



Economics Group

Jay H. Bryson, Global Economist
jay.bryson@wellsfargo.com • 704-383-3518
 Ed Kashmarek, Economist
ed.kashmarek@wellsfargo.com • 612-667-0479

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

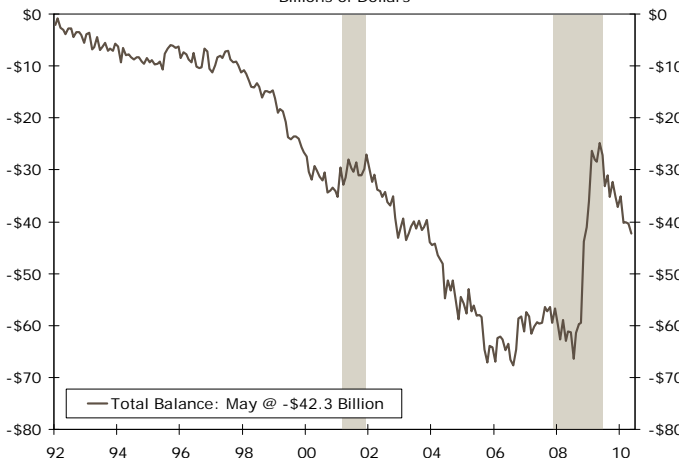
- The trade deficit widened in May as exports rose 2.4 percent on the month, while imports rose 2.9 percent. The strength in exports was broad-based as only food, feeds and beverages saw a decline, while industrial supplies, capital goods and consumer goods all saw increases.
- Capital goods export growth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

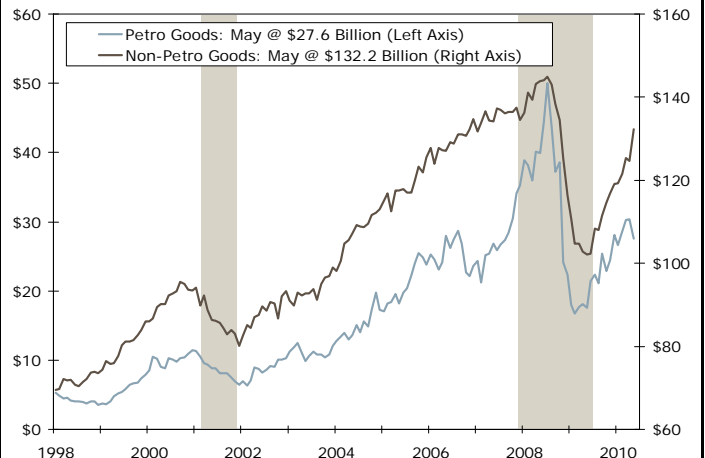
Trade Balance in Goods and Services

Billions of Dollars



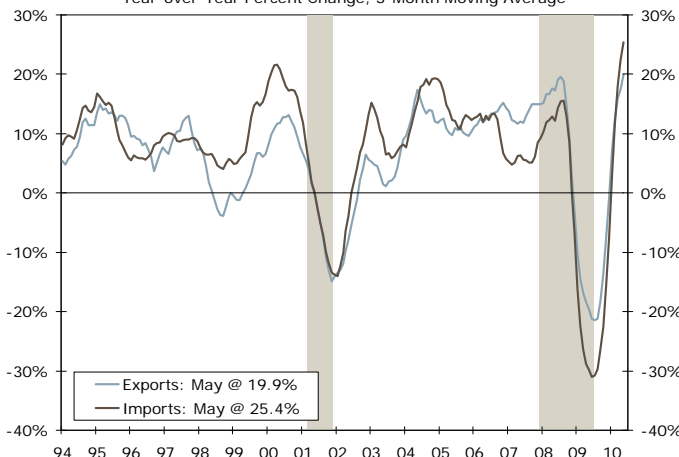
Imports of Petroleum and Non-Petroleum Goods

Billions of Dollars



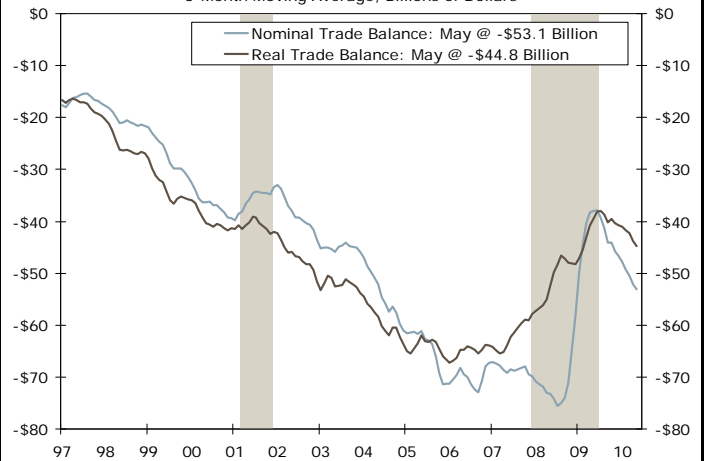
U.S. Exports and Imports

Year-over-Year Percent Change, 3-Month Moving Average



Trade Balance in Goods

3-Month Moving Average, Billions of Dollars



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667-0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wellsfargo.com

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