



CIO expects US GDP growth to slow to 1.5% in 2025 (from 2.8% in 2024), and the Fed to cut interest rates by 100 basis points starting in September. (UBS)

Record drop in imports narrows US trade deficit

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The US trade deficit shrank sharply in April, falling to USD 61.6bn from USD 138.3bn in March—the biggest monthly decline on record. This was mainly due to a record 16% fall in imports, as companies cut back on shipments of goods like consumer products, vehicles, and equipment. Some of this drop likely reflects firms front-loading the import of extra goods in March to avoid new tariffs.

Meanwhile, exports rose 3% to a record USD 289.4bn, helped by higher shipments of industrial supplies and energy, as well as a weaker dollar.

Our view: Weak net exports weighed on economic growth in the first quarter, and the subsequent sharp narrowing in the trade deficit should in turn boost US GDP in the second half of 2025.

However, we see April's data as a one-off, mainly caused by tariff-related disruptions rather than a lasting change. Imports are unlikely to fall this much again, and slower global growth could limit further export gains. Overall, we expect US GDP growth to slow to 1.5% in 2025 (from 2.8% in 2024), and the Fed to cut interest rates by 100 basis points starting in September.

With the US dollar likely to weaken amid growing US fiscal concerns, we like using any near-term bouts of dollar strength to diversify into other major currencies, such as the yen, euro, British pound, and Australian dollar.

Original report - [Rare earths supply inspires a rare Trump-Xi call, 6 June 2025.](#)

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