

Q1 GDP is Negative as Imports Surge

The U.S. economy contracted for the first time since June 2022 as businesses and consumers braced for the impact of global tariffs. Inflation-adjusted GDP fell -0.3% in the first quarter of 2025, after rising +2.4% in the final quarter of 2024. Net exports (the trade deficit) subtracted nearly five percentage points as imports soared over 40%, while exports rose by just +1.8%. Because imported goods are not produced in the U.S., their value is subtracted from GDP.

The other major contributor to Q1 weakness was personal consumption expenditures (consumer spending). This component, which historically accounts for about two-thirds of U.S. economic growth, was up a lackluster +1.8% after a +4.0% increase in the previous quarter, adding just 1.2 percentage points to the overall number.

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