

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.

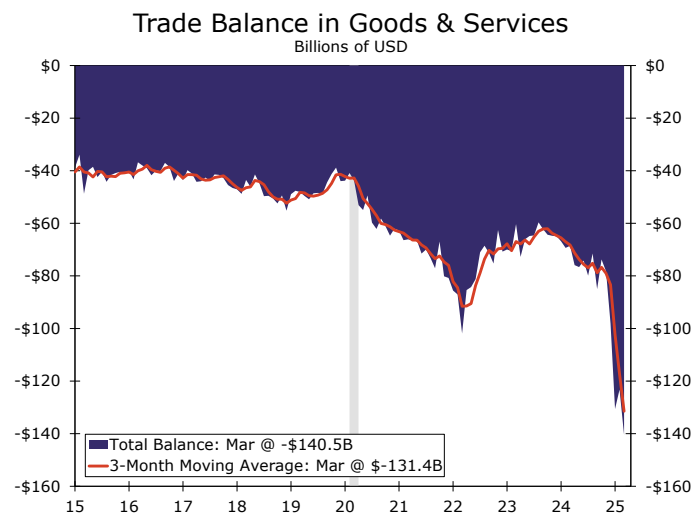
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Source: U.S. Department of Commerce and Wells Fargo Economics

## 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](#)).

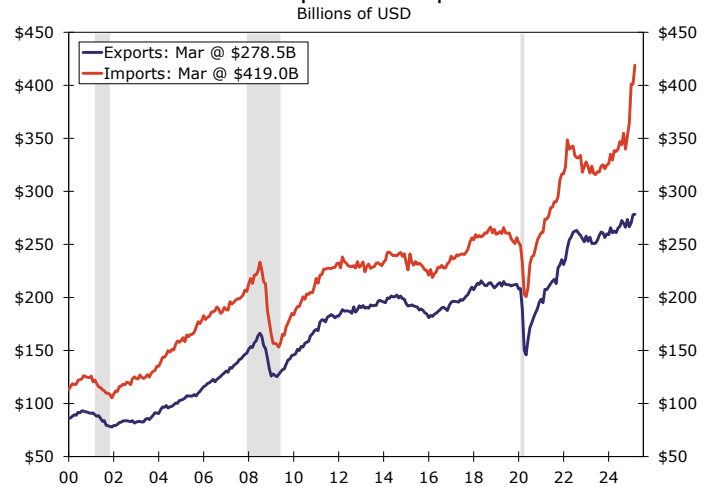
[Most tariffs](#) did not take effect until early April, and many were scaled back or postponed (higher reciprocal rates of 11-50% on 59 countries), while there was a sharp escalation on imports from China (+125% stated tariff rate). Goods will enter the country duty free if they were loaded on a ship 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.

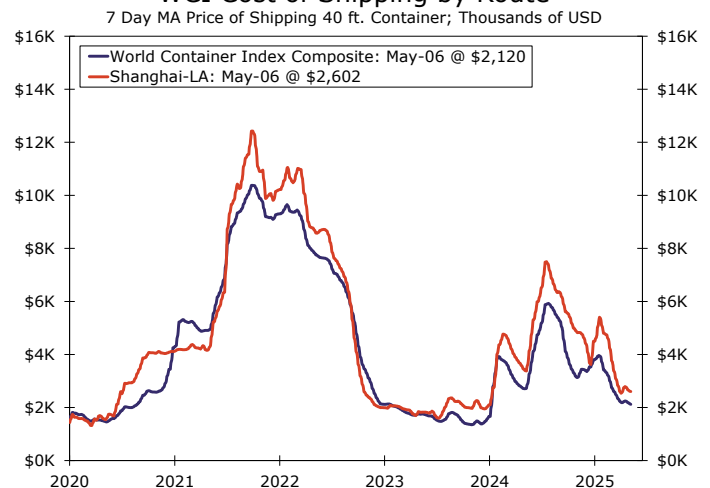
Net exports will likely exert a meaningful boost to Q2 growth due to the sheer payback effect on imports, even if there is still some front running that makes its way into April. But to the extent exports pull back as well, it could mitigate the size of that coming boost. Going forward, trade flows are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

### U.S. Exports & Imports



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

### WCI Cost of Shipping by Route



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

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