Economics

Economic Indicator — September 4, 2025

Narrow Import Surge Behind July Widening in U.S. Trade Balance

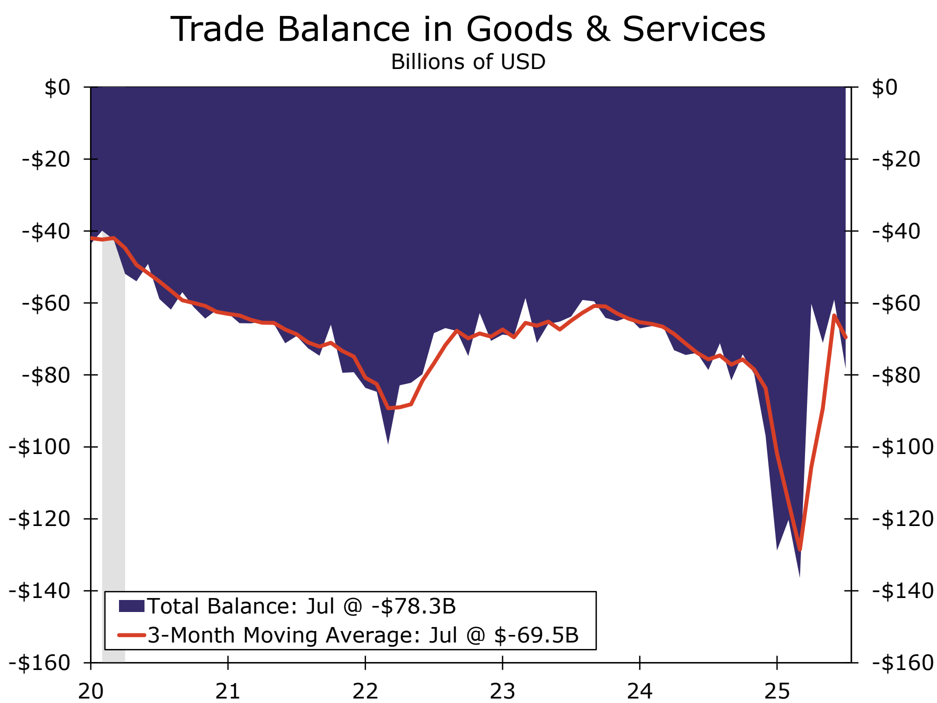
Summary

The large widening in the trade balance can mostly be traced to just two import categories: nonmonetary gold and computers. While this may again partially reflect businesses pulling forward demand ahead of hiked tariff rates, it also reflects monthly volatility as well as a budding transition to a high-tech future. Trade flows remain a far cry from normal, and will remain in flux until trade policy finds a bottom.

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

There's GOLD in Them Thar Imports

Another pop in imports caused the U.S. international trade balance to widen to $78.3 billion in July (chart). The $18.4 billion gain in goods imports was due to a renewed jump in industrial supplies, which rose 26% after five-consecutive monthly declines following an initial pull-forward at the start of the year.

It is tempting to look at this development and conclude that the businesses are returning to some semblance of normal after tariff disruptions earlier this year. That explanation is made all the more compelling when seeing an import surge alongside the sharp rebound in durable goods orders in July. Yet when we look at the details of what is really driving trade it becomes obvious that things are anything but normal.

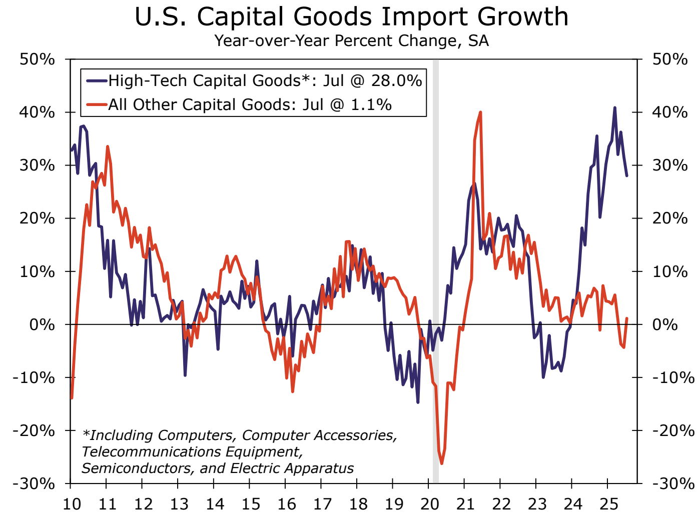
We have been on the record that the import trade over the past year is best understood when viewed through the lens of high-tech imports. Consider the nearby chart that plots the annual change in goods imports for a just five high-tech items (blue line) vs. literally all other capital goods (red line). When it comes to imports, it is tech's world.

While the trend still favors a massive import surge in tech-related components, July's import surge was also driven by one other category that technically is considered an industrial supply, but might be considered in a different light in the context of rising uncertainty: non-monetary gold. Of the overall $18.4 billion increase in goods imports, $9.5 billion was increased imports of gold. Combine gold with imports of computers (+$1.5B) and you have accounted for about 60% off the import surge with just two import categories. This is not in any way a return to normal for trade.

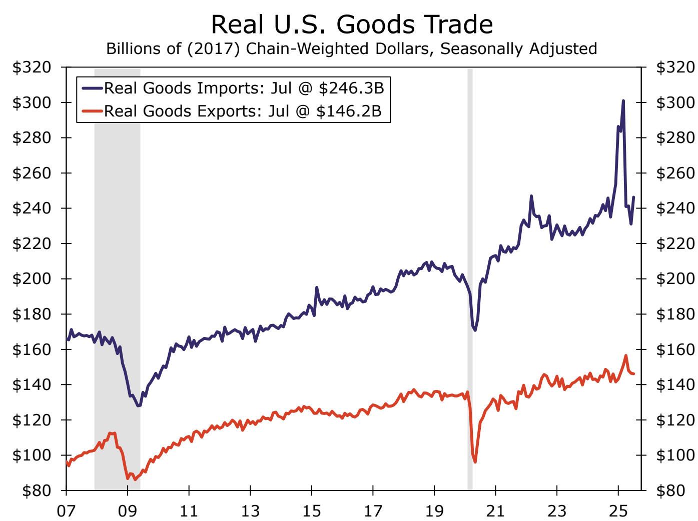
This more that offset the muted $0.8 billion increase in July exports, where growth was limited to only a few capital goods categories. Export growth has been less volatile than imports, and we expect exports to remain restrained by slowing global growth and weakened U.S. sentiment abroad.

Trade flows will likely generally remain in flux until trade policy settles. The Federal Court of Appeals ruled that tariffs imposed under the *International Economic Emergency Powers Act* (IEEPA) were illegal last week. The case is now moving to the Supreme Court and tariffs are set to remain in effect until a final ruling is made. Even in the event that the Court rules that President Trump has exceeded his authority under IEEPA, we expect tariff rates will remain high as the administration can attempt to levy tariffs under other legislation.

Regardless, uncertainty is here to stay and this environment doesn't leave businesses with much clarity when it comes to making large investment decisions today. At face value, this morning's data suggest net exports could be a drag on headline GDP growth in the third quarter with real goods imports outpacing exports (chart). But the surge in nonmonetary gold imports likely has less of an effect on how the BEA calculates imports. We still look for net exports to have less of an effect on growth in Q3 than it did in the first half of the year.



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



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Economics Group

Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@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
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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