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U.S. Goods Trade Deficit Narrows Sharply, Offering Boost to Second-Quarter GDP

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The U.S. trade deficit in goods narrowed significantly in June, reaching its lowest point since September 2023. According to data released by the Commerce Department, the goods trade gap declined by 10.8% to $86.0 billion, largely driven by a sharp drop in imports. This development is expected to lift second-quarter gross domestic product (GDP) figures, reinforcing projections of an economic rebound following the first-quarter contraction.

Imports fell by $11.5 billion, or 4.2%, to $264.2 billion in June, the lowest since March 2024. The most substantial decline came from consumer goods, which dropped 12.4%, followed by a 5.5% decrease in industrial supplies such as crude oil and non-monetary gold. Imports of motor vehicles fell by 2.0%, and food-related goods slipped by 1.1%. The only major import category to rise was capital goods, which increased modestly by 0.6%.

On the export side, U.S. goods shipped abroad declined slightly by $1.1 billion, or 0.6%, to $178.2 billion. Industrial supplies exports saw an 8.1% decline, but these losses were partially offset by notable gains in capital goods (up 4.7%), consumer goods (up 1.5%), and food-related exports (up 4.0%).

These trade developments come amid broader economic trends that paint a mixed picture. While the narrowing trade deficit is expected to contribute positively to GDP, other indicators reflect a cooling domestic economy. Job market data for June showed a decline in job openings and hiring, signaling potential softening. The Bureau of Labor Statistics reported that job openings fell by 275,000 to 7.437 million, driven largely by losses in the accommodation, food services, healthcare, and social assistance sectors.

Hiring also declined by 261,000 to 5.204 million, while layoffs edged slightly lower by 7,000 to 1.604 million. Analysts noted that increased turnover in certain service industries could be tied to recent immigration enforcement actions. Citigroup economist Veronica Clark suggested that legal uncertainties facing immigrant workers may already be affecting employment trends, particularly in leisure and hospitality.

Despite these concerns, expectations for second-quarter GDP have been revised upward. Economists from institutions including Goldman Sachs, JPMorgan Chase, and the Atlanta Federal Reserve now project GDP growth of up to 2.9% for the April-June period, compared to an earlier estimate of 2.4%. This comes after trade had subtracted a historic 4.61 percentage points from GDP in the first quarter, when businesses accelerated imports in anticipation of rising tariffs.

Inventory data showed modest improvements, which could influence GDP calculations. Wholesale inventories rose 0.2% in June, while retail inventories increased by 0.3%, driven in part by a 0.9% rise in motor vehicle stocks. Excluding vehicles, retail inventories were flat.

While the headline GDP number may reflect a recovery, underlying conditions suggest an economy operating on a less stable footing. Comerica Bank Chief Economist Bill Adams described the second-quarter landscape as “uneven” and “wobbly,” noting persistent labor market challenges and cautious consumer sentiment.

The Conference Board reported that more Americans now view jobs as “hard to get,” the highest level recorded in over four years. This erosion in confidence was matched by a decline in consumers’ intentions to make major purchases such as homes and vehicles over the next six months.

Meanwhile, monetary policy remains steady. The Federal Reserve is widely expected to maintain its benchmark interest rate within the 4.25%-4.50% range following its latest meeting, despite ongoing calls from former President Donald Trump for lower rates. The Fed last cut interest rates in December 2024, marking the third reduction that year.

Price pressures also continue to influence business decisions. Procter & Gamble announced plans to raise prices on select products in response to ongoing tariffs, highlighting the lingering effects of trade policy uncertainty.

Looking ahead, the Labor Department’s upcoming jobs report is expected to show a gain of 110,000 nonfarm payrolls in July, with the unemployment rate ticking up to 4.2%. These figures will offer further insight into the labor market’s direction as policymakers, businesses, and consumers navigate a changing economic landscape.