

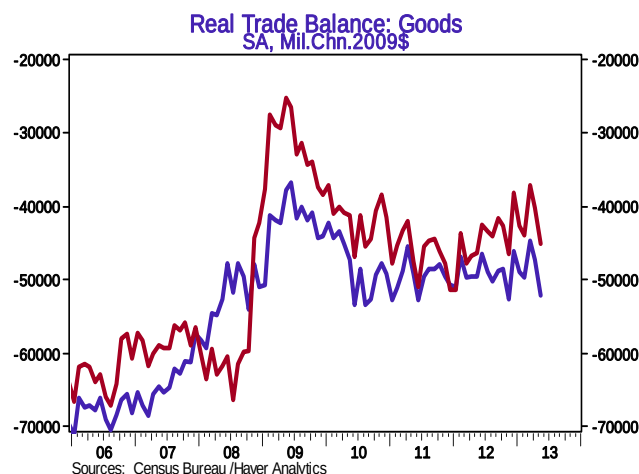
May International Trade

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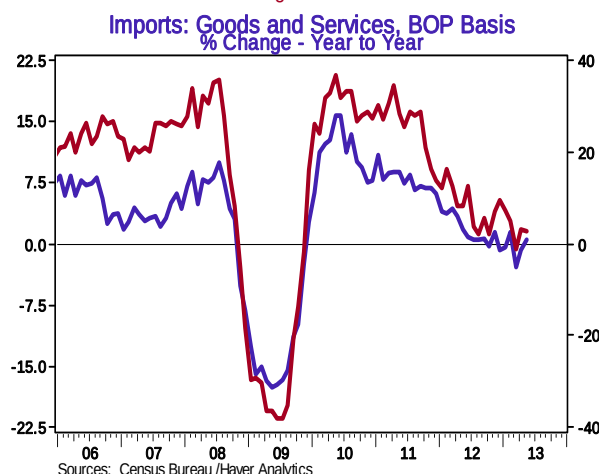
- The trade deficit in goods and services came in at \$45.0 billion in May, much larger than the consensus expected \$40.1 billion.
- Exports declined \$0.5 billion in May, with a drop in gold and jewelry offsetting a gain in aircraft. Imports increased \$4.4 billion, led by consumer goods (such as cell phones), oil, and autos.
- In the last year, exports are up 1.5% while imports are up 0.7%. Petroleum imports are down 11.2% from a year ago, while non-petroleum imports are up 2.6%.
- The monthly trade deficit is \$1.2 billion smaller than a year ago. Adjusted for inflation, the trade deficit in goods is \$2.8 billion larger than a year ago. This is the trade indicator most important for measuring real GDP.

Implications: The trade deficit widened much more than expected in May, riding a broad range of higher imports. The gain in imports underscores the resilience of US purchasing power, for both consumers and businesses. As a result, the total volume of US trade with the rest of the world – imports plus exports – is up 1.1% from a year ago. The problem is on the export side, where some relative weakness abroad is impeding sales. Exports to the European Union are down 1.6% from a year ago, while sales to the Pacific Rim (particularly, Australia, China, and Korea) are down 1.3%, and sales to South/Central America are down 3.3%. The trade sector now looks to be a drag of almost one full percentage point on the growth rate of real GDP in Q2. As a result, we now anticipate real GDP grew at about a 2% annual rate in the quarter. (This estimate may change over the next couple of weeks as we get more data on retail sales, inventories, inflation, and industrial production.) In other news this morning, the ADP employment index shows private payrolls were up 188,000 in June. Meanwhile, the Labor Department reported that initial claims for unemployment benefits declined 5,000 last week to 343,000; continuing claims for regular state benefits dropped 54,000 to 2.93 million, very close to a new cycle low. Plugging these figures into our payroll models suggests Friday's official report will show a gain of 175,000 nonfarm, 180,000 private. The unemployment rate should remain at 7.6%. More Plow Horse.

Trade Balance: Goods and Services, BOP Basis
SA, Mil.\$



Exports: Goods and Services, BOP Basis
% Change - Year to Year



International Trade	May-13	Apr-13	Mar-13	3-Mo	6-Mo	Year-Ago
All Data Seasonally Adjusted, \$billions	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-45.0	-40.1	-37.1	-40.8	-41.2	-46.2
Exports	187.1	187.6	185.2	186.6	187.1	184.2
Imports	232.1	227.7	222.3	227.4	228.2	230.5
Petroleum Imports	30.9	29.6	30.1	30.2	31.2	34.9
Real Goods Trade Balance	-52.3	-47.4	-44.6	-48.1	-48.2	-49.5

Source: Bureau of the Census