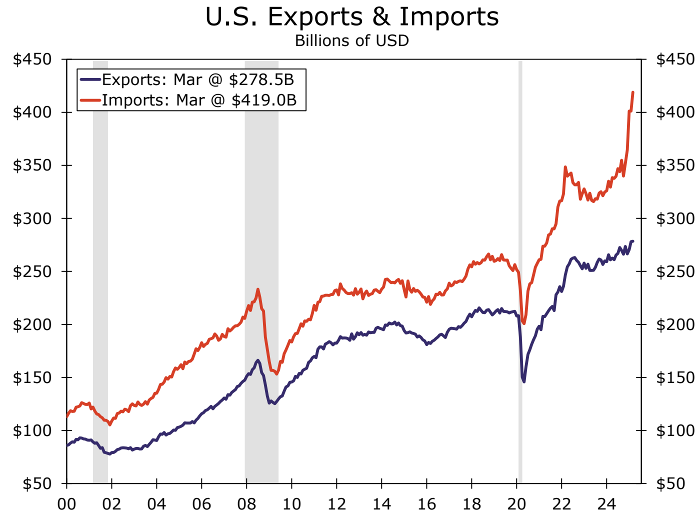
Industrial supplies imports have been the main event having surged in December and January, and continued to pour into the country at elevated levels in February and March. March also brought a bit of a newer pull forward development, with consumer goods imports up 28% or by $22.5 billion during the month. A surge in pharmaceutical products drove most of the gain in consumer goods imports, but most categories were higher over the month. Together these categories led total imports to rise 4.4%, which dimmed the more modest 0.2% gain in exports (chart). The total U.S. international trade deficit widened to -$140.5 billion (chart).

Most tariffs did not take effect until early April, and many were scaled back or postponed (higher reciprocal rates of 11-50% on 59 countries), while there was a sharp escalation on imports from China (+125% stated tariff rate). Goods will enter the country duty free if they were loaded on a ship at the port of departure or in route to the U.S. ahead of the tariff imposition date and are received before May 27. This gives businesses a bit more time to get product in ahead of tariffs, and suggests we may see a last-ditch effort in the April data. But beyond that we expect trade to slow materially.

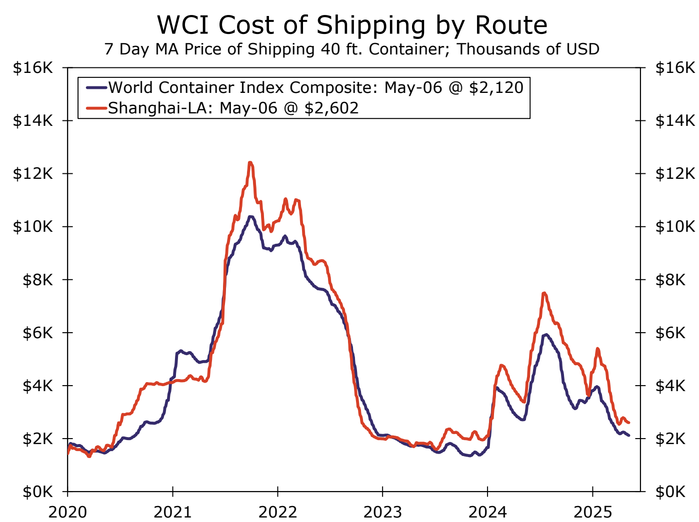
High-frequency container shipping data suggest rates are falling, particularly for routes between China and the U.S. (chart). Even if tariffs are rolled back significantly in the weeks or months ahead, the large front running that has occurred means businesses won't need to source as much product as they unwind inventory. President Trump has also more recently mentioned the possibility of placing tariffs on services/intellectual property, which is apt to add to confusion and volatility when it comes to the sheer functioning of such tariffs and the size of the U.S. services industry.

While imports have been the primary discussion topic when it comes to tariffs, exports are also ripe for disruption. Some countries have announced retaliatory measures on imports from the U.S. and there has generally been a shift in sentiment abroad, where foreign trading partners have reportedly grown sour on U.S. relations. More generally, a slowing in growth abroad will weigh on demand for U.S. goods and services. A depreciating dollar could provide some offset, but demand for U.S. product is vital.

Net exports will likely exert a meaningful boost to Q2 growth due to the sheer payback effect on imports, even if there is still some front running that makes its way into April. But to the extent exports pull back as well, it could mitigate the size of that coming boost. Going forward, trade flows are apt to remain volatile even if the fluidity to tariff policy subsides.



Source: U.S. Department of Commerce and Wells Fargo Economics



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

Required Disclosures