

Budget deficit up 20% from July 2024

BY FATIMA HUSSEIN

THE ASSOCIATED PRESS

WASHINGTON>> The U.S. budget deficit in July climbed 20% this fiscal year compared to the last despite the U.S. taking in record income from President Donald Trump's tariffs, according to Treasury Department data released Tuesday.

The U.S. saw a 273% increase — or \$21 billion — in customs revenue in July over the same period last year, the data showed.

A Treasury official who spoke on the condition of anonymity to preview the data said overall increased spending is in part due to a mix of expenditures, including growing interest payments on the public debt and cost-of-living increases to Social Security payouts, among other costs. This comes as the federal government's gross national debt creeps up to the \$37 trillion mark.

Even as Trump talks about America becoming rich because of his import tax hikes, federal spending keeps outpacing the revenues collected by the government.

That financial picture might change as companies exhaust their pre-tariff inventories, forcing them to import more goods and generate even more in tax revenues that could whittle away at the deficit without meaningfully reducing it as promised.

If tariffs fail to deliver on Trump's pledge to improve the government's balance sheet, the American public could be faced with fewer job options, more inflationary pressures and higher interest rates on mortgages, auto loans and credit cards. The budget deficit is the annual gap between what the U.S. government raises in taxes and what it spends, over time feeding into the overall national debt.

While organizations like the Committee for a Responsible Federal Budget say that tariff income can be a stream of meaningful revenue — estimated to generate about \$1.3 trillion over the course of Trump's four-year term in office; some economists like Kent Smetters of the University of Pennsylvania's Penn Wharton Budget Model say tariffs are likely to result "in only modest reductions in federal debt."

In June, the Congressional Budget Office estimated that Trump's sweeping tariff plan would cut deficits by \$2.8 trillion over a 10-year period while shrinking the economy, raising the inflation rate and reducing the purchasing power of households overall.

But revenue estimates are also difficult to predict as the president has changed his tariff rates repeatedly and the taxes declared as part of an economic emergency are currently under appeal in a U.S. court.

A Treasury official did not respond to an Associated Press request for comment on when the U.S. could begin to see tariff revenue start to put a dent in the deficit.

Treasury Secretary Scott Bessent said last month on Fox Business Network's "Mornings with Maria" that the administration is "laser-focused on bringing this deficit down." The Trump administration expects to make more trade deals with other nations, including China and other major economies.

For instance, on Monday, Trump extended a trade truce with China for another 90 days, which preserves the 30% tariffs he had imposed as a condition for negotiations. The previous deadline was set to expire at 12:01 a.m. Tuesday.

Trump posted on his Truth Social platform that he signed the executive order for the extension, and that "all other elements of the Agreement will remain the same." Beijing, at the same time, also announced the extension of the tariff pause, according to the Ministry of Commerce.