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Economics Group

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May Trade Deficit Widens as Imports Rise More Than Exports

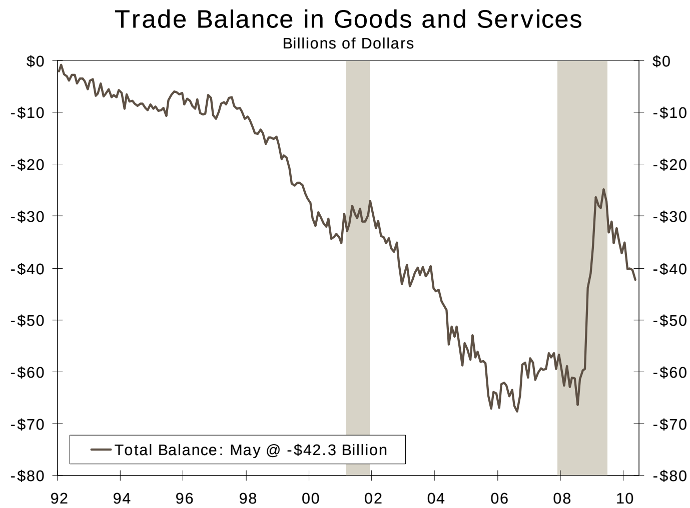
The trade deficit widened in May to $42.3 billion from $40.3 billion in April. The report reflected broad-based strength in exports. The real deficit, the highest since January 2009, will weigh on Q2 GDP growth.

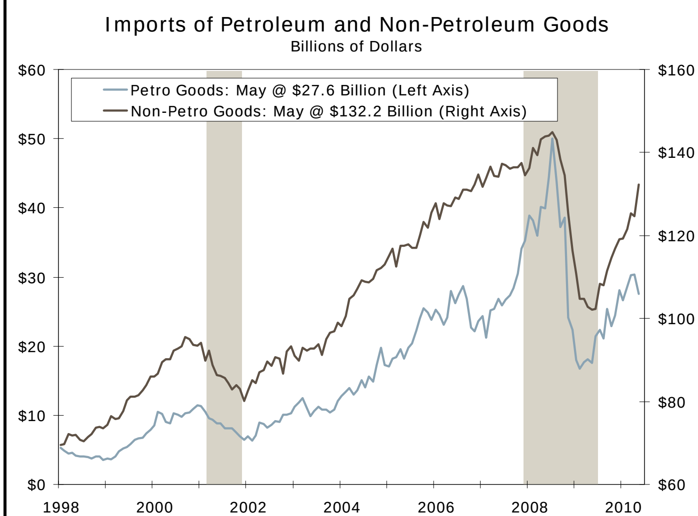
The Trade Deficit Widened, Exports Strength Broad

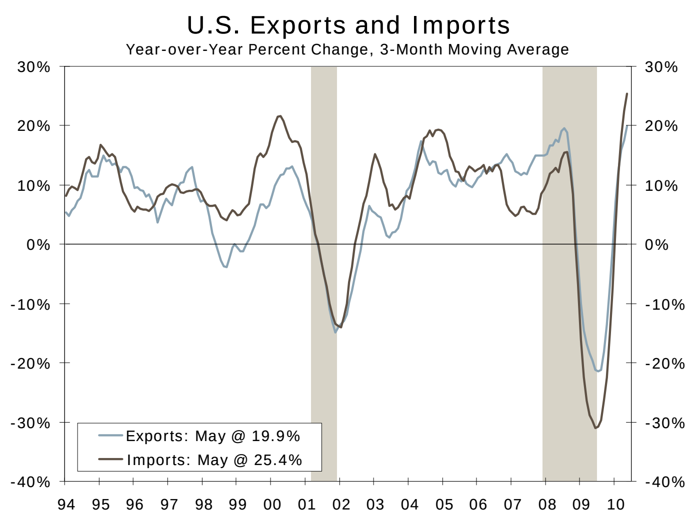
- The trade deficit widened in May as exports rose 2.4 percent on the month, while imports rose 2.9 percent. The strength in exports was broad-based as only food, feeds and beverages saw a decline, while industrial supplies, capital goods and consumer goods all saw increases.
- Capital goods export growth was led by industrial machines and medicinal equipment, and consumer goods by jewelry.

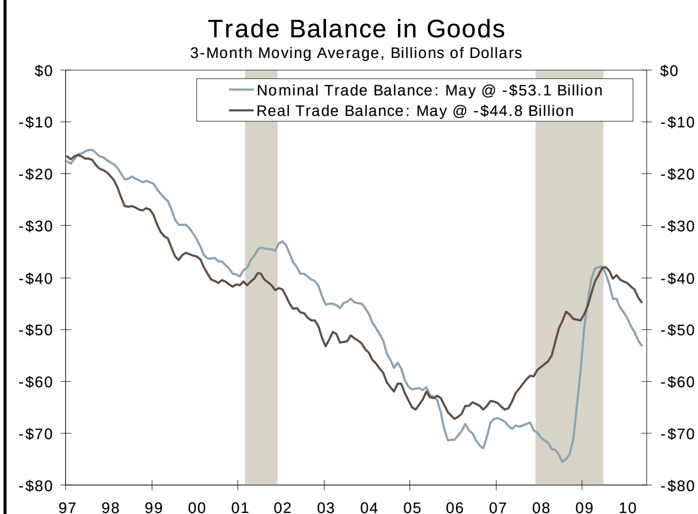
Strength in Imports of Consumer and Capital Goods

- Capital goods import growth was driven by computers, while consumer goods were driven by pharmaceuticals, likely a payback from the large drop seen in April. Notably, oil imports plunged $2.2 billion as the U.S. economy softened in May.
- Exports in May were the highest since before the Lehman collapse. However, the real deficit widened, which could shave roughly 1.0 percentage point from Q2 GDP growth.









Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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