Q1 GDP is Negative as Imports Surge

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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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