

US Economy Contracts Sharply as Trade Tensions Grow

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WASHINGTON, D.C. – The U.S. economy shrank more than expected in the first quarter of 2025, as fresh government data showed slowing consumer spending, weaker exports, and a surge in imports driven by new tariffs.

According to the Commerce Department on Thursday, gross domestic product (GDP) fell at an annual rate of 0.5 percent between January and March. This was worse than the previous estimate of a 0.2 percent decline and a clear slowdown from the 2.4 percent growth recorded at the end of last year.

The decline came after President Donald Trump's administration imposed a 10 percent tariff on imports from almost all major trading partners. The move, aimed at protecting U.S. industries and reshaping trade relationships, led many businesses to rush and bring in goods early to avoid higher costs later. These large imports ended up reducing GDP, since imports are subtracted in growth calculations.

"Downward revisions to consumer spending and exports were the main reasons for the weaker figures," the Commerce Department said in a statement. While some business investments increased, it was not enough to offset the drop in other areas.

The president has said the tariffs are necessary to bring back manufacturing jobs and reduce unfair trade practices. But many companies say the sudden changes have caused uncertainty and hurt planning.

"This isn't just a minor slowdown," said Ellen Corbett, chief economist at Lakeside Financial. "Businesses are unsure if tariffs will rise again or be delayed, and that uncertainty is freezing investments."

Consumer confidence has also weakened in recent months. Some analysts warn that if the next round of tariffs takes effect in July, the cost of goods could rise and further slow the economy.

Still, not all indicators are negative. Business investment in some sectors showed growth, and overall inflation remains modest so far. Many companies have chosen to absorb extra costs for now rather than pass them on to shoppers.

Experts say the next few months will be critical for the economy's direction. If trade negotiations fail to ease tensions, more tariffs could follow, increasing pressure on both companies and consumers.

"The stakes are high," Corbett said. "Without clear progress on trade, we could see even weaker growth by the end of the year."

For now, the U.S. economy is facing a challenging balance between protecting industries and maintaining stable growth.