

## Economics Group

Eugenio J. Aleman, Senior Economist  
[eugenio.j.aleman@wellsfargo.com](mailto:eugenio.j.aleman@wellsfargo.com) • (704) 715-0314

# Trade Balance Shows Surprise Increase in Exports

*Exports of goods posted a surprisingly large increase in June, and it was not due to an increase in agricultural and food prices. Imports, on the other hand, performed as expected.*

### Exports Increased by 0.9 percent in June

U.S. exports of goods and services increased by 0.9 percent in June compared to the previous month, with a strong performance in exports of goods, which increased by \$1.8 billion. Meanwhile, exports of services dropped by \$0.2 billion. The increase in exports of goods was almost across the board, with a \$0.9 billion gain in consumer goods, \$0.7 billion increase in automotive vehicles, parts and engines, \$0.6 billion rise in industrial supplies and materials and \$0.2 billion increase in both other goods and capital goods. The only segment that showed a negative performance during the month was a decrease of \$0.8 billion in foods, feeds and beverages. Exports of agricultural and food products has still not benefited from the surge in agricultural and food prices that has occurred over the past several months due to the drought in the United States. We should expect this segment to post advances in the months to come.

What was most surprising was that June's exports of goods were also very strong compared to the same month the previous year. This would point to a world economy that is stronger today than what it was a year ago, which would suggest that this result is probably going to be revised downward in the future. However, overall economic conditions do not show much support for strength.

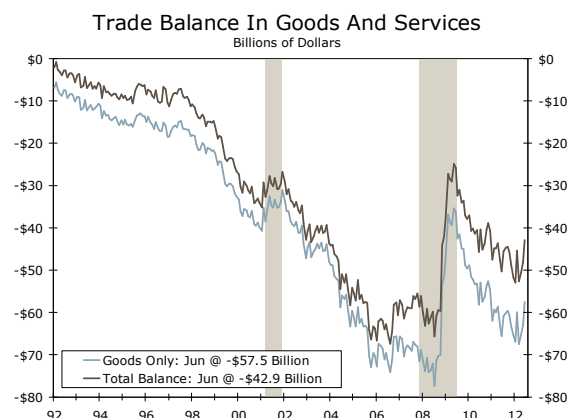
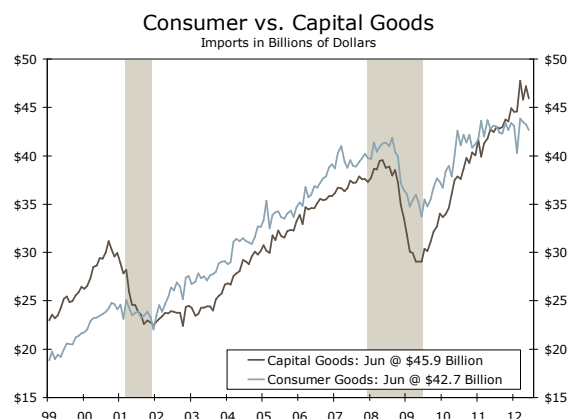
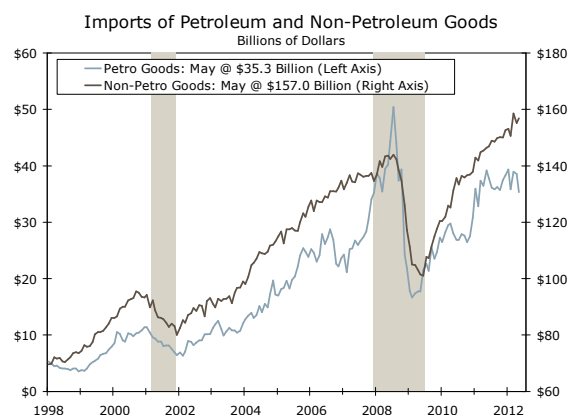
### Imports Come in According to Plan

As expected, total imports came down 1.5 percent in June compared to May. Imports of goods dropped a whopping \$3.6 billion while imports of services declined another \$0.1 billion. Industrial supplies and materials dropped the most, \$2.3 billion, capital goods down \$1.3 billion, consumer goods by \$0.6 billion and foods, feeds and beverages another \$0.2 billion. Increases were seen in imports of automotive vehicles, parts and engines, whose value increased \$0.6 billion, while other goods increased \$0.1 billion. Most of the decrease in imports was due to the decrease in oil prices.

### Trade Balance Improvement to Benefit Second Quarter GDP

June's strong drop in the trade balance, from \$48.0 billion in May to \$42.9 billion, by itself, would add about 0.1 percentage point to the initial 1.5 percent print. While this addition to GDP is very small, the U.S. economy can use all the help it can get, and this is certainly good news for the second quarter GDP results.

However, the decrease in imports is also showing, despite the strong decrease in petroleum imports, that the U.S. economy remains weak. On the positive side, the strong performance of capital goods and automotive vehicles and parts exports in June compared to last year could be an indication that the U.S. manufacturing sector may be hanging in there.



## 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
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Senior Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com
Peg Gavin	Executive Assistant	(704) 383-9613	peg.gavin@wellsfargo.com
Cyndi Flowe	Administrative Assistant	(704) 715-3985	cyndi.h.flowe@wellsfargo.com

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